

**The influence of private equity on SMME access
to non-financial support in South Africa**

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ABSTRACT

Small, medium, and micro enterprises (SMMEs) are critical to South Africa's economy, yet they face significant challenges in accessing the necessary resources for sustainable growth. Private equity (PE) is generally associated with financial investment, but its role in providing non-financial support has received limited academic attention, particularly in emerging markets like South Africa. This study explores the influence of private equity-driven non-financial support on SMME sustainability and scalability, assessing the alignment between PE interventions and the actual needs of SMME owners.

The study employs a qualitative research methodology, it uses semi-structured interviews and the participants are SMME owners and PE providers in Gauteng province, South Africa. The study adopted an interpretivist approach, utilising thematic analysis to explore key areas such as strategic guidance, mentorship, governance, and networking opportunities. The study findings reveal that, while PE firms provide valuable non-financial support, challenges such as strategic misalignment, resistance from entrepreneurs, and inconsistencies in delivery hinder its full impact.

This research contributes to the discourse on PE in emerging markets, offering insights into how PE firms can enhance their support mechanisms to foster long-term SMME sustainability. Recommendations include a more structured approach to the delivery of non-financial support and greater collaboration between PE firms and SMMEs.

Keywords: private equity; non-financial support; SMME sustainability; emerging markets

DECLARATION

I declare that this research project is my own work. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration at the Gordon Institute of Business Science, University of Pretoria. It has not been submitted before for any degree or examination in any other University. I further declare that I have obtained the necessary authorisation and consent to carry out this research.

4 March 2025

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LIST OF ABBREVIATIONS AND ACRONYMS

4IR	Fourth Industrial Revolution
CFA	Chartered Financial Analyst (CFA) Institute
COVID-19	Coronavirus disease 2019
GDP	gross domestic product
GIBS	Gordon Institute of Business Science
KPI	key performance indicator
NDP	National Development Plan
NPC	National Planning Commission
OECD	Organisation for Economic Co-operation and Development
PE	private equity
RO	Research Objective
RQ	Research Question
SDGs	Sustainable Development Goals
SEDA	Small Enterprise Development Agency
SMMEs	small, medium, and micro enterprises
UN	United Nations
VRIN	valuable, rare, inimitable, and non-substitutable

CHAPTER 1: BACKGROUND AND INTRODUCTION

1.1 Introduction

Small, medium, and micro enterprises (SMMEs) in South Africa are widely acknowledged as pivotal to the growth in the economy and job creation of the country. As these businesses transition from early-stage operations to growth and more mature business phases, they frequently encounter structural, operational, and financial barriers that hinder their capacity to scale effectively (Mseleku & Mashele, 2024). Given that SMMEs are anticipated to make a substantial contribution to South Africa's gross domestic product (GDP) and enhance the creation of employment, their sustained development has become a crucial focal point for researchers and policymakers (Enaifoghe & Ramsuraj, 2023).

Whilst no single definition of non-financial support is agreed upon, and there is even less agreement on the ideal structure and method of delivery of such support, the mechanism is intended to provide highly customised resources beyond capital that enhance SMME business operations and strategies (Yuan et al., 2025). The concept includes a broad range of business development services aimed at complementing financial resources, such as training, mentoring, networking, management skills, impact assessment, and technical expertise or other specialised support. For instance, Lwesya et al. (2021) found that the usage of non-financial support significantly contributes to the growth of SMMEs in Tanzania, leading to increased competitiveness and profitability (Lwesya et al., 2021).

Non-financial support may be provided at any stage prior to or after investment, and either directly by the provider or via a third party. The current research study aimed to assess non-financial services provided to SMMEs by private equity (PE) institutions, specifically to those SMMEs at an expansion and development stage (rather than the start-up or an early stage), when capitalisation and support are required to expand from an SMME to a larger business (Wald et al., 2019).

1.2 Background

Literature has extensively established the global relevance of SMMEs. (World Bank Group, 2020). SMMEs compose of more than 90% of all businesses worldwide. These enterprises play a crucial purpose in building economic systems (Organisation for Economic Co-operation and Development [OECD], 2021).

The ability to pursue opportunity stems solely from the individual involved in entrepreneurial SMME ownership (Wald et al., 2019). Therefore, the nature of SMMEs encompasses the predominant aspect of human capital against the backdrop of process elements as the foundation of the manner in which individual innovation and creativity in such business ventures serve to evolve market environments (Musthafa et al., 2024). As SMMEs are characterised by the recognition and exploitation of newly introduced products, systems, or markets, the contexts in which these enterprises operate are dynamic and ever-changing. They present uncontrollable elements often associated with a multiplicity of obstacles. Therefore, the viability of entrepreneurial businesses is constantly under threat, coupled with high uncertainty regarding sustainable outcomes (Santoro, Bertoldi et al., 2020). Studies conducted through research suggest that that a large percentage of entrepreneurial endeavours fail due to uncertainty in navigating the SMME environment and an inability to adapt. Only 22% of small businesses survive for more than a year, and only 50% subsisting for at least five years (Pisoni et al., 2020).

Due to their dynamic role in South Africa, SMMEs are essential for accomplishing goals related to socioeconomic progress, particularly when considering that the country is a developing nation in the context of the global United Nations (UN) 2030 Agenda for Sustainable Development (UN, n.d.; Ciampi et al., 2021). The NDP 2030 (National Planning Commission, n.d.) expects that the SMME sector will employ 90% of the labour force of the nation and contribute approximately 80% to GDP growth by 2030, in accordance with global trends.

Since Agenda 2030 is based on economic development, (United Nations, n.d.), through the achievement of the embedded SDGs, SMMEs could have a fundamental developmental impacts in the coming years by serving as a core channel for broader socio-economic sustainability through entrepreneurship (Enaifoghe & Zenzile, 2023). Nevertheless, in spite of SMMEs' prominence, their outstanding economic contribution and frameworks for sustainable development strategy, SMME failure probability in South Africa, at 75%, is the highest of all global efficiency-driven economies (Mhlongo & Daya, 2023). The providing of non-financial support is a major and substantial issue to SMMEs' long-term performance and sustainability, despite the fact that they confront several growth-related challenges (Mhlongo & Daya, 2023).

Unlike early-stage startups, SMMEs in a growth phase are typically more mature, and are positioned to benefit from PE firm's expertise in areas such as strategic planning, operational improvements, and market expansion, amongst others. In a study by Tihagale and Ndou (2024), the majority of South African SMME owners were of the view that such services were not adequately incorporated into SMME sustainability strategies, emphasising that few financing institutions incorporate both non-financial and financial assistance into their company development services for SMMEs. A persistent gap in this area is experienced by South African entrepreneurs (Tihagale & Ndou, 2024). It is unclear if PE institutions can effectively support the larger attainment of the Sustainable Development Goals (United Nations, n.d.), the objectives of the National Planning Commission (n.d.), economic growth targets, and an infrastructure that is socially inclusive through both financial and non-financial means.

While studies on developed economies demonstrate that structured non-financial support enhances SMME performance (Gyamfi et al., 2024), in the South African context, there is still little research on this subject. Most studies focused on government-led initiatives rather than private-sector-driven support. The present study contributes to addressing this gap by exploring the extent to which PE institutions actively engage in non-financial interventions, and whether these align with SMMEs' needs. The next section elaborates on the study's problem statement.

1.3 Problem Statement

As formal SMMEs are considered critical development drivers, employment, and socio-economic development in South Africa, representing just about 90% of all enterprises sectors, the economic significance of SMME business stagnation or failure is profound (Ngo Ndjama & Van Der Westhuizen, 2024). Although these businesses are thought to be the main force behind the expansion and advancement of the economics of South Africa, they are also the most vulnerable segment of the economy, due to a lack of resources and safety nets, in comparison to larger organisations (Baloyi & Khanyile, 2022).

Thus, SMMEs are perpetually left exposed to the worst effects of risks, economic shocks, and various business-related stresses, without adequate ability to recover or adapt. Extreme events such as natural disasters, terrorism, or pandemics or for example, the most recent

global COVID-19 pandemic, expose SMME enterprises to a greater magnitude of uncertainty and risk (Igan et al., 2023).

Due to only a few essential businesses being permitted to operate during the COVID-19 pandemic lockdowns, more than 80% of SMME enterprises reported significant declines in revenue during that financial year, with only 3% reported to have received supportive assistance (Enwereji, 2022). In the aftermath of the pandemic, recovery was slow, with 60% of these enterprises reported to have cut staff and reduced salaries; 45% were unable to meet obligations, 33% downsized their operations, and more than 50% closed down entirely (Enwereji, 2022).

Despite widespread recognition of SMMEs as fundamental contributors to economic development, existing research on their sustainability has focused predominantly on financial access constraints, with less emphasis on non-financial support mechanisms (Cumming et al., 2023; Gompers et al., 2016). The efficiency of PE institutions in providing non-financial assistance to SMMEs in South Africa has not received much empirical investigation (Cumming et al., 2023; Dhlamini, 2024). The few available studies focused on developed economies, departing a substantial discrepancy in comprehension of how PE-driven non-financial support influences SMME growth and resilience in emerging markets like South Africa. From a business perspective, this knowledge gap translates into strategic inefficiencies, where SMMEs lack the necessary mentorship, governance support, and networking opportunities to scale successfully (Eldridge et al., 2021).

The present study was, therefore, aimed at addressing this discrepancy in knowledge by exploring the nature, effectiveness, and challenges associated with PE firms' non-financial support interventions by drawing insights from both SMME owners and PE providers, in order to provide both theoretical contributions and practical business insights to improve SMME support frameworks. The next section details the study's research purpose and objectives.

1.4 Research Purpose and Objectives

Despite the potential benefits of non-financial support, there is limited understanding of how this is utilised by South African SMMEs to scale successfully (Tihagale & Ndou, 2024). In order to comprehend the distinct viewpoints, difficulties, and elements that might be causing the elevated rate of SMME business stagnation and likewise, South Africa's failure rate, the

current study aims to examine the impact of non-financial support from PE providers on SMME growth. It also aims to assess scalability, and sustainable business development in a dynamic post-COVID-19 environment, with regard to offering practical insights and recommendations that could facilitate greater sustainability amongst SMMEs (Mkhonza & Sifolo, 2022).

The following research objectives (ROs) were formulated based on the research problem:

RO1: To understand the nature of non-financial support from PE providers to South African SMMEs;

RO2: To explore the positive impact of PE firms' non-financial support on SMMEs in South Africa; and

RO3: To identify the challenges experienced by PE providers and SMMEs in the delivery and utilisation of non-financial support services.

Understanding how PE firms provide non-financial support could inform national strategies, in alignment with the South African government's goal of fostering inclusive economic growth through entrepreneurship. The National Treasury's (2024, p. 1) Medium Term Budget Policy Statement emphasises that "Government is pursuing policies to achieve rapid, inclusive and sustainable economic growth." Additionally, the findings of this research may aid PE firms in structuring value-adding support services that enhance investment success and long-term business viability.

1.5 Chapter Summary

The study environment and area of interest—SMMEs in South Africa, namely their importance to a growing economy—were introduced in this chapter. The high incidence of failure of South African SMMEs in spite of the non-financial assistance offered by PE institutions, was also highlighted. The problem statement highlighted the lack of research on non-financial support available to SMMEs in South Africa, which provided the rationale for the present study and informed the overarching research objectives. The next chapter provides a review of extant literature in this domain.

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This review of the literature investigates the concept of non-financial support and its implications for SMME sustainability and growth, focused on the South African context. This chapter provides a structured overview of SMME development, the role of PE firms, and the complementary value of non-financial support as a critical mechanism to address the scalability constraints often experienced by SMMEs. The chapter also considers related theories, including resource-based theory, agency theory, and dynamic capabilities theory, which underpinned the study. These theories provide lenses through which the interaction between PE providers and SMMEs can be understood, particularly the manner in which non-financial support serves as a strategic asset to enhance operational capacity and long-term competitiveness. Specifically, this chapter defines SMME sustainability and growth parameters, with particular reference to non-financial interventions; explores PE firms as a hybrid resource provider, emphasising the dual role of capital injection and business support services; and looks non-financial support as a driver of SMME capacity-building, resilience, and value enhancement.

While the financial constraints of SMMEs have been extensively studied, much less consideration has been given to the function of non-financial support, particularly from PE firms, in their long-term sustainability (Cumming et al., 2023; Kaplan & Strömberg, 2009). Studies on developed economies highlight the strategic benefits of mentorship, operational guidance, and network facilitation (Eldridge et al., 2021); yet, the extent to which these are effectively applied in emerging markets like South Africa remains unclear.

Despite the existence of financial mechanisms and non-financial support mechanisms, many SMMEs remain unaware of these resources. A recent study by Tihagale and Ndou (2024) highlighted that SMMEs operated by black Africans in Tshwane Metropolitan Municipality lacked knowledge of organisations offerings such support . This unders the need for improved communication and outreach by support institution. Although studies have explored SMME growth and sustainability, much of the research focused on financial constraints rather than strategic non-financial interventions. Furthermore, while PE firms' contributions are widely documented in developed economies, their role in emerging markets like South Africa remains underexplored. This study will address these gaps by

exploring the interplay between PE-driven non-financial support and SMME success, moving beyond mere description to provide empirical insights into lasting effects on SMME sustainability. The next section details the theoretical underpinnings of these explorations.

2.2 Theoretical Underpinning

In this study, resource-based theory, agency theory, and dynamic capabilities theory were used to provide a comprehensive perspective on how PE-driven non-financial support impacts SMME performance, sustainability, and scalability. Collectively, these theories, which are discussed below, offer insights into the role of PE firms as strategic partners beyond financial investment. While resource-based theory highlights the significance of unique internal resources for competitive advantage, agency theory explains how PE firms mitigate risks through governance mechanisms, ensuring that SMME management aligns with investor expectations (Barney, 1991). Dynamic capabilities theory extends this perspective by elucidating how SMMEs develop, integrate, and reconfigure these resources to adapt and scale in dynamic market environments.

