Critical success factors towards SMEs sustainability in Johannesburg Municipality

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A research project submitted to the Gordon Institute of Business Science, University of Pretoria, in partial fulfilment of the requirements for the degree of Master of Business Administration

09 November 2015

I. ABSTRACT

The essence of entrepreneurship spanning many decades, from, broadly put, seen as any attempt to create something new to current times including concepts of economic value creation and uncertainties. The urgency of small businesses contributing to the creation of this value is visible to the country due to unemployment stagnating at 25.5% and the 2008 financial crisis not a so distant memory. Entrepreneurship breeds innovation which can be turned into an economic value. Small businesses are a breeding place for innovation. Entrepreneurship Orientation (EO), a concept in entrepreneurship literature highlights the innovativeness, pro-activeness and risk taking businesses can be positively on business performance. However, with the high mortalities of small business at stages of business inception, a need has been created in relooking at what the factors impacting business are critical for to improve on SMEs life expectancy.

By inferring age of the business as a measure of business performance, a quantitative cross sectional study was conducted on 62 owners of small businesses with age of 10 years and beyond to investigate what the owners perceived as factors critical for SME survival. Through the ranking of the factors deemed to impact on SME performance, an understanding of what factors were deemed critical was found. A focus on managerial skills on managing business resources and value offering moderated by Entrepreneurship Orientation and an enabling business environment were deemed highly critical.

The outcome for this research provides a window of knowledge for aspiring and existing business owners on what aspects of business they should be focussing on more to ensure sustainability of the business in South Africa.

II. KEY WORDS

Critical Success factors, Entrepreneurship, Survival, SMEs Performance

III. 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.

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9 November 2015

IV. TABLE OF CONTENTS

I. ABSTRACT ii
II. KEY WORDS ii
III. DECLARATION iii
IV. TABLE OF CONTENTS iv
V. LIST OF TABLES vii
VI. LIST OF FIGURES vii
VII. ABBREVATIONS viii
1. Chapter One: Introduction 1
1.1. Background to the research problem 1
1.2. Motivation for the research problem 3
1.3. Significance of small business sector to the South African economy 4
1.4. Conclusion 5
2. Chapter Two: Literature Review 6
2.1. Introduction 6
2.2. The evolving field of entrepreneurship 6
2.3. Entrepreneurial Orientation (EO) framework and business performance 7
2.4. Identification of success factors to business performance 9
2.5. Business Ownership and Survival 11
2.5.1. Owner Individual characteristics 12
2.5.2. Family ownership and succession planning 14
2.5.3. Gender effects on entrepreneurial participation 15
2.5.4. Previous business failure as a moderator of business success 16
2.6. Dynamic capabilities as a necessity to business survival 17
2.7. Human and social capital and relation to business performance 18
2.8. Market Orientation and firm performance 19

2.9. Summary of the literature review 20
3. Chapter Three: Research Questions 21
3.1. Introduction to research questions 21
3.2. Research question 1 22
3.3. Research question 2 22
3.4. Research question 3 22
3.5. Research question 4 22
4. Chapter Four: Research methodology 23
4.1. Introduction 23
4.2. Research design 23
4.3. Population 24
4.4. Sampling 25
4.5. Unit of Analysis 26
4.6. Survey Design 26
4.6.1. Section 1: Introduction 27
4.6.2. Section 2: The selection criteria for the study 27
4.6.3. Section 3: Demographics 28
4.6.4. Section 4: Business Sustainability questions 28
4.7. Pretesting of the questionnaire 28
4.8. Data collection 28
4.9. Data analysis 30
4.10. Data validity and reliability 32
4.11. Assumptions 32
4.12. Limitations of study 33
4.13. Ethical considerations 33
5. Chapter Five: Results 34
5.1. Introduction 34

5.2. Descriptive Statistics 34
5.3. Testing reliability of the survey instrument 38
5.4. Statistical analysis by research question 38
5.4.1. Results for research question 1 46
5.4.2. Results for research question 2 48
5.4.3. Results for research question 3 50
5.4.4. Results for research question 4 51
5.4.5. Results from the open ended questions 52
5.5. Summary of the analysis 53
6. Chapter Six: Discussion of Results 54
6.1. Introduction 54
6.2. Discussion of findings relating to research question 1 54
6.3. Discussion of findings relating to research question 2 65
6.4. Discussion of findings relating to research question 3 66
6.5. Discussion of findings relating to research question 4 68
6.6. Conclusion 70
7. Chapter Seven: Conclusion 71
7.1. Introduction 71
7.2. Summary of key findings 71
7.3. Implications of research findings 73
7.4. Limitations of the research 75
7.5. Suggestions for future research 75
7.6. Conclusion 76
8. References 77
9. Appendices 84
9.1. Appendix A: Questionnaire 84

V. LIST OF TABLES

Table 1: Lussier's 15 Factor Success versus failure prediction model variables 10
Table 2: Demographic characteristics..35
Table 3: Description of the businesses..36
Table 4: Mean score for critical success factors items..39
Table 5: KMO and Bartlett's test...40
Table 6: Principal component factor analysis using the varimax rotation 42
Table 7: Mean scores of summated factors ranked 46
Table 8: Correlations of the summated factors 47
Table 9: Mean scores of summated scores by family ownership 49
Table 10: Mean scores of summated scores by gender 51
Table 11 Mean scores of summated scores by previous business failure....................52
Table 12: Additional insights from the open-ended question..52
Table 13: ranked summated scores 59

VI. LIST OF FIGURES

Figure 1: Conceptual model of critical success factors for business performance by Simpson, Padmore & Newman 13
Figure 2: Business characteristics by average years in business 37
Figure 3: Screen plot principal component analysis...41
Figure 4: Difference in mean score between family and non-family businesses 49
Figure 5: Relationship between value offering, EO and Business enablers 60
Figure 6: Relationship between value offering, EO Framework, Business enablers and owner financia savvy 63
Figure 7: Critical Success factors for SME sustainability 10 years and beyond in business...65

VII. ABBREVATIONS

COJ	City of Johannesburg
DTI	Department of Trade and Industry
EO	Entrepreneurial Orientation
GEP	Gauteng Enterprise Propeller
GDP	Gross Domestic Product
JCCI	Johannesburg Chamber of Commerce and Industry
NDP	National Development plan
SA	South Africa
SEDA	Small Enterprise Development Agency
SME	Small and Medium-sized Enterprises
SMME	Small, Medium and Micro-sized Enterprises
StatsSA	Statistics South Africa

1. Chapter One: Introduction

1.1. Background to the research problem

High levels of unemployment can ignite the entrepreneurial spirit, thus reducing unemployment and rent seeking behaviours such as corruption among citizens. Carlsson, Braunerhjelm, McKelvey, Olofsson, Persson, Ylinenpää (2013, p.913) point out that "it is now generally recognised that entrepreneurial activity is one of the primary drivers of industrial dynamism, economic development and growth". While this is generally accepted, small and medium sized enterprises (SMEs) have been identified as playing a bigger role in a country's economy (Varum & Rocha, 2013). SMEs also contribute to employment creation. A paper by (Varum & Rocha, 2013) on UK small business concluded that SMEs play a bigger role in an economy. SMEs contribute towards economic growth, improvement in the living standards of citizens, increasing job opportunities and increase in the tax base which is an advantage to government.

Notably, the positive contribution of small businesses to employment is underestimated in some studies which prompted Li & Rama (2015) to highlight the contribution of micro and small businesses to employment creation. In their study they found out that micro and small business contributed more to gross job creation in both the advanced economies and developing economies. However, the same businesses also contributed to high gross job losses reflecting the moderating effect of the age of the business. In another study, SMEs of 20-99 employees had a comparable contribution to net employment as the big businesses of 100 or more employees and young firms contributed to high job creation (Ayyagari, Demirguc-Kunt & Maksimovic, 2011). Findings from the paper by de Wit & de Kok (2014) further concurred to smaller firms contributing more to jobs creation.

Some of the small firms contributing to job creation are regarded as high growth firms but do suffer from being "one hit wonders" and fail to sustain and repeat that high growth some few years after the experiencing the one time high growth (Daunfeldt & Halvarsson, 2015). This could potentially lead to high job losses reversing the gains in reducing unemployment in a country's economy. It would appear the newness of the business rather than the smallness is the contributing force towards new job creation. (Henrekson & Johansson, 2010).

It is clear that entrepreneurship in SMEs play a significant role in the economies of a country. While studies by Carlsson et al., (2013), Varum & Rocha (2013), and Li & Rama (2015) have shown the critical role entrepreneurship and SMEs play in the economy of a country, they note that the challenge has been the low survival rate of the SMEs. Ms Lindiwe Zulu, the Minister of Small Business Development, during her speech at the first colloquium of small businesses, soon after the establishment of the ministry by the President, noted that between 70% and 80% of small, medium and micro enterprise businesses failed within their first year of operation (Zulu, 2014).

Entrepreneurship studies have explored various factors contributing to SMEs performance. Entrepreneurship orientation (EO) as one of the widely explored area in entrepreneurship and business studies areas due to its contribution to business performance focusses on how businesses can be innovative, proactive and risk taking and also how these three aspects can play a moderating role on other factors contributing to business performance (Rauch, Wiklund, Lumpkin, & Frese, 2009). Arief, Thoyib, Sudiro, & Rohman (2013) refer to entrepreneurial orientation as the decision making processing in the organisation. In their research, they established a positive correlation between entrepreneurial orientation and firm performance of SMEs. In understanding small business performance, Lussier (1995) designed a model to predict small business performance and tested this in various business contexts in the US and Central Eastern Europe Croatian business (Lussier & Pfeifer, 2000) and Israel businesses (Marom & Lussier, 2014) In all contexts, the model was valid and successfully predicated business failure or success. Factors in the model include, good management skills and education as factors predicting business failure or success.

The paradigm has been that as much as small businesses contribute positively to the economy, the challenge is the short lifespan of the businesses. Cressy (2006) highlighted being risk averse and managing resources as some of the factors one of the contributing factors to lower failure rates which does seem to contradict with one of the EO dimensions of risk taking. Therefore by focussing on how EO’s three dimensions, innovativeness, pro-activeness and risk taking interplay with other business performance influencing factors such as factors from Lussier’s model on small business could potentially respond to the challenge of high rate of failure rates in small businesses in South African small businesses. This study focuses on SMEs that have survived for 10 years and beyond. By the 10th year of business survival, 90% of new business ventures do fail hence the rational of focussing on businesses that have gone beyond the 10 year mark (Bowler, Dawood, & Page, 2007) cited in (Ramukumba, 2014). By focussing on SMEs and underpinned by entrepreneurship literature, SMEs can therefore contribute positively to the economy.

1.2. Motivation for the research problem

In 2014, South Africa was ranked 56 out of 144 countries in the global competeveness report which categorised it as an efficiency driven economy because of its market efficiency, financial market development and market size (Schwab & Sala-i-Martín, 2014). By expanding on the efficiency driven economy, key factors to efficiency driven economies include higher education and training, goods market efficiency, labour market efficiency, financial market development, technological readiness and market size(Schwab & Sala-i-Martín, 2014). This raises the need for the country to develop more entrepreneurs, and the SME sector as a whole, by maximising on these issues the country ranks high.

In entrepreneurship literature, there are two broad reasons why entrepreneurship can be of importance. These are the opportunity driven factors (pull factors) and necessity driven (e.g. unemployment)(Herrington, Kew, & Kew, 2015). In developing countries, the necessity driven factors should be more prevalent. High levels of unemployment can ignite the entrepreneurial spirit, thus reducing unemployment and rent seeking behaviours such as corruption. The Global Entrepreneurship Report however indicated that South Africa showed low numbers of individuals electing to be entrepreneurs due to necessity driven factors (Herrington, Kew, & Kew, 2015). Entrepreneurs are driven more by income such as increase in income and job security than intrinsic rewards such as self-satisfaction and freedom (Benzing, Chu, & Kara, 2009). The country is in need of more of necessity driven factors to ensure sustainability in the net employment of the country instead of having high job creation and high job losses which opportunity driven factors might foster.

One of the objectives of South Africa's National Development Plan (Planning Commission, 2011) is to achieve a much higher rate of economic growth. One of its core focus areas is the development of SMEs so that they could play a bigger role in creating employment. The urgency of making a success of the SMEs is against the backdrop that they are one of the biggest contributors to employment creation. For a country battling with an unemployment rate of around 25.5% (STATSSA, 2014), this is key to the economy. However, the Global competitiveness report (Schwab & Sala-i-Martín, 2014) ranks South Africa at 133 out of 144 on business costs due to crime and violence which can be a deterrent to aspiring entrepreneurs.

Furthermore, South Africa still ranks high as an unequal society with a Gini coefficient of 65% (Statistics South Africa, 2014). Unequal societies cause high levels of economic and social tensions which in turn encourage rent seeking behaviours. The motivation for this research is therefore to determine factors that contribute to the survival and success of SMEs focusing on those which have survived for more than 10 years.

This research is intended to assist new and existing businesses and entrepreneurs intending to start or improve on their business in identifying factors that contribute to the survival and success of SMEs. Using the cognitive theories of attribution and motivation, Yamakawa, Peng, & Deeds (2015), analysed small businesses in Japan, whose owners had previously failed in their first ventures. One of the key findings from the study was the positive effect of intrinsic motivation by the entrepreneur resulting in persistency behaviour in the new endeavours. Therefore, this study can also be of benefit to those who had failed in their first ventures.

By identifying critical success factors for SMEs, this study can also provide government institutions with criteria for success so that support for existing and aspiring entrepreneurs could be channelled towards the acquisition of relevant skills and training and avoid providing a one size fit all training. In addition, this study can also provide early warning signs for government to intervene proactively where there are inefficiencies. In a paper by (Lundström et al., 2014), tax breaks for SMEs seemed to be benefiting the well-established SMEs and not necessarily the SMEs that were in need of them.

1.3. Significance of small business sector to the South African economy

South Africa is grappling with low economic growth, high unemployment, unstable and uncertain global outlook, and high GINI coefficient(Statistics South Africa, 2014). Against this backdrop, an enabling business environment that encourages entrepreneurship and establishment of small business which can grow into big business can make a meaningful contribution to the country’s economic outlook of the country. However, the current statistics on the lifespan of the small business has been less than encouraging which might act as a deterrent of prospective entrepreneurs. Therefore the research aims to interrogate the critical success factors that contribute towards SMEs longevity and to identify commonalities or differences for businesses operating in different contexts. There are no set definitions of business success or failure and therefore this research will use business longevity as a measure of business success.

1.4. Conclusion

The urgency of making the SME sector a success is not questionable from the current context of the South African economy and the benefits the SME can contribute to the economy. It is for this reason to focus not only on what causes the failures in business, but focus on what makes the businesses succeed. Against this background, the scope for this research will focus on SMEs that have been in business for 10 or more years. The age of the business is to be used as a proxy of business success.

The rest of the report will be covered in six chapters. In Chapter 2 literature relevant to this research will be reviewed, in Chapter 3, the research questions will be framed based on the problem defined, in Chapter 4 the methodology used for data gathering will be discussed, in chapter 5 the results from the data collection will be discussed according to the research questions from chapter 3, chapter 6 will discuss the findings in relation to the literature discussed in chapter 2 and chapter 7 will provide the conclusions with regards to the implications of this study and proposals for future studies. The limitations from this study will be discussed.

2. Chapter Two: Literature Review

2.1. Introduction

This chapter focusses on the theoretical background on which this research is based. The chapter draws theories from entrepreneurship and business with a particular focus on SMEs. The field of entrepreneurship, its definitions and debates on the topic as well as how that links to business and business performance are reviewed first. Secondly, the chapter reviews the theory of Entrepreneurial Orientation and its relevance to business performance. Thirdly, the review is narrowed to the theory on factors impacting on business performance. Lastly, the chapter draws all theory leading to the next chapter on research questions posed by the gap in literature and the research problem.

2.2. The evolving field of entrepreneurship

The concept of entrepreneurship has been around for decades and has evolved as a consequence of the academic interest. Studies in the EO field have increased in numbers by a factor of five in 2009 due to the interest this field has generated from the review of the work done in 2009 comparing the period of 2000 to 2009 and 1990 to 2000 (Rauch et al., 2009). The challenge has been the different views of the relationship between firm performance and entrepreneurship or forms of entrepreneurship for example EO (Andersén, 2010; Wiklund & Shepherd, 2011). This ambiguity has been further exacerbated by the different views on the definitions of entrepreneurship and of what constitutes firm performance (success or failure) whether one defines performance using the financial aspects and which performance measures or the non-financial aspects of the business (Zahra, 1993; Andersén, 2010; Gorgievski, Ascalon, & Stephan, 2011).

Focussing on the definition of entrepreneurship, citing Reynolds, et al, (1999), Herrington et al., (2015, p.10) defined entrepreneurship as "any attempt at new business or new venture creation, such as self-employment, a new business organisation, or the expansion of an existing business, by an individual, a team of individuals, or an established business". In 2013, Carlsson et al., (2013, p.914) on the other hand defined entrepreneurship as "primarily an **economic function** that is carried out by individuals, entrepreneurs, acting independently or within organizations, to perceive and create new opportunities and to introduce their ideas into the market, under uncertainty, by making decisions about location, product design, resource use, institutions, and reward systems". The definition is similar to that put forward by

Herrington et al., (2015, p.10) with the added components of the internal and the external environment coupled with the organisation's strategy and unique offerings. But still the essence of what entrepreneurship entails resonates the same as in the 1990's into the 2000's.

A closer inspection of the selected two definitions reflects two key components more linked to a broader audience, whether at individual, organisational or countrywide. These are the economic benefits and the value creation components of entrepreneurship and how that is created. Branching out of this have been concepts of entrepreneurial opportunity (Hansen, Shrader, & Monllor (2011)) and international entrepreneurship for which and corporate entrepreneurship for which Zahra (1993) advocated as missing in the Covin & Slevin (1991) paper on entrepreneurship seen as firm level behaviour. Due to its link to firm performance, the concept of Entrepreneurial Orientation (EO) has been developed. EO was introduced by Covin & Slevin (1991) as the focal point of firm performance since the early 1990s referring to EO as the entrepreneurial posture of the firm which the authors believed was behaviour rather than individual attributes. These behaviours were undertaken by the firm as a collective or an individual in the firm through actions in doing something.

