# THE STRATEGIC ISSUES MANAGEMENT BY SMALL BUSINESSES IN THE MAMELODI METROPOLITAN AREAS

BY

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**SUMMARY**
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## LIST OF ACRONYMS

**EU**    -    European Union

**SA**    -    South Africa

**SIA**    -    Strategic issue analysis approach

**SMME**    -    Small, medium and micro enterprises

**SPSS**    -    Statistical Package for Social Sciences

**UK**    -    United Kingdom

**USA**    -    United States of America

**CHAPTER 1**

**1.      BACKGROUND AND SCOPE OF THE STUDY**

**1.1   Introduction**

The SA economy has since 1994 been faced with challenges of reintegration into the global economy. To achieve the objective of economic growth through competitiveness, employment generation and income redistribution, small businesses have been actively promoted since 1995.

More than 80% of all businesses in South Africa are described as small businesses that contribute about 40% of all economic activity in the country. According to Bowler, Dawood and Page (1996) more than 70 percent of all South Africans are employed in the small business sector. The small business sector is an essential factor in promoting and achieving economic growth and development and the creation of wealth and employment.

A number of critical issues impacting on the future viability of small businesses in South Africa have been raised by community leaders and researchers. These issues have, and are currently still being debated at conferences, publications and public media. The speed of change in the business environment mandates small businesses to use some methods to respond to such changes.

Dutton & Jackson (1987:76) state that the assumption underlying most organizational theory, research and practice is that the short term effectiveness and long-term survival of organizations are determined by the actions they take in response to their external environment. According to Pearce & Robinson (1997:128) small businesses face issues of strategic importance to their future survival and growth. Bigelow, Fahey & Mahon (1993:18) point out that the strategic management of issues is prominent in discussions of organizations response to environment turbulence.

The concept of issues management is gaining the increasing attention of both researchers and practitioners in the field of strategic management (Lozier &

Chittipeddi, 1996:3). Strategic issues are not phenomena found only in large firm's domain (Robinson & Pearce, 1994:128). Wartick & Mahon (1994:293) describe issues management as a process by which a business can identify, evaluate and respond to social and political issues which may impact significantly upon it. The working definition used by King (1982:45) is that a strategic issues is a condition or pressure on the business that involves:

- Possible outcomes that is important to, or of possible high impact on, the business's overall performance.

- Controversy , in that it is likely that reasonable people may take different positions concerning the impact of the issue; and

- Strategic consequences in that various possible outcomes implied by the issue would prescribe that different strategies should be implemented

In general, issues are according to Bigolow, Fahey & Mahon (1993) defined as development that will have an impact on the business performance and ability to meet its objectives. Further, Dutton & Ottensmeyer (1987:356) mentioned the fact that issues are classified as strategic because they can alter the business's performance if left unnoticed or undressed.

## 1.2 Problem statement

Small businesses in South Africa are operating in a rapid changing environment with different issues impacting on their future viability. According to Dutton & Jackson (1997:76), attempts to understand the process through which business decision makers learn about the external environment and implement their responses has been through strategic issues management. The state of knowledge pertinent to strategic issues management of small businesses is woefully inadequate and lacking a rigorous empirical base. For the purpose of the study the problem manifests itself in the following questions:

- What are the issues impacting on the future viability of small businesses in the Mamelodi Metropolitan area?

- What is the possibility role that strategic issues management can play in managing issues impacting on the future viability of small businesses in the area?

## 1.3 Aim of the study

### 1.3.1 Aim of the study

It is to identify issues impacting on the future viability of small businesses in The Mamelodi Metropolitan Area.

### 1.3.2 Objectives of the study

- To convey the concept of issues and strategic issues management.
- To conceptualize issues affecting small businesses in general.
- To provide an overview of the small business sector in the economy.
- To identify issues impacting on the future viability of small businesses in Mamelodi.
- To make suggestions to appropriate parties to alleviate the impact of negative issues on the future viability of small business in Mamelodi.

### 1.3.3 Hypothesis for the study

Ho: There are a number of issues impacting on the future of small businesses in the Mamelodi Area.

## 1.4 Scope of the Study

The study will focus on formal small businesses in Mamelodi - A list was obtained from the Council. It is readily available.

## 1.5 Research design and methodology

### 1.5.1 Literature review

An extensive number of literature references on small businesses and strategic issues management will be consulted.

**1.5.2   Empirical study**

**1.5.2.1 Target population**

It is the small businesses in the Mamelodi Metropolitan Area.

**1.5.2.2   Criteria**

The criteria to identify a small business is to include in the study, is the definition given by Department of Trade and Industry through the Small Business act.   This definition takes into consideration the turnover and number of employees.   How the UK and USA define a small business as these are our major trading partners is also considered.

**1.5.2.3   Selection of sample**

A proportionate stratified random selection of 50 small businesses from the list given by the council. Churchill (1992:495) defines a proportional stratified sample as a sample in which the number of observations in the total sample is allocated among the strata in proportion to the relative number of elements in each stratum in the population.

**1.5.2.4   Measuring instrument**

A questionnaire was used to collect data necessary for this study. A structured response format with both multiple choices and dichotomous questions were used. The questionnaires will be compiled using similar studies.

**1.5.2.5   Statistical analysis**

Descriptive statistical techniques are employed to analyze the data. Because of the complexity of some of the statistical techniques the Statistics Package

for Social Services (SPSS) version will 11>0 for windows was used to compute measures for this study.

### 1.5.3 Summary

The Chapter introduced the background to the study. The problem statement, objectives of the study, scope, research design, statistical analysis and chapter classification were discusses. In the next chapter the nature of small business is discussed.

### 1.6 Chapter classification

**Chapter 1** introduction, background to the study, problem statement, research objectives and scope of study.

**Chapter 2** discussion on the nature of small businesses, the role, importance and problems encountered

**Chapter 3** concept of issues will be discussed, issues management and strategic issue management

**Chapter 4** analysis and interpretation of empirical findings

**Chapter 5** A summary of conclusions reached, recommendations made and suggestions for future research will be discussed.

**CHAPTER TWO**

**2. THE SMALL BUSINESS SECTOR**

**2.1    Introduction**

Before an attempt could be made to deal with the issues impacting on the viability of small business, it is necessary to define small businesses. The role of small businesses in the economy, the concept entrepreneurship, factors affecting the failures of small businesses and the concept informal sector are discussed in this chapter. These will set the stage for the next chapters.

**2.2    Description of a Small Business**

To find an acceptable definition of a small business for the purpose of this study, a number of definitions of a small business are revived in the following sections.  According to Marx, Van Rooyen, Bosch and Reynders (2001:727), an internationally acceptable definition of small business, which includes the size, has not yet been achieved.  Furthermore, different definitions for the term "small business" are used in different countries.

The Small Business Act in the United States of America (USA) describes a small business as one that is independently owned and operated and one that is not dominated in its field of operation.  The Small business Administration is authorized by the above Act, to develop a more detailed definition according to sales volume and the number of employees (Hodgetts and Kuratto, 1998:5).

For a business to be classified as small, the following qualifying factors or features must be considered.  A business must have at least two of the following (Megginson, Bryd and Megginson, 2003:10).

- Management is independent, since the manager owns the business.

- Capital is applied and ownership is held by an individual or a few individuals.

- The area of operations is primarily local, although the market is not necessary local.

The quantitative criteria are stated as follows:

Table 2.1  Quantitative criteria for Small Business in the USA

| TYPE OF BUSINESS | NUMBER OF EMPLOYEES | TURNOVER |
|---|---|---|
| Manufacturing | 250-1500 | |
| Wholesale | - | $9,5 - $22m |
| Retailing | 100 | $2m - $7,5m |
| Service | - | $1,5m - $10m |

Source: Hodgetts and Kuratko (1998:6)

For the purpose of loans, the small business administration uses different size criteria per industry as shown below.

Table 2.2  Different size criteria

| Size | Number of employees |
|---|---|
| Very small | Under 20 employees |
| Small | 20 – 99 |
| Medium | 100 – 499 |
| Large | 500 or more |

Sources: Megginson, Byrd and Megginson (2003:10)

Megginson, Byrd and Megginson (2003:10) distinguish between entrepreneurial ventures and small businesses. An entrepreneurial venture is

one in which the principal objectives are growth and profitability, while innovative strategic practice and/or products characterize them.

In the Report of the Committee of inquiry on small business in the United Kingdom (UK) (Bolton Report, 1971), the following definition has been applied (Deakins and Freel, 2003:37).

- *The employee definition.* Small firms can be classified by maximum number of employees, depending on the nature of capital intensity that varies from one industry sector to another.

- *The turnover definition.* This definition has the advantages of being capable versus different sectors.

- *The characteristic definition.* That small firms are characterized by:

  - They have a small share of the market.
  - Small firms are managed by their owners or part-owners in a personalized manner.
  - They operate independently.

The European Union's definition use the criterion of number of employees (Deakins and Freel, 2003:38).

Table 2.3  The European Union definition

| Number of employees | Size of enterprise |
|---|---|
| 0 – 9 | Micro |
| 12 – 49 | Small |
| 50 – 249 | Medium |

Source: Deakins and Freel (2003:38)

Deakins and Freel (2003:38) further state, that the definitions of small firms are important because of the following factors.

- Policy measures may depend on the small business definition; that is, the government agencies the small business service works only with small business.

- Small firms qualify for additional funding and assistance, so it is important to define them.

- Some European Union structural funds apply only to the small or, medium enterprise sector.

- For research purposes, it is important to have constant and acceptable definitions.

The qualitative criteria refer to variables that cannot be easily measured. It is and also compulsory to use this in terms of South Africa's Small Business Act (Marx 2000:728); these criteria are as follows:

- Independent private ownership and management of business.
- Limited extent of activities.
- Local functioning.
- Simple organizational structure.

A more comprehensive definition of small and medium enterprises in South Africa is, that it is any business with one or more of the following characteristics (Cronje, Du Toit and Motlatla, 2001:495).

- Fewer than 200 employees.
- Annual turnover of less than R5 million.
- Capital assets of less than R2 million.
- The owners are directly involved in management.

The criteria used in South Africa which are not merely extensions, but represent a move in the right direction (Marx et al., 2001:729), are set out in the table below.

Table 2.4  Proposed criteria for Small Business in South Africa

| Sector | Size | Annual Turnover | Total Fixed Assets | Total employees |
|---|---|---|---|---|
| Agriculture, Forestry | Small | Less than R15 million | Less than R3 million | 51 – 100 |
| Fisheries, Communicates | Small | R2.5 million | R0.5 million | 5 – 50 |
| Properties, business service | Micro | R0.5 million | R0.1 million | 1 – 4 |
| Mines, Manufacturing | Medium | Less than R25 million | Less than R5 million | 51 – 100 |
| Gas, Water, Construction | Small | R5 million | R1 million | 1 – 4 |
| Wholesaler, Retail, Housing | Micro | R1.25 million | R0.25 million | 1 – 4 |

Source: Marx et al., (2001:729)

It is evident, that there is no universally applicable and viable definition of small business.  For the purpose of this study, the above definitions and qualitative criteria given by the Small Business Act are used to identify businesses to include the sample.

## 2.3    Role of Small Business in the Economy

Authors such as Marx et al., (2001:720), Megginson et al., (2003:12), Hodgetts & Kuratto (1998:9) and Deakins and Freel (2003:42), stated that the following are the most important contributors, roles or measures for the growth of small business.

- Encourage innovation and flexibility. Small businesses are often the sources of new ideas, materials, processes and services that big businesses are reluctant to provide. They have the ability to be more flexible and to respond to market opportunities. They present opportunities for innovation and are vital for growth in the economy.

- Maintain close relationship with consumers and community. They can do a more specialized individualized job than big businesses can, thereby attracting customers on the basis of specialty products, quality, and personal services, rather than solely on the basis price. They are also important suppliers of specialized intermediate goods.

- Keep larger firms competitive. With the introduction of new products and services, small business encourages competition. This is so, because of the ability to adapt rapidly to consumers' needs.

