Assessing the drivers of growth for small business in Gauteng

Manoj Bhoola

A research report submitted to the Faculty of Commerce, Law and Management, University of the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of Business Administration

Johannesburg, June 2013

ABSTRACT

Micro and small business development has been highlighted as a key area to drive the South African economy forward. The need to encourage micro and small businesses is essential in curbing South Africa's high unemployment rate. Micro and small businesses can offer individuals an opportunity to become economically independent while at the same time contributing to the South African economy.

Johannesburg is the capital of Gauteng, the wealthiest province in South Africa. It is widely recognized as the heartbeat of the South African economy and is a key location in ascertaining the factors required for all types of businesses to develop. The city provides a platform for existing entrepreneurs to grow their businesses and new entrants to enter the market, due to the volume of trade that is conducted in this geographic area on a daily basis.

This research report seeks to identify some of the factors required for micro and small business growth in Johannesburg,

The research methodology used for this study was qualitative analysis, in order to identify the factors required for micro and small business growth in Johannesburg. The data was collected by interviewing business owners in the micro and small business sectors. A significant finding was that there are certain factors responsible for micro and small business growth. These factors are used in different combinations to achieve the business' desired outcomes.

DECLARATION

I, Manoj Bhoola, declare that this research report is my own work, except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Manoj Bhoola

Signed at ……………………………………………………

On the …………………………….. day of ………………………… 2013

DEDICATION

To my wife and parents

ACKNOWLEDGEMENTS

I would like to thank Dr Thabo Mosala, my supervisor. Your encouragement and guidance has helped me to achieve my goal. I could not have achieved this without your help.

I would also like to thank my wife, my mum and my in-laws for their support. Thank you to Mr C. Thomas for your assistance and motivation. A further thank you goes to Jenny Croll for all the advice and help that you gave me.

In closing I would like to thank God for giving me the strength to complete this endeavour.

TABLE OF CONTENTS

LIST OF TABLES

1. CHAPTER 1: INTRODUCTION

1.1 Purpose of the study

The purpose of this research is to assess the factors that play a crucial part in ensuring the growth of micro and small businesses within the context of Johannesburg.

'A dynamic small business sector can make an important contribution, not only in employment creation but also in lessening concentration in South Africa's generally oligopolistic industrial structure. However for the small business sector to make a meaningful contribution to the economy it needs to be integrated into the mainstream. This is going to require a concerted effort both from government and the formal sector' (Luiz 2011).

1.2 Context of the study

Micro and small business development has begun to be viewed as an engine of growth by scholars, policy-makers and members of the development community. These micro and small businesses are seen as crucial to "redistribution with growth", according to the World Bank (McPherson, 1996), while high unemployment in South Africa is seen as having effects on economic welfare, production, erosion of human capital, social exclusion, crime and social instability (Kingdon & Knight, 2004)

South Africa is faces a high rate of unemployment. This is as a result of the poor global economic outlook, as well as internal structural economic weaknesses. If South Africa aims to address this unemployment crisis, it needs to look at developing the conditions for micro and small businesses to grow. This will aid in reducing the current rate of unemployment as well as help the economy to grow.

Micro and small businesses provide a large percentage of employment in both developed and emerging markets, as well as contributing significantly to the economy, therefore identifying the factors that are necessary for growing micro and small businesses is crucial in fostering an environment in which business development can take place.

Johannesburg is considered the economic hub of Africa due to the level of economic activity that takes place within this geographic area on a daily basis. It is the economic capital of Africa. This research focuses on the factors required for micro and small business growth and will be conducted within the geographic area of Johannesburg due to the economic importance of this area to South Africa.

This study aims to assess the factors of micro and small business growth in Johannesburg, within various sectors of the economy.

Small, medium and micro-enterprise (SMME) development was identified by the new government as a priority in creating jobs to solve the high unemployment rate in South Africa (Nieman 2001).

1.3 Problem statement

1.3.1 Main problem

What are the factors required for micro and small business growth in Johannesburg?

1.4 Significance of the study

The study fills a gap in that it will add value to prospective entrepreneurs hoping to enter the small business environment by providing them with a list of factors to identify in order to ensure that their business will grow.

1.5 Delimitations of the study

- The research will be qualitative in nature and does not include any quantitative analysis.
- The study will be limited to small businesses within Gauteng.
- The study will be based on a sample of small business owners within different sectors in the small business environment.

1.6 Definition of terms

The definition of the terms used is as follows:

i. “Small business”: The National Small Business Act (Republic of South Africa, 1996) defines a small business as “a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any , is predominantly carried on in a sector or sub-sector of the economy and which can be classified as a very small, a small, a micro- or a medium enterprise.”

ii. “Growth”: (Advanced Currency markets (ACM) Trading Services, 2010) defines growth as follows “An investment style that looks for stocks with strong earnings and/or revenue growth or growth potential” or “An economic expansion as measured by any number of indicators, such as Gross Domestic Product (GDP).”

1.7 Assumptions

The following assumptions will be made:

- The respondents in the survey will have sufficient knowledge about small business enterprises.
- The respondents will have worked in the small business environment for at least three years.

CHAPTER 2: LITERATURE REVIEW

2.1. Introduction

The literature reviewed in this chapter will be used to support the theory of the research problem. This will be done by examining the theory related to the factors required for micro and small business growth in Johannesburg.

2.2. Micro and small business

According to Luiz (2011), it is essential to identify the policies that retard the growth of small business development.

The management systems used in a small business are sometimes particular to small businesses and bear no resemblance to systems in larger businesses, thus it is important that the factors essential to small business success are recognized (Coy, Shipley, Omer, & Khan, 2007; Jennings & Beaver, 1997). It is also crucial to identify the success factors for small businesses from varying socio-cultural environments, as not all socio-cultural environments are the same (Coy, et al., 2007).

According to (Lussier & Pfeifer, 2001), small business success could be defined by their ability to survive and stay in business. Some authors measure business success by market share, sales growth, profitability and cash flow (Rajeswararao Chaganti & Chaganti, 1983). These measures seem more appropriate for large businesses and might not be applicable to small and medium enterprises (SME) (Coy, et al., 2007).

The key factors to business success are commitment to service and quality, dedication, hard work, growth potential, innovation, emphasis on quality and operating efficiency (Larson, 1987).

Another instrument which divided success factors into three categories: personal factors, managerial factors and product, market and company factors. The last category can also be combined into internal and external factors (Luk, 1996). Coy, et al. (2007) states that personal factors to consider, include analytical skills, decision-making skills, persistence in achieving goals, level of education, relevance of education, relevance of work experience, interpersonal skills, communication skills, willingness to work hard and long hours, willingness and ability to withstand stress, maintaining business connections and support from family.

In the study focused on small businesses in Pakistan, it was found that the majority of the start-ups are service-oriented, while inherited businesses are generally wholesalers (Coy, et al., 2007). The study also found that the respondents chose to become small business owners because of the degree of independence it provided from a corporate environment and because they liked the type of business. It was not an escape from unemployment. The study also identified the factors Pakistani business people believed contributed to their success, those being hard work, outstanding service, product quality, attention to customer needs, communication skills, interpersonal skills and business connections. College graduates considered market / product research vital while other business people did not. The study also found that the business people interviewed rated higher education lower than most of the other factors in the survey (Coy, et al., 2007).

A study conducted in Turkey around success factors for entrepreneurs indicated that Turkey’s complex tax structure presented a problem to entrepreneurs. It was also discovered that unreliable employees, the inability to maintain good records and a weak economy were some of the other major problems faced by entrepreneurs in Turkey (Benzing, Chu, & Kara, 2009).

There is a positive correlation between economic growth and entrepreneurship (Acs, Audretsch, Braunerhjelm, & Carlsson, 2003).

Employment creation and economic development are directly related to entrepreneurship (Benzing, et al., 2009).

Some of the major problems facing SME's in Nigeria are problems relating to finance, low sales, low profitability, high costs of doing business and labour market barriers (Olutunla & Obamuyi, 2008).

It was established that the growth of businesses in Ghana were positively related to businesses encountering barriers and limitations. A higher level of growth also results in businesses experiencing barriers with regard to the high cost of raw materials, difficulty in finding appropriate equipment and the poor quality of local raw materials. According to this study, businesses in Ghana found that the three greatest problems experienced by them were a high rate of inflation, interest rates being too high and a high rate of depreciation of the Cedi (Ghanaian currency) (P. J. Robson & Obeng, 2008).

A study conducted on small firm growers and non-growers in New Zealand by Hansen and Hamilton (2011) indicated that four factors were key in ensuring small firm growth. These are opportunistic perceptions of the external environment, controlled ambition of the owner-manager to grow, a business culture of innovation and flexibility and the use of extensive private business networks, including portfolio entrepreneurship.

