REFERENCES


Botha, M., Nieman, G. & van Vuuren, J.J. (2007). “Measuring the effectiveness of the women entrepreneurship programme on potential, start-up and established women


APPENDIX A

LETTER TO SMME OWNER-MANAGERS AND QUESTIONNAIRE TO SMMES IN THE RESEARCH AREAS TO EXPLORE THE CAUSES OF FAILURE IN SOUTH AFRICAN SMALL BUSINESSES: 2007

A.1 LETTER TO SMME OWNER-MANAGERS

Dear Respondent

This questionnaire investigates the causes of failure of your small business. The main objective of the research is to establish “How?” and “Why?” your small business failed in order to inform policy formulation to reduce the high failure rates of South African small businesses.

It would be appreciated if you would answer the questions as thoroughly as possible. All information will be treated as confidential and will be used for academic purposes only. It is hoped that the research will provide input towards policy formulation aimed at understanding and reducing small business failures.

Thank you in anticipation.

Sincerely

P P Nemaenzhe

Doctoral Student
Department of Business Management
University of Pretoria
Tel: 082 461 1190
**Instructions for completion:**
1. Please answer all questions as honestly as possible.
2. When asked for comment, please keep it as short as possible.
3. Mark a cross in the space provided on the right side of the question.
4. Answer all questions, if possible, as this will enable an accurate analysis and interpretation of data, and thus lead to more effective recommendations and conclusions.

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### A.2 QUANTITATIVE QUESTIONNAIRE TO SMME OWNER-MANAGERS

EXPLORING CAUSES THAT WOULD HELP ENTREPRENEURS TO SUCCEED

### A.2.1 Demographic information

**Name of owner-manager:** …MR / MS …………………………………………………………………………………………………………………………………………………………………………………

**Name of business:** …………………………………………………………………………………………………………………………………………………………………………………

**Address of business:** …………………………………………………………………………………………………………………………………………………………………………………

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<table>
<thead>
<tr>
<th>Respondent number:</th>
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<tr>
<td>V0 1-3</td>
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</table>

**1. Please mark type of business ownership you had with an “X”**

<table>
<thead>
<tr>
<th>Type of ownership</th>
<th>V1 4</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Owner only (someone else manages the business)</td>
<td></td>
</tr>
<tr>
<td>2 Manager only (someone else owns the business)</td>
<td></td>
</tr>
<tr>
<td>3 Both owner &amp; manager (you own and manage the business)</td>
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</tbody>
</table>
2. How long have you been the owner-manager of the venture?
   Please fill in the number of:

<table>
<thead>
<tr>
<th>Years</th>
<th>V2</th>
<th>5-6</th>
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<tr>
<td>Or</td>
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<td></td>
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<tr>
<td>Months</td>
<td>V3</td>
<td>7-8</td>
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</table>

3. Do you have business ownership-management experience?
   Please mark with an “X”

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<tr>
<th></th>
<th>Yes</th>
<th>V4</th>
<th>9</th>
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<tbody>
<tr>
<td>2</td>
<td>No</td>
<td></td>
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</table>

If you answered “Yes” to the above question, please provide details of your experience

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4. Please indicate the nature of your business with an “X”

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<thead>
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<th></th>
<th>Retailer</th>
<th>V5</th>
<th>10</th>
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</thead>
<tbody>
<tr>
<td>2</td>
<td>Wholesaler</td>
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<tr>
<td>3</td>
<td>Transport</td>
<td></td>
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</tr>
<tr>
<td>4</td>
<td>Manufacturing</td>
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</tr>
<tr>
<td>5</td>
<td>Service industry</td>
<td></td>
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<tr>
<td>6</td>
<td>Tourism</td>
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</tr>
<tr>
<td>7</td>
<td>A combination of the above options</td>
<td></td>
<td></td>
</tr>
<tr>
<td>8</td>
<td>Other, please specify:</td>
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</table>
5. Have you ever worked in a business environment where you had exposure to a successful role model/mentor? Please mark with an “X”

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<tbody>
<tr>
<td>1</td>
<td>Yes</td>
</tr>
<tr>
<td>2</td>
<td>No</td>
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</table>

If you answered “Yes” to the above question, what business skills did you acquire?

