

# **SMALL BUSINESS PROBLEMS IN THE SOUTH AFRICAN CONTEXT: A PROACTIVE ENTREPRENEURIAL APPROACH**

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## **Abstract**

It is estimated that the failure rate of small, medium and micro enterprises (SMMEs) is between 70% and 80% and millions of Rands are being lost on business ventures because of essentially avoidable mistakes and problems. It is maintained that often the ideas are good and the people behind them are competent, but “they do not have a clue of how to run a business” and have no underlying appreciation of business fundamentals. Problems encountered by small businesses are numerous and can be described amongst others as being environmental, financial or managerial in nature.

The objective of this paper is to establish to what extent owners/managers of small businesses in a typical South African setting, experience selected problems or issues as negatively influencing the success of their small business. Further to this, the aim is to investigate whether relationships exist between these problem categories and selected demographic factors.

A questionnaire was constructed and judgement sampling was used to solicit the responses of 300 small businesses.

The following were identified as the most prominent problem areas influencing small businesses in the Gauteng area of South Africa namely, economic factors, competition, socio-economic problems and change. Significant relationships were identified between demographic variable such as management qualification and background of the respondent and certain problem categories.

Educators and academics should direct their teaching and course development towards addressing specific problem areas so as to prepare students to better understand the anticipated problems when entering the business arena. Starting a business is risky at best, but the chances of success are enhanced if the problems anticipated are understood and addressed prior to the business starting. Small business managers will also be better equipped to make more informed decisions and to steer business away from known pitfalls.

## 1. Introduction

It is estimated that the South African economy has shed more than a million jobs since 1990 (Msomi 2000:1). According to the Department of Labour the official unemployment rate for the country in February 2002, was 28 percent. The unofficial unemployment rate is however estimated at levels as high as 38 percent (Msomi 2000:1). To compound the problem, the demand for semiskilled labour in South Africa, as elsewhere in the world, has shown a consistent and drastic decline in the last decade (Comiteau, Crumely, Gibson & James 2000: 24; Cull 2000: 11; Gumede 2001).

The SMME sector is widely regarded as the driving force in economic growth and job creation in both developed and developing countries (Lunsche & Barron 2000: 1; Levin 1998: 79; Sunter 2000: 23). The South African government has recognised the sector's importance in achieving national objectives and is committed to its growth (Budget speech 2001; South African Yearbook 1999: 292).

The provision of funding and expertise are of particular importance if the government wishes to foster small business development and growth. To date their efforts have however not been very successful. Poor service delivery is mainly due to administrative inefficiencies, corruption, poor communication and lack of expertise (Bisseker 1999: 44; Challenges in service delivery loom large 2000: 14; Erwin admits SMME sector failure 2000: 11; Haffajee 2000).

Due to the government's failed attempts and the high failure rate reported among small businesses, the private sector and NGOs have stepped in to assist SMME practitioners. They mainly focus on the provision of venture capital, entrepreneurial training and mentorship programmes (International competitiveness boosts SMMEs 2000: 14; Mthimkhulu 2000: 46; Ryan 2000:14; Wadula 2000). Surveys of small business failure maintain that entrepreneurs often have good ideas and are competent people but "they do not have a clue on how to run a business and have no underlying appreciation of business fundamentals" (Barron 2000: 1). Training programmes should thus equip small business owners with the necessary managerial skills to survive in today's competitive environment.

Educational institutions too have become more involved in the creation of an entrepreneurial spirit among learners. This is evident from the marked increase in the number of entrepreneurship and small business management courses offered at high schools, colleges, technikons and universities over the past few years (O'Neill 2000: 31; Maas 2000: 16; Saunders 2001: 7). Learners should be introduced to the benefits and potential pitfalls of opening a small business. An awareness of the problems causing small businesses failure will enable them to be forewarned and pro-active in their decision-making. Starting a business is risky at best, but the chances of success are enhanced if the problems anticipated are understood and addressed prior to the business starting.