- Provide employees with comprehensive learning experience. Along with performing a great variety of functions, employees also have more freedom to make decisions, which can lend zest. People, who operate small business, have the opportunity to gain experience, which could be later applied to big business.

- Develop risk-taking. Small business provides the opportunity for risk-taking. The risks attached to small business, develop the typical entrepreneurial characteristics of accepting their risk.

- Generate new employment. Small businesses are important sources of employment and their work-creation rate is higher than that of big businesses. The cost for creating one job opportunity is considerably lower than for big businesses.

- Small business purchases, often revitalizes used capital equipment. This reduces the risk and long-run costs of entry and expansion of the business.

- Many small businesses act as market "shock absorbers" by employing flexible production technologies (emphasizing labour and less-specialized capital goods). They have greater flexibility than have big businesses in the industry, with regard to their production levels.

- Their significant involvement in market entry and exit, helps ensure the mobility of capital resources. For the capital market to be efficient, capital must be free to flow from industries with low rates of return to those with high returns.

- Small business employs less-skilled workers, who have no prior experience and who might have difficult securing employment.

- Because of their size, small businesses are less likely to encounter problems that can arise from the management structure. Such a structure tends to increase the cost of transferring information within business and hence results in a rigid decision-making processes.

- Small business typically has less-involved ownership structure, and the owner is more likely to be directly involved in management. Measured against the rate of return on an owner's interest, small business has shown that they do not have to stand back for the larger business. Larger business control of the decision-maker and employee has lead to losing their close contact.

Further, Botha (1996: 2) identified the following number of reasons for the relevance of the small business sector in South Africa:

➢ **Employment creation**

The strongest rationale behind policies in support of SMME's, is to be found in their relatively superior employment creation capacity. An indication of the important role played by SMME's in regard to keeping vast numbers of people economically occupied, may be found in a number of indicators. The White Paper on SMME development (RSA

1995:81) indicates that more than 7,2 million people are involved in the small business sector, which represented 138% of formal sector employment in 1994 (calculated on the basis of equating the small business sector with the informal sector).

➤ **Provision of a minimum living level**

The debate for stability is far from resolved in relation to the exact contribution that SMME's makes towards the aggregate economic activity; the fact remains, that it provides a livelihood, albeit often a meagre one. In terms of the strong emphasis that the Reconstruction and Development Program (RDP) places on meeting basic human needs, the existence of a vibrant and large SMME sector undoubtedly contributes to the attainment of minimum development goals.

➤ **Affirmative Action**

Researchers in the field of affirmative action in South Africa have pointed out, that the formal sector of the South African economy possesses a limited labor absorption capacity, which would restrict the effectiveness of affirmative action policies in the sphere of reorienting the racial profile of companies' workforces. Excluding the racial issue, the formal economy of SA is in imbalance in terms of big vs. small business; when the government and parastatals are included, big business generates 60% of the economic activity in the formal sector of the economy, leaving small business with 40% (RSA 1995).

In the United States of America, it is reported that, the roles are reversed, where big business accounts for only 20% of economic activity.

In the Far East the disparity is even more pronounced: in Japan it is reported that 90% of the economic activity is generated by SMME's, and that one in six Japanese runs an own business.

South Africa today is facing the competitive disadvantage of this economic imbalance, as we compete on the world stage and face nations whose economies produce products both cheaper and better than ours.

Due to the vastly superior labour/capital ratios encountered in the small Black business sector, policy incentives aimed at inducing an increase in this sector's employment levels, possess the potential to produce rapid results.

## ➢ Entrenchment of free enterprise principles

An expansion of the SMME sector in South Africa, also holds the potential of influencing the view in relation to previously disenfranchised South Africans in regard to the type of institutionalized economic system that should underpin the newly established democracy in the country. Free market countries spend public monies on small business support agencies.  For example, Denmark has a network of small business advice centers offering free counseling to aspirant entrepreneurs, all funded by government and local authorities. Australia has a similar network of local-authority funded "Local Economic Development Agencies".

## ➢ Human creativity

According to renowned historians such as Landes (1991), philosophers such as Novak (1988) and economists such as Schumacher (1974), the existence of a powerful source of economic growth and development is related to the role of human creativity.  Although the human factor outside of the formally defined resources of labour remains a relatively subjective issue in economics, it has been confirmed that approximately half of the growth performance of advanced economies in the modern era is not explained by conventional factors of production.   This so-called "residual"

contribution to growth has been the subject of much research in recent years, and has been attributed, inter-alia, to higher education levels of the labour force, new machine technologies; increased standardization, deregulation; and improved beneficiation of raw materials. A sizeable portion of growth remains unaccounted for and the issue of the human factor has increasingly come to the fore.

In Schumacher's (1974) pioneering work, "small is beautiful", points out that, it is the human factor, and not nature, that constitutes the primary economic resources. The key factor in economic development lies in human creativity and the initiative, invention and constructive activity that occur in free societies. Novak's (1988) fundamental thesis is that the nation's leaders should consider poverty of the citizens at the bottom of society, and their resources, minds and spirits.

As the term entrepreneurship is associated with small business, it is discussed in the following section.

## 2.4  Entrepreneurship and Small Business

Because entrepreneurship is more readily identified and observed in small business, the terms "entrepreneur" and "small businessman" are used synonymously in contemporary literature (Cronje, Du Toit and Motlatla, 2001:495). Megginson, Byrd and Megginson (2003:11) also contend, that it is not easy to distinguish between a small business owner and an entrepreneur, for the distinction hinges on their intentions. The small business owner establishes a business for the sole purpose of furthering personal goals, whereas an entrepreneur, in addition to personal goals, is characterized by innovative behavior. Cronje, Du Toit and Motlatla (2001:495) further state, that it is extremely more important for small business not to be drawn by entrepreneurship, as the entrepreneurial spirit usually observed in small business, is the catalyst for economic development.

Coulter (2003:4) states that, although no single definition exists, entrepreneurship is "the process of creating something different with value by devoting the necessary time effort, assuming the accompanying financial, psychological and social risks, and revising the resulting rewards of monitoring and personal satisfaction."

Nieman (2006:3) define entrepreneurship as a process that causes changes in the economic system through innovations of individuals who respond to opportunities in the market.

As entrepreneurship is brought about by individuals (entrepreneurs), as shown by the definitions above, it is proper to look at who is the entrepreneur (trait approach).

According to Zimmer and Scarborough (2002:4), an entrepreneur is one who creates a new business in the face of risk and uncertainty, for the purpose of achieving profit and growth by identifying opportunity and assembling resources to capitalize on them. Further, studies have identified the following characteristics and profile of entrepreneurs.

- *Desire for responsibility*. An entrepreneur experiences a deep sense of personal responsibility for the outcome of ventures he/she starts. He/she prefer to be in control of his/her resources and uses those resources to achieve self-determination goals.

- *Preference for moderate risk*. Entrepreneurs are not wild risk – takers, but instead, calculated risk – takers. They usually spot opportunities in areas that reflect their knowledge, backgrounds, and experience, which again increases their probability of success.

- *Confidence in the ability to succeed*. They typically have an abundance of confidence in their ability to succeed.

- *Desire for immediate feedback*. They enjoy the challenge of running a business and they like feedback on their performance.

- *High level of energy*. They are more energetic than are average persons. This is a critical factor, given the efforts required to launch short – up firms.

- *Future orientation.* They have a well – defined sense of searching for opportunities.

- *Skill at organizing*. Building a firm from scratch, is like putting together a giant jigsaw puzzle.  An entrepreneur knows how to put the right people together in order to accomplish a task.

- *High degree of commitment*. A successful business strategy requires total commitment from an entrepreneur.

- *Tolerance for ambiguity.* They tend to have a high tolerance for ambiguity, ever-changing situations, and the environment in which they often operate.

- *Flexibility*. This entrepreneur has the ability to adapt to the changing demands of their customers and their business.

- *Tenacity.* Obstacles, obstructions, and defects do not dissuade them from pursuing their visions.

Further, Hirsch and Peters (2002:10) provide the following two different perspectives about an entrepreneur that reinforce the traits given above.

- To an economist, an entrepreneur is one who brings resources, labour, materials, and other their assets into combination, that make their value greater than before, and also is one who introduces changes, innovations, and new criteria.

- To a psychologist, such as a person is driven by certain forces in the hope to obtain or attain something, to experiment, to accomplish, or perhaps to escape the authority of others.

In South Africa only a limited number of people, especially in the so-called previously disadvantaged communities, practise entrepreneurship as successful new entrants into business. This could be attributed to the following (Dhlamini, 1994:17).

- Restrictive regulations, e.g. licensing, zoning, tax structures, and inappropriate health regulations, safety standards and labour regulation, hamper opportunities.

- A problem of access to loan funds. The business infrastructure and services are underdeveloped in certain areas.

- Lack of business knowledge and experience. The present system of education and training is unsuited to provide what is required in the market place.

- A shortage of support services, e.g. information services, practical training and marketing advice.

- The entrepreneur culture, which is built on a belief in individualism, innovation, self-confidence, risk-taking, is as yet poorly developed.

- Structural bottlenecks, complete to unsuitable tax policies, discourage voluntary savings and result in most savings being contractual and merely placed in the hands of institutional investors, which operate within the consideration and duties of the fluency frame-work.

- Lack of business confidence is a result of the sluggish economy and globalization.

In order to identify persons that could be referred to as entrepreneurship, several measures of entrepreneurship personality have been developed. The

most common of which are those based on responses to a series of statements about the attributes being measured. The instruments are developed to test for nAch, (Kirby, 2003:114) and are briefly explained below:

- Rotter (1966) developed an instrument to test for a locus of control that was un-dimensional.

- Levenson (1973) developed a multidimensional scale to assess control over events by self, powerful others and chance.

- Paulhus (1983) developed measures that intended to examine control over others and groups and social and political events, but not entrepreneur activity.

- The Steers and Braunstein (1976) test focuses on work-related activities, while most of the instruments ask respondents questions about general tasks and conceive of nAch as a unitary concept; Tzener and Elizur (1985) conceive nAch as having six separate components.

- The General Enterprising Tendency (GET) test developed by staff at Durham University's business school, is the most useful, comprehensive, accessible, and easy to administrate and utilize. This is a S4–item questionnaire designed to assess five dimensions of personality: Need for achievement (12 items), autonomy (6 items) drive and determination (12 items) and risk-taking (12 items), and Creativity (6 items). Each item is a statement and participants are required to either agree or disagree with it. Each dimension receives a score of 0-12 (0-6 for the Autonomy dimension), with a composite score for the test of 0-54. The first takes about 10 minutes to complete.

Some of the instruments discussed above, are simple to complete, while some are complex and their reliability and validity questionable.

A notable experience of both developed countries has been the rate of failure of small business. The next section explores the concept of business failure.

## 2.5 Small business failure

Business failure is defined by Hodgetts and Kuratko (1998:18) as a halt of operation by the business and a number of reasons have been advanced for such failure.

The following three groups of failure are identified by Marx et al., (2001:732).

- Economic factors which include moderate sales, profitability that is too low, and weak growth prospects.

- Financial factors, which include too high operating costs and insufficient capital.

- Lack of experience, especially in management.

Research by Dun and Bradstreet in the United States of America has shown the following percentage ratio of failure contributed by each factor (Marx et al., 2001:733). Table 2.7 below indicates the results of the research.

Table 2.5    Reasons for the failure of business

| Cause | Percentage of failure |
|-------|-----------------------|
| Economic factors | 45,0 |
| Financial factors | 37,0 |
| Management experience | 12,0 |
| Lack of activity | 3,0 |
| Disasters | 1,0 |
| Fraud | 1,0 |
| Strategic factors | 1,0 |
| Total | 100,0 |

Source:  Marx et al (2001:733)

The table above indicates that economic and financial factors are the major reasons for failure of small business.   Management experience also contributes to the failure of business.

Hodgetts and Kuratto (1998:18) provide the following specific causes of small business failure that are based on a study of businesses that have failed.

- Incompetence, this relates to the owner not knowing how to run a business. This is due to lack of managerial experience.

- Neglect occurs whenever an owner does not pay sufficient attention to the businesses and appoints someone else to manage the business.