A lack of financing, lack of management skills, market challenges, regulatory issues and the infrastructure of a country affect small business growth (Zehir, Acar, & Tanriverdi, 2006). However it should be noted that regional differences mean that the impact of these different barriers to small business growth varies in the different countries, as the impact is not the same (Gill & Biger, 2012).

Business development and business growth is linked to regional differences in entrepreneurship, regional economic growth, regional entrepreneurial activities and small business development in China (Yang & Xu, 2006).

Market challenges, lack of financing and regulatory issues were identified as the most significant barriers to small business growth in Canada (Gill & Biger, 2012).

The key factors that distinguished growers from non-growers are opportunistic perceptions of the external environment, the controlled ambition of the owner-managers to grow, a business culture of innovation and flexibility and the use of extensive private business networks (Hansen & Hamilton, 2011).

Measuring growth by the number of new employees gained can be problematic due to outsourcing and capital intensity (Hansen & Hamilton, 2011).

Micro and small enterprise (MSE) growth tends to generate a greater share of employment growth in developing countries than in developed countries (Tybout, 2000). MSE's are responsible for creating nearly double the level of employment that registered, large-scale enterprises and the public sector create in the African countries surveyed (Mead & Liedholm, 1998).

It should also be noted that the rate of failure of small business in developing countries is much higher than in developed countries (Okpara, 2011).

According to Luiz (2011), the capital controls that were regulated during the Apartheid era had made it very difficult for South African companies to invest overseas and the result of this was vertical and horizontal integration by South African companies, the result of which was an oligopolistic economy.

Okpara (2011) also notes that the issues surrounding the problems of survival and growth of SME's in Africa can be classified into the following four categories:

1. Administrative
2. Operating
3. Strategic and
4. Exogenous problems

Mbonyane and Ladzani (2011) states that research into the small business sphere has been inadequate and insufficient thus hampering the sector.

The factors that hinder growth include a lack of awareness of government initiatives, poor financial management, overtrading, crime, poor credit records, a lack of management expertise, poor infrastructure, a lack of information and poor access to information technology (Mbonyane & Ladzani, 2011).

Prior research fits a model for small business growth. Researchers need to analyse the relationships between constructs and small business growth. Relationships across perspectives also need to be investigated. This needs to be tied into different levels of analysis (Wiklund, Patzelt, & Shepherd, 2009).

Dobbs and Hamilton (2007) state that the current knowledge base does not adequately explain the growth of small businesses. The most cited benefit of small business growth is the role that it plays in job creation (Dobbs & Hamilton, 2007). It is also pointed out that a small business's past growth cannot be used to predict future growth.

The emphasis needs to be placed on what causes growth rather than on what the business's ability to adapt to growth is. Four categories of growth are identified: they are, namely, management strategies, characteristics of the entrepreneur, industry/environmental factors and the characteristics of the firm. Growth of small businesses can be measured by means of "sales turnover" and "employment" (Dobbs & Hamilton, 2007).

Enterprise growth can be measured by means of growth of sales or profits; alternatively it might be a labour-based measure (McPherson, 1996).

There are four drivers of small business growth, namely the owner's growth motivation, expertise in managing growth, resource access and demand. Demand can be influenced by the product sector, competitive dynamics, transferable primary skills, innovation, active risk taker, societal and other "outer" factors, employees, network of contacts, desire to succeed and family, "investing" friends (Perren, 1999).

Firms go sequentially through a series of growth stages. Even though firms change, it is not in any prescribed sequence (Birley & Westhead, 2006).

2.2.1 Access to finance

Luiz (2011) also states that a major issue for small businesses is the shortage of capital and how it affects the ability of a business to invest in particular assets.

The administrative constraints focus on the structure of the business and its ability to obtain the relevant resources. Another constraint according to Okpara (2011) was the inability to raise the required capital when needed to support ongoing activities. It was also suggested that the Grameen Bank type model be used to counteract the problem of collateral and lending issues that plague small businesses (Okpara, 2011).

Small business owners cannot access finance from financial institutions as they are not trusted by them due to their lack of a track record and lack of budgeting. Mbonyane and Ladzani (2011) also pointed out that there is a lack of technology available to small businesses and a lack of funds to invest in the latest information technology.

Financial resources are critical in forming the primary base upon which other inputs are acquired. However, it should be noted that the high level of uncertainty of small businesses means that it is difficult for lenders to assess the risk of investment (Dobbs & Hamilton, 2007). McPherson (1996) also argues that capital constrains the growth prospects. The unavailability of credit for business owners in Pakistan is a hindrance to the growth of SME's (Coy, et al., 2007).

In a study conducted in Nigeria it was discovered that bank loans are positively related to a firm's profitability (Olutunla & Obamuyi, 2008). Therefore easier access to credit leads to higher profits and business growth. This study also indicates that as firms grow larger in size, they are expected to garner more profits as larger firms find it easier to get finance from banks for expansion. Thus it is imperative that firms obtain credit in order to sustain and grow the business.

The supply of loan collateral affects the rate of new firm formation as it affects the number of potential entrepreneurs who are constrained by a lack of capital (M. T. Robson, 1996).

Credit restrictions and a shortage of capital limit the likelihood of growth in new firms, thus reducing their chances of survival (Xu, 1998). Businesses that start without sufficient capital have a greater chance of failure (Lussier & Halabí, 2008).

2.2.2 Exogenous factors and location

Another key problem in the South African context is the lack of demand, which the government has sought to address through its procurement strategy. “Big business” can provide a steady source of demand for SMMEs. Luiz (2011) however found that outsourcing to SMMEs in South Africa is still in its infancy.

Strategic constraints mainly deal with the ability of the small business to ensure that their product or service corresponds to the needs in the market. The exogenous constraints are of particular importance, these being infrastructure issues, corruption, technology and demand conditions (Okpara, 2011).

Corruption affects people in all occupations including small businesses; often these unethical activities enable those in position of power, control and influence to make illegal money. Findings also indicated that corruption was negatively associated with small business failure in Nigeria (Okpara, 2011).

There is a connection between small business growth and their entrepreneurial activities. Wiklund, et al., (2009) also state that the environment is essential in creating opportunities for growth for such firms. However, it should be noted that the level of growth of small firms is dependent on the industry growth (Wiklund, et al., 2009).

According to Wiklund, et al., (2009), a strategic fit between the organisation and the environment needs to be achieved. Dobbs and Hamilton (2007) also state that the environment within which a firm operates is more critical than the internal decisions of the firm.

A firm’s proximity to demand and competition affects its profitability. Firms located in urban areas grow faster than firms in rural areas (McPherson, 1996). A firm’s location has the possibility of having a positive effect on its growth (Gartner & Bhat, 2000).

Businesses in Turkey pay a high overall tax rate which leads to a drag on the economy and high payroll taxes. This, in turn, leads to informal hiring practices to avoid the high payroll taxes. Thus the taxation procedures in a country can hamper business growth if the tax rates are high and the compliance procedures are onerous. It was found that high-income countries tend to have lower tax rates and a less complicated tax system, thus decreasing the tax burden on businesses and improving their chances of growing the business (Benzing, et al., 2009).

Turkish entrepreneurs also believed the uncertain political and economic environment to be an obstacle to achieving their business goals (Benzing, et al., 2009). Thus economic growth and political stability are exogenous factors that are important in driving business growth. This was highlighted by a study conducted in Kenya and Ghana that stated that "a weak economy" was ranked as the most serious problem by small business owners (Chu, Benzing, & McGee, 2007).

2.2.3 Enterprise support structures

The South African government has also sought to address the inadequacies of demand, scale, skill, and marketing initiatives through the creation of assistance programmes to try and provide support. A good example of this is the Ntsika Enterprise Promotion Agency which seeks to address the issues of access to markets, training, technology, information, counselling and infrastructure (Luiz, 2011).

Okpara (2011) points out that strategy for poverty alleviation needs to include support, encouragement and promotion. The South African government needs to intensify information campaigns of their support services and encourage small businesses to join these support organisations (Mbonyane & Ladzani, 2011).

According to Mbonyane and Ladzani (2011), the low growth rate of small businesses is partly due to the lack of support offered to these enterprises. The

South African government needs to provide support mechanisms for business registration as this will contribute to small businesses achieving their goals.

Another problem relating to small businesses is that owners lack information regarding the registration process, according to Mbonyane and Ladzani (2011). Information needs to be more readily available regarding the support mechanisms to help small business.

