Critical success factors of small and medium enterprises (SMEs): Giyani town, South Africa

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Declaration

I, Mpho Tloubatla, declare that this research article 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 Graduate School of Business Administration, University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

MPHO EPHRAIM TLOUBATLA

(Mpho Tloubatla)

Signed at Johannesburg

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Abstract

Background: Small and medium enterprises (SMEs) have in recent years become the main drivers of the economy. They contribute to job creation and enhances the living standards of many nations. However, little is known regarding the critical success factors of SMEs in South Africa.

Aim: The aim of this paper was to contribute to an understanding of the critical success factors of SMEs, and how these factors can assist in the survival, growth and sustainability of South African small businesses. If small business entrepreneurs gain a better understanding of what is required to succeed, they will be in a good position to improve their business the performance.

Setting: The study took place in Giyani town, South Africa among owners of SMEs who had been successful in running the small businesses for five years and more.

Methods: Using a qualitative research design, in-depth, face-to-face interviews were conducted with 12 small business entrepreneurs that owns and run small businesses in Giyani town. The study methodology included sampling procedure, data collection and development of interview questions. Responses were analysed against the study literature, and conclusions were made.

Results: The empirical investigation of this study has revealed that there are other critical success factors contributing to the success of SMEs in South Africa, other than those expressed in the literature. The significance of this study is the contribution to knowledge of the critical success factors of SMEs in South Africa.

Conclusion: The empirical research finding has revealed some of the critical success factors of SMEs that have been found to be in line with the study literature. Additional critical success factors have been reported by the Giyani small business community to contribute to the success of SMEs, which the study explores in details.

Keywords: SMEs, Critical Success Factors, Giyani town

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Introduction

Entrepreneurship and the development of small and medium enterprises (SMEs) have become an important focus of research and continues to play a critical role in growing the economy through job creation (Kew, Kew, & Herrington, 2010). There has been advancement in research with regard to SMEs and their contribution to the global economy. The performance of the SME sector is highly related to the economic performance of nations as a whole. South African SMEs are therefore no different when it comes to the role that this sector play in growing the economy and in reducing the level of unemployment.

According to the 2016 World Trade Report, SMEs account for a majority of firms in many countries (average of 95 per cent), and contribute significantly to job creation (WTO, 2016). In developing countries, promotion of SMEs for poverty reduction has been gaining momentum among international development agencies and governments. Growing Sustainable Business (GSB) initiatives have been developed in countries like Zambia, Tanzania, Ethiopia and Serbia to come up with cutting edge business models for SMEs (Agupusi, 2007). In Ghana, SMEs have contributed to the economy in ways of generating employment for the youth. This has assisted in alleviating the persistent unemployment problem, and generated significant foreign exchange and Gross Domestic Product (GDP) growth (Hayford, 2012).

In South Africa, SMEs play an essential role in developing the economy and have become the primary source of job creation (Cant & Wiid, 2013). Abor & Quartey (2010) found that approximately 91% of formal businesses in South Africa are SMEs, with 52-57% contribution to GDP, and 61% employment. The National Development Plan (NDP) outlines the vision for South Africa and has set out developmental goals that are aimed at improving the South African economy by the year 2030. Its primary objectives includes; reducing the unemployment rate to 6%, increasing the proportion of adults working to 61%, real term GDP increase by 2.7 times, and GDP per capita to increase to R110 000 (National Planning Comission, 2011).

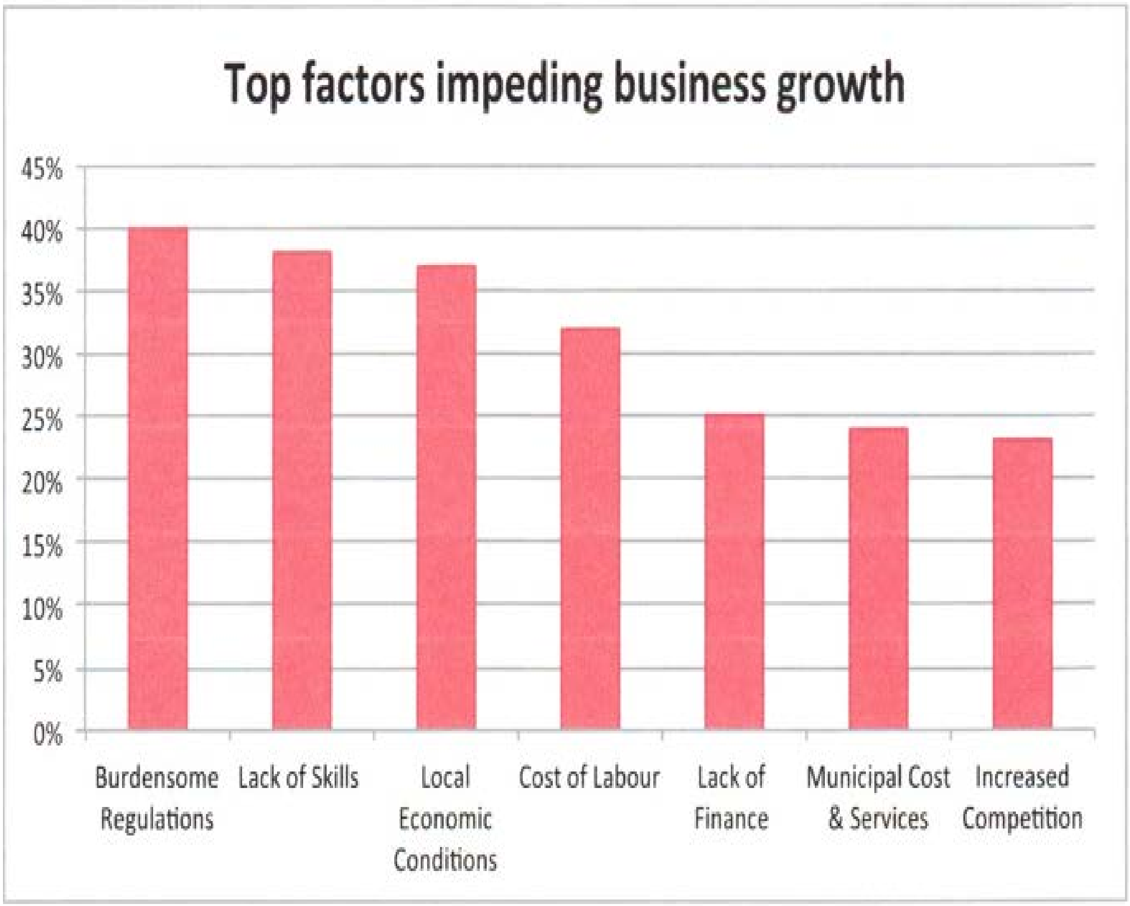
The South African economy has recently moved into a recession with a 0.7 % decrease in GDP in the first quarter of 2017. This has been reported as the longest occurring recession since it last occurred in 1991-1992 because of the 2008 economic meltdown. This weakness in growth has resulted in the unemployment rate rising to 27, 7% in the first quarter of 2017 (StatsSA, 2017). The above statistical outcomes highlights some of the challenges which the South African small business sector has an opportunity to play a significant role.

