

*Full Length Research Paper*

# **Common causes of small businesses failure in the townships of West Rand district municipality in the Gauteng Province of South Africa**

**Solly Matshonisa Seeletse**

Department of Statistics and Operations Research, University of Limpopo (Medunsa Campus), P.O. Box 107, Medunsa, 0207, Pretoria City, South Africa, solly. E-mail: [seeletse@ul.ac.za](mailto:seeletse@ul.ac.za). Tel: +27 12 521 4291.

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**The study examined the high failure rate of the small business in the West Rand region of the Gauteng Province, South Africa. The purpose was to investigate reasons for lack of sustainability of the small businesses of this region. The study was qualitative, characterised by exploratory and descriptive modes. Fifteen small businesses were interviewed using an interview guide (at Appendix). The reasons for their failure showed that these businesses mostly lacked in business understanding. They showed shortfalls in business and management. Recommendations covered suggestions for these businesses to improve understanding and practice of the modern business mechanisms, to approach local business colleges for working relationships and training, as well as to involve management consultants to revive them to start generating the needed revenue and minimum profits for survival.**

**Key words:** Sustainability, business failure, small business, West Rand, township.

## **INTRODUCTION**

South Africa is distributed into rural (villages), semi-urban (townships) and urban areas (towns and cities) (Ladzani, 2010). Villages are generally undeveloped and their inhabitants work in developed and semi-developed areas. Townships are semi-developed with some opportunities for quality life such as employment and business.

Towns and cities are developed with constituents of decent life qualities that are ideal for economic growth of business and individuals.

Township employment is an alternative to city and town employment since the democratic era has enabled them some growth in wealth. Some townships have advanced so much that their business centres and institutions match the city ones. Businesses in such townships have adequate, modern, state of the art facilities. The township people also have skills. Despite this, township remains a home of small businesses. Across the globe small businesses contribute immensely to world economies. South Africa also needs small businesses. They are, thus, a backbone of South Africa's economy (Mbonyane, 2006:1). The developed economies benefited from these

businesses to achieve their development.

They are usually the majority of businesses in many countries. In South Africa, small businesses constitute over 80% of the business sector (BSA, 2008). At the global level this sector also employs most people among the business sector employees. BSA estimates that as much as 80% of new jobs in world economies are created by small businesses. This makes the small business sector a key player in the economic growth. Locally, over 1.5 million of the self-employed people constitute the small business sector, which is a contribution of about 40% of the total remuneration (BSA, 2008). Thus, survival of small businesses is a positive factor in the economy.

Since the year 2005 the sub-urban areas of Rand fontein, a town in the West Rand area, west of Johannesburg, were closely monitored. Businesses in this area are mainly small, and do not survive. Dominant business trades are welding, building constructions (of various forms), penal beating, motor mechanic, and internet shops. Business markets exist in the area as

customers are plentiful. The question is: “why then, are the small businesses in the region not sustainable?”

To open a business in the township seemed relatively easy. It was difficult though, to sustain them. The townships had no history of locals running businesses, and most businesses that were emerging were small. Frustrations were that in the six years of observation in the West Rand, year after year, most businesses did not resume business at the beginning of the following year. They had failed. Early observation showed that many businesses in the region were not using modern ways of conducting business. For example, many small businesses did not prefer to involve consultants as they did not want to pay consultant fees. Only few businesses seem to involve consultants. Among the observations were three businesses that used consultants growing to become today's big businesses. These observations nurtured the interest in researching the failing businesses of the area.

Early observation led to the conclusion that many businesses in the West Rand followed out-dated business management approaches. Analysts reasoned that since opportunities for businesses for many people were new, many new business owners thought that having money to open a business was adequate to manage a business. They did not think that business knowledge was necessary. Hence, they would open businesses with pension money or other lump sums of money acquired without seeking business knowledge. Identifying business opportunities is simple since the area is still lacking. Many businesses that open are likely to have a good market. However, since the market seems more enlightened than some businesses, people do not want to be served below standard. West Rand people are exposed to Johannesburg services that are generally of high standard. Hence, they have many choices and the tendency to not tolerate a business that serves them insufficiently.

