

Applying the Business Model Canvas to Develop Business Models for SMEs in Namibia. A Case of the Khomas Region

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Declaration

I, Millicent Patience Charamba, student number 57636672 registered for Master of Commerce in Business Management declare that this dissertation entitled Applying the Business Model Canvas to Develop Business Models for SMEs in Namibia. A Case of the Khomas Region is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.



SIGNATURE

01 April 2018

DATE

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Dedication

This dissertation is dedicated to my husband, Nobert and our daughter, Nyah for their moral support and love and without whose patience and encouragement this research would have not been completed.

Abstract

There have been tremendous economic developments in all parts of the world including developing nations. One of the major drivers of these developments has been from the Small to Medium Enterprises (SMEs). These businesses have enabled many nations to create employment, resulting in an increase in the Gross Domestic Product (GDP). In as much as SMEs have well documented benefits, they also require many support, capital and business skills. This has led to the establishment of SME incubation centres where start-ups are hosted and trained to have the business skills. However, despite the incubation initiatives, SMEs still fail to grow and always have challenges. At times, the challenges are not finance related but lack of proper business strategies. This could be addressed by considering business models. This dissertation considers the initiatives that have been taking place on SMEs. A case study of SMEs in Namibia within the Khomas region is used. A mixed research approach was adopted. Specific research methods used were interviews and observations with questionnaires being used as the instruments to gather the required information. SMEs from the Bokamoso Entrepreneurial Centre in Windhoek were selected for the research population. One of the popular Business Model Canvas tools was used as a sample of a guide in data collection, where SMEs engaged were to indicate how they apply certain categories of the canvas.

Results show that SMEs engaged do not have specific business models they are applying. However, there were many elements and understanding of the categories from the business model canvas. At the same time, SMEs mentioned incorporating technologies in their businesses and using ICTs to reach customers and make an effort to cut on the cost of bringing in stock. It was also clear that SMEs work independently and have long working hours when they are to meet specific orders. It was concluded that SMEs' needs are different and that it may be difficult to use one business model. However, a mixture of a few business models could be combined to cater for the changing environment and address business needs. The Business Model Canvas could be applied for the Namibian SMEs but there is need to consider some other business models such as cutting out the middleman, business partnership models and bricks and clicks models.

Key Words: Small and Medium Enterprises; SME challenges; SME strategies; Business Models; Business Model Canvas; Incubation Centres; Business Value Proposition; Customer Relationships; Business Partners; Revenue streams; Business Resources; Cost structure; Business sustainability; Business channels;

Table of Contents	
Declaration.....	2
Acknowledgements.....	3
Dedication.....	4
Abstract.....	5
List of Tables	10
List of Figures	11
List of abbreviations	12
CHAPTER 1.....	14
RESEARCH INTRODUCTION.....	14
1.0 Orientation of the study	14
1.1 Introduction and background.....	14
1.2 Problem statement.....	16
1.3 Research questions	18
1.4 Objectives of the study	18
1.5 Rationale for the study	18
1.6 Significance of the study	19
1.7 Definition of relevant terms.....	19
1.8. Research Methodology	20
1.8.1 Research Design – Case Study	21
1.8.2 Case Selection Criteria.....	21
1.8.3 Data Collection.....	21
1.8.4 Data Analysis Procedure.....	22
1.9 Limitations of the study	22
1.10 Delimitations of the study	22
1.11 Outline of the study	23
CHAPTER 2.....	25
OVERVIEW OF SMEs	26
2.0 Overview of the chapter	26
2.1 Introduction	26
2.1.1 Definition of SMEs.....	26