Arief et al., (2013) referred to **entrepreneurial orientation** (EO) as the decision making processing in the organisation. The authors found a positive relationship between entrepreneurial orientation and SME performance. The performance of a business can therefore determine how long the business can survive. Thongvanh, Sasiwemon, & Meta (2014) discussed entrepreneurial orientation as concepts of risk taking, innovativeness and pro-activeness of the business. Competitive aggressiveness and anatomy have been included by Lechner & Gudmundsson (2014) in the definition of EO though recent literature has been silent on these two. Though a relationship seemed to have existed between EO and performance, this relation is believed to be moderated by influencing variables or unobserved internal variables in addition to EO dimensions supporting different businesses strategies (Lechner & Gudmundsson, 2014).

2.3. Entrepreneurial Orientation (EO) framework and business performance

The nature and complexity of entrepreneurship and its relationship to firm performance has spanned decades warranting continuous research in the field of business performance. Rauch et al., (2009, p.72) indicate that “”More than 100 studies of EO have been conducted, which has led to wide acceptance of the conceptual meaning and relevance of the concept” of EO and its relevancy to entrepreneurial literature.

In the 1990’s, Covin & Slevin (1991) referred to EO as the firm’s entrepreneurial posture and explored its association with performance. Zahra (1993) relooked at the EO model with the intention of refining and extending it and arguing that it lacked specificity on various aspects of EO and its relationship with increased firm performance before it became detrimental to financial performance. The author argued for specificity of the model on firm level analysis of firm performance, the different prioritises and intensities of EO and the role of intrapreneurship. The author further suggested the inclusion of non-financial aspects of increased entrepreneurship to firm performance. The non-financial aspects included increased employee motivation and low employee turnover.

Rauch et al. (2009) further reviewed the EO concept on its relationship with business performance as well as moderating variables of this relationship. Business size, industry and high technology were found to moderate the relationship between EO and performance. Firm culture, an aspect of organisational design, was found not to be significant. Covin & Lumpkin (2011) revisited the debate on EO focussing on EO as a behavioural construct and EO considering performance at firm level and the debate on the uni-dimensionality or multidimensionality of the EO constructs. Covin & Wales (2012) specifically focused on the unidimensional and multidimensional of EO and concurred with Covin & Lumpkin (2011) that each dimension is conceptually fundamentally different in measuring EO.

It can therefore be inferred that the EO concept still remains an important and relevant concept in entrepreneurship studies particularly regarding its relationship to firm performance and ultimately firm survival in business.

The relationship between EO and firm performance has been found to be moderated by other variables (Lechner & Gudmundsson, 2014). Pro-activeness had no significant impact on differentiation and cost leadership; innovativeness had a significant positive impact on differentiation and risk taking had a significant negative impact on differentiation and cost leadership (Lechner & Gudmundsson, 2014).

The three EO dimensions interlink with various factors on business performance either positively or negatively. Various studies indicate links with EO dimensions. Brettel &

Rottenberger (2013) established a link between EO and learning processes contributing to the business survival and performance. For example, SMEs start where an owner's individual attributes are dominant in driving the strategy of the business at inception. However, as the business evolves, team processes take prominence and continuous learning process, moderated by business innovativeness, pro-activeness and risk taking, occurs through team processes.

As EO studies have demonstrated its link to performance, the concept draws on the issue that is does not operate in isolation as the EO-performance is moderated by other performance influence variables. As such the discussion expands to theory on other frameworks on business performance and ultimately survival.

2.4. Identification of success factors to business performance

Studies of success factors focussing only on South Africa to allow for context were limited. Therefore literature covered different contexts of business' critical success factors for survival stemming from early entrepreneurship studies. As far back as 1995, good management, government support, access to finance and the personal attributes were ranked critical to business success (Yusuf, 1995). Lussier (1995) developed a model/framework with 15 factors which different authors refer to it by various name. This report will refer to the model as the Lussier 15 variable success versus failure prediction model. The model was deemed to predict business failure or success. Lussier, (1995) tested the model based on non-financial qualitative and quantitative management factors. The model indicated that success or failure of businesses depended on planning, professional advice, staffing and education (Lussier & Pfeifer, 2000). Lussier & Halabi (2010) tested the model on Chilean businesses and compared it with the Lussier (1995) and Lussier & Pfeifer's (2000) findings. The study validated the model Lussier (1995) paper in predicting business failure or success with planning significantly differentiating between business failure and success (Lussier & Halabi, 2010). In 2014, Halabí & Lussier, (2014) modified the model to include internet which was previously not in the (Lussier, 1995) model and excluded minority which was not relevant for the context and also variables that were highly correlated variables such as industry experience, managerial experience, professional advisors, staffing, product or service timing and economic timing. The resultant model predicted that planning and formal education were no longer significant predictors of business performance, a modification to the Lussier 15 variable success versus failure prediction Model. Lussier was also successful in predicting success or failure of Israel businesses (Marom &

Lussier, 2014). In most literature on business success, the Lussier model has been widely used and below is a table showing the factors in the original Lussier model (Lussier, 1995).

Table 1: Lussier's 15 Factor Success versus failure prediction model variables

EXPLANATION OF SUCCESS VERSUS FAILURE VARIABLES
Capital (capt). Businesses that start undercapitalized have a greater chance of failure than firms that start with adequate capital.
Record keeping and financial control (rkfc). Businesses that do not keep updated and accurate records and do not use adequate financial controls have a greater chance of failure than firms that do. Industry Experience (inex). Businesses managed by people without prior industry experience have a greater chance of failure than firms managed by people with prior industry experience. Management Experience (maex). Businesses managed by people without prior management experience have a greater chance of failure than firms that are managed by people with prior management experience.
Planning (plan). Businesses that do not develop specific business plans have a greater chance of failure than firms that do.
Professional Advisors (prad). Businesses that do not use professional advisors have a greater chance of failure than firms using professional advisors.
Education (educ). People without any college education who start a business have a greater chance of failure than people with one or more years of college education. Staffing (staff). Businesses that cannot attract and retain quality employees have a greater chance of failure than firms that can.
Product/Service Timing (psti). Businesses that select products/services that are too new or too old have a greater chance of failure than firms that select products/services that are in the growth stage.
Economic Timing (ecti). Businesses that start during a recession have a greater chance of failure than firms that start during expansion periods.
Age (age). Younger people who start a business have a greater chance of failure than older people starting a business.
Partners (part). A business started by one person has a greater chance of failure than a firm started by more than one person.
Parents (pent). Business owners whose parents did not own a business have a greater chance of failure than owners whose parents did own a business.
Minority (mior). Minorities have a greater chance of failure than nonminorities.
Marketing (mrkt). Business owners without marketing skills have.a greater chance of failure than owners with marketing skills.

Source: (Lussier, 1995)

Rogoff, Lee, & Suh, (2004) also tested several factors that contributed to or impeded business success. These included individual characteristics, management issues, financing issues, marketing, human resource issues, economic conditions, product characteristics, and competition, regulation, technology and environment factors. Internal factors correlated more with success whereas external ones were more aligned with impending business success (Rogoff et al., 2004). Managerial human capital and start-up capital possessed by the owner contributed towards the firm's survival during the first years of business (Cressy, 2006) particularly with regard to risk averseness and resource management experience.

Shonesy & Gulbro (1998) reviewed literature on reasons contributing to small business successes. Their intention was to draw focus away from small business failures as most studies on small business had done. The authors established that the reasons for small business success could be grouped into strategic issues, demographics and owner characteristics. They cautioned that as firms were different, their findings were not a one size fit all solution but rather some or all the factors identified in the paper could have a contributory aspect to small business success.

A study that looked at SMME including some SMEs in the USA by Monahan, Shah, & Mattare (2011) cited the state of the economy, a trained workforce for SMME with higher turnover, more education, especially for women, and penetrating a new market as critical to the success of an SMME. This was less so for mature SMME's.

In a study of Turkish business, (Benzing et al., 2009) found that critical success factors included entrepreneurs' reputation for honesty and friendliness, social skills and good customer services. The aspects of national values reflected clearly on what was considered as good business practise as Turkey is mainly a Muslim country.

The challenge with research on critical success factors of businesses has been that no theory has emerged so far. A model that has successfully been tested across different contexts has been the Lussier 15 variable success versus failure prediction Model (Marom & Lussier, 2014). Justifiably so, this might have propelled literature in entrepreneurship and small business success and failure, progressing more into the detailed research in each of the factors deemed critical for business success.

2.5. Business Ownership and Survival

The entrepreneur as the starter and originator of business ideas and their impact on the business and its growth has been a focus in literature. Literature acknowledges the dominance of the owner, at the start of the business. As the business evolves, the strategy of the business starts to reflect the involvement of diverse stakeholders and the impact of internal and external factors begin to impact business performance and survival potential. Hussain Naqvi (2011), however, points out that the individual characteristics of owners should not be dismissed as they play a significant role in the success of the business as they benefit from the owner's previous experience (. In addition, personal characteristics such as gender, where female entrepreneurs face different challenges compared to their male counterparts have an impact on the success and failure of a business. Business ownership specifically focussing on family owned ventures appear to be affected by strong value systems and legacies which might impact negatively or positively on the business.

2.5.1. **Owner Individual characteristics**

Lussier 15 variable success versus failure prediction Model captured business owner or manager's age, education, prior industry and management experiences which could be described as individual characteristics or human capital (Halabí & Lussier, 2014). Boyer & Blazy (2014) linked human capital of older entrepreneurs, compared men to women, employment prior to the business inception, and specific human capital in the form of prior specific industry professional experience to firm sustainability for innovative and non-innovative firms. Having a business plan was not significant for firm survival though it might be a key component at business inception. The study also linked one of the EO dimensions of innovativeness to critical success factors. The innovativeness of the firm was defined as introducing newness to the marketplace for example, new product or processes, new services or commercial activity (Boyer & Blazy, 2014). Innovation destabilises the market by enabling a firm to lead by gaining market share. A bigger market increases sales thereby increasing profits creating sustainability for the business.

A critical review of the success and business performance by Simpson, Padmore, & Newman (2012) yielded a conceptual model of critical success factor as depicted below. From the findings, the reasons for starting a business played a critical role to continued sustainability in the business which tallied with the entrepreneur's ability to identifying opportunity and explore or exploit opportunities with the possibility of improving on performance through increased sales.

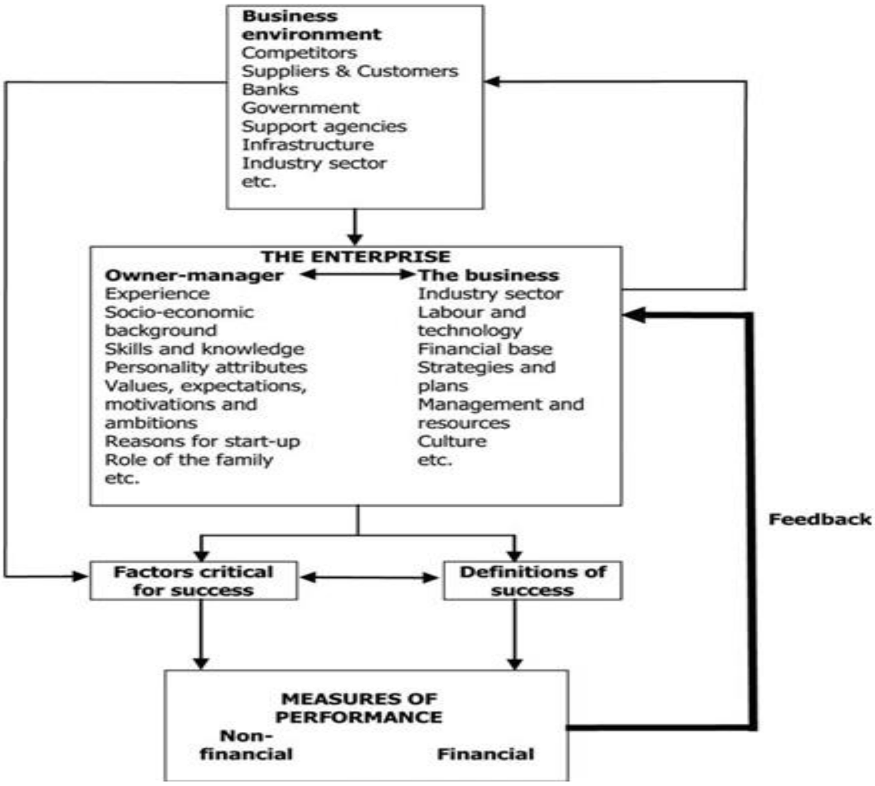


Figure 1: Conceptual model of critical success factors for business performance by Simpson, Padmore & Newman

Source: (Simpson, Padmore & Newman, 2012)

A paper by Farmer, Yao, & Kung-Mcintyre (2011) looked at how entrepreneurs viewed themselves and how this had an impact on their exploring or exploiting entrepreneurial actions. One such finding of the interaction between identity aspiration and past start-up experience on exploitation was the need for prior experience to be able to assemble resources. Discovery is about creativity though they cautioned that prior experience can be a convoluted and multifaceted concept. In another paper by Gabrielsson & Politis (2011), prior start-up experience moderated the relationship between an entrepreneur's career options and the decision making in spiral-minded individuals who were more inclined to wanting to develop and deepen their skills, talent and knowledge over a period time whilst exploring for new opportunities using the experience from past work.

Entrepreneurs should be able to evolve as the business evolves. The originator of the idea who is the entrepreneur still plays a critical role at all stages of the business although this is more at the inception of the business and lesser at the growth stage where more role players are involved. S. Mueller, Volery, & von Siemens (2012) studied two groups of entrepreneurs, those at the inception stage and those at the mature stage. The results showed some activities such as continuously exploiting opportunities as common between the groups. However, the differences were reflective of the organisational changes as the entrepreneur at the mature/growth stage were more focussed on managing and communicating as opposed to start-up entrepreneurs who were more focused on doing.

By using the resource-based theory focussing on human capital, Soriano & Castrogiovanni (2012), education had a positive impact on profitability though this differed with the type of knowledge. Prior industry-specific knowledge had a positive impact on profitability and no impact after business has been acquired and functioning. Whereas the general business knowledge acquired when the business was operational had a positive impact on performance. Therefore it is about timing and which education or knowledge has an impact on performance at that point as different knowledge serves different purposes. Prior industry knowledge gets you going and business knowledge makes you agile and cognisance of what needs to change. No relationship was found between having previously worked in the same industry with profitability but was positive for productivity (Soriano & Castrogiovanni, 2012)

In the same paper, having CEO-owners in the circle of advisors had a positive influence on profitability and productivity if the CEO-owner advisor was unsuccessful but negative relationship for the successful CEO-Owner advisors. The unsuccessful would highlight the pitfalls to avoid in business hence the entrepreneur is aware whereas the successful might give false positive-ness which might have a detrimental effect (Soriano & Castrogiovanni, 2012).

2.5.2. **Family ownership and succession planning**

The focus on family ownership, specifically generational analysis of business, resonated with the focus on business survival in the sense that, continuity within the business, the effects of managerial team, changes of leadership and effects that had on business survival as key from generation to generation. Focusing on the impact of generational ownership of business becomes apparent for firm survival although internal and external factors might show different influences in each generational period.

How businesses remain competitive from generation to generation is important for firm survival. Cruz & Nordqvist, (2012) concluded that the EO impact was moderated by the different generational aspects with first generation being more of the entrepreneur's intuitive thinking for strategizing on business focus, whereas the second generation owners began to take into consideration the external environment and the third generation and beyond focused more on managing the formal structures and processes, having more of an influence on the business and the strategy thereof. However, a study by Zellweger & Sieger, (2012) observed that low or medium EO to be the characteristics of family owned firms which the authors pointed out contradicted past research which suggested that high EO equated to firm survival. The authors argued that EO was not a necessary condition for long term success. On the other hand, Kellermanns, Eddleston, Sarathy, & Murphy (2012) noted that higher innovativeness in family firms was associated with greater performance. There seems to be no consensus in literature that family owned firm performance was related to EO. The interest in family owned firms emanates from the longevity aspect of the businesses. One such dimension reflected in the study was the generational dispersion of ownership where one-generation ownership had the strongest relationship between innovativeness and firm performance whereas in multigenerational ownership, this relationship was reduced.

Family-owned firm performance and longevity seem to contribute to various factors including social capital and relational capital maintained over different generations. Wilson, Wright, & Scholes, (2013, p.1370) identifies this as survivability capitalis "the combination of the unique human, social, and patient capital (i.e., long term) resources in family firms and distinguishes them significantly from nonfamily firms". There are positives and negatives to family owned firms' longevity and performance.

2.5.3. **Gender effects on entrepreneurial participation**

The issue of gender continues to be of interest due to societal value systems within communities and countries due to differences in the physiological makeup, the country's values system and how that spills over to business. The United Nations' millennium goal 3 promotes gender equality and empower women from equal access to school to employment in the workplace and ultimately to business (United Nations, 2015). Gender inequality issues have also been drafted in organisations, country and international policies necessitating debate around the issue (Bandiera & Natraj, 2013). This raises the question of whether gender has an effect on SMEs survival. Overwhelmingly, the participation of women in entrepreneurship activities has been shown to be low due to a wide range of factors from choice to issues of barrier (Klapper

& Parker, 2011). Working from a low base of women participation in entrepreneurial activities, the situation is further exacerbated by the experiences women face regarding gender differentials.

Bardasi, Sabarwal, & Terrell, (2011) argued the constraint-driven perspective and the preference-driven gap. Klapper & Parker, (2011) use the term constraint and choices or “nurture” and “nature”. The constraint driven gap entailed differences due to constraints within the system ranging from finance to the interactions with government in business which disadvantaged women due to entry barriers. The preferences driven perspectives were the motivations of entrepreneurs hence driving the choices the different genders portrayed. The two perspectives add to whether there are real gender differences and if so, at what extent, level and point.

Literature shows that the differentials in gender industry specifics may be explained by barriers women face when starting up a business. A paper by Klapper & Parker, (2011) indicates that women were more inclined to be in the labour intensive industries than the capital intensive ones due to inability to access finance.