2.2.1 *Resource-based theory*

According to resource-based theory, businesses get a competitive edge by obtaining and effectively utilising valuable, rare, inimitable, and non-substitutable (VRIN) resources (Barney, 1991). Within the context of SMMEs, non-financial support such as strategic mentorship, industry networks, and governance structures serve as critical intangible assets that enhance business performance (Intara & Suwansin, 2024). PE firms, by offering these resources, contribute to SMME development beyond traditional financial investment. Research by Chansa-ngavej (2008) highlights the positive impact of intangible properties on firm value and performance, suggesting that investments in areas like mentorship and robust governance could yield substantial returns. These findings align with the resource-based view, which suggests that unique and inimitable resources are pivotal in achieving a competitive advantage (Chareonsuk & Chansa-ngavej, 2008).

2.2.2 *Agency theory*

Agency theory examines the principal–agent relationship, wherein PE firms (principals) who invest in SMMEs (whose owners and managers act as their agents) face risks due to information asymmetry and potential misalignment of interests (Almulhim, 2023). Unlike

stakeholder theory, which assumes that firms balance multiple stakeholder interests (Freeman et al., 2010), agency theory explicitly addresses why PE firms impose governance structures, mentorship, and oversight to protect their investments (Almulhim, 2023). This perspective elucidates the motivation behind PE-driven non-financial support, particularly in mitigating agency costs, improving transparency, and ensuring SMMEs adopt best practices that align with investor objectives.

2.2.3 *Dynamic capabilities theory*

Resource-based theory is expanded upon by dynamic capabilities theory, which explains how businesses create, integrate, and reorganise their resources in response to shifting conditions (Wójcik, 2015). SMMEs must develop capabilities to effectively leverage PE-driven non-financial support such as mentorship, governance, and market-access strategies in order to adapt to their evolving business needs. PE firms enhance SMMEs' scalability by fostering dynamic capabilities, aiding firms in remaining competitive through continuous learning, strategic realignment, and agility in volatile markets (Cumming et al., 2023).

By integrating dynamic capabilities theory, this study addresses how SMMEs transform non-financial support into long-term competitive advantages—a perspective not fully captured by resource-based theory and agency theory alone. In the following section, an overview of the SMME landscape in South Africa will be discussed, with subsequent discussions focusing on their sustainability and characteristics of SMME success.

2.3 South African SMME Landscape

SMMEs are recognised globally as a critical foundation of economic growth and development (Amoah et al., 2022). SMMEs account for in excess of 90% of enterprises, and contribute approximately 60% to jobs worldwide, positioning these enterprises as the backbone of both developed and emerging economies (OECD, 2021; World Bank, 2020). South Africa's entrepreneurial landscape is no exception to this global trend.

However, in spite of their substantial economic impact, SMMEs in South Africa encounter considerable challenges. Approximately 75% of SMMEs fail within the initial three years of operation, which is one of the greatest failure rates among efficiency-driven economies, according to research, which highlights the sector's high mortality rates. (Bushe, 2019). Structural constraints such as restricted access to financing, inadequate business skills, and

regulatory hurdles contribute significantly to these high failure rates (Mhlongo & Daya, 2023). Moreover, the persistence of socio-economic inequalities, compounded by apartheid's legacy, has resulted in stark disparities in SMME performance, particularly amongst previously disadvantaged entrepreneurs (Makwara et al., 2023).

These enterprises are further complicated by the distinction between informal and formal enterprises, each with unique developmental trajectories (Etim & Daramola, 2020). Informal SMMEs often arise from necessity entrepreneurship, driven by unemployment (Etim & Daramola, 2020). These micro-enterprises typically operate without formal registration, and they struggle to transition into formal entities, due to financing constraints and a lack of business development support. Conversely, formal SMMEs are more structured, employ between one and 49 individuals, and demonstrate greater potential for scalability (Mutenyoka, 2014). However, both segments face a common challenge: accessing the non-financial support required to build capacity and enhance competitiveness (Etim & Daramola, 2020).

Despite various government initiatives, for example the Small Enterprise Development Agency (SEDA) and the NDP 2030 (National Planning Commission, n.d.), the persistent failure probability of SMMEs suggests that state-led interventions have been insufficient. A significant limitation is that government policies often emphasise financial assistance but fail to address managerial capacity-building and industry linkages, which are critical to business scalability (Molope et al., 2024). In the present study, it is argued that PE institutions, with their dual role of capital injection and strategic advice, may provide a more sustainable alternative to state dependency.

The South African administration recognised SMMEs as central to achieving its long-term objectives for economic and social development, as articulated in the NDP 2030 (National Planning Commission, n.d.). According to the NDP, SMMEs would employ 90% of the workforce and account for 80% of GDP growth by 2030. This vision aligns with the broader United Nations (n.d.) Agenda 2030, which emphasises entrepreneurship and inclusive growth as pathways towards poverty reduction and economic resilience.

Nonetheless, the reality on the ground reveals a mismatch between policy intentions and the lived experiences of entrepreneurs. Despite government initiatives such as the SEDA and various funding schemes, SMMEs continue to report gaps in receiving tailored non-financial business development support (Rankhumise & Muzanenhamo, 2025).

Consequently, these discoveries emphasise the need for a more integrated approach, combining capital investment with capacity-enhancing non-financial support, particularly from private-sector actors such as PE institutions (Nxazonke & Van Wyk, 2020).

Furthermore, the COVID-19 pandemic exacerbated vulnerabilities within the SMME ecosystem, with more than 60% of small enterprises reporting revenue losses and operational disruptions during lockdowns (Nsomba et al., 2021). This crisis reinforced the importance of adaptive capacity and resilience-building support, emphasising that access to strategic guidance, digital solutions, and market linkages and financial aid are equally critical in sustaining SMMEs during times of economic uncertainty (Mkhonza & Sifolo, 2022; Msomi & Olarewaju, 2024; Robertson et al., 2022).

The evidence suggests that non-financial support serves as a catalyst for SMME performance, particularly in developing markets where entrepreneurs frequently lack the networks and managerial proficiency required to navigate complex business environments (Tlhagale & Ndou, 2024). Thus, understanding the intersection between financial and non-financial support is critical to fostering a robust entrepreneurial ecosystem capable of driving inclusive and growth that is sustainable in South Africa.

Despite their economic contributions, SMMEs in South Africa experience some of the most severe failure rates on a global scale, with 75% failing within the first three years (Molope et al., 2024) Key constraints include: restricted financial access (Malgas & Zondi, 2020); legislative hurdles and compliance burdens (Malgas & Zondi, 2020); and limited access to skills development and mentorship (Cant, 2012).

While financial constraints are well documented, there is limited empirical research on non-financial support mechanisms for SMMEs, especially in South Africa. Much of the existing literature focuses on government funding and early-stage venture capital, leaving a gap in understanding how PE firms contribute beyond capital investment (Cumming et al., 2023).

Despite these interventions, there remains a mismatch between available business development services and the actual needs of SMMEs (Brijlal, 2011). Many entrepreneurs report that, while funding mechanisms exist, structured non-financial support is either inconsistent or inaccessible (Tlhagale & Ndou, 2024). This creates vulnerability, where small businesses struggle with strategic management, supply chain integration, and leadership

development (Mhlongo & Daya, 2023) PE institutions, with their industry expertise and network access, have the potential to fill this gap.

2.4 SMME Success and Sustainability

The concept of non-financial support guides the pursuit of understanding SMME sustained success from the viewpoint of the individual entrepreneur or SMME owner who, as the ultimate decision-maker and strategist, is responsible for the business management process (Lwesya et al., 2021). The underpinnings of a correlation exists between the various factors of non-financial support and entrepreneurial success hold that individual characteristics and behaviour are in continuous interaction with environmental factors; therefore, business management is inextricably linked with personal management, i.e., self-regulation (Mahohoma, 2024). Self-management into play in, e.g., crisis management, where the individual entrepreneur has the option to select, organise, and transform specific stressors or adversity episodes in order to develop greater degrees of competence, self-confidence, and business mastery. The resulting self-efficacy profoundly impacts coping efforts, where stronger levels of self-efficacy lead to progressively more active and proficient business efforts, ultimately resulting in development of greater value through expansion and the potential for scalability (Goldsby et al., 2021; Kawai & Sibunruang, 2025; Santoro, Ferraris et al., 2020).

The performance of SMMEs backed by PE is influenced by various determinants, including the extent of operational support and governance implemented by PE firms. Research suggests that active involvement of PE investors in the strategic and operational aspects of SMMEs leads to improved performance outcomes (Gigante et al., 2024). Therefore, SMME success in terms of non-financial aspects ultimately stems from the adaptation response and internal assets and resources of the entrepreneur (SMME owner), influenced to a large extent by demographic variables including age, gender, and culture, as well as contextual elements such time, place, experience, background, education, training, and skills (Urban-Econ, 2019).

The concepts of SMME sustainability, growth, and scalability are multi-dimensional, with no widely accepted definitions (Martins et al., 2022). While business expansion and success are generally measured according to parameters such as profitability, growth rate, or stock market performance, SMMEs are differentiated from traditional business structures by

unique and distinctive characteristics that necessitate context-specific and tailor-made support processes and tools (Galli-Debicella, 2021). In South Africa, access to financial and non-financial support remains inconsistent, this multi-faceted view of success is particularly relevant, as SMME owners often prioritise personal fulfilment, community development, and resilience alongside traditional financial growth (Tlhagale & Ndou, 2024).

Research has traditionally focused on business success from the organisational level, with some degree of exploration of individual traits or personal factors that might serve as predictors of overall organisational performance (Kang et al., 2023). However, studies have not examined the meaning of success and sustainability to SMMEs specifically, which could be an approach that offers new insights into the manner in which entrepreneurs individually seek non-financial support, with a view to understanding how entrepreneurial ventures are developed in different ways (Tlhagale & Ndou, 2024).

An alternative conceptualisation of entrepreneurial success and sustainability could, therefore, consider the following organisational, individual, financial, and non-financial aspects (Mallinguh et al., 2020):

- **Organisational criteria**, measured as business performance through growth indices such as sales, profit, or number of employees.
- **Non-financial criteria**, including factors such as workplace relationships, personal fulfilment, personal achievement, community impact, and any other aspect that may be personally important to individual entrepreneurs; and
- **Financial criteria**, encompassing growth of the enterprise, measured as personal wealth creation and income generated.

The outcome of effective non-financial support in this context is that SMME owners are able to develop and apply various tools, skills, and dexterity that are pivotal to the success, sustainability, and scalability of the entrepreneurial venture through their ability to adapt to change, deal with unforeseen circumstances, cope with stress, stay focused, think clearly, and remain optimistic in the face of challenges (Tlhagale & Ndou, 2024). The next section delves into private equity, followed by details on the non-financial support these institutions offer to SMMEs.

2.5 PE Firms

PE refers to capital investment in private companies rather than publicly listed companies (Ljungqvist, 2024). The average lifespan of a PE investment extends over the medium to long term, and entails the securing of funds, coupled with non-financial support, which are utilised with the goal of delivering a superior return on investment to investors. Due to the longer-term nature of PE investments, investors generally require higher returns; therefore, the intention of PE institutions is typically to obtain a controlling stake in a business in order to influence its operational activities and performance (Singh et al., 2024).

Various PE models can be utilised for a variety of investment purposes; however, the model for a specific transaction is determined by the requirements of the business seeking PE investment (Ljungqvist, 2024). Whilst PE has traditionally been associated with the provision by firms of financial capital to entrepreneurial ventures, studies have increasingly emphasised the impact of PE institutions beyond mere financial investment, to incorporate playing a significant role in providing non-financial resources such as strategic guidance, networking opportunities and industry-specific expertise (Cumming et al., 2023; Gompers et al., 2016). The provision of non-financial resources by PE firms can therefore significantly influence the success of SMME business by helping them to navigate complex market environments and build a sustainable competitive advantage (Kaplan & Strömberg, 2009).

The South African PE market is diverse, encompassing investments in a broad array of sectors, such as mining, manufacturing, technology, and financial services (Nxazonke & Van Wyk, 2020). The PE sector has provided much-needed capital, particularly in environments where access to traditional forms of financing may be limited due to high credit costs and stringent lending criteria (Kaplan & Strömberg, 2009). In addition to large-scale investment options and smaller, growth-oriented investments in emerging industries, PE institutions are also renowned for critical non-financial offerings such as strategic guidance, management expertise, skills development, and access to networks, which are particularly valuable in a market characterised by economic volatility and structural challenges (Eldridge et al., 2021). In the South African context, the integration of financial and non-financial support is critical, due to pervasive issues of lack of accessibility to financing (Tlhagale & Ndou, 2024). This, combined with a lack of a comprehensive SMME support framework, often leaves entrepreneurs without the necessary tools to navigate a highly competitive and volatile market. This makes the mentorship, industry networks, and strategic direction

provided by PE firms indispensable for entrepreneurial sustainability and scalability (Rungani, 2022).

PE firms in developing economies present unique obstacles and prospects. A comprehensive analysis by the CFA Institute (2024) highlighted that building a track record in these markets is complex, due to difficulties in running consecutive funds with similar structures. This necessitates PE firms to adapt their strategies, including avoiding blind-pool structures and intensifying communication with limited partners, in order to effectively navigate the distinct dynamics of emerging economies (CFA Institute, 2024). While PE institutions are often lauded for strategic interventions, some critics argue that PE-backed businesses may prioritise short-term profit margins exceeding long-term sustainability (Doorasamy & Baldavaloo, 2016). Additionally, there is evidence that certain PE firms focus predominantly on financial restructuring while neglecting operational enhancement, leading to mixed outcomes for SMMEs (Barber et al., 2021).

2.6 Non-financial Support

The primary role of PE institutions is characteristically perceived through the lens of the financial investment aspect; however, the strategic non-financial support provided by PE institutions is increasingly recognised as equally, if not more, significant (Kaplan & Strömberg, 2009). The key non-financial success factors include, inter alia, organisational compatibility, leadership skills, team dynamics, employee morale, staff retention, overcoming regulatory and legal challenges, technological integration, and overall strategic alignment of business goals (McGrath & Nerkar, 2023). Cumming et al. (2023) emphasise that value-added non-financial services provided by PE institutions, such as mentorship, strategic planning, and governance, are integral to the growth and sustainability of entrepreneurial ventures. SMMEs backed by PE funds often experience enhanced value and performance, and the involvement of PE firms brings not only financial support, but potential governance improvements and strategic guidance, which collectively contribute to the growth and sustainability of these enterprises (Zhou, 2024).