The Department of Small Business Development (DSBD) was established in 2014 as part of the Government's commitment to position SMEs at the centre of economic growth and job creation (DSBD, 2017). With the assistance of agencies like the Small Enterprise Development Agency (SEDA), the DSBD aims to support, develop and promote small businesses throughout South Africa to ensure that they grow, are sustainable, and make best business practices available to all local small business entrepreneurs.

In South Africa, the SME sector has been gaining momentum and there has been a positive business outlook from small business owners. About 77% of SME owners surveyed in the fourth quarter of 2016 by the Business Partners Limited SME Index showed that SMEs had confidence in their annual business yield compared to the previous year (Rabothata, 2017).

However, there are a number external and internal challenges affecting both the day to day business and long term survival of South African SMEs (Cant & Wiid, 2013). Figure 1 below summarises a number of factors that impedes growth of SMEs in South Africa as reported by the SBP's 2015 SME Growth Index. Research conducted by Abor & Quartey (2010), South Africa has been experiencing challenges that impede the development of the small business sector. These challenges includes; lack of financial support, human capital, government support, entrepreneurial education and mentoring have been identified as some of the factors affecting the success of SMEs (Lekhanya, 2015).

FIGURE 1: 2015 SME GROWTH INDEX HEADLINE RESULTS



Source: SBP Alert, Bulletin 2, 2015 www.sbp.org.za

Lekhanya (2015) found that little effort has been invested into the investigation of the critical success factors of SMEs. More in-depth knowledge and understanding is therefore required by relevant stakeholders on how SMEs can survive and be used as strategic tools to enhance economic growth and job creation. The aim of this paper is to contribute to knowledge of the critical success factors of SMEs in South African. The results of this research will benefit emerging and current entrepreneurs of SMEs with knowledge, skills and expertise on how they can well position their small businesses to ensure profitability, growth and success.

Literature Review

Small and Medium Enterprises

Driven by the concept entrepreneurship, SMEs represent a diverse group of organizational entities existing in a wide range of businesses. They operate in diverse markets, with different levels of skills and capital, and are found both in the informal and formal economy (Turkey, 2004). SMEs are important to job creation, promotion of innovation and economic growth (Hassan & Mohamed, 2015). They are also important for economic diversification and serve as engines for growth and development (Mensah & Peprah, 2016).

There is no unique and universally accepted definition for SME (Berisha & Pula, 2015). However, SMEs can be defined by the number of employees and financial assets they hold, measured in annual turnover (Hassan & Mohamed, 2015). For example, in the European Union (EU) countries, it is a mandatory criterion for businesses to have a certain number of employees for them to be classified as SMEs (Zaridis & Mousiolis, 2014).

Definitions of a Small and Medium Enterprise

The European Union SMEs are defined in the May 6, 2003 Commission recommendation as:

"enterprises with not more than 250 employees and not more than 50 Million Euro turnover, a balance sheet total of less than 43 Million Euro, and if not more than 25% of the shares of such an enterprise are in the ownership of another enterprise" (Hauser, 2005).

In South Africa, the Small Business Act 102 of 1996 defines a small business as:

"a separate and distinct business entity, together with its branches or subsidiaries, if any, including co-operative enterprises (and non-governmental organisations), managed by one owner or more (which, including its branches or subsidiaries, if any, is) predominantly carried on in any sector or subsector of the economy".

Act 102 of 1996 further defines a small business organisation as:

"any entity, whether or not incorporated or registered under any law, which consists mainly of persons carrying on small business concerns in any economic sector, or which has been established for the purpose of promoting the interests of or representing small business concerns, and includes any federation consisting wholly or partly of such association, and also any branch of such organisation".

The Act also classifies SMEs into sectors, size, and total full-time equivalent of paid employees, total annual turnover, and total gross asset value. This is detailed in Table 1 below.

