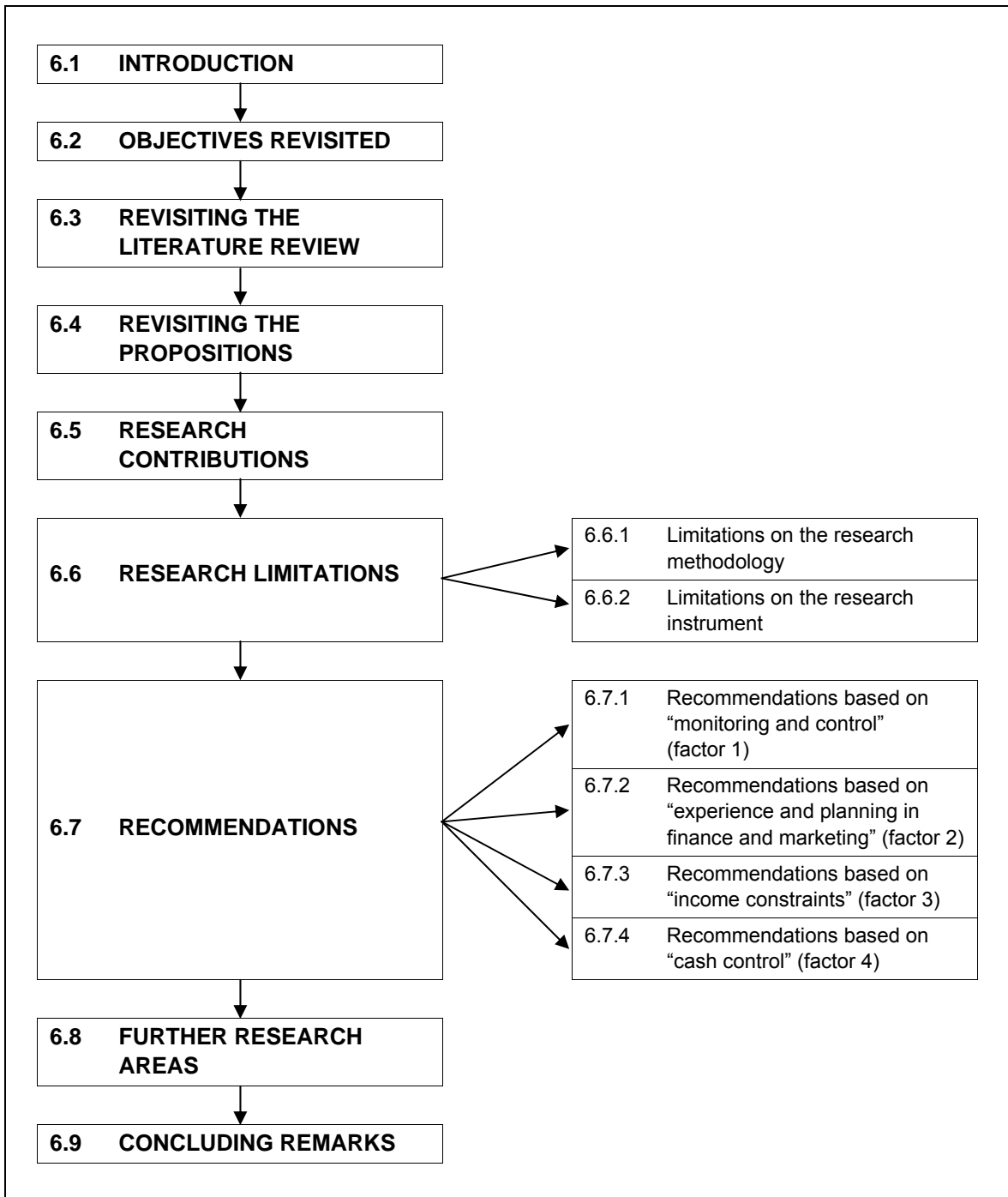


**CHAPTER 6**  
**CONCLUSIONS AND RECOMMENDATIONS**



**Figure 6.1: Layout of Chapter 6**

## CHAPTER 6

### CONCLUSIONS AND RECOMMENDATIONS

#### 6.1 INTRODUCTION

As in human beings, if disease is revealed early enough, some remedies can be taken. Unfortunately, very few authors are interested in causes, process, or remedies. They only work with symptoms of failure, often represented by financial ratios (Daubie & Meskens 2001:2).