This perspective is further reinforced by Ewens et al. (2022), who highlight the role of PE institutions in providing access to dynamic networks that are vital to scaling and forging strategic partnerships in order to drive long-term sustainability. The ability to leverage these networks is particularly important in emerging markets, where entrepreneurs may lack the

established connections necessary to navigate complex business environments. This perspective aligns with the findings of Kaplan and Strömberg (2000), which suggest that the strategic involvement of PE firms in decision-making processes can significantly mitigate risks associated with market entry and competition. Studies also indicate that companies receiving PE investment benefit, not only from capital infusion, but also from enhanced governance and strategic guidance, leading to improved operational performance and growth trajectories (Gigante et al., 2024).

Non-financial support encompasses a range of business development services that enhance SMME capacity beyond capital injection. Pertinent aspects of non-financial support include the following:

- **Strategic guidance:** The industry knowledge and strategic expertise of PE institutions are invaluable for SMMEs as a form of strategic guidance to navigate volatile and unpredictable market conditions, which are typical of emerging economies such as South Africa (Gompers et al., 2016).
- **Operational expertise:** PE institutions set the standards for best practices in operational management, assisting SMMEs to improve their efficiency, reduce costs, and optimise processes. This level of operational support is particularly valuable for improving competitiveness or scaling, particularly if entrepreneurs lack the operational experience needed to manage rapidly growing businesses (Acharya & Kehoe, 2008). Operational guidance could include digital transformation, whereby PE firms facilitate SMMEs' adoption of technology for efficiency (Ewens et al., 2019).
- **Governance and oversight:** PE firms play a significant role in the governance of SMMEs by providing oversight and implementing governance structures that ensure accountability and drive performance. This includes the establishment of clear key performance indicators (KPIs), regular board meetings, and the introduction of professional management practices. Enhanced governance is crucial to the strategic direction and operational efficiency of entrepreneurial ventures (Acharya & Kehoe, 2008; Herrera-Echeverri et al., 2025).
- **Networking opportunities:** Access to professional networks can include connections to industry leaders, potential clients, suppliers, and other investors, which are invaluable in business expansion and growth. The ability to tap into such networks

can significantly accelerate business development and market entry (Milanesi et al., 2020).

- Mentorship: Mentorship provided by PE firms plays an important role in guiding SMMEs through complex business environments. Studies emphasise that such mentorship is especially valuable in emerging markets, such as South Africa, where entrepreneurial ecosystems may be less developed (Kuratko et al., 2021). When combined with strategic guidance, mentorship assists entrepreneurs in refining their business models and leadership skills (Gompers et al., 2016).

Despite its benefits, non-financial support remains underutilised in South Africa owing to an absence of awareness. Many SMMEs do not perceive PE firms as sources of non-financial support (Cumming et al., 2023). Another reason for underutilisation is a mismatch between SMME needs and PE firms' offerings. Some PE firms focus on financial returns, neglecting business development (Barber et al., 2021).

Several case studies illustrate the impact of structured non-financial interventions on SMME success. A longitudinal study by Ewens et al. (2022) found that PE-backed companies with high mentorship engagement showed 45% higher revenue growth than their non-mentored counterparts (Ewens et al., 2019). Similarly, Kuratko et al. (2021) highlight that access to professional networks through PE firms' interventions reduces failure rates by 30% within the first five years. These insights confirm that, while financial capital is essential, the strategic guidance and industry connections provided by PE firms can be equally transformative in sustaining small businesses.

Based on the above, the present study explored whether PE-driven non-financial support truly aligns with the needs of South African entrepreneurs or whether there exists a misalignment between investor priorities and SMME growth trajectories. While extensive research has explored PE as a financial enabler, the role of PE firms in providing non-financial support remains underexplored, especially in South Africa (Nxazonke & Van Wyk, 2020). Studies from developed economies indicate that mentorship, business incubation, and strategic guidance are critical components of PE interventions (Gompers et al., 2016), yet research specific to emerging markets is limited. The extent to which PE-driven mentorship, training, and business development services influence long-term SMME sustainability remains a critical gap in literature. This study, therefore, explored whether PE

firms' non-financial support interventions align with SMMEs' needs through a positive long-term impact on business growth and sustainability.

2.7 Chapter Summary

Existing literature was evaluated in this chapter in the domain under study, starting with the three theoretical perspectives that underpinned the study: resource-based theory, dynamic capabilities theory, and agency theory. Resource-based theory posits that access to VRIN resources is critical in establishing a competitive advantage, which, in the case of SMMEs, include industry expertise, strategic mentorship, and governance support, which PE firms can provide. Resource-based theory is expanded upon by dynamic capabilities theory by emphasising the role of firms in continuously developing, integrating, and reconfiguring their resources to remain competitive in dynamic markets. This perspective is particularly relevant for SMMEs, which often operate in volatile environments with shifting economic, regulatory, and competitive pressures. Agency theory explores the principal–agent relationship between PE firms (principals) and SMMEs (agents), particularly in relation to governance, risk mitigation, and decision-making alignment. While PE firms introduce structured governance mechanisms to enhance business performance and protect their investments, it is unclear whether these interventions genuinely foster business growth, or whether they are primarily driven by investors' control objectives. These tensions raise important questions about how PE-driven non-financial support is received and utilised by SMMEs.

The literature review also highlighted the function of PE-driven non-financial support in fostering the sustainability, scalability of SMMEs in South Africa. While financial capital remains a key enabler of business growth, research suggests that capital alone is insufficient to drive long-term sustainability. Instead, strategic non-financial interventions, including mentorship, governance structures, operational efficiency enhancements, and market access support, are crucial in building resilient and scalable enterprises.

Despite the potential benefits of PE-driven non-financial support, the literature highlights a significant gap in understanding how these interventions are structured, implemented, and received in the South African SMME landscape. While research on developed economies suggests that structured mentorship, governance oversight, and operational support enhance business performance, empirical studies on these dynamics in South Africa remain limited. Furthermore, there is little clarity on whether PE firms tailor their non-financial

support interventions to align with the specific needs of SMMEs, or if these interventions follow a standardised, one-size-fits-all model.

The present study endeavoured to address these gaps by conducting an empirical investigation into the nature, alignment, impact, and challenges of PE-driven non-financial support for SMMEs in South Africa by providing new insights into how PE firms engage with SMMEs beyond capital investment, and whether their non-financial contributions enhance long-term SMME viability. The next chapter present the study's research questions, aligned with the research objectives, which were developed considering the deficiencies found in the literature.

CHAPTER 3: RESEARCH QUESTIONS

3.1 Introduction

The research questions that served as the study's compass are presented in this chapter along with the theories taken into consideration in answering them, namely resourced-based theory, dynamic capabilities theory, and agency theory.

3.2 Research Questions

RQ1: What is the nature of non-financial support provided by PE firms to South African SMMEs?

Research suggests that non-financial support worldwide is aimed at ensuring business growth and long-term sustainability through various strategies and interventions (Cumming et al., 2023; Eldridge et al., 2021). The present study explored the nature or aim of non-financial support provided by PE firms to SMME owners in South Africa.

Resource-based theory was applied in answering this question, as it holds that non-financial support is a valuable resources that contributes to gaining a competitive advantage.

RQ2: What is the positive impact of PE firms' non-financial support services on South African SMMEs?

Prior research highlights a misalignment between available business development services and SMME needs (Chimucheka, 2019). While financial capital is essential, studies suggest that tailored advisory services, networking, and operational support play a crucial role in scaling businesses (Gompers et al., 2020). RQ2 was intended to achieve exploring the positive impact of non-financial support services offered by PE firms to South African SMMEs.

Resource-based theory was applied, which asserts that businesses gain competitive advantages through access to unique, inimitable resources, including strategic expertise and business development support (Kaplan & Strömberg, 2021). Studies in developed markets indicate that SMMEs receiving structured mentorship and governance support exhibit higher survival- and growth rates (Ewens et al., 2022).

RQ3: What challenges are experienced by PE firms and SMMEs in the delivery and utilisation of non-financial support services?

Research suggests that entrepreneurs may resist external interventions due to concerns over loss of control, misalignment of expectations, or lack of awareness of available support services (Barber et al., 2021). Thus, this question was aimed at exploring any challenges faced by PE firms in delivering this service and those faced by SMMEs in utilising the support. Table 1 furnishes a summary of the ROs, RQs, and pertinent theoretical frameworks used in each case in the study.

Table 1: ROs, RQ, and Related Theories

RO	Corresponding RQ	Relevant Theory
RO1: To understand the nature of the non-financial support provided by PE firms to South African SMMEs	RQ1: What is the nature of the non-financial support provided by PE firms to South African SMMEs?	Resource-based theory
RO2: To explore the positive impact of PE firms' non-financial support services on SMMEs in South Africa	RQ2: What is the positive impact of PE firms' non-financial support services on South African SMMEs?	Resource-based theory & Dynamic capabilities theory
RO3: To explore the challenges experienced by PE firms and SMMEs in the delivery and utilisation of non-financial support services	RQ3: What challenges are experienced by PE firms and SMMEs in the delivery and utilisation of non-financial support services?	Agency theory

Given that the role of PE firms in providing non-financial assistance to SMMEs in South Africa remains under-researched, the research questions concentrated on exploring the nature and effectiveness of these interventions, as well as barriers faced in delivery and utilisation. The research questions were derived from gaps identified in the literature.

3.3 Chapter Summary

This chapter listed the study's RQs and the theoretical lenses applied in answering them, followed by a summary of the RQs, the related ROs, and the theory applied in addressing each. The next chapter, Chapter 4, details the methodology followed in conducting the study.

CHAPTER 4: METHODOLOGY

4.1 Introduction

This chapter offers a thorough account of the methodology that was implemented in conducting the study, starting with the research philosophy that underpinned the study, followed by the methodology for theory development, the research approach and design, additionally, the methodologies implemented in selecting participants and gathering and analysing the data. The study's time horizon is then discussed, the strategies employed to ensure academic rigour, and the ethical considerations that were adhere to throughout the research process.

4.2 Research Philosophy

The study was designed to explore the perceptions of SMME owners and PE firm executives regarding non-financial support. Thus, an interpretivist research philosophy was deemed most appropriate (Pervin & Mokhtar, 2022). Interpretivist researchers hold the view that reality is subjective, and thus value individuals' subjective lived experiences and opinions, as well as they meanings they attach to their experiences in navigating social interactions (Creswell et al., 2007; Saunders & Lewis, 2018). This aligns with the study's purpose of comprehending the lived experiences of SMME owners and PEIs, rather than seeking objective, universally applicable truths.

A positivist paradigm, commonly associated with quantitative methods, could have enabled the use of statistics to establish causal relationships and generate generalisable conclusions (Park et al., 2020). However, such a philosophy and approach would have been inadequate in capturing the complexity, depth, and context-specific nuances that shape the interactions between SMMEs and PE firms (Mohammad Ali, 2024). Entrepreneurial ecosystems are dynamic and socially constructed, influenced by multiple external and internal factors (Spigel, 2017). As such, the interpretivist approach allowed for an exploratory and flexible exploration of how stakeholders construct meaning, navigate challenges, and make strategic decisions regarding non-financial support. While positivist research prioritises replicability and objectivity, interpretivist studies contribute to theory-building by generating context-rich insights that inform both academic discourse and practical policy recommendations (Saunders & Lewis, 2018).

4.3 Approach to Analysis and Theory-building

The data were analysed inductively, thus moving from detailed information to overarching concepts, whereafter the findings were related deductively, i.e., top-down, to extant literature, through the lens of selected theories. The approach to analysis ensured that the findings emerged from participants' responses, rather than being shaped by existing theoretical models (Bingham, 2023).

4.4 Research Approach

Research could follow a quantitative approach, in which statistical data was gathered and analysed, or a qualitative approach, in which data in the form of texts or images are collected using methods of qualitative analysis, including thematic analysis or concept analysis. A mixed-methods study combines the two approaches in one study (Saunders & Lewis, 2018). An approach to qualitative research was implemented, in the present study, to get in-depth insights into, the topic under study, which insights could not have been derived from closed-ended questions in a qualitative approach.

Qualitative data are considered to be extremely beneficial in the investigation of human perspectives and social experiences (Carminati, 2018). The participants in the present study had lived experiences of non-financial support, observed from the viewpoint of both providers and recipients. The qualitative approach was also considered suitable for gaining a comprehension of the essence and impact of non-financial support in a specific context (Saunders & Lewis, 2018).

4.5 Research Design

The design of the research is the plan or strategy for performing a study (Saunders & Lewis, 2018). Researchers have a wide choice of research designs, and their choice has to align with the research questions, as well as the philosophy and approach. This present study followed the narrative enquiry design, focused on exploring individuals' views through the stories they share of their experiences (Cresswell et al., 2007). Creswell et al. (2007) note that employing the narrative inquiry design facilitates a profound comprehension of the experiences and narratives of the study participants.

4.6 Methods

This section describes the study population, the method engaged in the selection of a suitable sample from the population, methods employed in data gathering and analysis, as well as the study's time horizon.

4.6.1 Population and sampling

SMME owners comprised the study's research population and individuals from PE firms in Gauteng, South Africa. Criteria for inclusion in the sample were involvement in the executive and financial processes of SMMEs, either as an owner of an SMME or an individual from a PE firm involved in the provision of non-financial support to SMMEs.

The method of sampling employed was purposive sampling, whereby the researcher selects participants based on a subjective judgement of a potential participant's ability to contribute rich data to the study (Saunders & Lewis, 2018). The selection was made from the researcher's professional network within the PE and SMME sectors, and the researcher made certain that participants had first-hand knowledge and experience pertinent to the study's objectives. Participants exhibited observable and measurable characteristics similar to those in the broader SMME and PE ecosystem, ensuring the findings could contribute to a rich, context-specific understanding of the topic, as recommended by Palinkas et al., (2015). The sum of 18 participants were chosen from the target population, of which nine were SMME owners engaged in the strategic and financial operations of their businesses, and nine were representatives of PE institutions responsible for the purpose of providing non-financial support.

Sampling and data analysis were executed concurrently, and sampling continued until data saturation had been achieved, that is, the moment at which new information is acquired provide no additional insights (Braun & Clarke, 2021). While some studies indicate that saturation is typically reached at 12 to 15 interviews, empirical research suggests that smaller, well-targeted samples can achieve meaningful saturation, particularly in homogeneous groups where participants share similar experiences (Braun & Clarke, 2021; Hennink et al., 2017; Hennink & Kaiser, 2022).