## 2. RESEARCH OBJECTIVES

The primary objective of this paper is to establish which problems or issues, as identified in theory, are experienced as negatively influencing the success of small businesses in the South African context. Secondary objectives include:

- ✍ undertaking a literature study of the most prominent problems experienced by small businesses,
- ✍ establishing the correlation between the level of managerial qualifications and selected perceptions; and
- ✍ establishing whether significant relationships exist between selected variables and race of the respondents.

With the problem definition, and objectives as background, attention is first shifted to a brief literature overview from which the main problem categories were drawn. The focus is then directed to the empirical findings, conclusions and recommendations.

## 3. Literature Overview Of Problems Experienced By Small Businesses

Small businesses form an integral part of the economy and exist within a dynamic environment. In an open economy, business entities are influenced by and have an influence on the variables in the business environment. The latter can be subdivided into the internal/micro and external environments, which in turn consist of macro and market variables (Cant et al 1999; Strydom & Cant, 1999; Van Rooyen, Bosch & Reynders 1998: 38). In this study problems experienced by SMMEs are categorised based on their origin in the external or internal environment.

















### 3.1 The macro and market environment

The macro environment contains economic, socio-demographic, political, physical, international and technological factors over which management can exert no control. Theory postulates that the most macro environmental problems experienced are economic in nature. In general South African entrepreneurs view economic uncertainty, crime, corporate tax rates and labour legislation as the biggest threats facing the small business sector (Disgruntled entrepreneurs 1999: 18; Uncertainty and crime stifle local investment 2000: 14). The reality of AIDS is also becoming a more serious problem facing South African SMMEs (Sunter & Whiteside 2000: 99; Webb 2000: 16).

The market environment represents the interests/actions of consumers, competitors, intermediaries and suppliers. Management has little or no control over market factors and success often depends on management's ability to respond quickly to changing circumstances. An analysis of the role of competition is crucial for the survival of a small business. Insufficient demand for products/services and market imperfections are other frequently cited problem areas facing small businesses.

Some of the most common problems influencing success arising from the macro and market environments are set out in Exhibit 1 below. Please note that in the tables that follow the problems listed are not exhaustive, but are rather an attempt to summarise prominent literature sources.

**Exhibit 1: Macro and market environmental issues influencing small business success**














<b>Macro environment</b>	
	State of the economy i.e. economic growth, interest rates, inflation
	Compliance with legislation
	Unavailability of resources due to natural disasters or seasonal conditions
	AIDS
	Crime
	Government interference
	Rapidly changing technology
<b>Market/competitive environment</b>	
	Industry complexities, weaknesses, market imperfections
	New competitors offering similar products at lower prices
	Loss of major client
	Low demand for products/services
	Limited market size
	Poor growth prospects
	Low barriers to market entry i.e. many similar start-up leading to an over supply
	Major changes in the industry
	Drop in the demand for a major product line

**3.2 The internal environment**

Murphy (1996: 25) summarises internal causes of failure as deficiencies in three areas, namely management skills, management behaviour and functional knowledge. In a comprehensive study conducted by Ball and Shank (1995) small business owners placed the greatest importance on training needs in the functional areas of finance, accounting, management, marketing, strategic and long range planning.





Inexperience in the field of business (especially lack of technical knowledge) and inadequate managerial skills are the most prominent reasons for failure especially in the start up phase. Once the business has been successfully established an inability to make the entrepreneurial transition frequently leads to the deterioration and eventual failure of the growing business. Management issues are reported in Exhibit 2.

**Exhibit 2: Management issues influencing small business success**

<b>Management skills/attitudes</b>	
	Inexperience in the field of business or industry
	Lack of managerial training
	Inability or unwillingness to make the entrepreneurial transition e.g. To delegate authority
	Inability to control growth
	Generalist but not specialist or vice-versa
	Failure of the entrepreneur to evaluate him/herself realistically
	Wrong attitude - overemphasis on financial rewards
<b>Management actions/behaviour</b>	
	Inability or failure to perform selected management tasks
	Failure to look forward or to set strategic goals
	Slow to respond to environment changes
	Reluctance to seek advice from qualified sources
	Lack of management commitment/neglect
	Entrepreneurial burnout/ill health/social or family issues















Problems can further arise within the functional areas such as marketing, human resources, production and operations. These are set out in Exhibit 3 below.