- Fraud involves international misrepresentation or deception.

- Disaster refers to unforeseen happenings or an "act of God".

- Failure to a diverse market: Firms lacked information about their customers and as a result, failed to diversify and wound up selling goods to a mere handful of customers.

- Lack of marketing research. Firms undertake major ventures without conducting any prior market research. Changes in market conditions left them in a very poor position.

- Lack of technical competencies.

The concept of the informal sector as it relates to small businesses is discussed in the next sector.

## 2.6  The informal small business sector

During the last decade concerns have been expressed in relation to the mounting employment problem in the developing informal sector. Considerable definitions and conceptual confusion have undermined the debate about the usefulness of this sector; the literature reveals, that the informal sector has been defined in different ways, leading to substantial confusion (De Beyer and Maasdorp, 1983).

The informal sector first appeared in the economic development theory in the work undertaken by the International Labour Organization (ILO), with the launch of the world Employment Program in the 1970's.

Keith Hart (1973), in his paper "Informal Income opportunities and the structure of urban Employment in Ghana" presented at the University of Sussex, Britain, in 1971, was the first to use the term, although it was the ILO report on Kenya ILO (1972), which launched and popularised the concept. The report highlighted the fact that depopulation and resultant urban growth did not increase unemployment but rather the development of small-scale enterprises.

Several types of definitions have been given to the concept, which may be linked to specific views or identifiable schools of thought (Charmes, 1990:13). Hart (1973:2) described this informal sector as an un-enumerated, unorganized sector characterized by self-employment.

The best known definition of the informal sector is that posed by the ILO report on Kenya, which includes seven criteria namely, -

- ease of entry,
- unregulated and competitive markets,
- reliance on indigenous resources,
- family ownership of the enterprise,
- small scale operations,
- labour intensive and adapted technology, and
- skills acquired outside the formal school system.

A definition almost identical to that used by the ILO, is provided by Hirschowitz (1991:1) in the Human Science Research Council Study, which described the informal sector as being characterized by at least two of the following features.

- Smallness as measured by the number of employees;
- Absence of officially recognized business premises;
- Lack of official registration of business;
- Lack of official records of business;
- Lack of easy access to resources.

The multi-criteria definition are, according to Charmes (1990:13), generally inspired by the classical theory of competition (autonomy, and fluidity of the product market and factors of production) and view the informal sector as an illustration of the market economy, but segmented, i.e. not linked to the formal markets. Further, that while all of these criteria come together to define a competitive market, some of them are relatively complex and cannot be reduced to simple observation.

The estimates of the size of the informal sector, vary from study to study and from country to country, in part due to the use of different definitions and measures (Thornton, 2000:2). Further, it is impossible to accurately estimate the extent of the activities of the informal sector accurately (Swanepoel and van Zyl 2000:142).

The number of people who participate in the South African informal sector, is unknown (Perbedy 2000:3). Rogerson (2000:2) states, that in Gauteng, which is South Africa's most economically impartial region, that of the population of 7.5 million people in 1998, at least 1.2 million people were active in the informal sector.

The following broad estimates from research findings give some indication of the situation in the informal sector (Swanepoel and van Zyl, 2000:142).

- About 1.7 million people in S.A. are involved in the informal sector activities, of whom 55% are involved in trading and hawking 23% in production and construction, 16% in services and 6% in illegal activities.

- During 1989 the Central Statistical Services estimated the value of the activities of the informal sector at R16 000 million.

- The activities of the informal sector occur throughout the country.

According to Botha (1996:3), the influence of the informal sector as a generation of economic output, remains unresolved, and researchers are constantly attempting to gauge its size in terms of real output levels.

## 2.7 Relationship of the informal sector to the formal sector

There is both a direct and an indirect relationship between the formal and the informal sectors. The registered and unregistered sectors of the national economy are interdependent. The informal sector is linked to the agricultural sector, because it allows the surplus labour from the agricultural sector to move to the informal sector. It is also very closely linked to the formal sector of the city: the formal sector depends on the cheap inputs and products of the informal sector for its workers, and the informal sector in turn depends on the growth in the formal sector, in order for it to gain a share of its income and also customers.

A sound case can be made to prove that the informal sector subsidizes the formal sector by providing cheap raw materials and basic products for its workers at artificially low prices, simply because the formal sector enjoys economic power and, often, government sanctions. The informal sector provides opportunities of earning an income to the poor. However, the question remains: how far is the informal sector merely a temporary refuge for those waiting for an opportunity to enter the formal sector? Is the informal sector simply an intermediate phase, or does it exist in its own right on a permanent footing? As long as there is no other solution to the extensive unemployment in society, the informal sector must be accepted as a permanent feature, which serves as an essential complement to the formal sector. One activity in the informal sector, which has been established on a fairly permanent footing, is the minibus taxi industry. It is estimated, that annual purchases by taxi owners from the formal sector are as follows:

- a total of 800 million litres of petrol,
- a total of 3,5 million litres of engine oil, and
- on motor spares worth R800 million.

The link between the formal and informal sectors exists in both the production and distribution processes. This growth-related association also exists in other countries between large and small businesses, registered and

unregistered transactions, and formal and informal economic contacts. In South Africa it will be expanded even further in the future, especially as large businesses in the formal sector make use of smaller informal businesses via subcontracting.

Although this is not always the primary purpose, the informal sector often provides a useful training opportunity for entrepreneurs. Forced by a lack of job opportunities, many people begin to do something about their situation on their own. They begin by experimenting on a small scale in the informal sector, with a variety of economic activities. Many achieve success and soon become full-fledged entrepreneurs in the formal sector.

## 2.8 Summary

The definition of the small businesses studied, describes a small business according to economic standards and statistical guidelines that differ from country to country. The definition of the small business adopted in the study, states that a small business should have one of the following characteristics; it should have fewer that 200 employees, its annual turnover should be less than R5 million, it should have a capital of less than R2 million, and the owner should be directly involved in the management. This definition will be used when determining the population.

The roles of the small businesses in the economy have been identified. In defining the concept "entrepreneurship", researchers have followed either the traits-related or behavioral-related approach. A number of common themes have been identified in the definition of the concept, and these are: the role that entrepreneurs play, innovation, organizational creation, process of creating value, growth and the assumption of risk. A number of measures, which are based on the responses to a series of statements towards attributes being measured, have been developed to assess entrepreneurial personality. This supports the value of the study.

Economic financial factors and the lack of managerial experience, have been identified as factors that contribute to businesses failure. Other factors are neglect, fraud, disaster, lack of marketing research and the lack of technical competencies.  Issues discussed will contribute to the contents of the questionnaire.

The informal sector is described as an un-enumerated, unorganised sphere and consists of activities that are conducted outside of the mainstream of the economy. The estimated size of the informal sector may vary from study to study and from country to country, partly due to the use of different definitions and measures.  It is therefore necessary that the population for the study is correctly demarcated.

In the next chapter, the concept issues and issues management is discussed in detail.

**CHAPTER 3**

**3.    ISSUES MANAGEMENT**

**3.1    Introduction**

In the previous chapter the concept of small business and the advantages of small business was discussed.  This chapter commences with the concept issues and continues with the discussion of issues management.   The business environment as it relates to issues management will also be reviewed.

**3.2    The concept of issues**

A seminar discussion by Brown (1979:1) describes an issue on a condition or pressure, either internally or externally to a business that, if it continues, will have a significant effect on the functioning of the business or its future interests.

According to Carroll (1993:578) an issue may be thought of as a matter that is in dispute between two or more partners.  The dispute evokes a debate or controversy that needs to be resolved.  Further, that at some point the business needs to make a decision on the unresolved matter, and a feature of issues is that they are ongoing and therefore require on ongoing response.

Brown (1979;1) identified three stages of development of issues.

➢ *Emerging issues*
   Emerging issues are these issues where definition is still evolving and of which regulation or legislation is likely to mature in times from one and a three years in the future. Coates et al (1986:19) states that emerging issues are those that lack a clear definition, and which decision makers may not be aware of, which deal with matters of conflicting values and interest, and which export knowledge may be able to resolve.

➢ *Current issues*

Current issues are issues that are progressing towards resolution. They could already be in a legislation or regulatory phase. They are fully emerged, current, operational issues handled by functional departments under existing business policies and strategies (Ewing, 1987:51).

➢ *Unfolding issues*

Theron (1994:7) argued that the term issues can be viewed in the context of impact and time. That certain current issues, although resolved in terms of their stages of development could still be unresolved in terms of future impact on the business and could therefore again unfold as new issues.

Dutton and Ottensmeyer (1987:355) refer to strategic issues as development or trends that emerge from a business' internal or external environment, and are perceived to have the potential to affect a business performance.

Furthermore, two types of strategic issues are identified by Dutton and Ottensmeyer (1987:356):

- Those originating inside the business such as, decline in employee satisfaction, development of new technology by the research and development. Such issues are strategic because they can alter the business' performance if left unnoticed or unaddressed. Internal issues are often triggered by deviations in the business' performance from targeted performances.

- External strategic issues emanate from sources outside the business' boundary. These could be competitions actions, political unrest, changes in regulatory rules.

A working definition of strategic issues used by King (1982:45) is a condition or pressure on the business that involves:

- Possible outcomes that are important to, or of possible high impact on the business' overall performances.

- Controversy, in that it is likely that if reasonable people may take different positions concerning the impact of the issue, and

- Strategic consequences, in that the various possible outcomes implied by the issue would prescribe that different strategies should be implemented.

King (1982:145) further identified four ways in which the business can deal with strategic issues.

- Firstly, they may simply be resolved by an individual or group in authority or recognized to be expert in the area.

- Secondly, at the other extreme of dealing with strategic issues in the case in which an issue is formally modeled. A formal predictive model might be developed to predict the likelihood of a major change. Since the important strategic issues facing the business are dynamic in nature, and since such models are inherently time-consuming and expensive to develop, this may be practical only for those issues that the business repeatedly faces.

- Thirdly, the "issue staff study" is a method in which an issue is posed and is planning staff sets about to collect data and conduct analyses to resolve the issues, and

- Fourthly, the approach to resolving strategic issues has elements of each of the first three above, yet it is different from each of them. The strategic issues analysis (SIA) approach involves, the application of judgement, the use of models, and data collection. This approach avoids the narrow scope judgement, much of the costs and time involved in developing models, and the important role of staff analysis in rendering business judgements for which they may not be best qualified.

Wartick and Mahon (1994:300) stated that any version of the issue life cycle posits that, with time, issues move through stages rotated to public attention or stakeholders interest as shown in figure 3.1 below.

Figure 3.1  The issues life cycle



A =   The issue reemerges because the resolution is not satisfactory or new issues emerge from the resolution.

B =   The issue is satisfactory resolved as long as a resolution mechanism remains in place.

C =   The issue dies because of further social, economic, political, or technological change.

Source:  Wartick and Mahon ( 1994:301)

In the next section the concept of issues management is explored.

## 3.3    Issues management

The concept of issues management will be discussed in terms of its historical overview, issues management definition, the issues management process, approaches to issues management.

### 3.3.1  Historical overview

Almost all of business planning, until the said 1970's was primarily structured around the belief of senior managers, that the only planning they had to concerned with, was the internal planning of their own business future.  They mistakenly believed that businesses had absolute power over their own futures, as long as they could excel competitively.

After world war II, businesses became aware of the fact that they were not only imbedded in the economic environment, but in the larger, socio-economic environment.  This environment composed of an educated public and public advocates that began to challenge the purpose of the business.  The public began to examine business behavior, social responsibility and business citizenship.  This lead to the equal power of control of the public over businesses and their viabilities.  In response to this managers developed "environmental analysis" as a management technique (Theron, 1994:22).

Theron (1994:23) further stated that Chase and associate Jones in 1984 provided executives and other public relations professionals with a basic management process, which they called issues management.  Chase is therefore acknowledged as the father of issues management.

### 3.3.2  Issues management defined

Carrol (1993:575) refers to issues management as a process by which businesses identity issues in the business environment, analyse and prioritise these issues in terms of their relevance to the business, plan responses to

these issues, and then evaluate and monitor results.   Bartel and Martin (1991:127) define issues management as the processes of identifying emerging social issues of relevance to the business, analyzing their potential impact and preparing an effective response.