Kalnins & Williams, (2014) argued that though most of the literature suggests that male owned businesses outlived female owned ones or some showing no difference, this is dependent on **geography** and **industry** of the business. Kalnins & Williams, (2014) also disputed the notion that female businesses had a higher failure rate but suggested that geography and industry choice played a vital role in determining whether a business would survive. Robb & Watson (2012) noted that previous studies on gender and business performance or business survival omitted key variables such as **business size** and **risk**. Their study concluded that there were no differences in business survival between male and female owned businesses. The article by Marlow & McAdam, (2013) also challenged the notion that women-owned business underperformed. The article further calls for more debate on the underlying factors affecting the women owned business, the characteristics of the business and not be based on the biases that women entrepreneurs were “flawed entrepreneurs” (Marlow & McAdam, 2013).

2.5.4. **Previous business failure as a moderator of business success**

“Learning from failure is a complicated process operating in a complex environment”, (B. A. Mueller & Shepherd, 2014, p.20). Some authors argue that the popular notion of learning from failure might be flawed. They argue that learning can be moderated and affected by the cognitive biases(Madsen & Desai, 2010). From interviewing entrepreneurs who had failed, Cope (2011) found that though the financial impact was detrimental, the emotional aspect was more impactful. Therefore if an entrepreneur was considering a comeback, the emotional and cognitive aspects were critical to motivate them to start again. Kolb (1984) cited in Mueller & Shepherd (2014, p.20), noted "experiential learning as being a process where experience is transformed into knowledge".

Yamakawa, Peng, & Deeds, (2015), using the cognitive theories of attribution and motivation analysed small businesses in Japan. The number of previous failures had no bearing on the new ventures. However, the research showed the effect of cognition of the entrepreneur where entrepreneurs attributed their failure to internal attribution. However moderated by the number of failures, the subsequent venture businesses showed growth as well as intrinsic motivation prompting the entrepreneur to start again.

Mueller & Shepherd, (2014, p.20) concluded that "Cognitive tools such as opportunity prototypes and an intuitive cognitive style may be critical pieces of a "cognitive toolset" that better enable entrepreneurs to learn from their failure experiences". They were looking at the relationship between business failure and opportunity identification. One of the respondents in Cope's (2011, p.12) study discovered that his instincts were good from doing a self-reflection after failure. In addition, the learning from the same author was the importance of network, strategically managing the venture capitals and networks, relationships and partnerships that were of importance and value.

2.6. Dynamic capabilities as a necessity to business survival

One of the dimensions of the EO is business innovation. To be innovative necessitates a business to build the capabilities and flexibilities needed. Arend (2013), notes that although smaller businesses had less competitive advantages compared to larger firms, building dynamic capabilities at the early stages of a business was found to be important in establishing a niche in the market and building aspects that separate the business from competitors (the differentiators). In his other paper, Arend (2014) looked at dynamic capabilities focussing on ethics in relation to business sustainability. Focussing on ethics ensured legitimacy of the business with different stakeholders (customers, suppliers, communities) and ultimately ensuring business survival.

Uhlaner, Stel, Duplat, & Zhou (2012) focused on **organisational capabilities** exploring external sourcing and employee engagement. They noted that external networks involving knowledge sharing and collaborating with other small businesses had direct and cumulative benefits on innovation. Wilden, Gudergan, Nielsen, & Lings, (2013) explored the internal and external fit of an organisation and how it impacted on organisational performance found that the structure of an organisation had an impact on the dynamic capabilities of the organisation and its performance. A firm's organisational structure, culture, human resources, technological resources, innovation, image and reputation, products/service variety and flexibility were some of the internal factors that have been explored in literature.

2.7. Human and social capital and relation to business performance

Human capital measured as individual characteristics encompassed learning capabilities, educational background, and prior experience before the venturing into entrepreneurship contribute to firm performance and survival. Santarelli & Tran, (2013) highlighted these as either strong (relational embededness) or weak ties. Research has shown that a multiphase of different components that work together for firm performance and ultimately survival contribute to organisational sustainability. These factors differentiate and separate firms that survive and firms that fail. Capital as an ingredient necessary for organisational performance can be divided into human and social capital. With the world forever evolving, technologically advanced economies, the interplay of capital with entrepreneurship is key in determining how entrepreneurs quickly adapt and learn novel ways of conducting business.

In their study on human and social capital, Santarelli & Tran, (2013) showed that a positive correlation existed between the success of the entrepreneurial business and human capital in the form of education, learning and industry experience. Innovation in products and processes had a positive influence of firm performance. Investing and cognisance of the positive effect of human capital, can positively contribute to firm performance and extend the longevity of a firm. Formal business networks also had a positive relationship with firm performance. Schoonjans, Van Cauwenberge, & Vander Bauwhede, (2013)) conceded that formal business networks contributed to firm value added and net asset growth when they looked at SMEs that had participated in government supported programs. Benzing et al., (2009, p.85) concluded that membership to associations is key to business success as "Business associations provide the structure and support for successful lobbying activities" and training.

2.8. Market Orientation and firm performance

Market orientation is a concept used in product development for a business to distinguish itself or be a market leader in terms of providing value to customers through continuously innovating itself and offering value. Within market orientation customer orientation (CO), competition orientation and cross functional cooperation there are highlighted in literature as forming the dimensions of this concept (Wong & Tong, 2013).

Wong & Tong, (2013) studied Customer Orientation and Cross functional cooperation specifically focusing on Research and Development and Marketing cooperation on the success of a new product. The result was that both dimensions had a positive influence on the success of a new product though the customer orientation effect played a moderating role on the relationship between R&D and Marketing Orientation and new product success. The authors found that “new products of a customer orientated firm have higher chances of success” (Wong & Tong, 2013, p.6)

Brockman, Jones, & Becherer (2012) linked customer orientation to EO and showed that business performance correlated positively with customer orientation providing a competitive advantage. This was moderated by the increase in the three EO dimensions including innovation.

Focus on customers by SMEs was reemphasised by Healy & O’Dwyer, (2014) in product development on product advantage, opposing large firms who sought superiority of product. Additionally, product success as measured by customer acceptance of product was reflected for both big and small firms however big firms additionally used market level indicators. Noticeable was the non-significance effect of product innovation as a form of product advantage. Rosenbusch, Brinckmann, & Bausch (2011)concur that SMEs seem to benefit more on being strategically innovative oriented than creating innovative products.

SMEs experience liability of newness and smallness prompting some SMEs to collaborate with well-resourced big firms. Leveraging on these collaborations could potentially benefit SMEs. However, due to the power exerted by bigger firms, SMEs would rather focus on internal innovation rather than external innovation through collaborations (Rosenbusch et al.,2011).

2.9. Summary of the literature review

The review of the literature unearthed the multifaceted nature of the business environment in which small businesses operate. In particular, how different facets of the business are interlinked. The literature established the changing world of entrepreneurship from its definition to the different forms of entrepreneurship including EO which is the focus of this research. The EO showed its evolving nature on its relation with firm performance and how this is moderated by other variables. The field of entrepreneurship and business spanned other arms of research which focused on business performance and failure on the critical factors for business. Lussier's 15 Factor Critical Success versus Failure Prediction Model or framework has been prominent as it has been tested in various contexts (Halabí & Lussier, 2014; Lussier & Pfeifer, 2000; Lussier & Sonfield, 2010; Lussier & Halabi, 2010;Lussier, 1995)

The literature revealed the fragmented nature of the field due to different perspectives which impact on business performance including owner attributes looking at motivations for starting a business, the resource view on the importance of human and social capital and the marketing lens on product development. This background indicates the challenges SMEs might have in trying to understand the various facets of businesses that yield success and ultimately longevity. The next chapter frames the research questions this study has generated.

3. Chapter Three: Research Questions

3.1. Introduction to research questions

There is a need for a concise, synthesised and comprehensive view and possibly a framework that can identify critical factors that can prolong the survival and sustainability in business of SMEs, across different sectors and industries. This research focuses, on SMEs in the entrepreneurship realm and concretises EO concepts in SMEs sustainability.

The literature review expanded on the definition of entrepreneurship (Carlsson et al., (2013);Herrington et al., (2015)), the relationship of EO to business performance (Covin & Slevin, (1991);(Arief et al., (2013)and the various factors impacting on performance by exploring the Lussier Model of 1995 (Lussier, 1995) and other authors views on the subject. The literature also described the challenge of measuring performance in conducting these research of business performance from as early as 1993 (Zahra, 1993) on whether business performance should be a financial measure or a non-financial as well as other forms of entrepreneurship besides EO, the impact on business performance. Financial measures could be profitability or growth, Return on Investment which most cases is deemed an “objective” measure used widely in business reflected in financial statements. However focussing on one aspect and foregoing the non-financial can give a flawed view of business performance. For example, a business can grow be grow fast but eventually die due to lack of financial resources which can be due to poor business acumen for example. Non-financial aspects can include low employee turnover and high levels of personal fulfilment which can be challenging to measure.

The research is focussing on sustainability of businesses necessitating that both the financial and the non-financial aspects be taken into consideration. If then age of the small business can be seen as contributing to net employment (Ayyagari et al., 2011) and infer success of the business , what then has sustained the business would be a question to explore on the backdrop of high mortality rates of small businesses. The literature review provided with various authors research and findings on factors deemed critical for business success.

The urgency therefore is to understand and sift through the multitude of factors for this cohort of businesses of age 10 years and beyond, for the South African context, on what the businesses owners deem as critical applying the frameworks from current literature.

Businesses are unique on various characteristics. Small business starts with an individual owner with funding usually from family or friends. Depending on the strategy of the business, some remain as family owned, whereas others have the shareholders therefore, to understand the views from the owners, it is important to understand context. Context regarding size of business also play a moderating role through businesses adopting different strategies. Gender also seem to play a critical role in business performance with low participation of females due to several barriers (Klapper & Parker, 2011). Failure of businesses as highlighted by the Minister of small business (Zulu, 2014) is a reality, for which understanding the business attempting again and managing to survive is key to this research.

Drawing on the literature and the rationale for the research, four research questions were framed.

3.2. Research question 1

What factors do SMEs perceive as critical for their success survival over a period of 10 years in business?

3.3. Research question 2

Are there differences in SME views on what constitutes factors critical to their sustainability, on size of SME (defined by turnover), family ownership and the industry?

3.4. Research question 3

Do males and females perceive the factors critical to SME success and survival differently?

3.5. Research question 4

For a business that has failed before, are the critical factors towards SME survival different from those of the businesses that had never failed?

4. Chapter Four: Research methodology

4.1. Introduction

Chapter 1 described the nature of the business environment focussing on the role SMEs and entrepreneurship play in the economy of a country; the challenges faced by SMEs which result in high failure rates during the early years of business inception. The chapter also looked at the relevancy of this research focussing on what was critical for SMEs to survive. By analysing the current literature on business performance and longevity in Chapter 2, themes emerged on factors contributing to business success and ultimately longevity. By drawing on the current gaps in literature in the areas of entrepreneurship where information is still fragmented with no one framework on what constitutes business success and sustainability, four research questions were developed and presented in Chapter 3.

For the research questions to be answered, views were sought from SMEs owners to understand from their perspective what they deemed critical for their survival in business. This chapter describes the process and research methodology followed in sourcing the views from the SMEs. The chapter describes the research design chosen, the population considered, the determination of sample size, the sampling technique used, the designing of the survey instrument, the data collection process, the analysis of data collected and the limitations of the study.

4.2. Research design

The research sought to explore critical success factors for SME survival. A **quantitative cross sectional research design**, defined as "the study of a particular topic at a particular time, i.e. a snapshot", (Saunders & Lewis, 2012, p.123)(Saunders & Lewis, 2012, p.123). A survey strategy was the most appropriate research design for this research. The rationale was that in a quantitative cross sectional research study, the researcher is able to quantify the extent to which the factors under consideration are critical to SMEs business survival and how these factors are interlinked. Additionally, the design allowed for the pre-setting of questions to which the respondents had to respond to. This was done to control the content of the research without respondents attempting to provide responses outside the pre-set questions. These types of questions are widely referred to as close-ended questions.

Qualitative research design was considered limited on the ability to evaluate how the constructs or views were interlinked and also quantifying the nature of the problem through weighting of the views considered most critical for SME survival. The research design chosen allowed for quantifiable numerical data to be collected thus allowing tests of statistical significance to be conducted to answer the research questions.

The research sought to identify critical factors deemed necessary for SME survival through the lens of the SME owner. Therefore, this was a perception study. The research did not seek to show inference or causality hence it is a descriptive, formative study seeking to show relationships. The intentions of this study was to form the basis for future research that could show causality between the critical factors for SME survival and the measure of success of the business and ultimately longevity e.g. through a longitudinal study.

4.3. Population

The universe for this study was all SME owners/CEO/Managing directors/Senior Managers within Johannesburg Municipality with 10 years or more in business. The survey was limited to Johannesburg Municipality for several reasons. One was due to anticipated difficulties regarding access to information, a physical distribution of the questionnaire was anticipated as the sampling was convenience sampling. It was for ease of access of the business. Secondly Gauteng as a province contributes the most towards the country‘s GDP (Gauteng Provincial Government, 2015). Therefore the businesses fitting my criteria were more likely to have been concentrated in Johannesburg. Thirdly, businesses can differ across regions based on context, therefore it is important to narrow down the focus for a more accurate reflection of the phenomenon under investigation (Shonesy & Gulbro, 1998).

The definition of an SME was defined based on the South African context. SMEs adopt different definitions across different regions and context. For example, in a report on how South Africa can support SMEs from lessons learnt from Brazil and India, the report showed differences in definitions of SMEs (Timm, 2011). The National Small Business Act of South Africa Act No. 102 of 1996, as amended in 2004, describes an SME as a “separate distinct entity including cooperative enterprises and non-governmental organisations managed by one owner or more, including branches or subsidiaries if any is predominately carried out in any sector or subsector of the economy mentioned in the schedule of size standards and can be classified as SME by satisfying the criteria mentioned in the schedule of size standards” (*Government Gazette*, 2004). The schedule of size standards defines SMEs in the form of number of employees and company annual turnover which varies for different sectors. For this study, the SME definition for the population adopted was a company with between 10 and 200 employees.

4.4. Sampling

The sampling frame, defined by Saunders & Lewis (2012, p.133) as "the complete list of all members of the total population", for the study was a list of all SMEs businesses registered in Johannesburg, Gauteng. The researcher consulted with various government departments (Department of Trade and Industry (DTI)), Gauteng Finance, Small Business Development Ministry, City of Johannesburg (COJ)) and agencies supporting small businesses (SEDA, GEP, JCCI, The Business Place) regarding accessing the complete list of all Gauteng SMEs. Most organisations had part of the list or possessed lists of SMMEs which due to privacy laws, were not accessible. Therefore a convenience sampling method, "a type of non-probability sampling in which the sample the researcher uses is those who are easy to obtain rather than because of their appropriateness" (Saunders & Lewis, 2012, p140) was adopted.

The research targeted owners or CEO's of the small businesses that had been in business for 10 or more years. However, exceptions were allowed for person(s) in senior management who have been with the business for at least five years and are decision makers within the business. The criteria of senior management with at least five years in the organisations was chosen to ensure that the information provided about the business would be detailed and informative as opposed to a newly appointed employee with limited knowledge of the business.

Theory on sample size determination identifies two considerations, statistical and non-statistical (Bartlett, Kotrlik, & Higgins, 2001). Statistical considerations pose issues of precision (the sampling error) in terms of the prevalence of the phenomenon under study, the confidence levels for which the prevalence would lie if the process/ research study is repeated many times and the degree of variability of the subjects of the phenomenon under study(Bartlett et al., (2001); Lenth (2001)). The non-statistical considerations are based on resource availability (time, budget, fieldworkers) and the availability of the sampling frame.

Due to the unavailability of sampling frame of the SMEs to allow for the calculation of the phenomenon under study in terms of the size of the sector (SME's that have survived 10 years and beyond) and the limited resources in terms of time and budget, the study employed non-statistical considerations in determining sample size through the use of the rule of thumb. Vanvoorhis & Morgan, (2007) described conducted an in-depth analysis of various studies that applied rules of thumb to determine sample size. For tests of associations, the paper determined the rule of thumb equation as 50+8m where 50 represented the minimum sample size for correlation analysis and m as the number of independent variables (Vanvoorhis & Morgan, 2007).

For this research, the questionnaire consisted of 29 independent variables (excluding the demographic information), the approximate sample size therefore was determined as 50+ (8*29) =282 cases. The paper further discussed the general rule of thumb of sample size calculation for conducting factor analysis as a constant 300 cases. The rules of thumb from (VanVoorhis & Morgan, 2007) will be used as the appropriate target sample size for this study. Factor analysis will be used for analysing factors that are deemed to be critical for business survival. However, in a paper by Vittinghoff & McCulloch (2007), the authors critiqued the rule of thumb of a minimum of 10 cases per variable as being too conservative. The authors argued that discarding the rules of thumb of 5-9 cases per variable might not be justifiable and should be considered in certain contexts. Bartlett et al., (2001) conceded to the application of rule of thumb, but indicated that caution should be taken by using 5 as the minimum ratio of questions to respondents. The possible targeted sample size for this study could therefore lie between 145 and 300 cases (VanVoorhis & Morgan, 2007; Vittinghoff & McCulloch, 2007).

Due to the inaccessibility of the sampling frame regarding privacy issues on accessing any form of a list of possible SMEs and therefore the demographic information about the SMEs, a conservative approach for calculating sample size was used and deemed appropriate. A target sample size for the research was therefore 145 respondents.

4.5. Unit of Analysis

The unit of analysis for this study was an individual SME owner/CEO/Senior manager opinion with decision making powers in the business of an SME that has been in business for 10 years or more.

4.6. Survey Design

A questionnaire, “a general term that includes all methods of data collection in which each person is asked the same set of questions in the same order”, Saunders & Lewis, (2012, p.141), was developed based on entrepreneurship literature on SME survival, performance and critical success factors. Cognisance of the research questions from this study informed the designing of the questionnaire and the data collection method. Literature in survey design points out that the quality of the research findings in quantitative studies is determined by the quality of the survey instrument (questionnaire) whether the questionnaire was designed and checked against the research questions. By using literature on SME performance, survival and failure, key themes emerged which then formed part of the questionnaire. The research fused and adopted themes from Lussier's 15 factor success versus failure prediction model (Lussier, 1995) and dimensions and concepts from the Entrepreneurship Orientation (EO) frameworks on the three widely used dimensions.

