

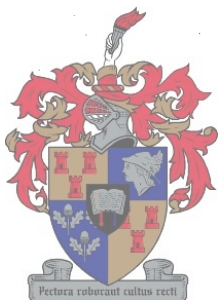
The development of an instrument to determine the perceptions of Gauteng small business operators of their support systems

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DECLARATION

I, the undersigned, hereby declare that the work contained in this thesis is my own, original work and that I have not previously in its entirety or in part submitted it at any university for a degree.

ABSTRACT

The study has two main aims, first, the development and validation of a survey questionnaire in the field of small business support; second the determination of Gauteng small business operators' perceptions about their small business support.

The importance of studying small businesses and small business support systems is realised through the background and literature of this study which suggests an enormous contribution of the small business industry towards the South African Gross Domestic Product (GDP) and towards the eradication of unemployment.

The following research methodologies were used in achieving the above objectives: An exploratory descriptive survey was used. The purpose of the exploration was to gain new insight into the relatively unknown research area of instrument development in the areas of small business support. A probability sampling method, that is a systematic random sampling, was used in the selection of 60 participants who are small business operators. Sampling was done from a population frame presented in a directory of small businesses registered with the Gauteng Chamber of Businesses.

Data collection was done through face-to-face interviews using the developed survey instrument. The developed instrument was intended to collect the following type of data: demographic data, data on small business activities and Likert scale data on small business support.

The validation of the questionnaire items presented in the Likert scale format was done using factor analysis, a statistical procedure for synthesising large amounts of data. The results of the factor analysis scale revealed that *finance* and *accessibility of information* are the most important factors of small business support systems. Questionnaire validation through the use of factor analysis

acknowledged the limitation of using a small sample, which renders factor analysis results not fully reliable.

The determination of small business operators' perceptions on the importance of different support systems was done using Thurstone's Law of Comparative Judgement. The results of the Thurstone comparison are that access to information, training and skills development, are the most important support systems listed by the respondents.

Findings on the majority of respondents about business activities are:

- they sell their products in the local markets, were started before 1983, started their businesses with the intention of becoming their own bosses.
- they operate within the inner cities and employ 1 to 49 employees.
- they have not been trained on how to operate a small business but also do not think that training would enhance their managerial performance.

The main substantive findings of perceptions by the majority of operators about small business support are that:

- they favour in-service/on hands training and business partnerships.
- believe that finance is the biggest problem facing small businesses.
- view most financial institutions as unsympathetic towards their needs.
- consider independence as one of the most important activities within businesses.
- view product marketing as beneficial, but consider advertising media costly.

OPSOMMING

Die studie het twee hoofdoelwitte: die eerste is die ontwikkeling en validering van 'n opname-vraelys in die veld van kleinsake-ondersteuning; die tweede, die bepaling van Gauteng se kleinsakelui se persepsies omtrent hul kleinsake-ondersteuning.

Die belangrikheid van 'n studie van kleinsake-ondernemings en kleinsake-ondersteuningstelsels word geïllustreer deur die literatuurstudie van hierdie studie, wat dui op 'n geweldige bydrae deur die kleinsake-bedryf tot Suid-Afrika se Bruto Binnelandse Produk en tot die uitwissing van werkloosheid.

Die studie het van die volgende navorsingsmetodes gebruik gemaak. 'n Verkennend-beskrywende opname is gebruik. Die doel van die verkenning was om nuwe insig te bekom in die relatief onbekende navorsingsarea van instrumentontwikkeling in die area van kleinsake-ondersteuning. 'n Waarskynlikheidssteekproefmetode, is gebruik in die seleksie van 60 deelnemers wat kleinsakelui is. Steekproefneming is uitgevoer op 'n populasieraam bestaande uit kleinsake-ondernemings wat geregistreer is by die Gauteng se Sakekamer. Data-insameling is gedoen deur persoonlike onderhoude. Die oraclys is bedoel om die volgende tipe data in te samel: demografiese data, data oor kleinsake-aktiwiteite en Likertskaaldata oor kleinsake-ondersteuning.

Die geldigheid van die vraelysitems is getoets deur faktoranalise. Die resultate van die faktoranalise het getoon dat *finansies* en *toeganklikheid van inligting* die belangrikste faktore van kleinsake-ondersteuningstelsels is.

Die bepaling van kleinsakelui se persepsies van die belangrikheid van verskillende ondersteuningstelsels is gedoen deur die gebruik van Thurstone se Wet van Vergelykende Beoordeling. Die resultate van die Thurstone vergelyking

is dat *toegang tot inligting, opleiding en vaardigheidsontwikkeling*, die belangrikste ondersteuningstelsels is wat deur respondente genoem word.

Die hoofbevindings van die studie is dat die meerderheid van respondente:

- hul produkte verkoop op die plaaslike markte, opgerig is voor 1983, en hulle het hul eie sake-onderneming begin met die doel om hul eie baas te wees.
- sake doen in die middestad en 1 tot 49 werknemers in diens het.
- geen opleiding gehad het in die bedryf van 'n kleinsake-onderneming nie, maar ook nie dink dat opleiding hul bestuursprestasie sal verbeter nie.

Die vernaamste substantiewe bevindings van persepsies oor kleinsake-ondersteuning deur die meerderheid van persone in die bedryf is dat hulle:

- ten gunste is van in-diens/praktiese opleiding en sake-vennootskappe.
- glo dat finansies die grootste probleem is waarvoor kleinsake-ondernemings te staan kom.
- die meeste finansiële instansies beskou as onsimpatiek teenoor hul behoeftes.
- onafhanklikheid beskou as een van die belangrikste aktiwiteite binne sake-ondernemings.
- produkbevestiging beskou as voordelig, maar reklame-media as duur.

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ABBREVIATIONS

APDF	Africa Project Development Facility
CBD	Central Business District
CSS	Central Statistical Services
DBSA	Development Bank of Southern Africa
DTI	Department of Trade and Industries
GDP	Gross Domestic Production
GEAR	Growth, Employment and Redistribution
FASA	Franchise Association of South Africa
HSRC	Human Sciences Research Council
IDC	Industrial Development Council
KMO	Kaiser-Meyer-Olkin criterion
LRA	Labour Relations Act
NEPA	Ntsika Enterprises Promotion Agency
NGO	None Governmental Organisations
NIC	Newly Industrialised Countries
NSBC	National Small Business Council
RDP	Reconstruction and Development Program
SACOB	South African Chamber of Business
SBDC	Small Business Development Corporation
SMME	Small Medium and Micro-enterprises

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Chapter 1

BACKGROUND TO THE STUDY**1. Introduction**

This chapter introduces the purpose and background to the study. It touches on the importance of the small business sector in the South African economy, presents an argument for the importance of small business support and the development of a survey instrument that will enable the determination of the perceptions of small business operators about their support services.

There is an over reliance on popular media such as newspaper articles in the *Sowetan* and *Enterprise*, for information in chapter one and two. The over reliance on these media is due to the lack of most recent academic publications on information about small business activities. The mentioned popular media provides not only recent information but also discussions by parliamentarians at both provincial and national levels.

Issues of economic empowerment and economic growth have been high on the agenda of the Government of National Unity of South Africa since the first democratic elections in April 1994. With millions of South Africans unemployed and underemployed, the government has had no option but to give its full attention to the fundamental task of job creation and the generation of sustainable and equitable growth. Small, medium and micro-enterprises (SMMEs) represent a major vehicle to address the challenges of job creation, economic growth and redistribution in our country (*White Paper on National Strategy for the development and promotion of small businesses in South Africa, 1995*).

As a result of the recognition of the impact of small business sector on the economy, there has recently been a wide range of moves by both the public and

private sector to integrate small business into the larger South African economic framework. Recent research and commissions have been dedicated to the functions and contributions of the small business sector (White Paper on National Strategy for the development and promotion of small businesses in South Africa, 1995, Sowetan, 5 November 1997).

Over the past number of years, research on the trends, problems and needs of small enterprises by South African universities, technikons and other research centres has increased significantly (Sowetan, 25 October 1997). The government hopes that existing research agencies, both local and foreign funders, will adjust their priorities in order to generate research with a more practical orientation and/or policy relevance (White Paper on National Strategy for the development and promotion of small businesses in South Africa, 1995).

Individuals who have acknowledged the importance of small businesses, include the Minister of Provincial Government, Vali Moosa. In his address at the National Small Business Conference in November 1997, he stated that small businesses are the engine for local government development and, as such, local authorities should play an important role in promoting their activities (Sowetan, 5 November 1997).

A research institution that has concentrated on small business activities is the Bureau of Economic Research at the University of Stellenbosch. In its research, the Bureau found that South Africa's macro-economic policies were likely to fail if empowerment efforts were concentrated on major industries and ignored the small players. The development of support for small, medium and micro-enterprises is crucial for the country's competitiveness in the international market (Sowetan, 25 October 1997).

There is a common consensus in all debates on the activities of small businesses that they have a role to play in the development of the economy. The importance of the small business sector and its contribution to the development of the South

African economy is outlined in the section that follows.

2. Contribution of small businesses to the development of the South African economy

One of South Africa's problems is the persistent escalation of the unemployment rate and a relatively low economic growth rate. While insufficient job creation and skills transfer are currently some of the problems facing the corporate and government sectors, there are many entrepreneurial people with sufficient drive who can succeed in running their own businesses, but have little or no support (Sowetan, 12 February 1998).

It is recognised that the small business sector makes a major contribution to the growth of the South African economy. In 1994 it was reported that this industry contributed an estimated 25% to the gross domestic product (GDP) (Katz, 1994: 150). With their labour-intensive means of production, the potential of small businesses in employing a large segment of the *active labour force*¹ was realised. They employed an estimated 38% of the total active labour force and were also responsible for the creation of an estimated 75% of new jobs (Katz, 1994: 150). There are currently more than 800 000 small, medium and micro-enterprises in the country, absorbing about a quarter of the 15 million labour force. This is in addition to about 3,5 million people involved in some type of survivalist enterprise activities. The most viable and dramatic increase in the role of SMMEs has been in the fields of distribution, service provision and manufacturing in the townships and the central business districts (CBD). Recent statistics by the Statistics South Africa (SSA) on the share of the informal sector enterprise reveal that the informal sector employed 10.7% and contributed 6.7% to the GDP. It has the potential to formalise and grow into big businesses (Katz, 1994: 150 & Die Suid Afrikaan, April/May 1992: 37).

¹ *The active labour force (economically active population) comprises those members of the labour pool who are able and willing to work, in other words the sum of the employed and unemployed (Barker, 1995).*

The labour-intensive means of production by SMMEs, which involves the use of more labourers and raw materials, have the potential to reduce the capital costs of creating new job opportunities. Small businesses can achieve the reduction of capital costs of creating jobs because they use less imported capital and intermediate goods than the big producers.

In contrast to all the positive remarks about the importance and contribution of small businesses, Goldberg (1997:83) thinks that the significance of the small enterprises in the economy and for employment creation has been exaggerated. According to this author, though the small enterprise's role has been exaggerated, the majority of important debates are on how their performance and role can be expanded and supported.

Given the above discussion, this study intends first, to scrutinise the contributions of the small businesses in the manufacturing sector and, second, to develop a survey instrument to determine the perceptions of small business operators about their support.

In a setting similar to South Africa where the economic environment is biased towards big businesses, three areas of policy and program intervention are according to Levy (1996: 2) needed. Such intervention could hold the potential of rapidly enlarging the historically limited roles of the SMMEs. Such intervention could also enhance SMME access to finance, ease regulatory inhibitions of SMME, relaxation or removal of anti-competitive behaviour on the part of big business.

3. The manufacturing small business sector

The South African manufacturing sector is in general, directly and indirectly, responsible for the survival and maintenance of a large proportion of the other sectors. The South African manufacturing sector contributes to the development

of wholesaling companies, distribution and transport firms, which are all responsible for generating and maintaining thousands of jobs.

Without the support of the manufacturing industry the above-mentioned sectors will not be able to survive international competition and will leave thousands jobless and generally affect the economy negatively. Recent economic uncertainties in the Newly Industrialised Countries (NICs), have impacted negatively on our economy and resulted in the negative performance of most industries including the manufacturing sector. SMMEs were reported to be feeling the pinch of high interest rates as recent increases in interest rates have pushed the cost of borrowing from local financial institutions beyond the reach by the majority of small businesses (Sowetan, 15 August 1998).

According to Goldberg (1997: 84) the Labour Relations Act which is supposed to protect these financial and other labour-related needs and expectations of the small enterprise does not do so. He sees the LRA as the culmination of an historical labour struggle and a reward for the labour movement's political role in ending apartheid and does not, as such, represent social and economical challenges of the post-apartheid South Africa.

In the manufacturing industry, emerging farmers and most empowerment groups, including Non-governmental organisations (NGOs) have not escaped from the inability to raise loans. According to Luke Doig, senior economist of the credit insurer, which insures the debtor books of most small businesses, said most SMMEs were facing insurmountable cash flow and working capital problems. He also criticised the bank's interest rate structure, saying, "it was unfairly penalising emerging farmers and creating a heavy burden" (Sowetan, 15 August 1998).

A survey of 165 firms conducted in August 1993 by the World Bank South African Department (Levy, 1996: 10) to explore the extent of SMME's participation in a labour-demanding industrial strategy built around exports of light manufactures, acknowledged the following constraints that small businesses in South Africa are

faced with:

- Political uncertainty.
- High cost of banking charges.
- Lack of skilled technicians and managers and
- Lack of access to suitable premises.

Another study conducted by the Industrial Research Project on the function of industrial councils, with special reference to their accommodation of small enterprise, identified the following major problems faced by small businesses:

- The majority of small businesses have payments of wages below the prescribed minimum.
- There is non-payment or late payment of social benefits to workers, also a non-provision of training while making use of skilled labourers.
- Ignorance of labour laws, being ill informed about regulations.
- Unprofessional behaviour, poor record keeping or an absence of accounting.
- Lack of cash with resulting financial problems (du Toit, Shane, Goldberg, Maree and Theron, 1995: 52).

The contribution of small businesses in solving some of South Africa's economic problems has been explained (cf. section 2) but the future of this industry is uncertain, taking into account the problems discussed in the paragraphs above. Section 4 below discusses the general perceptions on the future role of the small business industry in South Africa.

4. What role do small businesses play in the new South Africa?

In this section the various perceptions held by government, big businesses and the banking sector on the role they think small businesses play in the new South Africa are expounded.

4.1. Government perception

Addressing the National Small Business Conference in 1997, Minister of Provincial Government, Vali Moosa, said that a partnership between the government and the National Small Business Council (NSBC) is important for the future growth of the national economy. He stressed that small business has implications for local government development through infrastructural investment, training and labour market support, procurement power and formations of strategic partners (Sowetan, 5 November 1997).

Addressing the second National Small Business Conference in 1998, the then Deputy-President, Thabo Mbeki, stated that the importance of South African small business has been realised in that direct spending by the government had reached R350 million, approximately double the 1994 figures (Succeed SA, Feb/March 1998).

There are different perceptions about the role the government can and should play in the development and institutionalisation of the support systems of small businesses.

Restructuring national policies governing the running of the small business sector is seen by many as the first major step to rid the small business sector of its most pervasive hindrances. The suggestion that the institutional support framework for these enterprises be restructured conforms with the objectives of economic policy. The government should determine appropriate support policies, which should be more focused and sectorally differentiated (Coetzee & Visagie, 1995).

*The Growth, Employment and Redistribution (GEAR) strategy*² cites a need to exert a major effort to implement the policies outlined in the White Paper on small business promotion (Growth, Employment and Redistribution, A macro-economic

² *GEAR is the government's macroeconomic strategy for rebuilding and restructuring the economy aimed at keeping up with the goals of the Reconstruction and Development Programme (RDP) (<http://www.polity.org.za/govdocs/policy/growth.html>).*

strategy, 1996).

4.2. Perception of big business and the banking sector

Through the media, private institutions, particularly banks and NGOs, have expressed their appreciation and support for the work that small business has achieved in developing the country. Some private institutions have forged alliances in order to offer assistance to developing small businesses.

According to Trade and Industry Minister, Alec Erwin, the fiscal and macroeconomic constraints faced by the government has forced the private sector to play a significant role in the development and training of small - medium and micro-enterprises (Sowetan, 2 October 1997).

Constraints faced by the small business industry in relation to the constraints faced by the government are overwhelming. According to the NMC (1991:10), among other things, small businesses are faced with the inability to raise capital, lack purchasing power and have a shortage of entrepreneurial skills to offer professional services. In addition to these problems, owners of small business argue that they are severely constrained by regulations that govern their operations of which the government is doing little or nothing to rectify. On the other hand big business is seen to be unwilling to help in solving some of these problems for which they have expertise within their operations.

There has been a strong commitment by the big business sector to support small business. As a result, the ECCLES Association was formed, which consists of ABT Associates, Citibank SA, the Africa Project Development Facility (APDF), Deloitte and Touch, Labat, Anderson SA, Msele Nedventures, MSGM Masuku, Jeena and Tambourine Technologies. In its bid to support new business ventures and expansions, the Association states that it is committed to helping at least 18 small and medium enterprises to raise capital. The Managing Director claimed that this Association would also guide SMMEs on loan financing. According to

the Association, a team of experts had been set up to work with the companies that were subsidised and to give advice on the selection of financing sources. The team would identify business requirements needed for establishing a competitive and viable venture and provide technical managerial assistance (Sowetan, 7 January 1997).

A research survey conducted in 1997 by Trade International Research (Tinrac), a market research company, found that parastatals such as Telkom, Eskom and Transnet were at the forefront of empowering small, medium and micro-enterprises through their tender and empowerment programmes. This research also found that big business continued to advance its interests, but neglected the SMMEs. Proposals have been made that the government sector should become involved by subcontracting some of its work to the SMME sector. It would be naïve to say that the government should not be involved in the development of the sector while the private sector was unwilling to participate (Sowetan, 23 October 1997).

The Enterprise (5 March 1995) reported on the willingness of organisations, such as the Small Business Development Corporation (SBDC), to assume a new role in funding small businesses. In this commitment to the restructuring process by the SBDC, its shareholders alleged that conflict with the government over policy issues was not in the best interests of small businesses. Instead of granting new loans to small businesses with potential, the new role of the restructured SBDC should be to invest in emerging enterprises (Enterprise, 5 May 1995).

In the past the banking sector has been criticised for not doing as much as it could to support the small business sector (Sowetan, 2 October 1997, Die Suid Afrikaan, April/May 1992: 29). According to Alec Erwin, the involvement of the banking sector in small business development and training was a major source of concern to government. He said, "the banking sector, in particular, which has financial resources to enhance small business' development and training,

appears not to be playing this role" (Sowetan, 2 October 1997). On the other hand, there have been some moves by the banking sector to relax its lending policies to accommodate the small business sector in its loan agreements.

According to Boland Bank Chairman, Christo Wiese, one of the greatest needs for banking staff was to be trained to be more flexible and more accommodating when dealing with loan requests from small and medium enterprises. He said, "We must closely look at international experience which has enabled the small business to make a greater contribution to job creation than in South Africa. The challenge is to upgrade the whole SMME sector so it can produce competitive products and services, contributing effectively to the country's output and make inroads into export markets" (Sowetan, October 1997).

According to Macleod (1988), in recent years the attitude of major banking institutions has become more positive towards small businesses in general. They now offer a wide range of services to these businesses, including overdrafts, term loans, trade bill finance, factoring, leasing, import/export finance and equity finance. A business application could still be turned down for a number of reasons, e.g. if the business plan appears to be unrealistic or of high-risk.

Given policy reforms by the government (cf. section 4.1), revised funding and loan-granting schemes by the banking sector, small businesses will be watched and expected to perform accordingly. The section below discusses some of the possible challenges that face small businesses.

5. Challenges facing small business in South Africa

Small businesses in South Africa are faced with many challenges. According to Vosloo (1994: 166), at the same time the advantages of small South African businesses are enormous. The government and other organisations including the big businesses have recognised the role they are able to play in the rebuilding of the country's economy. Apart from this recognition, other advantages include

their use of less capital per worker, promotion of local development, providing links for medium and big businesses, they are more innovative, grow faster than old firms and act as vehicles for entrepreneurial talent. Furthermore, relatively low amounts of capital are required for small enterprises and they are easier to establish in rural and small urban areas.

The country's reliance on growth, employment and redistribution by people in the government, the private sector and the banking system in South Africa has been emphasised. This emphasis has resulted in support initiatives to help small businesses find their feet and consequently, many programmes have been developed and support organisations have been founded.

Where the RDP objectives are concerned, the national Manpower Commission (NMC) (NMC, 1993: 9) emphasised the potential of small enterprises to redistribute opportunities, realise black aspirations, play a socialising role, help in the provision of housing and promote entrepreneurship. It is generally accepted in South Africa that small firms can achieve these aims and therefore need to be encouraged.

The President's conference on SMMEs helped lay the foundation for a new approach to SMME development in South Africa. The real challenges now lie in further detailing specific strategies and implementing appropriate policies (Enterprise, June 1996). Since the White Paper on Small Business Development and Promotion and the above-mentioned conference, some small business support institutions have been established, such as:

- The Centre for Small Business Promotion.
- Ntsika Enterprises Promotion Agency (NEPA) which provides non-financial support services.
- Khula Enterprises which aims to mobilise wholesale finances for financial

institutions which lend to SMMEs. Khula also offers credit guarantee schemes to financial institutions.

- The National Small Business Council (NSBC) and its provincial counterparts create an environment in which small businesses have a say in the formulation of small business policies.

The small business sector is confronted not only with the emerging realism of the role they are expected to play, but also with the fact that they should enhance their managerial and other staff competencies. The ability to make alliances with other businesses and training institutions is also important for their prosperity.

The Suid-Afrikaan (April/May 1992: 24) reported the following: "Poor managerial skills continue to bedevil the effectiveness and impact of the small business sector on overall economic performance and this is further complicated by the failure of small operators to realise their management deficiencies."

On partnerships and alliance development the then newly-elected Chairman of the Gauteng Provincial Small Business Council, Chirhill Mrasi, was very optimistic. He stated that, "the strengthened ties between the South African Chamber of Business (SACOB) and the private sector, which would enhance the access to finance by small businesses were central to his agenda" (Sowetan, 5 November 1997).

At national level the Ministry of Trade and Industry has joined forces with the Franchise Association of South Africa (FASA) to promote franchising as the optimal business development and expansion mechanism for the small business sector. Deputy Minister of Trade and Industry, Phumuzile Mlambo, said that, "because of the 90% success rate of franchise operations, the government is currently reviewing business formats and making franchising an optimum vehicle for creating further growth in the small, medium and micro-sector" (Sowetan, 12 February 1998). These franchise operations are said to be effective tools for

transferring technology, skills and business ownership to emerging entrepreneurs.

An exhibition that was held at the World Trade Centre in July 1996 (the Enterprise Africa Exhibition) was aimed at linking SMMEs to big businesses, government and parastatals. The specific objective of the exhibition was to create an awareness of the capabilities of small-scale industries among the national and international corporate sectors and government departments as well as educating SMMEs about gains through business linkages. This awareness created the challenge for small and big business to forge alliances and linkages in the future (Enterprise, June 1996).

Many small businesses are unknown and unregistered which makes it very difficult for their activities to be supported. It is important for the purpose of this study to distinguish between the different types of small businesses.

6. Types of small businesses

South Africa is characterised mainly by two types of small businesses, unregistered (informal) and registered businesses.

The unregistered small businesses are defined and classified as the informal sector. The assumption is that most of the activities of these businesses are unstructured, and their staff has not received specific training for operating the business activities. The general perception is that people operating these businesses are usually forced into self-employment because of poverty. A survey conducted by the University of Natal proved that, on the contrary, many of these businesses and their labour-force are not forced into self-employment out of economic necessity. They do not live below the breadline, but they do yearn for the stability of the formal sector. Generally they are poorly educated.

The above-mentioned survey by the University of Natal of a sample of 645 small and black-owned enterprises in KwaZulu-Natal concluded that less than 2% of these businesses intended seeking wage employment and most of them had potential for growth. Only 15% desired to migrate into the formal sector. More than 30% of the entrepreneurs had completed standard 10 with 29% having post-school qualifications (Enterprise, October 1996: 59).

Another type of small business is the registered business. These businesses are regular taxpayers and their activities are so defined that the government knows in what production they are engaged. Registered small businesses have more chance of receiving financial support from the government and banking institutions as their activities are well defined and documented. The annual turnovers of these businesses, their working capital and number of employees are known to the revenue department. It is believed that the corporate image, company position statement and decision on the corporate role or determination of key stakeholder groups are the fundamentals of a formal "registered" business (Siropolis 1986, Browne, 1974: 9). Ian Hetherington of Job Creation, a management consultancy specialising in entrepreneurial development, estimates that there are about 810 000 formal sector enterprises owned or controlled by all races (Die Suid Afrikaan, 1992, April/May: 37).

Against this background, I now turn to a description of the aim of the study.

7. Purpose of the study

The purpose of this study is to develop and validate an instrument in order to survey the perceptions of small business operators in the manufacturing industry, in the Gauteng Province about the effectiveness of their support systems.

7.1. *Specific objectives of the study*

- To conduct an in-depth review of literature upon which critical measures and indicators of the new instrument can be based.
- To validate the various elements of the developed instrument factor analysis.
- The study also aims at describing the degree of importance of various dimensions of existing and required support systems. The study will focus on all possible support areas and in order to rate the most important support systems.