Mbonyane and Ladzani (2011) argue that government does not have sufficient support mechanisms to ensure small business owner training to run a successful business. The training of entrepreneurs in South Africa is still rather fragmented and most probably in the hands of too many role players (Nieman, 2001). However, consultants and policy makers can assist business owners in developing efficient learning practices (Unger, Keith, Hilling, Gielnik, & Frese, 2009).

Pakistan has established the Small and Medium Enterprise Development Authority (SMEDA) to develop the managerial skills necessary to run a SME. SMEDA has also been directed with the responsibility of providing technical support and information that would benefit SME's (Coy, et al., 2007).

Inflation can also be an exogenous factor that either drives growth or hinders growth. An increase in the inflation rate may lead to expectations of a reduction in macroeconomic policy, thus leading to a decline in business confidence. It was also indicated that the rate of growth of real GDP was positively related to new business formation (M. T. Robson, 1996). It should also be noted that as the levels of home ownership increase and the prices of homes increase so to do the number of start-ups as the business founders are able to use these homes as collateral to raise the necessary finance.

2.2.4 Management skills/strategy and characteristics of the entrepreneur

Okpara (2011) notes that constraints that are hindering small business growth in Nigeria include a lack of financial support, poor management, corruption, lack of training and experience, poor infrastructure, insufficient profits and a low demand for products or services. Operating constraints involve the efficient use and allocation of resources in the functional areas of the business. Examples of these include marketing, operations and inventory management. Poor record keeping and a lack of basic business management skills are key contributors to small business failure in Africa. Other factors that contribute to small business failure include poor bookkeeping, inexperience in the field of business and the lack of technical knowledge, poor managerial skills, lack of planning and lack of market research. It was also demonstrated in this study that most business owners do not have management experience and adequate skills to operate a business (Okpara, 2011). Mbonyane and Ladzani (2011) also state that small businesses need to keep records and draw up a financial plan for the future. Small businesses do not know how to use the correct mark-ups when responding to overtrading because they do not know how to play with the pricing (Mbonyane & Ladzani, 2011). Small businesses in the townships do not know how pricing should be determined. Future growth will depend on the quality of its management (Dobbs & Hamilton, 2007).

It is also stated that a resource-based view of strategy is essential in the utilization of a firm's resources to achieve a competitive advantage (Wiklund, et al., 2009). The firm's ability to attract and retain employees that are skilled and capable will also affect its ability to maintain a growth-oriented strategy (Dobbs & Hamilton, 2007). Differentiation is a key for businesses aiming at high growth.

Wiklund, et al., (2009) also emphasise the importance of acknowledging the role that small business manager's attitudes play in setting limits to the growth of the business. This is highlighted by the commitment of the firm's manager to achieving growth, factors like the owners desire to maintain control as well as family and lifestyle factors can impact on the commercial goals of the enterprise (Dobbs & Hamilton, 2007). They state that the influence of an entrepreneur on a small business has a major impact on the growth of the enterprise. They also cite the owner's motivation for starting a business as having a profound impact on the growth of a business, they suggest that businesses that have been set up to exploit an opportunity are more successful than businesses that are created by factors such as unemployment. According to Perren (1999), the owner's growth motivation is driven by the desire to succeed, the desire to be one's own boss, being an active risk taker, having family and friends that are active investors and competitive dynamics.

It is argued that an entrepreneur's level of education and past experience is of crucial importance to the performance and growth of the firm. A person's innate skill are said to be enhanced by education. Higher education acts as a motivation for business managers to strive towards higher earnings (Dobbs & Hamilton, 2007).

Entrepreneurs with prior experience have a distinct advantage over novices, they are said to more likely avoid costly mistakes (Dobbs & Hamilton, 2007).

Larger founding teams of business have an advantage in that they can pool their talent and resources. Firms learn as their size increases and it has been noted that firms should invest gradually in their new venture (Dobbs & Hamilton, 2007).

Another factor that is of vital importance is the socio-economic background of the entrepreneur as this will determine their ability and level of aggression (McPherson, 1996).

According to Unger, et al. (2009), it is vital the owners harness the ability to learn. The responsibility of acquiring expertise and business growth remains the responsibility of the owners, and this includes involvement in quality learning activities. Unger, et al. (2009) argues that if long run business success is in part determined by entrepreneurial knowledge and the owners learning ability, then credit providers and venture capitalists may use this to assess business' predicted future success.

An Italian study found that a "jack-of-all-trades" attitude had a significant impact on the likelihood of individuals being entrepreneurs (Silva, 2007).

Smaller firms can improve their chances of competing with big firms by adopting a differentiated strategy, that is, by offering differentiated products in niche markets that are too small to provide economies of scale (Chaston, 2009).

Firms that encouraged innovation and flexibility in their culture were proven to be growing firms, unlike firms that did not incorporate these traits into their culture (Hansen & Hamilton, 2011).

Businesses run by people without prior industry and management experience have a greater chance of failure than businesses run by people with prior industry and management experience. Business planning as well as having parents who owned a business also reduces the risk of business failure (Lussier & Halabí, 2008). Better management is also essential for improved productivity. Thus rudimentary management training has been proven to improve business practices (Bruhn, Karlan, & Schoar, 2010).

2.2.5 Education, training and experience

Control trials in which management training or consulting services was provided for businesses in Latin America, indicated that basic management training improved the way the businesses were run. This indicated that business owners in developing countries needed to improve their knowledge of management practices as they knew little about these practices. Results from the rudimentary training of entrepreneurs by this control study indicated that there were different degrees of success relating to this training among the different entrepreneurs. However, it was still established that entrepreneurs in developing countries can greatly benefit from learning management techniques (Drexler, Fischer, & Schoar, 2010).

In Pakistan, government has come to the conclusion that a well-educated workforce is a critical driver of economic growth and business development. To this effect, the government has decided to make the educational system more relevant and meaningful, thus emphasising the need for a knowledge-based society for SME's to thrive (Coy, et al., 2007).

A study conducted on small businesses in Chile by Lussier and Halabi (2008) indicated that business owners without a college education were more likely to fail than those with one or more years of college. Education plays a key role in ensuring the survival of firms as it improves post-entry performance (Bates, 1990). The ability of small firms to grow has been linked to their ability to incorporate the learning and knowledge necessary for their next growth phase (Phelps, Adams, & Bessant, 2007).

As developing countries have a lower level of education, it is often found that a significant proportion of MSE's are survival-oriented MSE's as there are a lack of job opportunities in these countries and the owners of these MSE's lack the educational background to seize the employment opportunities that are available. It was also discovered that MSE's with more highly educated owners are more likely to grow their businesses faster (Nichter & Goldmark, 2009).

Small business owners more often than not learn on the job. This results in the direct acquisition of skills and knowledge and the expanding of social networks (Nichter & Goldmark, 2009).

2.2.6 Motivations of entrepreneurs and the culture of the business

North American entrepreneurs' motivation can be divided into four categories: 1) extrinsic rewards, 2) independence/autonomy, 3) intrinsic rewards and 4) family security. Extrinsic rewards would relate to the material wealth accumulated whereas intrinsic rewards would relate to personal development and a sense of achievement (Robichaud, McGraw, & Roger, 2001).

The key motivational drivers of entrepreneurs were challenge and achievement, as opposed to necessity and security (Swierczek & Thai, 2003).

It has been shown that entrepreneurs in Ho Chi Minh City were driven to start a business for personal satisfaction and growth, while entrepreneurs in Hanoi were driven to create a job for themselves and family members (Benzing, Chu, & Callanan, 2005).

It was established that in Turkey, the primary motivations for starting a business are to increase income and to obtain job security. If income potential is a key driver, then increasing the profitability of the business through growth would encourage the development of more SME's (Benzing, et al., 2009).

If the motivation to start and grow a new firm stems from the need to develop innovative projects as opposed to having a "defensive " motivation such as survival, then the post-entry performance is expected to be better (Santarelli & Vivarelli, 2007).

The manner in which opportunities are exploited to increase sales are connected to the way owners perceive the external environment. Growers tended to have an opportunistic and proactive perspective with regards to the external environment while owners of non-growing firms were pessimistic and reactive. This led growth firms to identify and seize the opportunities that were available in the environment. According to this study, manufacturers indicated the need to control their firm's growth at a level which was consistent with their own needs and capabilities, thus indicating that growth is also dictated by both the motivations and perceived ability of individuals to manage growth (Hansen & Hamilton, 2011).The drive to start and run a business is linked to motivation, work experience, personality, family environment and societal norms, etc (Watson, Hogarth-Scott, & Wilson, 1998).The businesses owners' motivation has a strong influence on the growth of the business(R. Chaganti, Cook, & Smeltz, 2002).

Lower growth rates are exhibited by older and larger firms as they have less of a growth imperative. Their expansion more often involves mergers and acquisitions (Davidsson, Delmar, & Wiklund, 2006).

