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Original Paper

SMME Performance—Results from a Longitudinal Study (2003-2012)

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Abstract

The small and medium enterprise sector is often purported to be a significant driving force within the modern economy. Over the last two decades various studies have concluded that creativity and innovation are influential factors that contributed significantly to job and wealth creation. The purpose of this study was firstly, to determine how SMMEs created jobs consistently over a ten year period. Secondly, the study aimed to determine customer, profit and sales growth as measures of business success. This study involved a longitudinal research design with a quantitative approach and a sample size of 117 participants. The pilot study started in 2003 with data obtained from 117 participants. 49% of these participants were still operational in 2012. 52% of these business owners prepared to provide data. The remainder of the 117 participants (represented by 51%) were untraceable and therefore, assumed to have failed. The performance parameters included the number of employees, customers, value of sales and profit. Our research clearly showed that when the economic situation is favourable, SMMEs create jobs and wealth, however, as soon as there is a downturn in the economy, both job and wealth creation is reduced.

Keywords

longitudinal, SMME performance, SMME development, start-ups, performance measures, performance management

1. Introduction

It is generally accepted that Small and Medium Enterprises (SMMEs) are contributors to job creation, innovation, and poverty alleviation. These contributors are not unique to South Africa but are common to countries that face health, environmental and economic challenges (Tesfayohannes, Tessem, & Tewolde, 2016). One of the economic challenges is unemployment and in South Africa like elsewhere in the world it is expected that SMMEs create much needed jobs and alleviate poverty. It is for this reason that governments of developed and developing countries developed or strengthened policies to stimulate growth and sustainability (Kesper, 2000; Pasanen, 2003; Bischoff & Wood, 2013). The high unemployment rate of about 25% in South Africa (Stats SA, 2017) necessitates the urgent need for growth and expansion of SMMEs (Kesper, 2000).

In 1995 "National strategy for the development and promotion of SMMEs in South Africa" (SEDA, 2016; Department of Trade and Industry, 1995) was released. This document highlighted several issues, including five objectives and about thirteen factors which inhibit the growth and development of SMMEs. The objectives and inhibiting factors are listed below:

- Facilitating greater equalization of income, wealth and economic opportunities;
- Creating long-term jobs;
- Stimulating economic growth;
- Strengthening the cohesion between small enterprises; and
- Leveling the playing fields between big and small.

According to historical statistics published in the "National Strategy for the Development and Promotion of SMMEs in South Africa" (Department of Trade and Industry, 1995), there were 800 000 SMMEs. About 90% these businesses were micro enterprises. These are businesses typically characterised with very limited growth potential but a high level of survival to many business owners in the economy. A micro enterprise tends to have a limited lifespan in that after the business owner finds alternative employment, the business is closed down. According to the ABSA growth index, SMMEs are growing at the rate of about 47 000 businesses per annum to 726 000 (excluding micro businesses) at the end of the first quarter of 2013 (Staff Writer, 2013). The rate at which start-up enterprises grow is significant. However, the level of sustainability remains very limited.

Despite the continued increase in the number of SMMEs, the unemployment situation in South Africa remains at approximately 25% (Stats SA, 2015) which is much higher than the average global unemployment rate (Business Environment Specialists, 2013). The unofficial unemployment rate is estimated to exceed 40%. SMMEs create about 80% of all new job opportunities and more than 70% of the South African workforce is employed in this sector (SEDA, 2016). There is no doubt that the number of enterprises is increasing, but growth within SMMEs tends to be limited.

Furthermore, the adverse economic conditions, a growth rate of below 3% per annum, the escalation in business costs, a hostile regulatory environment and a shortage of skilled employees contributed to poor performance (Schussler, 2012).

Given this disadvantageous position and the fiercely competitive environment within which the SMME sector, the government realized the there is a definite need to ensure supply side measures are effective. This leads to the development and promulgation of various frameworks, developmental plans and improved legislation (Isaacs & Friedrich, 2010).

Given the context SMMEs are required to operate more effectively and efficiently. It is for this reason that performance measurement systems and tools could add value in identifying weaknesses, clarify strategies; and potentially improve management processes (Jamil & Mohamed, 2011). Performance measurements could be qualitatively or quantitatively measured. For this pilot study, the selected quantitative measures were the number of employees and customers, value of sales and profit.