While the use of purposive sampling was well-suited to the present study, given that it assured that participants had the necessary knowledge and expertise to offer valuable

insights. It was important to recognise the risk of selection bias, which inherent to this method. Since participants were drawn from the the professional network of the researcher, A possibility exists that their views may not fully represent the broader population of SMME owners and PE providers in Gauteng. To mitigate this risk, efforts were made to diversify the sample by selecting individuals from different industries and business of varying sizes. Additionally, participants were encouraged to provide honest and critical feedback, rather than answers they thought would align with any expectations the researcher may have held.

4.6.2 Data gathering

Data were collected through semi-structured interviews, conducted according to interview schedules, one for SMMEs and one for PE firms (see Annexure C), which contained open-ended questions, allowing participants to freely share insights (Saunders & Lewis, 2018). This method was selected because it provides a balance between structure and flexibility by making sure that all participants respond to a core set of questions while allowing for exploration of information offered by participants (Saunders & Lewis, 2018). Semi-structured interviews facilitate structured data collection while allowing for spontaneous discussions, ensuring that themes emerge naturally (Bingham, 2023).

The interview questions were formulated in symmetry with the study objectives and questions. The interview schedule was divided into three key sections:

Section A focused on gathering demographic and business information, such as industry, years in operation, the participant's role in the organisation, and prior engagement with PE firms or SMMEs.

Section B was aimed at exploring perceptions of and experiences with non-financial support. SMME owners were asked about the types of non-financial support they received, its perceived effectiveness, challenges faced in accessing or utilising it, and its alignment with their business needs. PE investors, on the other hand, were asked to provide insights into the types of non-financial support they provide, their methods for assessing impact, challenges encountered in delivering support, and potential improvements in the delivery of non-financial support. This data gathered through this section provided an understanding of the nature, effectiveness, and limitations of non-financial support from the viewpoints of both the recipient and the provider.

PE investors discussed best practices ,observed trends in SMME engagement, and offered ways to tailor support to better suit SMMEs' needs. The questions in this section were aimed at providing practical recommendations for enhancing non-financial support and strengthening the relationship between PE firms and SMMEs.

The interview questions were tested for clarity and representation of the research questions in three pilot interviews, one with a PE expert and two with SMME owners. Based on their feedback, minor refinements were done to ensure that there were no ambiguities or leading questions that could influence participants' responses or the quality of data collected.

4.6.3 Data analysis

Otter.ai was employed to transcribe the recorded interviews. The data was analysed using thematic analysis. A structured yet flexible method process of determining, analysing, and reporting themes in qualitative data (Braun & Clarke, 2006). Thematic analysis is suitable to research exploring perceptions, experiences, and meanings (Braun & Clarke, 2006), which made it an appropriate choice for the present study.

Thematic analysis was implemented using the six-step sequence outlined by Braun and Clarke (2006):

Step 1 is familiarisation with the data, where the researcher repeatedly reads through the transcripts and makes initial observations and notes on information contained in the data. This step allowed for deep immersion in the data before proceeding with coding.

Step 2 involves generating initial codes by identifying recurring ideas, concepts, and significant statements in participants' narratives.

Step 3 involves the grouping of related codes into categories or sub-themes.

Step 4 entails grouping related categories into overarching themes, reviewing themes and their categories against the information contained in the data, and then continuing to refine the themes.

Step 5 is assigning a accurate name codes that are discriptive to the themes.

Step 6, writing the report, involves synthesising the findings into a cohesive narrative, supported by direct quotations from the interview transcripts. This helped to contextualise the findings, making them more authentic and reflective.

4.6.4 Time horizon

A research horizon can be either longitudinal or cross-sectional. In longitudinal research, data are collected intermittently over an extended period, enabling comparisons and identification of developments over time. In cross-sectional research, the data is collected at a solitary moment in time (Setia, 2016; Wang & Cheng, 2020). Due to time constraints, the present study followed a cross-sectional horizon. Furthermore, the objective of the present study was not to monitor changes over time, but to capture perceptions and experiences at a specific moment. This approach is suitable for research where the focus is on understanding a phenomenon at a specific point in time rather than across different time periods (Saunders & Lewis, 2018). The next section discusses the strategies employed to ensure academic rigour.

4.7 Strategies to Ensure Trustworthiness

The researcher in qualitative and interpretivist research plays subjective role in data interpretation. Thus, measures have to be taken to ensure the trustworthiness of the findings, which is established by meeting the criteria of credibility, dependability, confirmability and transferability (Byrne, 2022). Credibility is the degree to which the research findings are authentic, credible, and based on the data. Dependability is the researcher's explanation of how the findings were reached, including adherence to a recognised methodology and processes, to illustrate rigour and build trust in the conclusions and the study methods. Confirmability is enhanced by demonstrating that the necessary steps were taken to avoid biases that could have influenced the research. Transferability is dependent on the researcher providing sufficient detail on the study context to enable the reader to judge whether the findings may be useful in an alternative environment (Birt et al., 2016; Nowell et al., 2017).

To prevent bias and guarantee findings were grounded in the data, the present researcher engaged in data triangulation, reflexivity to prevent biases influencing the interpretation of the data, and member validation, as recommended by Saunders and Lewis (2018). An independent reviewer checked the coding and themes against the data, which process minimises researcher bias and ensures consistency in theme identification (Braun & Clarke, 2006). Dependability was enhanced by making certain that the research procedure was systematic, documented, and traceable, allowing future researchers to follow similar

procedures in comparable studies, as recommended by Saunders and Lewis (2018). Confirmability was ensured by keeping an audit trail, documentation, key research decisions, data coding strategies, and thematic interpretations, to provide a transparent account of how conclusions were reached, as recommended by Birt et al. (2016). Transferability was enhanced through the provision of a description of the sample and the research context, as recommended by Saunders and Lewis (2018). The subsequent section addresses the ethical considerations that were relevant to the study.

4.8 Ethical Considerations

Ethical clearance (see Annexure A) was acquired from the Research Ethics Committee of GIBS to carry out the research. Participants were fully informed of the objective of the investigation and what participation entailed, and were required to execute an informed consent form (see Annexure B), or their consent was recorded before initiation of the interviews. Additionally, participants were advised that their involvement was entirely optional and that they were permitted to withdraw from the study at any time without incurring any detrimental repercussions. The interviews were recorded with the participants express permission. No participants were rewarded for participating in the study (Theodoridis, 2023).

In adherence to the Protection of Personal Information Act 4 of 2013, all recordings, notations, and transcripts are securely contained in an encrypted file that is accessible to only the researcher and study supervisor. Participants were assured of anonymity and that the data would be exclusively employed for educational use. Participants' names were replaced with a number in the reporting. In addition, no personal identifiers were used in reporting the findings, and any information that could potentially result in the recognition of a participant was removed from direct quotations (Theodoridis, 2023).

4.9 Chapter Summary

This chapter provided a discussion of the interpretivist research philosophy that underpinned the study and used for analysis and theory-building. This was followed by discussions of the qualitative research approach and the narrative inquiry research design. Subsequent sections provided details on the study population and the purposive method of sampling, followed by discussions of the use of semi-structured interviews to gather data and a method of thematic analysis for data analysis. Thereafter, details were provided on the strategies

employed to ensure trustworthiness and the ethics that were upheld throughout the research process. The next chapter presents the study findings.

CHAPTER 5: FINDINGS

5.1 Introduction

This chapter reports the findings of the study, starting with a demographic profile of the participants, followed by an overview of the emergent themes and the presentation of the study's findings according to the research questions. The transcripts of the interviews with the sample of 18 participants were analysed using thematic analysis. The emergent themes were then linked to the relevant research questions.

5.2 Demographic Information

This section presents the demographic profile of the study participants. The sample comprised 18 participants: nine SMME owners and nine PE providers.

5.2.1 *Gender profile of all participants*

Of the total sample of 18 individuals, 15 self-identified as men and two as women, as shown in Table 2.

Table 2: Gender profile of sample

Gender	Number of Participants (<i>n</i> = 18)	Percentage (%)
Male	15	83%
Female	3	17%

With regard to women participants, one was from a PE provider and the other from an SMME. The gender distribution reflects the broader entrepreneurial and PE landscape, where men remain dominant (Dowd, 2024).

5.2.2 *Profile of SMME participants*

The SMME participants represented a diverse range of industries, with the majority being male-owned businesses, aligning with the broader trend in gender representation observed

in South Africa’s entrepreneurial sector (Dowd, 2024). Table 4.2 presents the SMME participant demographics according to industry, role, age, and gender.

Table 3: Profile of SMME participants

Participant	Industry	Position	Age	Gender
SMME 01	Hospitality	Owner/CEO	31	Male
SMME 02	Hospitality	Owner/CEO	35	Male
SMME 03	Property	Owner/CEO	37	Male
SMME 04	Sports management	Owner/CEO	55	Male
SMME 05	Film production	Owner/CEO	39	Male
SMME 06	Information Technology	Owner/CEO	51	Male
SMME 07	Media	Owner/CEO	46	Female
SMME 08	Manufacturing	Owner/CEO	37	Male
SMME 09	Manufacturing	Owner/CEO	29	Female

As shown in Table 3, the participants operated in industries that require specialised knowledge and significant capital investment, factors that may increase their reliance on PE equity and non-financial support to optimise business growth and sustainability.

5.2.3 Profile of PE participants

The PE participants represented firms providing investment and non-financial support to SMMEs. Table 4 provides a profile of these participants according to business type, position, age, and gender.

Table 4: Profile of PE industry participants

Participant	Type	Position	Age	Gender
PEI 01	Private equity	Chief Operating Officer	43	Male
PEI 02	Private equity	Chief Information Officer	42	Male
PEI 03	Private equity	Chief Executive Officer	51	Female
PEI 04	Private equity	Chief Executive Officer	67	Male
PEI 05	Private equity	Chief Executive Officer	55	Male
PEI 06	Private equity	Chief Executive Officer	49	Male
PEI 07	Private equity/Banking	Chief Information Officer	44	Male
PEI 08	Private equity	Chief Information Officer	44	Male
PEI 09	Private equity	Chief Executive Officer	40	Male

As shown in Table 4, participants from the PE firms were experienced executives in the PE industry, with participants holding the position of chief executive officer, chief operating officer, or chief information officer. The next section presents the themes that emerged from the data.

5.3 Emergent Themes

The first-order codes, categories, and the themes that surfaced from the data are shown in Table 5.

Table 5: Codes, categories, and emergent themes

First-order Codes	Categories	Theme
Market positioning; Expansion strategies; Industry insights; Growth pressures	Strategic direction Business development	Growth guidance
Process optimisation; Financial management; Human resources; Rigid frameworks	Optimised business operations Performance enhancement	Operational expertise
Key performance indicators (KPIs); Board structures; Compliance; Decision-making constraints	Oversight Control	Governance
Access to clients; Supplier relations; Investor relations; Limited follow-through	Market expansion Relationship-building	Networking
Leadership development; Investor mindset; Unstructured programmes	Mentorship Skills-building	Human capital development
Confidence boost; Psychological support; Performance pressures; Entrepreneurial stress	Entrepreneurial well-being Entrepreneurial resilience	Non-financial success factors

The next section reports the study findings according to the themes from the data, in alignment with the relevant research question. Thus, the research questions are answered with themes relevant to each question via a discussion of the themes' categories. In addition, the findings are presented from the perspectives of participants from SMMEs and PE firms — indicated by the participants' numeric identity code in brackets.

5.4 Addressing RQ1

RQ1: What is the nature of the non-financial support provided by PE firms to South African SMMEs?

RQ1, which was aimed at exploring the broad intent or aims of the non-financial support SMMEs are offered by PE firms, is addressed by the theme *Growth guidance* which comprised two categories, namely *Strategic direction* and *Business development*.

5.4.1 Theme: Growth guidance — Strategic direction

The category *Strategic direction* encompasses the guidance provided by PE firms in market positioning, business strategy, and expansion. Many entrepreneurs emphasised the role of PE firms in providing strategic insights that had transformed their businesses. The guidance helped them identify market gaps, refine competitive strategies, and develop long-term expansion plans. SMMEs particularly valued the ability to pivot their business models based on investor recommendations.

"The PE firm helped us reposition from a service-based business to a scalable product-driven model. Their insights on expansion strategies were invaluable" (SMME 06).

"We had to rethink our branding strategy based on feedback from our PE advisors, which helped us attract a new segment of customers" (SMME 03).

"Their mentorship played a crucial role in reshaping our business outlook. We moved from focusing only on survival to creating a structured five-year growth plan" (SMME 01).

"We initially operated in a niche market, but PE advisors helped us see broader opportunities and guided us in expanding strategically" (SMME 04).

From the above, it is clear that SMMEs find this support valuable in refining their business models and accessing new market opportunities.

PE firms emphasised their role in structuring businesses for scalability and competitiveness. They view strategic direction as a key mechanism for ensuring that SMMEs achieve sustainable growth and remain attractive to investors. Participants from PE firms identified common pitfalls SMMEs face, such as inadequate long-term planning and weak market positioning, and noted that PE firms actively seek to correct SMMEs course.

"We focus on structuring SMEs to become scalable and competitive in their industries" (PEI 03).

"Without structured business processes, SMEs struggle to expand sustainably" (PEI 05).

"We help SMEs develop long-term strategies that align with market opportunities" (PEI 06).

"One of our biggest interventions is guiding businesses to think beyond short-term gains and align with larger market dynamics" (PEI 07).

Together, these insights highlight that embedding structured business processes and long-term strategic planning is indispensable for empowering SMEs to scale sustainably, seize market opportunities, and remain competitive in a dynamic environment.

5.4.2 Theme: Growth guidance — Business development

Business development support from PE firms involves facilitating access to networks, securing supplier relations, and guiding growth strategies. This support plays a crucial role in helping SMMEs establish credibility and access untapped markets.

The entrepreneurs reported that PE firms had opened doors to new clients and strategic partnerships.

"Before our PE partnership, we struggled to get meetings with large retailers. Now we have direct access to procurement teams" (SMME 05).

"The networking events and investor meetings arranged by the PE firm helped us secure our largest contract to date" (SMME 03).

"We gained visibility in markets that were previously inaccessible to us, thanks to their introductions" (SMME 07).

"Having a PE partner gave us credibility with suppliers and buyers, making negotiations easier" (SMME 02).

"They facilitated introductions to international partners, which expanded our customer base beyond South Africa" (SMME 08).