The questionnaire was divided into four sections. Majority of the questions were close-ended questions with a few open-ended ones. One key open-ended question was provided at the end of the questionnaire allowing respondents to capture detailed information on other factors omitted from the predefined questionnaires and also to provide any other feedback e.g. quality of responses. In addition, questions were carefully chosen to minimise designing a long winded questionnaire which might have caused respondents difficulties in completing it.

The questionnaire was designed using widely-accepted online survey software, (Survey Monkey, 2015) which had the required attributes for this research such as the ability to build selection criteria. The questionnaire is attached in appendices A. Below are the details for each of the four sections in the questionnaire.

4.6.1. **Section 1: Introduction**

This section served as an introductory section to the research study. It included the contact details of the researcher and supervisor to maintain transparency. The section clearly specified to the respondent of the voluntary nature of participation with no incentive offered for participating. The section further provided the respondent with some background to the study.

4.6.2. **Section 2: The selection criteria for the study**

The non-availability of a complete list of SMEs prompted the inclusion of this section in the questionnaire. The relevancy of this section was to screen respondents on the selection criteria of an SME with 10 or more years in business and with 10 or more employees but less than 200 and if senior manager should have been with the business for at least five years. Reliability and reliance on the responses was therefore ensured through this process.

4.6.3. **Section 3: Demographics**

The demographics section of the questionnaire's purpose was to enhance the completeness of the information collected through firstly, the researcher describing the characteristics of the respondents, secondly, the researcher providing the reader with what the sample might not have included which could lead to biased reporting and lastly, the questions in this section allowed for comparisons between size and industry (research question 2), gender (research question 3), and businesses that have failed before (research question 4). Some questions such as what was the business inception year were asked for cross validation of the selection criteria.

4.6.4. **Section 4: Business Sustainability questions**

The business sustainability questions utilised the 5-point Likert scale format for respondents to rank whether the statement was in the affirmative, neutral or dissentient. The research sought to determine the extent to which identified factors from the literature were critical for business sustainability.

4.7. Pretesting of the questionnaire

The questionnaire was pretested with two people. Methods of data collection were also pretested. The following were adjusted based on the pretesting of the questionnaire:

- The questionnaire initially did not specify the definition of an SME which was causing confusion
- The question on annual turnover was initially open-ended which was then changed to categories due to the number of zeros respondents had to capture.
- The response from the identified respondents for online pretesting took a consideration amount of time to respond to the request for pretesting which pointed to the challenges of online surveys regarding response rate. No adjustments were done to the questionnaire, however, more effort to source different SME information e.g. banks website that support SMEs was done and also exploring different avenues for physically distributing the questionnaires.

4.8. Data collection

Data collection was conducted through a self-administered questionnaire. The data collection commenced after the research was approved by the ethical committee. Two data collection methods were used to ensure high response rate. The first method was done through posting the survey online by using the online software named survey monkey (Survey Monkey, 2015). This is a widely used application in surveys for data collection. The rational for this method was motivated by advances in technology where individuals could access emails through various devices anytime and anywhere e.g. mobile devices. Additionally, most of the questions were open closed–ended questions using the 5-point Likert-scale hence less ambiguity since this method of collection did not allow for face to face interviews. Additionally, this is a focused study; therefore closed–ended questions drew the focus of the respondent to the researcher's line of enquiry.

This data collection method was dependent on having access to email addresses of respondents. Due to the unavailability of a complete database and issues of privacy, by using the internet and accessing the website of companies where information about the SMEs was listed for advertising, awards, organisations supporting SMES, a database was recreated using the information on the websites. In some instances, where email addresses of the SMEs were not available, the websites for the respective SMEs was visited. The methodology though it yielded some results, had some drawbacks. Some websites had no complete information and though the email address was available, it was a generic enquiries email address and not the owner email address. This introduced self-selection bias for the owners that did receive the request for participation in the survey directly in their inbox. Some emails did bounce back. The online survey link was also forwarded to various small business partners to forward to their members since the companies could not provide the information for small business. One such partner included the link and the short description to my survey in an online newsletter.

The second method of data collection was through physical distribution of the questionnaires. This was conducted through different touch points of small businesses such as faires. The challenges coming with this method was that the faires were sponsored events warranting clearance and approval to distribute the questionnaire. One small business partner agreed to distribute the questionnaire as the SMEs visited the business offices. This method allowed for the immediate return of the completed questionnaires to allow for immediate data capturing.

A third method of phoning the SMEs was initially planned. However, due to the unavailability of the complete list of SMEs with company details, this method proved to be costly since it would have involved, phoning each and every possible SME and initially determining whether the SME fitted the criteria.

To ensure a high response rate, Dennis Jr. (2003) indicated that follow-ups were shown to be effective in contributing to improving response rate in mail surveys for small businesses owners. A weekly email reminder was sent to the respondents to complete the survey.

4.9. Data analysis

The survey monkey software allowed for the automatic data capturing as respondents completed the questionnaire minimising capture errors. Statistical software, IBM SPSS Statistics (a statistical software used for data analysis), was used for data analysis (IBM SPSS, 2015).

Data was downloaded from the survey monkey software in an excel format and imported into SPSS. Data cleaning and coding was completed to ensure the format was suitable for the planned statistical techniques to be performed. This included converting the Likert scale questions from text to numerical data as the factor analysis statistical tests required ordinal or scale data. Ordinal is a type of categorical data with a rank order (Saunders & Lewis, 2012, p.167). The open ended question on industry where the company industry did not fit the prescribed categories was recoded based on the researcher's knowledge to ensure that all responses fit in the predetermined categories. The inclusion of some questions asking the same issue e.g. business inception year allowed for data cleaning if there were some capture errors. By applying basic outlier detection methods on continuous through checking of minimum and maximum values, data was also checked for anomalies.

Descriptive statistics, means, medians, standard deviations and variances were generated to describe the cohort of respondents on measures of central tendency and measures of spread. Descriptive statistics allowed for evaluating the viability and assumptions of multivariate statistical tests.

The perceived success factors for SME survival were measured using a five-point Likert scale where a rating of 5 was strongly agree, 4 was agree, 3 was neutral, 2 was disagree and 1 was strongly disagree. The rating provided an inference of what constituted the critical factors as perceived by the SMEs. A higher rating was inferred to the factor being critical for SME survival and a lower rating inferred the factor not being critical for SME survival.

By using the raw means scores of survival analysis factors, factors that scored high were deemed critical for business analysis and those scoring low were deemed not critical for business survival.

Chapter 1 and 2 demonstrated the fragmented and lack of a framework for which critical factors for SME survival could be used as an indication of business success. Factor analysis is a statistical method is used to reduce a number of factors into fewer latent variables that are perceived to be the underlying phenomenon.

Factor analysis is a statistical method that is used to reduce a number of factors into fewer latent variables that are perceived to be the underlying phenomenon under study. Latent variables are hidden variables or factors that manifest from the data and are ultimately measuring a concept and in this study, measuring success factor for SME survival. Observed factors that are highly correlated and measuring the same concept are grouped together to form a latent variable. Before carrying out factor analysis a correlation analysis was conducted to determine correlations between the observed factors since factor analysis will not be viable if all observed factors are not correlated on at least one factor and have a correlation coefficient of less than 0.3 (Beaumont, 2012).

Further, the KMO and Bartlett Test of Sphericity were conducted. These are standard tests used to check whether principal component analysis of factor analysis could be carried out. A KMO value of above 0.8 is good and a p-value for the Bartlett shows significance of carrying out the factor analysis (Beaumont, 2012).

Test of reliability of the questions on survival of SMEs was conducted and the Cronbach's alpha determined. Interpreting the Cronbach alpha can be described as subjective as some researchers use experience and intuition to determine whether the alpha value is high or low. This was raised in the paper by Peterson (2015) which looked at various aspects of Cronbach alpha as a measure of reliability. A Cronbach alpha of 0.77 and above was perceived to be satisfactory though alphas of above 0.90 had to be interpreted with caution as they might reflect item redundancy. However no conclusive evidence was available on the assertion. The Cronbach's alpha for the study was 0.935 showing high reliability of the survival items questions.

To extract the factors, there are various methods used for which this study employed the principal component analysis which extracts much of the variance by reducing the data into fewer variables called components(Yong & Pearce, 2013). To determine the number of a scree plot was used. For ease of interpretation of components, factors are rotated and this research used the varimax method, which "minimises the number of variables that have high loadings on each factor and works to make the small loadings smaller"(Yong & Pearce, 2013, p.84).

For the determined components, a summated score was determined for each component by calculating the mean score of each component. The summated score was used to determine whether the component was critical for business or not critical depending on the highest ranking mean score. Research question 2 to 4 used the summated scores to test for differences where the Independent sample Mann Whitney U test was used for the analysis for demographic variables with two categories and the Kruskal Wallis test for variable with more than two categories. To conduct parametric statistics, assumptions such as the normality of data have to be met for the tests to be valid. The non-parametric statistics were of Kruskal Wallis test and Mann Whitney U test were therefore chosen to ensure reliability of the tests. Significance testing allows for checking whether the difference observed is due to chance or is a real difference and at what probability is the difference would have occurred by chance (Saunders & Lewis, 2012). A probability of 0.05 was used as a test of significance in all statistical tests.

Correlation coefficients between the summated scores was calculated to analyse the summated scores which were highly correlated as this further provided an insight into the new identified components from the principal component analysis exercise. The open-ended question was also analysed for any emerging themes from the owners' responses.

4.10. Data validity and reliability

Data validity and reliability was tested through the pilot study to determine whether the questionnaire was asking the right questions in the right way (no double barrelled questions), eliminated ambiguity and any errors. For example, testing the length of the questionnaire eliminated fatigue which might have had an impact on the results. Statistically, a test of reliability was carried out on the items in the questions using the Cronbach's alpha test.

4.11. Assumptions

The main assumption made in this study was through the selection criteria of the respondents that had been in business for 10 or more years. These businesses were considered to be a success. In the literature, longevity was believed to be a measure of SME success hence sustainability.

4.12. Limitations of study

- Recall bias due to respondents having to think recall back to what sustained the business.
- The study intentionally did not consider the SMEs that had not survived. The unavailability of the sampling frame made it difficult to access these SMEs.
- It has been argued that EO research might be affected by a strong survival bias; variables such as risk-taking and competitive aggressiveness can favour growth, but arguably are related to firm failure (Rauch et al., 2009). Some surveys included both surviving and failed small firms (Lechner & Gudmundsson, 2014). This survey did not.
- The survey does not quantify how much of each of the EO was done e.g. innovativeness for the business to have survived the 10 year mark.
- Cross sectional studies have an inherent limitation at looking at phenomenon as a snapshot and at that particular time whereas phenomena are dynamic.
- Self-selection bias due to the sampling method employed.

4.13. Ethical considerations

Application for ethical clearance to conduct the study was applied for and approved by the Ethical Committee of the University of Pretoria's Gordon Institute of Business Science. Confidentiality of responses was ensured as information pertaining to the respondents was not captured to link respondent to the responses.

5. Chapter Five: Results

5.1. Introduction

Chapter 3 proposed five research questions for analysis of the investigation of critical success factors towards SMEs sustainability. Chapter 4 provided a detailed description of the methodology used to answer the research questions. In this chapter, detailed analysis of data will be provided. The analysis will be provided as follows:

- Descriptive statistics describing the characteristics of the sample
- A test of the reliability of the items in the questionnaire
- Statistical analysis using principal component analysis and test of differences organised by each research question
- Insights from the open ended question and
- Summary of the analysis conducted.

5.2. Descriptive Statistics

Studies of this nature using mail surveys as described by Dennis Jr., (2003) draw a low response rate of as much as 30%. A total of 300 respondents completed the questionnaire. Seventy-two respondents satisfied the targeted research sample criterion of an owner/senior manager with 10-200 employees in the business, the business been operational for 10 or more years and the business located in the Johannesburg Municipality. However, 10 respondents did not complete all the questions and were therefore excluded from the analysis giving a final sample of 62 respondents.

The target sample was 145 respondents and the final sample therefore yielded a 42.8% response rate. The finding is consistent with entrepreneurship studies that show a low participation rate of entrepreneurs specifically SME ones. The low response rate was further exacerbated by the unavailability of complete information on SMEs. The inherent low response rate of the online survey further contributed to the low response rate. However, the completed questionnaires had no missing information, enhancing the quality of data collected.

Table 2 provides the demographic information of the respondents based on gender, age, position in business and education. Table 3 provides the description of the business regarding the industry the business operated, the annual turnover of the business, whether the business had failed before or not, whether the business was a family business or not and lastly the number of years the business had been operating.

The gender split of the sample was 77.4% males and 22.6% females. The average age of the entrepreneurs was 50 years with the youngest aged 24 years and the oldest aged 70 years. Eighty-six percent were owners or CEOs and 14 % senior managers occupying positions in HR, Finance and General management. Slightly more than half of the entrepreneurs had post matric qualification, 32% had a post graduate qualification and 16% had up to secondary qualification.

Table 2: Demographic characteristics

		Frequency	Percent
Gender	Female	14	22.6
	Male	48	77.4
	Total	62	100.0
		Frequency	Percent
Position	A Senior Manager	9	14.5
	Owner/CEO/Managing Director	53	85.5
	Total	62	100.0
		Frequency	Percent
Highest Education qualification	No schooling	1	1.7
	Secondary school	9	14.5
	Post graduate degree	20	32.3
	Post matric(certificate, diploma, degree)	32	51.6
	Total	62	100.0
	Minimum age	Average age	Maximum age
Age	24 years	50 years	70 years

Table 3 presents the characteristics of the businesses. The most cited industries where the businesses operated were manufacturing (22.6%), business services (21.0%) and wholesale trade (14.5%). Other industries had less than 10% of respondents. Forty-three percent respondents classified their business as family business and 57% as non-family business. Fifteen percent of businesses had failed before but not for more than twice. Approximately 47% of businesses had an annual turnover of between R1million and R10million, approximately 19% of businesses had between R11million and R20 million, approximately 15% of businesses had greater than R50million and approximately 19% of businesses had between R21million and R50million. The average period the businesses have been operating was 25 years, the youngest business was 10 years and the oldest 123 years.

Table 3: Description of the businesses

		Frequency	Percent
Industry	Agriculture	3	4.8
	Business Services	13	21.0
	Catering	2	3.2
	Commercial Agents and Allied Services	5	8.1
	Communications	1	1.6
	Construction	4	6.5
	Electricity, Gas and Water	2	3.2
	Finance	3	4.8
	Manufacturing	14	22.6
	Retail and Motor Trade and Repair Services	2	3.2
	Social and personal services	4	6.5
	Wholesale Trade	9	14.5
	Total	62	100.0
		Frequency	Percent
Approximate annual turnover	R1 million- R10 million	29	46.8
	R11 million- R20 million	12	19.4
	R21 million - R30million	7	11.3
	R31 million - R40 million	1	1.6
	R41 million - R50 million	4	6.5
	Greater than R 50 million	9	14.5
	Total	62	100.0
		Frequency	Percent
Business ownership	Non-family	35	56.5
	Family-owned	27	43.5
	Total	62	100.0
		Frequency	Percent
Has the business ever failed before?	No	53	85.5
	Yes	9	14.5
	Total	62	100.0
		Frequency	Percent
Number of times business failed	1	3	37.5
	2	5	62.5
	Total	8	100.0
	Minimum	Average	Maximum
Number of years operating in business	10	25	123

Figure 2 depicts the number of years the businesses had been operating according to the average years the business had been in existence. Retail, motor trade and repair services were the longest surviving industries. Businesses with an annual turnover of R30million and R40million had been in business the longest. Family businesses have been in business longer than the non-family owned businesses.

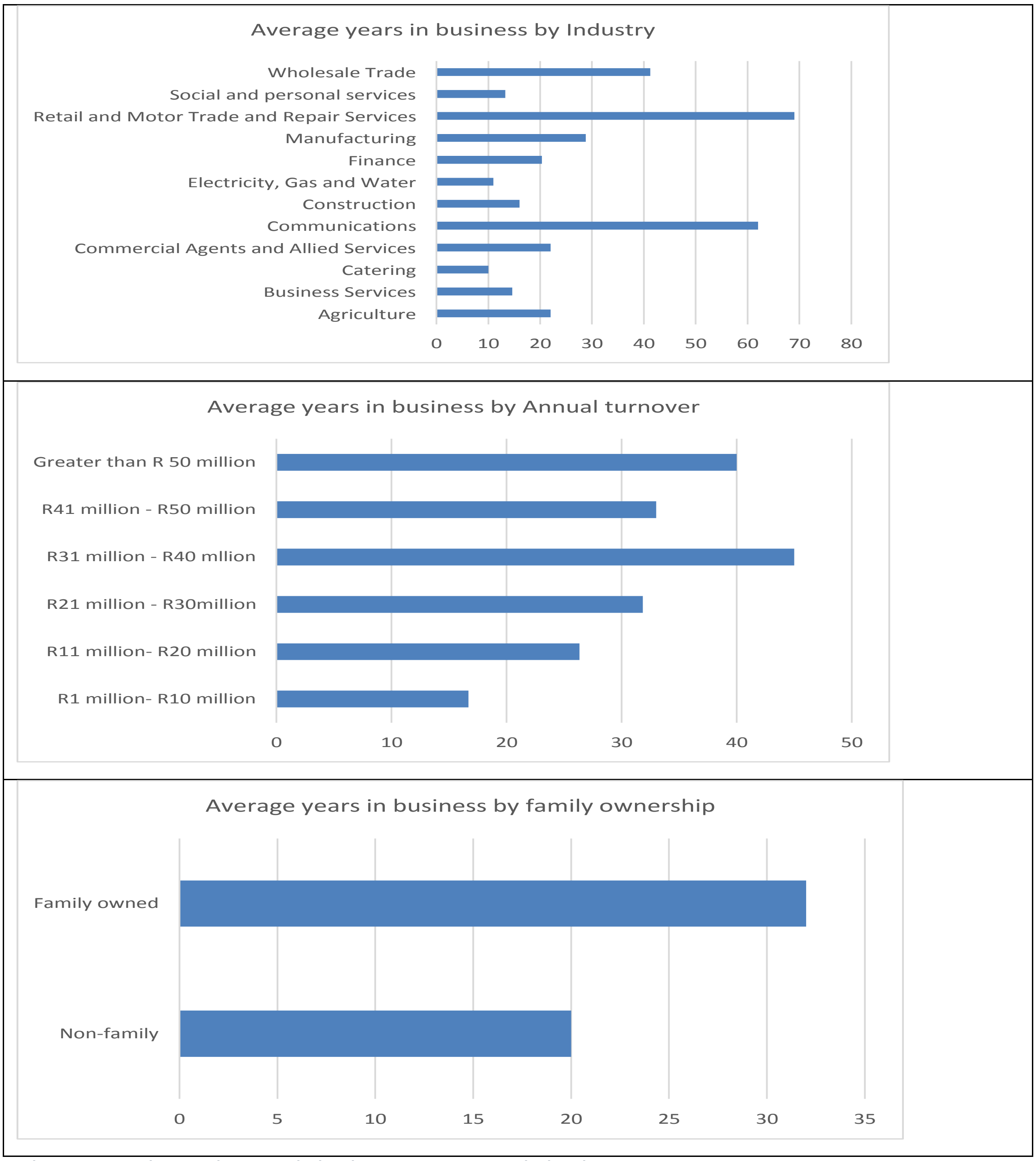


Figure 2: Business characteristics by average years in business

5.3. Testing reliability of the survey instrument

The Cronbach alpha for the Likert scale items was calculated to measure the reliability and internal consistency of the survival questions in the survey instrument. The survey instrument was deemed satisfactory as the values for the Cronbach alpha of 0.935 were high implying high levels of internal consistency of the survey instrument on questions of business survival. Cronbach alphas of greater than 0.60 in exploratory studies are the most acceptable cut-off values measuring the level of reliability as satisfactory.

