CHAPTER 7

RESEARCH FINDINGS

"Prediction is identifying relationships that enable
us to speculate about one thing by knowing about
some other thing."

(Dane, 1990: 7)

7.1 INTRODUCTION

The results of this empirical study are provided in this chapter in tabular format. The first part of the chapter presents all the demographical and ownership information (section A and B of the questionnaire). In the next part all the location characteristics (section C of the questionnaire) as researched, are being presented as well as the results of the reliability tests and factor analyses and finally some cross tabulations are provided.

7.2 DEMOGRAPHICAL INFORMATION

The first section of the questionnaire (section A), relates to the demographical information including gender, age, highest educational qualification and the respondent's position in the business.

7.2.1 Gender and age

TABLE 7.1 – Gender of respondents

GENDER	FREQUENCY (*n*)	PERCENTAGE (%)
Male	96	66,7%
Female	48	33,3%
TOTAL	**144**	**100%**

Exactly two-thirds (66,7%) of the respondents were male as can be seen in Table 7.1 while the majority of respondents (41,7%) were between the age of 30 – 39. Only 17,4 % of the respondents were between 20 –29 years and 41% were older than 40 years of age. The trend therefore is proven that the age of entrepreneurs is on average between 30 – 39 years (see Table 7.2).

TABLE 7.2 – Age of respondents

AGE	FREQUENCY (*n*)	PERCENTAGE (%)
- 19	0	0%
20 – 29	25	17,4%
30 – 39	60	41,7%
40 – 49	38	26,4%
50 – above	21	14,6%
TOTAL	**144**	**100%**

7.2.2   Qualification and position in the business

Table 7.3 shows the highest educational qualifications of the respondents with exactly 50% of them having some or other sort of tertiary degree. The other 50% have a qualification of a diploma, certificate, matric (grade 12) or less. Again the tendency shows that small business entrepreneurs tend to start businesses not only at earlier ages, but also with less educational qualifications in the sense of degrees. The success rate of these small businesses will have to be investigated in a different study. Eight (8) respondents (5,6%) did not answer the question, mainly due to the private nature of the question.

TABLE 7.3 – Highest educational qualification

CATEGORY	FREQUENCY (*n*)	PERCENTAGE (%)
Grade 10 or less	2	1,5%
Grade 12 or less	24	17,6%
Certificate / Diploma	42	30,9%
BA Degree	8	5,9%
B. Com Degree	12	8,8%
Honours Degree	5	3,7%
Masters Degree	5	3,7%
Law related Degree	13	9,6%
B.Sc / Medical Degree	25	18,4%
TOTAL	**136**	**100%**

Of all the degrees the medical and B.Sc degrees (18,4%) are by far the majority. This could be related to the fact that this kind of industry really excelled in the residential-based market seeing that there are maybe much more advantages for them compared to the average small business. Other degrees that features specifically in the residential-based market are the law industry (9,6%) (same reason than the medical profession) as well as the general B.Com degrees (8,8%).

The purpose of the question on the respondent's position in the business was mainly to identify the "hands-on" experience, knowledge and position of the respondent – in other words the reliability of the answers received from this respondent (Table 7.4):

TABLE 7.4 – Position of respondent in business

POSITION	FREQUENCY (*n*)	PERCENTAGE (%)
Owner	66	45,8%
Manager	26	18,1%
Owner & Manager	44	30,6%
Partner	4	2,8%
Attorney	1	0,7%
Secretary	2	1,4%
Receptionist	1	0,7%
TOTAL	**144**	**100%**

Of all the respondents. 94,5% are either the owner, manager or owner and manager, while another 3,5 % is either the partner or the attorney of the business, which leaves only 2,1 % of the responses which could be questionable, because they are either secretaries (2 respondents) or the receptionist (1 respondent).

7.3 OWNERSHIP AND SMME INFORMATION

The purpose of this section was to identify what kind of businesses and industries are currently utilising the residential-based business as location, as well as the size of the businesses (in regards to amount of employees and turnover).

7.3.1 Form of residential-based business

Table 7.5 indicates the form of small business according to the legislation act of business forms in South Africa, in which the respondent is operating:

TABLE 7.5 – Form of residential-based business

CATEGORY	FREQUENCY (*n*)	PERCENTAGE (%)
Sole Proprietor	40	27,8%
Partnership	29	20,1%
Close Corporation	43	29,9%
Private Company	20	13,9%
Public Company	5	3,5%
Co-operation	1	0,7%
Trust	1	0,7%
Non-profitable company (Section 21)	3	2,1%
Political Party	2	1,4%
TOTAL	**144**	**100%**

The majority of residential-based businesses are close corporations (CC's) (29,9%), followed by the sole proprietor (27,8%) and then partnerships (20,1%). It shows that the so-called "smaller" kinds of businesses might be better suited to locate in a residential-based location.

7.3.2   SMME-sector according to SIC

Question 6 relates to the kind of sector in which the residential-based business falls, according to the SIC (Standard Industrial Classification), while Question 7 relates more informally to the business being operated.

TABLE 7.6 – Standard Industrial Classification (SIC) of SMME

STANDARD INDUSTRIAL CLASSIFICATION (SIC)	FREQUENCY (*n*)	PERCENTAGE (%)
Agriculture	0	0%
Mining & quarrying	0	0%
Manufacturing	7	4,9%
Electricity, gas & water	2	1,4%
Construction	3	2,1%
Motor trade & repair services	8	5,6%
Wholesale trade, commercial agents & allied services	8	5,6%
Catering, accommodation & other trade	2	1,4%
Transport, storage & communications	2	1,4%
Finance & business services	55	38,2%
Community, social & personal services	55	38,2%
Politics	2	1,4%
TOTAL	**144**	**100%**

Seventy-six percent (76.4%) of all the respondents felt that they belong either in the finance and business services or in the community, social and personal services. This classification is quite a broad classification and to clarify in more depth in what industry the SMME falls, question 7 was an open-ended question in which the respondents could describe in more detail to which industry they belong. Table 7.7 indicates the different kinds of SMME's (sectors) in which the respondents mainly categorised themselves:

TABLE 7.7 – More detailed classification of SMME's

CATEGORY	FREQUENCY (*n*)	PERCENTAGE (%)
Media, printing & photography	11	7,8%
Computer industry	8	5,7%
Health, beauty & hairdressing	15	10,6%
Training & personnel	12	8,5%
Medical care	24	17,0%
Attorneys & law (legal)	14	9,9%
Tourism, catering & travel	6	4,3%
Financial & insurance	11	7,8%
Miscellaneous services (plumbing, TV repairs, hardware, locksmith, interior design, florist, maintenance, etc.)	40	28,4%
TOTAL	**141**	**100%**

According to Table 7.7 it is quite clear that the majority of the residential-based businesses forms part of the service and professional business categories. This was expected as store retailing is prohibited at residential

businesses by the local governments. The above table is a more general categorization which more clearly shows the types of businesses that can run a residential-based business. Three of the respondents did not answer the question.

7.3.3   Employees and turnover

TABLE 7.8 – Full-time employees

AMOUNT OF EMPLOYEES	FREQUENCY (n)	PERCENTAGE (%)
20 or more	7	4,9%
15 – 19	3	2,1%
10 – 14	12	8,3%
5 – 9	50	34,7%
1 – 4	72	50%
TOTAL	**144**	**100%**

Eighty-four percent (84, 7%) of all the respondents said that they have less than 9 employees. This illustrates that they all are quite small businesses and also indicates that a residential-based business has a restricted capacity regarding personnel.