**Exhibit 3: Functional issues influencing small business success**

<b>Marketing issues</b>	
	Poor location/business is inaccessible to customers
	Ineffective marketing
	Inability to identify target markets
	Failure to conduct market research
	Misreading the market
	Failure to address the proper market i.e. poor market segmentation
	Poor products/services
<b>Human resources issues</b>	
	Inability to attract and retain suitable staff
	Losing key employees
	Low productivity, low morale and labour problems
	Failure to adjust organisational structure
	Not hiring additional employees soon enough
	Human resources training and development
<b>Production/operations issues</b>	
	Lack of quality control systems
	Lack of capacity planning or problems
	Developing products/services
	Product line changes
	Problems with resource suppliers

Financial management is a crucial field within the internal environment of the enterprise that yields many potential obstacles to business success. Frequently experience financially related problems are set out in Exhibit 4.

**Exhibit 4: Financial issues influencing small business success**

<b>Capital requirements</b>	
	Inadequate capital, lack of credit
	Inadequate estimates of capital requirements
<b>Bookkeeping</b>	
	No or inadequate bookkeeping
	Insufficient knowledge of bookkeeping
<b>Financial planning</b>	
	Failure to do financial planning/budgeting
	Inadequate tax planning
	No provision for contingencies
<b>Financial analysis and control</b>	
	Inadequate financial controls
	Lack of management information on regular basis
	Failure to analyse information
<b>Working capital management</b>	
	Poor credit management
	Over-investment in inventory
	Difficulties in obtaining supplier credit
	Lack of inventory control

<b>Income generation</b>	
	Inadequate or incorrect cash flow estimates
	Heavy operating expenses of fixed costs
	Poor turnover or failure to reach critical mass
	Insufficient profits
	Unsuitable costing/pricing policy and strategy
	Burdensome debt
	High initial set-up costs
<b>Other financial causes of failure</b>	
	Withdrawing too much cash for personal expenses
	Fraud/misuse of directorship

The lack of adequate financing is the most serious constraint during the formation of a new venture. This problem manifests itself at later stages too, as the business requires additional inflows of capital to support expansion and growth. Inadequate bookkeeping leads to deficiencies in several other areas of financial management. Potgieter and Frank (1990: 3) mention that management competence is directly linked to the availability of management information for decision-making. Issues relating to credit extension and collection are particularly challenging for many small business owners/managers. It is therefore imperative that owners/managers equip themselves with the necessary financial skills to analyse and monitor financial activities.

### 3.3. Relationships Between Demographic Variables And Problems Experienced






In a study by Ball *et al* (1995: 30), education was the only respondent demographic that was significantly related to problems frequently experienced. Respondents with a bachelor's degree or higher experienced fewer problems with training, compliance with government regulations and information technology than those without a university education. Huang and Brown (1999: 80) investigated whether problems vary according to industry type and business size. They found that businesses in the service sector experience fewer problems in obtaining external financing compared with those in other industries. Manufacturing firms reported more problems in operations and production management whereas wholesalers and retailers had the most problems with internal financial management issues. Their study further revealed that small businesses are more likely to have problems in obtaining external funding and once established they are more prone to experience problems in the functional areas of production and human resource management.

In the aforementioned literature study, selected problems influencing small business success were highlighted. What follows is an attempt to establish what problems or issues are experienced by small businesses in the South African context as negatively influencing their business success.