It was noted, in a study conducted in New Zealand, that small businesses that grew, had a culture of innovation and flexibility, while non-growers had a culture that lacked those two elements. This gave the growers a distinct competitive advantage over non-growers. The internet and e-commerce were also vehicles that were used to attract new customers, according to the growth firms (Hansen & Hamilton, 2011).

2.2.7 Social connections and social skills

Social connection is a factor that consists of the entrepreneur's position in society, political involvement and good customer service (Benzing, et al., 2009).

A good reputation relates to being honest and sociable, and Turkish entrepreneurs believe that their success stems from their belief that customers are drawn to them because of their reputation for honesty and their social skills (Benzing, et al., 2009).

According to Gill and Biger (2012), owners of small businesses need to network with experienced entrepreneurs in similar businesses so that they can gain valuable advice to overcome the challenges that they face. Successful owners used networking as a means of learning (Chetty & Campbell-Hunt, 2003).

2.2.8 Ability to keep accurate accounting records

According to Benzing, et al. (2009), the keeping of accurate accounting records was one of the challenges faced by entrepreneurs in Turkey for business success. Therefore if businesses wish to thrive going forward, it is essential that their owners ensure that accurate records are maintained. Keeping updated and accurate records as well as adequate financial controls are essential for businesses to prevent failure (Lussier & Halabí, 2008).

2.2.9 The ability to attract and retain good employees

Attracting and retaining good employees is a problem in every country. In Turkey, the problem is complicated by the expense and burden relating to the hiring and firing of employees. An example of this is the fact that it costs a business person 95 weeks worth of wages to fire an employee in Turkey (Benzing, et al., 2009). Businesses that are unable to attract and retain quality employees are more likely to fail than those that do (Lussier & Halabí, 2008).

2.2.10 Research question

What are the factors required for micro and small business growth in Johannesburg?

2.3. Conclusion of Literature Review

Through the literature, the discovery was made that there are factors that drive micro and small business growth.

These are as follows:

- Access to finance
- Exogenous factors
- Enterprise support structures
- Management skills, strategy and the characteristics of the entrepreneur
- Training, education and industry knowledge
- Motivations of entrepreneurs and the culture of their businesses
- Social connections and social skills
- Accounting record keeping

- The ability to attract and retain good employees

These are the factors that will be investigated in this research pertaining to the factors required for micro and small business growth in Johannesburg as per the research question.

CHAPTER 3: RESEARCH METHODOLOGY

The literature review was used to assess the drivers of growth for small business development. The research method employed in this study will be of a qualitative nature. This section will discuss the literature around qualitative research followed by a review of the research design and research instrument. The validity and reliability of this study will also be discussed.

3.1 Research methodology/paradigm

According to Creswell (2006), qualitative research is done in a natural setting where the researcher is an instrument of data collection and gathers data and analyzes them inductively. Neuman and Kreuger (2003) state that researchers should gather data by using specialised techniques and use this data to support or reject theories. Methodologies or data can be categorised under the heading of qualitative and quantitative research methodologies and research (Neuman & Kreuger, 2003). Denzin and Lincoln (2011) define qualitative research as "Qualitative research is multimethod in focus, involving an interpretive, naturalistic approach to its subject matter. This means that qualitative researchers study things in their natural setting, attempting to make sense of or interpret phenomena in terms of the meanings people bring to them." Qualitative research involves the use of different empirical materials, namely case study, personal experience, introspection, life stories, interviews, observations, histories, interactional and visual texts (Denzin & Lincoln, 2011). According to Creswell (2006), qualitative research entails a process of enquiry of understanding based on distinct methodological traditions of enquiry that explore a social or human problem. Creswell (2006) also states that the researcher should build a complex, holistic picture, analyse words, report the detailed views of informants and conduct the study in a natural setting. Qualitative researchers rely on a few cases and many variables (Ragin, 1989).

3.2 Research Design

The qualitative study often starts with a how or what so that further investigations into the topic can describe what is happening. A qualitative study should be chosen if it is a topic that needs to be explored. A qualitative analysis can be used to study people in their natural setting. Researchers have to “make sense” of the data after organizing it and storing it. Qualitative studies present a detailed view of the topic according to Creswell (2006). Creswell (2006) also states that adequate recording procedures should be used when conducting one-on-one interviews or focus group interviews. A form of about four or five pages in length with approximately five open-ended questions should be created to interview participants as pointed out by Creswell (2006).

Four types of qualitative interviewing has been identified for research such as the informal conversation interview, the interview guide approach, the standardised open-ended interview and the closed, fixed-response interview (Patton, 2001).

Observing is a skill that requires the management of issues such as deception by the people being interviewed (Atkinson & Hammersley, 1994).

Advantages	Disadvantages
• Allows the evaluator to probe for more details • Interviewers have the flexibility to use their knowledge, expertise and interpersonal skills • Researcher can adapt the questions as necessary • More detailed questions can be asked • Usually achieve a high response rate	• Interviewee may be more reactive to personalities, moods and interpersonal dynamics • Analysing and interpreting qualitative interviews is much more time-consuming • The interviewer can affect data • The interviewer's emotions/looks might affect the interviewees responses • Different interviewers may understand and transcribe interviews in different ways

Table 1: Advantages and disadvantages of using interview research techniques (Kvale, 1994, 1996; Patton, 2001)

This information gathered via the interviews will be used to assess the drivers of small business growth in Gauteng.

3.3 Population and sample

3.3.1 Population

The population that is defined for this research would be the small business owners within Gauteng. This will include small business owners across various sectors in Gauteng.

3.3.2 Sample and sampling method

The sample used is a purposive sample as it allows the researcher to choose a group, setting and individuals who hold knowledge on the subject as is the case with the research participants (Denzin & Lincoln, 2011). One cannot possibly analyse the whole population to understand trends and opinions as this would be too costly and unfeasible (Oulton, 1995).

This research will be conducted by asking the relevant micro/small business owners a series of pertinent questions. These business owners will represent the population of the study.

This population group was selected as these business owners have the necessary 'hands on' experience that other respondents might lack. They have first hand practical experience of the challenges that are faced by entrepreneurs in this environment.

Table 2: Profile of respondents

Description of respondents	Number to be sampled
Small business owner	30

3.4 The research instrument

An open-ended questionnaire will be used as the research instrument for the purpose of this research. Open-ended questions are useful for obtaining in-depth information on facts with which the researcher is not very familiar: opinions, attitudes and suggestions of informants or sensitive issues. Open-ended questions allow the researcher to probe deeply into issues of interest being raised and issues not previously thought of when planning the study. Information provided in the respondents own words might be useful as examples or illustrations which will add interest to the final report. There is a possibility for different interpretations in relation to other data collected while re-reading the answers in a later stage of the analysis, which would be impossible if the answer have been pre-categorized (Varkevisser, Pathmanathan, & Brownlee, 2003).

3.5 Procedure for data collection

Individual interviews will be organised with the interviewees and open-ended questionnaires will be used in the interview. The interview will be audio-taped and transcribed to ensure that an accurate and complete record is obtained for analysis. A total of thirty small business owners will be interviewed.

“The researcher employs rigorous data collection procedures. This means that the researcher collects multiple forms of data, adequately summarizes-perhaps in tabled form-the forms of data and detail about them, and spends adequate time in the field (Creswell, 2006).”

Creswell (2006) points out that data needs to be analysed using multiple levels of abstraction, he also states that writers often present their studies in stages.

Qualitative research is complex, involving fieldwork for prolonged periods of time, collecting words and pictures, analyzing this information inductively while focusing on participant views, and writing about the process using expressive and persuasive language (Creswell, 2006).

3.6 Limitations of the study

- Participants may say more than they intend to say, and later regret having done so.
- The interview could be affected by the personalities, moods and interpersonal dynamics between the interviewee and interviewer.
- Qualitative interviewing requires considerable skill and experience.
- Analysis of quantitative data is complicated and time consuming.

3.7 Validity and reliability

Validity is concerned with congruence between the details of the research, the evidence and the conclusions drawn by the researcher, while reliability is concerned with consistency (Kalof & Dan, 2008).

There are two aspects of validity that occur in research. The first type is internal validity which deals with the extent to which the measuring instrument provides adequate coverage of the topic under study. The study is drawing appropriate conclusions from the data at hand. The second type is external validity which deals with the “generalisability” of the research across a larger population (Kalof & Dan, 2008)

In order to ensure the credibility of qualitative research standards such as structural corroboration, consensual validation and referential adequacy should be used (Eisner, 1991).

Validity neither guides nor informs his work (Wolcott, 1990).

Creswell (2006) states that a qualitative approach to research is constructed with the intent of developing a theory or pattern.