TABLE 7.9 – Annual turnover

ANNUAL TURNOVER	FREQUENCY (n)	PERCENTAGE (%)
Less than R150 000	25	20,3%
R150 001 – R500 000	34	27,6%
R500 001 – R1 000 000	30	24,4%
R1 000 001 – R2 000 000	19	15,4%
R2 000 001 or more	15	12,2%
TOTAL	**123**	**100%**

Twenty-one respondents (14,6%) did not answer this question due to the sensitive nature of the question. Of the remaining respondents, 72,3% stated that their annual turnover is less than R1 000 000, which is a typical small business venture in terms of the South African classification.

7.4   LOCATION CHARACTERISTICS

7.4.1   Property characteristics

The first two questions of Section C in the questionnaire dealt with specifically the question of ownership and whether the property has been rezoned at the local authorities for business purposes or not.

TABLE 7.10 – Owning versus renting of property

OWNERSHIP	FREQUENCY (*n*)	PERCENTAGE (%)
Own (freehold)	84	58,3%
Rent (leasehold)	60	41,7%
TOTAL	**144**	**100%**

There is no significant difference between the respondents that own the residential property and those that rent it (58,3% compared to 41,7%).

TABLE 7.11 – Rezoning of property

RE-ZONED PROPERTY	FREQUENCY (*n*)	PERCENTAGE (%)
Yes	87	60,4%
No	57	39,6%
TOTAL	**144**	**100%**

The majority (60,4%) of the respondents claimed that their property has been rezoned. It must be stated at this point that in many instances, some of the respondents did not know if the property had been re-zoned or not (those respondents renting) and that there could be a biased towards re-zoning because of fear from respondents for local authority's actions, should they find out that they have not yet applied for re-zoning.

7.4.2 Previous location

TABLE 7.12 – Previous location of business

PREVIOUS LOCATION	FREQUENCY (*n*)	PERCENTAGE (%)
Nowhere – started from this residential property	68	47,2%
Shopping mall	5	3,5%
Shopping centre	12	8,3%
Office block	45	31,2%
Suburban shopping centre	10	6,9%
Factory (industrial park)	1	0,7%
Hospital	1	0,7%
Foreign country	1	0,7%
Airport	1	0,7%
TOTAL	**144**	**100%**

It is interesting to note that almost 50% (47,2%) of the respondents does not have any experience at any previous location. Even though 31,2% of the respondents moved from office blocks to residential properties, the percentages shows that there are a trend that many new SMME's start of nowadays from a residential-based property, without even trying the other location options. It therefore shows the attractiveness of this location-decision.

7.4.3   Factors / reasons / advantages of managing a residential-based business

Question 13 of the questionnaire dealt with the factors that might have been reasons why SMME's are being managed from a residential-based property and the advantages to use such a location. Twenty-three statements (reasons / advantages) were presented and the respondents had to judge these factors on a 5-point scale for being reasons or advantages of a residential-based business by 1 being no reason / advantage and 5 being a definite reason / advantage.

The results are being shown in Table 7.13 as follows:

The sum percentages of the two lower boxes (scale 1 and 2) are shown first of all and then the total of the two top-boxes (being 4 and 5 on the scale).

The mean (average) of each item, together with the variance and standard deviation of each are shown in the following columns. In the last column the item-scale correlation of the item is indicated.

Where there is no mean. variation, standard deviation and item-scale correlation indicated, it is because these factors were omitted as advantages and/or reasons after the factor analyses was done (see section 7.6).

TABLE 7.13 – Reasons / advantages of a residential-based business

ITEM / REASON / ADVANTAGE	TWO-LOW BOX (1&2) (%)	TWO-TOP BOX (4&5) (%)	MEAN	VARIANCE	STAND.-DEVIAT.	ITEM-SCALE CORREL.
1. Much more cost-effective at residential property	16,6	**74,3**	**4,111**	1,863	1,365	**0,81**
2. Too expensive at a mall, centre or office block	13,9	**78,5**	**4,201**	1,730	1,315	**0,91**
3. Rent too high elsewhere	15,3	**70,8**	**4,056**	1,830	1,353	**0,93**
4. Too much rules and regulations elsewhere	37,5	43,1	-	-	-	-
5. To be closer to my family	64,6	22,9	-	-	-	-
6. More safety and security regarding crime	34,7	47,9	-	-	-	-
7. Higher nett profits because of less fixed costs	17,4	57,6	-	-	-	-
8. Optimal use of property / facilities available	11,2	**72,3**	**4,090**	1,457	1,207	0,68
9. Long-term planning for retirement	45,8	41,7	-	-	-	-

ITEM / REASON / ADVANTAGE	TWO-LOW BOX (1&2) (%)	TWO-TOP BOX (4&5) (%)	MEAN	VARIANCE	STAND.-DEVIAT.	ITEM-SCALE CORREL.
10. Easier expansion in future (more space)	30,5	52,1	3,389	2,404	1,550	0,55
11. Easier and better parking facilities for clients (more accessible)	16,0	**68,8**	**3,986**	1,625	1,275	0,36
12. Choice of better area and suburb	15,3	**68,7**	**3,931**	1,704	1,305	0,64
13. More business and growth opportunities	22,9	55,5	3,563	1,927	1,388	0,65
14. Lower capital lay-out	36,1	45,8	3,215	2,502	1,582	0,57
15. Attitude of management / landlords at previous location	58,0	27,3	2,406	2,661	1,631	0,48
16. To start a second job from a residential property for higher income	73,6	18,0	-	-	-	-
17. Operations can be done more effectively from a residential property	42,4	47,9	3,139	2,925	1,710	0,69
18. To benefit from tax advantages	41,6	38,9	2,882	2,437	1,561	0,61

ITEM / REASON / ADVANTAGE	TWO-LOW BOX (1&2) (%)	TWO-TOP BOX (4&5) (%)	MEAN	VARIANCE	STAND.-DEVIAT.	ITEM-SCALE CORREL.
19. Create your own work environment	13,2	70,9	**4,007**	1,743	1,320	0,73
20. Better productivity and time-management	19,4	65,3	**3,826**	2,018	1,421	0,74
21. Less stress	34,0	47,2	3,271	2,406	1,551	0,79
22. Avoiding rush hour traffic	39,6	46,5	3,174	2,810	1,676	0,85
23. Greater flexibility for my personal and family life	39,6	45,8	3,160	2,870	1,694	0,83

According to Table 7.13 more than 65% of all the respondents stated that the following factors were very important reasons / advantages of a residential based business (they responded either 4 or 5 on the 5-point scale (two-top box)):

- Much more cost-effective at residential property (74,3%)
- Too expensive at a mall, centre or office block (78,5%)
- Rent too high elsewhere (70,8%)
- Optimal use of property / facilities available (72,3%)
- Easier and better parking facilities for clients (more accessible) (68,8%)

- Choice of better area and suburb (68,7%)

- Create your own work environment (70,9%)

- Better productivity and time-management (65,3%)

The mean (average) of all 8 of the above factors are above 3,8 out of a possible 5.

The first three factors (cost-issues) also have a very high item-scale correlation, making them very strong and reliable factors.

Six (6) factors got more than 40% of the respondents' response on either scale 1 or 2 (two-low box), meaning that these six factors are not very strong factors / reasons / advantages of residential-based businesses. They are:

- To be closer to the family (64,6%)

- Long-term planning for retirement (45,8%)

- Attitude of management / landlords at previous location (58,0%)

- To start a second job from the residential property (73,6%)

- Operations can be done more effectively from a residential property (42,4%)

- To benefit from tax advantages (41,6%)

These factors are therefore not major reasons or advantages why residential-based businesses are a good option in the location-decision.