Many SMMEs highlighted that, prior to investment, they struggled with limited industry access and credibility, which significantly improved post-engagement with PE firms.

Participants from PE firms noted that they consider business development essential to securing market presence and achieving financial sustainability.

"We introduce strategic frameworks that allow SMEs to penetrate new markets effectively" (PEI 07).

"We help the business position itself in the market by opening doors to key decision-makers in retail chains like Pick n Pay or Clicks" (PEI 07).

"Our extensive networks enable SMEs to build relationships with potential investors and clients" (PEI 04).

"A key aspect of our business development support is ensuring SMEs gain access to industry platforms that were previously beyond their reach" (PEI 06).

"By connecting SMEs with large-scale procurement offices, we help them integrate into high-value supply chains" (PEI 02).

The participants from the PE firms emphasised that their role is to facilitate introductions, but noted that they expect SMMEs to actively manage and leverage these relationships for sustained growth.

This concludes the reporting of the findings related to RQ1. RQ2 and RQ3 delved into the specifics of, respectively, positive impacts and challenges faced in the delivery and utilisation of the non-financial support SMMEs receive from PE firms.

5.5 Addressing RQ2

RQ2: What is the positive impact of PE firms' non-financial support services on South African SMMEs?

This section explores the beneficial aspects of PE-driven non-financial support, categorised under *Optimised business operations, Performance enhancement, Market expansion, Relationship-building, Skills-building, Mentorship, Entrepreneurial well-being, and Entrepreneurial resilience.*

5.5.1 Theme: Operational expertise — Optimised business operations

Many SMMEs credited PE firms with significantly improving their operational efficiency. One participant explained how the introduction of structured financial reporting had allowed their company to monitor performance metrics, which results in more informed decision-making. Another participant noted that cost-saving strategies recommended by PE firms helped reduce overhead expenses, ultimately improving the enterprise's profitability.

Some participants mentioned that PE firms played a crucial role in refining supply chain management practices. One entrepreneur reflected on how the business had struggled with inefficiencies before the PE partnership, but later achieved a streamlined approach to procurement and distribution, ensuring better cost control and operational stability.

"With their guidance, we developed structured financial reporting, which improved our ability to track performance and make informed decisions" (SMME 02).

"The introduction of cost-saving measures allowed us to reduce overheads and increase profitability" (SMME 05).

"Our supply chain management improved significantly after adopting their operational efficiency models" (SMME 06).

Participants from PE firms noted the following:

"We focus on introducing best practices in operational efficiency to ensure businesses are sustainable in the long run" (PEI 01).

"Helping SMEs implement structured financial management systems improves transparency and long-term planning" (PEI 08).

Collectively, these remarks highlight how robust operational frameworks and structured financial systems are fundamental for ensuring SMEs' sustainable growth and strategic resilience.

5.5.2 Theme: Operational expertise — Performance enhancement

PE firms emphasise performance tracking and business efficiency, equipping SMMEs with the tools to monitor and enhance their growth trajectory. Several SMME participants

acknowledged that setting clear performance benchmarks through KPIs had helped them measure their business's progress more effectively.

One SMME owner described how, prior to the PE firm's intervention, performance tracking had been inconsistent and reactive. However, after implementing structured KPI monitoring, the business became more proactive in responding to market trends and internal inefficiencies. Another participant expressed that the enterprise's competitiveness in the market increased due to regular performance evaluations guided by PE advisors.

"We now have clear KPIs that allow us to track business growth and adjust strategies proactively" (SMME 07).

"The structured performance reviews introduced by our PE partner have made us more competitive in our sector" (SMME 04).

Participants from PE firms noted the following:

"Ensuring operational excellence through KPIs and governance structures allows SMEs to scale effectively" (PEI 06).

"We implement data-driven performance measures to keep SMEs aligned with their growth trajectories" (PEI 02).

Taken together, these perspectives illustrate how data-driven performance metrics and robust governance mechanisms are important for SMEs to achieve effective scaling and maintain strategic alignment.

5.5.3 Theme: Networking — Market expansion

A key advantage of PE engagement is access to new markets. Many SMME participants noted that, before partnering with PE firms, their growth had been constrained by limited networks and market exposure. One participant described how entry into international markets had been made possible through PE-backed networking opportunities. Another SMME participant highlighted how PE firms' credibility aided in securing deals with large corporate clients, which had previously been unattainable.

"The PE firm connected us to retail distributors, enabling us to expand our customer base beyond South Africa" (SMME 08).

"Our entry into new sectors was made possible through PE-backed networking opportunities" (SMME 03).

"Having a PE firm backing us gave our brand credibility, which made securing partnerships easier" (SMME 06).

Participants from PE firms stressed the importance of market positioning and leveraging networks to support SMME growth. PE investors made the following comments:

"We actively facilitate SME entry into new markets by leveraging our industry networks and partnerships" (PEI 09).

"We help SMEs position themselves in competitive markets by facilitating introductions to high-value clients and suppliers" (PEI 04).

"Expanding market access is a core focus of our non-financial support model" (PEI 07).

"We actively facilitate SME entry into new markets by leveraging our industry networks and partnerships." (PEI 04).

These views correspond with the experiences of SMME participants, who found that having a PE firm as a strategic partner opened doors that were previously closed.

5.5.4 Theme: Networking — Relationship-building

PE firms provide networking opportunities that help SMMEs establish meaningful business relationships. Many entrepreneurs cited the ability to meet industry stakeholders and investors as a key benefit of their partnerships. One participant stated that introductions made by the PE partner had led to a crucial long-term funding arrangement. Another mentioned how strategic introductions had aided in forming alliances with major industry players.

SMME participants said:

"Through the PE firm, we gained access to key investors, which helped us secure long-term funding" (SMME 02).

"Their introductions to industry leaders helped us form strategic partnerships that fuelled our growth" (SMME 05).

Another SMME participant stated:

"The PE firm facilitated the connection, but we had to independently prove our value to secure contracts" (SMME 08).

Participants from PE firms reinforced the notion that networking is critical to SMME success. One investor explained that beyond funding, PE firms' greatest value-add is connecting businesses with the right stakeholders. These relationships, once established, often lead to increased credibility and access to larger deals. One participant noted:

"We focus on building strong SME networks that foster collaboration and long-term business growth" (PEI 03).

Collectively, these insights underscore that forging strong networks not only enhances credibility but also lays the groundwork for sustained growth and meaningful industry collaborations.

5.5.5 Theme: Human capital development — Mentorship

Mentorship was found to have been a transformative aspect of PE involvement for many SMMEs. Several participants described mentorship as a key differentiator that provided them with insights on strategic decision-making, financial structuring, and leadership development. One entrepreneur noted that mentorship allowed him/her to transition from thinking like a small business owner to adopting an investor mindset.

Another participant recounted how PE-driven mentorship had introduced him/her to financial structuring techniques that improved the enterprise's cash flow management.

SMME participants stated:

"The mentorship helped me transition from thinking like a business owner to thinking like an investor" (SMME 07).

"We gained valuable insights on financial structuring and growth planning through the mentorship programme" (SMME 01).

Participants from the PE firms also emphasised the importance of mentorship as a tool for strengthening SMME leadership capacity. One participant noted the following:

"Our mentorship programmes equip entrepreneurs with the leadership skills necessary for long-term success" (PEI 05).

Overall, these observations highlight that structured mentorship is pivotal in cultivating robust leadership within SMMEs, thereby driving sustainable growth and long-term success.

5.5.6 Theme: Entrepreneurial well-being & Resilience

Entrepreneurs who work with PE firms often find themselves more confident in their decision-making. One participant described how having access to experienced investors provided reassurance during challenging economic periods. Another entrepreneur highlighted the emotional support provided by PE mentors, which helped them maintain resilience during setbacks.

SMME participants had this to say:

"Their guidance gave us the confidence to make bold business decisions and scale operations" (SMME 06).

"Having access to experienced investors reassured us during challenging economic periods" (SMME 04).

PE firms acknowledge that fostering entrepreneurial confidence is an important aspect of their support strategy. One investor remarked that SMMEs with strong strategic guidance tend to exhibit higher levels of resilience, as they are equipped to adapt to market uncertainties.

One PE firm participant noted:

"Entrepreneurs who receive strong strategic guidance tend to show higher resilience and adaptability" (PEI 02).

These findings reveal that robust strategic guidance not only boosts entrepreneurial confidence but also equips SMEs with the resilience and adaptability needed to negotiate economic obstacles.

The next section reports the findings for RQ3, which focused on difficulties in the provision and utilisation of non-financial support to SMME.

5.6 Addressing RQ3

RQ3: What challenges are experienced by PE firms and SMMEs in the delivery and utilisation of non-financial support services?

While PE firms provide valuable non-financial support, SMMEs often face difficulties in implementing and utilising these services effectively. The challenges encountered are categorised under *Strategic direction, Business development, Optimized business operations, Performance enhancement, Governance, Market expansion, Relationship-building, Skills-building, Mentorship, Entrepreneurial well-being, and Entrepreneurial resilience.*

5.6.1 Theme: Growth Guidance — Strategic direction

Many SMMEs participants noted that, while PE firms provide structured strategic guidance, the strategies proposed are sometimes misaligned with the realities of their businesses. Several participants reported that PE firms introduce long-term growth models that are difficult to implement immediately, due to resource constraints. Some participants were of the view that PE firms apply a ‘one-size-fits-all’ approach that does fail to consider the distinctive operational challenges within different industries.

One participant explained:

"The PE firm's strategy was too aggressive for our current capabilities. We needed a more incremental approach" (SMME 04).

Another entrepreneur noted:

"While their insights were valuable, they didn't fully consider the market constraints we face daily" (SMME 06).

A third participant stated:

"They expected us to scale in a way that worked in their other investments, but we needed a tailored approach that fit our industry dynamics" (SMME 02).

From the PE perspective, some investors expressed frustration at SMMEs resisting structured planning. One PE executive commented:

"Many SMEs resist structured strategic frameworks, preferring informal approaches, which limits scalability" (PEI 03).

Another investor added:

"We emphasise the importance of long-term strategic growth, but some SMEs prefer short-term fixes that don't align with sustainable expansion" (PEI 05).

These perspectives illustrate that the preference for informal, short-term strategies over structured, long-term planning poses a significant barrier to achieving scalable and sustainable growth for SMEs.

5.6.2 Theme: Growth guidance — Business development

Despite networking opportunities facilitated by PE firms, many SMMEs struggle to sustain relationships and convert introductions into long-term business partnerships. While they acknowledged that PE firms perform a critical role in opening doors to new clients and industry players, several SMME participants noted that they were left without follow-up support.

One SMME participant shared:

"We were introduced to potential partners, but without continued support. Maintaining those relationships was difficult" (SMME 02).

Another participant stated:

"Initial introductions were helpful, but we had to figure out how to leverage them on our own" (SMME 08).

A third participant remarked:

"They helped us connect with potential suppliers, but, without a structured follow-up system, those relationships didn't materialise into business deals" (SMME 05).

From the PE side, investors stated that SMMEs should take greater ownership of their networks.

"Our role is to provide introductions, but SMEs need to be proactive in leveraging those connections" (PEI 07).

These insights highlight that while PE firms facilitate introductions to potential partners, SMEs must take proactive steps to develop these connections into tangible business opportunities.

5.6.3 Theme: Operational expertise — Optimised business operations

SMME participants acknowledged that, while PE firms introduce best practices in financial reporting and operational efficiency, the implementation of these frameworks is often difficult, due to a lack of internal expertise. Entrepreneurs noted that SMMEs often lack the technical capacity to implement new financial reporting structures and risk-management practices.

One SMME participant remarked:

"The financial reporting standards they introduced were too complex for our small team to manage" (SMME 06).

Another stated:

"Their operational efficiency models were suited for larger firms, not agile startups like ours" (SMME 03).

A third participant explained:

"We spent a lot of time trying to meet the reporting requirements, which took our focus away from actual business operations" (SMME 01).

From the investor perspective, PE firms argued that structured financial planning is essential for long-term sustainability.

One PE executive remarked:

"SMEs often lack the financial discipline required for scaling, which makes it hard to implement structured frameworks" (PEI 02).

These observations indicate that an overemphasis on meeting reporting requirements can divert focus from core business activities, while insufficient financial discipline challenges the adoption of structured planning vital for sustainable scalability.

5.6.4 Theme Operational expertise — Performance enhancement

SMME participants noted that they had often found performance tracking and reporting expectations unrealistic, given their operational constraints. They noted that PE firms impose strict performance expectations that are difficult for some SMMEs to meet, particularly those still in the early growth stages.

One SMME participant noted:

"They set KPIs that didn't align with the realities of our industry, making it difficult to meet targets" (SMME 07).

Another stated:

"The focus on rapid growth ignored the practical constraints we faced in operations" (SMME 05).

A third entrepreneur commented:

"Their expectations were based on companies in completely different sectors, so we were constantly trying to meet irrelevant benchmarks" (SMME 09).

From the PE perspective, participants emphasised the necessity of structured performance monitoring in order to gain investor confidence. One PE investor noted:

"We implement data-driven performance measures to keep SMEs aligned with their growth trajectories" (PEI 02).

These perspectives reveal that while SMEs may struggle with irrelevant benchmarks from different sectors, adopting structured, data-driven performance monitoring is crucial for maintaining investor confidence and driving sustainable growth.

5.6.5 Theme: Governance — Oversight

SMME considered the governance structures imposed by PE firms both beneficial and restrictive. While governance ensures compliance and financial discipline, some entrepreneurs reported that these structures create additional administrative burdens. PE firms often require that SMMEs introduce board oversight mechanisms, detailed financial reporting, and external audits, which some SMMEs find overwhelming.

One SMME participant noted:

"We had to adjust to strict compliance requirements, which slowed down our decision-making process" (SMME 06).

Another stated:

"The governance structures were useful, but they limited our flexibility in responding to market opportunities" (SMME 02).

A third participant commented:

"The oversight was necessary, but, at times, it felt like we were running a corporate bureaucracy instead of an agile business" (SMME 08).

Participants from PE firms maintained that governance frameworks are essential to long-term growth. One PE investor noted:

"SMEs need governance structures to attract future investments and maintain financial discipline" (PEI 08).