## 4. Empirical Results

### 4.1 Research methodology

A survey was conducted among 300 businesses in the Pretoria area. In the absence of a sample frame, a judgmental sample was conducted among small business owners/managers. Thirteen different areas were selected within the Pretoria metropolitan area. Interviewers were recruited within these areas and requested to select 50 businesses in each area according to the following five variables:

-  a prescribed number of business were selected in each economic sector;
-  only SMMEs with less the 50 employees were selected;
-  owners were representative of all population groups (Whites, Asians, Africans and Coloureds);
-  only businesses located in demarcated business areas operating from a fixed structure were included; and
-  only businesses compiling an annual budget were eligible for inclusion.

A pre-tested questionnaire were completed by well trained interviewers. The questionnaire consisted of two sections. The first section contained questions on the demographic characteristics of the owner and background on the business. The second section consisted of 51 items divided into seven categories, five representing problem areas faced by SMMEs, one representing perceived success and one management views. Several statements relating to the various problem areas were phrased with a possible response continuum linked to a Likert-style five point scale varying from strongly disagree to strongly agree.




The rest of this section contains the main findings of the survey. The findings are either expressed as a percentage of businesses supporting certain statements or as an index representing the weighted average view on a particular statement. In calculating the index a weight of 5 was allocated to strongly disagree and 1 to strongly agree. An index of three represents a neutral stance, less than three expresses a tendency towards agreement and more than three disagreement to a particular statement. This methodology is supported by Harris (1995:16) who states that:

“Scores on many attitudinal or opinion measures, in which responses may be coded on a five- or seven- point scale ranging from “strongly agree “ to “strongly disagree” come to mind. Although we

cannot be sure that the distance between “strongly agree” and “agree” is the same as the distance between “agree” and “neutral”, it seems reasonable to assume that there is a fairly close relationship between the spacing of the possible responses and the underlying attitudes they are attempting to measure”

#### 4.2 Macro-Environmental Variables

The following statement was presented to respondents: “I experience the following macro environmental variables as having a negative influence on the success of my business.” The response of the owners/managers is contained in table 1. It is interesting to note that the following macro-environmental variables present the most serious problems to businesses:

	Crime	1,73
	Unemployment	1,89
	Inflation	1,90

Of less concern to businesses are Aids (index 3,06) and rapidly changing technologies (3,08). No substantial variations is detectable between owners/managers with or without management qualifications.

**Table 1: Macro environment variables by management qualification**  
(Index: 1 = strongly agree, 5 = strongly disagree)

Influences on success - Macro environmental variables			
	Man.Qualif. index	No Qualif. index	Average index
Interest rates	1,93	2,07	2,04
Exchange rates	2,14	2,20	2,18
Inflation	1,67	1,98	1,90
Unemployment	1,78	1,92	1,89
Crime	1,69	1,74	1,73
Aids	2,86	3,13	3,06
Rapidly changing technologies	3,10	3,08	3,08
New government legislation	2,54	2,97	2,86
<b>Total</b>	<b>2,22</b>	<b>2,38</b>	<b>2,34</b>

##### 4.2.1 Market related issues

The statements on which reaction were requested on market issues was: “I experience the following market related issues as having a negative influence on the success of my business”. Table 2 reports that respondents did not experience serious problems regarding market related issues such as market size, knowledge of competitors, knowledge of the market, inability to identify target market and a poor location. Most indexes range between 2,84 and 3,29 which are close to a neutral index of 3. The most negative reported by businesses was increased competition with an index of 2,24.

**Table 2: Market related issues by management qualification**

(Index: 1 = strongly agree, 5 = strongly disagree)

Influences on success - Market related issues			
	Man Qualif. index	No Qualif. index	Average index
Limited market size	2,84	2,84	2,84
Increased competition	2,18	2,26	2,24
Low demand for the product	2,92	2,93	2,93
Lack of knowledge of competitors	2,88	3,04	3,00
Lack of knowledge of the market	3,19	3,14	3,15
Inability to identify the target market	3,27	3,16	3,18
Ineffective marketing	2,79	2,89	2,87
Poor location	3,47	3,23	3,29
<b>Total</b>	<b>2,94</b>	<b>2,94</b>	<b>2,94</b>

#### 4.2.2 Management skills

The lack of management skills do not present a serious problem to the success of businesses. Figure 1 depicts the response on the extent to which management skills presented a negative influence on the success of businesses. The indexes on the various items are just above 3 implying a fairly neutral stance.