7.4.4 Factors / problems / disadvantages of managing a residential-based business

Question 14 of the questionnaire dealt with the factors that might be problems or disadvantages for SMME's being managed from a residential-based property. Thirteen (13) items (factors) were presented and the respondents had to judge these factors on a 5-point scale for being reasons or advantages of a residential-based business with 1 being no problem / disadvantage at all and 5 being a very big problem / disadvantage.

The results are being shown in Table 7.14 as follows:

The sum percentages of the two lower boxes (scale 1 and 2) are shown first of all and then the total of the two top-boxes (being scale 4 and 5).

Then mean (average) of each item is shown, together with the variance and standard deviation of each. In the last column the item-scale correlation of the item is indicated.

Where there are no mean (average), variance, standard deviation or item-correlation shown, it was omitted after the factor analyses was done (see section 7.6) and those factors was not proven reliable factors as disadvantages / problems for residential-based businesses.

TABLE 7.14 – Problems / disadvantages of a residential-based business

ITEM / PROBLEMS / DISADVANTAGES	TWO-LOW BOX (1&2)	TWO-TOP BOX (4&5)	MEAN	VARIANCE	STAND.-DEVIAT.	ITEM-SCALE CORREL.
1. Monetary and capital risk	60,2	16,1	2,196	1,584	1,259	0,71
2. More pressure to perform	58,1	23,8	2,378	1,899	1,378	0,78
3. Need to be an expert in a variety of tasks.	43,4	35	2,776	2,328	1,526	0,77
4. Difficult to leave work behind (going into after-hours)	48,3	31,5	2,678	2,414	1,554	0,73
5. Irregular income	67,8	17,5	-	-	-	-
6. Loneliness and isolation	82,5	11,9	1,671	1,507	1,228	0,91
7. Motivation difficulties	79,7	9,8	1,643	1,236	1,112	0,87
8. General disruptions (children, friends etc.)	79,0	11,2	1,664	1,258	1,122	0,77
9. Insurance and liability	71,3	11,2	-	-	-	-
10. Application for consent and business rights	54,6	27,3	2,476	2,347	1,532	0,82
11. Labour relations and personnel aspects	70,6	9,8	1,860	1,435	1,198	0,74
12. Marketing and advertising	65,0	21,0	2,175	2,046	1,430	0,71

ITEM / PROBLEM / DISADVANTAGE	TWO-LOW BOX (1&2)	TWO-TOP BOX (4&5)	MEAN	VARIANCE	STAND.-DEVIAT.	ITEM-SCALE CORREL.
13. Local authority regulations	53,2	27,3	2,503	2,194	1,481	0,84

The following 4 problems / disadvantages were shown by the respondents as the 4 biggest problems or disadvantages of residential-based businesses. (They are the only 4 items with a higher response rate than 25% of the respondents. This is a small figure comparing to the most important advantages (Table 7.13), showing that the respondents felt that the advantages by far outweighs the disadvantages):

- Need to be an expert in a variety of tasks (35%)

- Difficult to leave work behind (going into after-hours) (31,5%)

- Application for consent and business rights (27,3%)

- Local authority regulations (27,3)

Five (5) items achieved scores of higher than 70% in the two-low box from the respondents. This shows that these 5 items are especially minor (if any) problems or disadvantages for residential-based businesses:

- Loneliness and isolation (82,5%)

- Motivation difficulties (79,7%)

- Disruptions by children, friends, etc. (79,0%)

- Insurance and liability (71,3%)

- Labour relations and personnel aspects (70,6%)

The mean for all the above items are all below 1,9 out of a possible 5.

The factor analyses that was done on these items for Question 13 and 14 are being discussed in detail in section 7.5 and conclusions and recommendations of all these items and factors are being discussed in Chapter 8.

7.4.5 Residential-based businesses growth figures

Questions 15 and 16 dealt with the specific growth of the residential-based business in regards to the previous location – if any. Question 15 specifically relates to the growth in sales or turnover, while question 16 relates to the growth in customer base for the enterprise.

TABLE 7.15 – Growth in sales / turnover

SALES GROWTH	FREQUENCY (*n*)	PERCENTAGE (%)
Worse than before	1	0,7
The same than before	8	5,9
Better – between 0-25%	22	15,4
Better – between 26-50%	22	15,4
Better – higher than 51%	22	15,4
No previous location	68	47,2
TOTAL	**143**	**100%**

Only 6.6% of the respondents' sales were down or less than their previous location. while 46,2% of the businesses had better sales than at there previous location. This shows that most of these enterprises made the right decision to move from their previous location to a residential-based business.

TABLE 7.16 – Growth in customers

CUSTOMER GROWTH	FREQUENCY (*n*)	PERCENTAGE (%)
Worse than before	1	0,7%
The same than before	8	5,9%
Better – between 0-25%	22	15,4%
Better – between 26-50%	22	15,4%
Better – higher than 51%	22	15,4%
No previous location	68	47,2%
TOTAL	**143**	**100%**

Exactly the same percentages than Table 7.15 mentioned that they have the same or less customers than at the previous location. Again, the majority of the respondents (of the 52,8% that have relocated – see Table 7.12) said that they have a better customer base than at their previous location. One of the respondents was not sure of either the change in sales or customers and did therefore not answer these two questions.

7.4.6 Specific advantages of residential-based business

Question 17 was an open-ended question asking the respondents to write in their own words what other important advantages the residential-based business had for them. The purpose here was to give the respondents no limits to their views and to evaluate all the different advantages given. Only their first and most important advantage from each respondent were taken to make the coding and categorising more effective.

All the answers were evaluated and grouped into categories that had some correlation or common characteristics. Each category were labelled and a total of 18 different categories (advantages) were derived from the open-ended question:

TABLE 7.17 – Specific advantages of residential-based businesses

ADVANTAGES	FREQUENCY (*n*)	PERCENTAGE (%)
Informal, relaxed atmosphere and environment (view, peaceful and personal touch)	20	25,6%
More exposure and visibility	9	11,5%
Better target marketing	2	2,6%
More passing-by trade by means of traffic	3	3,8%
Less crime and better security	1	1,3%
Lower overhead costs (economical and affordable)	5	6,4%
More centralised location	4	5,1%
Better facilities (sharing) and more space	4	5,1%
Own your own property – expansion and investment	5	6,4%
Less travelling	3	3,8%
Entertainment facilities	1	1,3%
Away from CBD	1	1,3%
Accessibility – on major bus routes, schools and universities	12	15,4%
Ample parking	1	1,3%

ADVANTAGES	FREQUENCY (*n*)	PERCENTAGE (%)
More flexible and versatile	3	3,8%
Additional marketing opportunities	2	2,6%
Make own rules and regulations	2	2,6%
TOTAL	78	100%

Because of the fact that this was an open-ended question, the respondent had the choice to answer this question or not. 45,8% of the respondents did not answer this question and of the rest, 25,6% mentioned that the informal, relaxed atmosphere and environment with a more peaceful surrounding and their own personal touch was the greatest advantage of a residential-based business. The second most important advantage was the accessibility for the clients, namely that they can now be on bus, school and university routes (15,4%). The third most important advantage is the fact that visibility and higher exposure to the clients are now possible (11,5%).

7.4.7 Specific disadvantages of residential-based business

Question 18 was an open-ended question asking the respondents to write in their own words what other important disadvantages the residential-based business had for them. The purpose here was to give the respondents no limits to their views and to evaluate all the different disadvantages given. Only there first and most important disadvantage from each respondent were taken to make the coding and categorising more effective.