5.4. Statistical analysis by research question

On a five point Likert scale, with a rating of five (5) being "strongly agree" , four (4) being "agree", three (3) being "neutral", two (2) being "disagree" and one (1) being "strongly disagree", respondents were asked to rate statements regarding survival to SME business. A higher rating implied that the factor was deemed critical for business survival. The mean scores for each factor were calculated to determine which of the items had the highest mean scoring. The mean sores are presented in table 4 below.

Of the 29 factors deemed critical for business survival, half had an average mean score/rating of above 4 with the highest being 4.3. These factors are highlighted in green in table 4. The top five factors deemed as highly critical for business survival were good management of resources, industry specific knowledge by owner before business inception, ability to access and retain skills, the ability of the business to initiate actions and lastly the product offering being regarded as a competitive advantage. The second tier of factors colour coded in brown in table 4 showed factors that scored between 3.5 and 4. A mix of factors was presented including managing leadership succession and access to finance. The last tier of factors colour coded in mustard in table 4 had a mean scoring of between 3 and 3.5 for which one can deduce that respondents neither agreed nor disagreed with the statement. These factors included issues of collaboration, government support and growth strategies of exporting and internationalisation. No factor had an overall mean rating of below 3 giving an indication that the 29 factors included in the survey instrument had some bearing on SME survival during the first 10 years of business and sustaining the business beyond.

Table 4: Mean score for critical success factors items

Item Statistics

	Mean	Std. Deviation	N
Good management of resources	4.35	.812	62
Industry specific knowledge by owner before business inception	4.24	.970	62
Ability to access and retain skills within the organisation	4.21	.871	62
The ability of the business to initiate actions rather than responding to major competitors.	4.21	.960	62
Product offering as a competitive advantage	4.19	.920	62
Ability to compete e.g. on pricing, superior product	4.16	.909	62
Ability to proactively seek opportunities and exploit the opportunities	4.15	.921	62
Being able to define the market clearly	4.13	.820	62
Developing dynamic capabilities to differentiate the business from competitors and ensuring legitimacy of the business.	4.13	.914	62
Owner possessing prior business experience.	4.05	.948	62
Ability to access finance through ensuring all financial requirements are met e.g. good credit scoring, surety	4.05	1.062	62
Adequate managerial experience, skills and training by owner or decision maker	4.03	.886	62
Successful long-term business planning and well thought growth strategies	4.03	.768	62
Spending more time communicating with all stakeholders e.g. customers, suppliers, employees	4.02	.878	62
Marketing capabilities are a prerequisite for the business	4.00	.975	62
Managing changes at leadership and at decision making levels is key.	3.98	1.016	62
Access to finance and initial investment	3.94	1.099	62
Owner possessing formal education before business inception	3.89	1.010	62
Understanding the legislative frameworks within which the business operates e.g. government regulations	3.77	1.078	62
When confronted with decision making situations involving uncertainty, the business typically adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities.	3.71	1.046	62
Experience of owner having worked in another firm in the same industry before business inception.	3.65	1.269	62
Clear Succession planning management	3.61	1.178	62
Network size and the quality of the networks e.g. agencies for small business	3.58	1.080	62
In general, the business has been, very often the first to introduce new products/services.	3.53	1.127	62
Decision-makers in the business having a strong tendency for high-risk projects (with chances of very high returns).	3.31	1.195	62

Item Statistics

	Mean	Std. Deviation	N
Decision makers favouring a strong emphasis on R&D, technological leadership and innovation instead of focusing on marketing of current products/services.	3.29	1.165	62
Collaboration with other businesses e.g. R and D Alliances	3.21	1.282	62
Satisfactory government support	3.19	1.389	62
Exporting and internationalisation as key to business survival	3.06	1.304	62

**5=strongly agree, 4=agree, 3=neutral, 2=disagree, 1=strongly disagree*

The rankings by respondents combined different factors with no clear pattern to indicate whether the factors were owner specific, firm level specific or external.

By applying a statistical method of principal component analysis, similar factors were combined and reduced to fewer components that still explained the phenomenon under investigation of determining the critical factors for SME survival.

The KMO and Bartlett Test of Sphericity are the standard tests used to check whether principal component analysis of factor analysis could be carried out.

Table 5: KMO and Bartlett's test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.782
Bartlett's Test of Sphericity	Approx. Chi-Square	1169.551
	Df	406
	Sig.	.000

Since KMO was above 0.6 and the bartlett test was statistically significant, p=0.00 rejecting the null hypothesis that says the correlation matrix is an identity matrix, these two tests ascertained that the principal component analysis could be carried out.

Determining the number of components extracted using the visual representation of a screen plot yielded eight components. This was done by observing the point where the graphs curves and flattens where any inclusion of any additional factors had diminishing benefits. The components accounted for 75% of the total variance explained by the factor model.

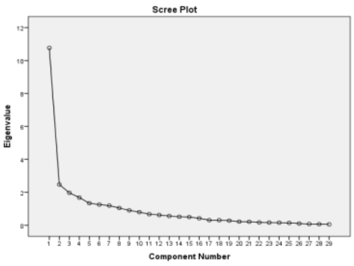


Figure 3: Screen plot principal component analysis

As presented on the screen plot, the factor analysis on critical success factors towards SME survival produced eight factors as shown is table 6. The principal component analysis was used to produce the best fit accounting for 75% of the variance for the factor analysis model. The colour coded cells shows the loadings of the 29 items from the questionnaire where the item had a significant weighting /loading on that particular component. A loading of 0.5 was used to determine the significance loadings. Various authors perceive different weighting value to consider an item being associated with a component/factor. Literature seems to suggest a loading of greater than 0.3 to be sufficient (Yong & Pearce, 2013). Though the variance might show what each factor contributes towards the principal component model produced, the summated values of the factors was used to determine which factor respondents rated the highest. This was calculated as the mean ratings of items grouped in a component. For example marketing capabilities, product offering, and ability to compete, communicating with stakeholders, ability to proactively seek opportunities, managing leadership changes and dynamic capabilities loaded with significant weightings on component 1.

Table 6: Principal component factor analysis using the varimax rotation

Rotated Component Matrix[a]									
	Component								
	1	2	3	4	5	6	7	8	Communalities
Industry specific knowledge by owner before business inception	.000	.056	.101	.144	.120	.085	.877	.211	.870
Experience of owner having worked in another firm in the same industry before business inception.	.160	.185	.086	.049	.045	.203	.830	-.065	.806
Owner possessing prior business experience.	.168	-.098	.086	-.143	.564	.533	.304	.104	.771
Owner possessing formal education before business inception	.080	.133	.024	-.139	.199	.748	.200	.129	.701
Adequate managerial experience, skills and training by owner or decision maker	-.112	.028	.152	.561	.005	.688	-.029	.195	.863
Successful long-term business planning and well thought growth strategies	.089	.185	.188	.078	.105	.186	.050	.859	.870
Being able to define the market clearly	.172	.011	.079	.434	.152	.160	.148	.752	.860
Ability to access and retain skills within the organisation	.172	.131	.158	.842	.098	-.035	.081	.078	.804
Access to finance and initial investment	.077	.244	.241	.237	.767	.197	.008	.108	.819
Ability to access finance through ensuring all financial requirements are met e.good credit scoring, surety	.256	.295	.190	.315	.659	.117	.100	.141	.766
Good management of resources	.044	.109	.242	.745	.222	-.005	.120	.201	.731
Marketing capabilities are a prerequisite for the business	.461	.247	.146	.136	.131	.431	.232	.152	.593
Product offering as a competitive advantage	.727	.289	.068	.141	.049	.367	.051	-.075	.782
Ability to compete e.g on pricing, superior product	.740	.234	.158	.057	.140	-.107	.108	.190	.709
Spending more time communicating with all stakeholders e.g. customers, suppliers, employees	.635	.387	.264	-.122	-.084	-.003	-.034	.267	.717

Rotated Component Matrix[a]									
	Component								
	1	2	3	4	5	6	7	8	Communalities
When confronted with decision making situations involving uncertainty, the business typically adopts a bold, aggressive posture in order to maximize the probability of	.237	.564	.321	.080	.390	.101	.125	.041	.663
Decision-makers in the business having a strong tendency for high-risk projects (with chances of very high returns).	.141	.743	.308	-.244	.068	-.125	-.003	.225	.798
Ability to proactively seek opportunities and exploit the opportunities	.562	.491	.059	.084	.319	.038	.207	.035	.715
The ability of the business to initiate actions rather than responding to major competitors.	.452	.501	.144	.123	.468	-.029	.158	.119	.750
In general, the business has been, very often the first to introduce new products/services.	.335	.696	.040	.384	.123	.148	.045	.040	.786
Decision makers favouring a strong emphasis on R&D, technological leadership and innovation instead of focusing on marketing of current products/services.	.131	.707	.007	.223	.149	.268	.186	.000	.695
Understanding the legislative frameworks within which the business operates e.g. government regulations	.215	.255	.575	.100	.048	.416	.167	.166	.683
Network size and the quality of the networks e.g. agencies for small business	.289	.606	.507	.118	.030	.113	.029	.089	.744
Collaboration with other businesses e.g. R and D Alliances	.124	.415	.653	.254	.149	-.001	.139	.003	.720
Clear Succession planning management	.491	-.106	.663	-.025	-.054	.046	.152	.121	.736
Exporting and internationalisation as key to	.223	.189	.617	.098	.130	.188	-.095	.081	.543

Rotated Component Matrix[a]

business survival	Component 1	2	3	4	5	6	7	8	Communalities
Satisfactory government support	-.073	.186	.741	.199	.245	-.143	.134	.165	.754
Managing changes at leadership and at decision making levels is key.	.534	-.072	.601	.197	.222	.123	.047	-.009	.757
Developing dynamic capabilities to differentiate the business from competitors and ensuring legitimacy of the business.	.657	.117	.420	.141	.273	.052	-.058	-.045	.723
Variance	3.788	3.675	3.533	2.529	2.280	2.195	1.940	1.788	21.728
Percentage of variance	.131	.127	.122	.087	.079	.076	.067	.062	.749

Extraction Method: Principal Component Analysis.
Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 20 iterations.

By observing the items loaded on a particular component, one can describe the components. Naming or describing the components has been described as a subjective process as there are no set rules except the judgemental process conducted by the researcher.

Component 1 seemed to describe issues of **value offering** to the customer where the business had good relations with various stakeholders and based on these relationships design products or services that were superior on price and quality and the whole process dependent on leadership. This in the long run develops the business dynamic capabilities to sustain the business.

Factors of, when confronted with decision making situations involving uncertainty, the business typically adopts a bold, aggressive posture in order to maximize the probability of exploiting opportunities, decision-makers in the business having a strong tendency for high-risk projects (with chances of very high returns), the ability of the business to initiate actions rather than responding to major competitors, in general, the business has been, very often the first to introduce new products/services, decision makers favouring a strong emphasis on R&D, technological leadership and innovation instead of focusing on marketing of current products/services, network size and the quality of the networks e.g. agencies for small business loaded highly on component 2. Component 2 described the three dimensions of the EO framework namely pro-activeness, risk taking and innovativeness. Therefore this component was summed as the **EO framework** dimensions to SME sustainability. Of note though was the relationship of EO with network size and quality.

Understanding the legislative frameworks within which the business operates e.g. government regulations, network size and the quality of the networks e.g. agencies for small business, collaboration with other businesses e.g. R and D Alliances, clear succession planning management, exporting and internationalisation as key to business survival, satisfactory government support, managing changes at leadership and at decision making levels as key loaded highly on component 3 which was described as **business enablers** both inside the business and outside through which the business could thrive.

Adequate managerial experience, skills and training by owner or decision maker, ability to access and retain skills within the organisation, good management of resources loaded with significant weightings on component 4. These items seemed to describe HR Strategy issues with particular focus on people, skills and management thereof. This component was therefore described as **HR Strategy focussing on people**.

Owner possessing prior business experience, access to finance and initial investment, ability to access finance through ensuring all financial requirements are met e.g. good credit scoring, surety loaded highly on component 5 which could be described as **owner financial savvy.**

Owner possessing prior business experience, owner possessing formal education before business inception, adequate managerial experience, skills and training by owner or decision maker loaded highly on component 6 which could be described **as owner social capital prior business inception**.

Industry specific knowledge by owner before business inception and experience of owner having worked in another firm in the same industry before business inception loaded highly on component 7 which could be described as **owner industry specific knowledge**.

Successful long-term business planning and well thought growth strategies and being able to clearly define the market loaded highly on component 8 which could be described as **business strategy.**

To determine which of the 8 components was rated highly by the respondents, a summated scale was calculated as the mean score of the ratings of the factors loading highly on the component as described above. Using the summated scale, analysis was done to determine the significant differences between groups of demographic factors.

5.4.1. Results for research question 1

What success factors do SMEs perceive as critical for SME survival within the 10 years of business?

Literature detailed the multifaceted factors that have an impact on SME performance and ultimately survival. A principal component analysis reduced the 29 factors to 8 factors describing the critical factors deemed as having an impact on SME performance and ultimately survival. This alludes to answering the first research question on what the SMEs business owners alluded to factors having the highest impact in the first 10 years of business. This question was answered by ranking the summated scores and determining correlations between the summated scores.

Table 7: Mean scores of summated factors ranked

Summated factor	Mean Score	Std. Deviation
Summated factor 4-HR Strategy focussing on people	4.1989	.71022
Summated factor 1-Value offering	4.0899	.70140
Summated factor 8-Business strategy	4.0806	.73101
Summated factor 5- Owner financial savvy	4.0108	.86412
Summated factor 6-Owner social capital prior business inception	3.9892	.74405
Summated factor 7-Owner industry specific knowledge	3.9435	1.02471
Summated factor 2-EO framework	3.6048	.85690
Summated factor 3-Business enablers	3.4885	.88916

Based on the summated factors presented in table 7 the highest mean score of 4.1989 was the summated factor of HR strategies focussing on people in particular, managerial skills, training and retaining those skills with a standard deviation of 0.71022. The least mean score of 3.4885 was the summated factor of business enablers which included issues of legislative framework in which the businesses operated and also government support.

By applying the spearman's correlation coefficient to test for associations, all summated scores were statistically and significantly correlated to each other at significance level of 0.05 (p-values less than 0.05) as shown in table 9 below.

Table 8: Correlations of the summated factors

Summated factors	Pearson Correlation	Sig. (2-tailed)
Value offering vs. Business enablers	.730**	.0000
Value offering vs. EO framework	.722**	.0000
EO framework vs. Business enablers	.674**	.0000
Owner financial savvy vs. Owner social capital prior business inception	.643**	.0000
Owner financial savvy vs. Value offering	.561**	.0000
Owner financial savvy vs. EO framework	.554**	.0000
Owner financial savvy vs. Business enablers	.531**	.0000
HR Strategy focusing on people vs. Business strategy	.500**	.0000
HR Strategy focusing on people vs. Owner social capital prior business inception	.490**	.0001
HR Strategy focusing on people vs. Business enablers	.453**	.0002
HR Strategy focusing on people vs. Owner financial savvy	.442**	.0003
Business strategy vs. Owner financial savvy	.435**	.0004
Business strategy vs. Business enablers	.414**	.0008
Business strategy vs. Owner social capital prior business inception	.409**	.0010
Owner social capital prior business inception vs. Owner industry specific knowledge	.386**	.0019
Business strategy vs. Value offering	.383**	.0021
Business strategy vs. EO framework	.381**	.0022
EO framework vs. HR Strategy focusing on people	.378**	.0024
Owner financial savvy vs. Owner industry specific knowledge	.368**	.0033
Value offering vs. Owner social capital prior business inception	.365**	.0035
Value offering vs. HR Strategy focusing on people	.351**	.0052
Owner industry specific knowledge vs. EO framework	.340**	.0069
Business enablers vs. Owner social capital prior business inception	.329**	.0090
Owner industry specific knowledge vs. Value offering	.320*	.0112
Owner industry specific knowledge vs. Business enablers	.312*	.0135
Owner social capital prior business inception vs. EO framework	.303*	.0166
Owner industry specific knowledge vs. Business strategy	.280*	.0277
Owner industry specific knowledge vs. HR Strategy focusing on people	.252*	.0480

The strongest correlations were between the **business enabler summated score and the value offering** followed by **EO framework and value offering** with a correlation coefficient of above 0.7. This is an interesting fact as value offering which was the third rated score is strongly associated with the two least rated summated score. The strength of the correlation was the weakest between owner industry specific knowledge and HR focussing on people as well as owner industry specific knowledge and business strategy which had correlation coefficients of less than 0.3.