**Figure 1: Importance of skills and training on the success of business**

A lack of technical skill	3,52
Insufficient experience and knowledge about the field of businesses	3,57
A lack of management training	3,51
A lack of management skill	3,57

### 5. Management Issues

The response on the question: "Indicate to what extent you agree with the following statements relating to management issues" is shown in table 3. The table contains nine items on which respondents indicate their agreement or disagreement.

The majority of statements elicited a fairly strong agreement from respondents. The items mentioned in the table were therefore not regarded as problems but more as insight into the views of managers with regard to certain managerial concepts. It considered respondents views on failure, changes, planning, prioritising and delegation. Respondents consider daily routine/operational tasks as taking up most of their time. Managers agree that they tend to neglect planning due to time pressure. They also consider change as an integral part of running a business, regard planning as an essential task and view failure as a valuable learning experience. Based on the statements and the extent of agreement it appears that SME owners have the appropriate views and attitudes, required to manage their businesses successfully.

**Table 3: Influences on success relating to management issues**

Management issues	Disagree strongly and disagree %	Neutral %	Agree and strongly agree %
I set time apart each day/week to plan and prioritise activities for the day/week.	17	15	68
I tend to neglect planning due to time pressure	52	24	24
Daily routine/operational tasks tend to take most my time	36	16	49
Long-term goals and objectives are not meaningful considering the pace of change in my industry	38	29	33
I am able to spend my time more effective if I plan better	15	13	72
I view failure as a valuable learning experience	13	14	72
I constantly try to involve employees in planning/decision making	19	12	68
I prefer to do most of the work as I want to be in control	27	12	60
I regard change as an internal part of running a business	7	12	81

### 5.1 Social issues

The problem category concerned with social issues refers to the problem experienced by SMME owners where work tends to consumes their personal life. Long hours spent at work place pressure on relationships with family and friends. The pressure mainly stems from the dual roles that have to be performed by many owners as both diligent income provider and caring husband/father (wife/mother). Table 4 shows that items relating to complaints that too much time is spend at work and a deteriorating sound/family life obtain strong agreement. Ill health is not presented as a serious problem. It is clear from the responses that respondents feel that they neglect planning due to time pressure.

**Table 4: Influences on success relating to social issues**

I Social issues	Disagree strongly and disagree %	Neutral %	Agree and strongly agree %
My family/friends regularly complain that I spend too much time at work	36	14	51
Since having my own business, my social and family life has suffered due to time pressure	38	16	46
My business consumes my whole life	34	21	44
I regularly suffer from ill health	70	17	14

### 5.2 Human resource issues

The response to the question “I experience the following human resource issues as having a negative influence on the success of my businesses, is shown in table 5. The table contains seven items on which respondents indicate their agreement or disagreement. The majority of respondents elicited a fairly strong disagreement with statements.

**Table 5: Influences on success relating to human resource issues**

Human resource issues	Disagree strongly and disagree %	Neutral %	Agree and strongly agree %
An inability to attract and find suitable staff	53	14	33
Low labour productivity	44	29	27
New labour laws	37	28	35
High labour turnover	38	39	23
Poor labour relations	49	32	20
Poor staff planning	59	20	21
Poorly trained employees	56	19	25

The problem category *Human Resource* reflected to what extent small business owners experienced certain human resource issues as negatively influencing the success of their business. Items relating to the inability to attract and find suitable staff, low labour productivity, and new labour laws were regarded as the most frequently experienced labour problems. Attracting suitable staff is not a problem unique to South Africa as the war for talents is intensifying across the globe (Comiteau et al. 2000: 23; Hazelhurst 2000: 44). Issues such as poor labour relations, poor staff planning, and poorly trained employees were not seen as major success inhibitors.