As discussed in Chapter 1, this research, “Retrospective analysis of causes of failure in South African small businesses”, sought to establish the causes associated with the high failure of SMMEs (that is, “What?”). The *raison d’etre* for this research was to gain better insights into the high rates of failure in SMMEs in the Gauteng, Limpopo and Mpumalanga provinces of the Republic of South Africa and Gaborone in Botswana. Specifically, the research unearthed the mechanism for the failures, that is, “Why?” and “How?” the failures happened, or what the reaction mechanisms were.

Reflecting on the previous chapters, it is important to reiterate what the set goals were and what was achieved practically towards answering the research problems. In Chapter 1, it was noted that the objective was to obtain empirical information from the owners of failed small businesses with a view to developing an explanatory model of their business failures. To do this, a literature review was conducted to serve as a backdrop to this research. Chapter 2 covered the theories on the causes of small business failure. Chapter 3 then highlighted some key issues that needed to be addressed to enable a locally based explanatory model to be developed. In this study, the thrust of Chapters 3 and 4 was the need to place the perceptions of the owners of failed small businesses at the centre of the research to satisfy one of the key principles of realist research requiring researchers to always endeavour to interpret hermeneutically the texts of research

subjects to readers for purposes of facilitating mutual understanding – a move which supports McKenzie & Sud (2008:123).

Chapter 4 then applied the principles enunciated in Chapter 3 to collect and analyse the data required to address the objectives of the research. Chapter 5 analysed the collected data and applied the five criteria under the realist causality principle to obtain the causes or root causes (not symptoms) of the business failures.

Since the one theme running through Chapters 1 to 5 is the idea that adherence to business management principles on the part of the business owner is a primary determinant of business failure or success (Beaver & Jennings 2005:9; Neuman 2006:52; Nieman 2006b:19; Hofstee 2009:88), the central theme in Chapter 6 relates to empowering the owners of businesses by recommending training and a change of mindset on the basic business management principles or rules. Empowering the owner-managers of businesses through a change of mindset is an important hallmark of the critical realist approach as discussed in previous chapters.

## **6.2 OBJECTIVES REVISITED**

The objectives of this research were to:

1. Undertake a literature review on the theories on the causes of failure in SMMEs in other countries and South Africa in general as a backdrop to this research (Chapter 2);
2. Obtain empirical information from the respondents in this research about the causes of their SMME failures (Chapter 4);
3. Use the information obtained to produce an explanatory or causal model on the SMME failures (Chapter 5); and
4. Make recommendations based on the findings (Chapter 6).

### 6.3 REVISITING THE LITERATURE REVIEW

Under the Literature Review in Chapter 2, the theories on the causes of the failures used were initially classified into three themes:

- “Resources and opportunities” as a perspective for explaining small business failure,
- Business management expertise classified metaphorically into “liabilities” and “venture life cycle” as a perspective for explaining small business failure, and
- “Multiple origins/causes of failure” as a perspective for explaining small business failure.

In the perspective of resources and opportunities, the theory revealed that absence of resources and opportunities individually or combined leads to failure of small businesses.

The perspective on the metaphors of the venture life cycle theorised that there are critical hurdle points during the life cycle of any venture, that is, at each of these critical survival points, the possibility of death deterministically exists because of a lack of small business management skills which results in inefficiencies. The more the inefficiencies within the venture, the more predisposed to failure the small business is. The perspective on the liability of failure revealed that inherently small businesses face a liability of death by virtue of their size and age (the younger the age and the smaller the venture size, the more vulnerable the venture to failure).

In summary, the foregoing views on inefficiencies support Daubie & Meskens (2001:46) who assert that the earliest symptoms of failure and the starting point of the failure process is an insufficiency of revenue and poor profitability. When the availability of share capital is limited, firms are forced to become more indebted (first with long-term loans and then with short-term loans). This is the beginning of a vicious cycle that ends in bankruptcy. This increasing indebtedness leads to poor solvency, creditors become suspicious and liquidity problems arise.