2.1.2 SME Definition in Namibia.....	28
2.2 Overview of SMEs.....	28
2.2.1 Overview of SMEs in Namibia	30
2.3 Importance of SMEs.....	30
2.4 SME Challenges	31
2.5 Reasons for small businesses to fail	33
2.6 SME Support.....	34
2.6.1 Other initiatives to support SMEs	34
2.6.2 SME Support through Incubation	35
2.6.3 Overview of Incubation Centres	36
2.6.4 Stages of incubation.....	37
2.6.5 SME Support in Namibia	38
2.6.6 Incubation Centres in Namibia	39
2.7 Key success factors for SMEs.....	39
2.8 Critical literature analysis	40
2.9 Conclusion	40
CHAPTER 3.....	42
OVERVIEW OF BUSINESS MODELS	42
3.1 Introduction	42
3.1.1 Definitions of Business Models.....	42
3.2 Overview of Business Models	43
3.2.1 Other examples of business models.....	44
3.3 Business organisation and business model.....	45
3.4 Business Models for SMEs	45
3.5 Characteristics of a Business Model.....	46
3.6 Effective Business Model	47
3.7 Summary of Business Models	48
3.8 Business Model Canvas (BMC).....	49
3.8.1 Overview of BMC	49
3.8.2 Other types of Business Model Canvases	50
3.9 Why Business Model canvas	52
3.10 Application of Business Models	53
3.11 Business Model Canvas (Application)	54

3.12 Analysis of the Business Model Canvas (BMC).....	55
3.13 Conclusion	56
CHAPTER 4.....	58
RESEARCH METHODOLOGY	58
4.1 Introduction	58
4.2 Research Methodology	58
4.3 Research Design – Case Study	58
4.4. The Study’s Unit of Analysis.....	59
4.5 Case Selection Criteria.....	59
4.6 Data collection techniques	60
4.7 Data Collection Procedures.....	62
4.8 Data Analysis Procedure.....	63
4.9 Reliability and Validity	64
4.10 Ethical considerations	65
4.11 Conclusion	65
CHAPTER 5.....	67
DATA ANALYSIS AND FINDINGS.....	67
5.0 Introduction	67
5.1 Overview of participants	67
5.2 Findings from observations	67
5.3 Structure of the questionnaire and findings	68
5.4 Interview findings	80
5.4.1 Research interviews.....	81
5.4.2 Interview feedback per participant.....	81
5.5 Document review	90
5.6 Summary of findings	91
CHAPTER 6.....	93
RECOMMENDATIONS AND CONCLUSIONS.....	93
6.1 Introduction	93
6.2 Business Model Canvas (BMC) and Findings	93
6.3 Analysis of BMC literature and findings	95
6.4 Critical analysis of the findings and application of BMC.....	96

6.5 Applicability of the BMC within Namibian SMEs	97
6.6 Proposed Namibia SME Business Model	99
6.7 Research achievements.....	100
6.8 Recommendations	101
6.9 Overall research conclusion	101
References	103
Appendix 1 - Questionnaire.....	111
Appendix 2 - Interview Guide	115
Appendix 3 – Research Ethics Clearance	117
Appendix 4 - Approval to conduct research from City of Windhoek	118
Appendix 5 – Language Editor	119