These insights suggest that while governance frameworks are vital for attracting future investments and ensuring financial discipline, they can sometimes constrain the flexibility SMEs need to respond effectively to dynamic market opportunities

5.6.6 Theme: Networking — Market expansion

Some SMMEs struggled with scaling their businesses after gaining market access through PE firms. Entrepreneurs noted that, while PE firms facilitate entry into new markets, the enterprises face challenges in maintaining competitiveness. Some SMME participants felt

that PE firms underestimate the level of operational readiness required to sustain market expansion.

One SMME participant stated:

"The market introductions were helpful, but we lacked the scale to fully capitalize on them" (SMME 03).

Another entrepreneur explained:

"Competing at the new level required additional resources that we didn't initially have" (SMME 05).

A third participant observed:

"While the access to new clients was valuable, we didn't have the production capacity to meet increased demand immediately" (SMME 07).

From the PE perspective, one investor remarked:

"We open doors, but it's up to the SMEs to sustain their presence in these new markets" (PEI 04).

While PE firms provide valuable market introductions, the ability of SMEs to capitalize on these opportunities hinges on their capacity to scale operations, secure additional resources, and expand production capabilities

5.7 Chapter Summary

The findings were presented in this chapter regarding the nature and impact of PE firms' non-financial support to SMMEs, followed by challenges in the delivery and utilisation of the support. Thus RQ1, RQ2, and RQ3 were addressed. The findings indicate that strategic guidance, operational improvements, market expansion, and relationship-building are key elements that contribute to SMME growth and competitiveness. While PE firms provide access to networks, mentorship, and business development support, they are of the view that SMMEs must proactively leverage these opportunities to sustain long-term success. The next chapter discusses findings to the research questions through the lens of the theories that underpinned the study and extant literature in this domain.

CHAPTER 6: DISCUSSION

6.1 Introduction

This chapter offers a discussion and interpretation of the findings that were presented in Chapter 5 in alignment with the study's RQs. SMMEs represent an essential catalyst for economic expansion, employment, and social development in South Africa. However, they face persistent structural and operational challenges, ranging from limited managerial capacity to volatile market conditions, that impede their long-term growth and sustainability. Against this backdrop, Chapter 2 laid out the theoretical lenses that were applied in this study, namely resource-based theory, dynamic capabilities theory, and agency theory. These perspectives collectively illuminate how intangible resources, adaptive capabilities, and governance shape an SMME's trajectory when working with external investors.

The present study uncovered themes in the data around strategic direction, business development, governance structures, market expansion, and mismatch or friction points that sometimes arise in the relationships between PE firms and SMMEs. The objective of Chapter 6 is to integrate these discoveries into a cohesive narrative and incorporate extant literature (discussed in Chapter 2), and to highlight how well they confirm, extend, or contradict existing theories of entrepreneurship, private equity, and small-firm development.

6.2 Chapter Structure and Focus

To provide coherence and depth, the next three sections address each RQ individually. The initial section delves into the findings of RQ1 by delving into the nature of non-financial support and mapping participants' accounts of the nature of intangible resource provision, through the lens of resource-based theory.

The subsequent section discusses the findings related to RQ2, which focused on the positive impact of PE firms' non-financial support services, drawing on resource-based theory and dynamic capabilities theory to explore how these intangible resources, once embedded, can fuel stable growth.

Thereafter, the discussion turns to the findings related to RQ3, which focused on the challenges encountered on both sides, framed in agency theory in explaining governance

tensions, misaligned timelines, and cultural mismatches between PE investors and SMME owners.

All discussions incorporate existing literature, contrasting participants' experiences with the views of authors like Gompers et al. (2016), Eldridge et al. (2021), and Mhlongo and Daya (2023), to illustrate how PE-driven non-financial support is practised in emerging-market contexts. References to Tlhagale and Ndou (2024), Nxazonke and Van Wyk (2020), and others ensure that discussions also relate the findings to the South African environment, underlining any local variations in how these theories unfold. Where relevant, the discussions points out contradictions or nuances that deviate from established Western-centric research on PE, clarifying the extent to which the findings confirm, extend, or contradict the findings of prior studies and extant literature.

6.3 The Nature of PE Firms' Non-financial Support

RQ1: What is the nature of the non-financial support provided by PE firms to South African SMMEs?

The present study found that PE firms provide strategic direction and business development support extends beyond financial capital to South African SMMEs. This support plays a critical role in enhancing SMMEs' competitiveness, scalability, and long-term sustainability. The study findings highlight that SMMEs often lack structured strategic planning and access to high-value networks, and PE firms address both aspects through tailored mentorship and industry linkages.

These findings align with resource-based theory (Barney, 1991), which posits that intangible resources such as strategic guidance, industry expertise, and market positioning are crucial to gaining a competitive advantage. Dynamic capabilities theory (Teece et al., 1997) emphasises that firms must sense, seize, and reconfigure opportunities, a process facilitated by PE firms through structured business advisory and expansion strategies.

6.3.1 *Strategic direction: Enhancing business planning and market positioning*

The study findings revealed that SMMEs often operate with short-term, reactive business models before PE firms' involvement. Many entrepreneurs lack formal strategic planning frameworks, which limits their ability to scale. PE firms address this barrier by providing

structured business roadmaps, refining competitive strategies, and offering insights into industry positioning.

Participants highlighted that PE mentorship leads to improved branding, regulatory compliance, and market repositioning. These findings confirm those of previous studies, such that of by Gompers et al. (2016), which found that PE-backed firms demonstrate stronger long-term planning and adaptability. Similarly, Nxazonke and Van Wyk (2020) emphasise that PE investors enhance an SMME's ability to navigate complex market environments and develop sector-focused strategies.

From a theoretical perspective, resource-based theory (Barney, 1991) underscores how strategic guidance qualifies as a valuable and inimitable intangible resource, offering long-term sustainability advantages. Unlike financial capital, strategic knowledge and mentorship are unique firm capabilities that drive market leadership.

6.3.2 Business development: Facilitating market access and growth opportunities

Beyond strategic planning, business development emerged as a key dimension of non-financial support, particularly with regard to networking, supplier access, and market expansion. Many SMMEs struggle to secure contracts, establish credibility, and access high-value clients, barriers that PE firms help them overcome. The study findings indicate that PE-backed SMMEs gain direct access to industry networks, retail procurement teams, and strategic partnerships, thereby significantly improving their market positioning. This aligns with the view of Cumming et al. (2023), who argue that networking advantages contribute to higher business credibility and market penetration.

Similarly, Tlhagale and Ndou (2024) found that investor-backed businesses secure better supplier terms and gain increased visibility in competitive markets. In addition, an association with a reputable PE firm enhances an SMME's credibility, making it easier for the SMME to attract investment and negotiate supplier contracts. Santoro, Bertoldi et al. (2020) emphasise that relational capital is a key driver of business success, as firms with strong investor backing gain trust and industry influence.

From a dynamic capabilities theory (Teece et al., 1997) perspective, these findings highlight how PE-driven networking support enables SMMEs to sense and seize new opportunities by integrating them into industry value chains.

6.3.3 RQ1: Conclusions

The nature of non-financial support from PE firms is centred on strategic direction and business development, both of which enhance market competitiveness and facilitate long-term sustainability. This aligns with Kaplan and Strömberg (2009), who emphasize that PE firms function as hybrid resource providers, offering both financial and non-financial value to portfolio companies. The findings confirm that PE firms provide expertise, structured mentorship, and direct industry access, bridging gaps that often limit SMME growth. According to Gompers et al. (2016), mentorship and operational oversight from PE firms play a crucial role in enabling firms to scale effectively. Similarly, Eldridge et al. (2021) highlight that PE-backed firms benefit not only from capital but also from structured governance mechanisms that improve decision-making and strategic execution. The ability of PE firms to facilitate market expansion through extensive business networks aligns with Cumming et al. (2023), who argue that access to new markets and industry linkages is a key determinant of long-term business success. Furthermore, in the South African context, Nxazonke and Van Wyk (2020) found that many PE firms integrate financial and non-financial support to enhance SMME scalability, particularly in industries characterized by high entry barriers.

From a theoretical standpoint, resource-based theory (Barney, 1991) supports the idea that strategic insights constitute a critical intangible resource in sustaining competitive advantage, while dynamic capabilities theory (Teece et al., 1997) holds that PE-backed SMMEs are better positioned to seize and reconfigure market opportunities.

The next section examines whether this non-financial support aligns with the actual business development needs of South African SMMEs, further assessing its effectiveness in fostering operational and market success.

6.4 Positive Impacts of Non-financial Support

RQ2: What is the positive impact of PE firms' non-financial support services on South African SMMEs?

This section examines the positive impact of PE firms' non-financial support on South African SMMEs, focusing on optimised business operations, performance enhancement, market expansion, relationship-building, mentorship, entrepreneurial well-being, and entrepreneurial resilience.

The study findings demonstrate that PE-driven non-financial support plays an essential function in helping SMMEs overcome operational inefficiencies, access new markets, enhance performance, and build resilience.

The existing literature suggests that SMMEs in emerging markets struggle with scalability due to weak managerial capacity, poor financial oversight, and limited networking opportunities (Mhlongo & Daya, 2023). The findings of the present study reinforce these arguments, confirming that PE firms act as catalysts for operational efficiency, strategic expansion, and business resilience, as posited by Cumming et al. (2023).

These noted benefits align with resource-based theory (Barney, 1991), which emphasises the role of intangible resources such as strategic knowledge, financial structuring, and market networks in creating sustainable competitive advantage. Dynamic capabilities theory (Teece et al., 1997) also holds that businesses that continuously sense, seize, and reconfigure market opportunities achieve long-term growth and adaptability.

6.4.1 *Optimised business operations*

PE firms played a crucial role in improving SMMEs' financial structuring, cost efficiency, and operational discipline. Several participants reported that, prior to PE firms' involvement, their businesses lacked structured financial management systems, which led to inefficiencies in tracking performance and allocating resources effectively. Through the PE firms' guidance, many SMMEs implemented structured financial reporting mechanisms, budgetary controls, and performance tracking frameworks, enabling them to monitor cash flow and profitability more accurately. One participant noted that the enterprise had previously relied on informal financial tracking, which made it difficult to assess long-term sustainability. However, with PE-backed financial structuring, they gained clarity regarding cost centres and implemented a structured budgeting approach. Another SMME participant emphasised that cost-saving strategies introduced by PE firms helped reduce overhead expenses without compromising operational quality, leading to improved profitability.

These findings confirm the view of Cumming et al. (2023), who highlight that strong financial governance is a critical success factor for SMME scalability, as businesses that lack structured financial controls often struggle with growth constraints. Mhlongo and Daya (2023) similarly found that financial discipline is one of the most impactful areas of PE-driven support, allowing firms to allocate resources more efficiently and improve their cash flow stability.

From a resource-based theory perspective (Barney, 1991), financial management capabilities serve as an intangible asset that enhances SMMEs' competitive advantage, as businesses with clear financial visibility are better equipped to make strategic growth decisions. This aligns with the view of Gompers et al. (2016), who argue that PE-backed firms exhibit greater financial discipline and improved financial reporting standards, which, in turn, support operational resilience.

Thus, the optimised business operations facilitated by PE firms primarily revolve around financial structuring, cost efficiency, and performance tracking. These interventions enhance financial transparency, improve cash flow management, and position SMMEs for long-term sustainability, validating the role of PE-backed financial governance as a key enabler of business growth.

6.4.2 Performance enhancement

A key benefit of PE-driven non-financial support is the introduction of structured performance monitoring frameworks that improve operational efficiency and strategic decision-making. Many SMME participants reported that, before engaging with PE firms, they lacked formalised performance-tracking mechanisms, relying instead on ad hoc assessments. This aligns with Gompers et al. (2016), who argue that PE-backed firms tend to have more structured governance frameworks, leading to higher efficiency and accountability. Similarly, Cumming et al. (2023) found that PE interventions often introduce data-driven management approaches that shift decision-making from intuition-based judgments to structured, performance-based assessments.

Before PE involvement, SMMEs struggled to track growth trends, measure efficiency, and identify areas for improvement, which limited their ability to scale effectively. This is consistent with the findings of Kaplan and Strömberg (2009), who highlight that structured performance reviews enhance strategic agility and allow firms to adapt to market changes

more efficiently. After PE firms introduced KPI frameworks, participants reported significant improvements in business monitoring, proactive strategy adjustments, and enhanced accountability across operational functions.

One entrepreneur described how their business previously relied on informal performance evaluations, making it difficult to detect inefficiencies and identify growth opportunities. However, with the introduction of structured KPI systems, they became more responsive to market dynamics and operational challenges, improving their ability to scale strategically. Ewens et al. (2022) reinforce this view, noting that PE-backed businesses that implement structured performance assessments exhibit higher revenue growth and reduced inefficiencies compared to non-PE-backed counterparts.

PE firms also emphasised their role in performance enhancement, highlighting that structured governance and performance assessments enable SMMEs to become more disciplined in growth strategies. One PE investor stated that monitoring operational efficiency through KPIs and structured performance reviews helps businesses stay aligned with their long-term objectives and financial sustainability. This is consistent with Nxazonke and Van Wyk (2020), who argue that PE-backed firms adopt industry best practices through benchmarking and structured tracking mechanisms, strengthening competitive positioning.

The integration of performance enhancement strategies reflects the resource-based theory (Barney, 1991), which suggests that structured performance monitoring is a valuable and inimitable resource that contributes to a firm's long-term competitive advantage. Additionally, the dynamic capabilities perspective (Teece et al., 1997) underscores the role of continuous performance evaluation in adapting and responding to evolving market conditions, a critical component for SMME scalability in the South African context.

6.4.3 Market expansion

One of the most significant advantages of PE involvement is expanded market access, which allows SMMEs to secure new clients, enter previously inaccessible markets, and establish credibility within competitive industries. Many SMME participants reported that, before partnering with PE firms, their enterprises' growth was constrained by limited market exposure and weak industry networks. After engaging with PE firms, they gained access to high-value clients, corporate procurement channels, and new geographic markets.

These findings are consistent with the perspective of Cumming et al. (2023), who argue that PE-backed businesses benefit from strategic market positioning and superior networking advantages. Similarly, Tlhagale and Ndou (2024) highlight that PE-backed SMMEs experience faster market penetration and higher brand recognition.

From a dynamic capabilities theory (Teece et al., 1997) perspective, these market expansions illustrate how SMMEs leverage external partnerships to sense and seize new opportunities, ensuring business growth and competitive positioning.