7.2. *Methodological purpose of the study*

The methodological purpose of this study, which is instrument development (questionnaire) is discussed below.

- *Instrument development*

It is evident throughout the literature that there is a great need for the development of small business support mechanisms. Most literature (Enterprise, March 1995, Backer et al., 1995, Sowetan, 5 November 1997) suggests that small business support systems, which seem to be inadequate, should be made more effective through constant consultation.

The NEXUS³ database reveals that various studies have been conducted on small businesses in general but none within institutions of higher learning are dedicated to small business support and the development of a standardised survey instrument. The majority of research conducted on small businesses are on policy formulation issues, taxation and case studies (Katz, 1994: 149, Enterprise, October 1996: 59, White Paper on small businesses in South Africa, 1995).

The Index of South African Periodicals contains several studies on small

³ *Database for the Humanities and Social Sciences in South Africa on current and completed research projects (HSRC, Pretoria).*

businesses dedicated to small business entrepreneurship, the majority of which were undertaken in the Western Cape. The following studies from the above-mentioned database address issues that are partially similar to the purpose of this study; i.e. they research single support mechanisms, such as finance, etc:

In the study, "*Entrepreneurs entering the mainstream: subcontracting*" (African business, 1994: 16), the focus of the research paper is on Eskom's Small Business Commercial Support department that scrutinises the drawing up of business plans and including small business into their contracting network. The relevance of this research to this study is that it examines one form of small business support, that is, subcontracting.

The following case study, "*Financial constraints on small business entrepreneurs*" (Mahadea, 1997) focuses on Transkei's black entrepreneurs' financial constraints, credit access, capital investment and loan facilities. This research paper's relevance is that it also investigates a single form of small business support, that is finance.

A study by the University of Cape Town, "*Institutions supporting small and medium enterprises in the Western Cape*" (Jawoodeen, 1996) focuses on the entrepreneurial perceptions of the Small Business Development Corporation. This study by Jawoodeen is important in that it also assesses the perceptions of small business operators even though the perceptions are only about a single support institution, namely the SBDC.

Other research includes, "*South Africa's national small business policy*" (Bukula, 1995) which focuses on the analysis of the processes of formulating the SMME policy and its current position, revealing its weaknesses and strengths. The relevance of this study is that it considers another dimension of small business support at a high governmental level, that is policy formulation.

The researcher also consulted the *South African Journal of Small Business and Entrepreneurship*. Based on his review of the above-mentioned journal for the periods 1986 to 1996, it is clear that few, if any, of its studies specifically focused on small business support per se. Some of the studies in this journal which are partially relevant were those done by Visagie and Coetzee (1995) and Human and Allie (1994).

An exploratory study by Visagie and Coetzee (1995), "*Challenges of SMMEs in South Africa*" conducted among 61 managers, intended developing a four-factor model to be applied in the in-depth study for describing and explaining how entrepreneurs coped with change. This study scrutinised support policies for small business in order to ratify policy mistakes so that small businesses are enabled to cope with economic changes in the country.

Another study, "*Upgrading and developing managerial skills: an exploratory study including small business programmes*" (Human, & Allie, 1994) focuses on offering a general insight into the status of management development in South Africa by assessing management development programmes. One relevant aspect of this study is that it attempts to investigate a single support mechanism for small businesses, namely, training for managers.

It is obvious that few studies had been conducted in the area of small business support systems. The researcher was also not able to find studies that addressed the development of a questionnaire or measuring instrument in order to determine perceptions of small business operators.

Recently there has been much deliberation on establishing sound small business support in South Africa (Enterprise, June 1996, Sowetan, 12 February 1998, etc.). Against such a background the researcher concluded that an effective support mechanism could not exist without proper consultation, proper research and valid information on the needs and aspirations of small business operators.

The development and validation of a standardised instrument that would enable the identification of the perceptions of small business operators of their support is primarily to fulfil the objectives of small business promotion.

The instrument that was developed in the study could be used to identify support systems that are both effective and ineffective and their importance for small business development. The acknowledgement of the results based on a standardised instrument on small business support will enable the government, big business and other role-players, including NGOs, to prioritise the support according to that most needed, the ineffective and the most effective systems.

The researcher ensured that the instrument would be appropriate for the South African small business by taking the following into consideration:

- thorough check of literature on current and ongoing debates in small business support and policy formulation.
- thorough look at all policy documents, including the White Paper, on small business development.
- a general overview of foreign literature on small business support.
- inclusion of economic theories on small business support, discussions and articles from newspaper and magazine articles.
- ensuring that that the development of this instrument was appropriate by taking into account all the methodological considerations that underlie instrument development, validation and standardisation (discussed in detail in chapter 3).

8. Definition of operational terms

For the purpose of this study the following terms have been identified as critical: small business, small business operators or entrepreneurs, the manufacturing small businesses and small business support systems. The following relevant definitions apply:

a. Small business

The South African Department of Trade and Industry has proposed the following criteria for identifying small businesses for funding purposes:

“A small business is a firm which employs less than 50, but more than 5 workers, utilising capital assets (excluding fixed property) valued at less than R2 million, with an annual turnover of less than R6 million (Katz, 1995: 149)”.

Steinhoff and Burgess (1989) define a small business as one, which is independently owned and operated and not dominate in its field. They argue that definitions will vary from situation to situation, depending on who provides the definition and for what purpose, e.g. in the United States a manufacturing or wholesale firm is considered small if it has less than 500 employees.

Siropolis (1986) introduced the following yardsticks as the measures of small and big business: total assets (total cash, inventory, land and machinery), owner's equity (total investment made by investors), number of employees and yearly sales revenue.

For the purpose of this study a small business will be defined operationally in terms of Katz' criteria, but not necessarily meeting the criterion of being independently owned.

b. Small business operator or the entrepreneur

The small business operator refers to the owner (entrepreneur) of a small business who can either be a founder, director, manager or head of such a business venture. It is the person in effective control of a commercial undertaking (Concise Oxford Dictionary).

An entrepreneur is defined as someone who perceives an opportunity to make a profit and who has the ability to set about combining factors of production in such a way that a profit is realised. It is someone who originates and motivates a plan

to start a business, following it through to its successful implementation (Macleod, 1988).

c. The manufacturing businesses

Manufacturing is a process of making or producing goods for individual and/or business use. Manufactured products are tangible and are desired for own use by individuals or households or for use by wholesalers and retailers for sale to others.

Steinhoff and Burgess (1989) define a manufacturing firm as one engaged in gathering the raw materials necessary for the creation of consumer and industrial products and in giving them useful form through their manufacturing process.

d. Small business support system

According to most sources (Dorrian and Lynas et al., 1987, Black, 1983, Kuriloff and Hemphill et al., 1983, etc) a small business support system comprises one or more of the following dimensions or elements: training, funding, business partnerships, etc.

- *Training*

Training can be either informal, consisting of short courses, or formal, through formal institutions, such as universities, colleges or technikons. Such training can be offered to managers, e.g. training for managerial skills (financial management, auditing, etc.) or to staff for staff development (in-service or on-the-job training, etc.).

- *Funding*

Funding refers to the acquisition of money with the aim of executing the business strategies. Funding is the backbone for the survival of most businesses.

- *Business partnerships and subcontracting*

Guidance can be given through the subcontracting of a small firm by a large firm, through franchising and through partnerships.

- *Information and marketing*

The prosperity of all business ventures depends on the ability of these ventures to attract and absorb consumers. This, in turn, depends largely on the advertising and marketing strategies of the ventures. Support in this area is crucial for small and inexperienced businesses.

- *Other support systems*

Some less formal systems might include communication, sharing of facilities as well as the sharing and acquisition of information.

The above are some of the most important known elements of support systems. However, other systems not mentioned, are possible.

9. Conclusions

In this chapter the importance of small businesses in general has been discussed. Section one introduced the importance of small businesses in South Africa and section two elaborated on the importance of the small business sector by giving relevant and the most recent statistics on the contribution of small businesses to the GDP and employment figures.

It was discussed in the third section that the study intended to focus and provide information on the importance of small business support for the manufacturing sector. The importance of the manufacturing sector and the dependence of other sectors on manufacturing were discussed. Between sections four and nine the discussion focused on the perceptions by the government and private sector institutions, including the big business, on the importance of small businesses and the role that they play. Other aspects covered are the future role and

challenges facing the small business sector in its contribution towards the development of the South African economy. It can be concluded from discussions of this chapter, that the government and the big businesses sector is expected to be supportive of the activities of small businesses. Literature suggests that small businesses in South Africa are vital in their contribution to the development of the economy and towards employment. The next chapter on literature review will discuss some of the most important areas of small business support and give an indication of the institutions from which these support systems are expected to come.

Chapter 2

REVIEW OF LITERATURE**1. Introduction**

The discussion in this chapter focuses on the importance of the different areas of small business support. The four most important areas of small business support, that is training and staff development, small business finance, franchising and business partnering and access to information as given by Dorrian and Lynas (1987), Locks (1990), etc., are discussed. The concluding section discusses experiences of other countries in their endeavour to support small businesses.

Research on small business support has not received much attention in South Africa in the past. As a result, not much documentation has been produced on problems involving small business activities and the possible types of small business support for the South African context. Most literature and documentation on small business support covers the programmes and support given to small business in other countries, particularly the United States. The following literature review attempts to discuss general studies and information about the types of possible and available support systems that could benefit the South African small business community.

Most texts and documents on the macro- and microeconomic activities of the South African economy suggest that little has been written on small business support, because of the lack of realism of the role that small business could play (Macleod *et al.*, 1988; Smith, 1994).

Economic theories assume that the economic success of a country in the international market depends on the competitive edge of the country. International competitiveness follows the ability of a country's domestic firms to compete at national level (Growth, Employment and Redistribution, A macro-

economic strategy, 1996). For the South African small business sector to become competitive in the national market, the prevailing support system needs to be improved substantially.

According to Steinhoff and Burgess (1989), the existence of a strong, healthy small business community has always been recognised as the best way to preserve competition, prevent monopolies in industries and assure that the people enjoy the benefits of competition through better prices and quality products.

Past government support policies for the small business sector has been very fragmented and biased. The White Paper on Small Business (1995: 9) indicates that over the decades a number of institutions have developed a limited, often fragmented range of small business support policies and programmes. Some operate in competition with one another, and virtually all of them are racially and gender biased. The parastatal institutions, including the former homeland-based development corporations and some specialised SMME-support agencies, such as Transido; the Development Bank of Southern Africa (DBSA), the Small Business Development Corporation (SBDC), the Industrial Development Corporation (IDC) and some of the commercial banks have been the only major financiers of small businesses.

According to the White Paper on Small Business Development (1995:10) the central government extended little co-operation directly towards small business support and development in general. Until recently the university-based small business units, while receiving financial support from the state, have not succeeded in effectively addressing the needs of the general small businesses. The private and NGO sector support bodies have largely been ineffective in their overall impact. The diversity and unco-ordinated nature of all these small business support agencies and their efforts has resulted in an increased demand for co-ordination, co-operation and a clear national strategy framework over the

past few years. The White Paper on Small Business Development (1995: 10) suggests a single, legitimised central support framework that is well co-ordinated and managed for better results and acceptance by the small business man and woman.

The important step towards building a single, acknowledged and effective small business support mechanism for the small business industry is thorough consultation with the small business operators. There is a need to building a single, yet efficiently managed small business support mechanism. Primary to all this, is the collection of ideas and perceptions from small business operators about the importance of various areas of small business support.

According to Dorrian & Lynas, 1987; Locks, 1990; Kuriloff & Hemphil, 1983; Van Art, 1997, the following areas of support are regarded as most significant for the survival and prosperity of a small business: Training and skills development, funding, business partnerships, access to information, advertising and marketing. These are the major and most documented areas of small business support.

The next four sections will discuss the major areas of support in detail in order to develop an understanding of their relevance and appropriateness in South African situation.

2. Training and staff development for small business

Throughout the 1960s, 1970s and 1980s there was a growing awareness of the impact of the social and economic roles of the small business sector and hence the importance of entrepreneurship to the growth of the economy (Locks, 1990). As the impact of small-scale business involvement grows in world economies, so does the competencies of those economies in the international markets. However, competition in international markets by local firms requires first the competency in areas of running a small business, e.g. the managerial abilities of the business manager and a high level of skills for the staff members.

According to Dorrian and Lynas (1987), the degree to which training and development are possible within the resources of the firm will emerge through a systematic identification of needs. This is a vital process and those who are sceptical about the potential of the small firm to carry out training should note that some areas must be conducted within the environments of the firm in order to be effective. Small-firm management should clarify their training approach by setting up their objectives, e.g. a comprehensive job description of the tasks of each occupant, that is manager, supervisor, administrator, etc. which would provide the basis for deeper analysis of skills, knowledge requirements and workload examination.

At a recent information and education workshop, basic education and literacy were identified as some of the major problems facing the South African small businesses. Madu Katz of the Department of Economic Development described the problem as follows, "we hold courses for people of matric level or higher, but find that most SMME business people from disadvantaged communities are illiterate." To help speed up the process he suggested that training be given in the home languages of prospective students and not only in English (Succeed, Feb/March 1998).

The following authors on small business training, Bumback (1983), Black (1983) and Locks (1990) identified two major training programmes for small businesses, i.e. managerial training and training for staff development.

2.1 Managerial training for small business

The small-scale entrepreneur must be both manager and employee at the same time, since he/she must make multiple decisions about sales, finance, purchases and at times perform a labourer's tasks.

Specialisation in all these areas, which are areas of great magnitude, requires a tremendous amount of time in training and experience. Most entrepreneurs, emerging from the ranks of employees and fresh graduates, are usually familiar with and have experience in only one or even none of these areas. On the other hand, research indicates that only a weak relationship exists between the formal education process and entrepreneurial success (Black, 1983). Black stresses that this weak relationship between education and entrepreneurial success could be due to the use of incorrect material and methods in small business education and training.

A growing awareness of the "one-man band" problem has led an increasing number of business educators and consultants to conclude that the art of managing a small business indeed differs from that of managing a large corporate enterprise. A large corporation usually employs people with special qualifications and training in the key jobs in each department. It has a treasurer, secretary, sales manager and the managing director running the various activities. On the other hand, the small marketer must wear all these hats and some do not even fit too well (Baumback, 1983). More and more courses and training programmes are being offered to address the problem of diverse speciality and business ranks.

The passing of each business day brings with it new pressures and new possible changes in philosophy, production and procedures on how to run a business effectively. Business management, like any other profession, calls for constant reorientation. The business owner must recognise a changing economy, new social structures or the advent of competition (Baumback, 1983).

As a result of all the changes in techniques, materials, products and equipment, a progressive entrepreneur must also seek information actively on both technical and social changes and learn how to integrate them in his/her business plan

effectively. Accomplishing that ultimately requires more than one skill and demands specific training.

According to Black (1983), three areas of skills training are needed for small business entrepreneurs. They are as follows:

- Occupational skills which involves vocational skills, i.e. technical, commercial or progressional and those skills involved in doing the actual job.
- Managerial skills which involve skills needed to assemble financial material and human resources, over which the entrepreneur has considerable control as well as the methods of keeping books of accounts or setting up a production line.
- Entrepreneurial skills are skills over which little or no control can be exercised, for example, new strategies on effective competition, introduction to new legislation and searching for new opportunities.

Skills training may entail attending classes or doing research so that the entrepreneur can find out whether it is viable to continue operating with his/her existing methods, materials and machines.

Many organisations, government agencies, universities and technikons provide opportunities for small business managers to expand their training and education. Additional evidence of the interest of technikons and universities in training and educating small businesses is the many conferences and seminars sponsored by these institutions in recent years. Some of their programmes cover limited topical areas and others are more general.

Trade associations often sponsor management training courses. Universities and technikons sometimes offer courses or promote conferences for particular industries or lines of business or for business functions, such as marketing, accounting or purchasing. At these meetings or conferences speakers from

academia are combined with speakers from industries that have achieved notable success in some activities (Baumbach, 1983).

According to Black (1983) and Locks (1990) staff development training is more focused on labour skills, on-hands, on-the-job training that enables workers to increase production. These aspects are discussed in detail in the section below.

2.2 Staff development programmes

There are a variety of training organisations in all countries offering training that ranging from formal education systems to informal apprenticeship systems for staff development. The target group and the sector should be borne in mind when appropriate training is determined (Locks, 1990). This means that the training should be more focused on and aimed at specific audiences for each business sector within the scope of small businesses.

According to Locks (1990), there are different approaches in staff development training. For example, if classroom training is used, the sectoral approach is called for. If the small business serves a diverse sector of the economy, there should be an increased demand for diversity in training. Furthermore the training expertise must be acquired in-house or accessed through networking.

Macleod (1988: 93) recognises the importance of in-house or on-the-job training as a means to impart skills to small business staff members. He claims that, "no sound idea can be converted into a successful business without all the necessary factors of production and labour or human resources present in the most fickle of these. As small businesses are usually unable to offer training, the only training staff members are likely to acquire is on-the-job." He identified the SBDC as one of the organisations that assists with providing training services for small business.

The training needs of a small business cannot be achieved without the availability of proper finances. Small business finance is seen by many authors as an important support mechanism towards starting the business in order for the small business' survival and for the business' expansion plans to be fully executed (Macleod, 1988; Baumbach, 1983). It is also important that the survey instrument in this study gathers opinions from small business operators on the importance of small business finance. Theoretical assumptions on the importance of small business finance as a support mechanism by various authors is discussed below.

3. Small business finance

Authors, such as Kuriloff and Hemphill (1983: 61), view the main reason for the failure of small businesses as a lack of adequate capital, especially finance. According to these authors, small business entrepreneurs should have a sound estimate early in the game of how much money they will need and where they will find it.

"There is no fairy godmother out there willing to lend all the money you want when you think you need it. You will probably have to do what most entrepreneurs do to gather enough money: borrow from several sources to add to your own contribution of starting capital" (Kuriloff & Hemphill, 1983: 296).

Foley and Howard (1989) cite the growth of small business, especially in a highly technological field, as requiring a great deal of finance. This need for money often involves equity being taken away from the entrepreneur, whose independence and control may be diminished or taken away by financial lenders.

The independence of a small business and its prosperity are two separable issues. If a small business seeks to prosper through lending and credit, then its autonomy will be sacrificed. On the other hand, a business operator who seeks to remain independent will not be funded and his business will, as such, remain

small. Foley and Green (1989) state that for a company to remain small and independent, usually requires a considerable degree of specialisation in the areas of production and service rendering. It should be remembered that small businesses have a commitment to their customers and independence can, therefore, be illusory.

Baumbach (1983: 262) also corroborates the point of equity being taken away from the business owner. He states that, "a lender often insists on a greater degree of control of the enterprise when financing a small business. This often hampers the management of a small business and keeps many independent owners who are unwilling to share control from obtaining the finance they need."

Small businesses have limitations and problems that differ from those of big corporations. Small businesses are often confronted with serious financial problems in at least one of the three following respects (Baumbach, 1983: 18):

- Securing funds in small amounts at rates comparable with those paid by big firms.
- Building and maintaining adequate financial reserves.
- Securing long-term loans from lending institutions.

Smith (1994) cites some of the reasons why South African small businesses borrow money to start up, for research and development (including training), expansion purposes, exporting, etc.

Smith (1994) also lists some of the institutions where financial aid can be found. In South Africa small business owners can borrow money from mainly two types of institutions, that is government-sponsored institutions and private lenders. All these institutions will only lend to a particular small business, provided it meets the criteria of their loan procedures.

According to Levy (1996: 11), in a survey conducted among 165 small manufacturing businesses, a common criticism was leveled against the banking sector for its discrimination against borrowers. Banks are sought to evaluate loan requests in relation to the riskness of a business. The key questions he asked are how much experience does a firm have to save prior to obtaining a loan, what size it needs to be and what collaterals are required?

Below are some of the institutions which South African small businesses can approach for financial assistance, according to Smith et al. (1994) and Macleod (1988).

3.1 *Government-sponsored institutions*

Some of the government-sponsored institutions which small businesses can approach for financial assistance include the IDC, SBDC and DBSA. Their types of services and support are discussed below.

- *Industrial Development Corporation (IDC)*

The IDC grants long-, medium- and short-term credit. The objective is simply to grant capital to deserving undertakings that would otherwise have difficulty in obtaining funds.

- *Small Business Development Corporation (SBDC)*

Macleod (1988) describes the SBDC as an institution which aims at promoting the general interest of small businesses, while at the same time removing statutory and administrative obstacles that restrict small businesses from developing. Prior to 1994 the SBDC had a general financial programme for infant enterprises and provided short-term bridging finance for existing viable small businesses. Since 1994 this organisation has been restructured on a basis acceptable to all shareholders and its activities have been narrowed to financing viable small enterprises.

- *Development Bank of Southern Africa (DBSA)*

The objectives of the DBSA are to provide financial assistance to business people for the promotion of industrial undertakings in the former homelands. Assistance is now provided in the form of medium- and short-term loans through development corporations in all nine South African provinces.

3.2 Privately-owned institutions

Some of the financial institutions from which small business support can be obtained include the commercial banks, merchant and general high purchase banks whose types of support services are discussed below.

- *Commercial banks*

Facilities available through commercial banks are loans, overdrafts and short- and medium-term facilities to small businesses on stipulated conditions.

- *General high-purchase banks*

The finance offered by these banks are medium-term loans that can extend from one to seven years. These banks provide leasing and hire purchase facilities for qualifying customers.

- *Merchant banks*

Essentially, merchant banks provide specialised financial services to a corporate clientele. The main areas of operation are corporate finance and portfolio management.

- *Building societies*

The predominant form of financial undertaking by building societies is long-term loans to people wishing to buy immovable urban property. A registered first mortgage bond secures loans for the property. People who have money invested in fixed deposits with any building societies can also obtain these loans.

With the constant change in international trade and the growing interdependency of countries, business partnerships, especially through franchising, has become a major instrument of economic trade that has resulted in the formation of a

franchise association in South Africa (FASA) (Succeed SA Feb/Mar, 1998: 16). Franchises help to stimulate growth, provide training and other developmental capacities within small businesses. Franchises, similar to other types of support, have their own advantages and disadvantages. It is important for this type of study to include in its development of the survey instrument, questions on the importance of this type of small business support. According to Gill (1994: 217) it should be acknowledged that firm linkages not only come in the form of franchises, but partnerships, subcontracting of small by big businesses, etc.

4. Franchising and business partnerships

Business partnerships are divided into two main categories, that is mainly business franchising where the relationships between businesses comes through a franchising operation, and other partnerships that may include sharing of information and subcontracting. These partnering relationships are discussed below.

4.1 Business franchising

Van Aart (1997) defines a franchise as a contractual relationship between the franchiser and the franchisee. In this relationship the franchiser offers or is obliged to maintain a continuing interest in the business of the franchisee in areas, such as know-how and training. The franchisee operates under a common trade name, format and/or procedure owned or controlled by the franchiser, and in which the franchisee has or will make a substantial capital investment in his/her business from his/her own resources.

Hailes and Hubbard (1988) define franchise merchandising as the licensing of a local individual to market certain goods and services within a specified territory. The licence allows individuals to use corporate trademarks, brand names, products, equipment and methods developed by a parent company.

According to Gill (1994: 217), a franchise is a plan of distribution under which an individually-owned business is operated as part of a large chain. Services and products are standardised and the franchiser gives the individual dealer the right to market the franchiser's product or service by using the franchiser's trade name.

The basis of franchising is to provide individuals with their own businesses which are locally operated and managed, but which use standardised methods, central buying and joint advertising with the parent company. Franchising offers a great deal of support and protection to small businesses, enabling them to expand their capacities. According to Oakey (1984), franchises bring with them international challenges, production innovations and the potential for a long-term impact of small business innovation on regional technologies.

Not all franchise arrangements have produced happy results. Some franchise businesses have suffered severe financial loss and others have not achieved the profit that the franchise promoters had led them to expect. The following are some of the advantages of franchising as identified by Hailes and Hubbard (1988):

- A franchise business can be opened with much less cash than is otherwise needed to start any other type of small business.
- Because the franchisee is trained by the parent company, little or no previous experience is needed.
- Because of combined advertising by all businesses under a specific franchise, marketing risk is minimised. Assistance is provided for by a mother company in terms of audits, record keeping and tax measures, etc.

According to Van Aart (1997), franchisees have a much better chance of business success than non-franchisees. The reason for this success is that the management and training systems in operation enhance effectiveness and efficiency, which in turn reduce the risk of failure.

Hailes and Hubbard (1988) also identify the following disadvantages of franchising:

- Because of the franchise, the franchisee can become too dependent on the parent company and lose the initiative to make the business prosper.
- The franchise business may have to handle a product or service that is not wanted by that particular franchisee or his/her customers.
- When handling certain problems, the parent company can act in its own best interest. Terminating the franchise agreement profitably can prove to be very difficult.

According to Baumbach (1983: 24), the programmes promised by some franchisers may often turn out to be nothing more than a sheaf of "canned" reading materials. In some cases prospective franchise buyers are not given sufficient information, financial and otherwise, on which to base a decision to buy or not to buy.