List of Tables

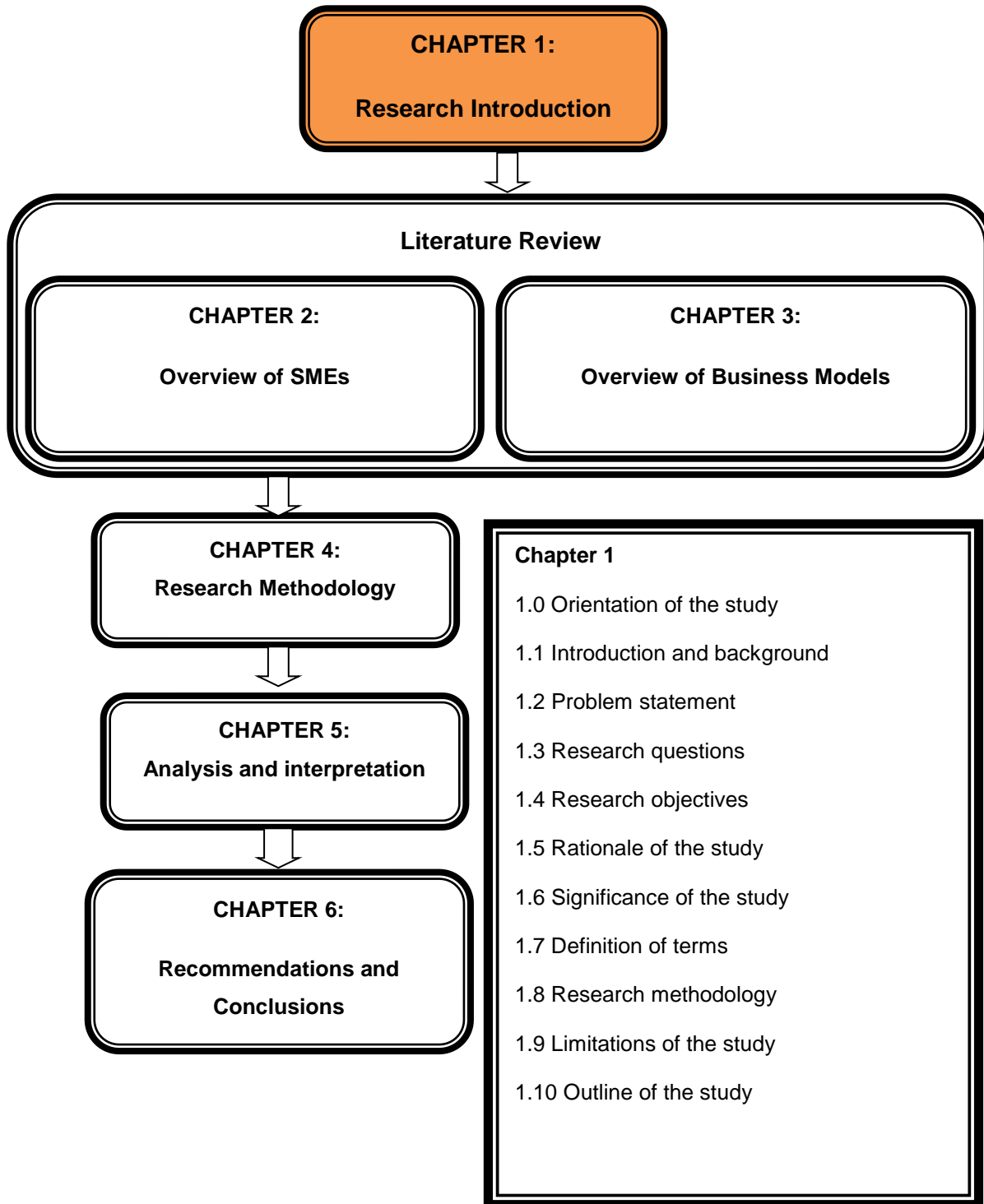
Table 1: SME Definition Criteria 28
Table 2: MTI’s Small Enterprise definition 28
Table 3: Examples of Business Models 44
Table 4: Summary of some existing Business Model Canvases 51
Table 5: Business Model Canvases 52
Table 6: Bayer Business Revised Business Model 53
Table 7: Amazon Business Model 54
Table 8: Application of the Business Model Canvas to a Business 55
Table 9: Interview feedback on the nature of the business 87
Table 10: Interview summary on business models 89
Table 11: Application of BMC by Namibian SMEs based on findings 98