All the answers were evaluated and grouped into categories that had some correlation or common characteristics. Each category were labelled and a

total of 13 different categories (disadvantages) were derived from the open-ended question:

TABLE 7.18 – Specific disadvantages of residential-based businesses

DISADVANTAGES	FREQUENCY (*n*)	PERCENTAGE (%)
Traffic noise and congestion	4	8,0%
Little walk-in trade (pass too fast)	5	10,0%
Disruptions at doorstep (hawkers, beggars and vendors)	4	8,0%
Less professional look	1	2,0%
General maintenance on property	5	10,0%
Local authorities (strict rules and regulations regarding business rights, re-zoning and advertising)	8	16,0%
Neighbours complaining	1	2,0%
Less facilities available (space, etc.)	2	4,0%
Crime and security	5	10,0%
Not enough parking	2	4,0%
Distractions (privacy) and after-hour clients (long hours)	8	16,0%
Not part of corporate culture (isolation)	4	8,0%
High capital lay-out	1	2,0%
TOTAL	**50**	**100%**

Sixty-five percent (65,3%) of the respondents did not answer this question which shows that more than two-thirds of the respondents did not feel that there are any other disadvantages to a residential-based business. Of the other respondents the two most important disadvantages (16,0% each) to the residential-based business are the local authorities' strict rules and regulations on business rights, re-zoning and advertising, as well as the general distractions and after-hours clients visiting a residential-based business.

The other most important disadvantages (10% each) are traffic, general maintenance and crime and security.

7.4.8   Specific action and recommendations

The last question (Question 19) of the research questionnaire dealt with specific action and recommendations that the respondents could make. Again only the most important recommendation for a successful residential-based business from each respondent were taken to simplify the coding and research process. The purpose of this question was to gather the most important aspects of managing a successful residential-based business from the viewpoint of the owners / managers themselves. Through this suggestions, actions and recommendations could be formulated for use by academics and consultants.

TABLE 7.19 – Actions and recommendations

RECOMMENDATIONS	FREQUENCY (*n*)	PERCENTAGE (%)
Budget (enough working capital)	3	4,5%
Advertising and marketing (use information boards and prominent colours – visibility)	10	15,2%

RECOMMENDATIONS	FREQUENCY (n)	PERCENTAGE (%)
Correct location and address (near a corner, robot or stop)	11	16,7%
Market research (area, product, clients)	1	1,5%
Time-management and self-discipline	4	6,1%
Roles and responsibilities of workers	1	1,5%
Accessibility for clients	3	4,5%
Professional work environment (interior design and warm atmosphere)	4	6,1%
High quality of service	1	1,5%
Telecommuting if possible	1	1,5%
Security – work in locational groups	1	1,5%
Enough parking available (separate entrance and exit)	4	6,1%
Separate clients from suppliers	2	3,0%
More realistic action and support from local authorities	10	15,2%
Know rules and regulations of city council and labour unions	1	1,5%

RECOMMENDATIONS	FREQUENCY (*n*)	PERCENTAGE (%)
Know the specific types of businesses that are suited for this location	2	3,0%
Consult with family and colleagues	1	1,5%
Buy rather than rent	1	1,5%
Buy upmarket to avoid over-capitalisation	1	1,5%
Build good relations with neighbours, customers and personnel	2	3,0%
Stay in the same area as previous to keep your customer base	1	1,5%
Blend in with other businesses (be compatible)	1	1,5%
TOTAL	66	100%

Fifty-four percent (54,2%) of the respondents did not give any actions or recommendations for managing a residential-based business successfully. The three recommendations that stood out as the most important suggestions are firstly to choose the correct location address (16,7%) and then also to do effective advertising and marketing (15,2%) and to get more realistic action from the local authorities (15,2%).

7.5 RELIABILITY TESTING

A very high reliability was achieved with a Cronbach Alpha coefficient of higher than 0,80 for most of the parts of the questionnaire. As noted in Chapter 6, a reliability level of 0,70 will be enough on predictor tests or measures of a construct. Six (6) items of the 23 in Question 13 and two (2) items of the 13 in Question 14 have been deleted in the process due to the unreliability of their nature. It was found that these factors specifically were designed for a home-based business and did therefore not apply to the reasons / advantages of a residential-based business. These items have been removed before the final factor analysis were done.

7.5.1 Reliability – Reasons / Advantages of residential-based business

A Cronbach Alpha coefficient of 0,8711 was achieved for the reasons or advantages of a residential-based business. The squared multiple correlations (SMC) (or item-to-total correlation) and the Cronbach Alpha's for each reason / advantage are shown in Table 7.20:

TABLE 7.20 – **Cronbach Alpha coefficients for reasons / advantages of a residential-based business**

REASON / ADVANTAGE	SMC (Item-to-total correlation)	CRONBACH ALPHA
1. Much more cost-effective at home	0,4765	0,8619
2. Too expensive at a mall, centre or office block	0,7932	0,8636
3. Rent too high elsewhere	0,8016	0,8628
4. Optimal use of property / facilities available	0,4551	0,8593
5. Easier expansion in future (more space)	0,4122	0,8705
6. Easier and better parking facilities for clients (more accessible)	0,2239	0,8758
7. Choice of better area and suburb	0,4896	0,8655
8. More business and growth opportunities	0,5256	0,8637
9. Lower capital lay-out	0,3769	0,8633
10. Attitude of management / landlords at previous location	0,2190	0,8710
11. Operations can be done more effectively from a residential property	0,5475	0,8581
12. To benefit from tax advantages	0,3972	0,8647

REASON / ADVANTAGE	SMC (Item-to-total correlation)	CRONBACH ALPHA
13. Create your own work environment	0,6214	0,8580
14. Better productivity and time-management	0,6214	0,8562
15. Less stress	0,4492	0,8637
16. Avoiding rush hour traffic	0,5198	0,8695
17. Greater flexibility for my personal and family life	0,5534	0,8598

7.5.2 Reliability – Problems / Disadvantages of residential-based business

A Cronbach Alpha coefficient of 0,8480 was achieved for the problems or disadvantages of a residential-based business. As discussed in Chapter 6 this is a strong indication of acceptance and reliability of the question. The squared multiple correlations (SMC) (or item-to-total correlation) and the Cronbach Alpha's for each problem / disadvantage are shown in Table 7.21:

TABLE 7.21 – Cronbach Alpha coefficients for problems / disadvantages of a residential-based business

PROBLEM / DISADVANTAGE	SMC (Item-to-total correlation)	CRONBACH ALPHA
1. Monetary and capital risk	0,4338	0,8310
2. More pressure to perform	0,4294	0,8434
3. Need to be an expert in a variety of tasks	0,4308	0,8380
4. Difficult to leave work behind (going into after-hours)	0,2763	0,8406
5. Loneliness and isolation	0,6756	0,8319
6. Motivation difficulties	0,6520	0,8333
7. General disruption (children, friends, etc.)	0,3544	0,8376
8. Application for consent and business rights	0,5817	0,8312
9. Labour relations and personnel aspects	0,4215	0,8340
10. Marketing and advertising	0,3677	0,8348
11. Local authority regulations	0,5476	0,8321

7.6   FACTOR ANALYSIS

The appropriate multivariate technique which has been used in this particular research study is known as factor analysis. As already referred to in Chapter 6, the term "factor analysis" describes a group of statistical methods whose primary purpose is to condense data contained in a fairly large number of variables into a smaller set of new "variables", called factors (Bisschoff, 1989: 91).

This reduction in the number of variables makes the sheer volume of variables easier to manage, with a minimum loss of the information contained in the original variables. Although factor analysis uses an advanced form of correlation, it differs from normal correlation analysis in that there is no dependant variable. All variables are evaluated simultaneously (Bisschoff, 1989: 92).