6.4.4 Relationship-building

The present study found that PE firms provide networking opportunities that help SMMEs build long-term strategic alliances. Many entrepreneurs stated that introductions arranged by PE firms helped them secure funding, form industry partnerships, and gain access to critical business stakeholders. Participants emphasised that having a PE firm as a strategic partner enhanced their credibility, making it easier to negotiate contracts and secure investor commitments.

These findings align with the view of Santoro, Bertoldi et al. (2020), who argue that relationship capital is a key driver of business success in competitive markets. Similarly, Nxazonke and Van Wyk (2020) highlight that networking differentiates high-growth SMMEs from stagnating firms. From a resource-based theory (Barney, 1991) perspective, strategic relationships and investor networks qualify as intangible competitive assets that provide firms with opportunities that competitors struggle to replicate.

6.4.5 Mentorship and entrepreneurial well-being

The present study PE-driven mentorship has a transformational impact on SMME leadership development, equipping entrepreneurs with financial, operational, and strategic management skills. Many participants credited mentorship with helping them transition from a small-business mindset to a growth-oriented leadership approach. Several SMMEs also noted that mentorship provided emotional reassurance and strategic clarity during economic uncertainties, thereby reinforcing their decision-making confidence and resilience.

These findings confirm the view of Mhlongo and Daya (2023), who argue that entrepreneurial mentorship strengthens business leadership and improves financial literacy.

Similarly, Tlhagale and Ndou (2024) emphasise that entrepreneurs with strong mentorship support are better equipped to manage business risks and sustain long-term growth.

From a dynamic capabilities theory (Teece et al., 1997) perspective, mentorship enhances the capacity of an entrepreneur to perceive and respond to market changes, ensuring adaptability and business continuity.

6.4.6 Entrepreneurial resilience

Beyond financial and strategic benefits, PE-backed SMME participants noted that they were able to exhibit greater resilience in the face of business challenges, thanks to stronger crisis management, improved risk mitigation, and higher confidence in their long-term planning. The entrepreneurs emphasised that the support they received from experienced PE advisors had helped them navigate uncertain economic conditions, which offered reassurance regarding their strategies and fostered psychological resilience.

These findings confirm the view of Almulhim (2023), who highlights that investor-backed businesses demonstrate higher resilience and adaptability in volatile markets. From a resource-based theory (Barney, 1991) perspective, entrepreneurial resilience is an intangible yet critical asset, one that strengthens business sustainability.

6.4.7 RQ2: Conclusions

The study findings confirm that PE firms' non-financial support significantly enhances the strategic, operational, and financial resilience of South African SMMEs. The introduction of structured governance, market access opportunities, financial discipline, and leadership mentorship equips these businesses with long-term competitive advantages and growth sustainability.

These findings align with resource-based theory (Barney, 1991), which emphasises that intangible assets drive firm success, and also with dynamic capabilities theory (Teece et al., 1997), which reinforces the importance of continuous adaptation.

The next section discusses the challenges faced by both PE firms and SMMEs in the delivery and utilisation of these forms of support, providing further insights into areas that require improvement.

6.5 Challenges in Delivery and Utilisation of Non-financial Support

RQ3: What challenges are experienced by PE firms and SMMEs in the delivery and utilising non-financial support services?

While PE firms provide significant non-financial support to SMMEs, several challenges impede the complete realisation of these advantages. These challenges stem from strategic misalignment, difficulties in business development, operational constraints, governance burdens, and capacity issues in market expansion.

Resource-based theory (Barney, 1991) implies that organisations acquire an edge over their competitors by unique and inimitable resources, but many SMMEs lack the internal capacity to effectively absorb and apply the non-financial support provided by PE firms (Cumming et al., 2023). Agency theory (Jensen & Meckling, 1976) highlights that conflicts between PE investors (principals) and SMMEs (agents) contribute to governance tensions, performance pressures, and strategic differences (Almulhim, 2023). Dynamic capabilities theory (Teece et al., 1997) underscores that firms must continuously adapt to changing environments, but the challenges outlined in this section suggest that many SMMEs struggle to develop the agility required to leverage PE-driven non-financial support effectively (Eldridge et al., 2021).

6.5.1 Strategic direction: Misalignment between PE firms and SMMEs

One of the primary challenges reported by SMMEs is the misalignment between PE firms' strategic growth expectations and the operational realities of their businesses. While PE firms emphasise rapid scalability and structured business expansion, many SMMEs operate under resource constraints, volatile market conditions, and industry-specific limitations (Nxazonke & Van Wyk, 2020). This misalignment results in PE-driven strategies that are sometimes unrealistic or difficult to implement.

Research indicates that SMMEs in emerging markets require tailored business strategies, rather than standardised PE frameworks, which are often modelled after those of large corporations (Kaplan & Strömberg, 2009). Furthermore, Mhlongo and Daya (2023) found that SMMEs in South Africa frequently struggle with strategic planning due to limited managerial experience and unstable market conditions. As a result, some PE firms introduce long-term growth strategies that fail to consider short-term business constraints, leading to frustration and implementation challenges.

From an agency theory perspective, this challenge highlights principal–agent conflicts, where PE firms push for aggressive revenue growth and market expansion while SMME owners prioritise incremental growth and survival strategies (Almulhim, 2023). A more contextualised approach that considers SMME industry dynamics and financial constraints is necessary to ensure that PE-driven strategic interventions are both realistic and actionable Nxazonke & Van Wyk, 2020).

6.5.2 Business development: Challenges in leveraging industry networks

The present study found that, while PE firms provide valuable networking opportunities, SMMEs often struggle to leverage these relationships effectively. This is aligned with the view of Tlhagale and Ndou (2024) that many entrepreneurs lack the internal business development capabilities required to sustain long-term partnerships with corporate clients, suppliers, and investors. Research suggests that network-based growth is only effective when firms develop internal mechanisms to manage and sustain relationships (Santoro, Bertoldi et al., 2020). However, many SMMEs lack the professional business development teams necessary to translate introductions into concrete business opportunities (Mhlongo & Daya, 2023). Moreover, cultural and structural differences between SMMEs and large corporate buyers create barriers to trust and engagement, limiting the effectiveness of PE-facilitated introductions (Gompers et al., 2016).

6.5.3 Optimised business operations: Implementation gaps

Although PE firms introduce structured financial reporting, supply chain efficiencies, and cost-control mechanisms, many SMMEs struggle with implementation, due to a lack of internal financial and operational expertise, as also noted by Cumming et al. (2023). Research highlights that many South African SMMEs operate informally, making it difficult to adopt rigid financial management structures and complex reporting requirements (Mkhonza & Sifolo, 2022).

Resource-based theory suggests that firms must internalise strategic resources to build a sustainable competitive advantage (Barney, 1991). However, introducing sophisticated financial systems without adequate human capital to manage them often results in compliance burdens rather than genuine operational improvement (Tlhagale & Ndou, 2024). Makwara et al. (2023) found that many South African SMMEs lack the technical expertise

required to optimise business processes, leading to inefficiencies and operational stagnation despite PE support.

6.5.4 Performance enhancement: Rigid expectations and misaligned KPIs

The present study found that PE firms emphasise structured performance monitoring, but that the KPIs imposed on SMMEs often do not reflect the operational realities of small businesses. This finding is aligned with the view of Kaplan and Strömberg (2009). Many PE firms set performance targets based on benchmarks that are suitable for larger or more mature businesses, failing to account for industry-specific constraints and economic volatility in emerging markets (Mhlongo & Daya, 2023).

From a dynamic capabilities theory perspective, businesses should be able to adjust and refine their strategies by utilising real-time data through performance monitoring. (Teece et al., 1997). However, rigid PE-imposed KPIs often create pressure to prioritise short-term financial targets over long-term strategic sustainability (Cumming et al., 2023). Ewens et al. (2022) suggest that performance monitoring in SMMEs must be adaptable, industry-specific, and aligned with the firm's growth stage.

6.5.5 Oversight: Governance constraints and administrative burdens

Participants noted that governance structures imposed by PE firms are both beneficial and restrictive. While governance ensures financial discipline and accountability, some entrepreneurs experience it as an administrative burden that slows down decision-making and limits flexibility (McGrath & Nerkar, 2023). Tihagale and Ndou (2024) indicate that many SMMEs resist rigid governance structures because they perceive these as limiting their entrepreneurial autonomy. From an agency theory perspective, this reflects a principal-agent dilemma, where investors seek greater oversight to mitigate risk, while entrepreneurs prioritise flexibility and market responsiveness (Almulhim, 2023).

6.5.6 Market expansion: Capacity gaps

Although PE firms facilitate access to new markets, many SMMEs lack the operational capacity to scale effectively. Entering larger supply chains or export markets requires advanced infrastructure, logistics, and human resources, which many early-stage SMMEs lack. This finding is aligned with the view of Nxazonke and Van Wyk (2020).

Research suggests that, while PE firms introduce businesses to new opportunities, many SMMEs fail to capitalise on these opportunities, due to operational inefficiencies and limited working capital (Mhlongo & Daya, 2023). Dynamic capabilities theory (Teece et al., 1997) highlights firms must consistently adjust their resources in order to adapt to new markets, yet many SMMEs lack the internal agility required to scale sustainably (Eldridge et al., 2021).

6.5.7 RQ3: Conclusions

The findings indicate that, while PE firms provide valuable non-financial support, several structural and contextual challenges limit the full effectiveness of these interventions. Agency theory highlights that governance tensions, strategic misalignment, and performance-monitoring issues arise due to differing priorities between PE firms and SMMEs (Almulhim, 2023). Resource-based theory suggests that intangible resources such as mentorship and strategic guidance enhance firm competitiveness, but only if SMMEs possess the internal capacity to absorb and implement them (Barney, 1991). Finally, dynamic capabilities theory underscores that businesses must continually adapt to market conditions, yet many SMMEs struggle to reconfigure their resources due to operational and financial limitations (Teece et al., 1997).

Addressing these challenges requires more adaptable governance models, industry-specific performance metrics, and enhanced internal capacity-building initiatives to ensure that PE-driven non-financial support translates into sustainable business growth.

6.6 Chapter Summary

This chapter discussed how PE-driven non-financial support can both enrich and complicate the developmental journey of SMMEs in South Africa. By revisiting resource-based theory, dynamic capabilities theory, and agency theory, this chapter delved into the nature of non-financial support (RQ1), the positive impacts of non-financial support (RQ2), and the challenges faced by both PE firms and SMMEs (RQ3). Several recurring themes emerged that offer a holistic perspective on how intangible resources, adaptive processes, and principal–agent relationships shape SMME outcomes.

First, the findings underscore that intangible resources, ranging from industry-specific know-how to governance frameworks, can become catalysts for sustained competitive advantage, echoing resource-based theory's emphasis on VRIN assets. Strategic direction, and

business development collectively enhance SMMEs' internal structures, allowing them to become more resilient in volatile environments; however, these resources must be embedded in the SMME's existing capabilities to have lasting effects.

RQ2 examined the positive impacts of PE firms' non-financial support services on SMME performance. The study revealed that structured interventions, such as the implementation of financial governance mechanisms, performance monitoring systems, and market expansion initiatives, lead to optimised business operations and enhanced resilience in SMMEs. These interventions not only improve operational efficiency, they also enable SMMEs to better navigate competitive market environments. The positive outcomes corroborate the perspectives of both resource-based theory and dynamic capabilities theory, with additional support from empirical studies that underscore the role of intangible assets in driving sustainable growth.

Finally, challenges in delivering and utilising non-financial support (RQ3) can often be traced back to principal–agent tensions. The study identified several barriers, including strategic misalignment between PE firms' expectations and SMMEs' operational realities and their limited internal capacity for adopting advanced financial and operational systems, as well as rigid performance metrics that do not accommodate the unique needs of small enterprises. Governance constraints and principal–agent conflicts further complicate these challenges, as explained by agency theory. Moreover, the dynamic nature of market conditions means that SMMEs often struggle to continuously adapt their resources, as outlined in dynamic capabilities theory.

Bringing these findings together, this chapter affirms that PE-driven non-financial support holds considerable promise for fortifying SMMEs' competitive positions and driving meaningful growth. However, the degree of success varies widely, depending on how well the support is customised, how smoothly intangible resources are adopted and integrated, and whether agency-related conflicts are managed through constructive dialogue. The next chapter, Chapter 7, builds upon these insights to present overall conclusions and offers practical recommendations for SMME owners, PE investors, and policymakers, followed by potential directions for future research on nurturing robust SMME ecosystems in emerging markets.

CHAPTER 7: CONCLUSION AND RECOMENDATIONS

7.1 Introduction

This chapter revisits the central thrust of the study—investigating how non-financial support provided by PE firms influences the development of SMMEs in South Africa—and situates the research findings within broader academic debates, local contextual realities, and future directions for enquiry. The preceding chapters established that, although access to capital remains critical for SMMEs, many entrepreneurs and small-business stakeholders highlight intangible resources (e.g., strategic advice, mentorship, operational processes) as essential complements to mere financial inputs (Cumming et al., 2023; Gompers et al., 2016). By exploring how PE-driven non-financial support aligns with SMME needs, shapes long-term sustainability and scalability, and sparks or resolves agency-related tensions, this study advances both theoretical and practical understanding of how external investors can catalyse—or inadvertently hinder—entrepreneurial growth in emerging markets.

7.2 Purpose and Contextual Foundations

From the outset, the purpose of this research was to explore the ways in which PE firms deliver and manage non-financial interventions such as strategic guidance, operational oversight, governance frameworks, and networking, aimed at strengthening SMME performance in South Africa’s challenging business environment. The rationale behind this focus stemmed from two interlinked factors: the high failure rate among SMMEs (Enaifoghe & Zenzile, 2023; Mhlongo & Daya, 2023) and the perceived underutilisation of intangible resources that might help these enterprises navigate complex market dynamics (Tlthagale & Ndou, 2024). Numerous studies in developed economies have already spotlighted the strategic value-adding role that PE often plays (Gompers et al., 2016; Kaplan & Strömberg, 2009); however, evidence from African and other emerging-market contexts is comparatively scarce, leaving a notable gap in the understanding of how or whether such forms of support translate effectively into entrepreneurial success, as institutions, infrastructure, and market conditions differ significantly from those in high-income regions (Cumming et al., 2023).