Thus, West Rand businesses have to compete with those in Johannesburg. It seems, however, that some are not even aware.

### **Region where the study took place**

The West Rand District Municipality (WRDM, 2011) is a district in Gauteng Province, South Africa, comprising of four local municipalities, namely Mogale City, Merafong City, Randfontein and Westonaria. It is known mostly as the West Rand (or Western Gauteng), and is less than 45 minutes' drive from cities of Sandton, Pretoria and Johannesburg. It is also within 50 km of Gauteng Province's vibrant airports. Hence, the area is surrounded closely by both competition and benchmarking opportunities.

### **Problem Statement**

The problem of the research was that businesses in the West Rand did not show competitive strength and are generally unsustainable. West Rand people are employed mainly in Johannesburg than in the West Rand. Transport to and from Johannesburg is readily available. As a result, competition posed by Johannesburg businesses seemed to impact negatively on the West Rand business. On the other hand, West Rand businesses seemed to have caused no competition trouble for Johannesburg businesses. Also, West Rand businesses' refusal to seek intervention was not helping the West Rand businesses. These seemed to have contributed to the high failure rate of these businesses. Business sustainability in the area was of concern, and this became the study focus.

### **Aim and objectives of the study**

The aim of the study was to explore the dynamics that made WRDM businesses to be unsustainable as this could aid to improve the small businesses. The objectives of the study were to:

1. Identify causes of small business failure in the West Rand, and
2. Determine methods to offset these causes in order to improve small business sustainability in the region.

### **Significance of the study**

The West Rand people can benefit from the employment in sustainable small, medium and micro enterprises (SMEs) in the region. More successful businesses in the locality can help to reduce expenses such as travel costs to cities. Also, the growth domestic product (GDP), which shows the strength of a country's wealth, is likely to improve with SME success. In addition, the Integrated Development Plan 2009-2010 (IDP, 2009) and WRDM (2007) expressed their wish to get local SMEs and the economy of the region promoted.

### **Exclusions**

Businesses such as garages (i.e. automobile filling stations), medical practitioners' surgeries, psychologists' services, franchise shops, and taxis were not included in the study. These businesses have varying patterns from the typical SMEs for several reasons. For example, these are professionally based (surgeries and psychologists), have many years of service in the business (such as taxis), guidance support from external parties (such as franchises) as well as being geographical monopolies.

They face no competition and cannot be abandoned by customers even if serious problems occurred. Thus, inclusion covered SMEs characterised by new patterns.

### **SMALL BUSINESS DESCRIPTION**

In South Africa, the Department of Trade and Industry (DTI) generally categorises (Table 1) the small, micro and medium enterprises (SMEs) into the following categories (DTI, 1995; South Africa: 1996).

Survivalists are usually not registered in the formal business register. As a result, the definition and for this study's convenience, small businesses refer to the small, medium and micro enterprises (SMEs).

### **Survival of businesses and South African SMES**

#### ***Business success and failure***

Failure to understand the market, customers and their buying habits, there is a grave weakness in business management (Medema, 2007). Customers need to be known as well as their reasons for spending their money. Poor market research is also detrimental to business.

Choosing an unprofitable business may render business wasteful and detrimental to itself (Hirshleifer et al., 2005). If many activities are generated but profits are low, it may be a wasting kind of venture.

Communication is important in managing business. A business that intends to grow should understand and communicate what it is dealing in (Clow and Baack, 2007). It should also define its value proposition to clients. The managers need to identify what they can do that can help or benefit their companies. They should communicate their business offering effectively. Their market should connect with what they say.

Finances are necessary for business to survive. Money gets invested in order to get rewards from it in profits. Hence, adequate finances are crucial for business success (Golin, 2001).