Two factor analysis were done. The first one was performed on the set of variables which described the different reasons and/or advantages of residential-based businesses, while the second factor analysis were performed on those variables describing the problems and/or disadvantages of residential-based businesses.

7.6.1   Factor analysis on reasons / advantages of residential-based businesses

The first factor analysis was performed on Question 13 and these results are being provided in the following section with Table 7.22 representing the eigenvalues and Table 7.23 to Table 7.25 the extraction of the principal components for each factor.

TABLE 7.22 – Eigenvalues – explained variance in three factor solution

FACTOR	EIGENVALUE	CUMULATIVE VARIANCE (%)	CRONBACH ALPHA
1	5,801	25,06%	0,826
2	2,060	35,23%	0,857
3	1,379	46,79%	0,760

With the Keiser criterion applied (vide p. 143-144), three factors remained with eigenvalues greater than 1. These three factors explain 46,79% of the variance within the variables. All three factors achieved reliability-test scores of above 0.75 on the Cronbach Alphas.

From the factor analysis, it seems like the reasons and/or advantages of a residential-based business, analysed by the sample, can be categorized in the following three factors:

- *Factor 1: Location and growth advantages*
- *Factor 2: Cost (financial) advantages*
- *Factor 3: Personal advantages*

7.6.1.1   Factor 1:   Location and growth advantages

Factor 1 has a high eigenvalue of 5,801 and explains 25,06% of the variance. The relative high eigenvalue relative to the others indicates the importance of this factor. Factor 1 consists of 11 variables which all describes *location or growth* advantages of the residential-based business.

TABLE 7.23 – Extraction of principal components – Factor 1

LOCATION AND/OR GROWTH ADVANTAGE	FACTOR LOADING
13. Create your own work environment	0,648
7. Choice of better area and suburb	0,637
8. More business and growth opportunities	0,613
14. Better productivity and time-management	0,610
5. Easier expansion in future (more space)	0,599
11. Operations can be done more effectively at residential property	0,558
4. Optimal use of property / facilities available	0,557
12. To benefit from tax advantages	0,522
9. Lower capital lay-out	0,360
10. Attitude of management / landlords at previous location	0,312
6. Easier and better parking facilities for clients (more accessible)	0,296

7.6.1.2   Factor 2:   Cost advantages

Factor 2 has an eigenvalue of 2,060 and explains together with Factor 1 cumulatively 35,23% of the variance. It consists of three variables which all have to do with *cost advantages.*

TABLE 7.24 – Extraction of principle components – Factor 2

COST ADVANTAGE	FACTOR LOADING
3. Rent too high elsewhere	0,992
2. Too expensive at a mall, centre or office block	0,923
1. Much more cost-effective at residential property	0,550

7.6.1.3   Factor 3:   Personal advantages

With a notably lower eigenvalue of 1,379 compared to the previous two factors, the third and last factor is also less important than the previous two. Just less than half (46.79%) of the cumulative variance is explained by the three factors.

TABLE 7.25 – Extraction of principle components – Factor 3

PERSONAL ADVANTAGE	FACTOR LOADING
16. Avoiding rush hour traffic	0,954
15. Less stress	0,545
17. Greater flexibility for my personal and family life	0,513

7.6.2 Factor analysis on problems / disadvantages of residential-based businesses

The second factor analysis was performed on Question 14 and these results are being provided in the following section with Table 7.26 representing the eigenvalues and Table 7.27 to Table 7.29 the extraction of the principal components for each factor.

TABLE 7.26 – Eigenvalues – explained variance in three factor solution

FACTOR	EIGENVALUE	CUMULATIVE VARIANCE (%)	CRONBACH ALPHA
1	4.390	35,22%	0,809
2	1.412	45,45%	0,779
3	1.198	53,33%	0,734

With the Keiser criterion applied (vide p. 143-144), three factors remained with eigenvalues greater than 1. These three factors explain 53,33% of the variance within the variables. All three factors achieved reliability-test scores of above 0.73 on the Cronbach Alphas.

From the factor analysis, it seems like the problems and/or disadvantages of a residential-based business, analysed by the sample, can be categorized in the following three factors:

- *Factor 1: Personal disadvantages*
- *Factor 2: Local authorities' rules and regulations*
- *Factor 3: Management disadvantages*

7.6.2.1   Factor 1:   Personal disadvantages

Factor 1 has a high eigenvalue of 4,390 and explains 35,22% of the variance. The relative high eigenvalue relative to the others indicates the importance of this factor. Factor 1 consists of 3 variables which all describes *personal disadvantages* of the residential-based business.

TABLE 7.27 – Extraction of principal components – Factor 1

PERSONAL DISADVANTAGES	FACTOR LOADING
5. Loneliness and isolation	0,916
6. Motivation difficulties	0,911
7. General disruptions (children, friends, etc.)	0,479

7.6.2.2   Factor 2:   Local authorities' rules and regulations

Factor 2 has an eigenvalue of 1,412 and explains together with Factor 1 cumulatively 45,45% of the variance. It consists of four variables which all have to do with *the local authorities' rules and regulations.*

TABLE 7.28 – Extraction of principle components – Factor 2

LOCAL AUTHORITIES' RULES AND REGULATIONS	FACTOR LOADING
8. Application for consent and business rights	0,863
11. Local authority regulations	0,828
9. Labour relations and personnel aspects	0,451
10. Marketing and advertising	0,300

7.6.2.3   Factor 3:   Management disadvantages

Factor 3 has a notably lower eigenvalue of 1,379 compared to the previous factors and therefore this factor is also less important than the previous two. Just more than half (53,33%) of the cumulative variance is explained by the three factors.

TABLE 7.29 – Extraction of principle components – Factor 3

MANAGEMENT DISADVANTAGES	FACTOR LOADING
2. More pressure to perform	0,964
3. Need to be an expert in a variety of tasks	0,611
1. Monetary and capital risk	0,447
4. Difficult to leave work behind (going into after-hours)	0,361

7.7   CROSS TABULATIONS

A series of cross tabulations were conducted from the questionnaire of which many of the results was purely for interest purposes and would not really contribute to the objectives of this study. While many of these results gave Chi-square scores of less than 0,05 and are therefore reliable and valid, the reporting of those results will not directly contribute to the proposed outcome of this study.

One very important cross tabulation that were conducted between Question 15 and Question 16 is especially of importance to this research study. This specific cross tabulation was done to see if there was a direct correlation between *growth figures regarding monetary terms* and *growth figures*

regarding customer base. The results of this cross tabulation will show if this location-decision did enhance both sales and not only "footsteps" or vice versa.

7.7.1   Growth figures

Table 7.30 shows the results for the respondents' views on their growth in sales or turnover against the growth in customers or "footsteps" for the residential-based business.

TABLE 7.30 –   Cross-tabulation regarding growth in the residential-based business

CUSTOMERS / FOOTFALL

SALES / TURNOVER	NONE	SAME	0-25%	26-50%	51% +
NONE	**29,37**	0	0,70	0	0
SAME	0	**10,49**	0	0	0
0-25%	0	4,90	**16,78**	2,10	1,40
26-50%	0	3,50	3,50	**9,09**	2,80
51% +	0	2,10	2,10	3,50	**7,69**

The cross-tabulation table shows clearly that there is a correlation between growth in sales versus growth in customers at the residential-based businesses. *None* means that the respondents was not located at a previous location and the 29,37% can therefore not be seen as relative to any growth.

If the business had a certain percentage of growth in customers, the growth in sales also shows the same result. This is mainly the case right through the

cross-tabulation conducted. A total of 73,42% shows this correlation and the Chi-square is a valid 0,001 which is very good against the acceptable 0,05.