In the South African context, SMMEs often confront systemic impediments such as limited formal networks, regulatory hurdles, skill shortages, and socio-economic inequalities that shape everyday business operations (Mseleku & Mashele, 2024). While local scholarship

recognises the economic and social importance of bridging these constraints (Chimucheka & Mandipaka, 2015), prior research tended to focus on either public-sector interventions or purely financial investments, sidelining the nuanced interplay between intangible support and small-enterprise resilience. This study aimed to expose the lived realities of SMMEs and PE representatives, offering depth and contextual specificity that large-scale quantitative studies might overlook (Saunders & Lewis, 2018).

7.3 Knowledge Gaps and Research Aims

Against this backdrop, the dissertation addresses several knowledge gaps. First, while there is broad consensus in the literature that non-financial interventions potentially enhance firm capabilities (Barney, 1991), questions persist about how these resources might be customised to suit emerging-market SMMEs, where culture, local supply chains, and resource constraints could necessitate different approaches (Nxazonke & Van Wyk, 2020). Second, the interplay between resource-based theory, dynamic capabilities theory, and agency theory remains underexplored in a developing economy setting, especially regarding how intangible resources are introduced, adapted, or resisted in SMMEs (Mhlongo & Daya, 2023; Santoro, Bertoldi et al., 2020). Third, limited evidence exists on the specific tensions that arise when PE firms with finite exit horizons partner with entrepreneurs who may have different timeframes or objectives for their ventures (Barber et al., 2021).

In response, four guiding questions anchored the inquiry: (1) *What is the nature of the non-financial support provided by PE firms to South African SMMEs?*; (2) *What is the positive impact of PE firms' non-financial support services on South African SMMEs?*; and (3) *What challenges are experienced by PE firms and SMMEs in the delivery and utilisation of non-financial support services?* By tackling these questions, the study sought not only to fill a conceptual void, but also to empower entrepreneurs, investors, and policymakers with evidence-based strategies for improving small-business ecosystems in South Africa.

Focusing on three core areas: the nature of PE-driven non-financial support, its positive impacts on SMMEs, and the challenges inherent in its delivery and utilisation, the study's findings highlight that intangible resources, such as strategic direction, market expansion, mentorship, and operational oversight, can significantly enhance SMME competitiveness and long-term sustainability (Cumming et al., 2023; Gompers et al., 2016). However, the effectiveness of such support depends on the SMMEs' capacity to absorb these resources

and on how well investor objectives align with entrepreneurial goals, underscoring principal–agent tensions and capacity gaps. While governance structures, financial discipline, and performance monitoring mechanisms introduced by PE firms improve operational resilience, barriers like rigid KPIs, misaligned timelines, and cultural mismatches often hinder the full realisation of the benefits of non-financial support (Mhlongo & Daya, 2023).

By synthesising key findings through the lenses of resource-based theory, agency theory, and dynamic capabilities theory, the study provides actionable guidance for stakeholders seeking to foster sustainable SMME growth. The discussion below outlines targeted recommendations for policymakers, PE firms, and SMMEs, highlighting how each group can build upon existing strengths, address persistent gaps, and collaboratively enhance the effectiveness of non-financial support.

7.4 Practical Implications and Recommendations

The subsequent section provides recommendations that could inform the policies of government, development agencies, and oversight authorities. This is followed by recommendations for PE firms and SMMEs.

7.4.1 Policy recommendations

Strengthen ecosystem co-ordination. Government agencies and development institutions should facilitate closer collaboration between PE firms and SMMEs by creating platforms and networks that encourage knowledge-sharing, capacity-building, and resource exchange (Mhlongo & Daya, 2023). Policy incentives such as co-investment schemes could attract more PE participation in underserved sectors. This approach aligns with resource-based theory (Barney, 1991), which emphasising the significance of intangible assets (knowledge, networks) in achieving competitive advantage.

Enhance regulatory frameworks for governance and transparency. Policy-makers could introduce or refine guidelines on corporate governance and investor–entrepreneur relationships to mitigate agency conflicts (Almulhim, 2023; Jensen & Meckling, 1976). Streamlined compliance requirements tailored to SMMEs would reduce administrative burdens without compromising accountability. This would ensure that entrepreneurs are able to absorb non-financial support, such as strategic guidance, rather than being overwhelmed by rigid regulatory demands (Nxazonke & Van Wyk, 2020).

Support capacity-building initiatives. Subsidised training and mentoring programmes could help entrepreneurs build the managerial and operational competencies needed to utilise PE-driven non-financial support effectively (Tihagale & Ndou, 2024). Examples include sponsored executive education, digital skills training, and strategic planning workshops that equip SMMEs with dynamic capabilities adapt to changing market conditions.

Foster inclusive growth and sectoral diversity. Regulatory bodies and development agencies should encourage PE investments in high-impact areas such as technology, manufacturing, and social enterprises, particularly in underserved regions (Cumming et al., 2023). Targeted grants or matching funds can incentivise PE firms to channel resources and expertise to sectors critical to broader economic development, ensuring that mentorship and network facilitation reach marginalised entrepreneurs.

7.4.2 Recommendations for PE firms

Develop tailored support models. A more customised approach, for instance, phased mentorship aligned with each SMME's growth stage, could help close strategic and operational gaps (Mhlongo & Daya, 2023). This practice resonates with resource-based theory, which highlights the value of context-specific, intangible resources (Barney, 1991).

Emphasise collaborative governance structures. PE firms should adopt governance frameworks that balance oversight with entrepreneurial autonomy, thereby reducing principal–agent tensions (Jensen & Meckling, 1976). Establishing joint steering committees, for instance, would allow investors and entrepreneurs to share decision-making responsibilities (Almulhim, 2023), thereby reframing governance as a supportive mechanism that fosters long-term growth.

Invest in capacity-building as part of the value-creation strategy. By offering robust operational support—such as financial controls, marketing expertise, and digital transformation guidance—alongside capital, PE firms could nurture dynamic capabilities (Teece et al., 1997) within SMMEs (Ewens et al., 2022). Embedding these practices into due diligence and post-investment processes could accelerate growth and mitigates risks.

Facilitate access to broader networks. Formalised linkages through, for example, networking events or partnerships with industry associations, could amplify SMMEs' market

reach (Gompers et al., 2016). Such initiatives not only strengthen the firm's performance, but also enhance PE firms' exit opportunities by positioning the business competitively in the marketplace (Kaplan & Strömberg, 2009).

7.4.3 Recommendations for SMMEs

Proactive engagement and preparedness. SMMEs should build foundational competencies in strategic planning, financial management, and corporate governance before seeking PE investments (Tihagale & Ndou, 2024). Conducting internal assessments to identify skill gaps could assist them to better leverage the mentoring and strategic direction offered by PE firms (Cumming et al., 2023), while also signalling credibility.

Cultivate adaptive leadership and organisational culture. Leaders who encourage learning, innovation, and agility can more effectively absorb new tools and insights from PE partners (Mkhonza & Sifolo, 2022). Emphasising open communication and collaborative problem-solving helps integrate the dynamic capabilities (Teece et al., 1997) introduced by PE firms into day-to-day operations.

Transparency and alignment with investors. By maintaining clear, transparent financial records and operational data, SMMEs establish trust with PE partners and facilitate more effective governance structures (Jensen & Meckling, 1976). Regular, open communication on both achievements and challenges enables PE firms to tailor their support more accurately (Almulhim, 2023), reducing friction and mitigating agency conflicts.

Leverage mentorship for continuous improvement. Mentorship is a critical intangible resource that can shape an SMME's long-term success (Ewens et al., 2022). By proactively seeking feedback and incorporating mentorship outcomes into business practices, SMMEs are able to maintain growth momentum — even beyond the investment cycle (Mhlongo & Daya, 2023).

In the subsequent section, a summary is provided of the study's limitations, together with suggested avenues for future research.

7.5 Limitations and Future Research Directions

A number of promising areas for further study emerge from the present study. The present study was cross-sectional. Longitudinal research could track SMMEs before, during, and

after PE involvement, to gauge whether intangible gains like operational routines and governance norms are maintained once the investor exits (Enaifoghe & Zenzile, 2023).

The present study was limited to one Province, Gauteng, in South Africa. Comparative cross-country analyses could explore how PE-driven non-financial support differs across African or other emerging-market contexts, with consideration of diverse regulatory or cultural ecosystems. This could refine our grasp of context-dependent resource adaptation (Tlhagale & Ndou, 2024).

The present study included a number of sectors. Sector-specific investigations into high-tech startups, agro-processing, or service-based SMMEs might reveal nuances in how specialised knowledge influences the alignment and success of intangible support (Chimucheka & Mandipaka, 2015).

The present study was qualitative in nature. Thus, a mixed-methods approach that integrates quantitative performance metrics (e.g., revenue growth, profitability, efficiency gains) with qualitative data could offer a more nuanced portrait of non-financial outcomes (Wald et al., 2019).

Studying intra-firm dynamics such as shifts in leadership style, organisational culture, or staff turnover could further illuminate how intangible resources transform or disrupt existing workplace relations and processes (Santoro, Bertoldi et al., 2020).

The participants in the present study were drawn from the researcher's professional network; thus, their views may not accurately reflect the general population of SMMEs and PE providers in Gauteng. Future research study larger samples drawn from larger geographical areas and include other provinces in South Africa. Another limitation of this study is it focused primarily on formal SMMEs in Gauteng that were in the expansion stage. Consequently, the results may not accurately represent the experiences of startups, informal businesses, or SMMEs in other provinces. Investigations of this nature would offer a more insights into the long-term benefits of PE firms' interventions and their role in SMME sustainability.

7.6 Concluding Remarks

In summary, effective collaboration amongst policymakers, PE firms, and SMMEs is essential to harness the full potential impact of non-financial support in emerging markets

like South Africa. Policy-level interventions could create the enabling environment needed for more robust private-sector engagement, while PE firms could drive deeper value-creation by offering tailored, context-specific assistance. SMMEs, in turn, could optimise these benefits by cultivating adaptive leadership, transparency, and a proactive learning culture. Grounded in resource-based theory, agency theory, and dynamic capabilities theory, this integrated approach would not only promote the resilience and scalability of individual enterprises, but will also strengthen the broader entrepreneurial ecosystem.

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ANNEXURE A: ETHICAL CLEARANCE

ANNEXURE B: INFORMED CONSENT

Gordon Institute of Business Science

University of Pretoria

Consent

Thank you for agreeing to participate in my MBA research study at the University of Pretoria's Gordon Institute of Business Science. Before we begin the interview, I'd like to outline the key terms of your participation:

1. **Purpose of the Study:** This research explores how equity investors provide non-financial resources, such as mentorship, strategic guidance, and networking opportunities, to small and medium enterprises (SMEs) in South Africa, and how these resources impact business growth.
2. **What's Involved:** You will take part in a one-hour, semi-structured interview. During this time, I will ask questions about your experiences with non-financial support and its influence on business outcomes. With your consent, the interview will be recorded for accurate analysis.
3. **Voluntary Participation:** Participation is entirely voluntary, and you may withdraw at any time without penalty. If you choose to withdraw, you can request that any data shared up to that point be excluded from the study.
4. **Confidentiality:** Your responses will remain confidential, and all identifying information will be removed from the analysis. Data will be securely stored for 10 years and then permanently deleted.
5. **Authorization:**
If you share organizational data, please confirm that you have permission or are authorized to discuss such matters.

By agreeing to proceed with the interview, you confirm that:

- You have reviewed these terms and understand them.
- You consent to the interview being recorded and transcribed for academic purposes.
- You acknowledge your right to withdraw at any time.

If you have any concerns or questions during or after the interview, you can contact me at 23963141@mygibs.co.za or my supervisor, Prof. Melodi Botha, at melodi.botha@up.ac.za.

Do you agree to these terms before we begin?

ANNEXURE C: INTERVIEW GUIDES

Section A

Participant Name (Optional): _____

Industry: _____

Position: _____

Age: _____

Gender:

Male

Female

Non-binary/Prefer not to say

Section B

Interview Questions for PE Experts:

1. Could you describe your experience in providing non-financial resources (such as mentorship, strategic guidance, or networking opportunities) to SMEs?
2. What types of non-financial Support do you typically provide to SMEs, and how do you determine which resources are best suited for a particular business?
3. How do you assess the impact of non-financial Support, like mentorship or strategic guidance, on the growth and performance of SMEs?
4. What challenges have you encountered in delivering non-financial support to SMEs in South Africa, and how do you address these challenges?
5. How would you describe the engagement of SMEs with the non-financial Support you provide? Are there noticeable patterns of success or cases where these resources are underutilized?
6. In your experience, which non-financial Support, such as strategic networks or operational expertise, are most influential in helping SMEs scale and achieve long-term success?
7. Can you share a specific example where non-financial support made a significant

difference in the growth trajectory of an SME you worked with?

8. How do you perceive the non-financial support provided by PE firms in South Africa compared to similar firms in more developed markets?
9. In your opinion, are there specific non-financial support that PE firms could better tailor to address the unique needs of South African SMEs?
10. Looking forward, what improvements or innovations do you believe PE firms could make in delivering non-financial support to better facilitate the growth of SMEs in South Africa?

Interview Questions for SMEs:

Section A

Participant Name (Optional): _____

Industry: _____

Position: _____

Age: _____

Gender:

Male

Female

Non-binary/Prefer not to say

Section B

1. Can you describe the types of non-financial support (e.g., mentorship, strategic guidance, networking opportunities) you have received from PE firms?
2. How have this non-financial support, such as mentorship or industry expertise, impacted the growth and performance of your business?
3. Which non-financial support provided by PE firms have been most valuable for your business, and why?
4. How often do you engage with the PE firm providing these resources, and what does this engagement typically look like?

5. What challenges have you encountered in utilizing the non-financial support offered by PE firms?
6. In your experience, how well do you feel the non-financial support provided by PE firms align with your business's specific needs and growth stage?
7. Can you share an example where non-financial support from a PE firm made a notable difference in your business's growth or helped you overcome a significant challenge?
8. Have you found that access to industry networks provided by PE firms has helped you enter new markets or expand your customer base? If so, how?
9. What improvements or additional support do you think PE firms could offer to better assist SMEs like yours in achieving long-term success?
10. From your perspective, how do the non-financial support from PE firms compare to other forms of business support you have received (e.g., government programmes, accelerators)?

ANNEXURE D: TURNITIN REPORT

ANNEXURE E: CERTIFICATE OF LANGUAGE EDITING