4.2 Business partnerships and subcontracting

Business partnerships involve building alliances between different businesses, employers, suppliers, employees and customers. Today virtually every big business and many small businesses around the world have major programmes underway to improve quality, productivity and profits. The key to achieving an enduring and continuous improvement in quality, productivity and profit is through business partnerships.

Partnerships appear as the logical catalyst to overcome the resistance that impedes the implementation of logical improvement concepts across the full spectrum of an organisation. Business partnerships sustain improvement over the long term and provide guidance on how to inspire individuals within an organisation, on how to pursue and achieve their objectives continuously (Houser & Poirier, 1993).

A common attribute of a successful business, according to Foley and Green (1989), is that partners or directors have different skills, likes and dislikes and even different attitudes to meet the different needs of customers.

Some of the advantages of partnering, as identified by Burgess (1986), are as follows:

- Business partnering is a type of ownership that combines talents, judgement and skills, making it simple to approach different problems on a broad base.
- The status or credibility of the firm becomes more intact and well-defined because of the contribution of more than one entrepreneur.
- Because of combined business activities the firm becomes bigger and chance of large capital becoming available are greater.

Some of the disadvantages of business partnerships are the following:

- The partnership's life is limited.
- There is often divided authority, leading to disagreement when it comes to decision-making.

Subcontracting is a process through which a firm, offering the subcontract, requests another independent, usually small firm, to process its materials, components, parts or subassembly according to particular specifications provided by the firm offering the subcontract (Business update, 1995).

The article by Maria da Silva (Business Update, 1995: 45) suggests that South African companies have also embarked on subcontracting linkages with small firms, specifically with black-owned small businesses. Subcontracting occurs when companies are unable to execute orders within a rigid deadline.

Companies normally outsource their work to reduce their own costs, based on calculations of relative labour costs, the cost-benefits or switching overheads to other companies and the benefits of reducing spare capacity.

There is always a downside to every undertaking and business subcontracts are no exception. A study by the HSRC on subcontracting found that small businesses do not always gain from being linked to large business enterprises. Often the problems they face outweigh the benefits (Business Update, Fourth Quarter, 1995: 45).

Several authors have indicated that the marketing of business products is a business's own survival strategy (Smith 1994; Van Aart 1997). For a business that wishes to be known and to expand, the most effective mode of publicity is its advertisement, its own acquisition for information and advice from experienced and reputable businesses. We now turn to a discussion of these issues.

5. Access to information, advice and advertising

The White Paper on small business noted that the lack of appropriate, relevant and understandable information and advice are major problems for small enterprises, in particular micro-enterprises and small start-up enterprises. The significance of this constraint is recognised world-wide. In many of the more developed countries the bulk of government-funded assistance to the small business sector centres almost exclusively on these needs. In South Africa some progress has been made with the preparation of information material relevant for small enterprises and the dissemination of information and advice (White Paper on National Strategy for the development and promotion of small businesses in South Africa, 1995).

According to Smith (1994), the South African markets are changing constantly and what occurs in the market place can determine the success or failure of small businesses. The emphasis in marketing is on satisfying the needs, attitudes and lifestyles of consumers. One of the most important things entrepreneurs need to understand about the marketing of goods and services is

the market itself. This knowledge is fundamental to pricing, effective advertising strategies, selling and the granting of credit.

The total marketing concept involves finding the facts to match the firm's products or services with the needs and desires of those people who will buy them (Burgess, 1989: 164). Marketing planning must include factors designed to give customers what they want.

Authors such as Van Aart (1997) sees the marketing function as being responsible for identifying opportunities and threats to the business venture. Through marketing, data is obtained that can be transformed into useful information for developing and improving products and services. He identifies three activities of marketing functions: marketing information, marketing communication and the supply of products and services.

Product marketing and information gathering about the functions of a business most definitely lead to market research and advertisement. Marketing research, which is the basis for finding out what catches customers' attention, is an information system that provides some details about customers and the form of media that can be used to approach them (Poteet, 1991: 55). Product advertisement and awareness creation about a certain product is more central to the issues of product and services supply. It follows then that knowing what customers need is critical to the success of businesses. Poteet (1991: 111) states that "a wise man once said that a person who saves money by not advertising is like the man who stops the clock to save time. In today's fast high technological age, businesses have to use some form of advertising to make prospects aware of their products and services".

According to Poteet (1991: 111), the question is not whether entrepreneurs can afford to advertise but that they must if they want their business to succeed and if they want to keep their products in the forefront of the public eye.

According to Poteet (1991) and Steinhoff & Burgess (1989) the following are the most important media small businesses can use in their publicity-seeking ventures. Based on the researcher's knowledge of the economic subject, the following assumptions as listed by the above authors have been formulated for the South African context. It is also important that the developed survey instrument includes these assumptions in order to understand how South African small business operators value these systems, and in order to perceive whether they are their ideal forms of publicity and whether they are accessible.

- The majority of the South African population reads or has access to newspapers and people expect to see advertisements in newspapers. In fact, some people buy a newspaper just to read the advertisements or the supplements on some departmental stores. Advertisements can be examined at leisure.
- Radio offers entertainment that attracts listeners while they are working, travelling, relaxing or whatever. Some radio personalities have a good rapport with their listeners and their announcements are an implied endorsement. Unfortunately, radio advertisements cannot be examined at leisure.
- Television is an instant way of reaching out to customers. Entrepreneurs know the type of people they are targeting and the timing, e.g. they can reach children during cartoon programmes and farmers during agricultural programmes. This is, however, an expensive national medium which does not help those within the geographic area of radio stations and local newspapers to find the products.

It is important for the South African government, trade sectors and the small business sector to understand the experiences of other countries in the areas of support and small business promotion. The discussion below acknowledges the importance and contribution of small businesses in the economies of the world

and how South African policies on small businesses assume to emulate some of these experiences.

6. The international experience on the importance of small business support

The South African White Paper on small business acknowledges the importance of the role of small businesses throughout the world in absorbing labour, penetrating new markets and generally expanding economies in creative ways. "We are of the view that – with the appropriate enabling environment – SMMEs in this country can follow these examples and make an indelible mark on this economy" (White Paper Small Business Development and Promotion, 1995: 9)

Literature on the international experiences of the small business sector concentrates on the role of small business internationally, the question of opening up markets (*market liberalisation*⁴) via policy reforms by governments and of freeing the economy for international competition. Recognition of the role of SMMEs in economic growth has resulted in a proliferation of support services in most developing countries. Surveys on SMME support in Bangladesh produced the following finding: the overall impact of assistance was found to be relatively low. However assisted firms performed much better than non-assisted firms (Bhatt 1988).

Substantial money and energy have been invested in support services for the SMME sector world-wide, as interest has grown in the development of small enterprises (Bolton Committee 1971). According to Farbman and Steel (1992), the World Bank alone has lent over US \$3 billion between 1973 and 1989 to foster a healthy growth in this sector in developing countries. Despite these interests, evidence reveals that the majority of programmes and institutions

⁴ Todaro (1989: 450) defines market liberalisation to be government policy strategies that promotes exportation through the removal or trade restrictions and by devaluing currencies.

designed to support small enterprises have reached and assisted only the minority.

On the one hand, empirical studies from developing countries have generally highlighted a limited impact of small businesses in terms of growth, profit generated or jobs created (Kilby 1979). On the other hand in a study by Bhatt (1988) on SMMEs in India, Tecson and Valcarcel reported a significant role for support services in improving the performance of assisted firms. These tend to reinforce conclusions drawn in parallel studies in developed countries that assistance can enhance the performance of small firms (Chrisman and Leslie 1989; Gibb and Scott 1985).

Contradictory evidence about the effectiveness of support services varying from one study to another, from one country to another and even within countries is not surprising. Conditions vary considerably both between and within countries on the nature of support services, how they are delivered, and in the characteristics and needs of the targeted firms.

According to Agmond and Drobnick (1994) there are two interrelated challenges facing governments, that is creating a small business sector which is stable and through its economic policies sustaining a competitive economic environment. Trade and related external policies are important for facing both challenges, encouraging the development and growth of a small business sector and legitimising private enterprise.

According to Locks (1990), developing countries with their shortages of capital and growing labour surpluses have noted a number of characteristics in the small-scale sector that are most beneficial to their economies. The small-scale enterprises are generally more labour-intensive than big organisations. Small businesses flourish by serving the limited or specialised markets that are not

attractive to big companies. This diversity of supply contributes to competition within the economy.

All economies of the developing countries in general follow the same patterns of stimulating their domestic economies. However, the most important challenge at government level is to ensure that companies compete internationally; hence the move towards restructuring and adjusting international trade policies. These policies have major implications for the success of small businesses.

According to Wyman and Grereffi (1990), at the analysis stage, economies of the newly industrialised countries (NICs), i.e. Taiwan, South Korea and Singapore, developed through *import substitution*⁵ in the 1950s, followed by *export promotions*⁶ in the 1960s. Through their policy reformations these countries have protected their small domestic producers against foreign competition until they were deemed competent at international level. Policies, which influence the domestic market to produce large quantities for the whole country, were also accompanied by huge government financial support to lower production costs and therefore prices of the domestic consumer products.

The White Paper on Small Business Development and Promotion in South Africa (1995: 11) has noted that over the past decade, semi-developed Asian countries that have achieved a high sustainable and egalitarian growth share the following characteristics:

- High priority for the development of reliable statistics on the SMME sector.
- High levels of human resources and capital development.
- A strong and broad-based small-scale manufacturing sector.

⁵ This refers to a general increase in government expenditure accompanied by high import tariffs which result in a rise in prices of imported goods and a rise in the demand for local goods whose prices are lowered by government subsidy (Gordon, 1982).

⁶ These refer to tax reductions on exported goods at times accompanied by an export subsidy which makes them less expensive in the international market and therefore encourages exportation (Bowden, 1977).

- They are ready to access new information technologies.
- They apply consistent investment in research and development.
- Particular emphasis on women's enterprises, which have a strong orientation towards food security, health and children's education.

All the above aspects have a high priority in the South Africa's national SMME support strategy (White Paper on National Strategy for the development and promotion of small businesses in South Africa, 1995).

The experience of the NICs differs from the South African context. However, there are lessons and possibilities for simulating their models which depend on our ability to explore our own economic options (Wankel & Stoner, 1986).

Government policies designed to promote local small industries may have a disastrous effect on the development and growth of the domestic small firms, as the case study by Hamper and Ramachandra (1984) found. For the present context a government policy aimed at promoting local small industries resulted in promoting capital-intensive businesses which are by nature big companies and foreign firms rather than labour-intensive small businesses.

Examples from the UK were given at the second National South African Business Conference. It is claimed that between 1992 when business linkages started and the present, the unemployment rate of 10% in the country has shrunk to 1,8%. Business Link's Executive Director admits, however, that other factors helped to bring down unemployment, but SMME growth has been one of the major causes (Succeed SA, Feb/March 1998).

The next section draws some important summaries and conclusions to the discussion of this chapter.

7. Conclusions

Chapter two has highlighted some of the importance of the four areas of small business support services, viz. training, finance, business partnerships and access to information. The last section of the chapter discussed the small business industry's expected role in the international markets and how other countries, such as the NICs, managed to support their small industries in the international markets.

The four major areas of support, including other less important areas, are assumed to exist in South Africa. The discussion indicated some of the most important existing support structures which, included government and its aligned institutions, such as DBSA and private institutions. The important argument that can be raised throughout this discussion is that information about the existence of these support systems should be made available and that the existing support structures should be intensified.

It can be concluded from the discussions in this chapter that the South African small business support should be improved and that more documentation on small business support and small business contributions to the national and international markets should be made available.

Chapter 3

RESEARCH METHODOLOGY**1. Introduction**

This chapter will provide detailed information on how the study was conducted. The chapter will also outline the methodologies used in sampling, data collection and data analysis and most importantly how the survey instrument was developed.

2. Research design

The design of this study is an exploratory survey. The purpose of exploration in research is the exploration of a relatively unknown research area, gaining new insight into the phenomenon of study and determining priorities for future research (Mouton & Marais, 1990: 43). Literature in chapters one and two indicated that not much is known about the South African small business support system and therefore an exploratory study in this field, that will enable the gaining of new insight into the phenomenon, is appropriate.

According to Babbie (1995: 84), exploratory studies are conducted with the purpose of exploring the topic or providing an introductory familiarity with the topic. For instance one might want to learn more about the subject, how broad it is, the levels and degree of support within it, how organised it is and the type of people active in it.

The purpose of exploration in this study is to develop an instrument that will enable us to gain new insights into the perceived effectiveness of small business support systems. These are support systems that are deemed to be important for development and the prosperity of small businesses, those that are available and those that are in need.

Descriptive research study can help us achieve the above objectives since it is characterised by giving an accurate account of the characteristics of a particular phenomenon, situation, community or person. It also includes an estimate of how frequently some events occur or the proportion of the people within a certain population sharing certain views or acting in a certain manner (Bless & Achola, 1988: 41). According to Mouton and Marais (1990: 43) these descriptions are characterised by the use of systematic classifications of variables by means of frequency tables, arithmetic means, medians, cross tabulations, etc.

Mouton and Marais (1990: 44) describe two different types of descriptive studies as those with a general interest and those with a specific interest (contextual studies). The more contextual studies are in-depth descriptions of specific individuals, situations, organisations, tribes or groups, social objects, etc. (usually qualitative). General studies may emphasise the frequency with which a specific characteristic or variable occurs in a sample.

The nature of this study is more exploratory and aims at describing different perceptions on small business support while probing the nature and perceived effectiveness of various elements of these support systems. On the other hand the study intends to validate the developed instrument.

3. Research methods

When descriptive research is carried out, two alternatives are considered: a case study and a survey. For the purpose of this research a survey study was carried out. A survey is a collection of information on a wide range of cases (Bless & Achola, 1988: 40).

A survey in this instance meets the requirements and objectives of the study. First the validation of various elements of the instrument depends on a bigger sample than a few cases to be studied. Second, the degree of importance for the various elements or dimensions of the small business support systems depend on comparisons of responses from a big sample and not a few cases. Describing

the perceptions on the importance and effectiveness of the various small business support systems fit the criterion of descriptive study.

According to Babbie (1995: 257) a survey is the most appropriate method because it involves the administration of questionnaires, either by interviews or through the mail to a relatively large sample of respondents. He states that surveys are used for descriptive, explanatory and exploratory purposes where individual people are the units of analysis. The central element of this method is the standardised questionnaire, a questionnaire that ensures exactly the same observational techniques with each and every respondent in the study.

3.1 Population

The unit of analysis of the study is the small business, the respondents being small business operators (owners, managers or directors). The targeted population consists of all small businesses in the manufacturing sector registered with a business chamber within Gauteng and affiliated to the South African Chamber of Business (SACOB). The population, from the SACOB directory of small businesses, consisted of 286 small businesses in the manufacturing sector from which the sample was drawn.

3.2 Sampling

A probability, systematic random sampling method was used in the selection of 60 participants (small businesses) from the list of 286 potential respondents. According to Bless and Achola (1988: 67) a probability sampling method is one in which the probability of including each element of the population in the sample can be determined. A list (directory) of all registered small businesses in Gauteng was purchased from the Roodepoort Chamber of Business and served as the sample frame from which the sample was drawn. Given the sequential listing of all small businesses a probabilistic, random systematic sampling method for sample selection could be employed.

A systematic sampling method as described by Bless and Achola (1988: 70) was used where the selection of elements is based on equal intervals, starting with a

randomly selected element on the population list, for example, total population $K = 500/\text{sample size } 50 = 10$ interval ratios. The first case was selected on a simple random basis from the list of 20 numbers, the selected number which is eight (8) was then used as the starting point in the selection list and as an interval ratio for the selection of 60 respondents.

3.3 Data collection

An interview schedule (questionnaire)⁷ was used as an instrument for data collection. According to Bailey (1988: 106) an interview schedule is a list of questions read by an interviewer to a respondent, with the interviewer then writing down the respondent's answers on the questionnaire. This differs from a self-administered questionnaire, where respondents write down their own responses. Interviews were conducted in face-to-face encounters. Rather than asking respondents to read a questionnaire and enter their own answers, the researcher conducted oral interviews while recording the respondent's answers as discussed by Babbie (1995: 258).

A total of 60 questionnaires were administered to 60 respondents, i.e. small business operators. The definition of small business operators included the business owners, managers and directors who have thorough knowledge about the business venture and the type of support the small business have. The selection of respondents within the business was therefore purposive in that only the above categories (managers, owners and directors) were eligible to participate in the study.

The administered questionnaire was developed, based on the dimensions of the perceived effectiveness of the various elements of the small business support system and in accordance with the objectives of the study. The questionnaire was divided into the following sections: the biographical details of the business

⁷ The term "questionnaire" will be used throughout for "interview schedule". According to Bailey (1987: 106), this is a questionnaire that is administered by the researcher or interviewers in a survey in a face-to-face encounter.

owner, questions on business activities and, lastly, the Likert and Thurstone scaling items.

All the sampled small business respondents were briefed on the study by telephone prior to site visiting as a way of field preparation. Appointments were made and interviews were conducted on the business premises at a time convenient to the small business operators. Interviews were conducted in the following areas: Roodepoort, Krugersdorp, Pretoria, Benoni, Randfontein and Germiston, to mention but a few. The majority of interviews lasted between ten and twenty minutes.

3.4 The development of the instrument

A questionnaire was developed for the purpose of gathering data. Because of the unavailability of previous studies in the field of instrument development on small business support, the researcher had to peruse a great amount of literature in the field of small business support for the purpose of developing the instrument (Mouton et al, 1995, Babbie, 1995).

The following considerations were taken into account in the development of this questionnaire:

- As the first assessment instrument in this field, it had to be easy to administer. The terminology used should be appropriate, relevant and easy to understand for all respondents. The questionnaire should be structured so that people who have not been part of this study, but have administered a questionnaire before, or are in the field of small business, can understand, administer and respond.
- Because of a high level of abstractness in social scientific research, clearly defined indicators had to be developed, which were linked to the objectives and subject of the study. The choice of indicators, however, depended on the

availability of information from literature of the previous two chapters, etc. (Labovitz, 1981).

- Preparatory work on the design of the questionnaire was based on the research outline (objectives) as guideline. The aims of the study and consideration of the literature gave rise to possible questions (Mann, 1976; Kane, 1985).
- The ordering of questions in the questionnaire was based on Kane's criteria (Kane, 1985), where the ordering of questions is seen as primary to fulfilling and stimulating the respondent for the task. Closed, easy-to-answer questions were asked first, followed by less interesting business-related questions and finally more uninteresting and open-ended questions (Bowen, 1977).
- Respondents were given the opportunity to reply not only to closed questions, but also to open-ended questions. An effort was made to mix both open-ended and closed questions (Kane, 1985; Landman, 1988; Babbie, 1995). The use of open-ended questions enables respondents to express themselves more easily, voicing their innermost opinions without being restricted to particular answers. On the other hand, the use of questions with categorical responses enables respondents to choose at ease responses that are sensitive and to which they would have lied or not responded, e.g. most people would not feel comfortable giving their *age* in exact numbers, especially in interviews (Bailey 1987: 115). An example of ordinal data is given below:

The age of a respondent

Less than 25 years	1
26 to 30 years	2
31 to 35 years	3
36 to 40 years	4
41 years and above	5

- Because of the diversity of the subjects of the study, there was a need to include filter questions which, depending on the answers, gave instructions on which questions to skip or to answer, if applicable or not applicable (Kane, 1985; Babbie, 1995). Filtering enabled respondents not to waste time reading the whole questionnaire but follow instructions to skip questions that did not apply to them. They answered only the applicable questions.

E.g. have you received any training on how to operate a business?

Yes	1
No	2

If "No", do you think you would manage your business better with some training?
In this case the respondent who indicated "Yes" in the question above would be expected to skip and answer questions that follow.

Yes	1
No	2
Do not know	3

THE LIKERT SCALE

According to Settle and Alreck (1985: 133), the Likert scale is a form of attitude or opinion measure. These authors state that, as an alternative to developing

Likert scales, open-ended questions could be used. However problems would be experienced in the analysis and the interpretation of responses. The scale on the other hand provides responses that are comparable and can be manipulated easily.

According to Weiss (1968), a scale is constructed first by developing a large number of items, each of which seems likely to have some relationship to the quality to be measured. The list should, however, attempt to include items that vary among themselves in surplus content and test different levels of the quality; in this case different levels of small business support systems. In this study, possible items were selected from all available sources, for example some statements were taken directly from newspapers, magazines, books and included the researcher's own knowledge of the subject.

The construction of the Likert matrix questions (section III of the questionnaire) took cognisance of the following:

- In order to be more reliable and unbiased, the Likert scale had to include several items rather than just one or two. This meant that the researcher had to identify a large number of opinion statements from texts, articles and journals, policy documents, etc., on the subject matter (Babbie 1990: 135).
- According to Mouton (1996: 66) by conceptualising the research problem, the researcher relates the world to the real world of events. Operationalisation involves the process of measuring some phenomenon, such as perceptions in this instance. During the operationalisation process all items to be selected for the development of the Likert scale were to be checked to make sure they represented perceptions and opinions on small business support.
- According to Babbie (1995: 161) scales are typical ordinal measures of variables. Scales rank-order people or other units of analysis in terms of specific variables, such as perceptions. The first criterion for selecting items

to be included in the scale is face validity, that is, each item should appear on face value to refer or have relevance to small business support (Babbie 1995: 164).

- The formulated opinion statements were taken from the said articles and texts including the White Paper on small business, e.g.:

Government sponsored institutions, such as SBDC and DBSA, are prepared to assist small business financially, is a statement taken from literature in chapter 2: 3, where the discussion gave the impression that such institutions offer major financial assistance to small businesses (Macleod 1988).

Other questions formulated were based on current affairs opinions, newspaper articles and radio news, e.g. *Government tax measures makes it difficult to collect enough profit*.

- At an earlier stage, questions were formulated and grouped according to the four areas of small business support, that is: finance, training, business partnerships and information acquisition but latter mixed to provide some variety into the question flow and avoid response sets (Babbie, 1995: 164; Bowen & Weisberg, 1977).

After items had been chosen for the Likert scale, scores were assigned for particular responses. Values ranging from 1 to 5 were assigned to each response choice, so that it would read as 1= strongly disagree, 2= disagree, 3= uncertain, 4= agree and 5= strongly agree (Goode & Hatt, 1981: 272; Babbie, 1990: 127 and Alreck & Settle, 1985: 134).

According to Fink (1995: 53), it is always better to put the negative end of the scale first, e.g. 1 = totally disagree and 5 = totally agree. An example of the scale similar to the one discussed by the mentioned authors is given below.

	Strongly disagree			Strongly agree	
<i>Managerial training is easily accessible</i>	1	2	3	4	5

According to Fink (1995: 53) current thinking suggests that 5 to 7 point scales are adequate for the majority of surveys that use ordered responses. However self-administered questionnaires and face-to-face interviews should probably use 4 to 5 scale points.

The scoring of items from 1 to 5 enabled the researcher to judge the relative strength of agreement intended by various respondents. According to Babbie (1995: 177), the Likert method of this question format determines the relative intensity of different items. If the items were assigned a 7-point scale, the strength would have weakened so much that the researcher would have had more uncertain responses. On the other hand if the scale were a 3-point scale, it would be too close, making it difficult to separate the strength of each response. A 4-point scale would be unbalanced and without an uncertain, neutral or mid-point.

- There are always more questions to ask, as Bowen and Weisberg (1977) mentioned. However, the length of the questionnaire had to be taken into consideration in conjunction with the types of respondents. In this case respondents were businessmen and women who presumably have little time to respond to survey questions. The important task was to convince them to agree to be interviewed.
- Throughout the development of the questionnaire an effort was made to minimise irrelevant, double-barrelled, long and ambiguous questions (Babbie, 1995; Kane, 1985; Litwin, 1995).
- Settle and Alreck (1985: 238) indicated that there are errors with the Likert scale that arise from recording the verbatim comments of respondents into numbers on the scale. Recording the verbal responses poses a problem of

where or what number to assign to the response. In this instance the researcher would overcome the error by administering the questionnaires himself and filling in responses with the help of respondents.

3.5 Description of the instrument

The questionnaire (Appendix 1) was developed, based on the purpose of the study and divided into three sections.

Section I

This section was aimed at giving personal background information on the small business owners (managers) and contains questions on the biographical information. This section contains a mixture of nominal data, i.e. gender, marital status, population group and place of birth, ordinal and interval data, such as age, education and ownership (Bailey, 1987: 65).

The reasons for pre-coding variables, such as age is that, through experience researchers have come to realise that respondents do not feel comfortable giving answers about sensitive and personal information, such as age and income, especially when interviewed by people younger than themselves (Atkinson, 1995: 96). It is for this reason that such questions are pre-coded into intervals or ratio data than exact figures.

Section II

Questions in this section are focus on small business activities. They cover a wide range of numerical data information, i.e. years of experience, estimated annual income, number of employees, number of operational years, whether training was an activity for both the manager and workers, etc. (Bailey, 1987: 65). Most of the questions provided information on whether the business was self-sustaining or urgently required support. However questions on income are sensitive and the majority of respondents did not feel comfortable divulging such statistics.

Section III

This section consists of 31 Likert scale items about small business support systems. Respondents were asked to indicate their degree of agreement or disagreement with given statements (Alreck & Settle, 1985: 134).