Due to these factors this longitudinal pilot study was commissioned to cover a period of more than ten years. The primary purpose at the time was to determine the extent to which SMMES contributed to employment and wealth creation.

This paper is therefore structured as follows: a review of the literature, the research process, the empirical results, the discussion; conclusions and suggestions and finally, the bibliography.

2. Literature Review: Definition of Small and Medium Enterprises

The National Small Business Amendment Bill (2003) defines SMMEs in terms of employment, sales turnover and asset value (excluding the value of land and buildings). The three categories are listed below:

- Micro: employs less than 6 people; turnover does not exceed R150 000; and its asset value should not be more than R100 000;
- Small: employs between 6-50 people; turnover should not exceed R10 million; and the asset value should be about R2.5 million; and
- Medium: between 52 and 200 employees; its turnover should not exceed R40 million; and the asset value should not exceed R15 million.

In this article no reference will be made to the different categories, except that the SMMEs selected met the relevant criteria. In other words the respective business should not have employed more than 200 people, its turnover should not have exceeded $7 500 000 and the asset value should not have exceeded $3 000 000.

2.1 Literature Review: Performance Management

Since the start of the pilot project in 2003, the number of employees, the number of customers, the value of sales and the value of profit were used to measure the performance of the SMMEs. Before embarking on discussing the literature relating to the above, two key issues will be discussed—performance management and performance measurements.

Performance management is defined as a process of measuring performance, where performance measurements facilitate the effective management of an organization's performance (Bititci, Garengo, Dörfler, & Nudurupati, 2012). To develop the understanding of business success in relation to

performance it is necessary to obtain performance indicators and accurate measures (Herz, Hutzinger, Seferagic, & Windsperger, 2016; Murphy, Trailer, & Hill, 1996; Fisher, Maritz, & Lobo, 2014). A large body of work has examined performance related to entrepreneurs, business and venture through different dimensions. Entrepreneurship success and business performance have been studied by various researchers. Studies that focus on the relationship between the eco-system (environment) and business success tend to attract interest from politicians and policy makers (WEF, 2014; Regalado, 2013). However, the environment is not the primary factor that influences success. Contemporary approaches have focused on learning orientation, work experience, entrepreneurial orientation and personality traits (Honig & Hopp, 2019). Overall, there is no clear definition of entrepreneurial performance or success (Mohktar, 2017).

It is clear from the article of the above-mentioned authors that performance measurements have developed over a period of more than 20 years (Yazdanfar, Abbasian, & Hellgren, 2014; Bititci et al., 2012). Research involving performance measurements can be grouped into operations, strategic control and management accounting perspectives. Lind (2015) discussed performance from an ontological perspective it does not exist per se, however, one constructs the concept of performance based on implicit assumptions, such as the completion of an activity or task. From an epistemological approach it is our ability to comprehend performance—not only how we know but also who is to judge whether performance is acceptable or not. Hence the question, what are the performance measures, and how are they managed? Most of the performance measures developed over the years was intended for large businesses and it should be noted that SMMEs are not smaller versions of large businesses. They have limitations about resources, time and human resources (Lynch & Wilson, 2009). It is for this reason that these authors hypothesized that "performance measures tend to exist in a haphazard, unstructured environment, without ordered support at an organizational or strategic level" (Honig & Hopp, 2019; Mohktar, 2017).

A few performance frameworks were developed for larger businesses but deemed to be suitable for SMMEs are Kaplan and Norton's (2006, 1992) balanced scorecard; the performance prism of Neely, Adams and Kennerley (2002); and the dynamic performance system of Medori and Steeple (2000). Bititci et al. (2012) pointed out that despite the volume of research, it mainly dealt with contemporary issues in performance measurement, which they cannot fault but does not provide a holistic, integrated and forward-looking view of the challenges for performance measurement. Bititci, Turner and Begesmann (1997) believes an integrated performance management system, is an information system that enables the performance management process to function with efficacy, that is, efficiently and effectively.