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6. What was your annual turnover for 2001, 2002 and 2003? Please mark with an “X”

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<thead>
<tr>
<th>Turnover</th>
<th>2001</th>
<th>2002</th>
<th>2003</th>
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<tbody>
<tr>
<td>1 Less than R150 000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>2 R150 001 to R500 000</td>
<td></td>
<td></td>
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</tr>
<tr>
<td>3 R500 001 to R1 000 000</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>4 R1 000 001 to R5 000 000</td>
<td></td>
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</tbody>
</table>

7. Please indicate the total number of employees in the failed venture other than the owner.

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<tbody>
<tr>
<td>1</td>
<td>Fewer than 10 employees</td>
</tr>
<tr>
<td>2</td>
<td>More than 10 employees</td>
</tr>
</tbody>
</table>

8. Please mark with an “X” how often the failed venture did planning

<table>
<thead>
<tr>
<th>Frequency</th>
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</thead>
<tbody>
<tr>
<td>1 Not done at all</td>
<td></td>
</tr>
<tr>
<td>2 0 to 6 months</td>
<td></td>
</tr>
<tr>
<td>3 6 to 12 months</td>
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<tr>
<td>4 12 to 18 months</td>
<td></td>
</tr>
<tr>
<td>5 18 to 24 months</td>
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</tr>
<tr>
<td>Frequency</td>
<td>1</td>
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<tr>
<td>V12</td>
<td>17</td>
</tr>
</tbody>
</table>
## A.2.2 Factors responsible for failure of SMMEs

### 10. Entrepreneur’s business management skills

*Please think about the failed venture and then mark the best possible answer with an “X”*

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<th>Statement</th>
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<th>2</th>
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</thead>
<tbody>
<tr>
<td>1. More venture start-up experience would have halted failure in the venture</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>V13 18</td>
</tr>
<tr>
<td>2. More experience within the industry would have halted failure in the venture</td>
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<td></td>
<td></td>
<td></td>
<td>V14 19</td>
</tr>
<tr>
<td>3. More planning would have halted failure in the venture</td>
<td></td>
<td></td>
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<td>V15 20</td>
</tr>
<tr>
<td>4. A proper opportunity analysis before starting would have identified possible issues</td>
<td></td>
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<td></td>
<td></td>
<td>V16 21</td>
</tr>
<tr>
<td>5. Previous experience as an owner-manager would have halted failure in the venture</td>
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<td></td>
<td></td>
<td></td>
<td>V17 22</td>
</tr>
<tr>
<td>6. More managerial experience to manage workers would have increased success of the failed venture</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>V18 23</td>
</tr>
<tr>
<td>7. Managing the venture under the guidance of a successful mentor would have helped me steer the venture to success</td>
<td></td>
<td></td>
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<td>V19 24</td>
</tr>
<tr>
<td>8. Obtaining expert advice would have saved the venture from failure</td>
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<td>V20 25</td>
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</tbody>
</table>
### Question 11

Income (revenue) / product demand / sales

Please think about the failed venture and then mark the best possible answer with an “X”

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<tr>
<td>Strongly disagree</td>
<td>Disagree</td>
<td>Agree</td>
<td>Strongly agree</td>
<td>V21</td>
<td>26</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>Disagree</td>
<td>Agree</td>
<td>Strongly agree</td>
<td>V22</td>
<td>27</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>Disagree</td>
<td>Agree</td>
<td>Strongly agree</td>
<td>V23</td>
<td>28</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>Disagree</td>
<td>Agree</td>
<td>Strongly agree</td>
<td>V24</td>
<td>29</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>Disagree</td>
<td>Agree</td>
<td>Strongly agree</td>
<td>V25</td>
<td>30</td>
</tr>
<tr>
<td>Strongly agree</td>
<td>Disagree</td>
<td>Agree</td>
<td>Strongly agree</td>
<td>V26</td>
<td>31</td>
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<tr>
<td>7. Losing sales during recessionary times contributed heavily to failure</td>
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<td>V27 32</td>
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<tr>
<td>12. <strong>Cash-flow monitoring and control</strong></td>
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<tr>
<td>Please think about the failed venture and then mark the best possible answer with an “X”</td>
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<tr>
<td>1. Regular cash shortages were typical of the venture before failure</td>
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<td>V28 33</td>
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<tr>
<td>2. Fluctuations in sales made it difficult to control cash flow in the venture before failure</td>
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<td>V29 34</td>
</tr>
<tr>
<td>3. Slow-paying customers contributed to the venture not being able to pay its monthly bills</td>
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<td>V30 35</td>
</tr>
<tr>
<td>4. Bad debts resulted in the venture running out of cash before failure</td>
<td></td>
<td></td>
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<td>V31 36</td>
</tr>
<tr>
<td>5. Slow conversion of goods into cash contributed to</td>
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<td>V32 37</td>
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<td>failure</td>
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<tr>
<td>6. Inadequate initial financing contributed heavily to failure</td>
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<tr>
<td>7. Excessive cash withdrawal for personal use drained money from the business before failure</td>
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<td>V34 39</td>
</tr>
<tr>
<td>8. “Dipping of fingers” into company cash registers was one of the contributory factors to failure</td>
<td></td>
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<td></td>
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<td>V35 40</td>
</tr>
<tr>
<td>9. Banking both personal and business monies in one business account contributed to failure</td>
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<td></td>
<td></td>
<td></td>
<td>V36 41</td>
</tr>
<tr>
<td>10. Delays in debt collection reduced the venture’s cash levels before failure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>V38 42</td>
</tr>
<tr>
<td>11. Difficulties in paying monthly bills were typical of the venture before failure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>V39 43</td>
</tr>
<tr>
<td>12. An increase in uncontrolled expenses was typical of the venture before failure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>V39 44</td>
</tr>
<tr>
<td>13. Failing to pay government company taxes was typical of the failed venture</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>V40 45</td>
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<tr>
<td></td>
<td>Strongly disagree</td>
<td>Disagree</td>
<td>Agree</td>
<td>Strongly agree</td>
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</tbody>
</table>