Kuratko & Hodgetts (2001:366) are also supported by this thinking on inefficiencies when they assert: “the failure process was characterised by too much initial indebtedness and too little revenue financing”.

In the multiple origins as a perspective of small business failure, it was revealed that the failure of small businesses emanates from multiple of causes and not a single cause of failure. In this perspective, the causes of failure that combine to overwhelm the small business are the owner-managers' non-adherence to the small business management principles, external environmental complexities and internal organisational poor management. Furthermore, Anderson & Tushman (2001:675) conclude: "The greater the environmental uncertainty, the higher the exit rate". Therefore, according to this theory, the imbalance between the external environment and the internal environment results in the overall depletion of the slack resources needed to retain the opportunity responsible for yielding the revenue and the rents needed for venture refinancing and survival.

A perspective incorporating human value judgements was introduced (Section 2.7) to provide a broader perspective about the multiplicity of factors which influence business failures. The critical realist conceptual framework indicated that the fate of the business in surviving or failing is related to the broader situation regarding the SMME business management principles, as well as the perceptions of the owner-managers, giving some renewed hope that, after all, small businesses are not always born to die.

In answering, "So what?", it is clear that Chapter 2 has exposed as many descriptive causes of failure as is possible but, by so doing, only addressing part of the research title, that is, successfully answering: "What are the causes of small business failure?". This approach does not address "How?" and "Why?" or root causes of small businesses failure as called for by the title of the research. The title sought to unearth the root causes through understanding the mechanisms of failure rather than by describing the causes of failure. Chapter 2 does not present a complete picture, therefore an approach that explains failure causes through use of causality becomes necessary. This approach – which supersedes the conventional approaches – is therefore introduced towards the close of Chapter 2 in the form of a critical realist approach. Without the introduction of this approach the research would have been incomplete.

## 6.4 REVISITING THE PROPOSITIONS

The propositions which were advanced in Section 4.2.4.1 are now revisited in this section as:

- P<sub>1</sub>** Monitoring and control contributes to failure in small businesses.
- P<sub>2</sub>** Experience and planning in finance and marketing contributes to failure in small businesses.
- P<sub>3</sub>** Income constraints contribute to failure in small businesses.
- P<sub>4</sub>** Cash control contributes to failure in small business.

## 6.5 RESEARCH CONTRIBUTIONS

The research has illustrated the relevance of the retrospective and the critical realist approach in terms of:

- Demonstrating that basic business management principles are crucial as an overarching framework in any analysis of business failures and that the principles could be conceptualised as rules for interpretation by the owners of businesses;
- Demonstrating the importance of the retrospective method in conjunction with the critical realist approach as a research paradigm in addressing the problem of small business failure;
- Advertising the relevance of the retrospective method to the business failure research community;
- Demonstrating how lack of access to certain resources essential for business successes could contribute to the failure of certain businesses as confirmed by anecdotal evidence in Chapter 5;
- Demonstrating how the negative perceptions/lack of coping mechanisms of owners of businesses could contribute to the closure of their businesses;
- Demonstrating how the critical realist approach could be used as a framework to contribute to a change in mindsets which could then lead to the reactivation of the small businesses to contribute to job creation, poverty alleviation, and income generation in South Africa;

- Mobilising the relevant stakeholders or supportive environmental elements to provide the necessary knowledge and other forms of assistance to the SMME sector to enable them to make their maximum contributions to the development of South Africa; and
- Five criteria of causality used in the understanding of failure in small businesses.

## **6.6 RESEARCH LIMITATIONS**

“Potential limitations are often numerous even in the most carefully planned research study” (Fouché 2006:118).

Following from the above quotation, this section outlines how limitations that may have impacted on the research have been reduced.