Unless indicated, the definition of an SME that is used in this study is any form enterprise with less than 50 employees. This includes all categories of enterprises, regardless of their legal arrangement (such as sole proprietorships, incorporated or private companies) or whether they are informal or formal enterprises. These business entities are usually owned and managed by the same individual and have an annual turnover of not more than R1 million. For the sake of providing readability, the article uses the term SME throughout.

TABLE 1: CLASSIFICATION OF SMEs

Sector or sub-sectors in accordance with the Standard Industrial Classification	Size or class	Total full-time equivalent of paid employees Less than:	Total annual turnover Less than	Total gross asset value (fixed property excluded) Less than:
Agriculture	*Medium* *Small*	*100* *50*	*R 4.00 m* *R 2.00 m*	*R 4.00 m* *R 2.00 m*
Mining and Quarrying	*Medium* *Small*	*200* *50*	*R30.00 m* *R 7.50 m*	*R18.00 m* *R 4.50 m*
Manufacturing	*Medium* *Small*	*200* *50*	*R40.00 m* *R10.00 m*	*R15.00 m* *R 3.75 m*
Electricity, Gas and Water	*Medium* *Small*	*200* *50*	*R40.00 m* *R10.00 m*	*R15.00 m* *R 3.75 m*
Construction		*200* *50*	*R20.00 m* *R 5.00 m*	*R 4.00 m* *R 1.00 m*
Retail and Motor Trade and Repair Services	*Medium* *Small*	*100* *50*	*R30.00 m* *R15.00 m*	*R 5.00 m* *R 2.50 m*
Wholesale Trade,	*Medium*	*100*	*R50.00 m*	*R 8.00 m*

Commercial Agents and Allied Services	*Small*	*50*	*R25.00 m*	*R 4.00 m*
Catering, Accommodation and other Trade	*Medium* *Small*	*100* *50*	*R10.00 m* *R 5.00 m*	*R 2.00 m* *R 1.00 m*
Transport, Storage and Communications	*Medium* *Small*	*100* *50*	*R20.00 m* *R10.00 m*	*R 5.00 m* *R 2.50 m*
Finance and Business Services	*Medium* *Small*	*100* *50*	*R20.00 m* *R10.00 m*	*R 4.00 m* *R 2.00 m*
Community, Social and Personal Services	*Medium* *Small*	*100* *50*	*R10.00 m* *R 5.00 m*	*R 5.00 m* *R 2.50 m*

Source: Adapted from the S A National Small Business Act, 1991

Study Location-Giyani town, South Africa

Giyani town is one of the small towns in the Limpopo province of South Africa.it is located approximately 185km from Polokwane, 100km from Thohoyandou and 550km from Pretoria . It was established in 1969, and it is the commercial and administrative center of the Mopani District, formerly known as Gazankulu. Giyani town is mostly populated and features a number of employment opportunities, and houses a number of shopping centers. Its labor force consists largely of unskilled, semi-skilled and skilled people.

For the purpose of this study, Giyani has been chosen because of its accelerated growth in the past few years, which has resulted in a number of small business owners investing in different SMEs like restaurant franchises and medical practices.

SMEs Critical Success factors

Coaching and Mentoring

Coaching has been found to positively contribute to the development of SMEs by increasing self-efficacy of entrepreneurs through the development of human and conceptual competencies (Saadaoui & Affess, 2015).These competencies contribute in the identification and discovery of new business opportunities that enables the entrepreneur to be more capable in overseeing, managing and motivating employees. With coaching, entrepreneurs of SMEs become exposed to standardized forms of knowledge that enables them to adapt to future changes (Audet & Couteret, 2012).

Coaching also enhances the entrepreneur's learning process as it builds social capital which contributes to moral support (Kutzhanova, Lyons, & Lichtenstein, 2009). Small business owners should therefore seek coaching and mentoring opportunities because they have a significant impact on the success of small businesses (Peel, 2006).

Innovation

According to Papzan, Zarafshani, Tavakoli, & Papzan (2008), innovation is the most important intrinsic factor contributing to success among entrepreneurs of SMEs, and the effect of innovation has been found to be the strongest performance indicator among successful SMEs (Price, Stoica, & Boncella, 2013). To make innovation part of business success, small business owners need to develop the right attitude and belief in practicing the innovative mind. This is because entrepreneurs possessing the right attitude towards innovation, with motivation to put their innovation into practice achieve business success (Lai, Nathan, Tan, & Chan, 2010).

Open innovation has been identified as one of the strategies that small business owners can adopt because it offers opportunities to small business to collaborate and share resources when faced with challenges that come with globalisations (Rahman & Ramos, 2013). The concept of open innovation is the idea that instead of doing everything in-house, companies can tap into ideas of external parties to develop new products and services (or improve already existing ones). With open innovation, ideas are able to flow openly from employees, customers, and other stakeholders. This allows businesses to capture ideas in a collaborative manner. In open innovation, the company uses internal and external ideas to develop new businesses.

Education and training

Education in entrepreneurship is critical to the day to day operations of SMEs, and entrepreneurs with entrepreneurial education tend to do much better than those with or without general education (Mwangi, 2012). When trained, entrepreneurs of SMEs are able embrace more risky ventures and are able to diversify their investment and raise more capital to grow and transform their businesses into more solid enterprises (Njoroge, 2012). There is still a lack of youth entrepreneurial education in ways that encourages entrance to business and the acquisition of an entrepreneurial culture (Agupusi, 2007).