Despite the extensive research on performance measurements for large companies, Garengo, Biazzo and Bititci (2005) pointed out that very little theoretical and empirical research covering performance measurement in SMMEs. The research completed is limited to countries such as, Australia, Finland,

United Kingdom, and Denmark. The authors identified five common characteristics associated with performance measurements in SMMEs in these mentioned countries. These are:

- The difficulty to involve SMMEs in performance measurements;
- SMMEs do not use performance measurements;
- Performance measurements in SMMEs are rarely follows a holistic approach;
- Performance measurements in SMMEs are informal, not planned and not based on a predefined model; and
- SMMEs have limited resources for data analysis.

Garengo et al. (2005) also identified several factors influencing performance measurements in SMMEs. These are:

- Lack of human resources;
- Managerial capacity;
- Limited capital resources;
- Reactive approach to performance measurement;
- Tacit knowledge and little attention given to the formalization of processes; and
- Misconception of performance measurement.

It is therefore not surprising when Yusuf and Saffu (2005) advocated that "measurement of business performance is fraught with conceptual and methodological difficulties". In some cases, authors refer to performance measures while others are using key performance indicators. Both aim to evaluate the performance of a business or a department or section. It was further suggested to improve the above, consideration should be given to effectiveness, efficiency, and adaptability when selecting performance measures, which could include either financial or non-financial measures or both (Cant, Erdis, & Sephapo, 2014; Edmiston, 2013; Sidik, 2012). Financial measures include amongst others, return on investment, return on sales, and return on net profit, while non-financial measures include, for example, a qualitative perspective to sales growth, employee growth, market share and customer satisfaction, that is measuring it on a Likert scale.

Lynch and Wilson (2009) through a structured interview aimed to identify which of the 568 performance measures were used by SMMEs. For this purpose, they interviewed SMME owners and senior managers. The result of this survey was subjected to further statistical analysis using SPSS. As they were attempting to identify a small number of performance measures suitable for SMMEs, the results were subjected to a further analysis at a workshop where the KJ-Method (cf., Scupin, 1997) was applied to the survey results. The results included a list of six performance measures—cash flow, on time in full, profit (per product), right first time, sales generated (order book) and sales per month (past). The "on-time-in-full" performance measure covered aspects such as client feedback, process/lead time, communication, customer priority and material availability.

As this article is a continuation of the longitudinal study, the performance measures will be limited to the number of employees, number of customers, value of sales and value of profit. These are measures over which an owner has control and are important growth indicators.

Yusuf and Saffu (2005) identified growth in sales, market share and overall profitability as performance measurements. The authors used a 5-point Likert scale, with one (1) indicating "much deteriorated" and five "much improved". The primary aim was to determine the relationship between planning and the performance criteria and the results, using ANOVA and ANCOVA showed that a relationship between planning and performance measurements is not always prevalent.

In the study conducted by O'Regan, Sims and Ghobadian (2005) the authors focused on high performance SMMEs and divided the group of 270 firms into leadership- and laggard-oriented firms. The performance criteria were the number of employees, turnover, and profit. The outcome was that leadership-oriented firms outperformed laggards on profit, while laggards tended to employ more people. The difference in employment was statistically significant.

Wood (2006) using logistic regression analysis found that the age of the business, a variety of promotional methods and sources of finance have a positive impact on performance. In this analysis return on investment, profit, sales, and the number of customers were the performance measurements.

According to Blackburn, Hart and Wainwright (2013) owner-manager characteristics and strategy are essential to enterprise performance. The authors identified six managerial elements and eleven strategic variables, which impacted on the performance. From a quantitative viewpoint, the performance criteria included the change in employment, income, and profitability. The authors concluded that whilst owner-manager characteristics and business styles are important, it appears that the structural conditions within which the enterprise operates strongly determines the performance (Blackburn et al., 2013). Their results were based on multivariate analysis and indicated that age and size of the business determined business performance. Contemporary studies have examined the relationship between entrepreneurial competencies and performance (Mohktar, 2017). In this regard five competency clusters were used—personal, academic, workplace, technical and business competencies which showed an influence on business performance.