This correlation mainly shows that the residential-based businesses are still very dependant on a high customer base to enhance their sales. The marketing aspect regarding residential-based businesses towards sales and customers therefore are still very applicable, no matter where the business is located. A positive aspect for the residential-based location is that most of the respondents showed an increase in both sales and customers since they moved to this location-decision (where applicable).

Against the background and information obtained in Chapter 7's research findings, these results will be concluded and recommendations be made in Chapter 8 regarding residential-based businesses as an alternative location-decision for SMME's.

CHAPTER 8

CONCLUSIONS AND RECOMMENDATIONS

"The test for first-rate intelligence is the ability to
hold two opposed ideas in mind at the
same time, and still retain the ability to function."

(Peters & Waterman, 1992)

8.1 INTRODUCTION

In the previous chapter the research findings of the study were discussed. This last chapter of the study focuses on the conclusion and recommendations. Firstly the conclusion are drawn, then recommendations are made and lastly the limitations of the study are discussed and some areas for future research are also identified.

The induction and deduction processes are used in research for reasoning in sequential manner. *Induction* occurs when facts are observed and the question is asked, *"Why is this?"* A tentative explanation is then derived. *Deduction* is the process by which we test whether the tentative explanation is capable of explaining the fact and it is also the final step in the research process (Cooper & Schindler, 1998).

During the *induction* process the literature was being explored to find out more about the background and development of entrepreneurs and their small business ventures. The next issue that was raised was one of the most

important long term and strategic decisions for the entrepreneur and/or small business, namely the location-decision. All the location theories were discussed after which the different types of locations for SMME's were investigated.

This left the researcher at the point where further empirical research was necessary on a quite new phenomenon, namely residential-based businesses. The conclusions derived from this literature and empirical study were as follow:

8.2 LITERATURE REVIEW

The concept of entrepreneurship is one of quite complexity and this issue was discussed in relation with initiators of small businesses in Chapter 2's literature study. A distinct difference was found between entrepreneurship and small business ventures even though entrepreneurs are usually initiators of small, medium and micro enterprises (SMME's). The difference especially comes in as time goes by. The entrepreneurial performance of the entrepreneur keeps increasing, while the average small business just keep on doing business from a day-to-day basis.

SMME's and there contribution to the economy were discussed after a thorough investigation into the definition and characteristics of SMME's. It was also necessary to investigate the differences between SMME's and larger firms.

In Chapter 3 a closer look was taken into the SMME environment as such. Emphasis was put on the resources necessary for SMME's, the structure of SMME's and the managerial influence and control of SMME's.

The importance of SMME's in the business environment as well as the different advantages and disadvantages that they consist of were thoroughly evaluated by means of a basis built on the literature study.

As part of the survival issue of a SMME, location is one of the most important long term and strategic decisions that an entrepreneur should make.

The following literature study chapter (Chapter 4) narrowed the focus point of SMME's down to the location-decision. All the different literature theories on location were investigated as well as the relevance that these theories hold for the SMME's survival or growth.

The following section focused on the location search for the small business. Whether it is a new small business starting with operations or a current small business wanting to relocate or expand, this location-decision is one of crucial importance and should be thoroughly investigated, planned, organized and implemented.

One of the major issues of this study was to investigate all the different factors that have to be taken into consideration before a location-decision is made. All of these factors were investigated in relation to the literature and previous empirical studies. These multiple factors can be categorized into quantitative and qualitative factors, as well as primary and secondary factors. It is very important to bear in mind that the factors to be considered will strongly depend on the type of SMME at question.

The location-decision then has to be made and this decision can also be quantified (for example by using the SLAM-model), again bearing in mind that most small businesses do not have access over all the quantifiable information sometimes needed. It therefore usually must be considered as solely a qualitative decision. That is why the thorough investigation of each location decision is of critical importance.

The last of the literature study chapters (Chapter 5), investigated the different types of locations available for SMME's. All the advantages and disadvantages of the different locations were discussed and it is again necessary to mention that for different types of SMME's (industries) different locations will be suited. In light of the objectives of the study, special emphasis was put on home-based businesses and residential-based businesses. The researcher found a distinct difference between the two types of locations in the sense that a home-based business is where a part of the house / home / dwelling is used for business purposes and the rest for accommodation.

A residential-based business on the other hand is the same as a home-based business, except that the whole property is being used for business purposes and no full-time occupants are living in the home.

With these definitions of the researcher in mind and the sudden new trend of residential-based businesses emerging, a thorough empirical study was undertaken in the greater Pretoria Metropolitan area to investigate the residential-based business as an alternative location-decision for SMME's and thereby be able to develop, propose and recommend the specific actions to be taken in order to manage a successful residential-based business.

The following objectives for the study were further investigated through the empirical study in Chapters 6 and 7:

Primary objective:

- *To suggest specific actions and recommendations for a successful residential-based business.*

Secondary objectives:

- *(1) To measure the effectiveness of residential-based businesses as location for SMME's.*

- *(2) To measure what kind of SMME's are likely to make a success of a residential-based location.*

- *(3) To measure the influence and problems perceived from the local authority regarding a residential-based business.*

- *(4) To measure the advantages and disadvantages of a residential-based business versus a business in a different location.*

- *(5) To measure the growth of residential-based businesses.*

8.3   CONCLUSIONS

The following conclusions relating to the overall objectives of the study are derived from the empirical research conducted in Chapters 6 and 7.

8.3.1 Demographical characteristics

Although this information does not directly contribute to any of the objectives of the study, it is interesting to note that the majority of entrepreneurs / small business managers located in residential-based locations are male and between the

ages of 30 and 39. This age group can relate to a general trend among entrepreneuers – younger than the average top management or directors positions.

Almost one third of all the respondents have a highest qualification of a certificate or diploma, while almost another third possess over a law related or medical related degree. Only 8,8% of the respondents have a B.Com degree. This phenomenon can be related to an aspect seen later in the conclusions, namely the fact that the majority of the residential-based businesses at this stage are either professional institutions or services which do not need a high level of education.

A qualitative reliability test for the validity of the questionnaire could also be found in the biographical information, due to the fact that almost 95% of the respondents were either the manager or the owner of the business or both. This gave the researcher an advantage above the average business response rates in the sense that these managers / owners are usually present at there business location while the opposite happens at larger, more corporate firms.

8.3.2 SMME characteristics

As stated in Chapter 7 almost 80% of the SMME's researched are operating as sole proprietors, partnerships or close corporations, which again reflects on the typical characteristic of most small firms in South Africa.

A very important part of the study gives the answer to objective 2, namely what specific kind of SMME are more likely to succeed as a residential-based business. The finance, business services, community, social and personal services were without a doubt the most common respondents according to the SIC (Standard Industrial Classification). But this is too wide a classification and further investigations showed that the following kind of small businesses are currently operating very efficient from a residential-based business:

- Medical care (includes all kind of medical professions)
- Health and beauty
- Legal industry (attorneys and law-related businesses)
- Training and personnel
- Finance and insurance
- Media, printing and photography

Many more smaller miscellaneous services also operate successfully from this location, but the six categories above are especially active in this new location-trend.

Even though no significant results were reflected from the annual turnover, it was quite interesting to note that almost 85% of all the businesses that were part of the study had only 9 employees or less confirming their SMME status.

8.3.3 Property characteristics

Most of the respondents who rent their property were not sure if the property was re-zoned for business purposes or not. Many of them also did not know if it was necessary or not – this showed the researcher a definite lack of knowledge and ignorance regarding the rules and regulations of the local authorities. The principles and regulations of these authorities are obtainable at their offices and Appendix C also shows the manual of application for consent for a home undertaking. This also relates to objective 3 of the study, namely the problems experienced with local authorities.