### **6.6.1 Limitations on the research methodology**

The retrospective methodology research design as an open system or non-experimental method does not require the use of an experimental sample control normally used by closed systems. This fundamental difference between experimental and non-experimental methodologies involving the use of a sample control is perceived as a weakness in determining causality by those researchers who conduct experiments under closed systems. However, this research saw no handicaps in the methodology as it had been deliberately chosen to suit the data. Scientific experimental sample control is unnecessary since, at the time of sampling, the event of failure in the small businesses had already taken place. One cannot recreate the sample treatment where the experiment has already gone to conclusion. Furthermore, by considering the perceptions of the owners of failed small businesses, an accurate explanation or account of the events was attained. Consequently, the more owners of failed small businesses interviewed in this research, the more factual reasons for failure were given. In this type of research, this retrospective methodology was the best under the circumstances: that is, for obtaining facts first hand.

At times during the instrument design phase and during actual interviews it was tempting to include those owners of successful small businesses that were still in operation to enhance perceptions from a slightly different angle. The assumptions made in Section 1.10 are that owners of successful small business have remained in business because they adhered to the classical and conventional business “rules” (Beaver & Jennings, 2005:9; Neuman 2006:52; Hofstee 2009:88). The factors that were identified empirically as contributing to the failed small businesses serve to confirm that the owners of failed small businesses in this research did not adhere to the classical business “rules” as identified. Based on these cited assumptions, there was therefore no need to specifically interview successful small business owners for their perceptions about the failure phenomenon.

In this research, by making use of the random systematic sampling procedure in Chapter 4, followed by the snowball sampling method, the retrospective method managed to show that the sample was representative of the population, and hence any inference therefrom is credible and generalisable to the rest of South Africa.

### **6.6.2 Limitations of the research instrument**

The questionnaire used was initially intended to be structured, but, by so doing, the owner-managers who wanted to explain more about why their ventures failed were partially restricted from further explanations. However, this difficulty was overcome by including an unstructured, open-ended question at the end of the questionnaire asking the owner-managers of the failed businesses to elaborate on what they perceived in hindsight had caused the failure of their small businesses. The answers were collected and collated as hindsight and anecdotal findings which were reported and explained in Chapter 5. The anecdotal evidence strengthened the research findings.

Furthermore, the supposed weaknesses in the structured questionnaires were reduced by taking additional notes during the interview process. Another strength of the interview system emanated from the interviewer who took time to explain and clarify any misunderstandings. This approach was important on account of the widely differing educational backgrounds of the respondents.



A structured questionnaire can be a handicap in a developing country if respondents are educationally disadvantaged. This is one of the reasons face-to-face interviews were used to reduce misunderstandings and enhance accuracy of the responses. Chapter 4 was dedicated to improving the credibility of the research. This was achieved by concentrating on the validity and reliability precautions normally followed when using a retrospective methodology.

As testimony of the present researcher's interventions, Chapter 5 reported high Cronbach alpha values (0.80 to 0.98) in Table 5.10. A "goodness of fit", being a measure of how well a research model being used had the best fit to the test scores, that is, any statistically significant difference is not by chance, was reported in Section 5.3.3 as testifying that the model being used had a best fit to the test scores. For the fit, the data collected for the research yielded a chi-squared distribution ( $\chi^2$ ) = 2317.189 with a highly significant statistical p-value of 0.000, for an  $\alpha = 0.05$  level of significance. Ultimately, there was strong evidence that the instrument used in this research was appropriate and made the study credible.

## **6.7 RECOMMENDATIONS**

The literature review revealed a dearth of journal articles, publications and accessible information available regarding failed small businesses in the South African context. Therefore additional focus needs to be given to this important aspect of accessible information on small business failure via an appropriate government department and the research community at large.

Given the importance of successful small businesses to a nation's economic growth, and also the role that small businesses play in poverty reduction, it is postulated that an understanding of the problems negatively affecting small businesses in South Africa is a vital first step in managing and avoiding the massive failure of these small businesses as Okpara & Wynn (2007:25) note for Nigeria.

With such evidence, it is clear that researchers of the failure phenomenon situation of small businesses in South Africa need to focus on the failures and locate their

recommendations in the framework of radical positive change (Rogerson 2000:687).