3.7.1 External validity

External validity refers to the extent to which generalisations into other areas can be made from the results of this research (Klenke, 2008).

3.7.2 Internal validity

Internal validity refers to the extent to which the researcher is able to draw accurate conclusions from the study. Internal validation serves to rate the credibility of the research about how much truth the research contains and how believable the research is (Klenke, 2008).

3.7.3 Reliability

Reliability should ensure that similar research conducted in the future should lead to similar results. Dependability is the parallel construct to reliability or the extent to which the same results can be obtained by independent investigators (Klenke, 2008).

CHAPTER 4: DISCUSSION OF THE RESULTS

4.1 Introduction

The objective of this chapter is to summarise and discuss the results obtained from the data that was gathered, so as to answer the research question. The data was gathered by interviewing various subjects.

The interviewer had set out to interview a total of thirty individuals, who are currently running small businesses in the Johannesburg area. The interviewees were asked a series of questions based on the questionnaire attached in Appendix A of this report.

The Research Question and the literature review will be compared to the data gathered. This will form the basis of the discussion in this chapter. The data was collected in interviews using an interview guide with open ended questions. This data was analysed using content analysis to categorise and analyse the data.

4.2 Demographic profile of respondents

The research that was conducted was aimed at identifying the key factors of micro and small business growth in Johannesburg. The samples that were used were all taken from the Johannesburg area. They include a cross section of businesses scattered across the greater Johannesburg area. They range from wholesale trade to manufacturing.

The respondents have been classified according to Table 3 below.

Business Sectors	Number of respondents
Manufacturing	4
Retail, Motor Trade and Repair Services	8
Wholesale Trade	11
Communications	7

Table 3: Table of the different business sectors interviewed and the number of respondents interviewed

Respondents from manufacturing have been coded as M1 to M4. While the respondents from retail, motor trade and repair services have been coded as RMR1 to RMR8. Those from wholesale are coded as W1 to W11 and the respondents from communications are coded as C1 to C7.

It was evident from the data that was collected that the years of business experience and the different sectors that the respondents were from would ensure that the data was suitably diverse.

The interviews that were conducted reaffirmed the literature review with regards to the factors of micro and small business growth.

The interview guide was drafted with the purpose of extracting the relevant information from the respondents around the factors required for micro and small business growth in Johannesburg as well as creating a dialogue about the challenges facing business owners in growing their businesses.

The samples of micro and small businesses were taken from manufacturing, motor trade and repair services, wholesale trade and communications. This sample spread resulted in feedback obtained from various sectors of the micro and small business sectors, thus providing greater diversity of insight into the factors required for micro and small business growth in Johannesburg. Thirty business owners of micro and small businesses were interviewed in the greater Johannesburg area of the Gauteng province in South Africa.

4.3 Discussion pertaining to Research Question 1

The interview guide (see Appendix A) was the primary research instrument prepared to conduct this research. Respondents were required to answer all the questions posed to them during the interviewing process. Some of the questions related to the nature of their business and how long they had been in business. This was done to assess the commonality of the factors across a wide range of business types and differing number of years of experience in those business sectors. In some cases the respondents spoke about the general business climate as well as answering the questions posed to them.

The qualitative data was analysed using content analysis. This involved classifying the factors into different categories.

The factors required for micro and small business growth in Johannesburg are:
Access to finance
Exogenous factors
Enterprise support structures

Management skills, strategy and the characteristics of the entrepreneur
Training, education and industry knowledge
Motivations of entrepreneurs and the culture of their businesses
Social connections and social skills
Accounting record keeping
The ability to attract and retain good employees

Table 4: Factors required for micro and small business growth in Johannesburg according to respondents.

During the interviews, the factors relating to small business growth became evident. The respondents listed the factors that they thought would result in business growth - these factors are listed in Table 4. The responses obtained tied in with the literature that was reviewed.

Respondents that met the target criteria of this research were interviewed using the interview guide. The interview guide was designed to obtain the relevant responses required to answer the research question. The results of the research question were answered in this chapter.

The Research question is to identify the factors required for micro and small business growth in Johannesburg. When the interviews were conducted, it was discovered that the opinions of most of the respondents were congruent with each other. However, in some instances, respondents had a different opinion regarding certain questions. The data was obtained from the various interviews that were conducted and analysed. This analysis resulted in the creation of Table 4.

The information gathered via the responses from the respondents regarding the factors required for micro and small business growth in Johannesburg is mentioned below:

4.3.1 Access to finance

The interviewees believed that access to finance would be a key driver in increasing the growth rate of the various businesses. It was stated that easy access to finance would enhance the ability of businesses to expand their existing operations as well as establishing other new businesses that the entrepreneurs might have been interested in, but were unable to pursue due to a lack of access to finance.

Easier access to finance would also aid the respondents in their ongoing activities, as respondents often cited liquidity management as a key ingredient in running and growing their business. They also stated that cash flow was one of the challenges that entrepreneurs faced in establishing and growing their businesses.

Respondents also stated that gaining finance to start their business was an obstacle and that in most cases, banks refused to grant them the finance that they required to start their business. However, in spite of this, they managed to find other sources of finance to start up and grow their businesses. These sources varied from family funding to using their savings to grow the business.

Some of the respondents also stated that maintaining the cash flow position of the business was a challenge. This was because of “creditors not paying on time” They stated that this placed additional pressure on covering the overhead costs of the business as the cash was tied up by the creditors. They stated that if this was not managed correctly it could result in the business going insolvent as a result of liquidity constraints. The limited access to external sources of finance, for example, banks, would hinder the survival and growth of these businesses.

A limited number of respondents claimed that they had accessed external funding to grow their businesses. They stated that this provided a financial platform for them to grow their businesses as all of their finances were tied up in the business. However, they stated that external funding had only become an option after they had developed and established a business over a number of years. This access to external funding had aided them in growing and sustaining their businesses. Some respondents highlighted the difficulty in obtaining FAIS compliance at their respective banks. This additional “red tape” hindered their accessibility to the finance that was offered by the bank. External funding had not been readily accessible by these entrepreneurs from external sources upon the start-up of their business ventures.

> *“Getting credit facilities from the bank was always a problem, when the business was first established. However this improved after the business was in operation for a few years.”* M1

It should also be noted that the majority of the businesses interviewed were funded through family funding. The respondents claimed that financial institutions were not willing to trust their business plans to provide them with external funding. This was also highlighted by Mbonyane & Ladzani (2011), who indicated that financial institutions were not willing to trust small business owners with financing due to their track record and lack of budgeting. The inability to raise the required capital when needed to support ongoing activities was cited in the literature as a challenge to businesses (Okpara, 2011). This tied in to the comments made by the respondents that accessing external funding during periods of cash flow shortages was very difficult.

> *“If it was not for my family funding my business, I don’t know where I would be today.”* RMR1

4.3.2 Exogenous factors and location

Modifying the business offering to the needs of a changing market place was listed as a vital component in growing and sustaining businesses. Respondents had to deal with fluctuating demands with regards to various products. In some cases, products that lacked demand were replaced by products that had gained popularity. It was imperative that the business owners monitored the various product markets continuously to ensure that they adapted their product range to maximize the business' revenue growth. This practice would result in poor sale generating products being replaced by higher sale generating products. As markets are continuously changing due to changing consumer needs, it is imperative that businesses adapt to the needs of their customers.

Some businesses highlighted corruption as a negative factor when trying to win tenders with government departments. These respondents stated that if the process was fair, then the unethical individuals involved in the corrupt practices would not gain financially from these transactions. Corruption results in a loss of value gained by government departments as they pay more and get less of the desired products that are being requested via the tender process. Government is trying to encourage business development in marginalized communities by awarding tenders to previously disadvantaged individuals, however this process is being hindered by corruption.

One respondent stated that a lack of basic infrastructure maintenance and poor service delivery of amenities were hampering his business prospects.

> *"The amenities are not maintained even though taxes are increased every year. This affects the overall business environment."* W1

The global economy has been in a downturn since 2008, according to many of the respondents of the interviews. This has negatively affected their business prospects as they feel that the South African consumer has been more cash strapped than in the years prior to the downturn. They believe that had it not been for the downturn, their businesses would have grown significantly more then they currently have. Some even mentioned that they are barely covering their overheads, as a result of poor market conditions, therefore the influence of the global economic environment can be seen to be a key exogenous factor in micro and small business growth in Johannesburg.

All the respondents agreed that Johannesburg was a favourable environment in which to start and grow a business as they stated that Johannesburg was the economic hub of South Africa, thus reinforcing the notion emphasised in the literature that locating businesses close to demand is a key factor in business growth. However, some were concerned about the prevalence of crime in the Johannesburg area and stated that it hindered their business as customers were wary of shopping in the location of their business. They also stated that they felt unsafe in their business premises and that they feared being victims of crime.