8.3.4 Factors / reasons / advantages of residential-based businesses

One of the main focuses of the study related to Objective 4, namely the specific advantages that residential-based businesses might have over other locations. The following advantages were the most important according to the respondents views (they include both the pre-structured questions as well as the open-ended questions' results):

- It is much more cost-effective at a residential property.
- It is too expensive at a mall, centre or office block.
- The rent is too high elsewhere.
- At a residential property the optimal use of property and facilities are available.
- Residential-based properties are easily accessible to clients (easier and better parking facilities.
- The residential property can be chosen in a good area or suburb.
- The entrepreneur can create his own work environment.
- Better productivity and time-management can be achieved.
- The informal, relaxed atmosphere and environment of the residential business.
- More exposure and visibility that the residential property offers.

When all the items were put through a factor analysis the following three factors were identified as the three main categories (factors) of why residential-based businesses are seen as an effective location-decision:

- *Factor 1*: The location and growth advantages came out as the major factor for residential-based businesses.
- *Factor 2*: The cost (financial) advantages were the second major factor for this location-decision.

- *Factor 3*: Personal advantages were the last important group to justify this location-decision.

8.3.5 Factors / problems / disadvantages of residential-based businesses

It was of vital importance not to only look at the benefits of this location-decision, but also at the problems facing SMME's who endeavour this important change in location. From the pre-chosen items given to the respondents as well as the open-ended questions. the following disadvantages of residential-based businesses were seen as the biggest problems:

- The entrepreneur needs to be an expert in a variety of tasks.
- It is difficult to leave work behind and go to your "own" home.
- Application for consent and business rights from the local authorities.
- Local authorities regulations (regarding advertising, etc.)
- Distractions and after-hours working (long hours)
- Little walk-in trade
- General maintenance on property
- Crime and security

After a factor analyses was done on all the items, the following three factors were developed as the major problems and disadvantages for residential-based businesses:

- *Factor 1:* Personal disadvantages
- *Factor 2:* Local authorities' rules and regulations
- *Factor 3:* Management disadvantages

All the applicable reliability tests showed the proper results (Cronbach Alphas) and the advantages and disadvantages derived from this research are a large aid in making the proper recommendations to SMME's and developing a framework of how such businesses should go about, before making this location-decision.

8.3.6 Residential-based growth figures

Objective 5 of the study specifically deals with the growth figures of the residential-based business. The purpose of this question was to investigate if the SMME is better of at his new location than at the previous one (if any). This could prove that for the right kind of business moving to a residential-based property could be beneficial in terms of growth.

The major limitation at this question was the fact that almost one-third of the respondents did not run a business from a previous location and that this residential-based option was there first location. The rest of the respondents' views were still very much informative and reliable and valid results could be drawn from it.

Regarding the growth in sales (or turnover), almost 6 out of every possible 7 respondents did have some or other positive growth in sales. When the same question was asked about the growth in customers (or footsteps), the same positive results were found, but this time 5 out of every 7 respondents mentioned that they had growth in customers. This difference (even though very small) proves to be quite an interesting phenomenon. It would seem that the advantage of "footsteps" in shopping centres / malls and other locations are missing in this location-decision. Something (even though minor according to the research) that should be take into serious consideration when making the location-decision (see recommendations).

For the purpose of reliability as well as drawing the correct conclusions, a cross-tabulation was done between the growth in sales and the growth in customers. These showed very positive results and there was a strong correlation between these two independent variables, proving that both the sales and customers of the majority SMME's grew at the same level and percentage against their previous location's figures.

The above conclusions together with the rest of the research results achieved, met all of the objectives stated in Chapter 1, except the primary and most important objective of all – giving recommendations and setting a framework together for future and current SMME's to locate or relocate their business at a residential-based property. The following section addresses that issue.

8.4 RECOMMENDATIONS

The purpose of this section is to make a contribution to literature by referring to specific actions and recommendations to effectively and successfully exploit the residential-based business as a location for SMME's.

8.4.1 Recommendations on type of business

It is recommended that a proper evaluation should first of all be done to decide if the type of SMME locating / relocating to this residential property is the correct business for the location. The following enterprises are likely to succeed in this kind of location, namely:

- *Service industry*
- *Finance and insurance industry*
- *Training and personnel*
- *Media, printing and photography*
- *Medical professions (excluding clinics and hospitals)*
- *Legal professions*

The manufacturing industry does not seem to be as popular for obvious reasons, but this phenomenon might need a different research study before a final decision can be made.

8.4.2 Recommendations on work force

The SMME is likely to perform better if the workforce can be restricted to less than 10 employees. The residential property probably can allow for more employees than a business in a shopping centre or office, but the entrepreneur should be aware of being influenced by the size of the property. Overhead-costs (like salaries and wages) should therefore still be kept to the minimum.

8.4.3 Recommendations on local authorities

This section is without a doubt a major problem for most owners / managers of SMME's locating at residential properties. To assure that the re-locating runs as smooth as possible the following procedures should be followed:

- ***Decide on the area or suburb*** (see **Chapters 3 and 4**).

- ***Consult first of all the local authority of that region to find out what specific regulations there are to that area / suburb.***

Even though South Africa has a common development program for all the local authorities in the country, every municipality has its own town planning scheme derived from the IDP. From this town planning scheme, they again have rules and regulations for each area / suburb. Even though many SMME owners do not understand this, it is quite obvious that not every area / suburb and even streets can be changed to a business location.

Certain areas (like CBD's) are primarily being developed for economic development, but a proper system needs to be in place for every area in a town / city to keep peace and justice.

- *Find out what is needed to register the SMME at the local authority*

The entrepreneur now needs to find out which one of the following he needs:
  - o Just getting permission as a SMME doing business at the local authority (business rights)
  - o Applying for consent to run your business from the residential property
  - o Applying for re-zoning of the residential property

The above steps are simplified as stated above, but that is the order of how the SMME should apply for permission. Most SMME's could get away by only doing the first step, while others (like panel-beating etc.) will have to re-zone their residential property. (Each local authority has a proper manual on the procedures of attaining business rights).

It is important to note that this process could take a while, because each case is being treated on merit and evaluated individually. The local authorities have to decide whether the operations of the business are going to blend into the area / suburb or whether that area is not suited for that kind of industry.

8.4.4 Recommendations on managing this location-decision

This section deals with the most important part of the study and that is to suggest actions and recommendations to the SMME on how to locate and then manage the residential-based business to assure long-term success and profitability. It is however important to mention at this stage that there is no substitute for the basic principles of management to ensure success. But in order to obtain the maximum results from a residential-based location the following recommendations are made:

- *Market research*

The right area, product and clients should be chosen, seeing that location is a long-term, strategic decision and cannot just be changed overnight. Make therefore sure that the basic marketing concepts of the SMME fits the location.

- *Know if the type of business is suited for this location*

Many SMME's do not qualify for this kind of location even if the local authorities allow it. The daily turnover of clients, traffic congestions, distribution problems and many other business principles could make this location-decision inappropriate.

- *Stay in same area as client base*

If possible, stay in the same area / suburb as where the current client base is. To move away and find new customers is hard enough – try to keep the current client base.

- *Application for consent and business rights from the local authorities.*

This step was discussed under 8.4.3, but the importance of this step cannot be emphasized enough. This should be the first step for any SMME after he decided on specific area/s.