The aim of this section is to present, and justify, the measures that may be considered to address the four causes of failure among small businesses discussed in Chapter 5 and also to look at other broader contextual issues. The recommendations are based on the idea that business failure problems, or any other social realities for that matter, do not exist as external objects whose function is only to overwhelm the owners of businesses until their businesses close down. Instead the problems need to be seen as being defined by the human mind and thoughts which can be changed to introduce progress in the lives of those concerned (Fleetwood & Ackroyd 2004:56).

The recommendations made here examine the possibilities of changing the existing situation through increased understanding and self-awareness to enable the owners of small businesses to renew their confidence to become self-conscious agents for their future prosperity. The recommendations made are thus specific to the four problems and also general to relate to the broader South African context as discussed under the conceptual framework in Chapter 3.

The recommendations are based on the four causes/causal factors which have been identified by the research as:

- Monitoring and control (factor 1)
- Experience and planning in finance and marketing (factor 2)
- Income constraints (factor 3)
- Cash control (factor 4).

### **6.7.1 Recommendations based on “monitoring and control” (factor 1)**

#### **6.7.1.1 RESOURCES AND OPPORTUNITIES**

As it is generally accepted that a venture is a bundle of resources (Bruton & Rubanik 2002:553) gathered to capture an opportunity, it is therefore imperative for the South African small business owner to be conversant with sound methods of resource deployment as well as to be able to have an internally and externally

balanced small business. A method that can assist the small business owner achieve this is already in place but the method is hardly being used by small businesses who are intimidated by its complexities. This method is known as the “balanced scorecard” introduced into the business landscape by Robert Kaplan and David Norton in 1992 (Kaplan & Norton 2000:65). Many owners of small businesses in South Africa seem to be intimidated by the name and the method remains largely practised by large firms where it has found wide usage. In creating a balanced small business, the method uses its four components which are: financial indicator, customer’s perspective, internal business processes, and learning and growth perspective (Kaplan & Norton 2000:65; Appiah-Adu *et al* 2001:18; Crutzen & van Caillie 2007:20). Organisations such as Khula and Seda need to be brought closer to the owners of small businesses to enable them to know about basic business management practices associated with the balanced scorecard, for example.

#### **6.7.1.2 PREVENTION OF FAILURE**

It is clear that to monitor and control a small business, the owner needs to be aware of the symptoms that lead to failure. These symptoms adapted from past researchers (Koksal & Arditi 2004:9; Rasheed 2005:239) include: insufficient profits; heavy operating expenses; inadequate sales; burdening debt, and cash shortage. There need to be training programmes for the owners of small businesses on the aforementioned aspects (Yanchus *et al* 2003:2). These programmes could be organised by numerous government and non-government organisations in South Africa.

#### **6.7.1.3 POOR SYSTEMS OF CONTROL**

It is generally accepted that no person starts a new venture preparing it for failure. Checks and monitoring can help owners of South African small businesses manage organisational activities towards survival and success. A lack of proper control on internal activities can eventually lead to business failure from inefficiency of slack resources. Corrections can be instituted if the systems are in place. Therefore owners of small businesses need training programmes on how to

put their internal controlling systems in place. This assertion supports Sheth & Sisodia (2005:22).

## **6.7.2 Recommendations based on “experience and planning in finance and marketing” (factor 2)**

### **6.7.2.1 OWNER-MANAGERS’ EASY ACCESS TO SELF-HELP SERVICES**

Much of the research into marketing in small businesses concludes that it is frequently underutilised and misunderstood by small business owner-managers (Hogarth-Scott *et al* 1996:6; Mazzarol 2000:2; Mboniyane 2006:26; Shepherd & De Tienne 2005:91).

To be able to increase sales demand, owners of small businesses in South Africa need access to up-to-date marketing information about consumer behaviour, competitive forces and best industry practices, for example, which could be provided via internet services, especially in remote areas (de Klerk & Kroon 2008:25). With a lack of industry specialists in remote localities, trouble-shooting is another key area that may be addressed through the provision of self-help centres.