13. Owners’ decisions and actions to results from control systems
Please think about the failed venture and then mark the best possible answer with an “X”

<table>
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<th>Statement</th>
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<th>2</th>
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</thead>
<tbody>
<tr>
<td>1. Better response to sales records could have contributed to better money flow in the venture</td>
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<td></td>
<td></td>
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<td>V41 46</td>
</tr>
<tr>
<td>2. Monitoring of inventory records would have helped improve sales of slow moving stocks before stock became redundant</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>V42 47</td>
</tr>
<tr>
<td>3. Accurate record keeping would have helped us to take immediate corrective action</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>V43 48</td>
</tr>
<tr>
<td>4. Regular monitoring of cash receipt books would have halted venture failure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>V44 49</td>
</tr>
<tr>
<td>5. Continuous monitoring of cash payment (disbursement) books would have forewarned me of possible misappropriation/mismanagement of funds</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>V45 50</td>
</tr>
<tr>
<td>Statement</td>
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<tr>
<td>Strongly disagree</td>
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<td>Disagree</td>
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<td>Strongly agree</td>
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</thead>
<tbody>
<tr>
<td>Monitoring of monthly financial statements (results versus budgets) would have helped arrest decline in venture’s profits</td>
<td></td>
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<td></td>
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<td>V46</td>
</tr>
<tr>
<td>Managing weekly cash flow projections/forecasting records would have stopped failed venture from running out of cash</td>
<td></td>
<td></td>
<td></td>
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<td>V47</td>
</tr>
<tr>
<td>Monitoring of stock levels (daily records) would have aided me in identifying redundant /slow moving stocks</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>V48</td>
</tr>
<tr>
<td>Monitoring of stock losses /shrinkage records would have helped to stamp out theft before venture failed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>V49</td>
</tr>
</tbody>
</table>
14. Poor business management
Please think about the failed venture and then mark the best possible answer with an “X”