List of Figures

Figure 1: Balancing the customers and finances for a BM	48
Figure 2: Business Model Canvas summarised	50
Figure 3: Type of business.....	69
Figure 4: Period of Business operation in Centre	70
Figure 5: Business training received	71
Figure 6: Accessibility of the SMEs.....	72
Figure 7: Affordability of Rent in the Centre.....	72
Figure 8: Comfort for Business operating in the Centre	73
Figure 9: Knowledge on the market	74
Figure 10: Understanding Business models	75
Figure 11: Business model Training needs.....	76
Figure 12: Customers and business success	76
Figure 13: Values of the business.....	77
Figure 14: Revenue sources knowledge.....	78
Figure 15: Competition among SMEs	78
Figure 16: Business model and business success	79
Figure 17: Lack of business model skills	80
Figure 18: Cutting out the Middle Man Model.....	99

List of abbreviations

BM	Business Model
BMC	Business Model Canvas
COW	City of Windhoek
FABLAB	Fabricated Laboratory
GDP	Gross Domestic Product
NBII	Namibian Business Innovation Institute
NBIA	National Business Incubation Association
NDP	National Development Plan
SMEs	Small and Medium Enterprises
SMEDA	Small and Medium Enterprises Development Authority



CHAPTER 1

RESEARCH INTRODUCTION

1.0 Orientation of the study

Small and Medium Enterprises (SMEs) are critical in revamping the different economic sectors throughout the world. In Africa SMEs have also had a big impact in transforming the economies. In Namibia, the SMEs create jobs and generate income for over one hundred and fifty thousand people (Ogbokor & Ngeendepi, 2012:5). The growth of SMEs is experienced in Namibia for example, over 50 000 SMEs were registered in 2015 (Kambwale, Chisoro & Karodia, 2015:81). Such businesses have improved the Namibian economy and increased the Gross Domestic Product (GDP) and support the national vision 2030 (Kambwale *et al.*, 2015:81). As mentioned by the Bank of Namibia Symposium (2010:31), they contribute over 10% of the GDP and more than one fifth of the population is employed within the SME sector.

The most common misconception that most people have is that lack of adequate funding is the only reason SMEs fail to succeed (Ogbokor & Ngeendepi, 2012:6). This is not necessarily true because even with enough funding, some SMEs still fail to survive (Hui-Hong & Hua, 2004:196). There are many other reasons for failure such as lack of management skills, little use of technology, poor marketing strategies and lack of business technical skills (Kongolo, 2010:2289). Considering these obstacles that hamper success, the main challenge that is faced by small business owners is on how to address all these obstacles. For instance, in Namibia SMEs are getting financial support though not enough, getting SME business training within the incubation centres but still SME owners still want more innovative services and approaches. This has been the reason for SMEs not to move out of the incubation centres to create opportunities for other potential business persons. Due to lack of latest published research on business models on Namibian SMEs, some references may be older than 5 years.

1.1 Introduction and background

The Namibian SME sector is recognised as an increasingly important source of wealth creation, employment creation, technology transfer, capital inflow (import and export of goods/services), generating economic growth and poverty alleviation in any country (IPPR, 2005:5). The Namibian Government has for a long time advocated for support for SMEs. There is a government policy of 1997 to support SMEs. This is meant to empower and enable smooth SME business operations (Quinto, 2011:1). The policy was to support the National vision 2030 on its

second National Development plan (NDP2). Although it has been difficult for the government to implement its plans, it still supports the development of small business enterprises in the country (Quinto, 2011:1). There are emerging entrepreneurship initiatives meant to support the SMEs especially among the Namibian youth. Such initiatives are offered at the Namibian Business Innovation Institute (NBII) and Fabricated Laboratory (FABLAB) in Namibia. The two organisations also support entrepreneur incubation and promote innovative services and product development for emerging youth who have business ideas (Quinto, 2011:1). Furthermore, an SME Bank has been established by the Namibian Government to ease access to finance by SMEs. Again, there are SME incubation centres in Namibia.

According to Kimaro, Ihula and Angula (2012:67), the City of Windhoek created the SME Incubation Centre in Katutura to empower, educate and support emerging start-ups. The aim is to provide an office for the business and to provide assistance for the first 2-3 years of operation, with the hope that these businesses will leave the centre to continue the business elsewhere. However, most businesses do not want to leave the incubation centre even after more than the stipulated period (Gaweseb & van Scheers, 2015:20).