Business forecasts are vital. Companies must predict the future to be able to plan business success by offsetting future problems. If a company fails to anticipate or react to competition, technology, or other changes in the marketplace, it may be caught off-guard (Roy, 2008). It is risky to assume that past patterns will always work. Managers need to interrogate factors that caused past successes. Changing times require changes in business operations. Also, competitors' ways should be studied and counterbalanced, and new technologies should lead the business. Any outdated methods are likely going to take the company out of business.

Some companies depend on few customers. If a

customer dies a company may perish as a result. Overdependence on a single customer (or few customers) is a blemish because if a customer withdraws or is no longer able to continue as a client, it risks the company's survival (Reizenstein, 2004). Also, if a client company fails, it risks the company failure as well. Also no company can guarantee lifelong relationship since aggressive competitors can displace existing clients.

Some company managers cannot explain their businesses. Failure to define a proper business offering is a weakness. Also, spreading a company thin diminishes quality since the market pays according to quality of the results (Kelemen, 2003).

Doing business right is a way to ensure business growth. Too much business can destroy a company, thus quality, compared to quantity may be a necessary strength to elevate a business to higher levels (Papasolomou-Doukakis, 2001; Reeves and Bednar, 2005). Hence, each client should be treated according to the way they contribute to business value.

Poor management is not needed in a company (Sipamla, 2001). Management of a business encompasses a number of activities: planning, organizing, controlling, directing and communicating. These ought to be performed fittingly. The cardinal rule of SME management is to always know exactly where the company stands. A common problem faced by successful companies is growing beyond management resources or skills. If this occurs, intervention by outsiders may be necessary.

Lack of planning is a detriment in business management (Allmendinger and Gunder, 2005; Yiftachel, 1998; 2006). If managers do not know where the company is going, the company will not get there. To grow and be successful, managers have to actively work on the business. Failure to plan harms business.

Larson and Gray (2011) identified other problems that may render a company deficient as poor cash flow management, absence of performance monitoring, lack of understanding, not using performance monitoring information, lack of financial skills and planning, failure to innovate, poor inventory management, and failure to recognize company strengths and weaknesses.

Working in isolation when it is necessary to seek intervention or partners is harmful to business (Kipping and Armbrüster, 2000). Trying to do everything and not seeking external help can destroy the business. If external help is necessary, it is vital to consult. Business survival depends on doing more of the correct things and avoiding more of the wrong ones.

### **South African SMEs**

SME advancement is crucial and necessary to every

**Table 1.** Categories of small, micro and medium enterprises.

<b>Category of SMME</b>	<b>Description</b>
<b>Survivalist enterprises</b>	Operates in the informal sector of the economy. Mainly undertaken by unemployed persons. Income generated below the poverty line, providing minimum means to keep the unemployed and their families alive. Little capital invested, not much assets. Not much training. Opportunities for growing the business very small.
<b>Micro enterprises</b>	Between one to five employees, usually the owner and family. Informal - no license, formal business premises, labour legislation. Turnover below the VAT registration level of R300 000 per year. Basic business skills and training. Potential to make the transition to a viable formal small business.
<b>Very small enterprise</b>	Part of the formal economy, use technology. Less than 10 paid employees. Include self-employed artisans (electricians, plumbers) and professionals.
<b>Small enterprise</b>	Less than 100 employees. More established than very small enterprises, formal and registered, fixed business premises. Owner managed, but more complex management structure
<b>Medium enterprise</b>	Up to 200 employees. Still mainly owner managed, but decentralised management structure with division of labour. Operates from fixed premises with all formal requirements.

nation. The SMEs can enhance revenue generation, increase employment and reduce poverty, improve quality of lives and grow SMEs to larger enterprises (Ligthelm and Cant, 2003; Tambunan, 2005; Visser et al., 2005). South Africans need to appreciate this idea. The study focused on SMEs' lack of sustainability in the WRDM. These SMEs continue to fail within a year of their establishment, causing more unemployment. The SAIRR (2008) reported South African unemployment rate of 57.3% in 2005, 59.0% in 2006 and 53.5% in 2007. Before the year 1990, South Africa was characterised by conflict which entailed exclusion of some population groups from political and economic participation. The year 1990 was a turning point in South Africa's history. Since then, a new Constitution promoting advancement of everyone was introduced (Hetherington, 1991). Hetherington (1994: 72) applauds the political progress, but argued for economic liberation which feeds people. Economic liberation allows everybody to create wealth, to earn own living, to feed, clothe and house families, and decide on better educa-

tion for children.