<table>
<thead>
<tr>
<th>Statement</th>
<th>1</th>
<th>2</th>
<th>3</th>
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<th>For office use only</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Too low prices of goods contributed to the venture's failure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>V50 55</td>
</tr>
<tr>
<td>2. Too high prices of goods led to lower sales turnover</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>V51 56</td>
</tr>
<tr>
<td>3. Incorrect costing was responsible for poor profits</td>
<td></td>
<td></td>
<td></td>
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<td>V52 57</td>
</tr>
<tr>
<td>4. Undercapitalisation was one of the fatal reasons for the venture's failure</td>
<td></td>
<td></td>
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<td></td>
<td>V53 58</td>
</tr>
<tr>
<td>5. Excessive use of credit contributed heavily to the venture's failure</td>
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<td></td>
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<td>V54 59</td>
</tr>
<tr>
<td>6. Too high expenditures overwhelmed the failed venture</td>
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<td>V55 60</td>
</tr>
<tr>
<td>7. High, uncontrolled running costs contributed to the venture's failure</td>
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<td>V56 61</td>
</tr>
<tr>
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</tr>
<tr>
<td>8. Acquiring more assets to offset declining sales accelerated the venture’s failure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>V57 62</td>
</tr>
<tr>
<td>9. Financing of the venture’s assets using high-interest-bearing, short-term debt, is one of the reasons the venture failed</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>V58 63</td>
</tr>
<tr>
<td>10. Inability to pay interest on debt was typical of the venture before failure</td>
<td></td>
<td></td>
<td></td>
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<td>V59 64</td>
</tr>
<tr>
<td>11. Evading tax payment was one of the business practices in the venture before failure</td>
<td></td>
<td></td>
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<td>V60 65</td>
</tr>
<tr>
<td>12. Over-reliance on only one large customer was one of the reasons the venture failed</td>
<td></td>
<td></td>
<td></td>
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<td>V61 66</td>
</tr>
<tr>
<td>13. Overstocking of products contributed to failure</td>
<td></td>
<td></td>
<td></td>
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<td>V62 67</td>
</tr>
<tr>
<td>14. Frequent reprocessing due to inferior product quality contributed to the venture’s failure</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>V63 68</td>
</tr>
</tbody>
</table>
15. **Overall rating**  
Please think about the failed venture and then rank the following statements from 1 to 5 (where 1 = least important and 5 = most important) that in your opinion contributed to the venture’s failure.

<table>
<thead>
<tr>
<th>Statement</th>
<th>Ranking</th>
<th>For office use only</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>1. Better fit between the entrepreneur and the venture would have made the venture successful</strong> (for example, better management, vision, skills, know-how, opportunity evaluation)</td>
<td>V64</td>
<td>69</td>
</tr>
<tr>
<td><strong>2. Higher product demand would have made the venture successful</strong> (for example, more sales would have meant more cash, profits, turnover)</td>
<td>V65</td>
<td>70</td>
</tr>
<tr>
<td><strong>3. Improved cash flow would have made the venture successful</strong> (for example, cash for stock readily available, cash for operating expenses always available, cash always available to service debts)</td>
<td>V66</td>
<td>71</td>
</tr>
<tr>
<td><strong>4. Proper reaction to information from control records/systems would have increased the venture’s success</strong> (for example, from sales records, income statements, stock control information, stock theft control systems)</td>
<td>V67</td>
<td>72</td>
</tr>
<tr>
<td><strong>5. Better venture management practices would have increased the venture’s success</strong> (for example, avoiding running a business using high, debt-bearing finances, collection of credit on time, constant lowering of expenses, frequently servicing debts)</td>
<td>V68</td>
<td>73</td>
</tr>
</tbody>
</table>
16. A combination of the abovementioned root causes could have been responsible for the failure of your venture. If this applies to you, please detail the combination below:

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Please indicate by marking with an “X” whether you would like to receive a copy of the finalised research work for future reference:

<table>
<thead>
<tr>
<th>Yes, please, I would like to receive a copy of the completed research work</th>
<th>No, thank you, I do not wish to receive a copy of the completed research work</th>
</tr>
</thead>
</table>

Thank you for taking the time and trouble to complete this questionnaire. Your input is most valuable.
APPENDIX B

PILOT STUDY QUALITATIVE QUESTIONNAIRE: 2006

Please think about the failed venture; study the suggested reasons on the next page that might have caused it to fail; expand on why you believe the venture failed and then mark with a cross (X) to indicate whether you feel it was a “major” or “minor” cause of the failure:
<table>
<thead>
<tr>
<th>Type of reason</th>
<th>Explanation</th>
<th>Major</th>
<th>Minor</th>
</tr>
</thead>
<tbody>
<tr>
<td>Leadership and experience issues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sales issues</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Cash-flow issues</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Recordkeeping systems issues</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Business management</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Marketing issues</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Financial management issues</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Self-management and motivation issues</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Other management and business skills issues</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Trust/relationship issues</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
APPENDIX C

PRE-PILOT STUDY QUESTIONNAIRE: 2005

During the pre-pilot study in 2005, several issues emerged which were incorporated into the pilot-study questionnaire (Appendix B) to obtain a deeper understanding of the underlying causes of failure and its consequences for business owners.

The following topics were probed:

• The implications which the failure had for the business owner
• How business owners coped during the process of failure
• How the businesses finally failed
• The psychological effects of the failure on the owner and the community at large
• The kinds of jobs the owners-managers are doing after their business failed
• If given a second chance to be in business and an opportunity to raise capital and receive further business management training, what would they recommend to ensure their business would remain successful.