Some respondents also indicated that their businesses have grown in spite of the obstacles of “red tape” in terms of new legislation that need to be complied with. They also found that the South African Revenue Services (SARS) was obstructing business development through what they perceived to be “unfair” requests at short notice. This was previously not the case according to them, they also cited that taxes were too high and that if the government wished to encourage business development, more tax incentives were necessary.

> *“SARS are constantly harassing business owners with unreasonable requests. This makes focussing on running the business difficult.”* RMR2

These exogenous factors are also listed in the literature as important for business growth. If there are constraints on these factors, it could hinder a business’s ability to grow. According to Okpara (2011) exogenous constraints are of particular importance, these being infrastructure issues, corruption, technology and demand conditions. These were also stated by some respondents as issues that needed to be addressed in certain situations. It was also stated by Okpara (2011) that businesses should be mindful of strategic constraints to ensure that their product or service corresponds to the needs in the market. This was also highlighted by respondents as vital to a business’s survival and growth. The respondents stated that they always had to adapt their product range to meet the changing requirements of customers. The literature also indicated that the taxation system could hamper business’s growth prospects, this was echoed by the business owners that were interviewed. In terms of location, all of the respondents were satisfied with being located in Johannesburg as they cited it as being the economic capital of South Africa.

4.3.3 Enterprise support structures

Enterprise support structures are an essential part of growing micro and small businesses in Johannesburg. They can aid start-up businesses and existing businesses with skills development as well as financial assistance. This could make the difference between a business staying open or closing down.

The majority of the respondents felt that the government needs to do more to support business development. They stated that some enterprise support structures did not market their services correctly, thus many business owners were not aware of the support these organisations offered. While other organisations that marketed themselves better focused solely on providing financial assistance and neglected the marketing and management skills development necessary for business owners to succeed in business. This corresponds with the literature as a lack of awareness of the support services is highlighted as a weakness in business development.

Owners lack information regarding the registration process, according to Mbonyane and Ladzani (2011). Information needs to be more readily available regarding the support mechanisms to help small business.

Therefore, if micro and small business development is to improve beyond its current position, new awareness campaigns need to be developed of the support structures that are in place to assist businesses as these are vital to business development.

> *"Government needs to market existing support structures and provide more entrepreneurial training programmes for start-ups."* C2

4.3.4 Management skills/strategy and characteristics of the entrepreneur

Respondents stated that management skills were vital in growing the business. These skills included interpersonal, marketing, planning, scanning, learning, organizing, basic accounting knowledge, product knowledge and stock control. This is congruent with the literature. Some business owners felt that they had to constantly adapt to a changing environment as customers needs were continuously changing. This adaptability to the environment involved learning new skills, acquiring new products that were previously not sold or creating new products.

The ability to have a good relationship with their customers was also highlighted as a key driver of business growth under the interpersonal skills topic. This relationship building ensured that customers continued to engage in business with the respondents as the respondents understood the needs of the customer and was willing to offer them the best deal possible. Some respondents relied on "word of mouth" as a marketing tool for advertising the business, this tied in with the interpersonal skills aspect as customers who had built up a good relationship with the respondents often recommended them to their family and friends. It should be noted however that marketing their businesses via their business social networks was also used to great effect.

> "*You have to deliver a service that exceeds your customers expectations and build a relationship with them.*" C4

The ability to plan for the future was also listed as a vital skill to drive the business forward. Business owners were always on the lookout for new products and services which they could introduce. In certain cases, business owners had to follow market trends for growth or be left behind.

Organizing the business or planning the rendering of services in a structured manner was also crucial for growth. This involved inventory control and accounting knowledge as skills that could be used to ensure that the business's growth was managed in a controlled manner. If these controls were not in place, the ability to measure growth in itself would be undermined.

Respondents stated that the characteristics of the entrepreneur are vital in ensuring the growth of the business. Having a hard working personality with the added bonus of determination is a combination that was stated by many business owners as essential in driving the business on the path of growth. Entrepreneurs should also be constantly motivated and never lose sight of their goals. This focus coupled with the ability to analyse the market and adapt to change should aid the business in growing as well. Some respondents also stated that a commanding personality that was both methodical and geared for learning was required to push their business forward in terms of growth.

The responses gathered corresponded with the literature in emphasising the importance of an owner's motivation in driving the business forward. The ability to maintain a certain level of organization was also highlighted by the literature and the respondents as crucial to success, while the theme of constantly adapting via learning was noted by both the respondents, as well as by the literature.

According to Perren (1999), the owner's growth motivation is driven by the desire to succeed, the desire to be one's own boss, being an active risk taker, having family and friends that are active investors and competitive dynamics.

4.3.5 Education, training and experience

The literature indicates that education, training and experience improved the way businesses were run. It was established that entrepreneurs benefit greatly from learning management techniques. An educated workforce was also identified as beneficial to expanding economic and business growth. Educated individuals were less likely to fail post-entry.

All of the respondents agreed that education is vital to establish and sustain a business, although not all of the respondents had a tertiary qualification. Education would allow the business owners to gain an additional dimension into the everyday workings of the business. A number of respondents also stated that work experience relating to the business in question could prove important to the long term growth prospects and sustainability of the business. This experience would help owners understand the nature of the business and the overall environment better. This corresponded with the findings of the literature as it was found that small business owners often learn on the job (Nichter & Goldmark,2009). Respondents also stated that the overall business environment and the ability to grow one’s business are becoming more competitive. Thus education could provide existing business owners and new entrants with a significant tool with which to gain a competitive advantage and make growing one’s business easier. Education would arm entrepreneurs with the skills that are essential to run a business. However some respondents also stated that while they viewed education as an important aspect of growing the business, there have been many cases of individuals with little or no formal education that had been successful in business. They attribute this to having a family affinity for business, coupled with family business acumen. Education and constant learning were highlighted as critical to growing a business. The constant learning involved environmental awareness and the ability to adapt the business to meet the ever changing demands of consumers. Education plays a key role in ensuring the survival of firms as it improves post-entry performance (Bates, 1990).

> *“You need to have a foundation to start off with. Education gives you that foundation.”* W2

4.3.6 Motivations of entrepreneurs and the culture of the business

The majority of the respondents cited the need for independence and flexibility as their primary motivations for establishing their businesses, however, they believed that in order to drive their business to grow, both intrinsic as well as extrinsic motivations were essential, that is, the intrinsic need to accomplish their goals and obtain a sense of personal satisfaction at this achievement, while their extrinsic needs were related to growing their business from a financial perspective.

North American entrepreneurs' motivation can be divided into four categories: 1) extrinsic rewards, 2) independence/autonomy, 3) intrinsic rewards and 4) family security. Extrinsic rewards would relate to the material wealth accumulated whereas intrinsic rewards would relate to personal development and a sense of achievement (Robichaud, McGraw, & Roger, 2001).

> *"I started my business to have independence and flexibility in terms of time and earnings. To have a better quality of life."* C4

Some of the businesses which were family run businesses cited the need to continue the family legacy of running their business. There were also respondents who stated that their motivations for starting a business were out of necessity as opposed to opportunity, as they did not have the opportunity to study further under the Apartheid government, and thus resorted to starting a business as a means to earn an income. Another motivation that was stated was the need to have an income that was not fixed, some respondents wanted to having an earning potential that could increase and was not stagnant. If they were working in a job in a company, they would have to settle for a fixed income every month but if they had their own business they could grow their income as they grew their business. The drawback to being having a business was that if they did not grow their business, they would have an income that was stagnant or shrinking. The ability to provide security for themselves and their family's future was also cited as a motive for establishing and growing their businesses.

> *"It was a case of continuing the family business."*W3

The literature indicates that businesses that are started as a result of innovative motivations instead of defensive motivations perform better post entry. Although most of the respondents that were interviewed had defensive motivations as opposed to innovative motivations, all of them had attested to growing their businesses on an ongoing basis.

All of the respondents had encouraged a culture of analysing and adapting to the various changes in their environments. This culture of flexibility was a key component in distinguishing growers from non-growers, according to the literature.

> *"You have to change what you sell to meet the ever changing needs of customers."* RMR3

4.3.7 Social connections and social skills

Respondents also stated that establishing a reputation for good service and having a friendly approach to customers helped in building lasting relationships. These relationships were necessary to encourage repeat purchases by these customers, thereby fuelling growth. Social skills coupled with having a good reputation, are listed in the literature as drivers of growth of business. Social connection is a factor that consists of the entrepreneur's position in society, political involvement and good customer service (Benzing, et al., 2009).