Drawing on the results of what owners rated as the most significant factors necessary for SME survival, an in-depth look of differences across industries, gender, size of the business, family ownership, previous failures and age of the business was explored as these variables about the characteristics of the business seem to differentiate the views between SME owners based on literature in Chapter 2. Gender differences seem to have an impact on business survival and therefore might provide a different view for each gender. The next sections therefore explored whether such differences existed.

5.4.2. **Results for research question 2**

Are there any differences in SMEs views on what constitutes the critical factors towards SMEs sustainability, on age of SMEs, size of SMEs defined by annual turnover, family ownership and industry?

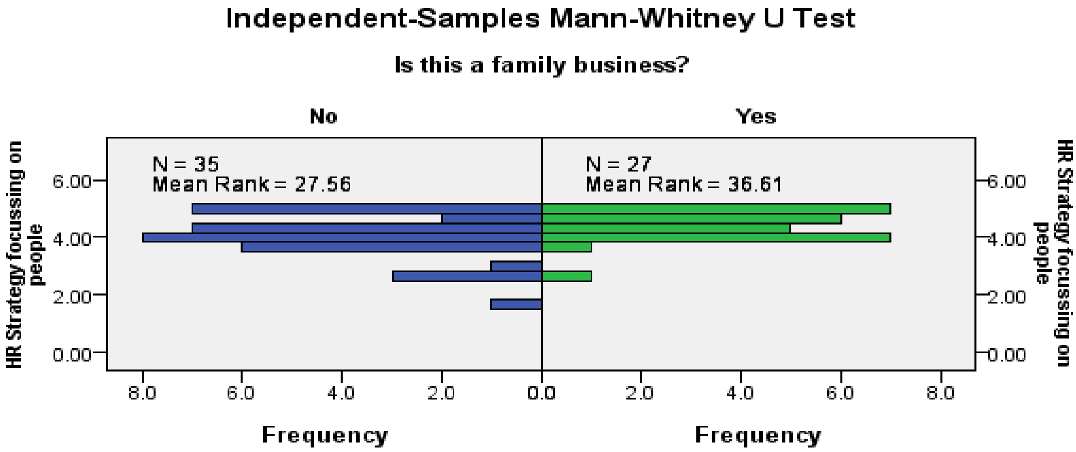
Family Ownership

HR Strategy focussing on people summated score had a highest mean score for family businesses whereas value offering had the highest mean score for non-family businesses as shown in table 9. Business strategy summated score had the second highest mean score for both family and non-family businesses. Notable was the third highest mean score for both the family and nonfamily businesses. Owner social capital ranked third highest for family business whereas for non-family businesses it was owner industry specific knowledge.

Using the Mann Whitney U test, there was one significant difference between the groups regarding the rating of HR Strategy focussing on people where family business had a higher mean score compared to nonfamily business and this was statistical significant at 0.05 ($p<0.05$) as shown in figure 4.

Table 9: Mean scores of summated scores by family ownership

Family business	Total		Yes		No	
	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation
HR Strategy focussing on people	4.1989	.71022	4.4074	.54171	4.0381	.78703
Value offering	4.0899	.70140	4.0106	.84416	4.1510	.57347
Business strategy	4.0806	.73101	4.0926	.78492	4.0714	.69814
Owner financial savvy	4.0108	.86412	4.0123	.80321	4.0095	.91995
Owner social capital prior business inception	3.9892	.74405	4.0370	.74152	3.9524	.75469
Owner industry specific knowledge	3.9435	1.02471	3.7963	1.07649	4.0571	.98348
EO framework	3.6048	.85690	3.5802	.93527	3.6238	.80475
Business enablers	3.4885	.88916	3.5873	.89156	3.4122	.89266



Total N	62
Mann-Whitney U	610.500
Wilcoxon W	988.500
Test Statistic	610.500
Standard Error	69.137
Standardized Test Statistic	1.996
Asymptotic Sig. (2-sided test)	.046

Figure 4: Difference in mean score between family and non-family businesses

Annual turnover

All categories with an annual had HR Strategy focusing on people as the highest mean score except for the category of turnover of between R31-40 million which had business strategy as the highest mean score. No statistical significant differences existed between the groups for each individual summated score.

Industry

The highest mean score for the summated score was different for different industries. Agriculture and Finance industries had owner industry specific knowledge. Business services and catering had the highest mean score on business strategy. Communications, wholesale trade and construction had the highest mean score on value offering whereas manufacturing and social services had the highest mean score on HR Strategy focussing on people. No statistically significant differences were observed between groups on each individual summated score.

Except for business, there were no statistical significant differences between groups for size of business and industry regarding what owners perceive as critical for business survival.

5.4.3. **Results for research question 3**

Do males and females perceive the critical success factors for SME survival differently?

By comparing the rating of the results from the overall rating of the summated scores presented above in section 5.4.1 to both males and females, table 10 shows how the different genders ranked the summated scores. The highest rating for males was the same as the overall rating of HR Strategy focussing on people whereas females rated value offering. Males rated business strategy as the second key factor whereas females rated both HR Strategy focussing on people and owner financial savy. Males rated third the value offering summated score. What is key to note is that females rated business strategy fourth.

Table 10: Mean scores of summated scores by gender

Gender	Total		Female		Male	
	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation
HR Strategy focussing on people	4.1989	.71022	3.9762	.81087	4.2639	.67358
Value offering	4.0899	.70140	4.1531	.59949	4.0714	.73318
Business strategy	4.0806	.73101	3.9643	.66403	4.1146	.75258
Owner financial savvy	4.0108	.86412	3.9762	.76755	4.0208	.89761
Owner social capital prior business inception	3.9892	.74405	3.8571	.97590	4.0278	.66962
Owner industry specific knowledge	3.9435	1.02471	3.8929	1.09507	3.9583	1.01496
EO framework	3.6048	.85690	3.6429	.70667	3.5938	.90239
Business enablers	3.4885	.88916	3.7857	.71264	3.4018	.92284

Though the differences were notable on the mean rankings of the summated scores, test of differences using independent Mann Whitney U test did not show any statistically significant difference between the ratings for each individual summated scores at alpha level significance of 0.05. In other words, the rating of both genders gave had the same equal weighting. However, it's the ranking of the summated scores that differs between the genders.

The next research question analysed whether such differences existed between business owners that had experienced failure before and those that did not.

5.4.4. **Results for research question 4**

For a business that had failed before, were the critical factors towards SME survival different from those of businesses that had not failed.

HR Strategy focussing on people was rated high for both businesses that had failed before and those that had not. However for businesses that had failed before, the second highly rated summated score was business strategy whereas for business that had not failed before was owner financial savvy. Both had value offering as the third mean score ranking.

Table 11 Mean scores of summated scores by previous business failure

Business Failure	Total		Yes		No	
	Mean	Std. Deviation	Mean	Std. Deviation	Mean	Std. Deviation
HR Strategy focussing on people	4.1989	.71022	4.3704	.75359	4.1698	.70597
Value offering	4.0899	.70140	4.0317	1.28329	4.0997	.56839
Business strategy	4.0806	.73101	4.1667	.93541	4.0660	.70053
Owner financial savvy	4.0108	.86412	3.4815	1.48241	4.1006	.69364
Owner social capital prior business inception	3.9892	.74405	3.5185	.86781	4.0692	.69908
Owner industry specific knowledge	3.9435	1.02471	3.8889	1.11181	3.9528	1.02029
EO framework	3.6048	.85690	3.8148	1.39055	3.5692	.74495
Business enablers	3.4885	.88916	3.3333	1.43747	3.5148	.77760

The independent Mann Whitney did not find any statistical significant difference between the two groups for each individual summated score.

5.4.5. **Results from the open ended questions**

Respondents provided additional insights by way of open ended questions and these are presented in table 12. Some of the insights were an expansion of the statements made by respondents in the survey instrument. A key occurrence from most respondents was the related to the business environment from the government support perspective from regulations, policies and acts to general support and these also included financiers such as banks. Though it was not a critical success factor in a positive way, it seems to be critical for business.

Table 12: Additional insights from the open-ended question

Personal characteristics	**Customer**	**The business**	**The environment**
Continuously learning e.g. the industry and business itself therefore prior learning might not be a requirement	Good relationship with customers, suppliers , employees recognising the importance of all stakeholders	Meeting capital requirements at business inception, growth and expansion, Strict financial control, Cash flow management	Support system and network, Continuous support coined "graduated support", Mentorship, Coopetition
Personal sacrifice on time resources		Formalisation of business processes	Business friendly environment
Personal contribution to business at inception financially e.g. 30%		Strong business plan and marketing plan at business inception	
Continuous emphasis of core values and beliefs		Exploit opportunities	
Personal traits-not be afraid, not to quit, total commitment, integrity, hard work, self-belief, financial discipline, determination , Good business sense	Value proposition to customer based on consumer affordability and buying power, pricing well, deliver on promise	Specific knowledge for the market segment	Business environment-lack of government support, BEE, trade unions, tender procurement systems, exchange control,

Personal characteristics	Customer	The business	The environment
	to get repeat customers, customer focus		depreciation, fall of the rand, bank and financier do not support SMES, big businesses colluding, unethical banking system, changes in legislation, Tax breaks

5.5. Summary of the analysis

The results illustrated the perceived critical factors in the first 10 years of business for SME sustainability based on the mean rankings of the factors deemed critical in literature. The initial rankings of the factors yielded factors focussing on various aspects of the SME business.

By calculating the Cronbach alpha, the items in the questionnaire focussing on factors deemed as critical for SME survival had a high reliability which warranted further analysis of the data.

A principal component analysis, a technique used to group related factors was applied to the data and 8 latent variables emerged which might be referred to as themes. By calculating the mean scores of each latent variable based on the highest weightings within the latent variables, 8 summated factors were derived. The rankings of the mean scores of the summated factors determined what business owners strongly deemed as critical and what they deemed as less critical.

By using the summated scores and the test of means/medians between groups, a statistical method of Wilcoxon test, the four research questions were analysed to test for differences in the rankings.

The next chapter will focus on discussing the results from chapter 5 and linking to SME and entrepreneurship literature discussed in chapter 2, underpinned and guided by the research questions described in Chapter 3.

6. Chapter Six: Discussion of Results

6.1. Introduction

Chapter 5 presented results from the survey conducted on SMEs owners/Senior Managers applying the methodology described in Chapter 4 which was underpinned by the research questions presented in Chapter 3. This chapter will discuss the results supported by the literature conducted in Chapter 2 on whether the findings refute, affirm or add to the current literature. There are different definitions of business success based on financial or non-financial measures but mostly businesses are measured on profits, Return on Investment or the longevity of the business. This study is basing success of the business as longevity of 10 years and beyond and therefore what the SME owners perceived as critical for success, the success is inferred to as business survival and sustainability of the SME. The next section discusses the findings from the study.

6.2. Discussion of findings relating to research question 1

What success factors do SMEs perceive as critical for survival within the first 10 years of business?

The field of entrepreneurship and business performance has been expanding through the development of concepts, frameworks and definitions. Carlsson et al. (2013, p.914) defined entrepreneurship as "primarily an economic function that is carried out by individuals, entrepreneurs, acting independently or within organisations, to perceive and create new opportunities and to introduce new ideas into the market, under uncertainty, by making decisions about location, product design, resource use, institutions and reward systems". The current research requested respondents to rate perceived critical factors for business survival from strongly agree with a rating of 5 and strongly disagree with a rating of 1. The higher the rating, the critical was the factor.

By looking at the highly ranked factors, Carlsson et al's., (2013, p.914) definition seems to capture the five most highly rated factors deemed critical by the SMEs in this study as displayed in table 4. The SME owners viewed **good management of resources**, **industry specific knowledge by owner before business inception**, **ability to access and retain skills within the organisation**, **the ability of the business to initiate actions rather than respond to major competitors** and **product offering as a competitive advantage in that order**. Except for the owner's industry knowledge, it would seem that the owner's understanding of entrepreneurship is what carried the business in the first 10 years of its existence and sustained it beyond the 10 year period.

The idea of entrepreneurship as a behaviour (taking action) rather than attributes is clearly shown from this study as the top five ranked factors are more behaviourally oriented than attributes. This notion is reflected in one of the dimensions of EO, a concept in entrepreneurship that is referred to as the pro-activeness of a business (Covin & Slevin, 1991). What is of note is the absence of other EO dimensions of innovativeness and risk taking in the first five top ranked factors. Two of the factors measuring the missing dimensions: **decision-makers in the business having a strong tendency for high-risk projects and decision makers favouring a strong emphasis on R&D, technological leadership and innovation instead of focusing on marketing of current products/services** were ranked in the bottom five as shown in table 8. These findings somewhat show similar findings from Cressy (2006) that risk averseness in the first years of business was associated with business survival.

The top five ranked factors can be categorised as factors that focus on the internal affairs of a business. Rogoff et al., (2004) noted that internal factors were more inclined with the success factors of a business when studying SME attribution theory where owners perceived and attributed success to internal factors. This might be a true reflection of business success or owners reflecting well on themselves.

Focussing on each factor of the top rated five, the finding on managing resources as one of the factors critical for business resonates with studies as far back as 1995 from Yusuf, (1995) to as recent as in 2006 where Cressy (2006) highlighted that experience to manage resources in the first years of business determined the survival or failure of a business. Management of resources was synonymous with management skills, business skills, planning and in some cases referred to as good management technique but highlighting issues of resources e.g. time management; (Ligthelm, (2011); Lussier (1995)). It would imply that resource management involves different activities such as planning, possessing a particular skills set and the most quoted being management skills, various management techniques and most importantly resources could imply time, human and financial resources.

Linking to management of resources could be the other highly rated factor from this study which is of the business’s ability to retain skills within the organisation or business as a critical factor. Benzing et al. (2009) refers to this as the ability to manage personnel. The findings are also in line with findings from Shonesy & Gulbro (1998) where an in depth literature review identified critical factors deemed to contribute to business success. Among these, skills such as human resources were referred to as hiring good people that can be empowered and allowed flexibility. This also reflects a business human resource strategy issue. A trend or theme is emerging when considering the next factor highly rated in this study which is of industry specific knowledge by owner before business inception.

Considering that venturing into a business is a daunting but fulfilling task for most individuals, it would seem that having some knowledge of the industry plays a big part in business survival. This might assist in minimising liabilities of newness and smallness in the industry and minimise risk of failure. Ligthelm (2011) refers this to risk analysis of business before business inception (Shonesy & Gulbro, 1998)

Value offering in the form of product design providing a competitive advantage was deemed critical in the study with a high ranking score. This concept is well discussed and has different facets from product development, product innovativeness, market capabilities and customer centric studies. Shonesy & Gulbro (1998) combined both facets that suggest that for a business to be a success, it has to be product and customer centric.

Though not rated in the top 5 in this study, owner personal characteristics, demographics, personal attributes of the owner which range from issues of value system such as honesty to issues of charisma or friendliness, is noted which Yusuf, 1995; Shonesy & Gulbro, 1998; Benzing et al., 2009) noted. Critically looking at the owner‘s characteristics is relevant since the owner/owners are the initial faces of the business with a particular value system which can drive the vision and mission of a company. However, in this study, it is captured in how the owner conducts him/herself e.g. pro-activeness might be an inherent character in the owner and not the action itself which is shown outwardly. Good management skills might or might not be an issue of leadership where some authors have been reflecting on whether leadership can be taught or is inherent in one's genes. Mentioning the owner's personal characteristics adds context to the factors under discussion.

The findings provided the least ranked factors where part of the EO Framework is risk taking. This seems to contradict literature on EO and performance which has shown EO impacting positively to business performance. Ligthelm (2011) described business' ability to take calculated risks as a critical success factor for businesses that survived compared to those that did not survive after conducting a longitudinal study. However, this finding seems to agree with Lechner & Gudmundsson (2014) where innovativeness had a significant positive impact on differentiation and risk taking had a significantly negative impact on cost leadership and differentiation. Risk taking might not necessarily impact positively on the business. For example, though one can take risks, there is an inherent high costs which might be difficult to capture in costing and be the cost leader in the market. The effect of absorbing costs incurred during risk taking might be higher compared to those of competitors.

Additionally, EO does not operate in isolation as there is other performance influencing or moderating factors the relationship of EO with firm performance such as taking risks which requires an investment into resources which might be detrimental to business financial health. In Ligthelm (2011) study, there is an added term of calculated before the risk taking. This adds to Zahra's (1993) argument of a lack of specificity in EO-firm performance studies where there was no threshold in Covin & Slevin (1991) where EO activities start giving diminishing returns on business performance. EO activities are moderated or moderate the relationship of various business performance factors therefore cannot be considered in isolation.

The five lowest ratings from the findings looked at the business environment in which the businesses operate, government support, collaboration with other businesses, exporting and internationalisation as key to business survival. Benzing et al., (2009) supports the finding of low rating on government support. The two studies show somewhat similar findings but differ on the reasons of the low rating. In Benzing et al., (2009), it was more of small business preferring independence and minimising interference from government whereas from this study, the findings are articulated and prevalent in the open ended question.

The summarised issues emanating from the unfavourable low scoring in government support was regulations such as BEE, tender procurement, restrictive labour laws, and banks colliding with big businesses. One response captured this aspect as “BEE is the single largest obstacle for the growth of our business. The trade union movement is the second largest obstacle to our business”.

On the issue of low rating on exporting and internationalisation as key to business survival, one respondent captured this issue as follows, ”Global / regional opportunities;

Some SMMEs may have the opportunity to expand beyond their city or country of birth and they may have the cash to partly finance that growth however will need a support system & network. This is a big hurdle to cross because financial model as well as the ownership model needs clarification. Not least is the legal/market research of foreign countries for product testing & pricing……..".