The statements were selected from literature most relevant to the South African small business support systems. For instance the existing systems were probed for their effectiveness. Also whether the systems that should exist but that do not, such as those available in other countries, were perceived as important and relevant for the South African context. An example of a perception statement from the newspaper articles is given below:

Statement by the Sowetan (7 January 1997) indicated the willingness of the big business community to start partnerships with small businesses (chapter 1: 4). From this given perception by media the following Likert scale question was formulated:

Big business community is prepared to start partnerships with small businesses

Strongly disagree	Strongly agree
1	5

THURSTONE'S LAW OF COMPARATIVE JUDGEMENT

Four items of support, i.e. training and skills development, business partnerships, access to finance and information, were defined and presented according to Thurstone's paired comparison procedure (the law of comparative judgement). The ranking entails comparing all possible parts of statements with one another in order to see which ranked higher or lower on a given scale (Bailey, 1987: 311).

By presenting the four statements (areas of support) to respondents on a paired comparison, six pairs are presented from which respondents could choose the most important item in each pair, thus:

1 versus 2 2 versus 3 3 versus 4
1 versus 3 2 versus 4
1 versus 4

If the consensus among respondents is that item 1 is more important than 2, 3 and 4 then it can be perceived that item 1 is the most important support system as perceived by these respondents (Alreck and Settle 1985: 142; Bailey 1987: 311).

3.6 Validity and reliability of the instrument

The following measures were taken to ensure the validity and reliability of the study: According to Fink (1995: 41) a reliable survey instrument is consistent, a valid instrument accurate. An instrument is reliable if each time it is used (assuming no intervention) the same information is generated. For a survey instrument to be reliable it should be free from measurement errors. Fieldwork was conducted by making use of one questionnaire and a single interviewer to ensure consistency of measurement as defined by Bailey (1987: 67). On the other hand Fink (1995) describes a survey where questions are asked the same way every time as a standard survey.

Post-coding of the open-ended questions was done by the researcher only, minimising coding errors associated with the use of more than one coder. Manifest coding, which codes the substance rather than the style of the respondent's answer to a question, was used (Bowen & Weisberg, 1977). Judgement errors associated with giving different codes to different responses might have been reduced by the use of a single coder.

E.g. the question on the type of products/services a business produces was left open and responses were given as follows:

Products/services = papers, envelopes, pens, etc.

All the above were coded as *office stationery*. If the coding of the above services/products was to be done by different people, there could have been misunderstanding on assigning codes to different responses. The use of one individual for coding purposes, in this instance the researcher minimises coding errors (Fowler 1993: 125).

The researcher, with the help of two peer researchers, reviewed the draft questionnaire, which was finally checked for content validity by the supervisor. Reviewers with some knowledge of the subject matter confirmed content validity, which is a subjective measure on the appropriateness of the items. This ensured that the survey questionnaire omitted biased, ambiguous, double-barrelled questions, etc. while securing the most relevant and appropriateness in questioning (Litwin, 1995).

Administering a questionnaire in a face-to-face encounter generally decreases the number of "do not know" and "no answer" responses, as the presence of the researcher allows for probing (Babbie, 1995: 264). The presence of the researcher in the face-to-face interviews ensured a 100% response rate (1987: 149). Unanswered questions were very few and were those questions that pertain to sensitive matters of small business, such as income and value of total business assets.

3.7 Permission and ethical considerations

All sampled small business operators were briefed by telephone about the study and its objectives as a mode for preparing the field. The purpose of the study was thoroughly explained and managers/owners or directors of small businesses were informed that their participation in the research process was voluntary.

Anonymity regarding the names of both the businesses and business operators and confidentiality about all information provided was assured. Permission for interviewing was asked for and all agreements were given verbally by telephone. Hatt and Goode (1981: 178) emphasise this aspect and state that even though questionnaires usually do not ask for embarrassing information, respondents would ordinarily not answer if they had any reason to suspect that information would be made public.

Some of the small business operators who participated indicated that they would like to see the research report of this study. There are those who also indicated to have participated in other research previously but still do not know what happened to the results obtained from those studies. Names of all businesses that participated is kept for the purposes of spot checks and will be destroyed after a minimum period of two years.

3.8 Data analysis

Data was analysed using a social science package for statistical analysis called SPSS for Windows 6.0 (Norusis 1993).

Scale development

An effort was made in the analysis to validate the scale through factor analysis. According to Babbie (1995:427) a factor analysis is used to discover patterns among the variations in values of several variables. This is done through the generation of artificial dimensions (factors) that correlate highly with several of the real variables and that are independent of one another. The scale development is discussed in details in chapter 5.

3.9 Presentation of findings

Data are presented in chapters 4 and 5, using tables (marginal percentages), graphics (pie charts) and cross-tabulation tables followed by summary discussions at the end of each section.

The presentation of findings in chapter 4 follows the chronology sequence of the questionnaire. Chapter 5 discusses the questionnaire items and the development of a scale using factor analysis based on the last section of the questionnaire. Chapter 6 discusses substantive policy and methodological implications of the study, including implications for further research.

4. Conclusions

In this chapter the methodology and design used for the whole study were discussed. The reasons for choosing these designs are given and the importance of exploration is also outlined. It can be concluded from discussions of this section that the chosen designs are appropriate in order to attain the aims and objectives of the study.

Having a population list in a form of a business journal ensured population and sampling procedures would be easily executed. The means and methods of data collection including the development of a survey instrument are thoroughly discussed in this section. Based on the given information above, it can be concluded that the design and methodology used for the study are appropriate, that procedures to be followed are well-expounded.

Some of the problems encountered in the study are the following: There are no related previous survey instruments in the area of small business support that could be emulated or used as the basis for the construction of the questionnaires. Because the purpose of the study is academic and the time frames between data collection and report writing is limited, the sample drawn is not big enough to make generalisations to the entire small business industry. However the findings of the study gives trends and patterns about the existing perceptions of small business operators on their support systems. It can be concluded that the methodological approach of this study is well formulated, that is, the design and instrument development. However other important considerations that are worth noting are that the sample size is not big enough to make generalisations.

The next chapter will give detailed discussion on the validation and generation of the questionnaire items by making use of factor analysis and the Thurstone comparisons.

dimension or more, a factor analysis was done on the inter-correlation of the given items (Babbie, 1995: 428).

According to Bryman and Cramer (1990: 225) the reliability of the factors that emerges from factor analysis depends on the size of the sample, although there is no consensus on the minimum sample size. They cite two criteria that should be met. First there should be more subjects in the analysis than the number of variables, that is, not less than five subjects per item, and second there should be normally not be less than 100 individuals per analysis.

The sample of the study is 60 individuals, and therefore it does not meet the second of the criteria above. Too much weight should, therefore not be put on the accuracy of the results based on these analyses; emphasis is on how factor analysis can be used in validating social science survey questions. One other important requirement is that the learner (researcher) should understand and become well versed with the methodological procedures and application of factor analysis. The second criteria, viz. to have five subjects per item, is met in the analysis.

Factor analysis procedures are presented according to the sequence of the various steps followed below.

First step: Generating a correlation matrix of items

All 31 items were grouped according to the five previously indicated categories of small business support. A correlation matrix for each of the five groups was generated separately in order to determine whether the correlation matrix of each group allowed for the factor analysis to be carried out.

According to the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy, if the correlation statistics yield a KMO value above 0.7, then the correlation, on the whole, is sufficiently high to make factor analysis suitable. KMO values below 0.5 means that factor analysis will be inappropriate for that set of variables, De Vaus, (1991: 259), Bryman and Cramer (1990: 225).

The correlation matrix of the five different groups resulted in the following KMO values:

Table 1: KMO values of the 5 support groups

Support Group	KMO value
Training and skill development	0.63243*
Funding	0.64598*
Business partnerships	0.44722
Information	0.37478
Infrastructure	0.44722

The three groups of items with KMO values of less than 0.5 were dropped. Two groups, i.e. training and skills development and funding which both have KMO values above 0.6 (table 1 above) were retained.

Second step: Selection of items

The items in the remaining two groups, i.e. training and skill development and funding were correlated in order to attempt and identify the underlying common factors. Kalton and Moser (1971: 365) claims this is the starting point where a systematic grid layout of the correlations between all the possible pairs of items is realised.

Results of the correlation matrix of the combined 14 items of the two groups yielded a KMO value of 0.53929. In order to meet the criterion of at least 5 subjects per item it was decided to drop two more items. Two methods can be followed in meeting this criterion: that is dropping either those items with the lowest communalities or dropping items that will result in higher KMO values when dropped (Vaus, 1991: 259).

Since the communalities of the items were statistically acceptable and the KMO values were not sufficiently high, it was decided to follow the second criterion, i.e. dropping items that will result in higher overall KMO values.

Third step: Extraction of items

Table 2 below indicates the KMO values yielded with extraction of each single item of the 14 items from the correlation matrix.

Table 2: KMO values on single factor extraction

Single factor extraction	
Item extract	KMO value
Support 1	0.56362
Support 2	0.54583
Support 3	0.55645
Support 9	0.56401
Support 12	0.54637
Support 13	0.54071
Support 14	0.50861
Support 16	0.48637
Support 17	0.52452
Support 20	0.51068
Support 21	0.55137
Support 25	0.51218
Support 26	0.50909
Support 30	0.52029

Items from Table 2 that yielded the highest KMO values when dropped were extracted pairwise to determine the strength of the KMO value with each dual extraction (Table 3 below).

Table 3: KMO values on dual factor extraction

Items extract	KMO value
Support 1 & 3	0.59248*
Support 1 & 9	0.59246
Support 1 & 21	0.54594
Support 3 & 9	0.56435
Support 3 & 21	0.58783
Support 9 & 21	0.58783

The best results (highest KMO value) of all item extractions are marked with an asterisk (*), i.e. the extraction of item 1 and 3 which resulted in the KMO of 0.59248.

Fourth step: Variance explained

With the extraction of the two above items, the correlation matrix is left with the best set of the 12 highly correlated items. In order to decide on the number of factors that should be retained in terms of Kaiser's criterion, factors should have an eigenvalue greater than 1. Eigenvalue is a measure that attaches to factors and indicates the amount of variance in the pool of original variables that the factor explains (Vaus, 1991: 261; Bryman and Cramer, 1990: 259). If we have a large number of factors with eigenvalues above one, an alternative selection method will be to look at the total amount of variance explained by each variable in the whole set. Percentage of variance explained is indicated by cumulative percentage added by each additional variable. The second method will not be used for the purpose of selection since only four factors have eigenvalues above one.

Table 4: Eigenvalues of the 12 remaining items

Variable	Communality	Factors	Eigenvalues	% of variance	Cum pct
Support 2	.59954	1	3.02470	25.2	25.2
Support 12	.49018	2	1.91076	15.9	41.1
Support 13	.56214	3	1.45627	12.1	53.3
Support 14	.62713	4	1.38531	11.5	64.8
Support 16	.75916	5	.90103	7.5	72.3
Support 25	.67162	6	.80331	6.7	79.0
Support 9	.64340	7	.68593	5.7	84.7
Support 21	.82664	8	.63855	5.3	90.0
Support 30	.66244	9	.39053	3.3	93.3
Support 17	.67773	10	.30873	2.6	95.9
Support 20	.74441	11	.27141	2.3	98.1
Support 26	.51266	12	.22346	1.9	100.0

In terms of the Kaiser criterion the first four factors (Table 4 above) with eigenvalues greater than unity were retained. These factors account for 64.8% of the total variance in the pool of all the original items. Vaus (1991:

261) indicates that in order to obtain the proportion of explained variance for each factor the correlation in the factor matrix should be squared. According to Vaus (1991: 261) total variance explained is the best measure of a good factor. The greater the explained variance by the original variables, the better the solution.

Fifth step: Unrotated Factor matrix

Once the number of factors has been determined, a factor matrix is produced for the factors that qualify for further analysis (Table 5 below).

Table 5: Unrotated factor matrix

	Factor 1	Factor 2	Factor 3	Factor 4
Support 2	.30245	.37166	.14919	.58963
Support 9	-.40814	.54126	.14673	.40289
Support 12	.38143	.33746	.40243	-.26240
Support 13	.47583	-.32829	-.25756	.40201
Support 14	.74251	.01886	-.12019	.24701
Support 16	.77202	.33665	-.20532	-.08744
Support 17	-.33947	-.55868	-.08759	.49265
Support 20	.57524	-.44693	.45554	-.07902
Support 21	.24892	-.62802	.60119	-.09397
Support 25	-.70639	.13795	.32702	-.21602
Support 26	-.42713	-.18766	.28874	.46004
Support 30	.24059	.42871	.60054	.24519

In the factor matrix above, each column represents a factor and the figures within each factor represent the factor loadings (correlation) between the given factor and the item opposite that row (Vaus, 1991: 261).

Once the number of factors that should be retained is known, it is important to identify the items that belong to each of the factors, except where there is only one factor solution. Often in the unrotated solution, items load on several factors and some factors will have almost all items loading on them (Bryman and Cramer, 1990: 261). To identify which items belong to which factor, a factor rotation matrix is computed, through which items that belong to one factor normally group themselves (Table 6).

Table 6: Item loadings on the orthogonally rotated factors

	Factor1	Factor 2	Factor 3	Factor 4
Support12	-.04253	-.57278*	.25774	.30638
support13	.70271*	.22507	.12678	-.04015
support14	.73201*	-.21151	.13647	.16714
support16	.60257	-.62050*	-.04217	.09623
support17	.06779	.81157*	.06386	-.10204
support20	.27849	-.11193	.80793*	.03966
support21	-.01854	.13480	.89877*	-.01833
support25	-.80468*	.11561	-.08338	.06163
support26	-.23417	.60680*	.06798	.29154
support30	-.03540	-.22881	.19215	.75625*
support9	-.28882	.15879	-.45330	.57384*
support2	.36653	.02266	-.11995	.67104*

An orthogonal rotation of the four principal-component factors is shown in Table 6 above. Orthogonal rotation produces factors that are unrelated or independent of one another. The method used for item rotation is *varimax* (Bryman and Cramer, 1990: 261). These authors regard orthogonal rotation to be a reliable method because the information provided by factors is not redundant, since a person's score on one factor is unrelated to his/her score on another.

Sixth step: Interpretation of rotated factor matrix

According to Vaus (1991: 264) the following two important issues should be considered before interpreting the factors: First, if an item loads high on more than one factor, e.g. item 16 on factor 1 and 2 two things can be done. A different rotation method can be used that has the ability of loading items high on a single factor, alternatively, factor loadings can be left as they are and values used for which an item loads most highly in creating a factor-based scale. Alternatively if an item loads very low on the identified factors, such a factor can be deleted in order to strengthen the relationship between the factors and items that load high on them.

Second, the sign on a negative loading only indicates the strength (direction) of the relationship between the item and the factor. Such factors should therefore be included in the analysis.

From Table 6 the following two factors have been identified as producing some meaningful loadings. They are factors, 1 and 3, which respectively group together items on funding and training. However, item 17 loads low on both these factors and according to the criteria discussed above, should be removed in order to strengthen the relationship between these two factors and the items. Extraction of item 17 on the matrix results in the enhanced strength of the loading in the two factors as illustrated in the table seven. Note that factor 3 from Table 6 is now changed to factor 2 in Table 7 below.

Table 7: Extraction of the item that load low on both items

	Factor 1	Factor 2	Factor 3	Factor 4
Support 12	.15288	.12507	-.03369	.80487
Support 13	.50084	.28926	.22773	-.37908
Support 14	.73510*	.16645	.18032	.18470
Support 20	.09882	.83055*	.08086	.016631
Support 21	-.03761	.84242*	-.08879	.01893
Support 25	-.77944*	-.16919	-.13652	.22957
Support 26	-.61481*	.18863	.31646	.05881
Support 30	-.00740	.09469	.53572	.59368
Support 9	-.39846	-.46124	.49968	.18447
Support 2	.24015	-.03525	.81279	-.05222
Support 6	.81410*	-.06569	.05614	.30685

End results

The importance of the end results for the factor analysis is to make inferences about some conceptual communality of the items that have loaded high on a factor. In terms of the orthogonally, varimax rotated solutions indicated in Table 7 above only two of the four factors (1 and 2) have the highest item loadings above 0.6 percent that explain common underlying factors. These two factors will be used to summarise the whole factor matrix. The other two remaining factors (3 and 4) will be ignored when interpreting these results.

Four items, support 14, 16, 25 and 26 have been identified as loading (correlating) highest on factor 1. These four items will be used to explain the meaning behind factor 1. The underlying relationship between these items is that they all explain *finance*. Items 25 and 26 have negative loadings on this

factor which, refers to the direction of the relationship between the items and the factor. The higher the negative loading by item 25 on factor 1, the weaker the strength of relationship between factor 1 and this item.

Items 20 and 21 loaded high on factor 2. The common factor between these two items is that they both explain *accessibility of training* in the area of small businesses for both managers and staff development. The remaining two factors do not seem to produce any obvious relationships between the items and the factors. These factors will be ignored and not used in the interpretation of the final results of the factor matrix.

3. Thurstone's Law of Comparative Judgement

According to Babbie (1995) Thurstone scaling is an attempt to develop a format for generating groups of indicators or variables that have at least an empirical structure among them. One of the basic formats is that of "equal-appearing intervals".

The Thurstone's comparative judgement is a different analysis technique to factor analysis and is used in rank-ordering order respondents' preferences of items that are given in a comparative or rank order fashion.

Thurstone's Law of Comparative Judgement is regarded as a particularly appropriate measuring technique for assessing the priority of small business support needs as perceived by small business operators. This method allows the researcher to measure, on a pairwise comparison, preferences by small business owners for the different support systems.

The development of Thurstone's comparative judgement in this study focused on the following aspects:

- Assessing preferences involving types of small business support services

The technique is based on presenting a number of small business support services to the respondents (small business operators) in a pairwise manner.

Respondents are then required to make choices, i.e. discriminate between the two items presented in pairs according to some specified attribute, e.g. its importance to them and their business. In this way, each of the four identified small business support items is paired for comparison with every other.

According to Thurstone the following principles are important in the development of these paired comparisons (Thurstone, 1927 (a) & (b)).

- Each pairwise comparison presented to the respondent should give rise to a discriminatory process, i.e. choices about the importance of an attribute - a process which has value for the psychological continuum of importance.
- A particular stimulus does not always evoke the same reaction, but could sometimes evoke a higher or lower reaction on the psychological continuum, e.g. the need for information for small businesses might not always be perceived to be more important compared to the need for finance. When a stimulus is presented to a respondent a number of times, a frequency distribution of the respective choices made regarding the particular stimulus is generated.

According to Thurstone (1927 (a) & (b)) pairwise comparisons can be classified into the following categories:

- Each pairwise comparison is tested repeatedly with regard to one individual.
- Each pairwise comparison is tested once only among a selected sample of individuals; or
- Each pairwise comparison is tested repeatedly among different individuals.

The development of the pairwise comparisons for this study is based on the third attribute where each pairwise comparison is tested repeatedly among different individuals.

The number of pairwise comparisons is determined by the formula $n(n-1)/2$, where n is the number of, for example, identified support services. If four needs have been identified, as is the case in this regard $4(4-1)/2$ will equal 6, that is the number of pairwise comparisons to be presented to respondents. It is further important to mention that factors that could be responsible for systematic bias can be controlled or the effect minimised by the relative positioning of each pairwise comparison as well as by the ordering in the test instrument (Torgeson, 1958).

Items and their definitions

Four major small business support systems were identified by different authors (Dorrain & Lynas, 1987; Locks, 1990; White Paper on Small Business Development, 1995) and were discussed in detail in chapter two. They are:

Training and skills development: Training of staff and management in areas of administration, finance management, computer skills and all other business related skills, etc.

Access to finance: Access to bank loans, credit, capital equipments, etc.

Business partnerships: Formation of partnership relations with big businesses, subcontracts, joint ventures and franchising, etc.

Access to information: Consumer satisfaction information (surveys), information on technological innovations, government policies, advertising, etc.

Presentation of the pairwise comparisons:

The following example illustrates one pair from the questionnaire (attached to Appendix 1) where respondents were asked to select the support system most important to the needs of their business activities and development.

Access to finance	1
Business partnerships	2

Table 8: Thurstone's reliability scale

Reliability (r) of scale	
r_s	0.96
r_ss	0.97
r_b	0.74
r ²	0.99

It appears from the reliability scale that all cases have high coefficients (above 0.7). This implies that there is a high agreement among the respondents (small business operators) about the importance of all these services.

The following frequency tables show the results of each paired comparison. According to these comparisons, the higher the loadings (measured by valid percentages on each support service) the more important that support service is in comparison with the other service in the pair.

Table 9: Access to information vs business partnerships

	Frequency	%	Valid %	Cumulative %
Business partnerships	17	28	30	30
Access to information	39	65	70	100
Missing	4	7		
Total	60	100	100	

Table 10: Access to information vs access to finance

	Frequency	%	Valid %	Cumulative %
Access to finance	25	42	45	46
Access to information	30	50	55	100.0
Missing	5	8		
Total	60	100	100	

Table 11: Access to information vs training and skill development

	Frequency	%	Valid %	Cumulative %
Training and skill dev	27	45	48	48
Access to information	29	48	52	100
Missing	4	7		
Total	60	100	100	

Table 12: Training and skill development vs business partnerships

	Frequency	%	Valid %	Cumulative %
Training and skill dev	38	63	68	68
Business partnerships	18	30	32	100
Missing	4	7		
Total	60	100	100	

Table 13: Training and skill development vs access to finance

	Frequency	%	Valid %	Cumulative %
Training and skill dev	33	55	59	59
Access to finance	23	38	41	100
Missing	4	7		
Total	60	100	100	

Table 14: Access to finance vs business partnerships

	Frequency	%	Valid %	Cumulative %
Business partnerships	19	31	34	34
Access to finance	37	62	66	100
Missing	4	7		
Total	60	100	100	

- *Results of the paired comparisons*

The frequency tables illustrate the following averages for each support systems: training & skill development (58%) access to information (59%), business partnerships (32%) and finance (51%). It is evident from the above figures that access to information and training and skill development are the most important support systems identified by small business operators.

The Thurstone comparison method is a simple statistical procedure that enables the researcher to identify the most preferred items by respondents from a pool of items that respondents have to rank order. This method has enabled the identification of the two areas of access to information and training and skills development as the most important of all the presented small business support areas. As a method of comparing preferences Thurstone's comparison method is effective and serves the desired purpose.

4. Conclusions

The intention of this chapter has been to discuss the procedures followed in the methodological validation of the instrument. The questionnaire items are presented on a Likert scale format in the questionnaire and were validated by making use of factor analysis.

The validation of the items of the small business support perception, the composition of the items and the relevance of the items was done through a factor analysis. Factor analysis discovers patterns among variables through correlation matrix by forming artificial dimensions called factors. The identified dimensions or factors are then used to explain the item groupings underlying each factor. Throughout the factor analysis procedure, items that show no relationship to others (low correlation) are deleted. From the factor analysis procedures, it can be concluded that a bigger sample would have been more effective since bigger samples are a requirement of the factor analysis procedure. The end results of the factor analysis revealed that "finance" and "accessibility of training" to be the underlying dimensions in the scale.

The Thurstone's Law of Comparative Judgement included four items of small business support services in pairs to the respondents. The presented four items are training and skills development, access to finance, business partnerships and access to information. The frequency analysis of each pair comparison has identified access to information (59%) and training and skills development (58%) as the most important areas of small business support as indicated by the sampled small business operators. It can be concluded from the Thurstone's analysis that the Thurstone's comparison is able to give accurate results because, unlike the factor analysis it does not depend on a big sample for accuracy.

Chapter 5

PRESENTATION AND DISCUSSION OF RESULTS**1. Introduction**

This chapter presents the findings on the data gathered from the sixty respondents (small business operators). The sample was drawn on a random systematic basis (cf. chapter 3, sampling). A response rate of 100% was attained.

Not all questions in the questionnaire were completed. Respondents indicated their unwillingness to answer certain questions, specifically those that pertained to the financial standing of their businesses (section II, Questionnaire).

The discussion in this section will cover all questions of the 31 small business support systems even though the findings of factor analysis in chapter four indicated finance and accessibility to training to be radically different from others (underlying factor). The intention here is descriptive, that is, to see if all items produce the same profiles.

In this chapter the data are analysed, presented and discussed according to the different sections of the data collection instrument (questionnaire):

- Section I: The demographic information of small business operators / managers
- Section II: The business standing/business activities
- Section III: Information pertaining to the small business support system

Open-ended questions were post-coded and analysed statistically. Descriptive statistics were used throughout and visual representations are in the form of tables and figures to assist in the presentation and discussion of the findings.

2. UNIVARIATE ANALYSIS

2.1 Section I: Profile of sample

The following summarised figures illustrate the overall profile of respondents.