Management skills

Managers of SMEs are continuously confronted with complex, unstable and dynamic business environment, and this require small business managers to have an understanding of how they can combine a set of competencies to lead their businesses to success and to enable them to compete. Management skills play an important role in ensuring that entrepreneurs of small businesses succeed (Zimmerman, 2013). Success of entrepreneurs is associated with skills to operate, to acquire share in the market, and capabilities required to run the business (Yahya, Fatt, Othman, & Abdul, 2011).

Small business entrepreneurs need to ensure that they equip themselves with basic business management skills like marketing, accounting, management and communication necessary for small businesses success (Kader, 2009).Most small business have been found to lack a number of basic business skills that impede their businesses from achieving good level of profitability and success (Nkosi, Bounds, & Goldman, 2013). Management skills are therefore essential for an SME to help with planning, organising, controlling and directing operations of the enterprise. This is because in managing SMEs, planning allows efficient and effective use of limited resources in terms of labour, finance, technology and time.

Government support

In a study conducted by Eniola & Entebang (2015), it was found that there is a positive relationship between government policies that promote entrepreneurship and SMEs performance, and the choice of government policies adopted have a major impact on the competitiveness and performance of SMEs. Kraja, Osmani, & Molla (2014) also evaluated the relationship between government policies and SMEs performance and found that there is a positive relationship between performance and government policies, suggesting that supportive government policies provide incentives and encouragement to the development of SMEs.

Government support has contributed to the development of the Thailand small business community by establishing legal aspect used in the selecting operating decisions to ensure business success (Chittithaworn, Islam, Keawchana, & Yusuf, 2011).It is the responsibility of government to continue building programmes that improve the managerial competencies of small business owners (Mahembe, 2011). Government need to play a major role in skills training and strengthening of business competencies. It needs to invest more in facilities and infrastructure that allow for a favourable local business environment, and must provide networking and market accessibility support services (Kader, 2009). Government can achieve this by establishing government agencies that fall under a single umbrella to deal specifically with SMEs support (Mahembe, 2011). .

The Research Question

Is coaching, innovation, management skills, education and training, and government support critical for success of SMEs?

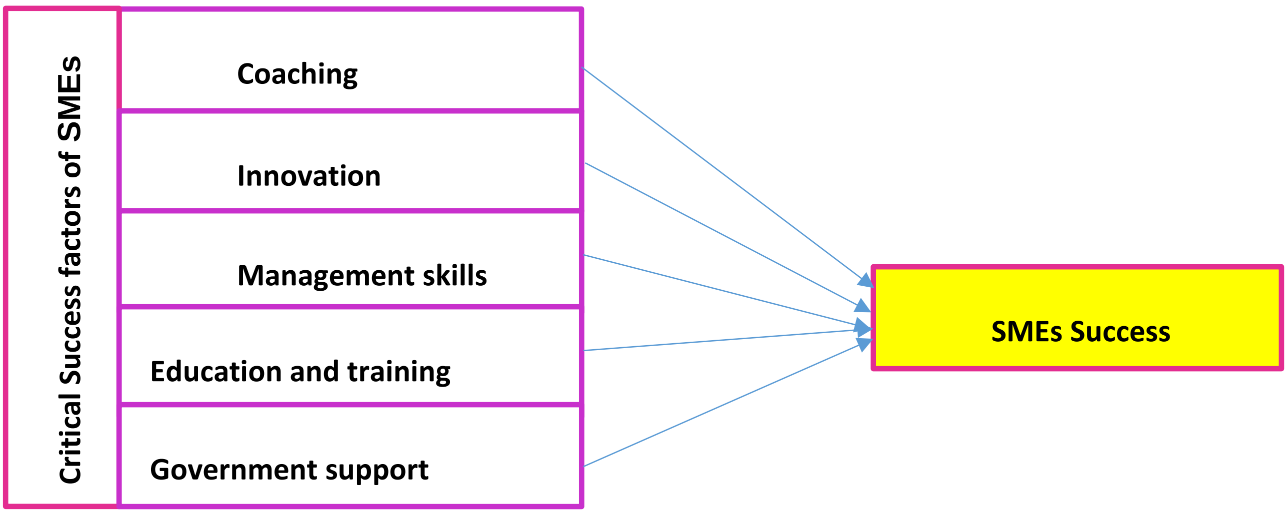
Research Objectives

1. To explore out critical success factors of SMEs.
2. To examine whether these critical success factors apply to SMEs in Giyani town, South Africa.
3. To examine whether the empirical research reveals other critical success factors that are not necessarily predicted in the literature.

The Conceptual Framework of the Research

From the above research literature findings, different factors contribute to the success of SMEs. Success factors that have been revealed by the literature include: coaching, innovation, management skills, education and training, and government support. These success factors were a review of academic literature from both the developing and developed countries were success of SMEs has been investigated.

FIGURE 2: A CONCEPTUAL FRAMEWORK OF THE CRITICAL SUCCESS FACTORS OF SMES IN GIYANI TOWN, SOUTH AFRICA



Source: Adapted from Rani & Hashim (2017)

The above conceptual framework has been adopted from Rani & Hashim (2017) and was adapted by the researcher to satisfy the aim and objectives of this study. This framework is in line with the reviewed literature and addresses the critical success factors of SMEs found in the literature. The empirical research findings will be compared against this framework to identify if there are other critical success factors contributing to the success of SMEs.