The government of national unity of South Africa took office in April 1994, and immediately prioritised issues of economic empowerment and growth (South Africa, 1996). It gave attention to job creation, generating sustainable and equitable growth for addressing employment shortage problems in South Africa. SMEs were identified as vital to make a contribution in these aspects. In October 1994, the DTI released a discussion paper on strategies to develop an integrated policy and support the South African SME program. This led in March 1995 to the White Paper on the national strategy to develop and promote SMEs in South Africa. The two documents were imperative to reverse the unfair heritage on SME development. The White Paper (South Africa, 1996: 12) admits that SMEs, compared to big business worldwide, are constrained worse and face tougher problems. This includes the effective market economies. These constraints embrace the legal and regulatory environments, access to markets, finance and business

premises, skills acquisition, gaining managerial expertise, access to appropriate technology, and business infrastructure quality in poverty-stricken areas and, in some cases, the tax burden.

The historical past in South Africa has made the situation worse, particularly for rural and township entrepreneurship. The White Paper assents that South Africa has potential entrepreneurs of all races, sectors and provinces (Kirsten, 1995:1). In the West Rand townships no research has ever been conducted to improve SMEs. The SMEs in this region fail quickly and lack sustainability. The study focuses on finding the causes and reasons for this lack of sustainability.

## Methodology

### Research design

This is an exploratory descriptive qualitative study intended to gain an understanding into the failure of WRDM SMEs in order to identify the causes and seek mitigation measures to counterbalance them. Qualitative research is necessary to deal with issues to solve problems (Flyvbjerg, 2006: 221). As a result of exploration, this study is inductive, which, according to Mboniyane (2006: 22), means that data is collected and theory is developed after data analysis. Durrheim (1999: 43) explains that the inductive method proposes an entanglement in the details and specifics of the data to notice imperative categories, dimensions and interrelationships. Thus, induction explores open questions and does not test hypotheses. Tuchman (1994: 306) supports deductive approach in situations which look at phenomena that specify how the study captures the phenomena of interest. The deductive method suits this study in order to develop a model that captures the patterns of failure and unsustainability of WRDM SMEs, as well as to model intervention to offset these problems.

### Population

A study population is a group of individual objects or people sharing characteristics of interest to a study (Babbie, 2003). It refers to all members of interest to the study. Documents from SME registers in the Carletonville and Randfontein municipalities were used to determine the populations of the WRDM SMEs. Visits to the townships were also done to township offices to obtain information about the SMEs that did not appear in the register. Some SMEs listed in the register did not exist where they were said to exist while others existed where none was listed. The SMEs were visited and informed about the study. They were invited to participate. Some were not willing and it was decided to depend on the willing ones. Explanations of some SMEs were that they were not legal or registered and would be caught if they participated. Ethical methods used to inform and assure them did not change their stand to refuse to participate.

### Sampling

This study used convenience sampling method to select the sample. No other method was suitable under the circumstances

that existed at the time. Convenience sampling is the type of non probability sampling method such that each individual is chosen haphazardly and entirely by a plan. In this case the business managers who agreed to respond were interviewed. Furthermore, individuals may have unequal probabilities of being chosen and there was a possibility that others had a non zero chance of being included in the sample (Yates *et al.*, 2008). The sample size for this study was 15 SMEs since it was an in-depth qualitative study that did not require many respondents.