Figure 1: Distribution by gender (n=60)

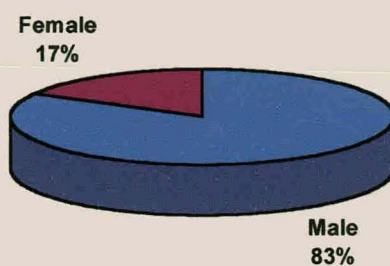


Figure 2: Distribution by age (n=59)

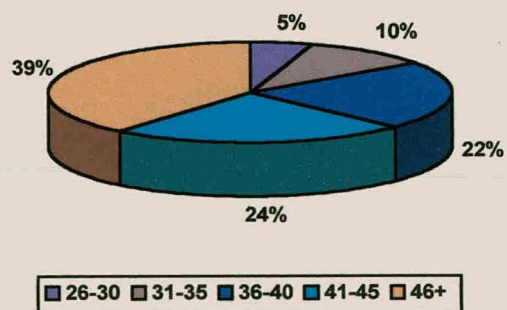


Figure 3: Distribution by marital status (n=60)

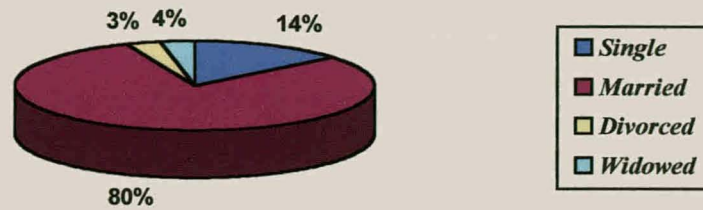


Figure 4: Distribution by population groups (n=59)

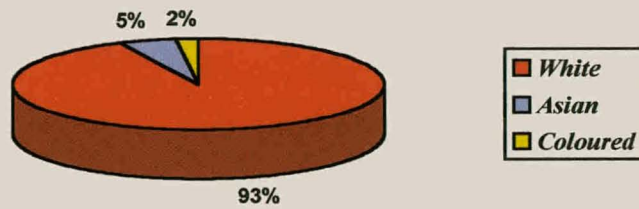


Figure 5: Places where respondents were born (n=60)

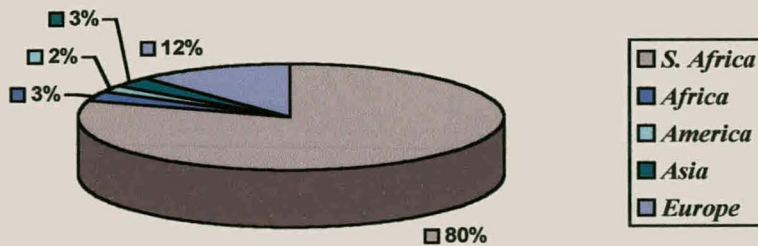


Figure 6: Highest educational qualifications (n=59)

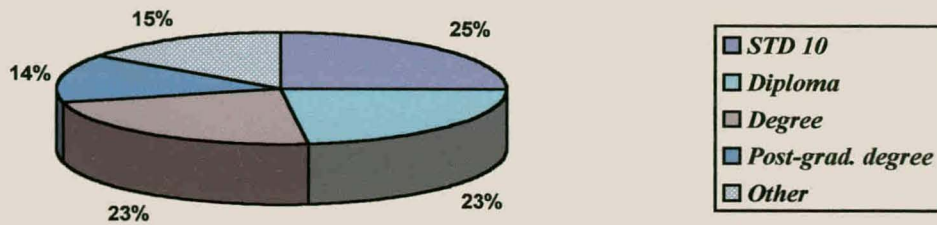


Figure 7: Respondent's portfolio in the business (n=60)

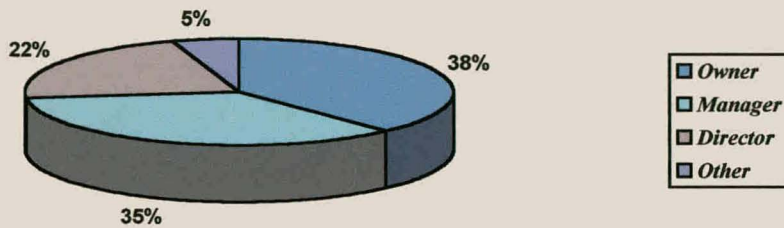


Figure 8: Number of years involved in business activity (n=60)

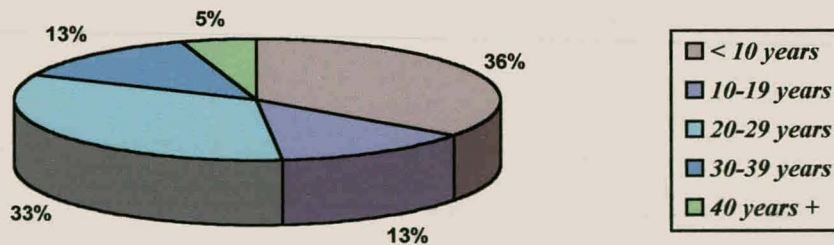
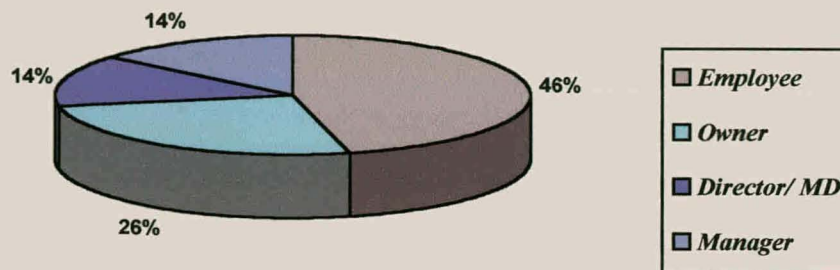


Figure 9: Capacity of involvement in business activity (n=58)



2.2 DISCUSSION

MAIN FEATURES OF THE SAMPLE

- The majority of the respondents (93%) are white.
- The majority of the sampled small business operators is male (83%). A majority of these respondents are married (80%) and the mean age of respondents is 41 years.
- The study found that the respondents have academic backgrounds and qualifications ranging from standard 10 (25%), diplomas (23%), degrees (23%) to post-graduate degrees (14%).
- The majority of the respondents (80%) are South Africans by birth.
- More than one third of the respondents (38%) indicated that they are the *owners* of the businesses for which they worked and 35% are employed as *managers*.
- The majority of these entrepreneurs (65%) has been involved in small businesses for more than 10 years and 35% has been in small businesses for a period of 0 to 10 years, mostly in the capacity of *employees* (47%).

The sample of this study found that the highest proportions are white small business owners/managers, the majority of whom were 41 years and older. Generalised conclusions can not be made because the size of the sample for this study is too small. It is clear that our sample, being predominantly white and male, do not reflect the larger South African demographics. It might, however be representative of the current profile of business owners in the manufacturing sector.

2.3 Section II: Business activity profile

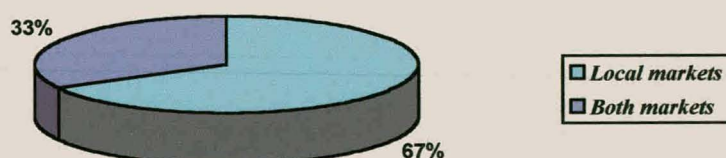
Type of business products/services

Businesses that were sampled and interviewed fell into various manufacturing categories. As indicated in the methodology chapter, sampling was not focused on a single type of product produced by small business. The following are products manufactured by the small businesses sampled.

Table 15: *Type of business products/services*

Type of business	N	Type of business	N
Furniture	6	Windows and door frames	2
Plastic products	5	Catering equipment	2
Computer equipment	4	Air-conditioning	2
Communication systems	2	Clothing	2
Books and stationery	4	Chemicals	2
Building materials	4	Flags and labels	2
Machinery tools	4	Batteries and transformers	1
Security products	4	Medical equipment	1
Stone and granite products	2	Electronic signs and boards	1
Plumbing pipes	2	Glue	1
TV and video equipment	2	Electrical equipment	5
Total			60

Figure 10: *Markets where products are sold (n=60)*



No single business indicated that it produced solely for the international market.

Table 16: Year business was started (n=60)

	N	Percentage
Before 1983	36	60
Between 1983 and 1988	11	18
Between 1989 and 1994	10	17
After 1994	3	5
Total	N=60	100

Figure 11: Reasons for starting a business (n=60)

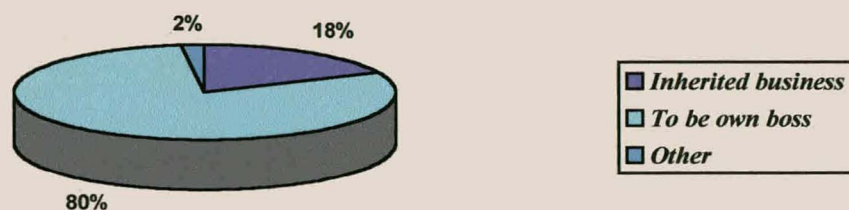


Table 17: Area where business operates

	N	Percentage
Inner city	37	61
Metropolitan area	22	37
Township industry	1	2
Total	N=60	100

Figure 12: Number of people employed including unpaid family members (n=60)

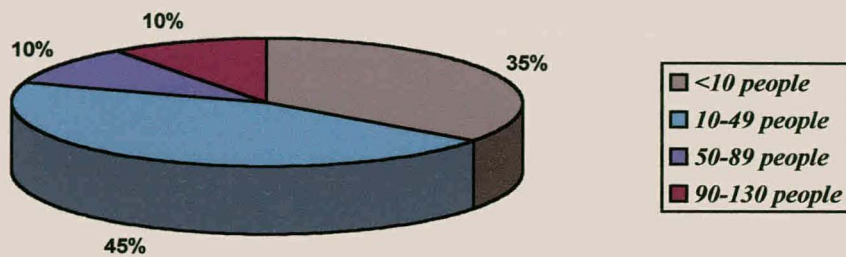


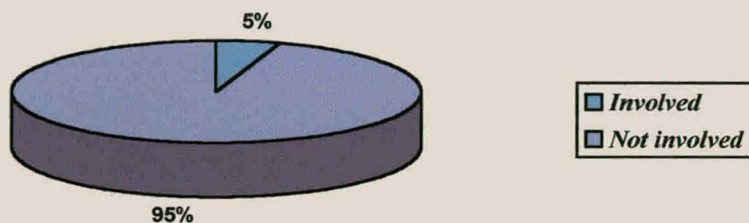
Table 18: Estimated value of business assets (including savings and property)

	N	Valid percentage
Less than R100 000	3	6
R100 000 to R500 000	8	16
R500 000 to R1 million	17	43
Between R1 million and R6 million	13	26
More than R6 million	9	18
Missing cases	10	Missing
Total	N=60	100

Table 19: Estimated annual income (excluding costs) for all business activities

	N	Valid Percentage
Less than R100 000	3	6
R100 000 to R500 000	7	14
R500 000 to R1 million	17	34
Between R1 million and R6 million	14	28
More than R6 million	9	18
Missing cases	10	Missing
Total	N=60	100

Figure 13: Involvement in other income-generating activities in addition to the business operation (n=58)



Has business experienced financial problems in the past? (n=60)

Twenty-three per cent of the respondents indicated that they had faced financial problems in the past, while 77% indicated that they had not faced financial problems in the past.

Has business received any financial assistance in the past? (n=59)

Of those small businesses who stated that they had faced financial problems in the past, 80% indicated that they had not received any financial assistance. Only 20% of those who had experienced financial problems did receive assistance.

Type of institution that granted assistance for setting up business (n=12)

Twenty per cent of the total sample received financial assistance to set up a business. Of those who received assistance, 92% received funding from banks and only 8% from other institutions.

Table 20: Type of assistance granted

	N	Valid percentage
Bank loans	11	18
Materials and equipment	2	3
Other	1	2
Missing cases	46	Missing
Total	N=60	100

Figure 14: Has training been received on how to operate a business? (n=60)

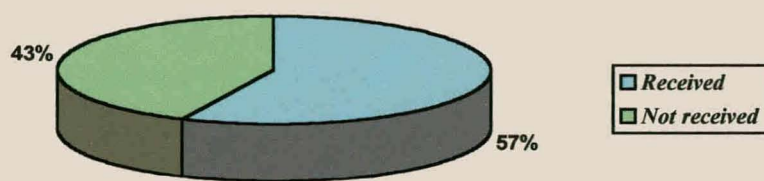


Table 21: Type of training received (of the 57% who received training)

	N	Percentage
Business degree	12	20
Business skills	1	2
Small business training	4	7
Franchising training	1	2
Self-training (hands-on training)	1	2
Managerial training skills	13	22
Commercial training skills	1	2
Missing cases	27	43
Total	60	100

Figure 15: Would the business be managed better with some training? (of the 43,3% who had not received training)

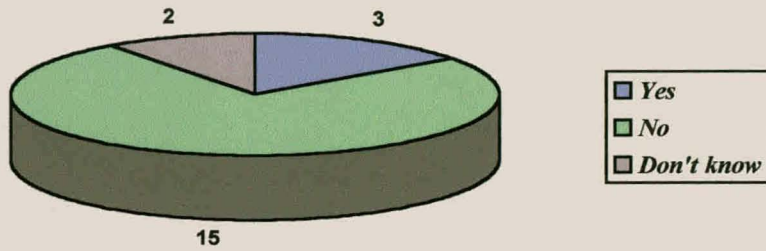


Figure 16: Are there any other firms producing similar products (goods)? (n=60)

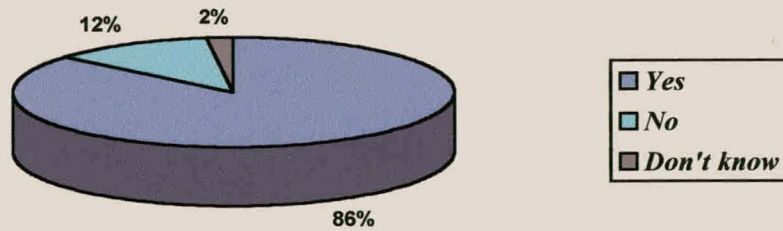


Table 22: If "Yes", how do prices compare?

	N	Percentage
Higher	5	8
Same	34	57
Lower	9	15
Don't know	8	13
Total	N=60	100

Figure 17: Proportion of business income spent on marketing and advertising (n=50)

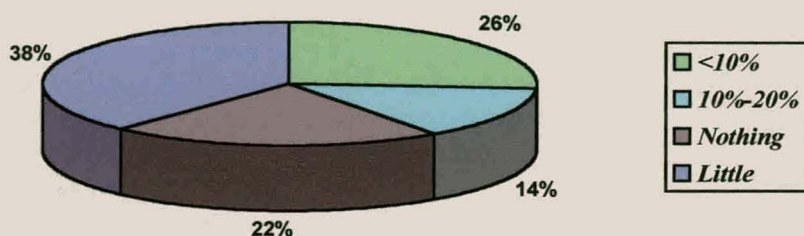
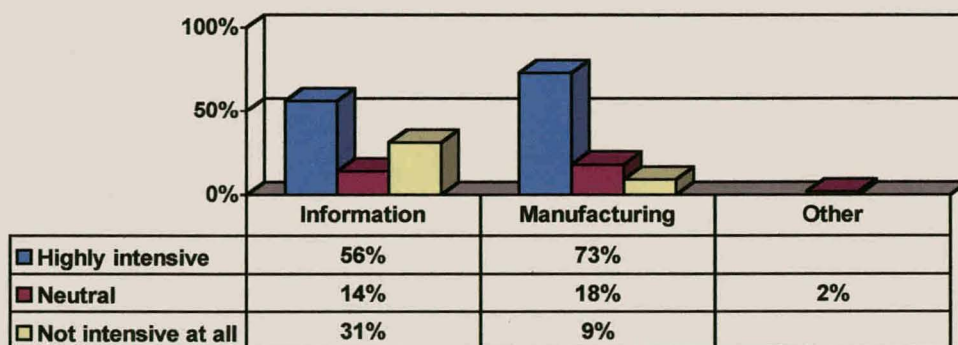


Figure 18: How technologically intensive are business activities?



2.4 DISCUSSION

Business profile

More than half of the respondents (60%) indicated that their businesses were started before 1983 with the majority (67%) producing and selling their products in the domestic markets. Thirty-three per cent small businesses sold their products in both local and international markets. The liberalisation of trade (cf. chapter 2, section 7) has become a South African trade policy and therefore the majority of small business operators should be given support in order to be able to compete in international markets.

The overall results revealed that the majority of small business owners started their businesses simply because they wanted to be their own boss (80%); only a few inherited their businesses (18%). This suggests (cf. chapter 1, section 2) that there are many people with potential, who would like to start their own enterprises in order to become their own boss, provided they have support.

More than half (62%) of these businesses were operating in the inner city, i.e. in Pretoria and Johannesburg. Thirty-seven per cent of the total respondents indicated that they operated in metropolitan areas, which included towns, such as Krugersdorp, Benoni, Rooderpoort and Germiston. This could be why most businesses indicated that property (buildings, etc) was expensive.

The majority (80%) of respondents indicated that they employed 50 and fewer people. Most of these businesses (68%) also indicated that their total assets were below R6 million and the same number indicated their annual turnover was less than R6 million (82%) a year. This complies with the definition of small business by the South African Department of Trade and Industry, which claims that small businesses employ 50 or fewer people and have an annual turnover of less than R6 million (cf. chapter 2, section 2).

Finances

The results suggest that there is stability within small businesses in the manufacturing industry since most (77%) reported that they had not experienced financial problems. The majority of respondents (80%) also indicated that they had not received or requested financial assistance in the past.

Training

Training for operating small businesses was identified as an important aspect for the survival of this industry. The majority of respondents (57%) indicated that they had received training on how to operate a business in the past. Of those who had not received training, experiential training was considered for long-term, on-the-job training (cf. chapter 2. 3). Twenty per cent business operators

indicated that they considered their business degrees to be appropriate training for their businesses and 22% had received commercial training skills.

Marketing and advertisements

The vast majority (86%) of respondents indicated that they were aware of other firms producing similar products. Fifty-seven per cent also claimed that for most of the products, their prices were the same.

Sixty per cent of small business owners indicated that they spent little or nothing on marketing and advertisement of their products. This is considered to be one of the most important strategies through which small business operators invest in customer preferences (cf. chapter 2, section 6). It is indicated that without advertisements and marketing of products businesses are unable to attract their customers and therefore do not prosper.

Infrastructure

The manufacturing industry has become a technologically intensive sector of the economy. The majority of the businesses (73%) indicated that they used technology, i.e. machinery, computers, etc., for production purposes. Fifty-seven per cent of the sampled businesses indicated that their information was collected through technological means such as fax machines, telephones, computers and the Internet. Seventy-three per cent of the businesses that used technologies indicated that their manufacturing procedure was technologically intensive. The use of the production technology contrasts with the perception which most people, including the government, have of small businesses, that is they use labourers and low technological production methods (cf. chapter 1, section 2). If the access to production technologies increases chances are that the small business sector will not be able to absorb more labourers than before.

2.5 Section III: Perceptions of support systems

The following tables and figures summarise the perceptions of small business operators of their support systems. Statements were presented according to the Likert scale, where 1 = strongly disagree, 2 = disagree, 3 = undecided, 4 = agree and 5 = strongly agree. The above 5 point scale was then recoded⁸ into a 3 point scale (cf. chapter 3. 3.4). Items in the tables below are organised according to the main categories, i.e. training and skills development, finance, business partnerships, access to information and infrastructure.

RESULTS OF THE LIKERT SCALE

Table 23.1: Training and skills development

	Agree	Neither agree nor disagree	Disagree
13. On-the-job training is an effective form of training for my kind of business	75%	9%	16%
2. Hands-on training is readily available for staff development	75%	10%	15%
21. Managerial training is easily accessible	74%	16%	10%
20. Training for staff development is easily accessible	67%	18%	15%
17. There are known organisations where training for my business is provided	60%	14%	26%
9. I would be able to manage my business better with some training	34%	2%	64%

Table 23.2. Access to finance

	Agree	Neither agree nor disagree	Disagree
26. Finance is the biggest problem facing small businesses	82%	7%	11%
1. Government-sponsored institutions such as SBDC and DBSA are prepared to assist small businesses financially	72%	14%	15%
3. Financial lenders insist on great control of the business activities	70%	7%	24%

Continued on next page

⁸ Recoding is an SPSS procedure for adding or changing data by combining or collapsing several categories into one category (SPSS Base 8.0; 1998: 78).

Table 23.2, Continued

	Agree	Neither agree nor disagree	Disagree
25. Private institutions such as building societies are prepared to assist small businesses financially	61%	7%	33%
12. Government is not doing enough to help small businesses financially	59%	12%	29%
14. There are not many financial options available to small businesses	56%	16%	27%
16. The banking sector is unwilling to give loans to small businesses	52%	9%	39%
30. I would sacrifice my independence to obtain financial assistance	14%	5%	81%

Table 23.3. Business partnerships

	Agree	Neither agree nor disagree	Disagree
29. Subcontracting of small businesses by big business would help improve skills of small business workers	86%	2%	12%
24. Forming partnerships with big business is the way to improve business relations	74%	7%	19%
23. Franchises are a good way of imparting skills to small business	64%	23%	13%
19. Franchisers would take total control of my business	48%	17%	36%
27. The big business community is prepared to start partnerships with small businesses	35%	19%	46%
4. If a franchise venture comes my way I would grab the opportunity	17%	5%	78%

23.4. Marketing and information

	Agree	Neither agree nor disagree	Disagree
5. I consider product marketing as a good business strategy for small business prosperity	87%	5%	9%
11. Product advertising media, such as newspapers and televisions, are expensive	80%	13%	7%
22. Product advertisement is a costly method of attracting customers	75%	15%	11%
15. Business advice is easily available	54%	13%	33%
18. Business counselling can be attained at a low cost	46%	18%	37%
31. Big businesses are always ready to share valuable information with us	17%	13%	70%

23.5. Access to infrastructure

	<i>Agree</i>	<i>Neither agree nor disagree</i>	<i>Disagree</i>
<i>6. Government tax measures make it very difficult to collect enough profit for business expansion</i>	93%	2%	5%
<i>8. Infrastructure, such as a site, is expensive</i>	88%	5%	7%
<i>10. Buildings for business purchase or hire are expensive</i>	84%	5%	11%
<i>28. Government policies are favourable for small business development</i>	56%	19%	26%
<i>7. Production technologies (e.g. machinery) are not easily attainable</i>	48%	14%	39%

2.6 DISCUSSION

Training and skills development

Large majorities of respondents, i.e., 74% and 67% have indicated that hands-on training, managerial and staff developmental training are readily available. Three quarters of respondents identified that hands-on training as the most effective form of training for the type of businesses they operated.

Access to finance

Finance was indicated by a majority of respondents (82%) to be the biggest problem facing small business. However, 72% of the respondents indicated that the government-sponsored institutions, such as SBDC and DBSA, were prepared to assist small businesses financially. The above findings are consistent with Macleod's (1988) view when he describes SBDC as an institution that aims at promoting the general interest of small businesses (cf. chapter 2, section 4.1). It is claimed by Baumbach (1983: 262) that financial lenders have the tendency to take control away from the small business entrepreneur. It is therefore not surprising that 81% of the small business operators indicated that they would not sacrifice their independence to obtain financial assistance.

Business partnerships

Most respondents indicated that subcontracting and other relationships with big business are positive initiatives towards building the necessary capacity within small businesses in terms of training needs and securing contracts. Eighty-six per cent of total respondents were in favour of subcontracts. Seventy-four per cent indicated a willingness to form partnerships but 70% of total respondents indicated that big businesses were not prepared to share valuable information with them. Seventy-eight per cent of the total respondents indicated that they would not consider becoming involved in a franchise venture, even though 64% perceived it as a good way of imparting skills to small businesses. Respondents stated that they did not want to become involved in franchise operations as they did not want to lose their independence. A franchise is considered to have a tendency of destroying small business independence (Hailes and Hubbard, 1988).

Marketing and information

The majority of small businesses (80%) consider advertising media such as newspapers and televisions expensive. It is against this background that the majority of small businesses (86%) indicated that they spend nothing to less than ten per cent of the proportion of their annual income (figure 19) on advertising. Another 75% indicated that advertising was a costly method of attracting customers. However the majority (87%) agreed that product marketing was a good business strategy for the prosperity of small businesses.

Access to infrastructure

The majority of sampled small businesses (93%) indicated that government tax measures is a major factor hindering their growth and expansion plans. This was collaborated by findings of a tax study where Katz (1994: 150) claimed that SMMEs depend on the working proprietor as a source of funds, since they do not have access to public security markets. Taxation of income of the working proprietor therefore depletes their principal source of equity capital, increasing their risk exposure. All small businesses were identified as working in either the

inner cities the metropolitan areas or townships. It is evident therefore that the majority of the respondents, i.e., 88% and 84% respectively would find infrastructures, such as site and buildings for business purchase or rent expensive.

Salient points

Most respondents:

- Favour in-service/on-hands training over other forms of training for small business workers.
- Are sceptical whether more training will assist them in managing their businesses better than before.
- Believe that finance is the biggest problem facing small businesses.
- View most financial institutions not to be sympathetic towards their needs.
- Consider independence to be one of the most important things in their daily business activities.
- Favour business partnerships, including subcontracts.
- Are sceptical about business relationships that would take away some of their responsibility.
- View product marketing to be beneficial, however consider advertising media to be costly.
- Are sceptical about the availability of valuable business information.
- Believe that infrastructure is both costly and inaccessible.

3. BIVARIATE ANALYSIS

This section discusses the bivariate comparisons of the 31 small business support items by the following subgroups; gender, age, capacity of the small business operator, total business assets, experiencing of financial problems and receipt of training. These tables are presented and discussed according to the five identified areas of small business support.