SMEs in Namibia get support services at the incubation centre such as: condition of mentorship and training in marketing, and business management. The SMEs are also closer to their customers and security is provided within the incubation centres as discovered by Gaweseb and van Scheers (2015:20) in a recent study. Despite all the benefits within the incubation, the same study by Gaweseb and van Scheers (2015:19) also mentioned that Namibian SMEs complained about stiff competition and high rentals within the incubation centre.

The objective of an SME Incubation Centre (SMEIC) is to offer business support, training and facilities for SMEs to understand how to run businesses (City of Windhoek, 2012). It is clear from the Namibian case that supporting SMEs through the incubation centres and access to funding may not be what all SMEs need to support themselves. This is the reason for considering the business models in this research. The focus was to apply the Business Model Canvas tool that could assist SMEs to design business models. This is supported by a recent research by Vanhaverbeke, Vermeersch and De Zutter (2012:10) which suggests that there is need for SMEs to be creative and have innovative means of doing business. The Business Model is one of the modern approaches that assists businesses to plan and show how value is created and captured (Koen, Bertels & Elsum, 2011:53; Smartinmed, 2014:3). A Business Model is very critical because once a business is operational, it is the elements in the business model that need to be

constantly changed to meet the marketing and technological changes (Vanhaverbeke *et al.*, 2012:9).

Several Business Models (BMs) have been proposed to address some of the challenges faced by SMEs (Osterwalder & Pigneur, 2009:10). A well formulated BM contributes to the success of a business organisation (Johnson, Christensen, & Kagermann, 2008:51). However, in some cases organisations give more attention to their existing BMs and fail to adjust or properly use BMs to suit the ever-changing marketing requirements (Govindarajan & Trimble, 2011:109; Tschentscher & Goc, 2013:4). This implies that even those businesses with BMs may still fail to fully benefit and expand the organisation.

The current aspects of the Business Model Canvas (BMC) were considered and assessed to assist SMEs in developing sustainable Business Models. These include: “key partners, key activities, value proposition, customer relationships, customer segments, key resources, channels, cost structure and revenue streams” as was pointed out by Osterwalder (2009:10). The motive behind the concept is that BMs can be used to enable the growth, expansion and sustainability of SMEs (Djankov, McLiesh & Shleifer, 2007:300).

In the present research, the BMC is used to enable SMEs to come up with BMs. The BMC is a tool that has been used by some business organisations to develop Business Models (Osterwalder & Pigneur, 2009:10). The popularity of the BMC workshop in Africa including Nigeria, South Africa and Namibia shows that there is awareness on how SMEs could apply the BMC. The next session explains the research problem.

1.2 Problem statement

There are efforts by the Namibian government and SME stakeholders to educate and equip SME owners with business knowledge, but there is lack of application of the business ideas by the SMEs (Gaweseb & van Scheers, 2015:18). Current SMEs at the incubation centres in Namibia do not want to move and set up their businesses somewhere to allow new potential SMEs to be incubated. Despite all current SME initiatives in Namibia, SME owners still lack confidence in leaving the incubation centres and start their businesses outside the centres. According to the City of Windhoek (2012), an incubation centre should be a training facility that equips SMEs and lets them go after a certain incubation period. Unfortunately, this has not been the case for Namibian SMEs within the incubation centre, as they continue to stay in the centres. This has led to a failure of the incubation centre concept in training more potential SMEs in Namibia. A review

carried out by the City of Windhoek in 2012 on the five-year Local Economic Development strategy indicated that there were some businesses that were still in the SME Incubation Centre that opened in 2003 (Kimaro *et al.*, 2012:67). This means that at that time the City of Windhoek had not managed to have any businesses out of the incubation centre.