The SME owners were more concerned about the disenabling environment in which government was not providing a conducing and supporting environment. Business success factors leading to business survival can be, in most cases negated and these can contribute to business failure in as much as the responses from business owners on government support can be negated to provide a positive response. The fact that it is mentioned can be inferred that a positive aspect to government support is actually critical to business success.

Shonesy & Gulbro, (1998) looked at critical success factors towards business survival from previous research and caution against using factors as one size fits all. The belief is that all small business are different and factors should be contextualised and adopted as the study discovered a myriad of factors in agreement or in other cases contradicting on some of the success factors.

Based on this premise, the basic ranking did provide a multitude of critical success factors based from various business facets such as internal, external, strategy, customers/stakeholders and products/ services. The second level of analysis using factor analysis sought to reduce and combine factors through statistical methods including analysis of strongly correlated factors which when combined formed a component. To interpret the results based on the actual ratings from the respondents, a summated score was calculated for each component as a mean value of the factors within the component. The ratings for these summated scores provided the basis for further answering the research question 1 and the correlations between the summated scores.

To recap the summated scores were ranked as follows:

Table 13: Ranked summated scores

Summated factor	Mean Score	Std. Deviation
Summated factor 4-HR Strategy focussing on people	4.1989	Very critical
Summated factor 1-Value offering	4.0899	
Summated factor 8-Business strategy	4.0806	
Summated factor 5- Owner financial savvy	4.0108	Critical
Summated factor 6-Owner social capital prior business inception	3.9892	
Summated factor 7-Owner industry specific knowledge	3.9435	
Summated factor 2-EO framework	3.6048	Neither critical nor non critical
Summated factor 3-Business enablers	3.4885	

Two of the individual factors owners rated highly appear in the component with the highest summated scores which has been described as HR Strategy focusing on people. Adequate managerial experience, skills and training by owner or decision maker, ability to access and retain skills within the organisation and good management of resources comprised this component and have been shown to be critical for business success (Yusuf, 1995; Shonesy & Gulbro, 1998; Rogoff et al., 2004; Benzing et al., 2009; Halabí & Lussier, 2014; Marom & Lussier, 2014).

Lussier Model (Lussier, 1995) highlighted issues of employees and skills as staffing which was associated with business failure. This raises an important aspect of accessing and retaining skills. Lussier (1995) explained that having a high number of headcount seems critical but if the headcount does not possess the skills critical for the business, this impacts negatively on the success of the business. Therefore accessing and retaining skills applies to skills relevant to the business. The study described the component as HR Strategy as it focusses on people and the skills and training they possess.

Having the people, the skills, the training and the management skills to manage the resources is necessary, the second highly rated summated score is then focussed on value offering. The focus shifts to the different stakeholders of the business especially the customer on what the business can offer to ensure its sustainability.

The value offering factor as shown in table 6 as a component encompasses (summarised) the marketing capabilities, ability to compete e.g. on pricing or superior product, proactively communicating with all stakeholders seeking and exploiting opportunities, developing dynamic capabilities and managing changes at leadership and at decision making levels is key. However discussing value offering warrants it to be discussed in the same context as EO framework and business enablers as these were highly correlated with value offering with a correlation coefficient of above 0.7 and statistically significant at p=0.05 as shown in table 8. The two factors (EO framework and Business enables) had the lowest summated scores which might be explained by the high correlation with other summated scores such as value offering.

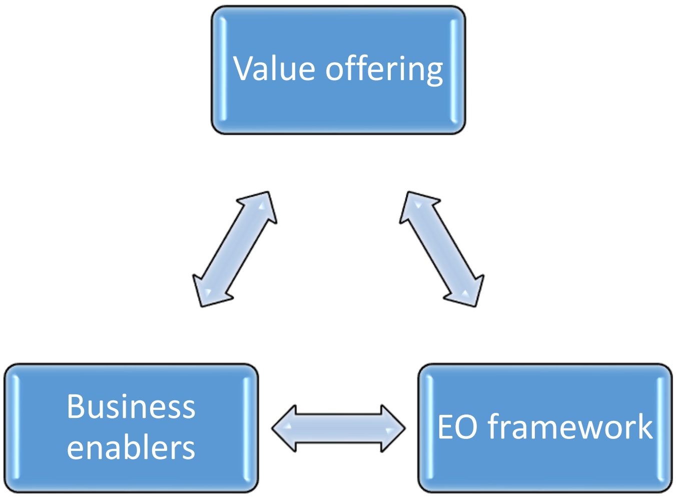


Figure 5: Relationship between Value offering, EO and Business enablers

The EO framework as a component as reflected in table 6 included factors describing the three dimensions of pro-activeness, risk taking and innovativeness and also included the size and the quality of the networks of the business. Business enablers factor reflected as a component in table 6 included (summarised) factors of understanding the legislative frameworks, network size and the quality of the networks, collaboration with other businesses e.g. R&D Alliances, clear succession planning management, exporting and internationalisation, satisfactory government support, managing changes at leadership and at decision making levels.

Business innovativeness defined as a business disrupting the market place by introducing a new product or services, is critical to business success and has been shown to have a positive influence on business performance (Boyer & Blazy, 2014: Santarelli & Tran, 2013). Businesses that are customer oriented have a bigger chance of new products being accepted and succeeding in the market (Kam Sing Wong & Tong, 2013) improving business performance. An increased EO of the business further provides a customer oriented business with a competitive advantage (Brockman et al., 2012)

For a business to be innovative it has to build capabilities to achieve that role and in turn this breeds the business' competitiveness and performance. Therefore firms that build dynamic capabilities early distinguish themselves from the competitors and are able to differentiate their products or services and create a niche market offering value to customers (Arend, 2014). However to ensure sustainability, the dynamic capabilities should also focus on ethics of the business to ensure legitimacy with the various stakeholders (Arend, 2013; Benzing et al., 2009). The aspects of ethics ranked highly by Benzing et al., (2009) are reputation and social skills when interacting with various stakeholders. In addition to building dynamic capabilities, building organisational capabilities through internal (employee engagement) and external collaboration with other small businesses has direct and cumulative benefits on innovation (Uhlaner et al., 2013). Benzing et al., (2009) and Schoonjans et al., (2013) conceded that membership to associations and formal business networks contributed positively to a business' performance. Through networks which this study described as in size and quality allows small business to exchange ideas, participate in trainings relevant for the business, learn new things and ideas and through associations, businesses can lobby for changes in polices.

The findings from this study on the three-way relationship between value offering, EO framework and business enablers as being critical for business performance and survival are aligned to the various business and entrepreneurship literature as reviewed in Chapter 2. Respondents from this study captured various aspects in the open ended question as follows:

- "…..Remained hands on at all times and never let customers down even when requests/demands appeared totally unreasonable. Ensured we knew our costs and priced correctly…….".
- "….As the business grows, maintain fair relations with personnel, whatever the level, thus helping to consider some crucial issues as and when making decisions….".
- "….Treat your suppliers as well as your customers. Keep your integrity intact."
- …." In my view to develop a successful business one needs to first establish the need for certain products / services and then exploit the market opportunities that exist, backed by a strong marketing and sales team. Core

> products and services must offer anticipated value and be unique or different to competitors…."

From the findings of the study, the three way relationship might be hindered by some legislative frameworks in which business operate such as changes in policies being effected without being communicated to small businesses. A disabling environment seems to moderate the three way relationship of EO, value offering and business enablers.

Another finding related to the three way relationship is therefore the cost of doing business which showed a statistical significant relationship with value offering, EO and business enablers. What is interesting is that one would assume for an innovative, proactive and risk taking business, the business needs the financial muscle to fund R&D for example. However, for small businesses in this study, it has been demonstrated that they focussed more on collaborations with other businesses and building dynamic capabilities earlier on in the business. By analysing the open-ended responses, the financial aspects were more focussed on the cost of doing business and how that impacts on the financial health of the business. For example one respondent highlighted changes in the recent visa requirements and how that impacted on the business, municipality rate costs, lack of support in funding SMEs with banks charging high interest rates. Government has a role to play in providing an enabling environment for small business to compete especially from big companies with the financial muscle by providing tax incentives or providing basic infrastructure to small businesses (Yusuf, 1995).

The finding from the study warranted a four way relationship between value offering, EO framework, business enablers and owner financial savvy where in this context financial savvy was more focussed on the causes of financial distress such as the factors causing cost of business to rise.

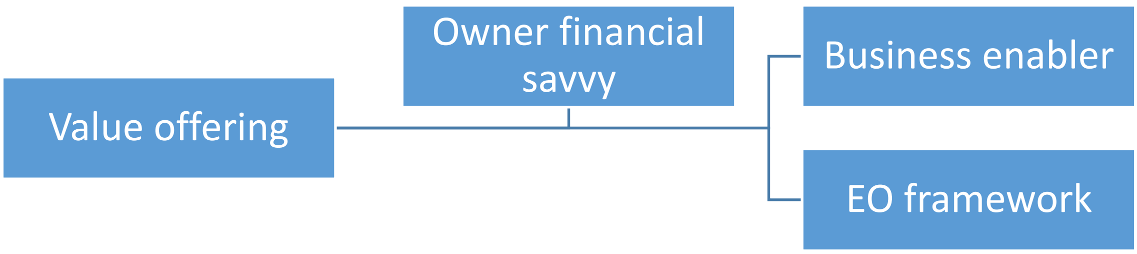


Figure 6: Relationship between Value offering, EO Framework, Business enablers and owner financial savvy

The finding on business strategy rated third in this study and comprised of successful long-term business planning and well thought through growth strategies and being able to clearly define the market. This finding resonated with various authors who described planning as a critical factor for business success. However, Lussier (1995) in the latest paper by Halabí & Lussier, (2014), the factor was no longer significant in the model. Building dynamic capabilities early on in the business to differentiate it from competitors was important for small businesses to be able to compete with larger businesses in the market (Arend, 2013). SMEs need to establish markets to compete in and build strategies for those markets for example acquiring the relevant skills and building the capabilities to sustain their growth.

Owner social capital, prior business inception and owner **industry specific knowledge** are focussed on the owner attributes and capabilities. The ratings showed that these are critical for business sustainability. There is an overlap of the factors loading on the three summated scores and therefore the factors will be discussed individually not as summated scores.

Having access to finance and the level of the initial capital is critical for business success (Yusuf, 1995; Cressy, 2006). Access to finance determines which industries an entrepreneur enters whether a labour intensive industry or capital intensive industries (Klapper & Parker, 2011). Such can be limiting and a deterrent to the owner hinging on being a barrier to doing business. The open ended questions reflected how these owners circumvented the impact of lack of finances by using personal finances to fund the business until the business was well established. One respondent noted that all partners had to be debt free before business inception.

The finding on owner possessing prior business experience have been recorded in prior studies (Benzing et al., 2009; Halabí & Lussier, 2014) though it was rated low by Benzing et al., (2009). Instead adequate managerial experience, skills and training by owner or decision maker was rated highly by other authors as well (Benzing et al., 2009; Cressy, 2006; Halabí & Lussier, 2014). This correlated with the findings in this study. Halabí & Lussier, (2014) & Soriano & Castrogiovanni, (2012) highlighted Industry specific knowledge by owner before business inception as critical for small business success, a finding consistent with this study. In the same context, owner having experience of working in another firm in the same industry before business inception (Boyer & Blazy, 2014; Soriano & Castrogiovanni, 2012) was critical. However this was more so on productivity and not profitability (Soriano & Castrogiovanni, 2012).

Though this study did not link the owner's actual education, owners were requested to rate if formal education before business inception was critical for business success. They believed it was critical, a finding consistent with a study by Santarelli & Tran, (2013) and Monahan, Shah, & Mattare (2011). The finding contradicts recent findings by Halabí & Lussier (2014) where the factor was no longer significant to Lussier's model. Contextualising to South Africa, formal education is still a critical factor for SME success based on the finding from this study.

Drawing together the discussions to the findings of success factors perceived critical for SME survival within the first 10 years of business, a summary is presented in figure 8 below. The study showed that the factors deemed critical for SME success in literature are critical. Most studies in the literature discussed the factors but not ranked them though a few attempted (Benzing et al., 2009). This study ranked the factors deemed critical by owners who have been in business for over 10 years based on their experience. Though all the factors investigated seemed to be critical, the level of relevancy differed as shown in figure 8 below.

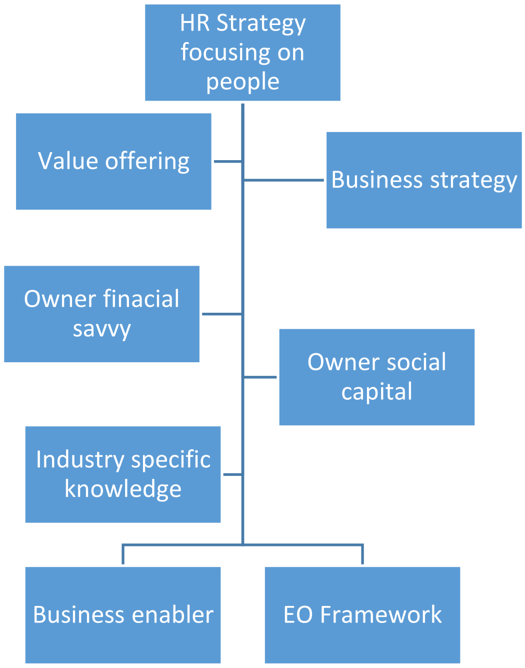


Figure 7: Critical Success factors for SME sustainability 10 years and beyond in business

What underpins this order, the Carlsson definition of entrepreneurship which these factors emulated where the economic function can be seen as value offering; entrepreneurs, acting independently or within organisations can be seen as HR Strategy on people or can extend this to acting within the confines of the country and global economy; to perceive and create new opportunities and to introduce new ideas into the market can be linked to EO framework; under uncertainty can be seen as business enabler; by making decisions about location, product design, resource use, institutions and reward systems"-Industry specific knowledge, financial savvy, value creation and owner social capital HR Strategy on people (Carlsson et al., 2013). What therefore this implies is that the critical factors lie and are interwoven and embedded in entrepreneurship concepts. By understanding what entrepreneurship encompasses in the first ten years of business, is critical for business sustainability.

6.3. Discussion of findings relating to research question 2

Are there any differences in SMEs views on what constitutes the critical factors towards SMEs sustainability, on size of SMEs defined by annual turnover, family ownership and industry?

Covin & Lumpkin (2011) identified , firm size and industry to have a moderating effect on EO and its relationship to firm performance which have been discussed in literature as an important ingredient to firm performance affecting survival. The findings on annual turnover and industry showed no statistically significant differences between groups but the differences were emphasised on the ranking of the factors. Referring to table 9, both family businesses and non-family business had two of the three top ranked summated factors overall for the sample .i.e. value offering and business strategy. There was no statistically significant difference between the two types of business on the mean ratings. The businesses seem to rank the factor the same.

However, the main difference was observed for HR Strategy focussing on people with a statistically significant difference of 0.05 as shown in figure 4. For family owned businesses, this factor ranked the highest on all eight factors whereas for non-family business, this factor ranked 4th. HR Strategy focussing on people involves adequate managerial experience, skills and training by owner or decision maker, ability to access and retain skills within the organisation and good management of resources. Family businesses have the advantage of survivability capitalis which distinguishes them from non-family business (Wilson et al., 2013). The finding that family businesses ranking on HR Strategy focussing on people was significantly higher than nonfamily business correlates with literature from Wilson et al., (2013). The issue of social capital is relevant and a necessity for the longevity of family due to the nature of family businesses where a business is passed down from generation to generation.

6.4. Discussion of findings relating to research question 3

Do males and females perceive the critical success factors for SME survival differently?

Entrepreneurship and business studies on gender purports that there are gender differentials in business ownership, performance and survival also being driven by issues of gender inequalities inherent in society which has prompted countries to draft policies debating the issue (Bandiera & Natraj, 2013). What is of interest therefore is whether the gender inequalities impact on business and if so how these are reflected e.g. participation rates. This study found a lower female participation of 23% versus 77% for males. Klapper & Parker (2011) pointed out that female participation in entrepreneurial activities has been shown to be low due to a myriad of factors including issues of choice or barriers. The findings in this study might be reflecting challenges females face resulting in their businesses not surviving beyond 10 years. The current study did not seek to ask specific questions on whether there is a case to be made on females facing specific challenges in business different from their male counterparts. As Kalnins & Williams (2014) as we as Robb & Watson (2012) point out, there were no differences in survival between female and male owned businesses but rather the differences were more businesses related such as geographic location or industry in which the different genders decided to do business. This study did not observe clear differences in choices of industries chosen by the different genders. A bigger sample size might be able to detect this difference if there is any.

Findings reported in section 5.4.3 showed that there was no statistical difference in the mean scores of the summated scores between male and female SME owners or managers. In other words, the emphasis on a summated score was the same, both genders were in agreement. This finding seems to support Marlow & McAdam (2013) as the ratings on each summated is not different therefore the notion that female entrepreneurs are “flawed entrepreneurs” might be incorrect.

However it was the small nuanced differences in the rankings of these summated scores that differed between the genders as presented in table 10 which might provide an explanation of the differences in business experience between the male and female entrepreneurs. By looking at the top ranked summated scores, females had value offering, financial savviness and HR Strategy focussing on people in their rank order whereas males had HR Strategy focusing on people, business strategy and value offering. Though ranked differently two of the summated scores were the same except for financial savviness for females and business strategy for males. Business strategy was ranked in top three for the overall sample and discussed how it ranks high in business context in research question 1.

Unpacking the variables for financial savviness, this is about the owner possessing prior business experience, issues of access to finance and initial investment, the ability to access finance through ensuring all financial requirements are met (e.g. good credit scoring, surety). For females it seemed that financial issues were a critical aspect of the business and this finding supports Bardasi et al., (2011) on theories of constraint-driven choices or preference-driven choices when both genders decide to venture into business. The authors argue that issues such as finance preclude women from entering heavily financed businesses and prefer the labour intensive ones. Because this study did not observe significant differences in industries chosen, it therefore implies that to survive 10 years of business, as a female owner, financial management and access are important.