The respondents also stated that they used their social connections to help them make contact with suppliers and other people who could help to improve their business prospects. This means of networking was also used to learn about changes in the market to adapt their businesses accordingly. According to Gill and Biger (2012), owners of small businesses need to network with experienced entrepreneurs in similar businesses so that they can gain valuable advice to overcome the challenges that they face.

> *"The ability to form social networks that aid the growth of the business is crucial."* W7

4.3.8 Ability to keep accurate accounting records

The respondents stated that being organized, methodical and being able to conduct basic accounting record keeping, as vital in managing the business in a manner that would ensure sustainability and growth. This corresponds to the literature which states that adequate financial controls are essential for businesses to prevent failure. If business owners could not manage their basic income and expenses, then they would be incapable of ensuring that the business is profitable or not, and thus endanger the survival of their business. They would also need to keep accounting records from various periods to monitor the progress of their businesses. This would allow them to see if their growth targets have been met or not. Accounting for their basic expenses would also allow them to analyse what costs could be cut to make the business more efficient. The ability for micro and small enterprises to cut costs, increases in importance during a downturn in the economy as consumers are less willing to spend money and margins become smaller, thus to maintain a margin that will still ensure that the business make a modest profit will mean that other costs pertaining to the business needs to be cut, therefore the ability to keep accurate accounting records is important in the growth and survival of micro and small businesses. According to Benzing, et al. (2009), the keeping of accurate accounting records was one of the challenges faced by entrepreneurs in Turkey for business success.

> *"Managing accounting records and cash flow are key ingredients in growing a business."* M3

4.3.9 The ability to attract and retain good employees

The businesses that employed people, that is, the non sole traders, all stated that attracting and retain good employees was difficult. If good employees were attracted and retained, then this would have a positive impact on the overall growth of the business. This is because good employees are more productive and require less management supervision to conduct their responsibilities. According to many of the respondents, these employees are hard to find and retain. Some employees do not understand that the survival of the business is linked to their own performance and thus do not take ownership and accountability for their performance, thus for micro and small businesses to succeed, it is imperative that good employees are attracted and retained in the business. This corresponds to the literature which states that businesses that are unable to attract and retain quality employees are more likely to fail than those that do (Lussier & Halabí, 2008).

"It is a challenge to find and retain productive employees." M2

4.4 Conclusion

The micro and small business environments are extremely competitive markets. If new entrants and established businesses wish to grow, then it is imperative that they examine ways in which to increase their business's growth. Identifying and acting on the factors for micro and small business growth is one such option.

This chapter attempted to discuss the factors required for micro and small business growth in Johannesburg. During the interviews. the respondents identified and elaborated on the various factors required for growth in these businesses. These factors aligned with the literature and prior research done on this topic.

Although there were some businesses that did not meet certain factors that were required for growth, they did meet some of the other factors that were listed, thus not all the factors need to be accessed simultaneously for growth. Some factors can be accessed while others can be omitted, however to maximize growth, it would be ideal if all the factors were accessed simultaneously.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This research report has identified and discussed the factors required for micro and small business growth in Johannesburg. This chapter concludes the research that was undertaken and the findings that were established. This is followed by the recommendations made to micro and small businesses based on the findings of the research question. In closing, suggestions for further research are discussed.

5.2 Conclusions of the study

The study of the factors required for micro and small business growth in Johannesburg was motivated by the importance of these businesses in creating employment opportunities for individuals and in growing the South African economy. This research indicates that there are specific factors that aid in the growth of micro and small businesses in Johannesburg.

These factors are further substantiated by the literature on the topic. This study is significant for any micro and small business in Johannesburg as it can aid the business owners in planning for growth. The study does this by identifying the various factors and goes on to discuss the importance of each factor on the growth prospects of the business.

5.3 Recommendations

While conducting the interviews for the research report it became clear that while there are specific factors that are required for micro and small business growth, not all of the businesses who achieved growth, implemented all of them. Most of the businesses used a portion of these factors. While this was not ideal, businesses still grew, thus indicating that growth can be achieved by implementing a portion of the factors.

This study recommends the following to the stakeholders involved in the micro and small business environments.

- Analyse the market environment carefully before starting a new business and continuously thereafter.
- Business owners have to be willing to adapt their businesses continually to ensure that their businesses grow.
- Learning should be an ongoing process. Entrepreneurs should always look to improve their existing skills within the context of the business.
- The ability to develop relationships should be a key developmental objective for business owners due to the benefits of building long term relationships with other stakeholders in the business cycle.
- Organization ability and governance are vital within the micro and small business environment as proper controls are fundamental to business growth.

5.4 Suggestions for further research

The findings of this research have been substantiated by an extensive literature review. However the literature review cannot claim to have evaluated all the literature on the said topic.

The following are recommendations for future study in this area:

- Comparisons between South African business development programmes and neighbouring countries.
- The benefits of micro and small business development on the South African economy.

- Identifying and discussing the factors that hinder micro and small business growth.
- The implications of the South African tax system on micro and small business growth.
- The implications of regulatory compliance on micro and small business growth.

REFERENCES

Acs, Z., Audretsch, D., Braunerhjelm, P., & Carlsson, B. (2003). The missing link: the knowledge filter and endogenous growth. *Center for Business and Policy Studies. Stockholm, Sweden*.

Advanced Currency markets (ACM) Trading Services. (2010, 26 October 2012.). Growth. from www.investorwords.com/2258/growth.html on16 October 2012

Atkinson, P., & Hammersley, M. (1994). Ethnography and participant observation. *Handbook of qualitative research, 1*, pp.248-261.

Bates, T. (1990). Entrepreneur human capital inputs and small business longevity. *The review of Economics and Statistics*, pp.551-559.

Benzing, C., Chu, H. M., & Callanan, G. (2005). A regional comparison of the motivation and problems of Vietnamese entrepreneurs. *Journal of Developmental Entrepreneurship, 10*(01), pp.3-27.

Benzing, C., Chu, H. M., & Kara, O. (2009). Entrepreneurs in Turkey: a factor analysis of motivations, success factors, and problems. *Journal of Small Business Management, 47*(1), pp.58-91.

Birley, S., & Westhead, P. (2006). Growth and performance contrasts between 'types' of small firms. *Strategic Management Journal, 11*(7), pp.535-557.

Bruhn, M., Karlan, D., & Schoar, A. (2010). What capital is missing in developing countries? *The American Economic Review, 100*(2), pp.629-633.

Chaganti, R., & Chaganti, R. (1983). A profile of profitable and not-so-profitable small businesses. *Journal of Small Business Management, 21*(3), 43-51.

Chaganti, R., Cook, R. G., & Smeltz, W. J. (2002). Effects of styles, strategies, and systems on the growth of small businesses. *Journal of Developmental Entrepreneurship, 7*(2), pp.175-192.

Chaston, I. (2009). *Entrepreneurial management in small firms*: SAGE Publications Limited.

Chetty, S., & Campbell-Hunt, C. (2003). Explosive international growth and problems of success amongst small to medium-sized firms. *International Small Business Journal, 21*(1), pp.5-27.

Chu, H. M., Benzing, C., & McGee, C. (2007). Ghanaian and Kenyan entrepreneurs: A comparative analysis of their motivations, success characteristics and problems. *Journal of Developmental Entrepreneurship, 12*(03), pp.295-322.

Coy, S. P., Shipley, M. F., Omer, K., & Khan, R. N. A. (2007). Factors contributory to success: a study of Pakistan's small business owners. *Journal of Developmental Entrepreneurship, 12*(02), pp.181-198.

Creswell, J. W. (2006). *Qualitative Inquiry And Research Design: Choosing Among Five Approaches,* (3rd ed.). Thousand Oaks,California: Sage Publications,inc,.

Davidsson, P., Delmar, F., & Wiklund, J. (2006). *Entrepreneurship and the Growth of Firms*. Chettenham: Edward Elgar Publishing.

Denzin, N. K., & Lincoln, Y. S. (2011). *The SAGE handbook of qualitative research*: Sage Publications, Incorporated.

Dobbs, M., & Hamilton, R. T. (2007). Small Business growth:recent evidence and new directions. *International journal of entrepreneurial behaviour and research, 13*(5), pp.296-322.

Drexler, A., Fischer, G., & Schoar, A. (2010). Keeping it simple: Financial literacy and rules of thumb, *CEPR Discussion Paper No. DP7994*: Centre for Economic Policy Research.

Eisner, E. W. (1991). The enlightened eye: Qualitative research and the enhancement of educational practice: New York: Macmillan.

Gartner, W. B., & Bhat, S. (2000). Environmental and Ownership Characteristics of of Small Businesses and their Impact on Development. *Journal of Small Business Management, 38*(3), pp.19-33.