The reason for Namibian SMEs to remain in incubation centres may be supported by the idea that most SME owners have little knowledge on the BMs and at times the BM concept is too complicated and requires a lot of time and resources which SMEs may not have (Johnson *et al.*, 2008:51). This research selects one BM tool, which is the Business Model Canvas as mentioned earlier and this is applied to the Namibian environment. Current literature shows that the BMC has become a very popular Business Model tool in many organisations (Johnson *et al.*, 2008:50; Maurya, 2012:23; Rampen, 2011:1). The Namibia Business Innovation Institute (NBII) currently uses the Business Model Canvas for the Entrepreneurship course. This is already a step in the right direction to assist in the understanding of the Business Model Canvas. This also gives motivation for this research, as the Business Model Canvas is already used during SME training. The application of the BMC is hoped to assist in coming up with a Namibian SME business model framework to assist with the growth and sustainability of the SMEs. The chosen Business Model Canvas has clearly explained business blocks that could be explained and could enhance SME businesses in Namibia. In this research, it is hoped that SMEs that have received the training on the Business Model Canvas would be able to apply it outside the Namibia incubation centre and continue their businesses.

To conclude this section, there is a concern in Namibia on the failure of incubation centres to recruit and train more SMEs. This research intends to apply the BMC tool to enhance business knowledge on SMEs currently operating within the incubation centres. The following research questions and objectives are proposed.

1.3 Research questions

To assist in addressing the problems mentioned above, the main research question is proposed: How can the Business Model Canvas be applied to assist in developing viable Business Models for SMEs in Namibia? The following sub-questions are proposed to address the main question. These are:

- a. What are the characteristics of SMEs within the incubation centre in Namibia?
- b. What are the current Business Models used by SMEs in Namibia?
- c. How can the Business Model Canvas be used to assist SMEs outside the incubation centre in Namibia?

The research questions also enable the formulation of the research objectives.

1.4 Objectives of the study

This section explains the main objective and sub objectives of the study. The main objective of the study is **to apply the Business Model Canvas to develop Business Models for SMEs in Namibia**. The secondary objectives are to:

- a. Assess the characteristics of SMEs within the incubation centre in Namibia.
- b. Identify and analyse the current Business Models used by SMEs within Namibia.
- c. Explore and apply the Business Model Canvas to Namibian SMEs to survive outside the incubation centre.

1.5 Rationale for the study

The research seeks to assist in the development of a sustainable model that SMEs can use to address current problems faced after the incubation stage. The proposed model should be educative to both existing and upcoming entrepreneurs to properly plan and be guided to ensure survival in the Namibian market. The Business Model Canvas is proposed for SMEs for the following reasons:

- It has been identified as an easy tool to understand;
- It is easy to map out the business idea showing the customers, partners and stakeholders.
- The BMC includes not only the product/service features, but also the value to be offered, the channels to be used, target customers and revenue streams.

In this research, the BMC is selected as it has become a popular business tool especially for start-up businesses. The BMC has been used in many areas in Africa for SME development. For example, in Namibia, the NBII uses it for SME training. Recently there was a workshop in Abuja and Lagos on the application of the BMC to Nigerian SMEs (SMEBizInfor, 2016:1). In addition to this, the InfoDev (2014:70-126) shows examples of start-ups and SMEs that have applied the BMC to enhance their business. Examples of these businesses include Mobile Laboratory (mLab) in East Africa, Mobile Laboratory (mLab) in Southern Africa, Mobile Laboratory (mLab) in East Asia, Mobile Laboratory (mLab) in South Asia, Mobile Nepal, Mobile Hub in Kenya and Mobile Monday in Kampala. Besides all these start-up and SMEs, the BMC tool has been applied by other large businesses such as Fujitsu, Deloitte, Ericsson, Oracle, WWF, Earnest and Young, Harvard Business School and North-Western University. Furthermore, SMEs, schools and start-ups have joined in applying the BMC tool as well (Osterwalder and Pigneur 2009).