### **6.7.2.2 THE OWNER-MANAGER’S TRAINING**

As discussed in Section 1.1 and Section 5.2.2, the lack of training is a major handicap to the survival chances of South African small businesses (Westhead & Storey 2001:14). In addition to training constraints, the findings of this research have demonstrated that the lack of marketing and finance and basic business management skills are major factors contributing to the failure of the small businesses concerned. Present small business and entrepreneurship training interventions in South Africa tend to put more emphasis on theory (classroom) rather than practical (hands-on) business skills which the owners of small businesses need to be able to run their ventures successfully (Alstete 2008:584). The increased number of small businesses in the South African economy – like for Botswana – should not be equated with the development of entrepreneurship in the country. These are two different concepts. It is the development of entrepreneurship that leads to an increasing number of viable small firms not vice versa (Temtime & Pansiri 2004:25).

### **6.7.2.3 CONDUCTING THE FEASIBILITY STUDY**

Before someone is employed, many large firms/corporates screen potential employees in order to recruit the correct candidates. But screening is seldom practised within South African small businesses. Few owners of businesses are screened for suitability for their new ventures. The owners of businesses do not often conduct feasibility studies into their newly ventured industry, business environment and other issues. Remedies for the foregoing can reduce the high failure rates in small businesses. A correct fit between resources, opportunity and the owner should form part of the screening processes (Timmons 1999:38, 2009:101; Rwigema 2005a:25).

### **6.7.2.4 ACQUISITION AND DEPLOYMENT OF RESOURCES**

The South African small business owner needs to be trained to become conversant with the management of finances and be able to raise capital where necessary for refinancing the venture. The owners of businesses need to be aware of the importance of finance and marketing and not take them for granted. Declining ventures (once they have reached a point beyond turnaround strategies) can often no longer attract debt, as they can no longer convince financiers that they still have the capacity to repay their debt. At this point, when resources are depleted, they may no longer be capable of supplying services creating the opportunity. It is therefore critical that the owners of businesses build the capability for acquiring finance and for retaining marketing opportunities. Resource acquisition and deployment is at the heart of a balanced small business (Kraatz & Zajac 2001:635; Crutzen & van Caillie 2007:9) as illustrated in Figure 3.3.

### **6.7.2.5 ENTREPRENEURIAL MENTORS**

Effective interventions should assist South African small business entrepreneurs to learn rather than simply impose prescribed solutions, as is the case through the provision of “expert” consultancy (Sullivan 2005:164). A feature of owners of successful small businesses is that they learn from failure (Minniti & Bygrave 2001:9). Successful managers in the corporate world depend on the guidance of their elders. This practice (known as mentoring) is hardly in place within the South African small business industry, although theoretically it forms the fulcrum around

which small business practices revolve, needing someone who has walked a similar path to guide others the same way. Mentoring has not gained much ground within the South African small business sector, despite its wide use within the corporate world. Mentoring could benefit South African small business entrepreneurs by imparting expert knowledge from subject matter specialists (Sullivan 2005:162; van Emmerik *et al* 2005:310).

#### **6.7.2.6 NETWORKING**

The statement that “no man is an island” is very applicable in small businesses. The critical use of networking lies in the mobilisation of resources, often resulting in bulk purchases that can be shared by all involved small businesses. This then impacts favourably on the small business costs for a successful venture. Networking has many benefits such as sharing of small business skills and best practices, for example. However, this crucial business practice is barely practised by many South African small businesses. This is perhaps one of the reasons that small businesses in South Africa are unable to mobilise resources effectively. They have not formed networks (Johannisson & Mønsted 1997:109; de Klerk & Kroon 2008:25). Small businesses need to create self-help networks or be associated with dedicated small business structures with low interest rates so that owners of businesses can afford loan repayments.

#### **6.7.3 Recommendations based on “income constraints” (factor 3)**

Given that the process of creating a new business is market driven, that identifying a good opportunity is difficult but critically important, and that success is dependent on a strong customer focus, one would expect owners of South African small businesses to have a need for, and be highly receptive to, marketing (Grünhagen & Mishra 2008:1).

Success cannot happen without an opportunity (Rwigema 2005b:61). The identification of new opportunities is a process often fraught with difficulties within the small business sector, partly because not all small businesses are innovative. Reflecting on the venture life-cycle concept, at the very beginning and towards venture decline, innovation can often be the answer to the problems of failure and

decline. It is imperative that the owners of South African small businesses are trained in innovation and creativity to enhance the probability of small business survival.