### **5.3 Financial issues**

The response to the question: “I experience the following financial issues as having a negative influence on the success of my business” resulted in some interesting responses. It considered respondents views on the difficulty to find finance, failure to do budgeting, inadequate bookkeeping, over investment in inventory, operating expenses, poor cash flow management and others. Table 6 shows the responses.

As highlighted in the theory, heavy operating experiences and bad debts poses significant challenges for small businesses. Lussier (1996: 14) interviewed the owners of a 100 failed small businesses in the USA and found that under-capitalisation, high fixed costs and poor credit management were seen as prime causes of business failure. In line with the theory, difficulty in obtaining finance was regarded as the most serious problem facing small businesses in this study followed by heavy operating expenses.

**Table 6: Influences on success relating to financial issues**

Financial issues	Disagree strongly and disagree %	Neutral %	Agree and strongly agree %
Difficulty in obtaining finance/credit	32	14	56
Failure to do financial planning/budgeting	52	17	31
Failure to analyse financial information	55	22	23
Inadequate bookkeeping	58	15	27
Insufficient knowledge of bookkeeping	54	16	29
Over-investment in inventory	45	33	22
Heavy operating expenses	32	16	52
Burdensome debt	38	22	39
Poor cash flow management	42	22	35
Poor credit management	47	25	28
Bad debts	44	14	41

#### 5.4 Population groups/management qualification

Management qualifications of the respondents were indicated per population group. Of the total sample, 20,3% of respondents were African, of which 21,3% had a management qualification; 14,3% were Asian and 23,2% had a management qualification; 4% were Coloured and 25% had a management qualification, while 11,3% of respondents were White, and 47% had a managerial qualification.

A correlation between the population group and the influence of skills and training on the business was checked. The responses are shown in table 7. It is interesting to note the following issues from this table. The white respondents are more likely to disagree that a lack of management training or management skill has a negative influence on the business. This view may be attributable to the fact that up to 1994 whites were in a more privileged position regarding education opportunities.

**Table 7: Influences of skills and training on business success by population groups**

(Index: 1 = strongly agree, 5 = strongly disagree)

Skills and training issues	African index	Asian index	Coloured index	White index	Total index
Lack of technical skills	3,43	3,71	3,58	3,79	3,51
Insufficient experience and knowledge about the field of business	3,46	3,90	3,58	3,79	3,57
A lack of management training	3,39	3,74	3,25	4,06	3,51
A lack of management skill	3,48	3,62	3,42	4,06	3,65

#### 5.6 Perception of influences on success by population groups

The question: "Indicate to what extent you agree with certain statements relating to management issues was correlated with the different population groups." This is shown in table 8.

From table 8 it would seem that there is no significant differences regarding management issues between the different population groups.

**Table 8:** Influences of management issues on business success by population group  
(Index: 1 = strongly agree, 5 = strongly disagree)

Management issues	African index	Asian index	Coloured index	White index	Total index
I set time apart each day/week to plan and prioritise activities for the day/week	2,14	2,44	2,08	2,61	2,23
I tend to neglect planning due to time pressure	3,36	3,26	3,42	3,47	3,36
Daily routine/operational tasks tend to take up most of my time	2,82	2,69	2,83	2,74	2,79
Long-term goals and objectives are not meaningful considering the pace of change in my industry	3,08	3,21	3,17	3,00	3,09
I am able to spend my time more effectively if I plan better	2,09	2,31	1,75	2,61	2,16
I view failure as a valuable learning experience	1,98	2,29	1,75	2,21	2,04
I constantly try to involve employees in planning and decision making	2,38	2,02	2,08	2,21	2,30
I prefer to do most of the work as I want to be in control of what is happening in my business	2,42	2,36	2,08	2,26	2,38
I regard change as an internal part of running a business	1,80	2,05	1,50	2,00	1,84

A correlation between population groups and financial issues has indicated some interesting observations in table 9. White respondents (3,09) did not find it as difficult as African respondents (2,5%) to obtain finance or credit; and Coloured respondents (2,0) battled with operating expenses. The main problem areas for African businesses are in the obtaining of finance (2,5), heavy operating expenses (2,71), debt (2,94), and bad debts (2,92), while for white businesses, the main problem areas are heavy operating expenses (2,82) and debt (2,97). Asians would seem to be the most comfortable with their knowledge of bookkeeping (4,05).