1.6 Significance of the study

Currently, the Business Model Canvas tool has been mainly implemented in the European countries. The Business Model Canvas tool is already used in Namibia during the SME business training by the Namibian Business Institute. The BMC is successfully used in many small businesses especially those starting up. The examples include: mLabs, mHubs etc. Applying this concept to SMEs in Namibia could benefit other organisations in Namibia. Since the Namibian business environment is closely related to the South African environment, there is a possibility that this could be transferred to South Africa. Once successfully implemented, this can be spread to other African countries. The nine business blocks explained in the Business Model Canvas are significant and could be implemented in any business environment. Based on the benefits brought by SMEs in all parts of the world, meeting the research objectives can be a huge milestone to all entrepreneurs across the world. Applying the BMC tool to SMEs in Namibia will enhance the success of these organisations and will most likely ensure sustainability after the incubation process.

1.7 Definition of relevant terms

Business Model is a plan that shows the various aspects of business and show how these could be related to improve business activities (Johnson, *et al.*, 2008:51). A business model is further explained as “a conceptual tool containing a set of objects, concepts and their relationships with the objective of expressing the business logic of a specific firm” (Osterwalder, Pigneur & Tucci, 2005:4).

Business Model Canvas (BMC) is a long-term planning and innovative framework to assist in designing a Business Model (Osterwalder & Pigneur, 2009:10). It is an emerging business tool for helping to design better business models by considering the situation at hand (Osterwalder & Pigneur, 2009:50). In this research, this tool is applied and introduced to the Namibian SME owners.

Small and Medium Enterprises (SMEs) – Many definitions exist for SMEs. However, most of the definitions are according to the 1. Size i.e., turnover or assets 2. The structure i.e. formal or informal and 3. Number of employees (Schoneburg-Schultz & Schultz, 2006:6).

Incubation Centre - In Namibia this is a place meant to empower start-up businesses and provide education and business skills required within a central environment (City of Windhoek, 2012).

1.8. Research Methodology

This section provides a summary on the research instrument, research technique, sampling technique and data analysis procedures that were used for the research. The research uses both quantitative and qualitative research designs. SMEs operating at Bokamoso Entrepreneurial Centre in Windhoek are considered for this research. The centre is an incubation place where SMEs are trained and offered business education. “The centre is comprised of 43 stalls occupied by small business entrepreneurs involved in a variety of services that includes: *tailoring and knitting, tourism and travel, joinery, manufacturing of cleaning materials, solar equipment, events management, design and printing and electronic repairs*” (Brandt, 2013:1).

The research makes use of the interpretivist philosophy and employs an inductive logic, utilizing different techniques to gather qualitative data from which to come up with the business model framework (Choi, Barratt & Li, 2011:330; Maoneke & Isabirye, 2014a:67). The case study is chosen to be able to demonstrate and apply the BMC concept to the Namibian SME owners. Some SMEs are using different Business Models, so the case study approach will enable the researcher to have a better understanding of current approaches used to run businesses. Furthermore, the researcher does not have influence on how Namibian SMEs are run and the study is best in this context (Dube & Pare, 2003:600; Maoneke & Isabirye 2014a:68; Yin, 2003:28).

1.8.1 Research Design – Case Study

Since the main research question is more exploratory, this research uses a qualitative case study strategy. The main research question: “How can the Business Model Canvas be applied to assist in developing viable Business Models for SMEs in Namibia?” is most appropriate for a case study because the research question covers something that requires some time to be monitored as suggested by Yin (2003:28) and Maoneke and Isabirye (2014a:70). The research method is mainly exploratory to understand and apply the business model concept. Thus, the research satisfies the properties of the case study approach such as explanation on the number of cases, how the cases were selected, analysed and engaged (Maoneke & Isabirye, 2014b:52). These attributes are discussed next within the context of this research.