Theron (1994:24) points out that the definitions of issues management allow issues management to the viewed as:

- A problem solving process of planning, leading, organizing and control.

- A means of identifying, classifying and prioritizing the potential impact of issues affecting the survival and growth of the businesses.

-  A plan to formulate, implement and manages effective responses to issues in a proactive manner.

### 3.3.3  Approaches to issues management

According to Carroll (1993:576) issues management has been thought of in two ways.

- Narrowly, in which public issues as the primary focus, and

- Broadly, in which strategic issues and the strategic management process are the focus.

Liam Fahey in 1986 provided a useful method of sorting the two approaches to issues management (Carrol, 1993:556)

➢ *The conventional approach has the following characteristics.*

- Issue fall within the domain of public policy or public management.
- Issues typically have a public policy, or public orientation or favour.

- An issue is any trend, event, controversy or public policy development that might affect the business.

- Issues originate in social, political, regulatory or judicial environment.

➢ *The strategic management approach to issues management has evolved in a small number of businesses and is typified by the following*

- Issues management is typically the responsibility of senior line management or strategic planning staff.

- Issues identification is more important have then in the other approach.

- Issues management is seen as on approach to anticipate and manage external and internal challenges to the business strategy, plans, and assumptions

The strategic approach is portrayed by figure 3.2 on the next page.
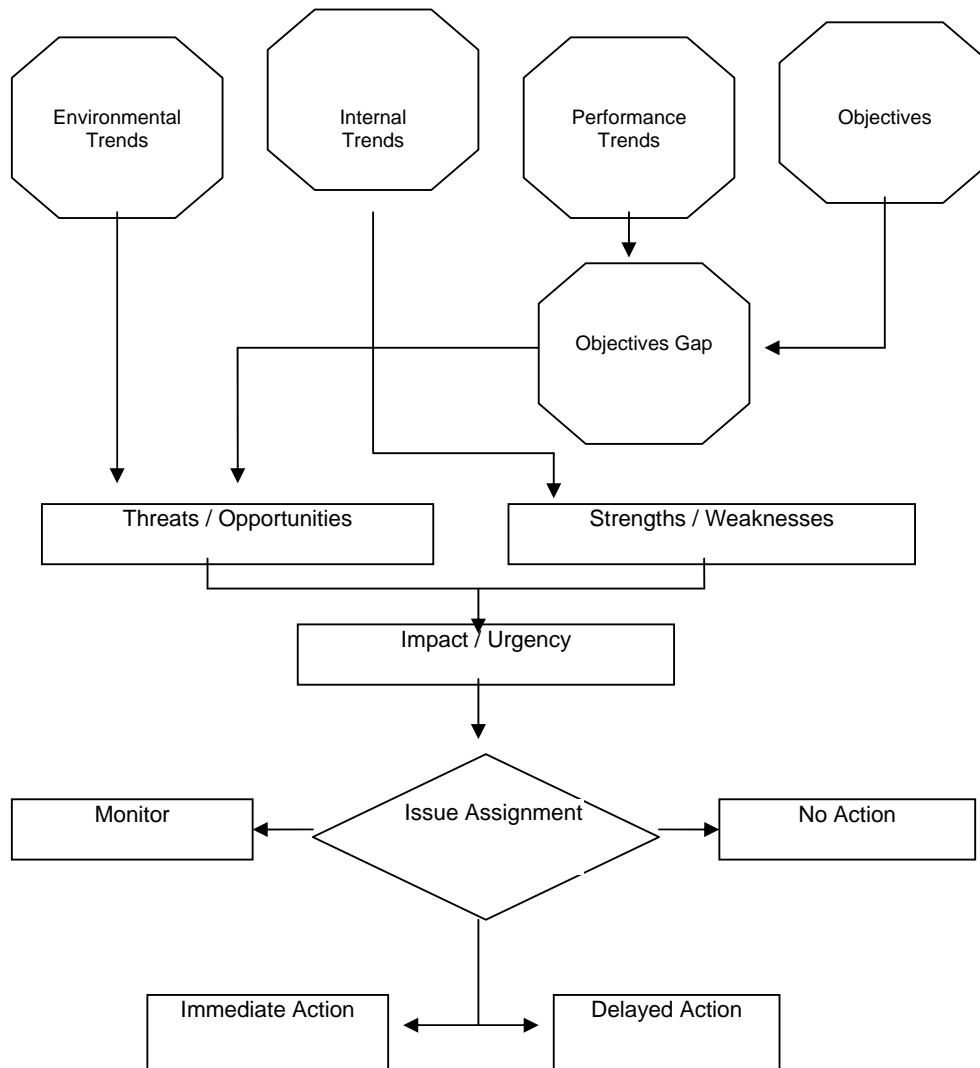
### 3.3.4  The issues management process

A number of authors define issues management process as a set of organizational procedures, routines, and processes devoted to perceiving, analyzing, and responding to strategic issues (Theron, 1994:37).

The father of issues management, Chase as pointed out in section 3.3.1, and Jones developed, in 1984 on issues management model, based  on the assumption that no business can simultaneously manager every issue. Businesses need to develop procedures for identifying, sorting and prioritizing issues of primary concern to their operations.  The five steps in Chase Jones models are as follows:

- *Issues identification*:  of specific issue.

- *Issues analysis*:  results in judgement and priority setting.

- *Issues* strategy options:  development of strategies.

- *Action program:* executing of plan by managers.

- *Evaluation of results*:  degree of success assessed.

Figure 3.2:  Strategic Issue Management



Source:

Carrol (1993:581)'s issues management process as indicated in figure 3.3 contains the planning aspects (identification, analysis, ranking, formulating

response) and implementation aspects (implementing response, evaluating, monitoring and controlling).

Figure:  3.3 The issues management process

**Identification of Issues**

**Analysis of Issues**

**Ranking and Prioritizing**

**Formulating Issue Response**

**Implementing Issue Response**

**Evaluating Results, Monitoring, and Controlling**

Sources:  Carrol (1993: 583)

➢    *Identification of issues*

Terms such as "social forecasting", future's research, "environmental scanning" and "public issues scanning" have used to describe issues identification. Common to all these terms is the need to scan the environment and to identify emerging issues that might later be determined to have some relevance to the business.

➢ *Analysis of issues*

To analyses means, to carefully study, dissect, break down, group, or engage in any specific process that helps understand the nature or characteristics of the issue better. Analysis requires that you look beyond the obvious manifestation of the issues and strives to learn more of its history, development, current nature, and potentially for future relevance to the business. A series of questions are asked:

- Who are the stakeholders affected by the issues?
- Who has an interest in the issue?
- Who is in position to expect influence on the issue?
- Who has expressed on opinion on the issue?
- Who started the ball rolling? - historical view.
- Who is now involved? - contemporary view.
- Who will get involved? - future view

Answers to this questions results in better position to rank or prioritize issues.

➢ *Ranking or prioritizing issues*

This stage may range from a simple grouping of issues of urgency to a more elaborate or sophisticated scoring system. Two grouping techniques are used.
- Categorizing issue into three classifications

(I) High priority – his wall informed on these.

(II)    Know – interesting but not critical.

(III)   Questionable – not issue if they are issues unless something happens.

-       The sophisticated approach which use probability impact matrix requiring the assessment of the probability of occurrence of the issue (high, medium high) on one dimension with assessment of the impact on the businesses, on the other hand.  Figure 3.4 illustrates this below.

Figure 3.4:  A probability – Impact matrix

High ——————— Impact on the Company ——————— Low

Probability of Occurrence

High

Low
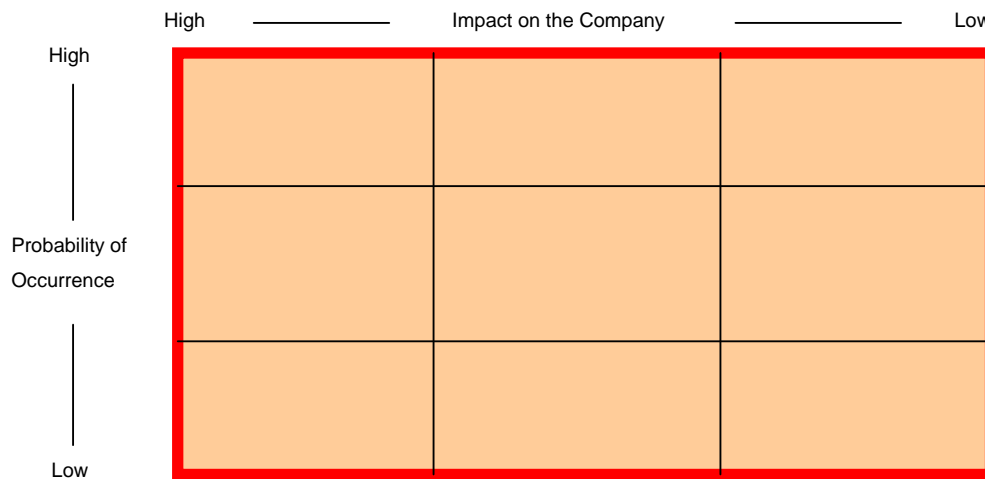
Source:  Carrol (1993:586)

➢       *Formulating and implementing responses.*

Formulating refers to the response design process.  The analysis conducted identifies options that might be pursued in dealing with issues in making decisions on these options and implementing them. Strategy formation refers not only to the content of what the business intends to do but to the overall strategy of aggressiveness in pursing that strategy.  Aspects that need to be addressed in the implementation

process includes the clarity of the plan itself, resource need for implementation, top management support, organizational structures, technical competence and timing .

➢ *Evaluating, monitoring and controlling.*

The focus on his stage is to continually evaluate the results of the business response to the issue and to ensure that actions are kept on track, and in particular the response of stakeholders' opinions. The information gathered in this stage is fed back to the earlier stages in the process so that changes or adjustments might be made as needed. Evaluation information may be useful at each stage in the process.
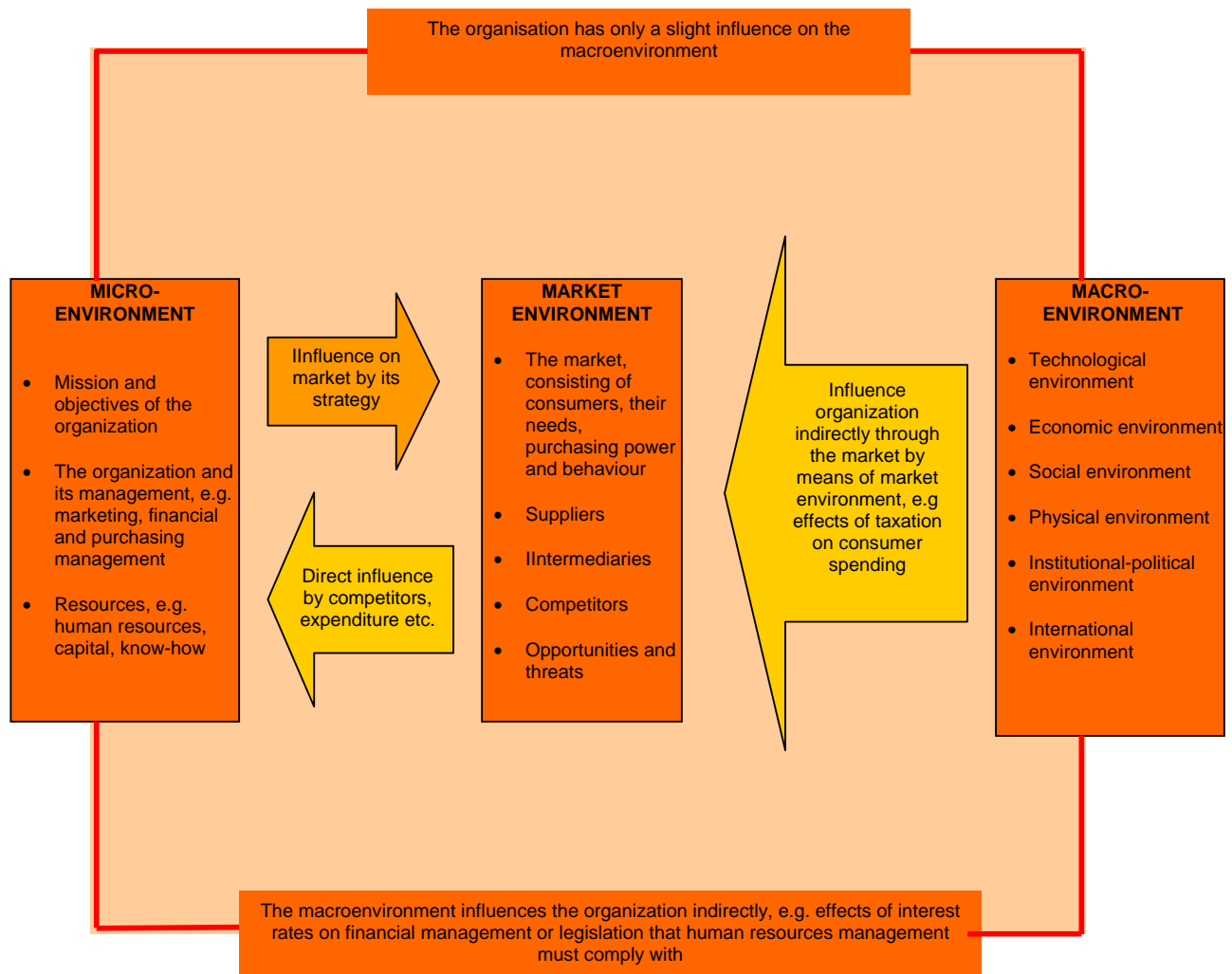
### 3.3.5  The business environment