One of the comments from a female owner on finance was that “as a private business owner I found it hard to establish my business financially. I was scared to apply for finance from the financial sector so I would fund it from my personal account. This somehow put strain on my day to day finances. However a few years later the business had started generating its own returns. I just wish there were more emphasis on assisting SMEs to get established financially” and another comment was that “It has been difficult the past couple of years - we have almost failed about 3 or 4 times. Finance for small businesses is very expensive and banks demand incredible security for very little benefit and penalise the small business for their lack of buying power. e.g. interest rates 15%+ and then if you do not use your overdraft to its full, you are charged a penalty!” As the respondents did not state that this was because of their gender, the issue might pertain to all business owners.

Both male and female owners and managers had EO framework and business enablers in the lower ranks. Drawing on literature and the findings from the study, the males and females did not perceive the critical success factors for SME survival differently.

6.5. Discussion of findings relating to research question 4

For a business that has failed before, are the critical factors towards SME survival different from those of businesses that have never failed.

The research question sought to determine if the SME owners who had previously failed would there be any difference in how they conduct business comparing this against owners of businesses that never failed.

Findings from the individual summated factors showed no significant differences between businesses that previously failed before and those that did not. Each of the summated scores though different in magnitude, was not statistically significant. The emphasis on the factor was the same. However, the findings on the ranking of the summated factors yielded some differences between the groups as presented in table 11. Two of the top ranked factors from the total sample were ranked as such by both groups. However, what is interesting are the further rankings for the groups. Business owners who had never failed had close to the same rankings as for the total sample with slight difference in the middle rakings. However for the businesses that had failed, the top three rankings of HR Strategy focussing on people, value offering and business were similar to the overall sample Owner financial savvy, owner social capital prior business inception were in the bottom three where owners who never failed had these factors in the middle rankings. Owner industry specific knowledge and EO framework moved up the rankings to be positioned in the middle.

For an entrepreneur who had failed before, though the business suffers from the obvious financial impact, it is the emotional and cognitive aspects of the failure that had the biggest impact and should be considered when doing a comeback (Cope, 2011). This seems to be reflected in this study where financial savvy ranked at the bottom three, suggesting that although the financial aspects are important, it is those extra aspects of the business that sustain it. With the ratings of three and above, additional factors give that edge to the business. Mueller & Shepherd (2014) identified these as the opportunity prototypes and cognitive style which in Cope (2011) emphasised as the intuitive ability of the entrepreneur and trusting these in business decision making. In literature, these may be summarised as the EO Framework dimensions of innovativeness, pro-activeness and risk-taking which was one of the key findings in this study for businesses that had failed. The industry specific knowledge might not be too surprising as from failure, people learn. Accordingly, this would have ranked higher as they might have believed that the second time around, they would succeed as their experience would have been transformed into knowledge (Yamakawa et al., 2015).

The summated factor of EO Framework also highlighted the importance of network size and the quality of the networks e.g. agencies for small business. To quote one of the respondents whose business had failed previously, “as a small business you need to partner with competitors rather than to see them as competition”. The term is coopetition where businesses work together but still compete. Managing key and valuable networks such as venture capital is key in business, a key learning after failing in the business (Cope, 2011).

Based on these differences, to answer the research question, findings from this study suggest that there are differences in what SMEs owners who have failed before believe are critical for business survival compared to owners of businesses that had never failed.

6.6. Conclusion

The findings supported the research questions regarding what constitutes the success factors towards SME sustainability. The age of the SMEs businesses in the study of 10 years and beyond was purposively used to understand from the owners what they believed sustained their business 10 years and beyond. Differences according to some of the critical elements of business were tested. The next chapter therefore provides a conclusion to the study and suggestions for future research.

7. Chapter Seven: Conclusion

7.1. Introduction

The previous chapter provided a discussion to the findings from chapter 5 with insights gained based on the business and entrepreneurship theory with a particular focus on SMEs. This chapter draws on the discussions from Chapter 1 where the problem was defined and stated and how that has been addressed through to Chapter 6. To recap the aims and objectives for this study, it has been demonstrated that SMEs play a pivotal role in the country's economy. However the challenge has been the low survival rates of the SMEs. Entrepreneurship breeds innovation and innovation breeds performance and performance breeds sustainability which is where the country has set its sights. This would in turn help address issues of high unemployment as the country's NDP intends to do (Planning Commission, 2011)

Due to the high failure rates of small businesses within the first year of start-up, Zulu (2014), the focus has been mostly on what caused these failures. This study focussed on what sustained a business and ensured its longevity and thereby increasing survival rates. By using longevity to measure SME performance and thereby inferring that these businesses are a success, the study used businesses that have survived 10 years and had stabilised as a proxy to understand what owners believed was critical for business survival. The focus on small to medium sized enterprise, instead of SMMEs was due to the fact that most SMEs fell within the targeted sample. An additional reason was SMEs employing 10-200 employees contributed significantly to the economy through employment creation: a goal advocated by government.

7.2. Summary of key findings

Firstly by ranking the factors the SME owners perceived as critical for business survival during and beyond 10 years of business, what resonated with the ranked factors was the clear definition of entrepreneurship. This finding shows that for an individual to decide to be entrepreneur, it is the understanding of what constitutes entrepreneurship that is important. Entrepreneurship is about providing economic value to all stakeholders including government but also feeds back to the owner. Therefore, entrepreneurship goes beyond self-employment, a reason some people start businesses. Starting a business to provide a job to self does not seem to contribute to the sustainability of the business.

Secondly, for business to be sustainable, the focus has to be on HR Strategies. SME owners need to possess adequate managerial skills and training which would allow the owner to acquire and retain skills relevant for the business and be able to manage resources which can be in the form of financial, human and any other resources needed by the business. Mismanagement of resources can lead to bankruptcy and death of the business. Not retaining the necessary skills can lead to a bloated personnel budget making the business unsustainable resulting in early mortality((Yusuf, 1995).

Thirdly, having prioritised issues of management and management of resources, the focus shifts to the value offering to various stakeholders. What the study showed was that for a business to offer value, it had to be strategically innovative and proactive, continuously developing dynamic capabilities to be able to sustain itself. However, risk taking was not favourable during the first years of business. The value offering was further moderated by an enabling environment through the size and quality of business networks and belonging to associations. However, an area of concern was the disenabling environment of government regulations on BBBEE, labour laws, banks colluding with big businesses which were impacting negatively on SMEs. It would seem though in a negative light, the business environment is a critical factor to business support. Further moderating the relationship of value offering and business success was financial savvy of the owner. However, it was related more with the cost of doing business which ultimately impacted on the financial health of the business. The owner financial savvy becomes a critical factor for SME survival.

Fourthly, the business strategy appeared as the third most critical aspect of the business. This can be highlighting the issue of small business being agile with the dynamic business environment by choosing the market carefully and developing growth strategies as well as planning in a continuously changing dynamic exercise undertaken by the business.

Finally the owner individual characteristics prior to business inception though critical, were not very critical. It was an interesting finding which can be captured by what one respondent alluded to as "….Even as an Owner, have an attitude of a learner, be willing to learn new things. Grow with the business…..". Prior industry knowledge, business experience, management experience, having worked in that industry and formal education were critical.

The study did not find any statistically significant differences between industries, gender, and size of business measured by annual turnover which was an interesting finding. Only nuanced differences were observed.

One of the differentiators between family and non-family businesses is the issue of human capital. Family business places emphasis on management, people and management of resources as key in sustaining the family business. The family business's biggest asset is people which resonated with the study by Wilson, Wright, & Scholes, (2013, p.1370) who termed this issues as survivability capitalis "the combination of the unique human, social, and patient capital (i.e., long term) resources in family firms and distinguishes them significantly from nonfamily firms".

An interesting finding, but not surprising, was on businesses that failed before compared to businesses that never failed. Businesses that had previously failed believed in doing more of the EO dimensions, believed in placing reliance on networks and possessing industry specific knowledge which is not surprising since from failure, the businesses might have learned that prior industry knowledge might be important.

The summary of the findings provides some useful information for various stakeholders in the field of entrepreneurship and business and the role players in the economy.

7.3. Implications of research findings

The research findings have implications for different stakeholders and these will be discussed separately.

Academic literature

The research findings have added to the literature of entrepreneurship and business. The findings are an extension to EO and firm performance literature. This study has added to the literature that the relationship between firm performances (in this study longevity) is moderated by other performance influencing variables such as the business environment in which the SME operates. EO dimensions though in isolation seem nt to be a critical factor, the influence was observed with other performance influencing variables. Advancement to the literature on critical success factors stemming from Lussier's prediction model (Lussier, 1995) which in 1995 was performed on SMEs with less than 10 years in business, this study showed that the same factors are still relevant for a business that has survived 10 years and beyond. Context matters when studying SME businesses, studies of South African businesses have been limited therefore this study adds to the current body of literature of SMEs in South Africa and the survival.

Entrepreneurs/business owners in Johannesburg Municipality

The implications of the research findings for both aspiring and current entrepreneurs are twofold. Firstly, the framework for business sustainability is not a magic bullet but is about understanding entrepreneurship at each stage of the business' lifespan. The implication is that business owners through informal or formal structures; continuously learn the concepts in entrepreneurship and business. Secondly, the highly rated critical factor was on adequate managerial skills, management of resources and ability to attract and retain skills coined in the research HR strategy focusing on people. One way of acquiring this as a business owner is to enrol in business courses with specific emphasis on the three factors highlighted as critical. This allows the business owner to be effective in running the business.

Family owned businesses should take cognisance of the value of human capital as this differentiates family businesses from non-family business. The close family ties should be maintained to ensure sustainability of the business.

For entrepreneurs that have failed before, learning is important especially industry specific knowledge prior to embarking on another business venture. Maintaining networks and key relationships is a necessary ingredient for business sustainability.

For aspiring entrepreneurs, having the managerial skills and training to manage the business resources and attract and retain skills being risk averse in the first few years of business is key. However, the business should be able to build dynamic capabilities that differentiate it from competitors.

Government and small business support organisations

Government‘s role is to provide an enabling environment for SME to thrive and contribute positively to the economy. Government should create a communication hub easily accessible to all SME. This is a less costly approach to accessing information on policy changes affecting small businesses. Government should review and have an honest discussion with SMEs on what policies hinder SME performance and intensify facilitation of funding for small business and continue providing support in various forms e.g. mentorship even in the growth phase of the SMEs.

Supporting agencies are seen to be a vehicle of knowledge sharing and places of collaborations. Therefore, the agencies should continue being a hub of information on the latest developments in business and facilitate collaborations between the SMEs.

Banks and venture capitalist though they are also businesses, should view SMEs as partners and in so doing ease the cost of doing businesses for the SMEs.

7.4. Limitations of the research

With any research study, there are some limitations encountered. The limitations for this study are summarised as follows:

- Recall bias due to respondents having to recall back to what sustained the business. The research was reliant on the business recalling the first ten years of business and context could have been different.
- The study intentionally did not consider the SMEs that have not survived. The unavailability of the sampling frame made it difficult to access these SMEs which can be a limitation since some factors considered critical might be what caused the businesses to fail.
- It has been argued that EO research might be affected by a strong survival bias; variables such as risk-taking and competitive aggressiveness can favour growth, but arguably are related to firm failure (Rauch et al., 2009). Some surveys included both surviving and failed small firms (Lechner & Gudmudssun, 2015) for which this survey did not.
- The survey does not quantify how much each of the EO was done e.g. the extent of innovativeness for the business to have survived the 10 year mark.
- Cross sectional studies have an inherent limitation at looking at a phenomenon as a snapshot in time whereas phenomena are dynamic.
- Self-selection bias due to the sampling method employed could limit the generalisability of this study to all SMEs with 10 or more years in business.
- The above point could lead to non-response bias introducing sampling bias precluding the research findings to be generalised.

7.5. Suggestions for future research

Firstly, to circumvent the issue of recall bias, a qualitative research study might yield different results as the methodology would allow an experienced researcher to ask probing questions which might yield accurate results.

Secondly, conducting the study on a range of different businesses from early boomers to the novices to the matured business and comparing their responses-might yield factors that are the same and the external environment might then be viewed as having a bigger impact on survival.

Thirdly, adding a timeframe dimension to the factors deemed critical for business so as to determine whether the factor was critical at that point. This allows entrepreneurs to gain a broader understanding of the different phases of the business at what stage what factor is critical at that point.

7.6. Conclusion

The research findings showed the fragmented nature of business and entrepreneurship literature. Furthermore, the research showed the defragmented nature of the critical factors for business success that could be summarised in an entrepreneurship definition. For family owned businesses, the importance of human capital showed and for owners that failed previously, learning and acquiring industry knowledge and networks proved critical for business survival. Though there is no one size fits all solution, this study provides a framework on what current and future entrepreneurs can do to sustain their business to ten years and beyond thereby reducing the risk of early mortality of the businesses.

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9. Appendices

9.1. Appendix A: Questionnaire

1. Welcome to My Survey

I am a 2nd Year 2014/15 MBA Student at the Gordon Institute of Business Science, under the University of Pretoria. As part of my requirements for my studies, I am required to carry out a research in one of the areas of my studies.

My research is in SMEs and Entrepreneurship looking at the critical success factors that contribute towards SMEs survival. I would greatly appreciate it if you would take not more than 10 minutes of your time to complete the questionnaire based on your experience as a small to medium size business owner. The research is focusing on SMEs that have reached 10 years and beyond in business. Your insights regarding what you believe as the critical factors, deemed to have propelled the business to this point are key to the research. There are no right or wrong answers.

Your participation is voluntary and you can withdraw at any time without penalty. All the data will be kept confidential. By completing the survey , you indicate that you voluntary participated in this research. If you have any questions, do not hesitate to contact my supervisor or I. Our details are provided below. Thank you for participating in our survey.

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2. Section A: Screening Questions

This page is to assist with checking if your business fits the criteria of my survey.

1. Please enter today's date

	DD		MM		YYYY
Date		/		/	

*2. Do you classify your business as a Small Medium Enterprise (SME)as per DTI definition: enterprise must be a separate and distinct business entity, and must be managed by its owner/s?

- Yes
- No

*3. Does your business have between 10 and 200 employees?

- Yes
- No

*4. Have you been in business for 10 years or more?

- Yes
- No

*5. Are you the....

- Owner/Managing Director
- Senior Manager
- None of the above

*6. Have you been with the business for 5 years or more?

- Yes
- No

3. Section B: Demographics

This page captures your basic demographic information.

* 7. Gender

- Male
- Female

* 8. Position in the business

- Owner/CEO/Managing Director
- Senior Manager, please specify

* 9. Age in complete years

* 10. What is your highest education qualification?

- No schooling
- Primary school
- Secondary school
- Post matric(certificate, diploma, degree)
- Post graduate degree

* 11. Select the Industry that best describes the nature of your business

- Agriculture
- Mining and Quarrying
- Clothing
- Manufacturing
- Electricity, Gas and Water
- Construction
- Retail and Motor Trade and Repair Services
- Wholesale Trade
- Commercial Agents and Allied Services
- Catering
- Transport
- Storage
- Communications
- Finance
- Business Services
- Community
- Social and personal services
- Other (please specify)

* 12. Approximate annual turnover (Rands)

- R1 million-R10 million
- R11 million- R20 million
- R 21 million - R 30million
- R 31 million - R 40 mllion
- R 41 million - R 50 million
- Greater than R 50 million

* 13. Year business was registered

* 14. Year business started operating

* 15. Number of years in business

* 16. Is this a family business?

  - Yes
  - No

* 17. Has the business ever failed?

  - Yes
  - No

18. How many times?

4. Section C: Business survival questions

This section requires, based on your experience regarding the business surpassing the 10 year mark, to rate on whether you agree, disagree with the statements as critical to the survival of the business since inception to now. There are no right or wrong answer. The rankings are from 5 as strongly agree to 1 as strongly disagree.

* 19. Business Survival

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Industry specific knowledge by owner before business inception	○	○	○	○	○
Experience of owner having worked in another firm in the same industry before business inception.	○	○	○	○	○
Owner possessing prior business experience.	○	○	○	○	○
Owner possessing formal education before business inception	○	○	○	○	○
Adequate managerial experience, skills and training by owner or decision maker	○	○	○	○	○
Successful long-term business planning and well thought growth strategies	○	○	○	○	○
Being able to define the market clearly	○	○	○	○	○
Ability to access and retain skills within the organisation	○	○	○	○	○
Access to finance and initial investment	○	○	○	○	○
Ability to access finance through ensuring all financial requirements are met e.good credit scoring, surety	○	○	○	○	○
Good management of resources	○	○	○	○	○

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Marketing capabilities are a prerequisite for the business	○	○	○	○	○
Product offering as a competitive advantage	○	○	○	○	○
Ability to compete e.g on pricing, superior product	○	○	○	○	○
Spending more time communicating with all stakeholders e.g. customers, suppliers, employees	○	○	○	○	○
When confronted with decision making situations involving uncertainty, the business typically adopts a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities.	○	○	○	○	○
Decision-makers in the business having a strong tendency for high-risk projects (with chances of very high returns).	○	○	○	○	○
Ability to proactively seek opportunities and exploit the opportunities	○	○	○	○	○
The ability of the business to initiate actions rather than responding to major competitors.	○	○	○	○	○
In general, the business has been, very often the first to introduce new products/services.	○	○	○	○	○
Decision makers favouring a strong emphasis on R&D, technological leadership and innovation instead of focusing on marketing of current products/services.	○	○	○	○	○

	Strongly Agree	Agree	Neutral	Disagree	Strongly Disagree
Understanding the legislative frameworks within which the business operates e.g. government regulations	◯	◯	◯	◯	◯
Network size and the quality of the networks e.g. agencies for small business	◯	◯	◯	◯	◯
Collaboration with other businesses e.g. R and D Alliances	◯	◯	◯	◯	◯
Clear Succession planning management	◯	◯	◯	◯	◯
Exporting and internationalisation as key to business survival	◯	◯	◯	◯	◯
Satisfactory government support	◯	◯	◯	◯	◯
Managing changes at leadership and at decision making levels is key.	◯	◯	◯	◯	◯
Developing dynamic capabilities to differentiate the business from competitors and ensuring legitimacy of the business.	◯	◯	◯	◯	◯

5. Section D: Any additional comments

Please provide any additional comments, explanations to the responses, insights that you feel the questionnaire might not have addressed.

20. Additional comments