The aim of bivariate analysis, according to Vaus (1991: 154), is to see whether the two variables are related. The chosen variables for the bivariate analysis vary from nominal (gender) to interval data (age) of which their categories are compared against the thirty-one Likert scale variables (ordinal variables), such as training, finance, information and business partnerships.

The above mentioned five areas of small business support were presented in the Likert five point scale. The use of extended scales such as five point, seven point scales and above according to Vaus (1991:290) produces "lazy forms of analysis" and leads to ill-focused research. To control for weak relationships among variables, the Likert items were recoded (cf. chapter 5: 2.5) into a three point scale where 1 = disagree, 2 = undecided (neither agree nor disagree) and 3 = agree. Recoding of the Likert scale items from five point to three-point scale strengthens the direction of the relationships between the continuous variables and the nominal data.

It is acknowledged that factor analysis of all the 31 small business support items in chapter one indicated finance and accessibility to training to be the underlying factors. The purpose of including all the 31 items here is descriptive, that is to see if they would produce similar profiles when compared with various subgroups.

3.1 Training and skills development

Table 24: Hands-on training is readily available for staff development.

Support 3: Hands-on training is readily available for staff development							
	Disagree		Undecided		Agree		Total Count
	<i>count</i>	<i>Row %</i>	<i>count</i>	<i>Row %</i>	<i>count</i>	<i>row %</i>	
Gender							
Male	9	18	6	12	35	70	50
Female					9	100	9
Total	9	15	6	10	44	75	59
Age							
Less than 41 years	4	18	1	5	17	77	22
41 years and above	5	14	5	14	26	72	36
Total	9	16	6	10	43	74	58
Capacity							
Employee	3	11	3	11	21	78	27
Owner	3	21	2	14	9	64	14
Director/manager	3	19	1	13	12	75	16
Total	9	16	6	11	42	74	57
Business assets							
Below R1 million	7	25	2	7	19	68	28
R1m and above	1	5	3	14	18	82	22
Total	8	16	5	10	37	74	50
Financial problems							
Yes	4	29	6		10	72	14
No	5	11		13	34	75	45
Total	9	15	6	10	44	75	59
Received training							
Yes	5	15	2	6	27	79	34
No	4	16	4	16	17	68	25
Total	9	15	6	10	44	75	59

There is clear agreement by all respondents, irrespective of different demographic characteristics, that hands-on training is readily available for staff development. In most of the case more than two-third of the subgroups hold this view.

Table 25: I would be able to manage my business better with some training.

Support 9: I would be able to manage my business better with some training							
	Disagree		Undecided		Agree		Total Count
	<i>count</i>	<i>Row %</i>	<i>count</i>	<i>Row %</i>	<i>count</i>	<i>row %</i>	
Gender							
Male	32	64	1	2	17	34	50
Female	6	67			3	33	9
Total	38	64	1	1	20	34	59
Age							
Less than 41 years	16	73			6	27	22
41 years and above	22	61	1	3	13	36	36
Total	38	66	1	2	19	33	58
Capacity							
Employee	19	70			8	30	27
Owner	9	64	1	7	4	29	14
Director/manager	10	63			6	38	16
Total	38	67	1	2	18	32	57
Business assets							
Below R1 million	19	68	1	4	8	29	28
R1m and above	12	54			10	46	22
Total	31	62	1	2	18	36	50
Financial problems							
Yes	9	64			5	36	14
No	29	64	1	2	15	33	45
Total	38	64	1	2	20	34	59
Received training							
Yes	22	65	1	3	11	32	34
No	16	64			9	36	25
Total	38	64	1	2	20	34	59

The majority of respondents, in most cases more than 60%, disagreed with the statement that their businesses would be managed better with some training. The only exception relates to the size of business assets, where nearly half of the respondents, i.e., 46 per cent agreed with the above statement.

Table 26: On-the-job training is an effective form of training for my kind of business.

Support 13: On-the-job training is an effective form of training for my kind of business							
	Disagree		Undecided		Agree		Total Count
	<i>count</i>	<i>Row %</i>	<i>count</i>	<i>row %</i>	<i>count</i>	<i>Row %</i>	
Gender							
Male	9	19	5	10	34	70	48
Female					8	100	8
Total	9	16	5	9	42	75	56
Age							
Less than 41 years	3	15			17	85	20
41 years and above	6	17	5	14	25	69	36
Total	9	16	5	9	42	75	56
Capacity							
Employee			2	8	23	92	25
Owner	4	31	3	23	6	46	13
Director/manager	4	25			12	75	16
Total	8	15	5	9	41	76	54
Business assets							
Below R1 million	5	19	2	7	20	74	27
R1m and above	3	14	2	9	17	77	22
Total	8	16	4	8	37	76	49
Financial problems							
Yes	1	7	1	7	11	85	13
No	8	19	4	9	31	72	43
Total	9	16	5	9	42	75	56
Received training							
Yes	6	19	3	9	23	72	32
No	3	12	2	8	19	79	24
Total	9	16	5	9	42	75	56

With the exception of business owners, the majority of respondents of all subgroups agreed that on-the-job training is an effective form of training for their type of business.

Table 27: There are known organisations where training for my business is provided.

Support 17: There are known organisations where training for my business is provided							
	Disagree		Undecided		Agree		Total Count
	<i>count</i>	<i>Row %</i>	<i>Count</i>	<i>row %</i>	<i>count</i>	<i>Row %</i>	
Gender							
Male	12	25	8	16	29	59	49
Female	3	33			6	67	9
Total	15	26	8	14	35	60	58
Age							
Less than 41 years	6	27	5	23	11	50	22
41 years and above	9	26	3	9	23	66	35
Total	15	26	8	14	34	60	57
Capacity							
Employee	4	15	3	11	20	74	27
Owner	7	54	1	8	5	39	13
Director/manager	3	19	4	25	9	56	16
Total	14	25	8	14	34	61	56
Business assets							
Below R1 million	7	25	2	7	19	70	28
R1m and above	5	24	4	19	12	57	21
Total	12	25	6	12	31	63	49
Financial problems							
Yes	3	23	3	23	7	54	13
No	12	27	5	11	28	62	45
Total	15	26	8	14	35	60	58
Received training							
Yes	8	24	3	9	22	67	33
No	7	28	5	20	13	52	25
Total	15	26	8	14	35	60	58

There is a positive indication of the availability of training organisations by most respondents. Again, slightly more than half of (54%) of business owners, disagreed with the statement.

Table 28: Training for staff development is easily accessible.

Support 20: Training for staff development is easily accessible							
	Disagree		Undecided		Agree		Total Count
	count	row %	count	row %	Count	row %	
Gender							
Male	6	13	9	20	31	67	46
Female	2	22	1	11	6	67	9
Total	8	15	10	18	37	67	55
Age							
Less than 41 years	2	10	6	30	12	60	20
41 years and above	6	18	4	12	24	71	34
Total	8	15	10	19	36	67	54
Capacity							
Employee	3	13	4	17	17	71	24
Owner	2	14	3	21	9	64	14
Director/manager	2	13	3	20	10	67	15
Total	7	13	10	19	36	68	53
Business assets							
Below R1 million	4	15	4	15	18	69	26
R1m and above	4	19	4	19	13	62	21
Total	8	17	8	17	31	66	47
Financial problems							
Yes	3	21	2	14	9	64	14
No	5	12	8	20	28	68	41
Total	8	15	10	18	37	67	55
Received training							
Yes	5	15	2	6	26	79	33
No	3	14	8	36	11	50	22
Total	8	15	10	18	37	67	55

Respondents of different subgroups, an average of 60% and above, agree that training for staff development is easily accessible. However, of respondents who have not received training on how to operate a small business, 36% hold an undecided view.

Table 29: Managerial training is easily accessible.

Support 21: Managerial training is easily accessible							
	Disagree		Undecided		Agree		Total Count
	<i>count</i>	<i>row %</i>	<i>count</i>	<i>row %</i>	<i>count</i>	<i>Row %</i>	
Gender							
Male	6	12	9	18	34	69	49
Female					9	100	9
Total	6	10	9	16	43	74	58
Age							
Less than 41 years	5	22	4	18	13	59	22
41 years and above	1	3	5	14	29	83	35
Total	6	11	9	16	42	74	57
Capacity							
Employee	2	7	2	7	22	85	26
Owner	1	7	2	14	11	79	14
Director/manager	2	13	4	25	10	62	16
Total	5	9	8	14	43	77	56
Business assets							
Below R1 million	3	11	3	11	22	79	28
R1m and above	1	5	5	24	15	71	21
Total	4	8	8	16	37	76	49
Financial problems							
Yes	1	7	2	14	11	79	14
No	5	11	7	16	32	73	44
Total	6	10	9	16	43	74	58
Received training							
Yes	5	15	3	9	25	76	33
No	1	4	6	24	18	72	25
Total	6	10	9	16	43	74	58

There is a clear agreement by the majority of respondents from all subgroups that managerial training is easily accessible.

3.2 Discussion: Training and skills development

The discussion below focuses on some of the salient points that can be traced in the previous tables on training and skills development.

The majority of respondents believes that hands-on training, training for staff development as well as managerial training are easily and readily accessible. In most cases two-thirds or more of the respondents from all the subgroups hold the same view. Only the respondents who have not received training on how to operate a small business think differently. This thinking is logical since they

have never been trained and as such could view training to be not easily accessible.

While respondents of all subgroups disagree that they would manage their businesses better with some training, owners of businesses with assets above R1 million hold a different view. One could hypothesise that, because of the size and value of assets managed by these businesses, they realise that more training is necessary, for example on property management, etc.

The majority of respondents of all subgroups, with the exception of business owners, thinks that on-the job raining is an effective form of training for their businesses. It can be assumed that business owners have experienced difficulties associated with low production through hiring labourers with no working skills or experience.

Table 27 shows agreement by respondents of all subgroups with the exception of business owners to know of institutions that provide training for their businesses. I would, on the basis of the above result, hypothesise that the majority of business owners have experienced or encountered shortage of training institutions. Other reasons could be that available institutions that provide training are expensive.

3.3 Access to finance

Table 30: Financial lenders insist on great control of the business activities.

Support 2: Financial lenders insist on great control of the business activities							
	Disagree		Undecided		Agree		Total Count
	<i>count</i>	<i>row %</i>	<i>count</i>	<i>Row %</i>	<i>count</i>	<i>Row %</i>	
Gender							
Male	9	18	3	6	38	76	50
Female	5	56	1	11	3	33	9
Total	14	24	4	7	41	70	59
Age							
Less than 41 years	8	36	2	9	12	55	22
41 years and above	6	17	2	6	28	78	36
Total	14	24	4	7	40	69	58

Continue on next page

Table 30, Continued

Support 2: Financial lenders insist on great control of the business activities							
	Disagree		Undecided		Agree		Total Count
	Count	Row %	count	Row %	count	row %	
Capacity							
Employee	5	19	2	7	20	74	27
Owner	4	29			10	71	14
Director/manager	5	31	2	13	9	56	16
Total	14	25	4	7	39	68	57
Business assets							
Below R1 million	5	18	2	7	21	75	28
R1m and above	7	32	2	9	13	59	22
Total	12	24	4	8	34	68	50
Financial problems							
Yes	4	29	4		10	71	14
No	10	22		9	31	69	45
Total	14	24	4	7	41	70	59
Received training							
Yes	6	18	3	8	25	74	34
No	8	32	1	4	16	64	25
Total	14	24	4	7	41	70	59

Financial lenders are reported by the majority of respondents to insist on great control over business activities.

Table 31: Government-sponsored institutions such, as SBDC and DBSA, are prepared to assist small businesses financially.

Support 1: Government sponsored institutions such as SBDC and DBSA are prepared to assist small businesses financially							
	Disagree		Undecided		Agree		Total Count
	count	row %	count	Row %	count	Row %	
Gender							
Male	8	16	7	14	35	70	50
Female	1	11	1	11	7	78	9
Total	9	15	8	14	42	71	59
Age							
Less than 41 years	5	23	4	18	13	59	22
41 years and above	4	11	4	11	28	78	36
Total	9	16	8	14	41	71	58
Capacity							
Employee	4	15	3	11	20	74	27
Owner	3	21	1	7	10	71	14
Director/manager	2	25	4	25	10	63	16
Total	9	16	8	14	40	70	57

Continued on next page

Table 31, Continued

Support 1: Government sponsored institutions such as SBDC and DBSA are prepared to assist small businesses financially							
	Disagree		Undecided		Agree		Total Count
	<i>count</i>	<i>row %</i>	<i>count</i>	<i>row %</i>	<i>Count</i>	<i>Row %</i>	
Capacity							
Employee	4	15	3	11		74	27
Owner	3	21	1	7	20	71	14
Director/manager	2	25	4	25	10	63	16
Total	9	16	8	14	10	70	57
					40		
Business assets							
Below R1 million	2	7	3	11		82	28
R1m and above	4	18	5	23	23	59	22
Total	6	12	8	16	13	72	50
					36		
Financial problems							
Yes	5	36	2	14		50	14
No	4	9	6	13	7	78	45
Total	9	15	8	14	35	71	59
					42		
Received training							
Yes	6	18	4	12		71	34
No	3	12	4	16	24	72	25
Total	9	15	8	14	18	71	59
					42		

In the majority of cases, more than two-third of the subgroups hold the view that government sponsored institutions are prepared to assist small business financially. Thirty-six per cent of those respondents, who have experienced financial problems in the past, hold a different view.

Table 32: Government is not doing enough to help small businesses financially.

Support 12: Government is not doing enough to help small businesses financially							
	Disagree		Undecided		Agree		Total Count
	<i>count</i>	<i>row %</i>	<i>count</i>	<i>Row %</i>	<i>count</i>	<i>Row %</i>	
Gender							
Male	5	12	7	17	30	71	42
Female			2	29	5	71	7
Total	5	10	9	18	35	71	49
Age							
Less than 41 years	1	6	5	29	11	65	17
41 years and above	4	13	4	13	24	75	32
Total	5	10	9	18	35	71	49

Continued on next page

Table 32, Continued

Support 12: Government is not doing enough to help small businesses financially							
	Disagree		Undecided		Agree		Total Count
	count	row %	count	row %	count	row %	
Capacity							
Employee	2	10	3		15	75	20
Owner	2	14	3	15	9	64	14
Director/manager	1	7	3	21	9	69	13
Total	5	11	9	23	33	70	47
				19			
Business assets							
Below R1 million	3	13	2		18	78	23
R1m and above	2	11	5	9	11	61	18
Total	5	12	7	28	29	71	41
				17			
Financial problems							
Yes	5	14	3		9	75	12
No			6	25	26	70	37
Total	5	10	9	16	35	71	49
				18			
Received training							
Yes	4	14	8		16	57	28
No	1	5	1	29	19	91	21
Total	5	10	9	5	35	71	49
				18			

An average of 70% or more respondents of all subgroups agreed that government is not doing enough to help small businesses financially.

Table 33: There are not many financial options available to small businesses.

Support 14: There are not many financial options available to small businesses							
	Disagree		Undecided		Agree		Total Count
	count	row %	count	Row %	count	Row %	
Gender							
Male	13	28	8	17	26	55	47
Female	2	25	1	13	5	63	8
Total	15	27	9	16	31	56	55
Age							
Less than 41 years	5	24	5	24	11	52	21
41 years and above	10	29	4	12	20	59	34
Total	15	27	9	16	31	56	55
Capacity							
Employee	2	9	4	17	17	74	23
Owner	7	50			7	50	14
Director/manager	4	25	5	31	7	44	16
Total	13	25	9	17	31	59	53

Continued on next page

Table 34, Continued

Support 14: There are not many financial options available to small businesses							
	Disagree		Undecided		Agree		Total Count
	count	row %	count	Row %	count	row %	
Business assets							
Below R1 million	11	41	3	11	13	48	27
R1m and above	3	14	4	19	14	67	21
Total	14	29	7	15	27	56	48
Financial problems							
Yes	3	23	2	15	8	62	13
No	12	29	7	17	23	55	42
Total	15	27	9	16	31	56	55
Received training							
Yes	6	19	6	19	20	63	32
No	9	39	3	13	11	48	23
Total	15	27	9	16	31	56	55

An average of 56% respondents agreed that there are many financial options available to small businesses.

Table 34: The banking sector is unwilling to give loans to small businesses.

Support 16: The banking sector is unwilling to give loans to small businesses							
	Disagree		Undecided		Agree		Total Count
	count	row %	count	Row %	count	Row %	
Gender							
Male	17	38	4	9	24	53	45
Female	4	44	1	11	4	44	9
Total	21	39	5	9	28	52	54
Age							
Less than 41 years	6	27	3	14	13	59	22
41 years and above	15	48	2	7	14	45	31
Total	21	40	5	9	27	51	53
Capacity							
Employee	8	32	1	4	16	64	25
Owner	5	42	1	8	6	50	12
Director/manager	7	47	3	20	5	33	15
Total	20	39	5	10	27	52	52
Business assets							
Below R1 million	14	56	2	8	9	36	25
R1m and above	6	30	2	10	12	60	20
Total	20	44	4	9	21	47	45

Continued on next page

Table 34, Continued

Support 16: The banking sector is unwilling to give loans to small businesses							
	Disagree		Undecided		Agree		Total Count
	count	row %	count	Row %	count	Row %	
Financial problems							
Yes	3	25	2	17	7	58	12
No	18	43	3	7	21	50	42
Total	21	39	5	9	28	52	54
Received training							
Yes	12	39	4	13	15	48	31
No	9	39	1	4	13	57	23
Total	21	39	5	9	28	52	54

This table reveals much more diversity and disagreement amongst respondents on whether the banking sector is willing or unwilling to give loans to small businesses. No clear pattern is discernible, which suggests widely held differences in attitudes and possibly also experiences.

Table 35: Private institutions such as building societies are prepared to assist small businesses financially.

Support 25: Private institutions such as building societies are prepared to assist small businesses financially							
	Disagree		Undecided		Agree		Total Count
	count	row %	count	Row %	count	row %	
Gender							
Male	12	33	3	8	21	58	36
Female	2	29			5	71	7
Total	14	33	3	7	26	61	43
Age							
Less than 41 years	8	50	2	13	6	38	16
41 years and above	6	23	1	4	19	73	26
Total	14	33	3	7	26	60	42
Capacity							
Employee	6	40	1	7	8	53	15
Owner	4	31	1	8	8	62	13
Director/manager	3	23	1	8	9	69	13
Total	13	32	3	7	25	61	41
Business assets							
Below R1 million	7	35	2	10	11	55	20
R1m and above	3	20	1	6	11	73	15
Total	10	29	3	8	22	63	35

Continued on next page

Table 35, Continued

Support 25: Private institutions such as building societies are prepared to assist small businesses financially							
	Disagree		Undecided		Agree		Total Count
	<i>count</i>	<i>row %</i>	<i>count</i>	<i>Row %</i>	<i>count</i>	<i>Row %</i>	
Financial problems							
Yes	5	42			7	58	12
No	9	29	3	9	19	61	31
Total	14	33	3	7	26	61	43
Received training							
Yes	7	28	3	12	15	60	25
No	7	39			11	61	18
Total	14	33	3	7	26	61	43

The majority of respondents, with the exception of respondents below 41 years, (38%) agree that the private sector institutions, such as building societies are prepared to assist small businesses financially.

Table 36: Finance is the biggest problem facing small businesses.

Support 26: Finance is the biggest problem facing small businesses							
	Disagree		Undecided		Agree		Total Count
	<i>count</i>	<i>row %</i>	<i>count</i>	<i>Row %</i>	<i>count</i>	<i>Row %</i>	
Gender							
Male	5	10	4	8	39	81	48
Female	1	13			7	88	8
Total	6	11	4	7	46	82	56
Age							
Less than 41 years	3	14	1	5	17	81	21
41 years and above	3	9	3	9	28	82	34
Total	6	11	4	7	45	82	55
Capacity							
Employee	1	4	2	8	22	88	25
Owner	3	21	1	7	10	71	14
Director/manager	1	7	1	7	13	87	15
Total	5	9	4	7	45	83	54
Business assets							
Below R1 million	2	7	3	11	22	82	27
R1m and above	4	19	1	5	16	76	21
Total	6	13	4	8	38	79	48
Business assets							
Below R1 million	2	7	3	11	22	82	27
R1m and above	4	19	1	5	16	76	21
Total	6	13	4	8	38	79	48

Continued on next page

Table 36, Continued

Support 26: Finance is the biggest problem facing small businesses							
	Disagree		Undecided		Agree		Total Count
	<i>count</i>	<i>row %</i>	<i>count</i>	<i>row %</i>	<i>count</i>	<i>Row %</i>	
Financial problems							
Yes	1	7	2	14	11	79	14
No	5	12	2	5	35	83	42
Total	6	11	4	7	46	82	56
Received training							
Yes	2	7	3	10	26	84	31
No	4	16	1	4	20	80	25
Total	6	11	4	7	46	82	56

More than three-quarters of the respondents of most subgroups agree with the statement that finance is the biggest problem facing small businesses.

Table 37: I would sacrifice my independence to obtain financial assistance.

Support 30: I would sacrifice my independence to obtain financial assistance							
	Disagree		Undecided		Agree		Total Count
	<i>count</i>	<i>row %</i>	<i>count</i>	<i>row %</i>	<i>count</i>	<i>Row %</i>	
Gender							
Male	39	80	3	6	7	14	49
Female	8	89			1	11	9
Total	47	81	3	5	8	14	58
Age							
Less than 41 years	17	77	2	9	3	14	22
41 years and above	29	83	1	3	5	14	35
Total	46	81	3	6	8	14	57
Capacity							
Employee	24	89			3	11	27
Owner	11	79	2	14	1	7	14
Director/manager	12	75	1	6	3	19	16
Total	47	83	3	5	7	12	57
Business assets							
Below R1 million	21	75	1	4	6	21	28
R1m and above	18	86	1	5	2	9	21
Total	39	80	2	4	8	16	49
Financial problems							
Yes	11	79	1	7	2	14	14
No	36	82	2	5	6	14	44
Total	47	81	3	5	8	14	58
Received training							
Yes	26	77	3	8	5	15	34
No	21	88			3	13	24
Total	47	81	3	5	8	14	58

Data in the above table clearly shows that respondents of all subgroups, more than two-thirds in each case, are not prepared to sacrifice their independence in order to obtain financial assistance.

3.4 Discussion: Access to finance

Some of the outstanding comparisons between the financial statements (questions) with the different subgroups represented in the previous tables are discussed below.

Finance is viewed by the majority of respondents for all subgroups to be the biggest problem. It can be assumed from this view that even if finance was not the biggest problem, businesses would still give the same impression in order to lobby for more support in this area. Literature (cf. chapter 2: 3) suggests that committed business owners would be willing to sacrifice some independence in order to see their businesses prosper. To this the majority of respondents expressed their unwillingness to give up independence in order to attain financial assistance. This could therefore strengthen the hypothesis that finance is not necessarily the biggest problem facing the small business sector. The findings of the Thurstone comparison (cf. chapter 4: 3) support this argument where information acquisition was found to be the biggest problem.

Business owners and directors (cf. table 34) think that there are adequate financial options available to small businesses. It can be hypothesised that owners and directors of these businesses have experienced availability of financial options during their extensive years of running these businesses.

Private financial institutions, such as banks or building-societies, are viewed by respondents below the age of 41 years as being unprepared to help in funding small businesses. It can be assumed that young owners have been seen by private institutions to be high-risk cases.

Respondents, who have experienced financial problems in the past, view government-sponsored financial institutions, such as DBSA and SBDC (table

31), to be unprepared to assist small businesses. The logic that government-sponsored institutions did not help them in their financial problems was given as enough reason why these institutions are not seen to be helpful.

Only the respondents below the age of 41 years do not view financial lenders to be insistent on greater control of the business activities. This view can be attributed to the risk-taking behaviour associated with the age of respondents.

3.5 Business partnerships

Table 38: If a franchise venture comes my way I would grab the opportunity.

Support 4: If a franchise venture comes my way I would grab the opportunity							
	Disagree		Undecided		Agree		Total Count
	<i>count</i>	<i>row %</i>	<i>count</i>	<i>Row %</i>	<i>count</i>	<i>row %</i>	
Gender							
Male	35	70	3	6	12	24	50
Female	7	78	1	11	1	11	9
Total	42	71	4	7	13	22	59
Age							
Less than 41 years	16	73	3	14	3	14	22
41 years and above	25	69	1	3	10	28	36
Total	41	71	4	7	13	22	58
Capacity							
Employee	22	82			5	18	27
Owner	11	79	1	7	2	14	14
Director/manager	8	50	3	19	5	31	16
Total	41	72	4	7	12	21	57
Business assets							
Below R1 million	19	68	2	7	7	25	28
R1m and above	14	64	2	9	6	27	22
Total	33	66	4	8	13	26	50
Financial problems							
Yes	11	79	1	7	2	14	14
No	31	69	3	7	11	24	45
Total	42	71	4	7	13	22	59
Received training							
Yes	25	74	3	9	6	18	34
No	17	68	1	4	7	28	25
Total	42	71	4	7	13	22	59

The table clearly shows that franchising is not viewed as a realistic opportunity for most of the respondents in the study. This sentiment holds irrespective of subgroup category.

Table 39: Franchisers would take total control of my business.