In the previous sections it was noted that issues are developments or trends that emerge from a business internal and external environment. In this section the business environment is explored.

### 3.3.5.1  Business environment defined

Le Roux et al (1999:37) define the business environment as the sum of all factors or variables that influences the establishment, growth and continued existences either positively and or negatively. The environment can either assist or hinder the business in achieving its objectives.

Cronje, et al (2001:60), points out that, the business environment refers to the external factors that impact on the business and largely determines its success. Cronje et al (2001:61) provides an interesting visual model of the interaction between a business and its environment. Figure 3.5 shows the composition of such a model

Figure 3.5:  The business environment

The organisation has only a slight influence on the macroenvironment

**MICRO-ENVIRONMENT**

- Mission and objectives of the organization

- The organization and its management, e.g. marketing, financial and purchasing management

- Resources, e.g. human resources, capital, know-how

IInfluence on market by its strategy

Direct influence by competitors, expenditure etc.

**MARKET ENVIRONMENT**

- The market, consisting of consumers, their needs, purchasing power and behaviour

- Suppliers

- IIntermediaries

- Competitors

- Opportunities and threats

Influence organization indirectly through the market by means of market environment, e.g effects of taxation on consumer spending

**MACRO-ENVIRONMENT**

- Technological environment

- Economic environment

- Social environment

- Physical environment

- Institutional-political environment

- International environment

The macroenvironment influences the organization indirectly, e.g. effects of interest rates on financial management or legislation that human resources management must comply with

Source:  Cronje et al (2001:61)

According to the model presented above the business environment consists of the following:

- The microenvironment which consists of the business itself, over which management has complete control.

- The market environment is encountered immediately outside the business.  Management has no control over the components of

the market environment, although the variable concern can be influenced through its strategy.

- The macroenvironment outside the business and market environment consists of six distinct subenvironments, which will be discussed in the next sections.

**3.3.5.2    Characteristics of the business environment**

Authors such as Cronje et al (2001:63), Le Roux et al (1999:39), and Nieman and Bennett (2002:27), identified the following characteristics of the business environment.

- Environment factors or variable are interrelated. Changes in one of the external factors may cause a change in the microenvironment or internal factors.

- Increasing instability.    One of the consequences of interdependences in the environment in the increasing instability and change.

- Environmental uncertainty.    This is a function of the amount of information about environment variables and of the confidences that management has such information.

- Complexity.    This indicates the number of external variable to which the business has react to, as well as variations in the variables.

- The business environment changes continuously. Factors that influence the enterprise today will not necessarily have the same influence tomorrow.

- The enterprise must be in step with the changing environment.    In the last few years, environmental

pressure have emphasised the protection of the ozone layer. This has resulted in enterprises having to adapt their products accordingly.

- There are both opportunities and threats in the business environment. Opportunities and threats arise as a result of events in the environment and they influence the functioning of the enterprise.

- The establishment, growth and continued existence of the enterprise are directly influenced by the business environment. If an enterprise does not monitor the variables in the business environment that affect it, it may no longer be able to compete in the market place.

- The business environment influences the future of the enterprise. Apart from being aware of how the enterprise is currently affected by the business environment, the management of the enterprise should also consider how conditions may change in the future and make adjustments accordingly.

### 3.3.5.3 The Microenviroment

Le Roux et al (1999:41) define the micro-environment as the sum of all the factors and variables which occur internally in the enterprise. It is influenced directly or indirectly by the decisions of the business management. The factors and variables have a fundamental influences in the establishment, growth and continued existing of the business.

Cronje et al (2001:62) state that the decisions made by management will influence the microenvironment. The variables in the microenvironment consist of the following (Le Roux, et al, 1999:42)

-       Mission statement and objectives of the business:  This is
        what the enterprise hopes t achieve and how it plans to
        achieve.  The mission statement and objectives of the
        business must correspond with the demands of the external
        environment.

-       The business functions:    These include the following
        divisions:   general management, production management,
        purchasing   management, marketing management, financial
        management, administrative management, human resources
        management and public relations.

-       The production factors of the business:  These are resources
        that are available to an business.  The production factors or
        resources include labour, raw materials (natural resources
        such as minerals, timber and water), capital and
        entrepreneurship.  With these resources, the business must
        use opportunities or ward off threats in the external
        environment.  A lack of capital may constitute a threat to the
        business because, unlike its competitors, the enterprise is
        placed in a weaker position in the market.

### 3.5.5.4 The market environment

Le Roux et al (1999:44) defines the market environment or the sum of all the factors and/or variables which exist externally and which can positively or negatively influence the growth and existence of the enterprise.

The market environment is surrounded by the macro-environment. The enterprise's management has little or no influence on the market environment although it is possible for the business to influence he market on occasion. The market environment does not therefore exist in isolation but is influenced by both the micro-and-macro-environments

The market environment is also influenced by the macro-environment. The variables in the market environment, and the emphasis on certain variables at specific times, differ from enterprise to enterprise. However, the branch of industry in which the enterprise functions dictates, to a large extent, the influence the market variables will have on the business activities of an enterprise. Three variables are peculiar to the market environment. These are the market, the competition and the suppliers of resources and services.

### 3.5.5.4.1 The market

'Market' here refers to the consumer and his or her needs in an abstract sense rather than in the sense of the physical market place. The business manufacturers or buys products and/or provides services to sell to consumers who are not only to individual consumers, but also to other business and institutions. However, before a consumer can become active in the market, he or she must have financial means (money). These financial means are from the point of view of the business, the market includes all

individuals, groups or institutions that have specific needs for goods and services and who are prepared to use the available financial means to acquire them.

A number of different markets are identified (Le Roux, 1999:46):

> *The consumer market*
   In this market, goods and services are purchased and used for the manufacture of products or the provision of services to end-consumers.

> *The resale market*
   In this market, manufactured goods are purchased by enterprises with the sole purpose of reselling them to individuals or other enterprises at a profit.

> *The international market*
   International markets exist outside the borders of a country. They are foreign consumers, manufacturers, retailers and authorities.

> *The government market*
   This refers to the goods and services that are purchased by various government authorities which need to provide certain services and carry out certain activities. They include purchases made by the central government as well as the local, metropolitan and provincial authorities.

## 3.6  Summary

The concept issues is defined as pressure, either internally or externally to a business that affect its functioning. Three stages of issues development have been identified. Two types of strategic issues were also discussed in this chapter. Four ways of dealing with strategic issues been identified.

Issues management is referred to as a process by which business identify issues in the business environment, analyse and prioritise these issues in terms of their relevance to the business, and plan responses to these issues. The five steps of issues management as suggested by the Chases-Jones models were discussed.

The business environment is defined as the sum total of factors or varieties that influence the establishment, growth and continued existence of businesses. The characteristics of the business environment were also discussed. The business environment is divided into micro, market and macro environment.

In the next chapter the empirical results are presented and research methodology is discussed.

**CHAPTER 4**

**4. ANALYSIS OF RESULTS**

**4.1    Introduction**

In the previous chapters, the concepts small business, issues, and issues management were discussed using an intensive and comprehensive literature study. The purpose of this chapter, is to provide a detailed insight and understanding of research methodology used during the study. The empirical research results will also be reported. To better understand the concept research methodology it is better to deconstruct it into its different components, that is, research and methodology. Welman & Kruger (2001:2) states that research is the process in which scientific methods are used to expand knowledge in a particular field. Miller & Brewer (2003:1) define research as a process of generating research prepositions or hypothesis from abstract theory and concepts that are then tested by empirical observations.

Hart (1998:13) is of the opinion that methodology is the ability to show the appropriateness of the techniques used to gather data and the methodological approaches employed. The scope of research methodology is wider than that of research methods (which in turn is wider than the scope of research techniques), which form part of research methodology (where the logic of behind the methods that are used are considered and explained), Welman and Kruger (2001:2).

**4.2    Research Design**

According to Terblanche & Durrheim (1999:29) research design is a strategic framework for action that serves as a bridge between research questions and the execution or implementation of the research. It provides a plan that specify how research is going to be executed in such a way that it answers the research questions.

In developing a research design, a series of decisions, along with four dimensions must be made (Terblanche & Durrheim, 1999:33);

-    the purpose of the research

-    the theoretical paradigm informing the research

-    the context or situation within which research is carried out

-    the research techniques employed to collect and analyse data.

Following on the principles discussed above, the research problem, objectives of study, data collection methods and data analysis methods are discussed.

## 4.3    The Research Problem

The state of knowledge pertinent to strategic issues management of small businesses is woefully inadequate and lacking a rigorous empirical base. For the purpose of the study the problem manifests itself in the following questions:

-   What are the issues impacting on the future viability of small businesses in the Mamelodi Metropolitan area?

## 4.4    Aims of the Study

It is to identify issues impacting on the future viability of small businesses in The Mamelodi Metropolitan Area.

### 4.4.1   Objectives of the study

-   To convey the concept of issues and strategic issues management.
-   To conceptualize issues affecting small businesses in general.
-   To provide an overview of the small business sector in the economy.
-   To identify issues impacting on the future viability of small businesses in Mamelodi.
-   To make suggestions to appropriate parties to alleviate the impact of negative issues on the future viability of small business in Mamelodi.

### 4.4.2 Hypothesis of the study

Ho:    There are a number of issues impacting on the future viability of small businesses in the Mamelodi Area

### 4.5    Scope of Study

The study focused on formal small businesses in Mamelodi - A list was obtained from the Council. It is readily available.

### 4.6    Sampling Design

The sampling design process consists of the following five steps that are closely interrelated and relevant to all aspects of research (Malhotra, 2004:315).

### 4.6.1  Target Population

Malhotra (2004:315) describe a target population as the collection of elements or objects that possess the information sought by the researcher and about which inferences are to be made.  It is defined in terms of elements, sampling units, extent and time.  Where an element is the object about which or from which the information is desired, a sampling unit is an element, or a unit containing the element that is available for selection at some stage of the sampling process. Singleton (1988:135) states that the two defining characteristics that are always implicitly or explicitly part of target population are its geographic and time referents

The target population in this research is the small businesses in the Mamelodi area.

### 4.6.2  The sampling frame

A sampling frame consists of a list or set of direction for identifying the target population.  It is a representation of the elements of target population, (Malhotra,

2004:316). Each unit of the analysis is mentioned once on the list (Welman & Kruger, 2001:47).

A list of all formal small businesses in Mamelodi was obtained from the local municipality.