Research Methodology

Qualitative method of data collection was used to gather relevant data from the study participants. According to Wagner, Kawulich, & Garner (2012), qualitative research allows the researcher to gain an understanding of the process, cultural and social contexts that shapes the various patterns of behaviour. Sofaer (2002) found that the openness of a more structured qualitative research relates not to what the researcher intends to learn, but what the researcher eventually learns. Qualitative research methods are wide and open to surprises, and their effectiveness is measured by the amount of surprise the researcher experiences in the field.

Sample respondents in this study were entrepreneurs of SMEs owning and running small businesses in Giyani town, South Africa. A purposive sampling method was used to identify the study sample from the population. Purposive sampling is a technique used in a qualitative research and involves random selection of participants. With purposive sampling, the researcher find people who are willing to provide information related to their knowledge or experience (Etikan, Musa, & Alkassim, 2015).

The study sample in this study was limited to 15 entrepreneurs of SMEs that have been successful in running small businesses in Giyani town for five years and more. The five year period was found by the researcher to be substantial and relevant to the study. This is because Lekhanya (2015) found that many SMEs fail within the first five years of existence because of various reasons. Study respondents consisted of; 3 private healthcare practitioners, 3 private attorneys, 3 clothing boutique owners, 3 restaurants franchisees, and 3 beauty and salon owners. The researcher decided to focus on these kind of businesses because Giyani is a semi urbanized area, it is not industrialized, and majority of businesses are concentrated in the service sector.

In gathering the research data, In-depth interviews were conducted among entrepreneurs of SMEs. An in-depth interview is a data collection technique used in a qualitative research study and involves conducting rigorous one on one interview with a small number of participants to discover their viewpoints on a specific idea, situation, or program (Boyce & Neale, 2006).

In this study, participants were asked a set of 10 different predetermined questions with regard to their small businesses (These set of questions are contained in Appendix A). In the beginning of the interview session, respondents were advised to answer questions as best as they could, and to also ask the researcher questions whenever they felt they needed clarity with regard to questions they did not fully understand. Interviews were conducted in English at a venue and time that was decided and agreed upon by both the researcher and study participants. In Appendix B is a consent form that was presented, read and signed by every participant who participated in the study prior the interview session. This was to confirmation that the participant is giving the researcher consent to conduct the study.

After taking into considerations all the inputs from the pilot interviews, actual interviews were conducted and lasted an average of 60 minutes per participant. Out of the 15 participants that were targeted, a total of 12 interviews were completed and used for analysis. The rest of the 3 targeted participants could not be secured because of different work commitments. The researcher therefore relied on the 12 participants in analysing and interpreting the data.

To conduct interviews, the researcher made use of open-ended and structured questions, which allows the interviewer to add or change the questions during the interview process. This approach also entails that interview questions may not necessarily follow the interview questionnaire guide, allowing for flexibility during the interview process. For those whom the researcher could not secure face-to-face interviews, the researcher relied on telephonic interviews for collection of data. Prior the interview, respondents were made aware that an audio recorder will be used during the interview purely for the purpose of collecting data.

After the data was collected, it was divided according to sample categories (medical practices, Law firms, clothing boutique shops, restaurant franchises, and beauty and salons) to allow for a simplified analysis. Data was then analysed and interpreted. In line with the research literature, similarities and differences were observed, and conclusions were made. Similarities in this case entails critical success factors found in the study literature, and differences entails critical success factors not predicted by the literature but revealed by empirical research.

In ensuring reliability and validity to the study, a pilot interview was carried out by the researcher in the town of Giyani. Reliability estimates the degree to which an instrument measures a construct the same way each time it is used under the same condition with identical participants. In contrast, validity involves the level of accuracy to which the researcher measures what is intended to be measured. Although reliability and validity are different constructs, they are closely related (Wagner, Kawulich, & Garner, 2012).The researcher selected a pilot sample of 3 SMEs to assess if the interview questions were valid and usable for the study.

Results and Discussion

Profile of the SMEs Entrepreneurs

Table 1 summarises the profile of entrepreneurs of SMEs in Giyani town, South Africa**.** The sample comprised of South Africans (100 per cent) who were representative of the major racial group of the African population in Giyani. This is because Giyani is primarily home to Tsonga community (one of the most recognized ethnic group in the Limpopo province of South Africa), although it comprises of other racial groups that also operate small businesses in Giyani town. The median age was 33 years where more than half (83 per cent) belonged to the active working age of between 30 and 39 years old, and the rest(17 per cent) were below 30 years of age.

Half of respondents (50 per cent) were married and the other half were single. With regard to gender, majority of the respondents (75 per cent) were males and the rest (25 per cent) were females. It is interesting to note that only a quarter of the respondents in this study were females. This could be because majority of females do not generally take an entrepreneurial route of owning and running their own businesses in their career life because of many different reasons. Robichaud, Cachon, & McGraw (2015) found that female entrepreneurs are small in size because they normally put more emphasis on working towards a balance between work and family responsibility, and also prefer to keep their social role within the home, that includes taking care of the children.

In terms of education, all the respondents (100 per cent) had a tertiary education. However, majority of the participants did not believe that their entrepreneurial mind-set are as a result of their educational qualification, although they acknowledged that their level of education does play a positive role in the success of their small businesses. This could be an interest for future research to try and identify why some of the small business owners do not believe that the level of education has an impact on the success of small businesses.