It should be clear from the limited review of the literature that the performance criteria used in this longitudinal study compare favourably with variables in the single studies as outlined above. It was for this reason that the foci were on the number of employees and customers, value of sales and profit. The number of employees depicts job creation and value of profit depicts wealth creation.

3. Methodology

3.1 Research Questions and Data Collection Process

Research Questions: As mentioned earlier the South African Government has developed various policies, procedures and regulations to create an enabling environment for starting, developing and growing SMMEs. One of the critical issues were the objectives that the government identified as essential to developing and growing SMMEs it would contribute to job and wealth creation. One of the common problems identified through research is that the policies, procedures and regulations are developed with good intentions but not well implemented. The events in one economy tend to affect other economies, i.e., economic developments globally do have a direct impact on the South African economy. Therefore, policies, procedures, and regulations have to be understood from a wider perspective. These issues should take cognizance of the economic developments in other countries. Many South African SMMEs could simply not recover from an economic downturn and in this regard fewer businesses were still in existence at the time of data collection in 2013.

With the focus of the pilot project on job creation, the primary question is:

Over the ten-year period, did SMMEs

- Continuously create jobs?

With the secondary focus on wealth creation, the secondary questions are:

- Did the number of customers' increase over the period?
- Did the value of sales and profit increase over the period?

To answer these questions, it necessitated the collection of primary data.

Data Collection Process: The researchers started with this pilot project in 2003 and managed to obtain data from 117 participants (business owners). The criteria for selecting an enterprise included:

(i) The business must be owner operated;

(ii) The business should employ at least one person to a maximum of 200 people on a full-time basis; and

(iii) The business should be in existence for at least one year.

The researchers collected data in 2003, 2006 and 2013. The process in collecting the data was a tedious, time consuming and expensive exercise. For this project, data collection was dependent on available funds.

With research funding from the University, data collection in 2006 and 2013 was possible. From 2003 to 2006 the number of participants (businesses) decreased from 117 to 107 (Isaacs & Friedrich, 2010). In 2013 only 56 of the 117 businesses in the pilot project were still operational, with only 33 participants that were able to provide data. Table 1 is an analysis of the enterprises in line with various times.

As mentioned earlier in the study, owners of South African SMMEs are very reluctant to participate in this kind of research, particularly when sensitive data is involved; despite all the assurances. SMME owners tend to be of the opinion that financial information will be made available to the taxation

authorities. Owners and respondents of SMMEs are, however, willing to provide employment data and respond to (i) yes/no or (ii) Likert-scale type questions. Fortunately, for this pilot study participants were initially prepared to provide the necessary quantitative data but in 2013 only 33 participants took part in the data collection process.

4. Results

Table 1. Survival Rates

Age	2003 - Number of businesses	2012 - Number of businesses	Survival rate
1-5 years	72	35	49%
6-10 years	29	12	41%
11-15 years	11	5	45%
16-20 years	3	2	67%
>20 years	2	2	100%
Total	117 (100%)	56 (100%)	48%

The research committee of the University requires researchers to handle all data with the necessary confidentiality and sensitivity. The ethics committee thus requires that the letter that accompanies a questionnaire should allow a respondent to be free to participate or not participate in the research process. This led to only 33 owners completing the survey. This survey required respondents to provide data concerning the number of employees and customers, and the value of sales and profit.

Table 2. Gender Profile

	2003	2006	2012
Male	84 (72%)	76 (71%)	25 (75%)
Female	33 (28%)	31 (29%)	8 (25%)
Total	117 (100%)	107 (100)	33 (100)

It is evident from Table 2 that the original ratio remained consistent at around 70% male and 30% female which is in line with similar studies. Using appropriate statistical software to capture data makes it easier for data analysis. From the start of the project, SPSS was deemed ideal for this purpose. In 2013 SPSS 23 was used to that effect. SPSS allows from a simple, for example, additions, subtractions, multiplications, division, calculation of averages to sophisticated statistical analysis such as, for example, correlations, comparisons, factor analysis. For this period, simple statistics served the purpose.