## 4.6.3  The sample size

Sample size refers to the number of elements to be included in the study. It is a complex exercise to determine a sample size and involves several qualitative and quantitative considerations, (Malhotra, 2004:318).

De vos, Strydom, Fouché & Delport (2002:199) state the following with regard to sample sizes:

- that the larger the population, the smaller the percentage of that population the sample needs to be.

- larger sample enables researchers to draw more representative and more accurate prediction than in smaller samples, although this is costly.

- by increasing sample, smaller and smaller effects will be found to be statistically significant.

Singleton, (1988:158) mentions the following factors that influence the size of the sample.

- The heterogeneity of the population
- The desired degree of accuracy
- The type of sample
- The available resources
- The number of variables in which data are grouped.

A sample size of 50 small businesses were selected from the list obtained from Council.

### 4.6.4  Data collection and measuring instrument

Data is the basic material with which researchers work and comes from observations, and can take the form of numbers (numeric or quantitative data) or language (qualitative data).  To draw valid conclusions from a research study, it is essential that there must be sound data to analyse and interpret (Terblanche & Durrheim, 1999:45).

A questionnaire is, according to McMillan & Schumacher (1993:239) one of many ways used to obtain data that a researcher chooses.  Parasuraman (1991:36) defines a questionnaire as a set of questions designed to generate the data necessary for accomplishing a research project's objectives.  The evaluation of questions being asked can be achieved by asking the following questions (Orna & Stevens, 1995:21);

- Are the questions really necessary in view of the objectives for the particular study?

- Will be respondents be willing and able to provide adequate information on the subject?

- Do the questions cover the content area for which these were designed?

- What does the research questionnaire seek to find out?

What limits must be set to the breadth and depth of the particular questions asked?

When the above questions have been addressed, the following type of questions could according to Bennett (1997:42) be used in a questionnaire:

- Open-ended questions, which require the respondents to provide their own personnel opinions and answers to the questions.

- Multiple-choice questions, which require the respondent to choose an answer or alternative answer from a list provided within the questionnaire.

- Dichotomous questions, which are the opposite from multiple choice questions and which allow the respondent only one or two responses, such as "Yes" or "No".

- A standard five point Lickert Scale, which is used in most questions, in under to ensure consistency and which is also easy to complete by the relevant respondent.

- A nominal scale, which is used for questions relating to demographics that can be completed by the respondent by means of multiple-choice form.

Tuckman (1994:230) states that questionnaires are used by researchers to directly convert the information provided by people/respondents into data. In this instance, the questionnaire is appropriate to gather data for this research, in that it aims to represent factual data about the use of the services by SME's provided by the local service centers.

The questionnaire was seen as being cost-effective because it would be easy to distribute and collect.

The use of questionnaire in this research is based on the following assumptions:

- Respondents can read and understand the questions.

- Respondents are presumably willing to answer the questions.

- Respondents are in a position to supply the information to answer the questions, and especially in view of the presumed willingness to find out what the use of services are and on possibly improving their businesses by making use of the services provided.

Despite its usefulness, the questionnaire has some limitations (Ary, et al., 1990:421; Best & Kahn, 1993:230; Fraenkel & Wallen, 1990:336).

- The motivation of respondents may be difficult to check, which could lead to misleading responses.

- A low response rate is the biggest common limitation of the questionnaire. This will affect the validity of the results.

- Questionnaires can frustrate respondents who may feel that their personal options are left out.

- Respondents may be unwilling to respond to questions bordering on private matters or controversial issues and consequently give answers of what they believe to be socially desirable responses.

- The length of the questionnaires may lead to careless or inaccurate responses and may result in low return rates.

- Questions may not probe deep enough to reveal a true picture of opinions and feelings.

- Little can be done to rectify a misinterpreted question.

- Because of its apparent simplicity, a questionnaire might appeal to the amateur investigator and may be abused.

- The respondents may have little interest in a particular problem and therefore, may answer the questionnaire indiscriminally.

To address the last remarks, the researcher conducted a pilot study. In order to ensure a good response rate the researcher did not mail the questionnaires due to the generally poor return received from mailed responses, but delivered the

questionnaires personally and appealed to the respondents to please fill it out. The researcher also personally collected the questionnaires back from the respondents. Despite this, a small percentage of respondents did not co-operate. This percentage is low and after careful consideration, it was decided that this will not have a marked effect on the outcome of this research.

The next step involved the drafting of a questionnaire in order to allow the researcher to achieve the primary objective ser out earlier in this chapter and to solicit opinions from a sample of the business owners.

The questionnaire used in this study was adapted from a questionnaire used by Theron (1999). Items used were derived from literature study. The questionnaire used the standard five point Lickert Scale, in order to ensure consistency and is very easy to be completed by respondent. The questionnaire consisted of:

- Section A of the questionnaire relates to questions pertaining to issues impacting on the future viability of small businesses.

- Section B is included in order to determine whether the business could be regarded as small, and consist of dichotomous questions.

### 4.6.5 Reliability of Measuring Instrument

Assessing reliability is the necessary pre-condition for validity (Anually, 1978:3). According to Terblanche & Durrheim (1999:88) reliability refers to the dependability of a measurement instrument, that is, the extent to which the instrument yield, the same results on repeated trials. There are a number of different ways in which the researcher can test whether a measure is reliable. These test follow the same logic, that is, if on a number of different testings the scores on a test correlates, then we can assume that the test is dependable.

Approaches for assessing reliability include (Malhotra, 2004:267):

- Test-retest reliability wherein respondents are administered identical sets of scale items at two different times under as nearly equivalent condition as possible. The degree of similarity between the two measurements is determined by computing a correlation coefficient. The higher the correlation coefficient the greater the reliability.

- The alternative forms of reliability, two equivalent forms of the scale are constructed. The same respondents are measured at two different times with different scale form being administered each time.

- Internal consistency reliability is used to assess the reliability of a summated scale where several items are summed to form a total score. Each item measures some aspect of the construct measured by the entire scale, and items are consistent in what they indicate about the characteristic. This measure of reliability focuses on the internal consistency of the set of times forming the scales. Two types of measures are identified:

  - Firstly, it is the split-half reliability where items on the scale are divided into two halves and the resulting half score are correlated. High correlations between the halves indicate high internal consistency.

  - Secondly, the coefficient alpha or Cronbach's alpha which is the average of all possible split-half coefficients resulting from different ways of splitting the scale items. The coefficients varies from 0 to 1, and a value of 0,6 or less is generally indicates unsatisfactory internal consistency reliability.

According to Rahman (2002:644) the most commonly used measure of reliability is the Cronbach alpha. The Cronbach alpha are calculated in this study to assess the reliability of the instrument used on table 4.1 below.

Table 4.1  The Cronbach Alpha to assess reliability

| VARIABLE | ALPHA | VARIABLE | ALPHA |
|----------|-------|----------|-------|
| 1 | 0,909 | 16 | 0,922 |
| 2 | 0,804 | 17 | 0,931 |
| 3 | 0,911 | 18 | 0,923 |
| 4 | 0,906 | 19 | 0,849 |
| 5 | 0,921 | 20 | 0,911 |
| 6 | 0,931 | 21 | 0,922 |
| 7 | 0,900 | 22 | 0,931 |
| 8 | 0,911 | 23 | 0,923 |
| 9 | 0,932 | 24 | 0,900 |
| 10 | 0,906 | 25 | 0,851 |
| 11 | 0,891 | 26 | 0,901 |
| 12 | 0,921 | 27 | 0,931 |
| 13 | 0,923 | 28 | 0,922 |
| 14 | 0,912 | 29 | 0,951 |
| 15 | 0,902 |  |  |

Source:  Own Research

The average Cronbach Alpha calculated is 9,34 which is above the norm. The measures used in this study indicate internal reliability.

### 4.6.6 Validity of the measuring instruments

Malhotra (2004:264) define the validity of a scale as the extent to which differences in observed scale scores reflect time differences among objects on the characteristics being measured, rather than systematic or random error.  Perfect validity requires that there be no measurement error.  Zidmund (2000:28) states that validity addresses the problem of whether a measure measures what is supposed to measure.

Various forms of validity are mentioned in the research literature (Cooper & Schindler, 2001:211 and Malhotra, 2004:269):

- Content validity or face validity is a subjective by systematic evaluation of how well the content of a scale represents the measurement task at hand.  It is the extend to which the measuring instrument provides an adequate category of the investigative questions guiding the study.

- Criterion validity reflects whether a scale performs as expected in relation to other variables selected as meaningful criteria.  It is the ability of the same measure to correlate with other measures f the same construct.

- Construct validity addresses the question of what construct or characteristic the scale is measuring.  The researcher attempts to answer theoretical questions about why the scale works and what deductions can be made concerning the underlying theory.  It requires sound theory of the nature of the construct being measured.  Construct validity consist of:

  - Firstly, convergent validity which is the extent to which the scales correlates positively with other measures of the same construct.

- Secondly, discriminant validity which is the extent to which a measure does not correlate with other constructs from which it is supposed to differ.

- Lastly, nemological validity, which is the extent to which the scale correlates theoretically predicted ways with measures of different but related constructs.

Only content or face validity was considered in this study.

### 4.6.7  Analysis of data

It was hypothesized in chapter one that there are a number of issues impacting on the future viability of small business in the Mamelodi area.  To test the hypothesis, data was collected from owners of small businesses in this area.

The analysis of the collected data will be done in the following manner.

- Data relating to Part A of the questionnaire will be analysed for descriptive reporting and for accepting or rejecting the hypotheses.  This part of the questionnaire relates to issues impacting on the future viability of small businesses.  Descriptive analysis of the results will be presented by calculating frequency counts.

- The validity and reliability of measures used in this study will be tested using Cronbach's alpha as criterion.  (see table 4.1)

- Section B of the questionnaire was included in order to determine whether the business could be regarded as small according to the criteria discussed in section 2.1.  Table 4.2 illustrates the results obtained.

Table 4.2  Criteria for small business

| CRITERIA | RESPONSE % | |
|---|---|---|
| | YES | NO |
| 1.  Is the business private owned? | 100% | 0% |
| 2.  Is the business managed by owners? | 100% | 0% |
| 3.  Is part of capital supplied by owners? | 100% | 0% |
| 4.  More than 50% of capital supplied by owners | 90% | 10% |

Source:  Own Research

All the businesses surveyed met the criteria as stated in section 2.1.  The average number of people employed by the businesses was 13.

The nature of the business is indicated:

| TYPE | NUMBER |
|---|---|
| (a)  Food outlets | 12 |
| (b)  General dealers | 21 |
| (c)  Garage | 3 |
| (d)  Liquor outlets | 4 |
| (e)  Other | 10 |
| **Total** | **50** |

The frequency analysis of frequency, means and standard deviations are set out in tables 4.3, 4.4 and 4.5 below.

For the purpose of providing a broad indication of possible issues and to accept or reject the hypotheses, the statistics above will be summarised as follows:

- Respondents having scored one and two are grouped together to indicate disagreement.

- Respondents having scored three are regarded as being neutral.

- Respondents having scored four and five are grouped together to indicate agreements.

The salient aspects of the results are discussed below according to the different categories.

