

***A critical analysis of entrepreneurial and business skills in SMEs
in the textile and clothing industry in Johannesburg, South
Africa***

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Abstract

South Africa has abandoned apartheid and re-entered the global economy where factors like the lack of global competitiveness and global recession, among other factors, are contributing to poor performance of South African firms. This poor performance has resulted in many firms restructuring, shrinking, closing down and losing hundreds of thousands of jobs. The South African government is promoting SMEs as alternative employment source. The problem is the high rate of SMEs closure. To sustain jobs, SMEs must survive and grow. Critical to aiding SME growth is the understanding of various internal and external factors which determine success or failure. This study investigates “skills” as one of the significant internal factors.

The literature reviews eight models by authors Glancey (1998), van Vuuren & Nieman (1999), Erikson (2002), Wickham (1998), Man et al (2002), Ucbasaran et al (2004), Darroch & Clover (2005) and Perks & Struwig (2005) to present the integrated model for entrepreneurial performance as “**integrated $\uparrow E/P = f(\text{key skills}) \times [1 + h(\text{supporting skills})]$ ”**. The key skills are represented as multiplicative, symbolising the fact that the absence of any one key skill will lead to zero performance. Based on this model, several propositions are put forward.

The aim of this study was to investigate whether the key set of competencies identified by the eight models reviewed (as presented in the detailed model) can be applied to a specific industry (the textile and clothing industry) at a specific geographic location (Johannesburg).

The cross-sectional, ex post facto, formal empirical study involved interviewed 570 manufacturing SMEs (197 successful and 373 less successful SMEs). The study ascertained which skills the SME owner/managers perceived as important for success; how they rated their competencies in the said skills; and whether they had been trained in those skills. The instrument used was a structured questionnaire. The statistical analyses included descriptive statistics, frequencies, factor analysis, Cronbach alpha coefficient, Chi-square; t-test and one-way ANOVA tests. The analysis was concluded with a Scheffe’s multiple comparison procedure.

The main findings of the study are:

1. Key skills that enhance SME success include the ability to gather resources, marketing, motivation, legal, financial and operational management skills.
2. Successful SMEs considered key skills to be more important and rated themselves more competent in most of the key skills than did less successful SMEs.
3. Successful SMEs had been trained in more skills categories than less successful SMEs, with most of the successful SMEs having received training in all the key skills identified.

This study recommends that the training of SMEs should focus on developing those skills identified as key internal factors influencing SME success by following the training model **“Training for $\uparrow E/P = \text{training in key skills} \times [1 + \text{training in supporting skills}]$ ”**. The study concludes by listing limitations and suggesting further research.

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ABBREVIATIONS

ACP	African-Caribbean-Pacific
AGOA	African Growth and Opportunity Act
ANOVA	One way Analysis of Variance
BEE	Black Economic Empowerment
CBOs	Community Based Organizations
COJ	The City of Johannesburg
DOL	Department of Labour
DTI	Department of Trade and Industry
EDA	Exploratory Data Analysis
EDU	Economic Development Unit
EU	European Union
GDP	Gross Domestic Product
GEAR	Growth, Equity and Redistribution
GEM	Global Entrepreneurship Monitor
GP	Gauteng Province
HR	Human Resources
UA	Uncertainty Avoidance
ICT	Information and Communication Technologies
ITO	Industry Training Organizations
KPAs	Key Performance Areas
LBSCs	Local Business Support Centres
nAch	need for Achievement
NGOs	Non-Governmental Organisations
OECD	Organisation for Economic Cooperation and Development
PD	Power Distance
PDI	Previously Disadvantaged Individuals
RDP	Reconstruction and Development Programme
SA	South Africa
SARS	South African Revenue Services
SAWCTU	South African Workers in the Clothing and Textile Union
SBDC	Small Business Development Cooperation
SMEs	Small Enterprises including small, very small, micro, informal and medium
SMMEs	Small, Medium and Micro Enterprises
T&C	Textile and Clothing Industry

UK	United Kingdom
UP	University of Pretoria
USA	United States of America
UYF	Umsobomvu Youth Fund
VAT	Value-Added Tax
WTO	World Trade Organization