Table 3. Additional Profiling Information of the Participants

	N = 117 (2003)	N = 33 (2012)
Employed before starting the business	97%	97%
Employed while working to generate additional income	69%	64%
Operating in a growth sector	92%	94%
Member of a business association	79%	82%
Business plan when starting the enterprise	70%	67%
Attended entrepreneurship training courses before starting the business	50%	61%
Education before starting the business		
12 years and less	69%	79%
More than 12 years	31%	21%

Before providing the remaining empirical results concerning the performance measures, the following information could be useful in understanding the empirical results as presented in Table 3. It is evident from Table 3 that there is no material difference between the respective groups. Therefore, the business owners who were still operational were no better than those who have failed. As mentioned earlier, the performance criteria for this study, the number of employees (Table 4), the number of customers (Table

5), value of sales (Table 6) and value of profit (Table 7). These tables firstly, present positions with the 117 businesses and secondly, the position as it relates to the 33 businesses.

Table 4. Number of Employees

	Number of businesses	Missing	Total # of businesses	Total # of employees	Average # of employees
2003	117	3	114	756	7
2006	117	10	107	809	8
2003	33	1	32	264	8
2006	33	0	33	367	11
2012	33	1	32	443	14

From Table 4 it is evident that from 2003 to 2006 the number of firms that provided data did create more jobs. However, given the fact that 61 businesses failed or were untraceable; the job losses amounted to 225 (in 2006 the contribution to employment of the firms who were still operational but did not participate in the 2013 data collection, amounted to 141). Assuming that these enterprises had the same number of employees as at the end of 2012, i.e., 141; the total employment as at the end of 2012 would be 584 (443 + 141), resulting in total job losses of 225 (809 in 2006 and 584 in 2012).

Table 5. Number of Customers

	Number of Businesses	Missing	Total # of Businesses	Total # of customers	Average # of customers
2003	117	22	95	46 301	487
2006	117	27	90	49 911	555
2003	33	6	27	19 236	712
2006	33	6	27	20 182	747
2012	33	12	21	13 155	626

Although there is a continued increase in the employment amongst the surviving businesses, from an overall perspective, the number of job losses amounted to 225. Not a very good picture considering the idea with government's interventions was that SMMEs would create more jobs. Tables 6 and 7 relates to the extent to which the businesses were profitable. There is usually an expectation that value creation from existing customers would increase or that businesses would lure more customers, resulting in increased sales and potentially higher profit.

Table 6. Value of Sales

	Number of Businesses	Missing	Total # of Businesses	Total # of sales	Average # of sales
2003	117	52	65	R 98 894 515	R 1 521 454
2006	117	52	65	R 110 713 000	R 1 703 277
2003	33	14	19	R 41 495 000	R 2 183 947
2006	33	14	19	R 32 870 000	R 1 730 000
2012	33	14	19	R 27 263 000	R 1 434 895

From Table 5 it is evident that the number of customers in both groups (2003 to 2006) shows an increase, while for the 33 businesses of which only 21 participants provided data, showed a decrease in the average number of customers per business. The result of the decreasing number of customers is also reflected in the average value of sales as shown in Table 6 (R2.2 million in 2003; R1.7 million in 2006 and R1.4 million in 2012) as well profit presented in Table 7.

Table 7. Value of Profit

	Number of Businesses	Missing	Total # of Businesses	Total # of profit	Average # of profit
2003	117	23	94	R20 434 925	R217 393
2006	117	58	59	R11 328 000	R192 000
2003	33	18	15	R5 255 000	R350 333
2006	33	13	20	R5 467 000	R273 350
2012	33	23	10	R2 163 000	R216 300

The average value of profit per business (Table 7) decreased from R350 333 in 2003 to R273 350 in 2006 to R216 300.

Empirical evidence reflected through Tables 5 to 7 indicate that the one group (N = 117) for the average number of customers per business, the average value of sales and profitability per business were lower than the second group (N = 33).

5. Discussion

The current understanding is that SMMEs are important job and wealth creators in developed and developing countries (Mohtar, 2017; Herz et al., 2016; Jamil & Mohamed, 2011). This is also an expectation in the South African context, therefore the continued efforts by the government from identifying inhibiting factors, policies, procedures and regulations. South Africa's official unemployment rate is around 25% with low levels of economic growth (Stats SA, 2016). The broader definition of unemployment points to a rate that is between around 40%. Entrepreneurship is therefore a crucial means of stimulating the economy and to allow for greater participation in the economy.