Support 19: Franchisers would take total control of my business							
	Disagree		Undecided		Agree		Total Count
	count	row %	count	Row %	count	Row %	
Gender							
Male	18	37	8	16	23	47	49
Female	2	22	2	22	5	56	9
Total	20	35	10	17	28	48	58
Age							
Less than 41 years	9	41	4	18	9	41	22
41 years and above	11	31	6	17	18	51	35
Total	20	35	10	18	27	47	57
Capacity							
Employee	7	27	5	19	14	54	26
Owner	5	36	2	14	7	50	14
Director/manager	7	44	3	19	6	38	16
Total	19	34	10	18	27	48	56
Business assets							
Below R1 million	11	39	4	14	13	46	28
R1m and above	5	22	4	18	13	59	22
Total	16	32	8	16	26	52	50
Financial problems							
Yes	5	36	2	14	7	50	14
No	15	34	8	18	21	48	44
Total	20	35	10	17	28	48	58
Received training							
Yes	12	36	3	9	18	55	33
No	8	32	7	28	10	40	25
Total	20	35	10	17	28	48	58

Again, the table reveals some degree of division of opinion amongst the respondents. Although slightly more respondents are suspicious of franchising, there are also significant proportion of respondents in all subcategories that are not.

Table 40: Franchises are a good way of imparting skills to small businesses.

Support 23: Franchises are a good way of imparting skills to small businesses							
	Disagree		Undecided		Agree		Total Count
	count	row %	count	row %	count	Row %	
Gender							
Male	4	9	8	18	33	73	45
Female	3	38	4	50	1	13	8
Total	7	13	12	23	34	64	53

Continued on next page

Table 40, Continued

Support 23: Franchises are a good way of imparting skills to small businesses							
	Disagree		Undecided		Agree		Total Count
	count	row %	count	row %	count	Row %	
Age							
Less than 41 years	5	23	5	23	12	55	22
41 years and above	1	3	7	23	22	73	30
Total	6	12	12	23	34	65	52
Capacity							
Employee	3	12	8	31	15	58	26
Owner			2	15	11	85	13
Director/manager	4	31	2	15	7	54	13
Total	7	14	12	23	33	64	52
Business assets							
Below R1 million	2	8	3	12	20	80	25
R1m and above	2	10	8	40	10	50	20
Total	4	9	11	24	30	67	45
Financial problems							
Yes	4	33	1	8	7	58	12
No	3	7	11	27	27	66	41
Total	7	13	12	23	34	64	53
Received training							
Yes	5	16	7	23	19	61	31
No	2	9	5	23	15	68	22
Total	7	13	12	23	34	64	53

The majority of respondents in Table 39, for most categories agree with the statement that a franchise is a good way of imparting skills to small businesses.

Table 41: Forming partnerships with big businesses is the way to improve business relations.

Support 24: Forming partnerships with big businesses is the way to improve business relations							
	Disagree		Undecided		Agree		Total Count
	count	Row %	count	Row %	count	row %	
Gender							
Male	9	19	3	6	36	75	48
Female	2	22	1	11	6	67	9
Total	11	19	4	7	42	74	57
Age							
Less than 41 years	5	24	1	5	15	71	21
41 years and above	6	17	3	9	26	74	35
Total	11	20	4	7	41	73	56

Continued on next page

Table 41, Continued

Support 24: Forming partnerships with big businesses is the way to improve business relations							
	Disagree		Undecided		Agree		Total Count
	count	Row %	count	Row %	count	row %	
Capacity							
Employee	2	8	4	16	19	76	25
Owner	4	29			10	71	14
Director/manager	3	19			13	81	16
Total	9	16	4	7	42	76	55
Business assets							
Below R1 million	5	19	1	4	20	77	26
R1m and above	6	27	2	9	14	64	22
Total	11	23	3	6	34	71	48
Financial problems							
Yes	1	7	1	7	12	86	14
No	10	23	3	7	30	70	43
Total	11	19	4	7	42	74	57
Received training							
Yes	5	15	3	9	25	76	33
No	6	25	1	4	17	71	24
Total	11	19	4	7	42	74	57

Large proportions of respondents in all subcategories support the view that the forming of partnerships is a way to improve business relations.

Table 42: The big business community is prepared to start partnerships with small businesses.

Support 27: The big business community is prepared to start partnerships with small businesses							
	Disagree		Undecided		Agree		Total Count
	count	row %	count	Row %	count	Row %	
Gender							
Male	18	40	10	22	17	38	45
Female	7	78			2	22	9
Total	25	46	10	19	19	35	54
Age							
Less than 41 years	8	38	6	29	7	33	21
41 years and above	17	53	4	13	11	34	32
Total	25	47	10	19	18	34	53
Capacity							
Employee	12	50	5	21	7	29	24
Owner	6	46			7	54	13
Director/manager	6	40	5	33	4	27	15
Total	24	46	10	19	18	35	52

Continued on next page

Table 42, Continued

Support 27: The big business community is prepared to start partnerships with small businesses							
	Disagree		Undecided		Agree		Total Count
	count	row %	count	Row %	count	Row %	
Business assets							
Below R1 million	10	42	2	8	12	50	24
R1m and above	11	52	6	29	4	19	21
Total	21	47	8	18	16	36	45
Financial problems							
Yes	3	23	2	15	8	62	13
No	22	54	8	20	11	27	41
Total	25	46	10	19	19	35	54
Received training							
Yes	12	41	6	21	11	38	29
No	13	52	4	16	8	32	25
Total	25	46	10	19	19	35	54

The overall trend that emerges from the results in Table 42 is that larger proportions of respondents in all subcategories agree that big business is prepared to start partnerships with them. However, there are also noticeable exceptions, e.g., respondents with no financial problems and businesses with assets above a R1 million.

Table 43: Subcontracting of small businesses by big business would help improve skills of small business workers.

Support 29: Subcontracting of small businesses by big business would help improve skills of small business workers							
	Disagree		Undecided		Agree		Total Count
	count	Row %	count	Row %	count	row %	
Gender							
Male	7	14	1	2	41	84	49
Female					9	100	9
Total	7	21	1	2	50	86	58
Age							
Less than 41 years	3	14			18	86	21
41 years and above	4	11	1	3	31	86	36
Total	7	12	1	2	49	86	57
Capacity							
Employee	1	4	1	8	26	96	27
Owner	3	21			10	71	14
Director/manager	2	13			13	87	15
Total	6	11	1	2	49	88	56

Continued on next page

Table 43, Continued

Support 29: Subcontracting of small businesses by big business would help improve skills of small business workers							
	Disagree		Undecided		Agree		Total Count
	count	Row %	count	Row %	count	row %	
Business assets							
Below R1 million	3	11			24	89	27
R1m and above	2	9			20	91	22
Total	5	10			44	90	49
Financial problems							
Yes	1	7	1	8	12	86	14
No	6	14			38	86	44
Total	7	12	1	2	50	86	58
Received training							
Yes	4	12	1	3	28	85	33
No	3	12			22	88	25
Total	7	12	1	2	50	86	58

There is overwhelming agreement amongst all respondents that subcontracting of small by big businesses would help improve skills of small business workers.

3.6 Discussion: Business partnerships

Literature in chapter two, (4.1) supports the view that a franchise has the tendency of reducing the independence of a small business. However the results show that respondents who are younger and with fewer assets, do not hold this view. Businesses with few assets have nothing to lose and it can as such be assumed that they would see franchises as a rescue solution for their financial problems, while young business owners are risk taking and are not afraid of losing their independence. To support the idea that franchises are not a favorable condition for the prosperity and growth of a small business the majority of respondents for all subgroups indicated that they would never 'grab' a franchise opportunity (Table 38). Franchise is seen by the majority of respondents, with the exception of businesses that have assets above R1 million, to be a good way of imparting skills to small business workers. Such businesses could be big enough to handle or fund training for their workers.

Business partnerships and subcontracting of small by big businesses is viewed by the majority of respondents, to be a good way of imparting skills to small

business workers.

3.7 Marketing and information

Table 44: I consider product marketing as a good business strategy for small business prosperity.

Support 5: I consider product marketing as a good business strategy for small business prosperity							
	Disagree		Undecided		Agree		Total Count
	count	row %	count	Row %	count	Row %	
Gender							
Male	5	10	3	6	42	84	50
Female					9	100	9
Total	5	8	3	5	51	86	59
Age							
Less than 41 years	3	14	1	5	18	82	22
41 years and above	2	6	2	6	32	89	36
Total	5	9	3	5	50	86	58
Capacity							
Employee	2	7	1	4	24	89	27
Owner	2	14	1	7	11	79	14
Director/manager	1	13	1	13	14	88	16
Total	5	8	3	5	49	86	57
Business assets							
Below R1 million	2	7	1	4	25	89	28
R1m and above	2	9	1	5	19	86	22
Total	4	8	2	4	44	88	50
Financial problems							
Yes	1	7	2	14	11	79	14
No	4	9	1	2	40	89	45
Total	5	9	3	5	51	86	59
Received training							
Yes	3	8	3		31	91	34
No	2	8		12	20	80	25
Total	5	9	3	5	51	86	59

The results in the table above show that the vast majority of respondents in all the subgroups agree that product marketing is a good business strategy for the prosperity of small businesses.

Table 45: Product advertising media, such as newspapers and televisions, are expensive.

Support 11: Product advertising media, such as newspapers and televisions, are expensive							
	Disagree		Undecided		Agree		Total Count
	<i>count</i>	<i>Row %</i>	<i>count</i>	<i>row %</i>	<i>count</i>	<i>row %</i>	
Gender							
Male	4	8	5	10	39	81	48
Female			2	25	6	75	8
Total	4	7	7	13	45	80	56
Age							
Less than 41 years	4	20	2	10	14	70	20
41 years and above			5	14	30	86	35
Total	4	7	7	13	44	80	55
Capacity							
Employee	1	4	3	12	21	84	25
Owner	2	14	2	14	10	71	14
Director/manager	1	7	2	13	12	80	15
Total	4	7	7	13	43	80	54
Business assets							
Below R1 million	2	7	4	15	21	78	27
R1m and above	2	10	2	10	16	80	20
Total	4	9	6	13	37	79	47
Financial problems							
Yes	4	10	2	14	12	86	14
No			5	12	33	79	42
Total	4	7	7	13	45	80	56
Received training							
Yes	2	6	4	13	26	81	32
No	2	8	3	13	19	79	24
Total	4	7	7	13	45	80	56

More than two third of respondents in all subcategories, agree that product advertising media, such as newspapers and televisions are expensive.

Table 46: Business advice is easily available.

Support 15: Business advice is easily available							
	Disagree		Undecided		Agree		Total Count
	<i>count</i>	<i>Row %</i>	<i>count</i>	<i>Row %</i>	<i>count</i>	<i>Row %</i>	
Gender							
Male	12	32	4	11	21	57	37
Female	3	33	2	22	4	44	9
Total	15	33	6	13	25	54	46

Continued on next page

Table 46, continued

Support 15: Business advice is easily available							
	Disagree		Undecided		Agree		Total Count
	<i>count</i>	<i>Row %</i>	<i>count</i>	<i>Row %</i>	<i>count</i>	<i>Row %</i>	
Age							
Less than 41 years	9	43	4	19	8	38	21
41 years and above	6	25	2	8	16	67	24
Total	15	33	6	13	24	53	45
Capacity							
Employee	7	35	1	5	12	60	20
Owner	3	30	2	20	5	50	10
Director/manager	5	36	2	14	7	50	14
Total	15	34	5	11	24	55	44
Business assets							
Below R1 million	5	24	2	10	14	67	21
R1m and above	8	47	2	12	7	41	17
Total	13	34	4	11	21	55	38
Financial problems							
Yes	5	50	1	10	4	41	10
No	10	28	5	14	21	58	36
Total	15	33	6	13	25	54	46
Received training							
Yes	9	33	4	15	14	52	27
No	6	32	2	12	11	58	19
Total	15	32	6	13	25	54	46

Most respondents agree that business advice is easily available. There are few exceptions: young respondents, those with fewer assets and those that have experienced financial problems in the past.

Table 47: Business counselling can be attained at low cost.

Support 18: Business counselling can be attained at low costs							
	Disagree		Undecided		Agree		Total Count
	<i>Count</i>	<i>row %</i>	<i>count</i>	<i>Row %</i>	<i>count</i>	<i>row %</i>	
Gender							
Male	15	31	7	15	26	54	48
Female	6	67	3	33			9
Total	21	37	10	18	26	46	57
Age							
Less than 41 years	12	55	5	23	5	23	22
41 years and above	8	24	5	15	21	62	34
Total	20	36	10	18	26	46	56

Continued on next page

Table 47, Continued

Support 18: Business counselling can be attained at low costs							
	Disagree		Undecided		Agree		Total Count
	<i>Count</i>	<i>row %</i>	<i>count</i>	<i>Row %</i>	<i>count</i>	<i>row %</i>	
Capacity							
Employee	11	42	4	15	11	42	26
Owner	4	29	1	7	9	64	14
Director/manager	5	33	5	33	5	33	15
Total	20	36	10	18	25	46	55
Business assets							
Below R1 million	8	31	3	12	15	58	26
R1m and above	9	41	4	18	9	41	22
Total	17	35	7	15	24	50	48
Financial problems							
Yes	5	39	4	31	4	31	13
No	16	36	6	14	22	50	44
Total	21	37	10	18	26	46	57
Received training							
Yes	10	31	7	22	15	47	32
No	11	44	3	12	11	44	25
Total	21	37	10	18	26	46	57

The picture that emerges from Table 47 shows difference of opinion amongst many of the subcategories. There seems to be slightly more overall agreement amongst the respondents that business counselling can be attained and at low cost.

Table 48: Product advertisement is a costly method of attracting customers.

Support 22: Product advertisement is a costly method of attracting customers							
	Disagree		Undecided		Agree		Total Count
	<i>count</i>	<i>row %</i>	<i>Count</i>	<i>Row %</i>	<i>count</i>	<i>Row %</i>	
Gender							
Male	4	9	8	17	34	74	46
Female	2	22			7	78	9
Total	6	11	8	15	41	75	55
Age							
Less than 41 years	3	14	2	10	16	76	21
41 years and above	2	6	6	18	25	76	33
Total	5	9	8	15	41	76	54
Capacity							
Employee	2	7	3	11	22	82	27
Owner	4	33	2	17	6	50	12
Director/manager			3	21	11	79	14
Total	6	11	8	15	39	74	53

Continued on next page

Table 48, Continued

Support 22: Product advertisement is a costly method of attracting customers							
	Disagree		Undecided		Agree		Total Count
	count	row %	Count	Row %	count	Row %	
Business assets							
Below R1 million	3	13	5	21	16	67	24
R1m and above	2	9	2	9	18	82	22
Total	5	11	7	15	34	74	46
Financial problems							
Yes	2	14	3	21	9	64	14
No	4	10	5	12	32	78	41
Total	6	11	8	15	41	75	55
Received training							
Yes	3	9	5	15	25	76	33
No	3	14	3	14	16	73	22
Total	6	11	8	15	41	75	55

More than two-third respondents in all subgroups, agree that product advertising is a costly method of attracting customers.

Table 49: Big businesses are always ready to share valuable information with us.

Support 31: Big businesses are always ready to share valuable information with us							
	Disagree		Undecided		Agree		Total Count
	count	Row %	count	Row %	count	row %	
Gender							
Male	30	67	7	16	8	18	45
Female	8	89			1	11	9
Total	38	70	7	13	9	17	54
Age							
Less than 41 years	17	77	4	14	2	9	22
41 years and above	20	65	3	13	7	23	31
Total	37	70	7	13	9	17	53
Capacity							
Employee	18	72	4	16	3	12	25
Owner	9	75			3	25	12
Director/manager	11	69	3	19	2	13	16
Total	38	72	7	13	8	15	53
Business assets							
Below R1 million	19	70	3	11	5	19	27
R1m and above	13	68	3	16	3	16	19
Total	32	70	6	13	8	17	46
Financial problems							
Yes	12	92	1	7			13
No	26	63	6	15	9	22	14
Total	38	70	7	13	9	17	54

Continued on next page

Table 49, Continued

Support 31: Big businesses are always ready to share valuable information with us							
	Disagree		Undecided		Agree		Total Count
	<i>count</i>	<i>Row %</i>	<i>count</i>	<i>Row %</i>	<i>count</i>	<i>row %</i>	
Received training							
Yes	23	72	4	13	5	16	32
No	15	68	3	14	4	18	22
Total	38	70	7	13	9	17	54

The majority of respondents do not believe that big business is always ready to share information with them. This is true across all subgroups.

3.8 Discussion: Marketing and information

The majority of respondents view marketing of business products to be a good business strategy that can make small business prosper. However, the majority of these respondents perceive advertising media, such as newspapers and televisions to be expensive. This is supported by the findings in of figure 17 where 60 per cent of all respondents has indicated that they spend little to nothing on advertising. Only the majority of respondents who are owners (see table 48) view product advertising methods not to be costly. Owners may have knowledge of less costly methods of attracting customers or realise that the benefits of advertising exceed the costs.

The majority of respondents view business counselling to be attainable at very high cost. These findings show the variation of information on the availability of business support and in particular advice among respondents of different categories. Information is also regarded to be important in the prosperity of small businesses. However the big businesses (findings of the Thurstone comparisons) are viewed to be unprepared to share information with small businesses. The argument on partnering posed by literature is that though small businesses benefit from training and specialisation expertise from the big business, big businesses do not necessarily benefit from these relationships.

3.9 Access to infrastructure

Table 50: Government tax measures make it very difficult to collect enough profit for business expansion.

Support 6: Government tax measures make it very difficult to collect enough profit for business expansion

	Disagree		Undecided		Agree		Total Count
	<i>count</i>	<i>row %</i>	<i>count</i>	<i>Row %</i>	<i>count</i>	<i>Row %</i>	
Gender							
Male	3	6	1	2	46	92	50
Female					9	100	9
Total	3	5	1	2	55	93	59
Age							
Less than 41 years	2	9			20	91	22
41 years and above	1	3	1	3	34	94	36
Total	3	5	1	2	54	93	58
Capacity							
Employee	1	7			27	100	27
Owner	1	13			13	93	14
Director/manager	1	13	1	13	13	81	16
Total	3	5	1	2	53	93	57
Business assets							
Below R1 million	1	4			27	96	28
R1m and above	1	5	1	5	20	91	22
Total	2	4	1	2	47	94	50
Financial problems							
Yes	1	7			13	93	14
No	2	4	1	2	42	93	45
Total	3	5	1	2	55	93	59
Received training							
Yes	2	6	1	3	31	91	34
No	1	4			24	96	25
Total	3	5	1	2	55	93	59

Nearly all respondents agree that government tax measures make it difficult for them to collect enough profit for business expansion.

Table 51: Production technologies (e.g. machinery) are not easily attainable.

Support 7: Production technologies (e.g. machinery) are not easily attainable

	Disagree		Undecided		Agree		Total Count
	<i>Count</i>	<i>Row %</i>	<i>count</i>	<i>Row %</i>	<i>count</i>	<i>row %</i>	
Gender							
Male	20	40	8	16	22	44	50
Female	3	33			6	67	9
Total	23	39	8	14	28	48	59

Continued on next page

Table 51, Continued

Support 7: Production technologies (e.g. machinery) are not easily attainable							
	Disagree		Undecided		Agree		Total Count
	<i>Count</i>	<i>Row %</i>	<i>count</i>	<i>Row %</i>	<i>count</i>	<i>row %</i>	
Age							
Less than 41 years	10	46	1	5	11	50	22
41 years and above	12	33	7	19	17	47	36
Total	22	38	8	14	28	48	58
Capacity							
Employee	8	30	6	22	13	48	27
Owner	7	50	2	14	5	36	14
Director/manager	7	44			9	56	16
Total	22	39	8	14	27	47	57
Business assets							
Below R1 million	12	43	4	14	12	43	28
R1m and above	8	36	2	9	12	55	22
Total	20	40	6	12	24	48	50
Financial problems							
Yes	3	21	2	14	9	64	14
No	20	44	6	13	19	42	45
Total	23	39	8	14	28	48	59
Received training							
Yes	15	44	3	8	16	47	34
No	8	32	5	20	12	48	25
Total	23	39	8	14	28	48	59

The results in Table 51 again present one with a very diverse picture. The trend seems to be that respondents in most subcategories are of the opinion that production technologies are not easily attainable. However, this is not a view that is held by large proportion of respondents.

Table 52: Infrastructure, such as site, is expensive.

Support 8: Infrastructure, such as site is expensive							
	Disagree		Undecided		Agree		Total Count
	<i>count</i>	<i>row %</i>	<i>count</i>	<i>row %</i>	<i>count</i>	<i>Row %</i>	
Gender							
Male	4	8	2	4	44	88	50
Female			1	11	8	89	9
Total	4	7	3	5	52	88	59
Age							
Less than 41 years	2	9	3	14	17	77	22
41 years and above	2	6			34	94	36
Total	4	7	3	5	51	88	58

Continued on next page

Table 52, Continued

Support 8: Infrastructure, such as site is expensive							
	Disagree		Undecided		Agree		Total Count
	count	row %	count	row %	count	Row %	
Capacity							
Employee	1	4	1	4	25	93	27
Owner	1	8	1	7	12	86	14
Director/manager	2	13	1	6	13	81	16
Total	4	7	3	5	50	88	57
Business assets							
Below R1 million	2	7	2	7.1	24	86	28
R1m and above	2	9	1	5	19	86	22
Total	4	8	3	6	43	86	50
Financial problems							
Yes	1	7			13	93	14
No	3	7	3	7	39	87	45
Total	4	7	3	5	52	88	59
Received training							
Yes	2	6	3	8	29	85	34
No	2	8			23	92	25
Total	4	7	3	5	52	88	59

Respondents of all subgroups, in most cases more than 86 per cent agree that infrastructure, such as site, is expensive.

Table 53: Buildings for purchase or hire are expensive.

Support 10: Buildings for purchase or hire are expensive							
	Disagree		Undecided		Agree		Total Count
	count	Row %	Count	Row %	count	row %	
Gender							
Male	1	2	4	8	43	90	48
Female			1	11	8	89	9
Total	1	2	5	9	51	90	57
Age							
Less than 41 years			2	9	20	91	22
41 years and above	1	3	3	9	30	88	34
Total	1	2	5	9	50	89	56
Capacity							
Employee			3	12	23	89	26
Owner	1	7			13	93	14
Director/manager			2	13	13	87	15
Total	1	2	5	9	49	89	55
Business assets							
Below R1 million			2	7	26	93	28
R1m and above	1	5	3	14	17	81	21
Total	1	2	5	10	43	88	49

Continued on next page

Table 53, Continued

Support 10: Buildings for purchase or hire are expensive							
	Disagree		Undecided		Agree		Total Count
	<i>count</i>	<i>Row %</i>	<i>Count</i>	<i>Row %</i>	<i>count</i>	<i>row %</i>	
Financial problems							
Yes			2	14	12	86	14
No	1	2	3	7	39	91	43
Total	1	2	5	9	51	90	57
Received training							
Yes	1	3	2	6	29	91	32
No			3	12	22	88	25
Total	1	2	5	9	51	90	57

More than two-thirds of respondents in all the subgroups agrees that buildings for either hiring or purchasing are expensive.

Table 54: Government policies are favorable for small business development.

Support 28: Government policies are favourable for small business development							
	Disagree		Undecided		Agree		Total Count
	<i>count</i>	<i>row %</i>	<i>count</i>	<i>Row %</i>	<i>count</i>	<i>Row %</i>	
Gender							
Male	12	27	9	20	24	53	45
Female	2	22	1	11	6	67	9
Total	14	26	10	19	30	56	54
Age							
Less than 41 years	5	23	4	18	13	59	22
41 years and above	9	29	6	19	16	52	31
Total	14	26	10	19	29	55	53
Capacity							
Employee	7	27	6	23	13	50	26
Owner	3	27	1	9	7	64	11
Director/manager	3	20	4	20	9	60	15
Total	13	25	10	19	29	56	52
Business assets							
Below R1 million	5	20	3	12	17	68	25
R1m and above	6	30	6	30	8	40	20
Total	11	24	9	20	25	56	45
Financial problems							
Yes	5	39	3	23	5	39	13
No	9	22	7	17	25	61	41
Total	14	26	10	19	30	56	54
Received training							
Yes	7	23	7	23	16	53	30
No	7	29	3	13	14	58	24
Total	14	26	10	19	30	56	54

The majority of respondents within all subgroups, with the exception of businesses that have assets above R1 million and those who have experienced financial problems in the past, agree that government policies are favorable for small business development.

3.10 Discussion: Access to infrastructure

Government tax is seen by the majority of respondents in all subgroups to make it difficult for small business to collect enough profits that can be used for expanding business activities. This perception is supported by a view of the majority that government is not doing enough as indicated in Table 32.

The majority of respondents view production technologies to be easily attainable, specifically those respondents who have not experienced financial problems in the past. It can be hypothesised that respondents who have not experienced financial problems in the past have enough money to buy technologies while respondents who have been trained on how to operate small businesses have thorough knowledge about the availability of production technologies.

The majority of respondents in all subgroups view infrastructure, such as site and buildings for hiring and purchase to be expensive. This is probably because the majority of respondents are operating in the inner cities (cf. Table 17) where site and buildings are either expensive or not easily available.