### Data collection

The SMEs were visited and the study explained to them. Their participation was requested and their importance to the study explained. The data were collected using semi-structured interviews in which the researcher sought clarification and elaboration on the responses given, and also gave the interviewer the freedom to probe answers (May, 1997: 111). Questions were posed to the 15 respondents who agreed to participate, and narrations were captured instantly in the computer. Data collection took place over eight days of August 2011 (8<sup>th</sup> to 12<sup>th</sup> and 15<sup>th</sup> to 17<sup>th</sup>). Each interview lasted for between 30 and 40 minutes, which is generally long for busy and unwilling members of the sample. The respondents did not agree to the use of audio tapes, citing that their voices could incriminate them. They also suspected that in future their SMEs could be followed by the law for some reason.

### Ethical considerations

The ethical aspect is critical in a research study. In the context of research, ethics refers to the suitability of the researcher's behaviour regarding the participants' rights, or the rights of those affected (Saunders *et al.*, 2009:183). It also entails informing the respondents about possibilities about study detriments and benefits where they apply. Research ethics also relates to questions about how the research topic is formulated and clarified, design and data collection, processing and storage (Saunders *et al.*, 2009: 184). Sensitive questions should not be used in a study. Ethics also entails informing the respondents about their right to refuse to participate. Also, adult stable respondents should be used. In enforcing an ethical approach in this research the study took the following measures:

1. It provided the participants with all the information for them to give their informed consent to participate in the research.
2. It assured them confidentiality and anonymity.
3. It stressed that participation in the study was voluntary.
4. It also informed that withdrawal from the study was acceptable without contempt.
5. The study used the local language in the interviews.

### Data analysis

Grounded theory, a qualitative method in which data are scientifically gathered and analysed through the research process (Strauss and Corbin, 1998:12), was used to analyse data for this study. Welman and Kruger (2002:29) explain grounded theory as a method in which the phenomenon of the study focus is first observed and then analytically described to reveal existing relationships and patterns in order to formulate a theory. The two fundamental analytical methods of grounded theory are constant comparison and theoretical sampling (Pidgeon, 1996:78). Constant

comparison requires the researcher to continually shift and compare elements for the duration of the study. On the other hand, theoretical sampling requires continual active analysis of new cases. Practice of theoretical sampling occurs when small, selective observations from all observation are taken (Poletiek, 2001; Proctor and Capaldi, 2006). Percentages were used in the analysis.

#### ***Instrument reliability and data validity***

A research instrument is reliable when measurements observed are consistent; and research data are valid when the instrument has measured what it was intended to measure (Mellville and Goddard, 1996:37). Reliability, according to Hussey and Hussey (1997:57), is when the instrument measures the repetition of the research findings while validity is the extent to which the research findings accurately represent reality. In this study these were achieved through:

1. A pilot study on three SME owners from Pretoria, which is not in the West Rand;
2. A letter that explained the research together with oral explanation; and
3. Probing of answers to obtain clarification, and repeating the responses for the participants to confirm or correct where necessary.

### **Findings**

#### ***Profiles***

A question in the interview guide was asked to determine the SME profiles. Of the 15 SMEs that participated in the study, 11 (73.3%) were not registered in the DTI register while four (26.7%) were registered, 12 (80%) were in their first year of operation, two (13.3%) in their second year while one (6.7) was in its third year. The latter informed that local SMEs that were formed in the same year with them failed in the first seven months of their formation. Through probing, some SMEs indicated that their locations were previously occupied by two to three other SMEs that failed before them. They, however, could not state the exact reasons for failure of their predecessors.

#### ***Client dissatisfaction***

Two (13.3%) of the 15 SMEs indicated that they attempted to initiate methods to satisfy clients. One prepared questionnaires and asked clients to state their impressions about his business while the other stated that she asked the clients to inform her of their needs, what they liked and dislike about her business. They both indicated that they received no useful feedback. The other 13 (86.7%) indicated that they never thought of the idea, but that they were going to consider it if they could survive the year.

#### ***Criminal effects***

All the SMEs indicated that crime in their areas was uncontrollable, and that they knew that flourishing businesses were victims of thieves. Crime caused failure of some businesses in the past. However, they stated that they never experienced any theft because criminals probably knew that they would find nothing since their businesses were not making money.