Table 4.3  Results on impact of economic issues

| ECONOMICAL ISSUES | STRONGLY DISAGREE | DIS-AGREE | NEUTRAL | AGREE | STRONGLY AGREE |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| 1.  Exchange rate volatility | 0<br>0% | 0<br>0% | 25<br>50% | 15<br>30% | 10<br>20% |
| 2.  Increase in interest rates | 0<br>0% | 0<br>0% | 10<br>20% | 25<br>50% | 15<br>30% |
| 3.  Increase inflation | 0<br>0% | 0<br>0% | 15<br>30% | 20<br>50% | 15<br>30% |
| 4.  Cost of transport | 0<br>0% | 0<br>0% | 10<br>20% | 25<br>50% | 15<br>30% |
| 5.  Banking costs | 0<br>0% | 0<br>0% | 10<br>20% | 25<br>50% | 15<br>30% |
| 6.  Relaxation of exchange controls | 0<br>0% | 0<br>0% | 25<br>50% | 15<br>30% | 10<br>20% |
| 7.  Scarcity of funds | 0<br>0% | 0<br>0% | 0<br>0% | 25<br>50% | 25<br>50% |
| 8.  Competition from imports | 0<br>0% | 0<br>0% | 15<br>30% | 25<br>50% | 10<br>20% |
| 9.  Foreign investments | 0<br>0% | 0<br>0% | 10<br>20% | 15<br>30% | 25<br>50 |
| 10. Communications costs | 0<br>0% | 0<br>0% | 26<br>52% | 14<br>28% | 10<br>20% |

Source: Own research

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Figure 4.1  Graphical representation of results on impact of economic issues
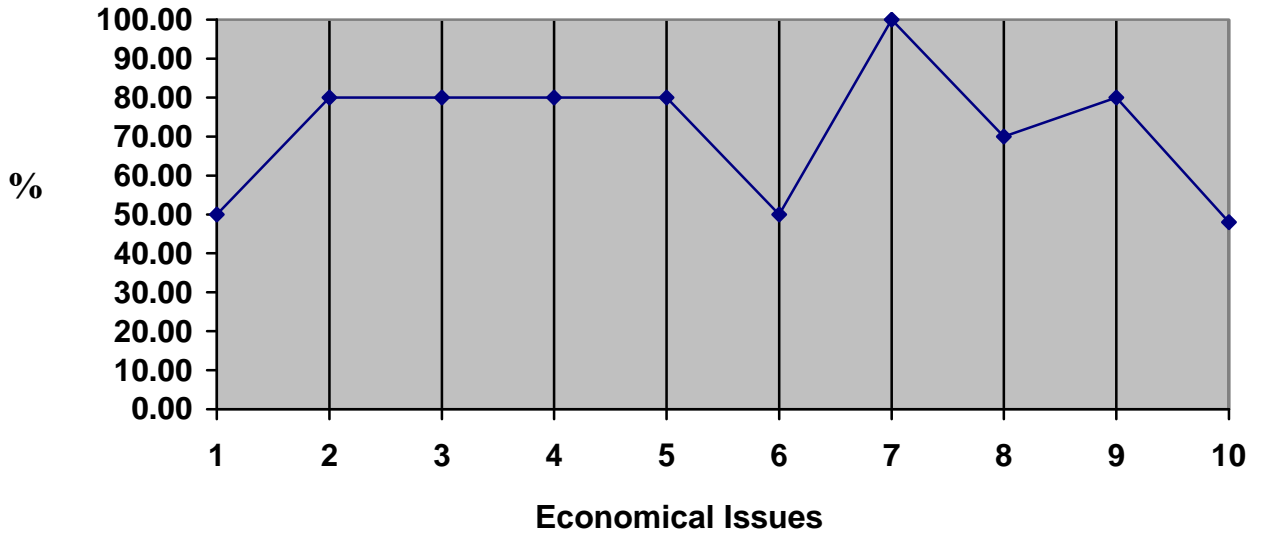


Source:  Own Research

> *Explanation of Economical Issues*

The majority of the respondents indicated that exchange rate changes, increase in interest rates and inflation will on the whole affect small businesses.  The costs of transport, banking and communication directly affect the cost of doing business and hence inflation.  The means of the majority of issues in this category are above 3.5 hence pointing toward to strongly agree.  The standard deviations are also not high.  On the issues of exchange rate volatility, relaxation of exchange controls and foreign investment are almost 50 percent of the respondents were neutral.  This is not significant as the other 50 percent agreed that these issues will affect small business.

In conclusion, it can be pointed out from figure 4.1 above that scarcity of funds is the major issue facing businesses in this region.  Access to capital is typically a major problem for entrepreneurs without a track-record or without any form of

guarantee.  This view is supported by the findings of the Global Entrepreneurship Monitor 2004 (GEM SA Report).  The following forms of funding were found to be inadequate compared to other Developing countries.

- Equity funding
- Department funding
- Government subsidies
- Funding from private individuals
- Venture capital
- Funding available through initial public offerings (IPO's)

Table 4.4:  Results on impact of Political issues

| POLITICAL ISSUES | STRONGLY DISAGREE 1 | DIS-AGREE 2 | NEUTRAL 3 | AGREE 4 | STRONGLY AGREE 5 |
|---|---|---|---|---|---|
| 11.  Globalisation | 1 2% | 5 10% | 15 30% | 9 18% | 20 40% |
| 12.  Legislative compliance | 0 0% | 0 0% | 15 30% | 10 20% | 25 50% |
| 13.  Political stability | 0 0% | 0 0% | 0 0% | 10 20% | 40 40% |
| 14.  Government budget | 0 0% | 1 2% | 24 48% | 10 20% | 40 60% |
| 15.  Government industrial policies | 0 0% | 0 0% | 30 60% | 10 20% | 10 20% |
| 16.  Concentration of business | 0 0% | 0 0% | 0 0% | 25 50% | 25 50% |
| 17.  Labour legislation | 0 0% | 2 4% | 0 0% | 30 60% | 18 36% |

Source:  Own Research

Figure 4.2  Graphical representation of results on impact of political issues
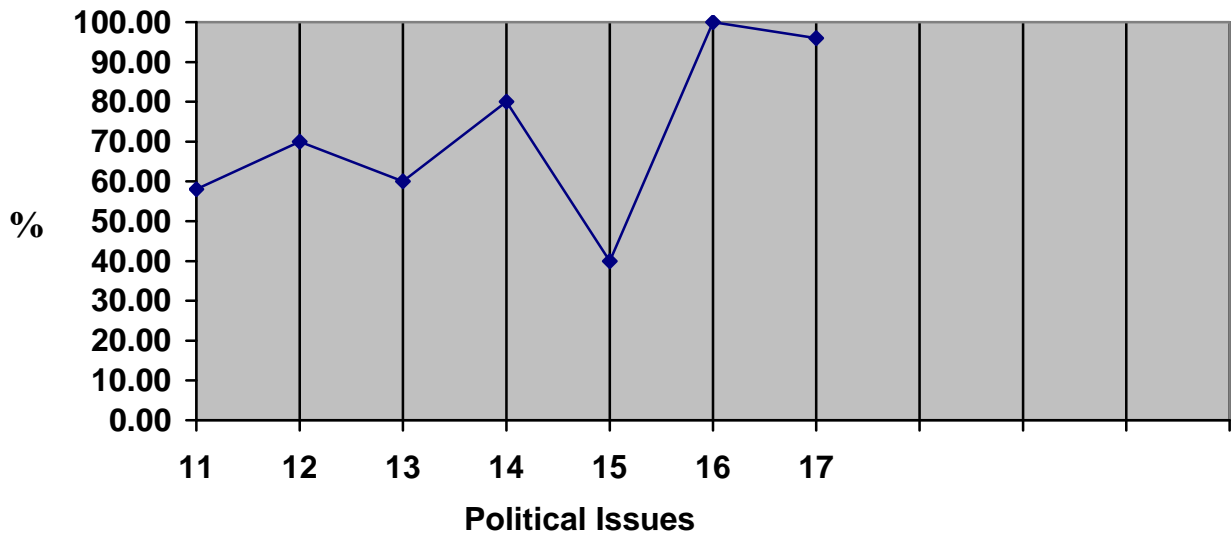


Source:  Own Research

➢ *Explanation of Political Issues*

The majority of respondents (> 50%) indicated that globalization, political stability, concentration of business in one location will affect small business' operations.  As for government budget, 24% were uncertain about its effect.  The labour legislation of the country definitely have an effect on small businesses.  Legislative compliance involves the compliance with a myriad of legislation, such as Income Tax Act, Labour Relations Act, Conditions of employment Act and other acts specific to certain types of business.  The Liqueurs Act with regards to liquor outlets

In conclusion, it can be pointed out that legislative compliances and labour legislation are major issues facing small businesses in this region.  This view is supported by a number of studies, Salgado (2007:7) states that according to one of the most comprehensive studies undertaken on the cost of red tape, conducted by Small Businesses Project, regulation cost South Africa R79 billion in 2004.  Further, in Grant Thornton's 2006 International Survey, 45 percent of respondents cited regulation and red tape as the greatest constraint to the expansion of

businesses in South Africa. According to Orford, Herrington & Wood (2004:39) a time-and-motion study measuring the obstacles facing entrepreneurs, the report has three findings:

- The first was that businesses in port countries face much larger regulatory burdens than those in rich countries.

- The second was that overly complex regulations and weak properly rights exclude the poor from doing businesses in the formal sector.

- The third is that the payoffs for reform to be large. Regulatory reform allows small businesses to spend less time and money on regulatory compliance.

Table 4.5  Results on impact of Social issues

| SOCIAL ISSUES | STRONGLY DISAGREE | DIS-AGREE | NEUTRAL | AGREE | STRONGLY AGREE |
|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 |
| 18. High crime levels | 0<br>0% | 0<br>0% | 0<br>0% | 5<br>10% | 45<br>90% |
| 19. Urbanizations | 0<br>0% | 0<br>0% | 20<br>40% | 25<br>50% | 5<br>10% |
| 20. Influx of foreigners | 0<br>0% | 0<br>0% | 0<br>0% | 10<br>20% | 40<br>80% |
| 21. HIV/AIDS pandemic | 0<br>0% | 0<br>0% | 0<br>0% | 24<br>48% | 26<br>52% |
| 22. Diversity of the workforce | 0<br>0% | 0<br>0% | 20<br>40% | 15<br>30% | 5<br>10% |
| 23. Corruption in general | 0<br>0% | 0<br>0% | 30<br>60% | 10<br>20% | 10<br>20% |
| 24. The 2010 soccer world cup | 3<br>6% | 5<br>10% | 12<br>24% | 10<br>20% | 20<br>40% |
| 25. Inadequate infrastructure | 0<br>0% | 0<br>0% | 10<br>20% | 25<br>50% | 15<br>30% |
| 26. Changes in demographics | 0<br>0% | 0<br>0% | 10<br>20% | 25<br>50% | 15<br>30% |
| 27. Increase in the number of malls in townships | 0<br>0% | 0<br>0% | 0<br>0% | 20<br>40% | 30<br>60% |
| 28. Environmental pollution | 2<br>4% | 3<br>6% | 1<br>2% | 20<br>40% | 24<br>48% |
| 29. Climate changes - drought | 2<br>4% | 3<br>6% | 0<br>0% | 24<br>48% | 21<br>42% |

Source: Own research

Figure 4.3  Graphical representation of results on impact of social issues
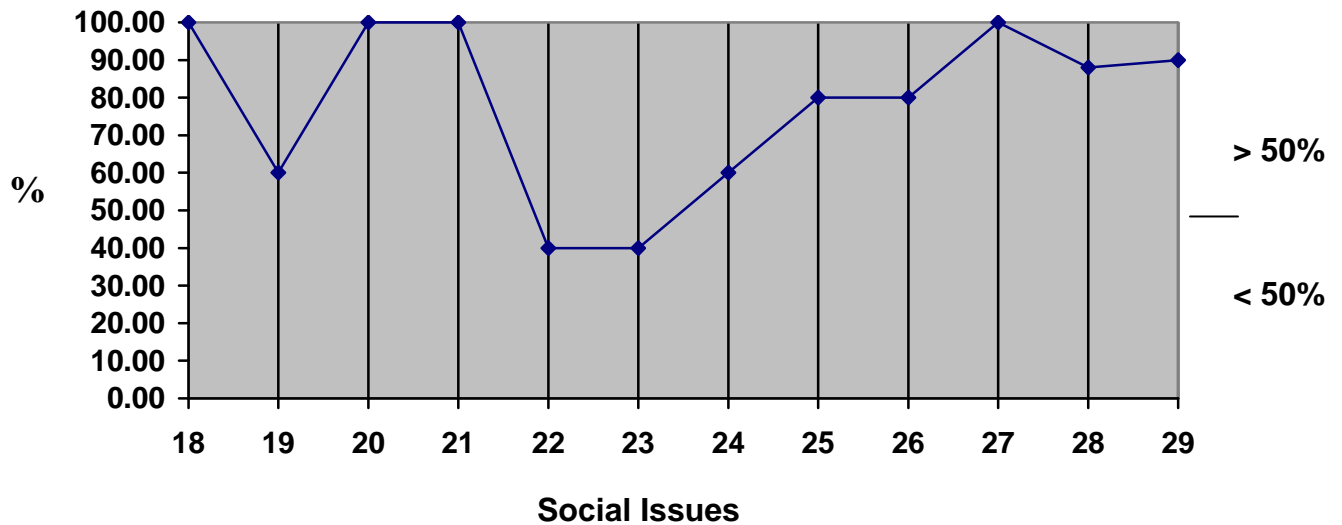


Source:  Own Research

➢ **Explanation of Social Issues**

A substantial majority (>80%) strongly agree with the assertion that high levels of crime, and the influx of foreigners have impact on their businesses with regard to the diversity and corruption.   In general almost more than 40% and 60% respectively of responded were not sure about the effect of such issues.   The majority (more than 50%) of respondents agree with the assertion that issues such as urbanization, HIV AIDS pandemic, the 2010 soccer world cup, inadequate infrastructure, changes in demographics, increase in the number of malls in the townships, environmental pollution, and climate changes will affect the future viability of businesses in this region.