Government policies such as an infrastructure to support small businesses are viewed to be unfavorable to the development of small businesses. This view is supported by the findings in Table 32 where government is seen not to be doing enough financially and Table 50 where government tax is seen to be too high.

4. Conclusions

This chapter has presented the results of the study, analysed using two different statistical procedures, the univariate and bivariate analysis. The univariate analysis was applied to the first and second part of the questionnaire. The first section of the chapter presented the sample profiles or demographic

characteristics of the respondents and the second section presented and discussed results of the business activities. The third part of the questionnaire, which is on small business support and that present questions in the Likert scale format was analysed using both the univariate and bivariate procedures. Discussions on the limitations of the study, recommendations for policy formulation, policy support and for future research based on the findings of this chapter are given in the next chapter.

Chapter 6

CONCLUSIONS AND RECOMMENDATIONS**1. Introduction**

This chapter summarises the main substantive findings of the study. The chapter discusses those results that can be learned from the perceptions of small business operators about their support systems. It outlines the conclusions reached about the survey instrument as well as the positive and negative aspects of the instrument. The limitations of the study are also discussed and finally suggestions for future research on small business support and on instrument development in the area of small business support are offered.

2. The main substantive findings

The study had two main purposes, first, the determination of the perceptions of small business operators about their support systems and second, the development and validation of a survey instrument in the field of small business support that will be used in achieving the objectives of the first purpose. The discussion below shows how the study tried to meet these two mentioned purposes.

The first purpose of this study has been achieved first by drawing attention to the importance of small businesses in South Africa. The background and the literature discussion in chapters one and two have tried to highlight the importance of small businesses especially in South Africa. The contribution of small businesses in solving some of the South African economic problems, namely, unemployment and low GDP was discussed.

It was argued that the manufacturing small business sector is crucial in the overall economy as it is responsible for the survival of other industries including the transport, wholesale and distribution sectors. Thousands of jobs might

disappear without adequate support for the small business, as many other industries are dependent on the survival of these small businesses.

Various institutions, such as banks, government and big businesses have affirmed their confidence in the potential of small business. However these institutions have recognised the inadequacy of support for the small business.

Based on the background and literature information, the second purpose of the study, which was to develop a data collection instrument was met. The instrument has its shortcomings, one of which, is the lack of previous studies in the field of small business support especially with the intention of developing a research instrument. Databases and archive institutions, such as NEXUS, revealed that the majority of existing studies address issues that are partially related to the purpose of this study, i.e. most of them research single support mechanisms, such as finance, without attempting to develop a validated instrument.

The development of the instrument is discussed fully in chapter three. During the instrument development, specifically the Likert scale construction, available and relevant literature on small business support was taken into consideration (cf. chapter 3, section 3.4). Content validity on the part of the instrument was demonstrated on the basis of peer group judgement. The validation of the Likert items was done through factor analysis and was discussed in Chapter four.

The general findings of this survey have revealed varying perceptions of small business operators about their support systems. The discussion in chapter five on the bivariate analysis gives an accurate direction of the perceptions about each of the five small business support systems. The general findings on what most respondents think about small business support systems is discussed in the next paragraphs.

The majority of respondents believe the following about training and skills development:

- Training in general (for managers and staff) is available and easily accessible.
- There are known and enough support organisations where training can be obtained.
- The majority of respondents do not believe that more training will enable them to become better managers.

The first two views are supported by the literature on training that suggested the availability of training organisations and training programmes. The opinion that training would not enhance managerial performance of small business operators was referred to in these findings.

The majority of respondents hold the following perceptions about finance:

- Finance is thought to be the biggest problem facing small businesses.
- Finance is easily accessible from both government-sponsored institutions and private institutions, such as DBSA and building societies.
- The government is not doing enough to help small businesses financially.
- Most financial lenders want to control the activities of the business.
- Independence is seen by the majority of respondents to be very important in their day-to day business activities.
- Most respondents do not believe that the banks are willing to help them financially.

All the above views are supported by the literature (cf. page 30) with the exception of the view that government is not doing enough. Literature cites government commitment towards solving the financial problems of small businesses to be demonstrated through the establishment of funding agencies (cf. page 12).

Most of the respondents believe the following about business partnerships:

- Franchises are viewed to be very good in giving training and skills to labourers.
- The majority of small businesses are in favour of business partnerships.
- Subcontracting of small businesses is viewed as a positive business activity.
- There is a divergence in opinion about the willingness and preparedness by big businesses to work together with small businesses.
- The majority of respondents are not in favour of a franchise. These respondents view a franchise as having a negative impact on the independence and management of the business.

All the above opinions are supported by the literature (cf. page 34). In support of these views literature has cited business partnerships, which also include subcontracting to be very helpful. Franchise operations are seen to be positive in offering managerial and training support, including high product standards, but have a tendency to be prescriptive, taking over the decision-making processes and, as such, ceasing business independence.

The majority of respondents hold the following opinions about marketing:

- Product marketing is a good sales strategy.
- Products marketing and the marketing media, such as TV and radios are expensive.
- There is divergence of opinion amongst respondents on whether advice and counselling is accessible.
- There is a also different viewpoints about whether big businesses are ready to share information with small businesses.

While all other views are supported by literature, the view that product marketing is expensive only emerged through the findings of this study. Literature suggested various media that small business owners could use in advertising their products. Literature has suggested that the advertising medias vary

according to their locality and area of coverage and not all of them are expensive.

The majority of respondents have the following perceptions about access to infrastructure:

- Site to build, buildings for hire or purchase are either expensive or not readily available.
- Government supporting infrastructure, such as tax, is not favourable to small business.
- There is disagreement about the attainability of product technologies by most respondents.

Literature supports the view that infrastructural support comes mainly from the government. It can be acknowledged that government alone, without co-operation from other infrastructural providers, such as property and landowners, cannot provide satisfactory support to small enterprises.

Apart from the above main findings, the study has also illustrated how one can use factor analysis and the Thurstone scaling to validate newly constructed scales. Through factor analysis one is able to generate factors from a pool of Likert items. This enables the researcher to identify the existence of items related to a factor. Thurstone scaling is also important in that it enables the researcher to identify the importance in rating of each of the given dimensions. Thurstone scaling is more appropriate in similar studies where areas or dimensions are supposed to be rated according to their importance.

The shortcomings of the study as well as the recommendations, derived mainly from the empirical findings of the study, are discussed in the next section.

3. Limitations and recommendations of the study

Any research study has its shortcomings or limitations. The majority of limitations in this study were encountered in the fieldwork stage. The next section discusses

the limitations to this study, including some recommendations on policy formulations and for future studies in this field.

3.1 Limitations of the study

The following major limitations of the study have been identified:

- The general attitude towards the study itself was positive, with most respondents being interested in what would happen to the findings, how they would benefit, and if the government would be made aware of the findings. An insignificant number of respondents displayed a negative attitude towards the whole exercise, indicating that they do not participate in research surveys since they do not benefit from these exercises. According to Atkinson and Hammersley (1995) shying away from research and researchers can be attributed to being over-researched, without noticing an implementation of research results.
- The majority of respondents registered complaints about the length of the interview. It is therefore acknowledged that the questionnaire was too long and must be abbreviated. Most respondents complained that it took much of their valuable time as businessmen and women and that they would feel more comfortable if left to complete it in their own time (Fink, 1995; Litwin, 1995). Because of these complaints other methods of administering questionnaires, such as posting self-administered questionnaires, could have been more appropriate, even though mail survey produce low response rates (Pamla & Settle, 1985).
- Because of the small sample size, the findings of this study cannot be generalised to the entire population of small businesses. It is also recognised that because of the small sample used for the study, factor analysis cannot be demonstrated to produce reliable results. When using too small a sample, the likelihood is that factor analysis will still produce some combinations even though they might be meaningless. However a much bigger sample produces better combinations. According to Vaus (1991: 258) a problem with factor

analysis is that, regardless of the variables used, a set of 'underlying' factors will always be produced whether they make sense or not.

When considering the results of this study, it is evident that small business support is inadequate in some areas. Some of the indicated inadequacy relates to government support, expensive infrastructure, etc. The inadequacy of some of these support systems has major implications for the development of the small business industry, the growing employment rates in the small business sector, policy-making, research and education.

3.2 Recommendations for policy-making

The South African legislature already acknowledges the existence and importance of small business (White Paper on National Strategy for the Development and Promotion of Small Businesses in South Africa, 1995). However, the legislature and policy formulation should be more focused on and directed at introducing more intensive support mechanisms rather than merely acknowledging the contribution of small business to the growth of the South African economy.

Here are some policy guideline suggestions deduced from the findings:

- Because of the indicated high prices on purchase and lease of property (cf. table 23.5), owners of property, buildings and land should recognise the importance of small business development and therefore apply preferential charges. For the same purpose government should involve itself through subsidising sites and infrastructural purchases to small businesses.
- The government is viewed by the majority of respondents not to be fully supportive, specifically because of its tax measures (cf. table 23.5). Suggestions are that the government should therefore be at the forefront of promoting the emergence and growth of small business development. Its commitment should be manifested in policy reforms on increased expenditure in the small business sector, including relaxed tax measures, which most

small business operators claim make it difficult for them to generate enough profits.

- It is time that the government, NGOs and other policy-lobbying bodies consider granting support that not only will push small businesses into producing for the local markets, but also become internationally competitive. These attempts could, mean adjusting the tariffs on imports and exports and on introducing or intensifying the export subsidies, import duties, etc. Gereffi and Wyman (1990), and Steinhoff and Burgess (1989) claim this was the survival strategy by the NIC (Singapore, Taiwan and South Korea). These attempts may however conflict with new notions of economic liberalisation that regard market interventions by government to be inappropriate; a balance should be struck somewhere.
- The study found that the majority of respondents had businesses that were started before 1983. This could seem to indicate that the inauguration of the new government and the new policies of democracy did not bring about many changes in this sector. It can be concluded that political changes might have not effected sufficient change in the economic arena. This can be attributed, to some extent, to the fact that financial institutions and other funding agencies have remained conservative and supportive of big firms. Literature also confirms that the handling of small businesses by financial institutions should be more relaxed, particularly with regard to loan guarantees. Initiatives to support new and emerging small businesses should focus more on financial assistance, as most owners isolated finance as one of the biggest problems facing small businesses.
- A shift in the mindset of big business management that small businesses are not only their future competitors but also their good partners in business could be more helpful. The two parties could combine their expertise in partnerships for the good of the country and for their own development. The majority of respondents that are in favour of attempts to start business partnerships have

indicated that big businesses are unwilling to collaborate with them to achieve this end.

- Another finding of the study is that the majority of respondents are utilising capital assets, for example machinery as a means of production. This contradicts the literature and perceptions which suggest that these businesses are highly labour intensive (Katz, 1994). Policy framework on support could in this instance specify the possible number of employees each business should have to qualify for certain support.

3.3 Research implications

Because of the relatively small sample used, the findings of this study cannot be generalised to the wide range of small business support in South Africa and, as such, warrant further research in the area of small business support. Future and further, similar research should take into consideration the recommendations and overcome the *limitations* of this study. A larger sample size and coverage of larger and more diverse areas than only Gauteng will make the findings more generalisable and instrument validation (factor analysis) more credible.

A triangulation method in data collection that includes face-to-face interviews and mailed questionnaires could enhance the validity of research findings. Mailing of questionnaires to respondents, who have little or no time for interviews, could overcome problems associated with the length of the interviews while enabling respondents to complete questionnaires at a time convenient to them (Pamla & Settle 1985).

Future survey instrument development, specifically the Likert scale, in the area of small business support should take into account, the existing literature, input from small business operators, peer evaluators and a pilot survey.

The types of small businesses reveal that there are diverse areas of small business in the manufacturing sector alone. As a result of this diversity in the

types of production, it can be suggested that studies on small business support should focus on a single manufacturing type in order to avoid the divergence in perceptions that could be influenced by this diversity in production types.

Future research and instrument development in the area of small business support should be undertaken with a specific focus on the various support mechanisms in order to be more specific and more detailed. This study has found that issues of support are diverse, distinct from one another but with strong support relations for one another. There is a need for a diversified small business support research and instrument development with the specific focus on each of the following support areas:

- Small business financial support
- Training and skills developmental
- Policy support for small business development
- Business partnerships and subcontracting
- Other areas of small business support

4. Potential significance of the study

Although the study is not representative of the opinions from the majority of small business operators, the following potential significant ideas can be inferred from the results:

The results of study are in line with opinions expressed in the literature about the inadequacies and in some cases the unavailability of small business support. Literature suggested finance to be one of the unattainable resources to small businesses and the results has revealed that finance and training are the most important problems facing small businesses. The results of this study can therefore be regarded highly significant. Because the study focused on the Gauteng Province only, it can as such be treated as a pilot study, be repeated in other provinces, however using a bigger sample.

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APPENDIX 1

QUESTIONNAIRE

**AN INSTRUMENT DEVELOPED TO DETERMINE PERCEPTIONS OF
GAUTENG SMALL BUSINESS OPERATORS ABOUT THEIR
SUPPORT SYSTEMS**

AN INSTRUMENT DESIGNED TO DETERMINE THE PERCEPTION OF GAUTENG SMALL BUSINESS OPERATORS OF THEIR SUPPORT SYSTEMS.

This study is a requirement for the completion of a Masters programme by the University of Stellenbosch. The study intends to develop an appropriate survey questionnaire for determining perceptions of small business operators about their support systems. Copies of the report will be distributed amongst participants on request.

All the gathered information will be treated with strict confidence, no names of businesses or entrepreneurs will be used in the report.

Please answer all the questions by making an "X" opposite the appropriate answer.

SECTION I: Biographical data

• ***Gender (of business operator)***

Male	1
Female	2

• ***Age***

Less than 25 years	1
26 to 30 years	2
31 to 35 years	3
36 to 40 years	4
41 to 45 years	5
46 years and older	6

• ***Marital status***

Single	1
Married	2
Divorced	3
Widowed	4
Living together	5

• ***Population group of the business owner (manager)***

Black	1
White	2
Asian	3
Coloured	4

- *Place where you were born*

South Africa	1
Other African country	2
America	3
Asia	4
Australia	5
Europe	6

- *Highest qualification*

Standard 10 certificate	1
Post-school diploma	2
University degree	3
Post-graduate degree	4
Other (please specify)	5
.....	

- *What is your portfolio in the business?*

Owner-managed	1
Manager	2
Director	3
Other (please specify)	4
.....	

- *How long have you been involved in business activities in the past and in what capacity?*

Number of years involved

Capacity (e.g. director).....

SECTION II: Business activity

- *Type of business products/services*

.....

- *To whom do you sell your products/services?*

Local markets	1
International markets	2
Both local and international markets	3

• *Year business was started*

Before 1983	1
Between 1983 and 1988	2
Between 1989 and 1994	3
After 1994	4

• *Reasons for starting a business*

Unemployment	1
Inherited family business	2
Wanted to be my own boss	3
Other (please specify)	4
.....	

• *Area where business operates*

Inner city (metropolis)	1
Historically black township	2
Township industry	3
Metropolitan industrial area	4
Rural area	5

• *Number of people employed (including unpaid family members)*

Less than 10 people	1
Between 10 and 50 people	2
Between 50 and 90 people	3
Between 90 and 130 people	4
More than 130 people	5

• *What is your estimated value of total business assets (including savings and property)?*

Less than R100 000	1
R100 000 to R500 000	2
R500 000 to R1 m	3
Between R1 m and R6 m	4
More than R6 m	5

Appendix I

Questionnaire

- *What is your estimated annual income (excluding costs) for all your business activities?*

Less than R100 000	1
R100 000 to R500 000	2
R500 000 to R1 m	3
Between R1 m and R6 m	4
More than R6 m	5

- *In addition to your business operation, are you involved in other income-generating activities?*

Yes	1
No	2

- *Has your business experienced any financial problems?*

Yes	1
No	2

- *Have you received any financial assistance in the past?*

Yes	1
No	2

- *Type of institution which granted assistance for setting up a business*

Private bank (e.g. Standard Bank or Trustbank)	1
Business corporation (e.g. SBDC, DBSA)	2
Government department	3
Non-governmental organisation (NGO)	4
Other (please specify).....	5

- *Type of assistance granted*

<i>Financial assistance:</i>	
Bank loan	1
<i>Physical assistance:</i>	
Materials and equipment	2
Building	3
Site	4
Other (please specify).....	5

- *Have you received any training on how to operate a business?*

Yes	1
No	2

- *If "Yes", what type of training have you received?*

- *If "No", do you think you would manage your business better with some training?*

Yes	1
No	2
Do not know	3

- *Are there any other firm(s) producing similar products (goods) to yours?*

Yes	1
No	2
Do not know	3

- *If "Yes", are your prices/fees:*

Higher	1
The same	2
Lower	3
Do not know	4

- *How much of the proportion of your business income do you spend on marketing and advertising?*

.....

- *How technologically intensive are your business activities in terms of the following:*

	<u>Highly intensive</u>			<u>Not intensive at all</u>	
Information acquisition	1	2	3	4	5
Manufacturing technology	1	2	3	4	5
Other.....	1	2	3	4	5

SECTION III: Support systems

- *The following statements are aimed at assessing the perception of small business operators of their support systems. Indicate the extent to which you agree or disagree with the statements given below. 1=Strongly disagree, 2=Disagree, 3=Neither agree nor disagree, 4=Agree and 5=Totally agree*

Strongly disagree	Strongly agree
------------------------------	---------------------------

- | | | | | | |
|--|---|---|---|---|---|
| 1. Government-sponsored institutions such as SBDC and DBSA are prepared to assist small businesses financially | 1 | 2 | 3 | 4 | 5 |
| 2. Financial lenders insist on great control of the business activities | 1 | 2 | 3 | 4 | 5 |
| 3. Hands-on training is readily available for staff development | 1 | 2 | 3 | 4 | 5 |
| 4. If a franchise venture comes my way I would grab the opportunity | 1 | 2 | 3 | 4 | 5 |
| 5. I consider product marketing as a good business strategy for small business prosperity | 1 | 2 | 3 | 4 | 5 |
| 6. Government tax measures make it very difficult to collect enough profit for business expansion | 1 | 2 | 3 | 4 | 5 |
| 7. Production technologies (e.g. machinery) are not easily attainable | 1 | 2 | 3 | 4 | 5 |
| 8. Infrastructure, such as a site, is expensive | 1 | 2 | 3 | 4 | 5 |
| 9. I would be able to manage my business better with some training | 1 | 2 | 3 | 4 | 5 |
| 10. Buildings for business purchase or hire are expensive | 1 | 2 | 3 | 4 | 5 |
| 11. Product advertising media, such as newspapers and televisions, are expensive | 1 | 2 | 3 | 4 | 5 |
| 12. Government is not doing enough to help small businesses financially | 1 | 2 | 3 | 4 | 5 |
| 13. On-the-job training is an effective form of training for my kind of business | 1 | 2 | 3 | 4 | 5 |
| 14. There are not many financial options available to small businesses | 1 | 2 | 3 | 4 | 5 |
| 15. Business advice is easily available | 1 | 2 | 3 | 4 | 5 |
| 16. The banking sector is unwilling to give loans to small businesses | 1 | 2 | 3 | 4 | 5 |
| 17. There are known organisations where training for my business is provided | 1 | 2 | 3 | 4 | 5 |
| 18. Business counselling can be attained at a low cost | 1 | 2 | 3 | 4 | 5 |
| 19. Franchisers would take total control of my business | 1 | 2 | 3 | 4 | 5 |
| 20. Training for staff development is easily accessible | 1 | 2 | 3 | 4 | 5 |
| 21. Managerial training is easily accessible | 1 | 2 | 3 | 4 | 5 |
| 22. Product advertisement is a costly method of attracting customers | 1 | 2 | 3 | 4 | 5 |
| 23. Franchises are a good way of imparting skills to small businesses | 1 | 2 | 3 | 4 | 5 |
| 24. Forming partnerships with big business is the way to improve business relations | 1 | 2 | 3 | 4 | 5 |
| 25. Private institutions such as building societies are prepared to assist small businesses financially | 1 | 2 | 3 | 4 | 5 |
| 26. Finance is the biggest problem facing small businesses | 1 | 2 | 3 | 4 | 5 |
| 27. The big business community is prepared to start partnerships | | | | | |

Appendix 1

Questionnaire

- with small businesses* 1 2 3 4 5
28. *Government policies are favourable for small business development* 1 2 3 4 5
29. *Subcontracting of small businesses by big business would help improve skills of small business workers* 1 2 3 4 5
30. *I would sacrifice my independence to obtain financial assistance* 1 2 3 4 5
31. *Big businesses are always ready to share valuable information with us* 1 2 3 4 5

• *Given below are brief descriptions of the support systems which small businesses require. These support systems are then presented in pairs (each support system is compared with every other system) and you are requested to evaluate each pair in terms of being MOST IMPORTANT to your business activities.*

- 1. **Training and skills development** Training for staff and management – administrative, financial, managerial, computers, other business related skills, etc.
- 2. **Business partnerships** Partnerships with big businesses, subcontracts and franchises, etc.
- 3. **Access to Finance** Access to loans, credit, capital equipment, etc.
- 4. **Access to Information** Consumer satisfaction information on technological innovation, government policies, business information, etc.

Training and skills development **OR** Business partnerships

1
2

Training and skills development **OR** Access to finance

1
2

Training and skills development **OR** Access to information

1
2

Business partnerships **OR** Access to finance

1
2

Business partnerships **OR** Access to information

1
2

Access to finance **OR** Access to information

1
2

• *What are the most important support mechanisms that you would like to have in your business?*

Appendix 2

A letter from JCCI

APPENDIX 2

***A LETTER FROM THE JOHANNESBURG
CHAMBER OF COMMERCE AND INDUSTRY***



Reg. No. 05/22531/08

Johannesburg Chamber of Commerce & Industry

*Incorporated Association
not for Gain*

JCC House
Empire Road
Miltpark
JOHANNESBURG

Private Bag 34
Auckland Park 2006
Rep. of South Africa

+27 11 726 5300
Fax +27 11 482 2000

e-mail: jcci@cis.co.za
<http://africa.cis.co.za/jcci>

ATT: GODFREY
RESEARCH DEPT
TECHNIKON SA

15 July 1997

Per telefax: 471-2998
Total pages: 2

Dear Godfrey

SMME RESEARCH

Our telecon earlier refers. As I mentioned, while it is obviously vital to gather the most accurate data concerning small business, I suspect we will never be able to draw more than a very broad picture. Who knows how many small, especially micro, businesses operate without being registered? And I don't just mean informal hawkers, but one-man bands running sophisticated consultancies, for instance. Many small businesses also don't last very long.

Herewith the information I promised you. In return, we would be most grateful for any report resulting from your research.

JCCI members: our first two categories may be tricky, as the OMO one is for companies that have 1-5 employees and have been in business for less than two years, but the OM1 includes older companies with 1-10 employees. As our categories determine our fee structure, they don't quite correspond to government's definitions either.

OMO 1-5	= 585
OM1 1-10	= 2025
OM2 11-30	= 526
OM3 31-50	= 172
OM4 51-100	= 172

These figures reflected the situation at end June 1997, but as we are a voluntary association, they tend to fluctuate by a fraction.

Other Chambers in Gauteng: attached is a list with contact details. I must forewarn you that not all Chambers are equal! Some are tiny and don't have the same resources as JCCI. Chambers are also completely autonomous and some may not want to divulge any data. So best of luck.

Department of Trade & Industry: Centre for Small Business Promotion — we have heard DTI intended to do research, but are not aware of any results so far. Contacts: Alroy Dirks (Director) and Monde Tabata (CEO) Tel: (012) 310-9574 Fax: (012) 320-1417

Kind regards — I hope this helps you in your quest!

Assistant to the
Chief Executive

ctors: M L Leoka,
I Kelly, A M Makwata,
cort, S M Grant,
Choza, T G Sinclair
Executive: M E de Jager

ted to the SA Chamber
siness — SACOB

JUL 15 97 11:40

CONTACT DETAILS – CHAMBERS IN GAUTENG
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NAME	CONTACT PERSON	PHONE
ALBERTON	NEIL DIAMOND	867-5796
BENONI	THE SECRETARY	421-9599
BOKSBURG	PHILIP V/D WALT	914-2443
BRAKPAN	INGRID HEYMANN	915-5621
BRONKHORSTSPRUIT	LUCAS LEONARD	(01212) 20137
CARLTONVILLE	DEBBIE V/D BERG	(0149) 788-6677
EDENVALE	SHARON DEMPSEY	453-1530
GERMISTON	ROSEMARY DAVIDSON	873-9920
HEIDELBERG	M. SCHOEMAN	(0151) 4375
KRUGERSDORP	VERNETH CRESSWELL	665-3930
MIDRAND	CHARMAINE VILJOEN	315-1063
NIGEL	BRIAN FITTON	814-3422
NORTH WEST	R BUITENDAG	(012) 327-1487
PRETORIA	ALEC DE BEER	(012) 342-3236
RANDBURG	PAT KELLAND	789-2421
ROODEPOORT	LETITIA STALKER (a.m. only)	768-4512
SANDTON	CAROL SOFIANIS	884-8906
SOUTH WEST (LENASIA)	N RATHINASAMY (a.m. only)	854-1430
SPRINGS	ANITA GREEFF	815-5750
VAAL TRIANGLE	J KNOETZE	(016) 32-2664