Given the array of measures (see Isaacs & Friedrich, 2006) the findings from this study suggest that government interventions have met with limited success. Even though there have been attempts by the government to initiate an ambitious framework to develop entrepreneurship, a more targeted response is required to produce results that will be more effective. From a service provider's perspective, the identified inhibiting factors did indeed inhibit SMME growth and development (Yazdanfar et al., 2014; Isaacs & Friedrich, 2006, Friedrich & Isaacs, 2010; Peters, 2009). This should be a start for the government to include more targeted measures in an attempt to reduce the impact of the aforementioned inhibiting factors.

Given this bleak background, this study started with a sample of 117 businesses and at the end of it in 2013; 56 businesses were operational although only 33 provided data. The primary objectives were to determine whether SMMEs are indeed creating jobs as well as being sustainable in the long term. With the secondary objectives, the purpose was to determine the extent to which wealth creation through an increase in the number of customers lead to an increase in the value of sales and ultimately, higher levels of profitability. The data presented in Tables 5 to 7 clearly confirms that the aforementioned did not materialize. For the periods 2003 to 2006 employment increased with the smaller group of 33 participants. Due to the number of businesses that failed a total 225 jobs were lost. It could therefore be argued that overall the businesses in the sample did not contribute to job creation and achieved very limited success.

Wealth creation is depicted through Tables 5, 6 and 7 and the profit position presented in Table 7. Table 5 presents the number of customers and the smaller group had a higher average number of customers than the larger group comprising of 117 businesses. The average for 2003 and 2006 were 487 and 555 customers respectively. For the smaller group comprising of 33 businesses it was 712, 747 and 626 customers for 2003, 2006 and 2012 respectively. The value of sales (Table 6) showed an increase from R1.5 million to R1.7 for the 117 businesses for 2003 and 2006 respectively. Although the initial value of sales for the 33 businesses was higher in 2003 and 2006, namely R2.1million and R1.7 million respectively, decreased dramatically to R1.4 in 2012. Profit depicted in Table 7 showed a continuous decrease for both groups (117 and 33). It can thus be argued that initially the businesses were created wealth but it started to deteriorate.

To determine why 56 businesses remained in business after 10 years, a few issues were reviewed. For example, the extent to which newness and business size could have contributed to business failures; and the entrepreneurial orientation of the owners (risk-taking propensity, pro-activeness, achievement orientation, competitive aggressiveness) contributed to the survival of the 33 businesses. Based on table 1, 51%, 59% and 55% of those businesses in categories 1-5 years, 6-10 years and 11-15 years respectively, were not operational by March 2013 when the data was collected. These figures are much lower than what is commonly perceived to be the failure rates for businesses in these categories. It is normally perceived that only 10% of businesses will remain after 10 years. From our study, it could be argued that the liability of newness did contribute to failure. For the categories 16-20 years and businesses older than 20 years the survival rate was 67% and 100% respectively. Based an analysis of the data, size of the business and profitability did play a role in the demise of the businesses. At least 50% of the businesses that failed had an annual profit of less than R20 000 for the periods 2003 and 2006.

Kale and Arditi (1998) postulates that from an organizational ecological perspective as businesses grow its chances of failure decreases although there is evidence that the size of a business and newness of a business does contribute to business failure. The study suggests that when business owners start a business they need access to sufficient resources such as raw materials, clients, money, equipment, and labour. This presents a distinguishing factor when compared to established businesses that have better chances to prosper. Start-up businesses still need to develop relationships and often require special effort to get access to the necessary resources in order to build a sustainable business. The size of a business emerges as a contributing factor because of a lack of resources. This relates to limited financial resources and access to finance. The study further suggests that the factor such as managerial weakness further contributes to the challenges of a business. It is clear from the empirical analysis as discussed above that the newness and size of the business did contribute to business failures.