- *Local authority regulations*

These regulations can also cause a lot of problems, except if the entrepreneur is up to date with the latest regulations. Especially advertising and marketing cause a lot of problems, seeing that many owners do not know how large, where, etc. the advertising boards might be shown. All the other regulations like rates and taxes should also be known and adhered to.

- *Buy rather than rent*

Although this option is not always viable, this could be one of the best investments the entrepreneur could make. By buying, the SMME is saving a lot on renting costs as well as the inconvenience of the landlord – this could lead to the same situation as having a landlord at a shopping centre or office block.

- *Buy upmarket to avoid over-capitalisation*

Again this option is not always possible, but it is important to see this location-decision as a long-term investment and the entrepreneur would not like to face the option of re-locating every two to three years.

- *Blend in with other businesses*

This means to be compatible. Make sure that the location is compatible with other businesses surrounding the SMME. By means of this long-term relationships, outsourcing and facility sharing could be a possibility in the future.

Another important reason is that customers tend to visit next-door businesses if this business is in the same kind of field or industry than the first one

visited. By means of this a new phenomenon, namely "residential business-parks" could develop and take over the shopping centre phenomenon.

- *Correct "address" in the area / suburb*

This means that the correct "spot" should be chosen. Locating at a stop street, robot or corner tends to attract more attention of the motorists and pedestrians. This could overcome one of the major disadvantages of a residential-based business, namely visibility.

- *Accessibility for clients*

This issue has been raised before but cannot be over-emphasized. The SMME has to make sure that the residential property is accessible for clients. This can be ensured by locating near highways or main roads, bus routes, near schools, universities, etc. It should never be a problem or inconvenient for the client to visit the business.

One of the major disadvantages pointed out by respondents was the "little walk-in trade". This means that the shopping centres / malls have the distinct advantage of passer-by clients quickly stopping by. The more accessible and visible the residential-based business, the more this problem can be avoided.

- *Use prominent colours and information boards*

To support the previous recommendation, this could again help the visibility of the residential-based SMME and thereby attract more attention and prospective clients.

- *Budget enough for working capital*

The costs at a residential property very much correlates with that of an individual dwelling home. There are quite a few unexpected costs and contingencies which can disrupt the cash flow of the business unexpectedly.

- *General maintenance on the property*

Again, like the previous recommendations this could be a very nasty surprise at the new location. At a shopping centre or any other "managed" location, the landlord / management takes care of these problems. General maintenance inside (water ,electricity, plants, cleaning, etc.) and outside (gardening, plumbing, painting, etc.) should be considered carefully and also taken into consideration during budget planning (cost and time).

- *Enough parking available*

Clients should not have problems accessing the business and therefore proper parking facilities is of vital importance. If possible a separate entrance and exit should be arranged and developed to ensure the proper traffic flow.

If possible suppliers should also not use the same entrance than the clients, due to a more professional image and again the proper flow of traffic. It is once again important to consult with the local authorities on the rights and restrictions of the business regarding parking and traffic.

- *Safety and security*

Like in any location in South Africa this can be a problem for the SMME. Even though the results of the study did not show an unusually high crime rate at residential-based businesses, they could be a real target for crime. It is therefore essential to safeguard the property with the necessary security measures.

Another option to consider is to work together in locational groups – that is to work with the other residential-based businesses in the neighbourhood and develop a security program between the relevant parties.

- *Build good relations with neighbours*

Whether these neighbours are also a small business or private residents, positive relations with them are essential. Especially if they are private residents – any inconvenience, noise or disturbances could relate into unnecessary problems which again could end up at the local authorities.

- *Role of employees and labour unions*

The roles and responsibilities of the employees should be made quite clear from the beginning. The new location is for them also a new experience and any doubt on the operations of the staff should be avoided.

The labour unions (if applicable) should also be consulted to ensure a highly motivated workforce with a positive moral.

- *Needs to be an expert in a variety of tasks*

The entrepreneur is almost all on his own at a residential-based business. There are no landlords or caretakers that can handle the secondary problems or maintenance. It is therefore essential to be in the right frame of mind about this issue. There are going to be more expected from the residential-based owner / manager than the general managerial tasks of an SMME.

- *Distractions and after-hours working*

This tend to be a major problem for residential-based entrepreneurs. Family and colleagues should know that even though it is a residential property ("home"), it is an office or business and distractions should be kept to the minimum. It is therefore advisable to keep the lay-out of the business strictly business-like, yet more relaxed than a normal office or store.

Because there is no mall or centre that is closing their doors or gates, the residential-based entrepreneur should (just like the home-based entrepreneur)

know when to close the day's activities and business hours should be adhered to.

- *Time-management and self-discipline*

The opposite of the previous statement is also true. It is recommended that the entrepreneur should not fall into the home-based business trap of no discipline and time-management. A residential property with beautiful surroundings and swimming pools should attract clients and not make employees unproductive.

- *Telecommute where possible*

If some of the employees (especially accountants and employees not working with clients) could work some days as effective from their own home if not more, let them. Even though residential-based businesses should cut out a lot of traffic problems it is not going to overcome traffic to the full. Telecommuting could make the SMME even more effective by having "home-based-businesses" as branches of the residential-based business ("head office").

- *High quality of service*

Though this aspect is of importance to all businesses, it could be the deciding factor for the residential-based business. The customers need to be so impressed with the high quality service and personal attention that coming back is not the option, but rather how often and who to tell.

- *Professional work environment*

This last recommendation is probably one of the most important recommendations in running a residential-based business successfully. A residential-based business need to build that competitive edge and there is probably no better way of doing this than to have that something extra or special at the residential property that is going to differentiate you from the competitors. Being at a residential property already distinguishes the SMME

from other businesses and therefore this advantage should be exploited to the full.

8.5 FINAL COMMENTS

Since ages ago people were emphasizing the place of operating the business as vital. The old saying of "location, location and location" as the three most important aspects for a business's success and survival holds a lot of truth. This long-term strategic decision is not only a vital decision, but also a very costly decision.

The SMME-environment and the location-decision of these businesses were thoroughly investigated and studied and it was found that the underlying principles for location stays as important and vital for any business. The newest trend in this location-decision, namely the residential-based business was therefore investigated and after a thorough research study certain specific characteristics end traits of this location-decision were identified. Therefore the researcher is contributing to the science of business management by giving the above framework and recommendations as guidelines to prospective and current entrepreneurs as an alternative location-decision for SMME'.

8.6 LIMITATIONS OF THE STUDY

This study is a starting point for investigating residential-based businesses as an alternative location-decision for SMME's.n It is thus not suggested that the concepts, findings, conclusions and recommendations as discussed in this study are definitive and it is acknowledged that further research is required to address this subject sufficiently. Given the exploratory nature of the research, the reader should be aware of the following limitations of the study:

- The sample frame that was used in this study was concentrating on the greater Pretoria Metropolitan area, and it thus important to be aware that any references made in this study regarding any part of the universe should not be read to be representing the population but rather seen in context of the sample frame that was used.

- More than one-third of the respondents in this study started there small business from a residential-based property and therefore have no previous experience of other locations. They could therefore not make a proper comparison between the old and new location-decision.

- As this study was conducted amongst South African SMME's operating under South African local authorities' rules and regulations, the results pertain to the South African situation and should be interpreted as such.

8.7   FUTURE RESEARCH

There are several more opportunities for further research into residential-based businesses like:

- A comparative study in other cities in South Africa and to investigate any similarities or differences between the South African situation and abroad.

- A comparative study with each of the other SMME-locations to compare similarities and differences.

- A comparative study where each industry are being evaluated in this location-decision, especially the manufacturing industry.

- The probability of "residential-based parks" that could be the long-term result and outcome of this phenomenon.