Gill, A., & Biger, N. (2012). Barriers to small business growth in Canada. *Journal of small business and enterprise development, 19*(4), pp.656-668.

Hansen, B., & Hamilton, R. T. (2011). Factors distinguishing small firm growers and non-growers. *International Small Business Journal, 29*(3), pp.278-294.

Jennings, P., & Beaver, G. (1997). The performance and competitive advantage of small firms: a management perspective. *International Small Business Journal, 15*(2), pp.63-75.

Kalof, L., & Dan, A. (2008). *Essentials of social research*. Milton Keynes: Open University Press.

Kingdon, G. G., & Knight, J. (2004). Unemployment in South Africa: The nature of the beast. *World Development, 32*(3), pp.391-408.

Klenke, K. (2008). *Qualitative research in the study of leadership*. Bingley: Emerald Group Publishing.

Kvale, S. (1994). Ten standard objections to qualitative research interviews. *Journal of Phenomenological Psychology, 25*(2), pp.147-173.

Kvale, S. (1996). Interviews. An introduction to qualitative research writing (1st ed.). Thousand Oaks, California: Sage Publications, .

Larson, P. (1987). How to survive in montana’s slow growth economy. *Montana Business Quarterly, 25*, pp.16-18.

Luiz, J. (2011). Small business development, entrepreneurship and expanding the business sector in a developing economy: the case of South Africa. *Journal of Applied Business Research (JABR), 18*(2), pp.53-69.

Luk, S. T. (1996). Success in Hong Kong: Factors self-reported by successful small business owners. *Journal of Small Business Management, 34*, pp.68-74.

Lussier, R. N., & Halabí, C. E. (2008). An analysis of small business in Chile: a correlational study. *Journal of small business and enterprise development, 15*(3), pp.490-503.

Lussier, R. N., & Pfeifer, S. (2001). A crossnational prediction model for business success. *Journal of Small Business Management, 39*(3), pp.228-239.

Mbonyane, B., & Ladzani, W. (2011). Factors that hinder the growth of small businesses in South African townships. *European Business Review, 23*(6), pp.550-560.

McPherson, M. A. (1996). Growth of micro and small enterprises in southern africa. *Journal of development economics, 48*(48), pp.253-277.

Mead, D. C., & Liedholm, C. (1998). The dynamics of micro and small enterprises in developing countries. *World Development, 26*(1), pp.61-74.

Neuman, W. L., & Kreuger, L. (2003). *Social work research methods: Qualitative and quantitative approaches*: Allyn and Bacon.

Nichter, S., & Goldmark, L. (2009). Small firm growth in developing countries. *World Development, 37*(9), pp.1453-1464.

Nieman, G. (2001). Training entrepreneurs and small business enterprises in South Africa: a situational analysis. *Education+ Training, 43*(8/9), pp.445-450.

Okpara, J. O. (2011). Factors constraining the growth and survival of SMEs in Nigeria:Implications for poverty alleviation. *management Research Review, 34*(2), pp.156-171.

Olutunla, G. T., & Obamuyi, T. M. (2008). An empirical analysis of factors associated with the profitability of Small and medium-enterprises in Nigeria. *African Journal of Business Management, 2*(1), pp.195-200.

Oulton, T. (1995). Management research for information. *Library management, 16*(5), pp.75-80.

Patton, M. Q. (2001). *Qualitative research and evaluation methods*. Thousand Oaks,California: Sage Publications.

Perren, L. (1999). Factors in the growth of micro-enterprises (part 1). *Journal of small business and enterprise development, 6*(4), pp.366-385.

Phelps, R., Adams, R., & Bessant, J. (2007). Life cycles of growing organizations: A review with implications for knowledge and learning. *International Journal of Management Reviews, 9*(1), pp.1-30.

Ragin, C. C. (1989). *The comparative method: Moving beyond qualitative and quantitative strategies*: University of California Press.

Republic of South Africa. (1996). *National Small Business Act 102 of 1996*. Cape Town: Government printer.

Robichaud, Y., McGraw, E., & Roger, A. (2001). Toward the development of a measuring instrument for entrepreneurial motivation. *Journal of Developmental Entrepreneurship, 6*(2), pp.189-201.

Robson, M. T. (1996). Macroeconomic factors in the birth and death of UK firms: Evidence from quarterly VAT registrations. *The Manchester School, 64*(2), pp.170-188.

Robson, P. J., & Obeng, B. A. (2008). The barriers to growth in Ghana. *Small Business Economics, 30*(4), pp.385-403.

Santarelli, E., & Vivarelli, M. (2007). Entrepreneurship and the process of firms' entry, survival and growth. *Industrial and Corporate Change, 16*(3), pp.455-488.

Silva, O. (2007). The Jack-of-All-Trades entrepreneur: Innate talent or acquired skill? *Economics Letters, 97*(2), pp.118-123.

Swierczek, F. W., & Thai, T. H. (2003). Motivation, entrepreneurship and the performance of SMEs in Vietnam. *Journal of Enterprising Culture, 11*(01), pp.47-68.

Tybout, J. R. (2000). Manufacturing firms in developing countries: How well do they do, and why? *Journal of Economic literature, 38*(1), pp.11-44.

Unger, J. M., Keith, N., Hilling, C., Gielnik, M. M., & Frese, M. (2009). Deliberate practice among South African small business owners: Relationships with education, cognitive ability, knowledge, and success. *Journal of Occupational and Organizational Psychology, 82*(1), pp.21-44.

Varkevisser, C. M., Pathmanathan, I., & Brownlee, A. T. (2003). *Designing and conducting health systems research projects*. N.P: Kit Publishers.

Watson, K., Hogarth-Scott, S., & Wilson, N. (1998). Small business start-ups: success factors and support implications. *International Journal of Entrepreneurial Behaviour & Research, 4*(3), pp.217-238.

Wiklund, J., Patzelt, H., & Shepherd, D. A. (2009). Building an integrative model of small business growth. *Small Business Economics, 32*(4), pp.351-374.

Wolcott, H. F. (1990). On seeking-and rejecting-validity in qualitative research. *Qualitative inquiry in education: The continuing debate*, pp.121-152.

Xu, B. (1998). A reestimation of the Evans–Jovanovic entrepreneurial choice model. *Economics Letters, 58*(1), pp.91-95.

Yang, K., & Xu, Y. (2006). Regional differences in the development of Chinese small and medium-sized enterprises. *Journal of small business and enterprise development, 13*(2), pp.174-184.

Zehir, C., Acar, A., & Tanriverdi, H. (2006). Identifying organizational capabilities as predictors of growth and business performance. *The Business Review, 5*(2), pp.109-116.

APPENDIX A

I am performing a research study for my MBA at the Wits Business School, with regards to the key drivers of small business growth in Johannesburg. If you can please take the time to answer the following questions with regards to my MBA research report, it will be highly appreciated.

Actual Research Instrument: An open-ended questionnaire

1. What kind of business do you own?

   ____
   __

2. How long have you been involved in the business?

   ____
   __

3. How many staff are employed by the business?

   ____
   __

4. Do you consider your business to be successful and, if so, why?

   ____
   ____
   ____
   ______

5. What do you consider the key ingredients for running and growing a business?

   ____
   ____
   ____
   ____
   ____

6. What were some of the challenges that you faced in **establishing** your business?

   ____
   ____
   ____
   ____

____
____

7. What were some of the challenges that you faced in **growing and sustaining** your business?

   ____
   ____
   ____
   ____
   ____
   ____

8. Do you think that the government is creating a favourable environment for small business owners and if so why?

   ____
   ____
   ____
   ______

9. Highlight your motivations for starting your own business?

   ____
   ____
   ____

10. What are the characteristics that individuals must possess to successfully run and grow a business in your opinion?

    ____
    ____
    ____
    ____
    __
    ____
    __

11. Do you think that a certain level of education is required to establish and sustain a business? Why?

    ____
    ____
    ____
    ______

12. What skills are essential for business success?

____
____
____
____
____
____

13. Do you think that Johannesburg is a favourable environment to start up a new business? Why?

____
____
____
______

APPENDIX B

Consistency matrix

Table 5: Consistency matrix

Research problem stated here					
sub-problem	**Literature Review**	**Research questions**	**Source of data**	**Type of data**	**Analysis**
The sub problem is to identify the factors required for micro and small business growth in Johannesburg	(Birley & Westhead, 2006) (Luiz, 2011) (Okpara, 2011) (Mbonyane & Ladzani, 2011)	What are the factors required for micro and small business growth in Johannesburg	Actual interviews with small business owners	The type of data is ordinal	Content / thematic analysis was used