They also stated that if they were to become successful one day, they were going to invest on tough security for their businesses.

#### ***Employee dissatisfaction***

The SME owners indicated that their employees were not satisfied as indicated by the previous ones leaving their jobs after being scolded several times even when they did not have alternative jobs. They indicated that they as managers made mistakes by thinking that since these employees had no other jobs they would automatically be satisfied by any job, regardless of the way they were treated. As a result employees were abused and not satisfied.

#### ***Inadequacy in inventory control***

Inventory control was applicable in only three of the SMEs. These SMEs indicated that they never thought that there was any business sense in considering inventory control because whatever was needed, ways were there to bring out of stock items to the shop in a short time. However, they could not explain if they ever thought that some clients never returned due to lacking stock or delayed items until their times of need.

#### ***Inadequate location***

All the SMEs indicated that the locations they 'chose' were not by own choice, but by availability after previous businesses had failed.

They stated that it was a struggle for a starting business to choose a desirable location. They pointed out that finding a location could take over two years and by that time, the business would have already failed. Five (33.3%) SMEs stated that their locations were not ideal though fairly useful, six (40%) stated that theirs were causing business failure and four (26.7%) indicated that theirs were ideal for their businesses, but could improve if marketing was improved. These companies indicated that they lacked funds for marketing and business improvement.

### ***Inadequate technology***

All the SME owners did not know if technology was necessary in their businesses. They wanted to know the types of technologies that they could use. They knew that a computer could be used for records, but since they did not need any records but profits, buying a computer was perceived as a factor to reduce profits. Hence, none of them invested in computers or any technology.

### ***Lack of finances to sustain business***

The SME owners indicated that they lacked finances and that there were no funders willing to finance their businesses. They also indicated that they were worried as to how they could sustain their businesses without finances.

### ***Lack of proper training***

The SMEs knew that training staff was necessary for many enterprises. However, they stated that their businesses were small and did not need training as anyone coming to work for the first time would see by themselves how things were done in the business. Even the owners were not trained in business.

### ***Poor customer relations***

The owners did not know how they could measure customer relations. They were then asked how they communicated with customers and all of them could not really remember exact ways of dealing with customers. They also indicated that they could notice bad customer relations as clients did not seem to return for more services.

### ***Poor financial management***

The SME owners informed that they kept no records of finances because there was almost nothing that they made. They stated that they paid wages and bought stock from revenue and did not make profit. They thought that this was enough to justify failure to keep financial records.

### ***Poor infrastructure***

The explanations of the available infrastructure around the SMEs indicated that the roads in the WRDM were

worn-out. Water supply and electricity were also lacking in their businesses. They also lacked phones and the internet for business.

### ***Poor cash-flow management***

The SME owners indicated that it was impossible to do anything formal since all the activities that needed to be financed required *ad hoc* approaches since money came in slowly and demands were higher than available money.

### ***Refusal of intervention***

The SME owners seemed to have had the impression that consultants want money for nothing. Ten (66.7%) stated that they refused consultant intervention because they thought it was money lost while five (33.3%) stated that they considered intervention to be helped by consultants but the consultants were expensive.

### ***Unpreparedness***

The SMEs indicated that forming their SMEs were not based on any plans, but they thought that investing in any business would suffice.

## **DISCUSSION**

Some SMEs interviewed were not registered in the DTI, but agreed to participate on assurance that they would not be revealed to authorities. New SMEs indicated that some SMEs who were formed in the same years as themselves could not survive beyond seven months. They did not know the reasons for the failures.

Evaluation of client dissatisfaction was rare, and where it occurred, it did not lead to positive results. The reason for lack of positive results was not directly stated, but the indication was that the SMEs were inadequate in market research aspects. More of the SMEs were totally not involved in evaluating clients' satisfaction, but the study stimulated their interest in engaging in it in future. They were also doubtful about their future survival.