The question that remains is why some of the other businesses continued despite poor economic conditions (Isaacs & Friedrich, 2010). For this purpose the entrepreneurial orientation variables were analysed and compared. This comparison entailed comparing each variable with the businesses that failed (61) against those that survived and provided data (33). From the comparative analysis it emerged that the achievement orientation of the owners who provided data versus the owners of the failed businesses were significantly higher ($p < 0.01$); a reliable indicator as to why the survival of the 33 businesses performed better.

In addition to the above telephonic interviews that took place with several business owners and the following emerged:

- A number of businesses diversified and innovated, for example, a car rental company started shuttling business people from their work to the airport, however, the business owner was very concerned that with Uber's entrance into the South African market and indicated that the competition became more intensified resulting in more business closures;

- Reducing full-time staff compliments. Although it is not always easy, some business owners see retrenchment or early retirement as better options than forcing the business to close down completely;
- Not employing part-time employees. When it comes to reducing the staff compliment, the first to be retrenched tend to be the part-time staff. Employing part-time employees is often a short-term tactic to increase or when the need arises to reduce the staff compliment without any repercussions to the owner;
- Improving customer value through improved service delivery: According to the interviewed business owners it became imperative to provide improved service delivery as a strategy to improve competitiveness; and
- The business owners accepting lower salaries, extending the life of the company vehicles and cars. Although it could result in higher maintenance in later years, it was considered a better option than acquiring new vehicles.

Given the above situation it is thus not surprising that businesses did not perform so well. This is not very good news for a country that has a high level of expectation that entrepreneurship will offer an alternate way to make a living and to generate wealth.

6. Summary and Conclusions

In developed and developing countries almost 90% of all businesses are SMMEs and they tend to make a strong and positive contribution to employment and the GDP of a country. In South Africa this contribution is at least 40% towards GDP and 50% towards employment. It is because of these important roles that entrepreneurship plays in any modern economy that the government through the development and implementation of rules, regulations and frameworks aim to provide an enabling environment for SMMEs to survive, grow and prosper. This is not always possible as the general economic conditions within a country play a major role in achieving the appropriate outcomes. In the case of South Africa, the survival, growth and prosperity was based on a growth rate of at least 7%. This never materialized and therefore the SMME sector was never able to grow as was expected. It was for this reason that the research was undertaken to determine the extent to which SMMEs can survive, grow and prosper given this difficult circumstance and our pilot group of businesses reflect that it was difficult to operate under such circumstances and is outlined below:

a. At least 49%, 41% and 45% in the categories 1-5 years, 6-10 years and 11-15 years respectively, were still operational in March 2013 when the last data was collected; This is much higher than what is commonly reported, namely that about 10% of businesses are still in existence after 10 years;

b. The size of the business and newness contributed to business failure. It is therefore imperative that owners/managers of small businesses need to ensure that they have sufficient capital or alternatively, have access to financial resources. This also requires that providers of financial resources should look more critically at the lending criteria in order to assist the development of SMMEs;

c. The job losses exceed the number of jobs created over the period. Despite this situation, the surviving businesses started to increase the number of employment opportunities;

d. From an overall perspective it could be argued that wealth creation did not really take place but for the surviving business owners and employees it did; and

e. Achievement orientation was identified as a contributing factor to the surviving businesses. It is therefore imperative when screening small businesses that the assessment of business owners, in particular achievement orientation, should be an important criterion.

As mentioned in previous studies South African tertiary institutions tend to focus on large businesses, a gap exists in the literature where increasing emphasis must be given to various dimensions of SMMEs. In addition, support organizations should be more proactive with regards to providing consulting and mentoring services to businesses based on sound research.

It is clear from our research that new factors have been identified that resulted in business failure. In this regard greater emphasis should be placed on business failure and under-performing SMMEs rather than to assume that 10% of these businesses remain after 10 years. Secondly, it is also clear that economic conditions play a crucial part in the survival of SMMEs; thirdly that size of the business and newness do affect the long-term survival of businesses; and fourthly, achievement orientation is an important measure in determining the survival of SMMEs.

An attempt will be made to interview some of the surviving businesses to determine additional factors that contributed to their success.

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