TABLE 2: PROFILE OF ENTREPRENEURS

VARIABLE	FREQUENCY	PER CENT
Gender		
Male	9	75
Female	3	25
Race		
African	12	100
Age		
Below 30	2	17
30-39	10	83
Education		
Tertiary level	12	100
Marital status		
Married	6	50
Single	6	50

Source: Source: Giyani town SMEs survey 2017

Business Profile

Table 2 below illustrates that small businesses were, by large, small in size as justified by the total number of workers. Majority (83 per cent) of these SMEs employed between 10 and 15 workers, and a third (33 per cent) were owner operated. A majority (67 per cent) of these small businesses where legal entities and the rest (33 per cent) were sole proprietors. Law firms and medical practices each accounted for a quarter (25 percent) followed by restaurant franchises, beauty and hair salons, and clothing boutiques which equally accounted for 16.7 percent.

A majority of these small businesses (83 per cent) have been in existence for more than 5 years while only a few (17 per cent) of these businesses have been in existence for less than five years. Five years indicate a degree of business success for most SMEs. This is in line with the above literature by Lekhanya (2015) who found that many SMEs fail within the first five years of existence because of various reasons.

TABLE 3: BUSINESSES PROFILE

VARIABLE	FREQUENCY	PER CENT
Business registration status		
Sole Proprietorship	4	33
Legal entity	8	67
Type of business		
Law firm	3	25
Medical practices	3	25
Restaurant franchises	2	16.7
Beauty and hair salons	2	16.7
Clothing boutiques	2	16.7
Age of business (years)		
Five years	2	17
More than five years	10	83
Number of employees		
Less than 10	2	17
More than 10	10	83

Source: Source: Giyani town SMEs survey 2017

Success factors of SMEs

Table 3 reveals 7 critical success factors as perceived by entrepreneurs of SMEs in Giyani town. These factors can be classified into internal and external factors. External factors including education and training, government support, human resource, networking and compliance were found to be very important to Giyani small business entrepreneurs. Internal factors that were found to be most critical to the success of Giyani small business entrepreneurs included entrepreneurial qualities and quality service.

Entrepreneurial quality was perceived to be the most important critical internal success factor (67 per cent) while government support and human resource have been perceived equally (58 per cent) as the most critical external success factors for SMEs. Networking (33 per cent) and compliance (38 per cent) contributed the least to the success of SMEs.

Internal Success Factors

Entrepreneurial quality

The internal success factor of entrepreneurial quality that have been found to contribute to SMEs entrepreneurial success include; risk taking, innovativeness, leadership and self-confidence. The importance of innovation is supported by a study literature where Papzan et al. (2008) found that innovation and risk taking are the most critical intrinsic factors contributing to success among entrepreneurs of SMEs. Another study by Price, Stoica, & Boncella (2013) also found that the effect of innovation is the strongest performance indicator of successful SMEs.

Bowen, Morara, & Mureithi (2009) indicated in their study that lack of innovation and continuous search for changing customer needs reduces the survival of small businesses. Small businesses therefore needs to continuously innovate in order to meet customer demands and to adjust to changes in market dynamics.
Leadership, risk taking and innovation have been found to be the main differentiating competencies between small business entrepreneurs and other small businesses owners (Wagner, Kawulich, & Garner, 2012) .

However, Toader (2015) warns that risk taking should be based on taking appropriate decisions that are in support of business activities and business growth. Leadership is essential for the success of entrepreneurial businesses, and entrepreneurs who display effective leadership behaviours are able to enhance their entrepreneurial capabilities. This is emphasised by Arham, Boucher, & Muenjohn (2013) who found that:

"The right leadership behaviours are needed to channel the energy and motivation of the employees towards the right direction, to set the right goals and strategy and be able to instil trust and respect among employees in the company. These attributes will influence positive attitudes from the employees and later contribute towards the success of the firm."

Some of the respondents in this study mentioned that entrepreneurs of SMEs needs to understand the market, be flexible to changes in market dynamics, and should be able to collaborate with other small business owners. These small business entrepreneurs also believed that an entrepreneur who demonstrate high level of confidence and is able to listen to his customers and employees, takes well informed and better business decisions. With confidence and support, the entrepreneur is therefore able to innovate and come up with business solutions that set their business apart from other small businesses.

Quality client Service

Providing quality service that is satisfactory to customers has been found to be the other internal factor contributing to success of small business entrepreneurs. About 41 per cent of the respondents perceived good quality service to have contributed to their businesses by means of customer retention, referrals and repeat business. Quality service has become critical nowadays in gaining customer satisfaction, and the higher the quality of service, the more the satisfaction by customers. This satisfaction leads to loyalty to the business by customers (Rahmani-Nejad, Firoozbakht, & Taghipoor, 2014).

According to Minh & Huu (2016), managers need to direct and align all business processes towards creating a perception of higher service quality. By doing so, customers become more satisfied and this results in customer loyalty and retention. Respondents believed that most of their customers who reported to have received quality and satisfactory service played a very big role to the growth of their business in the form repeat business.

External Success Factors

Education and training

With regard to entrepreneurial education and training, half of the respondents (50 per cent) believed that basic business training in the form of accounting and finance, cash flow management, marketing, and human resource contributed to the success of their small businesses. These respondents believed that education and training on how to run a small business is very important as it allows the entrepreneur to adopt a more professional approach in the running and management of a businesses.