#### **6.7.4 Recommendations based on “cash control” (factor 4)**

Theory of the firm as generally understood stresses the need for ventures to learn over time how to adjust their cost structures to become financially efficient and profitable. Success in large firms is often attributed to the thinking that large firms have mastered cost management whilst small businesses have not. At the heart of financial efficiency is the ability for cash control. Small businesses need to excel at cost leadership. Respondents answering the questionnaire to this research agreed that they had inadequate records in place, indicating the need for operational efficiency to impact the day-to-day business. There was a lack of cash-flow budgeting and small business management experience. The need for cash control training and experience for the owners of South African small businesses can therefore not be overemphasised. The South African government needs to establish dedicated small business structures to educate and make resources available to small businesses at affordable rates.

The above recommendations indicate that there is much to be done to address the problems of the failed businesses in particular and SMMEs in general. The overall condition of the purchasing power of the population; the unemployment situation; the attitudes of the general public towards the quality of the products of SMMEs; and the commitment of organisations (such as Khula and Seda) in giving assistance to SMMEs will, to a large extent, depend on the framework laid by government to position SMMEs as a key sector in the development of South Africa. Each stakeholder in the SMME sector has a specialised role to play. Whether as consumers of SMME products, providers of SMME raw materials, or ambassadors for educating the public about the difference that SMMEs can make in the lives of South Africans, SMME businesses rely on the support of the broader South African public to succeed. The government, therefore, needs to implement the enabling environment posited in the National Small Business Act, Act 102 of

1996 of the Republic of South Africa (RSA) (RSA 1996) for all stakeholders associated with SMMEs.

## 6.8 FURTHER RESEARCH AREAS

There is a need to undertake further research on:

- the programmes in place to train the owners of SMMEs and the impact of such programmes. As indicated in Chapter 3, the institutions (for example, Khula and Seda) are not making much impact on the activities of the SMMEs as confirmed by the interviewed owners of failed small businesses. There is the need to establish the necessary framework for these organisations to provide various forms of support to small businesses.
- the provincial and municipal distribution of failed SMMEs, indicating their sectoral, gender and rural urban dimensions.
- the impact of the closed/failed small businesses on the overall economic development of South Africa (for example, impacts on the formal/first economy).
- the possible impacts (economic, environmental, and social) of small business failure in South Africa.
- the prospects of the retrospective and critical realist research paradigms on SMMEs in South Africa.
- comparing failure rates in different Southern African Development Community (SADC) countries.
- comparing failure origins in different Southern African Development Community (SADC) countries.
- the fact that if small business failure originates largely from non-adherence to business management principles, then failure should be preventable by adherence to business management principles. Thus it needs to be ascertained what is preventing owner-managers from adhering strictly to business management principles.
- developing a “grand theory of failure of small businesses”. There is still no “grand theory of failure” or “uniform failure knowledge”. To arrive at a grand theory, more ground empirical studies are needed to



build middle-range theories on which consensus can be reached to arrive at a grand theory.

## 6.9 CONCLUDING REMARKS

Research on the failure of SMMEs in South Africa can make tremendous contributions by providing detailed information on the causes behind the failed businesses (as outlined by the small business owners themselves) by utilising multivariate techniques (such as factor analysis) to build the necessary explanatory models, and by engaging the various communities in identifying workable strategies for the development of the small businesses.

This research has sought to make a contribution to the body of knowledge concerning the failures of small businesses in South Africa by emphasising that the “dead” firms also need to be studied, and reactivated wherever possible. Just as medical science would be unlikely to progress by researching only healthy individuals, small business management science may be limited in the knowledge obtainable only from the study of successful firms (Thornhill & Amit 2003a:506). McGrath (1999:28) and Rwigema (2005c:117) noted that there are benefits to be gained from the study of failures. By carefully analysing small business failures, instead of focusing only on small business successes, scholars can begin to make systematic progress on better analytical models of entrepreneurial value creation by learning from failure, as emphasised by Coelho & McClure (2005:13), McKenzie & Sud (2008:123) and Rwigema (2005c:118). Coelho & McClure (2005:13) summarise the situation succinctly: “without death there is no life, similarly without failure there is no success”.