Crime was identified as a huge cause of failure for some businesses, but that it is not a problem for struggling ones as criminals seem to know where they could get good rewards of their deeds. The SMEs in this study did not invest in security as they were still considering their SMEs as safe from criminals as they lacked what the criminals needed. They stated that they would invest in security measures when they become

wealthy and a market of the criminal forces. Employees of the SMEs were apparently generally dissatisfied since SME owners had the impression that the employees were desperate for jobs.

The SME owners seemed to have thought that they could abuse employees freely, but were surprised by employees leaving them without even other forms of income.

Only few SMEs engaged in inventory control while most did not see a need for it as they either lacked stock, or could delay stock to arrive when needed.

Choosing a business location was a problem for WRDM SMEs, so they took what was available to them. Most locations were inadequate for the SMEs, but it could take two or more years to secure a desirable location. Such wait caused failure of some businesses.

Technology was another element these businesses lacked, or did not have a way to acquire. However, they generally believed that technology was unaffordable or expensive luxury. As a result they had no computers or any business technologies.

The SMEs indicated that they lacked finances and that there were no willing sponsors to help with finances for their businesses.

The SME owners knew that business training was necessary, but believed that it did not matter in their SMEs as they were informal and small. As a result they and their employees were not trained.

The SMEs did not engage in customer relations. However, they detected poor customer relations from failure of clients to return after being served the first time.

According to the respondents, they did not perform proper financial management activities. They kept no record of finances, mainly because they claimed to have not made significant profits. Poor infrastructure was apparently experienced by these SMEs. These included bad roads, lack of adequate running water, and lack of electricity. The SMEs also did not appreciate intervention when their businesses were ailing. They considered money paid to consultants or any outside helpers as wasting funds. As a result they refused outside intervention in their businesses. The SMEs also indicated that establishment of their business were not based on any formal plans, but on the ability to start a business. Thus, no formal plans were engaged to establish their businesses.

## Conclusions

The claim of high failure rate and lack of sustainability of the West Rand SMEs was confirmed by the existing SMEs. Their predecessor SMEs failed at a high rate, and they were also scared that they were not going to survive the year. They already had signs that they were not going

forward, and hoped to become better in generating more revenue. However, the only thing they were conscious about in safeguarding their SMEs was crime, which had not started to bother them as they had no money or assets to be stolen.

Identified common causes of West Rand SME failure are therefore:

1. Criminal activities were cited as causes of some failed SMEs
2. Failure or lack of effort of the SMEs to satisfy their customers/clients
3. Failure to treat their employee in ways that would make them feel valuable
4. Lack of competence in inventory control
5. Lack of technology in the business
6. Lack of finances to sustain business
7. Lack of appropriate training for owners and employees
8. Poor customer relations
9. Poor financial management
10. Undeveloped infrastructure
11. Poor cash-flow management
12. General lack of preparedness in business

The sampled WRDM SMEs seemed to have been affected by almost all possible causes of business failure. The identified problems above could have been identified by management consultants, but these indicated that they did not use consultants for intervention in their business.

## RECOMMENDATIONS

The West Rand SMEs had a short-term worry, which was to save the business for the year into the next year. Short-term problems can be solved by intervention such as the consultants, but using consultants should not be allowed to be a permanent tradition of the company. There are many business colleges in the West Rand that can be visited for short- and long-term relationships, which the SMEs seem not to perceive as possible partners. These SMEs also have the general long-term problem that was caused by the factors indicated in the bullets of section 6. The causes identified are problems that can be offset by acquisition of business skills and knowledge which, once obtained, would make use of consultants unnecessary. The following recommendations are made.

### ***Recommendation for short-term survival***

The study recommends use of external providers such as management consultants for help in aborting the envi-

sage failures of some of the SMEs.

### **Recommendation for long-term survival**

The study recommends to the entrepreneurs:

1. To undergo business skill training before they invest fully on the businesses, and
2. To initiate relationships with local business colleges for several options such as
  - i. Own studies/training;
  - ii. Allow 'internships' (i.e. students of these colleges to do training); and
  - iii. Ask them to do consultant work for intervention (with payments waived or reduced).

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