The importance of entrepreneurial education is emphasised by (Isaacs, Visser, Friedrich, & Brijlal, 2007) who found that the system in South Africa need to promote entrepreneurship at school levels because education and training in entrepreneurship has the capacity to make a positive contribution to job creation and poverty alleviation. Although some of the entrepreneurs could not directly link their entrepreneurial success to education, there was an agreement among the respondents that entrepreneurs of small businesses need to invest more in learning about the basics of business management as this will better enable them to manage their finances, better market their products and services, and learn to deal with their employees better.

Education as one of the entrepreneurial success factor as identified by Giyani small business owners, is therefore an important focus that the Government of South Africa needs to closely look into, especially in semi - urban and rural areas. This will allow these small business owners to compete both in the national and international markets, thereby ensuring growth and sustainability of their enterprises.

TABLE 4: DETERMINANTS OF SMES SUCCESS

FACTOR	VARIABLES	FACTOR RATING /TOTAL PARTICIPANTS (%)
Government support	Technical knowledge and skills support, Entrepreneurship courses for small businesses. Assistance with market access.	58
Networking	Network with various entrepreneurial agencies, government officials, and other small business owners. Engagement in small business workshops and seminars, mentorship and coaching programs.	33
Compliance	Compliance with all the relevant regulatory bodies applicable to a specific industry.	38
Entrepreneurial quality	Risk taking, innovativeness, leadership, and self-confidence. Understanding the market and being flexible to changes when there are changes in market dynamics. Collaboration and partnerships with other small business owners.	67
Quality service	Good and quality customer service, and providing service that is highly satisfactory to clients.	41
Human resource	Good communication with employees and customers, providing employee training workshops, and treating employees in a way that they will be assumed to treat customers.	58
Education and training	Basic business management training course. Continuously learning on how an entrepreneur can improve managing and growing the business.	50

Source: Giyani town SMEs survey 2017

Government support

With regard to Government support, 58 percent of the respondents believed that government support is very important to the success of SMEs. These respondents outlined that technical knowledge and skills support, courses on entrepreneurship, and assistance with market access are some of the roles that Government can play in improving the position of SMEs in South Africa, especially in rural areas like Giyani. It was a general feeling from most of the respondents that the Government of today need to promote and support SMEs financially and through a variety of programs in order for these SMEs to survive, grow a and succeed. Peters & Naicker (2013) found out in their study that government support assist in providing access to training, mentoring and credit to existing and new businesses.

It also came out very clearly from the respondents that Government need to also ensure that the regulatory environment is encouraging for young people to engage in small businesses. Regulatory challenges that were cited to impede the success of small business included tax and labour laws, and the business registration processes.
Government is therefore one enabling factor that small and medium enterprises can rely on for their business growth and sustainability because it is widely known to be the main facilitator of economic growth. This is supported by the researcher because areas like Giyani have witnessed development advancements primarily because Government has invested more in programmes and projects that promotes local trade within the area. These programs and projects include infrastructural, social, public works and energy which are all important to the economic development of every nation.

Human resource

Human resource was one of the external factors that a majority of the respondents (58 percent) perceived to be important to the success of SMEs. They attributed good communication with employees and customers, staff training and workshops, and treating employees in a way that the owner of the small business would like them to treat their customers as important success factors of SMEs. The issue of good communication is supported by Bowen et al., (2009) who found that having good communication skills is critical in any small business because of the personalised services that most customers anticipate when dealing with small business owners or managers.

Respondents also held a view that having a clear understanding of human resources and how it plays a role in the proper functioning of small business is one of the areas of small business that a majority of entrepreneurs need to start paying more attention if they intend to succeed. They believed that majority of small business entrepreneurs lack business soft skills necessary for small business success.

It was not clear from the respondents as to what level of human resource involvement is critical for success of small and medium enterprises. It can therefore be assumed by the researcher that all levels of human resource, from the enterprise manager to the lowest ranking member of the team, is critical for success.

Networking

About a third (33 percent) of the respondents attributed their entrepreneurial success to networking. They perceived networking to be one of the drivers of success of small businesses as it allows them to gain an opportunity to share their business stories with other successful entrepreneurs. Thrikawala (2011) found that in the start-up phase, a number of SMEs gain influence and capital through networking, and a as a result, policy makers and other stakeholders need to organise and promote network activities for SMEs that supports sharing of knowledge and expertise on how to successfully run small enterprises.

Respondents believed that networking with various small business agencies, government officials, and other small business owners exposes them to new and better ways of managing and thinking about their businesses . They also found value in engaging in small business workshops and seminars, mentorship and coaching programs that improves their knowledge on how to better deal with various business stakeholders. Promotion of networking with other organizations has also been found by Tiryakira & Mbidde (2015) to be a good starting point to develop and increase competitiveness of SMEs.

To promote and market their small businesses, these entrepreneurs can therefore further develop their own internal networks that will enable them to consistently share knowledge, experiences and skills necessary to improve the performance of their enterprises. The availability of mentors within these network circles can further provide an opportunity to most emerging small business owners to learn more about various ways in which they can position their businesses to take advantage of opportunities existing in the market.

Compliance

Compliance was also perceived by a third (33 per cent) of the respondents to be one of the critical success factors of SMEs. They believed that if entrepreneurs of SMEs are compliant to general and specific regulatory bodies governing their industries, they are most likely to avoid unnecessary setbacks that comes with ignoring regulations governing businesses. Respondents mentioned organisations like the South African Revenue Service (SARS), Department of Labour, and the Department of Environmental Affairs as one of the government agencies that SMEs need to comply with.