Unless researchers and policy makers begin to take interest in the failed South African small businesses, our understanding of the failure issues of SMMEs can never be complete. For example, the National Small Business Act, 102 of 1996, Micro-economic reform strategy, Broad-based Black Economic Empowerment Strategy, National Youth Enterprise Strategy, Draft Strategy Framework for Forestry Enterprise, and the National Industrial Policy Framework (NIPF) have all underlined the importance of accelerating small business creation, growth and development. However, as shown in Chapter 3, the statistics indicate that very

little has been done to address the plight of the failed South African small businesses. This inattention to failed ventures, may have contributed to the failure rate continuing to escalate to an average of 80 % (Mohanlall 2008:26).

The results of this research demonstrate that the retrospective approach, coupled with the critical realist approach, made a substantial contribution to the knowledge available on SMMEs by disclosing information which otherwise would remain hidden. Consequently, one of the past propositions of this research, which states that the perceptions of the owners of small businesses are important determinants in explaining the failure of SMMEs, is supported (Clover & Darroch 2005:238). This proposition implies that the owner-managers of failed small businesses know best why their ventures folded.

This research has demonstrated that the retrospective approach requires much patience, since the owners of small businesses are often silent because of the lack of interest shown in them. By systematically going into the field to garner all the information obtained, this research has shown the merit of the retrospective method. As noted in previous chapters, Beaver & Jennings (2005:15) opine that only those persons immediately affected by organisational failure, or near failure, have sufficient knowledge of the precise circumstances to be able to suggest cause-effect relationships.

This research has raised awareness about the contributions that the critical realist approach can make to provide key information for decision making. The critical realist approach is based on the idea that prevention is better than cure. By providing information on what caused the deaths of the small businesses studied, this research gives the caveat that to prevent more business closures, action should be taken now. Lussier & Pfeifer (2001:228) emphasise that the would-be business owner's prime concern is his/her future chances of survival and that these can only be known if equipped with the information on the causes and the rates of businesses failure before actually venturing into the business (conducting a feasibility study).

Unlike human beings, small businesses do not have to undergo extinction. They can be turned around if the causes of the failures are identified early enough and

preventative action taken. This would have an enormous positive impact on the South African economy around issues of growth, reduction in unemployment, and poverty alleviation, if the high failure rate – standing at an average of 70 % to 80 % (before seven years after birth) – were to be reversed to the benchmark levels of between 4 % to 8 % in Australia each year (Craig *et al* 2007:9) (Chapter 1). It was encouraging to hear owners of the failed small businesses state that, if given further training and finance, they would be willing to continue contributing to the national economy.

The information provided through the retrospective method (using the critical realist approach) as evidenced by Figure 3.3 and Figure 5.6 should, therefore, be a means to take radical steps to revive those businesses which show potential for successful resuscitation and also businesses which show signs of failure. The research has generated the conceptual framework in Figure 3.3 and its process of failure model in Figure 5.6 for a better understanding of the causes associated with small business failure. This answers the third problem statement in Chapter 1: “Can a model for a better understanding of the causes of business failures be created?”. The information presented in this research should enable better policies and programmes to be put in place for removing the current anxieties about small business failures and answers the fourth problem statement in Chapter 1: “What are the implications of the information emanating from this research?”. It is senseless to expend energy and resources to create businesses that are allowed to die in large numbers.

The four failure factors identified in Chapter 5 are specific to this research. Research elsewhere may unearth factors unique to the firms concerned, since the small business failure process is not context-free. These contexts differ from country to country and locality to locality. The four failure factors need to be viewed as a challenge that needs urgent attention from policy makers and local SMME support agencies. The identified four failure factors constitute an integral part of South Africa’s political economy of development and underdevelopment. It is within this critical realist context that the findings of this research need to be evaluated in terms of the theories of failure of SMMEs.

Importantly, if small business failure emanates largely from non-adherence to business management principles, attention needs to be turned to the possibility that small business success could be enhanced by adhering to business management principles. It might be beneficial to undertake a pilot study on small businesses that are adhering to business management principles as a step towards the enactment of policies on adherence to business management principles.