In conclusion, it can be stated that high crime levels are a major issue facing small businesses in this region.   Stone (2006:1) points out that, generating equitable economic growth is a priority for the government of SA, and the high levels of crime is frequently cited as a constraint.   The policy that the government could implement to reduce this constraint has three caveats:

- Firstly, while there are broad agreements that a high level of crime constraints growth, there is very little known about how it does so and by how much.

- Secondly, the policies available to the government to reduce crime are relatively crude.

- Thirdly, economic growth should not become the primary goal of crime policy but delivering justice are government obligations.

Stone (2006:1) further, points out that high levels of crime imposes costs on business, including direct losses plus security and prevention costs. Crime also erodes human capital by encouraging emigration and discourages foreign investments.

## 4.6.8  Conclusions on empirical results

The results above confirm that there are a number of issues impacting on the future viability of small business in the Mamelodi area. The issues have been categorized as economical, political and also social. The hypotheses that:

Ho: There are a number of issues impacting on the future viability of small businesses in the Mamelodi Area,

can therefore be accepted.

In calculating the Cronbach to assess internal reliability in this study, Table 4.1 indicates the Cronbach Alphas for all the 29 variables (items) of the questionnaire are greater than 0,80. Bryman & Cramer (1990:71) suggested that the results of Cronbach Alphas should be equal to or greater than 0,80 to indicate internal reliability of measures of the variable.

The aim and objective of the study as set out in section 1.3 has been achieved.

## 4.7    Conclusions

To achieve the objective of this study as planned empirical research design and methodology is explained in this chapter.  The demarcation of the study was indicated as formal small business in the Mamelodi Area.  This was achieved by defining the population, the sample frame and sampling procedure.

In analyzing the results a descriptive analysis of the questionnaire's results were presented.  This enables the researcher to supply a broad overview on general aspects relating to small businesses.  The conclusion reached is that there are a number of issues impacting on the future viability of small businesses in the Mamelodi Area.

The reliability of measure used was also established using the Cronbach Alpha.  The results indicated that the measures used are too reliable.

The objective of the study as set out in chapter one have been achieved, as indicated in this chapter.

Deductions following from the results will be discussed in the next chapter.

**CHAPTER 5**

**5. SUMMARY, CONCLUSIONS AND RECOMMENDATIONS**

**5.1 Introduction**

The theoretical and empirical objectives of this study as set out in chapter one. The role of small businesses in the economy is discussed in chapter two. The concepts issues and issues management and business environment is explained in chapter three.

In this chapter, the most salient points discussed in the previous chapters are summarized, a number of conclusions are made, certain recommendations are put forward and areas for further research are suggested.

**5.2 Summary**

To achieve the objectives of the study as set out in section 3.1, the study was conducted in two parts:

- In the first part, the literature on the subject of issues, issues management, business environment and small businesses is reviewed.

- The second part deals with empirical research to confirm the issue impacting on the future viability of small business in the Mamelodi Area.

In chapter 1 the problem of critical issues impacting on the future viability of small businesses, the purpose of the study, the objectives, and the method of study are introduced. A hypothesis is stated.

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In order to test this hypothesis, the method of study includes a literature scanning to identify issues, and on empirical research to confirm the issues.

Chapter 2 deals with a review of literature on the concept of small businesses. Small businesses are described in terms of both qualitative and quantitative criteria. The definition in USA and European Union are looked at. The most important roles of small business are, to encourage innovation and flexibility, maintain close relationship with customers, contribute to competition, provide employees with learning experience, and generate new employment. The concept entrepreneurship is closely related to small businesses. The profile and characteristics of an entrepreneur are looked at, desire for responsibility, risk taking and independence. Three grouped of failures of small businesses are, economic factors, financial factors, and lack of experience. The informal business sector is described as an un-enumerated, unorganized sector characterized by self-employment.

Chapter 3 highlights the important aspects of the concept issue and issue management. An issue is described as a pressure either internally or externally to a business, that if it continues it will have an effect on the functioning of the business or its future impacts. Three changes of development of issues are, emerging issues, current issues and unfolding issues. Issues management is defined as a process by which businesses identify issues in the business environment, analyse and prioritise them in terms of their relevance to the business, and plan a response to these issues. The business environment consists of the microenvironment, market environment and macro-environment. The characteristics of the business environment are, environmental factors are interrelated, there is increasing instability uncertainty, complexity and it also influences the future of the business. The market environment has the consumer, resale, international, and the government markets.

Chapter 4 outlines the research procedure used to obtain the necessary information. The target population of the study was the small businesses in Mamelodi Area. The sampling procedure was based on the principles of randomness. The questionnaire

designed consist of three parts.  The descriptive analyses of the results obtained are reported on.  The validity and reliability of the selected measures are tested.

## 5.3  Conclusions

The conclusions reached in this study are listed under two sub-heading for clarity purpose, namely;

### 5.3.1  Conclusion drawn from theoretical deliberation

- A number of definitions of term "small business" are used in different countries.

- There is no universally available definition of small businesses.

- There are a number of reasons for the relevance of small business in the South African economy.

- Entrepreneurship is more readily identified and observed in small businesses.

- Small business owners establish a business for the sole purpose of furthering personal goals, whereas entrepreneurs are characterized by innovative behaviour.

- No single definition of entrepreneurship exists.

- Several measures of entrepreneurship personality have been developed.

- There are three stages of development of issues (section 3.2).

- Two types of strategic issues have been identified (section 3.2).

- There are four ways in which the business can deal strategic issues (section 3.2).

- Issues management has been thought of both narrowly and broadly.

- The issues management process consists of five steps (section 3.3.4).

- Authors have identified a number of characteristics of the business environment (section 3.3.5).

## 5.3.2  Conclusion drawn from empirical research

The hypotheses as set out in this study is that

Ho:   There are a number of issues impacting on the future viability of small businesses in the Mamelodi Area,

has been accepted as the majority of respondents indicated that they agree that a number of issues do impact on the future viability of their businesses.

The Cronbach Alpha to assess reliability of measures used are greater than 0,8; indicating that they are reliable.

Finally, it was concluded that the objectives of the study have been achieved.

## 5.4   Recommendations

In the light of the above conclusions, the following recommendations are made:

- small businesses should develop long-term objectives and formulate appropriate strategies to deal with issues affecting their businesses.

- small business should recommend new legislations / by laws or amendments to current legislation / bylaws affecting their businesses.

- the government should actively assist small businesses to meet the administrative compliance requirements of regulations.

- there should be exemption or modification of the requirements to make them less onerous for small businesses.

- the establishment of specific mechanisms to ensure that regulatory design takes better account of small businesses' needs and concerns in establishing new compliance burdens.

- as the government has admitted that measures to support small businesses are less than satisfactory (Orford, Herrington & Wood, 2004:49). A major restructuring of the governments flagship small business support structure must be reviewed.

- In order to increase the use of available government programmes, there is a need to significantly improve the communication of their support services.

## 5.5 Further research

- To establish the extent to which issues management is applied in small businesses to manage issues affecting the future viability of their businesses.

-       To determine whether there are any specific aids that owners and managers of small businesses can employ to manage issues affecting their businesses.

-       An analysis of the flows of credit to small business and the way in which monetary policy has influenced such flows.

-       The identification and quantification of the main sources of finance available to small businesses.

-       Investigate the issue of upgrade of informal businesses to the formal sphere in the South African and International context.

## 5.6    Summary

In this chapter the summary and conclusions on chapters one to four were provided. In the light of these conclusions a number of recommendations were made.  The topics for future research are also provided.

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# ANNEXURE B

# QUESTIONNAIRE

This questionnaire is aimed at owners of small businesses.  Please answer the questions as objectively as possible in the best of your ability.

## SECTION A

The following issues/factors have been identified as issues that could impact on the future viability of small businesses.  Please indicate by means of a cross the extent to which you disagree/agree with this assertion.

| ISSUES | STRONGLY DISAGREE | DIS- AGREE | NEUTRAL | AGREE | STRONGLY AGREE | VARIABLES |
|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | |
| **A.  ECONOMICAL** | | | | | | |
| 1.    Exchange rate volatility | | | | | | V1 |
| 2.    Increase in interest rates | | | | | | V2 |
| 3.    Increase inflation | | | | | | V3 |
| 4.    Cost of transport | | | | | | V4 |
| 5.    Banking costs | | | | | | V5 |
| 6.    Relaxation of exchange controls | | | | | | V6 |
| 7.    Scarcity of funds | | | | | | V7 |
| 8.    Competition from imports | | | | | | V8 |
| 9.    Foreign investments | | | | | | V9 |
| 10.  Communications costs | | | | | | V10 |
| **B.  POLITICAL** | | | | | | |
| 11.  Globalisation | | | | | | V11 |
| 12.  Legislative compliance | | | | | | V12 |
| 13.  Political stability | | | | | | V13 |
| 14.  Government budget | | | | | | V14 |
| 15.  Government industrial policies | | | | | | V15 |
| 16.  Concentration of business | | | | | | V16 |
| 17.  Labour legislation | | | | | | V17 |

| ISSUES | STRONGLY DISAGREE | DIS-AGREE | NEUTRAL | AGREE | STRONGLY AGREE | VARIABLES |
|---|---|---|---|---|---|---|
| | 1 | 2 | 3 | 4 | 5 | |
| **C.  SOCIAL** | | | | | | |
| 18.  High crime levels | | | | | | V18 |
| 19.  Urbanizations | | | | | | V19 |
| 20.  Influx of foreigners | | | | | | V20 |
| 21.  HIV/AIDS pandemic | | | | | | V21 |
| 22.  Diversity of the workforce | | | | | | C22 |
| 23.  Corruption in general | | | | | | V23 |
| 24.  The 2010 soccer world cup | | | | | | V24 |
| 25.  Inadequate infrastructure | | | | | | V25 |
| 26.  Changes in demographics | | | | | | V26 |
| 27.  Increase in the number of malls in townships | | | | | | V27 |
| 28.  Environmental pollution | | | | | | V28 |
| 29.  Climate changes - drought | | | | | | V29 |

**SECTION B**

Questions used to determine whether the business is a small business.

Please provide the following information:

| | |
|---|---|
| 1.  Name of business | |
| 2.  Address | |
| | |
| | |
| 3.  Tel. number | |

Please provide the following:

1. Is the business privately owned?

| YES | NO |
|-----|-----|

2. Is the business managed by owner(s)

| YES | NO |
|-----|-----|

3. Is part of the capital supplied by owner(s)?

| YES | NO |
|-----|-----|

4. If the answer to 3 is Yes, what part of capital is supplied by owners?

| 5% | 10% | 20% | 30% | 40% | 50% | 75% |
|----|-----|-----|-----|-----|-----|-----|

5. How many people are employed by the business?

6. Indicate nature of business

    (a) Food outlet

    (b) General dealer

    (c) Garage

    (d) Liquor outlet

    (e) Other, indicate

      _____

Thank you for your time.

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