**Table 9:** Influences of financial issues on business success by population group  
(Index: 1 = strongly agree, 5 = strongly disagree)

Financial issues	African index	Asian index	Coloured index	White index	Total index
Difficulty in obtaining finance/credit	2,50	2,81	2,83	3,09	2,63
Failure to do financial planning/budgeting	3,23	3,55	3,67	3,56	3,33
Failure to analyse financial information	3,37	3,86	3,75	3,44	3,46
Inadequate bookkeeping	3,27	3,98	3,75	3,79	3,45
Insufficient knowledge of bookkeeping	3,22	4,05	3,92	3,59	3,41
Over-investment in inventory	3,27	3,85	3,42	3,35	3,36
Heavy operating expenses	2,71	2,74	2,00	2,82	2,70
Burdensome debt	2,94	3,36	2,58	2,97	2,99
Poor cash flow management	3,00	3,55	3,33	3,18	3,11
Poor credit management	3,18	3,60	3,58	3,38	3,28
Bad debts	2,92	3,64	2,33	3,24	3,04

## 6. Summary

The SMME sector plays a very important role in the South African economy in terms of its contribution to economic growth and job creation. Despite the government's commitment to the creation of a supportive SMME environment, its efforts have met with mixed results. At the same time NGOs, the private sector and educational institutions have stepped into the SMME arena to assist entrepreneurs in their search for funds and management expertise. Training and educational programmes should equip small business owner/managers with the skills necessary to survive in today's competitive environment. Likewise learners at secondary and tertiary level should be introduced to the benefits and potential pitfalls of opening a small business. An awareness of the problems causing small businesses failure will enable them to be forewarned and proactive in their decision-making. Starting a business is risky at best, but the chances of success are enhanced if the problems anticipated are understood and addressed prior to the business starting.

The objective of this paper was to establish to what extent small businesses in the South African context experience selected problems as negatively influencing the success of their small business.

The theoretical problems identified and discussed were based on their origin in the business environment. Numerous issues arising from the macro as well as the market environment were identified. The internal environment gave rise to problems resulting from a lack of management skills, management actions and deficiencies in the functional areas.

Respondents identified the following items as very significant problems that influence the success of their small businesses:

- ✍ inflation and interest rates,
- ✍ increased competition,
- ✍ crime and unemployment,
- ✍ regulatory and technological change,
- ✍ social pressure from family and friends and
- ✍ credit management, heavy operating expenses and burdensome debt.

From the above, it is clear that South African small business owner/managers experience similar problems to those of their counterparts in other areas of the world. The relative importance of certain problems such as the state of the economy or access to capital however differs from one country to the next (Ball et al. 1995; Huang et al. 1999; Tait et al. 1999).

## 7. Recommendations

From the literature overview it seems as if many problems facing small businesses are universal but others are country or region specific. Educators should be aware of the relative importance of problems and discussions thereof should form an integral component of training or mentorship programmes. Educators in South Africa should for instance have to give considerably more attention to problems arising from the macro or market environment than to problems arising from some of the internal, functional areas, with the exception of the financial function. Even though most external factors are beyond management's control, trainees should be made aware of their impact on business success. The importance of environmental scanning and planning should likewise receive more attention in syllabi. The development of financial acumen and planning skills should also be seen as crucial elements of their product offering. Finally, this study seems to indicate that the need for entrepreneurial training is the greatest among SMME owners from previously disadvantaged communities.

## 8. Future Research

Future research firstly involves a continual refining and developing of a reliable and valid measuring instrument. Secondly a more in-depth study of the impact of macro economic variables on the success of small businesses in South Africa could be undertaken.

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