Delimitations, assumptions and limitations of the research

The study was limited to entrepreneurs of SMEs doing business in Giyani town, Limpopo Province of South Africa. These entrepreneurs included; private healthcare practitioners, private attorneys, boutique owners, restaurants franchisees, and professional beauty and salon owners. These SMEs were chosen because they formed the biggest segment of small business entrepreneurs' population in Giyani town. The population was convenient for the researcher to reach because he previously practiced in Giyani for a number of years as a private Physiotherapist, and has therefore established a relationship with these entrepreneurs.

The following were assumptions made by the researcher with regard to study respondents:

- Respondents will be willing to share their entrepreneurial experiences.
- The sample size will be sufficient to satisfy the purpose and objectives of the study.
- Respondents will allow the researcher enough time to conduct the interview.

The sample size in this study was short of 3 participants as originally envisioned in the proposal (i.e. a sample of 15 participants was planned for this study but could not be achieved). This could therefore have had an impact on the quality of the study results. Additionally, no statistical test was used (except for the conceptual model adopted). The use of statistical tests could assist in bringing better insight in the future about the topic.

The research mainly relied on services businesses (except for clothing boutiques) to conduct the study, and this has exposed the researcher more to critical success factors that may be more applicable to service business industries and less exposure to products orientated businesses. This was due to Giyani town being a small town without a diversity of industries. Future research should focus on well-developed study locations that will bring in the view of a mixture of business owners, industries and sectors in order to provide a full representation of the small business sector.

Ethical Consideration

Ethical approval was obtained from University of the Witwatersrand Non-medical Ethics Committee. Additionally, informed consents were signed by study participants before the commencement of the interview. The consent stipulated that study participants are participating in the study willingly and that they were free to withdraw at any moment without giving a reason and without being negatively impacted.

Responses to the interview questions were kept strictly confidential and the identities of the participants were not associated with the research materials.

The audio recordings produced during the interviews were used solely for analysis, and extracts from the interview did not personally identify the participants. The participant gave consent that the recordings may be used in a journal article produced as a product of the research. No other use was made of the recording without the written permission of the participant, and no any person not involved in the research was permitted access to the recording.

Conclusion and Implication for South African SMEs

South African SMEs continue to play a vital role in the South African economy, and findings from this report have demonstrated that these SMEs continue to add real value to the economy through job creation. Although the study literature has outlined specific critical success factors of SMEs, empirical research brings attention to the study other additional factors that are critical to the success of SMEs. Giyani small business entrepreneurs have provided evidence that small business owners in South Africa need to be aware of critical factors important to the successful running of their small businesses, and these factors are also supported by both the research literature and empirical findings.

The intrinsic factor of entrepreneurial qualities has highlighted major factors of success that small business entrepreneurs need to focus on in order to succeed in their journey.There is also a need for investment in education and training of SMEs owners by the Government and other stakeholders in South Africa. This is because there are still aspects of small business education that is not known by the small business community.

The best way to foster entrepreneurial education and training is to incorporate the entrepreneurship programmes into the everyday school activities and subjects at the primary and secondary levels (Kader, 2009). This will successfully prepare school leavers with broad entrepreneurship skills that will encourage them to get involved in business activities after leaving school. Higher education institutions have the potential to provide access to technologies and resources by working in partnership with research departments to assist in the commercial development of ideas that small businesses could not achieve on their own (Chiliya & Roberts-Lombard, 2012).

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Appendix A: Study Interview Questions

1. **Tell me about yourself and your business?**
2. **Do you have any knowledge and understanding of what an "entrepreneur" is?**
3. **Do you regard yourself as an entrepreneur?**
4. **Do you have any knowledge and understanding of what a Small and Medium Enterprise is?**
5. **Do you regard your business as a small and medium enterprise?**
6. **Which year was your business established?**
7. **Do you believe you have been successful in running your business since its establishment?**
8. **What do you believe to be the critical success factors of small and medium enterprises?**
9. **Do you think there are <u>other</u> critical success factors of small and medium enterprises?**
10. **Is there anything you would like to add with regard to entrepreneurs, entrepreneurship and small and medium enterprises?**

Appendix B: Consent Form: A Qualitative Study

Title: Critical success factors of entrepreneurs of small and medium-sized enterprises: Giyani town, South Africa

Thank you for reading the email with the information sheet regarding the study interview. If you are happy to take part, please complete and sign. Please mark with "X" to confirm that you agree with the statements below:

	Please mark with "X"
I agree that I have carefully studied the e-mailed information sheet and was allowed the opportunity to seek clarity and ask questions.	☐
I realize that partaking in this study is voluntary and I can withdraw at any moment without providing any reason and being negatively impacted. Additionally, I can choose to respond to any specific question.	☐
I am aware that my responses to this study will be kept confidential and that my identity will not be associated with the study, and can never be revealed in the report that is an outcome of this research.	☐
I am in agreement that this interview will be audio recorded, and that the audio recording produced from this interview will be used solely for study purposes. I understand that data from this interview may be used in a journal article produced as an outcome of the study. I am aware that no recording will be used for other purpose without my written permission, and that only those involved in the research will be allowed to access the recording.	☐
I agree that the product of this recording may be kept only for future research purposes after the completion of the study.	☐
I agree to partake in this interview.	☐

___________________________	__________________	_____________________
Participant Surname and initials	Date	Signature
____________________________	____________________	_______________________
Researcher Surname and initials	Date	Signature

Copies: *Participants can receive a copy of the recording on request. Signed and dated copy of the consent form will be kept safe under lock and key.*

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