1.8.2 Case Selection Criteria

This study uses stratified sampling for selecting cases during data collection. SMEs based at the Bokamoso Entrepreneurial Centre shall be engaged. It should be noted that, there are 8 identifiable categories of SMEs based at the Bokamoso Entrepreneurial Centre (Brandt, 2013:1). This categorisation is based on the different lines of business the SMEs are in. Accordingly, the stratified sampling will start by splitting SMEs into 8 categories to make sure each business category is represented. Within each category, the snowballing sampling method is applied for selected participants. Collis and Hussey (2009:60) and Maoneke and Isabirye (2014a:70) point out that snowball sampling is commonly used for case selection within the case study approach.

1.8.3 Data Collection

Researchers such as Ventakesh, Brown and Bala (2013) and Maoneke and Isabirye (2014b:53) agree that for a case study approach, there is no one approach used to collect data. This makes it different from the quantitative research. To support the different approaches, the study uses triangulation for data gathering to achieve applicability and dependability (Choi *et al.*, 2011:331; Beverland & Lindgreen, 2010:57; Dube & Pare 2003:614). The examples of methods to be used include exploratory, demonstrations, interviews, and document review during data collection.

Document analysis is used to understand how SMEs operate and the BMs popularly used. Interviews are used for collecting data on the current state of SMEs in Namibia especially at infant stage. For each SME identified using stratified sampling (highlighted in section 3.2); two participants shall be engaged for interviews. The owner or manager and one employee shall be

engaged for interviews. Literature review is proposed to explain and benchmark the results from the engaged SME participants. The details on data collection are given in Chapter 4.

1.8.4 Data Analysis Procedure

For qualitative data, a case and cross-case data analysis approach is going to be used for all the SMEs engaged. The research will use coding to extract meaning from collected data for within case analysis. In this case, open coding is used first. The process of open coding begins with content analysis to verify factors identified from the literature (Maoneke & Isabirye, 2014a:79; Roux, 2005:7). After the results from SME owners, the feedback is given to the SME owners to comment on the results first as suggested by Beverland *et al.*, (2010:57). This also allows SME owners to check if all their responses were correctly captured and it is a verification process to improve the quality of the results. This paves way for cross case analysis. Cross case shows the similarities and differences between the feedback from the engaged participants. For quantitative data from questionnaires normal distribution using mean and average is used for data interpretation.

1.9 Limitations of the study

The research seeks to target SMEs only operating at Bokamoso Entrepreneurial Centre in Windhoek. Therefore, data will only be collected from those SMEs that are affiliated to the centre at the time of the study. This has been chosen as it is the recent centre after the Katutura and Khomasdal centres. The other limitation was that the SMEs were very busy and it was difficult to demonstrate the Business Model Canvas components to them. However, a recommendation to enable SMEs to get training on the business models was presented.

1.10 Delimitations of the study

The study was only carried out within Bokamoso Entrepreneurial Centre engaging SMEs that were open during the time of the study. Other SMEs that were outside the centre were not considered. Additionally, not all business categories were considered for the research as a random sample was selected and only those who were willing participated.

1.11 Outline of the study

The proposed chapters for the dissertation are summarised as follows:

Chapter One: Orientation of the study

The chapter introduces the whole research. It provides the major research elements in summary. The sections covered here include the introduction and background, the problem statement, research objectives and questions and the summary of the proposed research approach. The chapter outlines the motivation for the research.

Chapter Two: Overview of SMEs and incubation centres in Namibia

The focus of this chapter is on the overview of SMEs in Namibia. In this chapter, the major terms in the research i.e. SMEs and Business Models are explained. The chapter provides the current state of SMEs in Namibia and common business models. Later on, the chapter gives the analysis on the BMC.

Chapter Three: Overview of Existing Business Models

The chapter focuses on existing Business Models that are being adopted by SMEs. Each model is explained in line with how it works and the challenge(s) that it addresses. The chapter explains the Business Model Canvas.

Chapter Four: Research Methodology

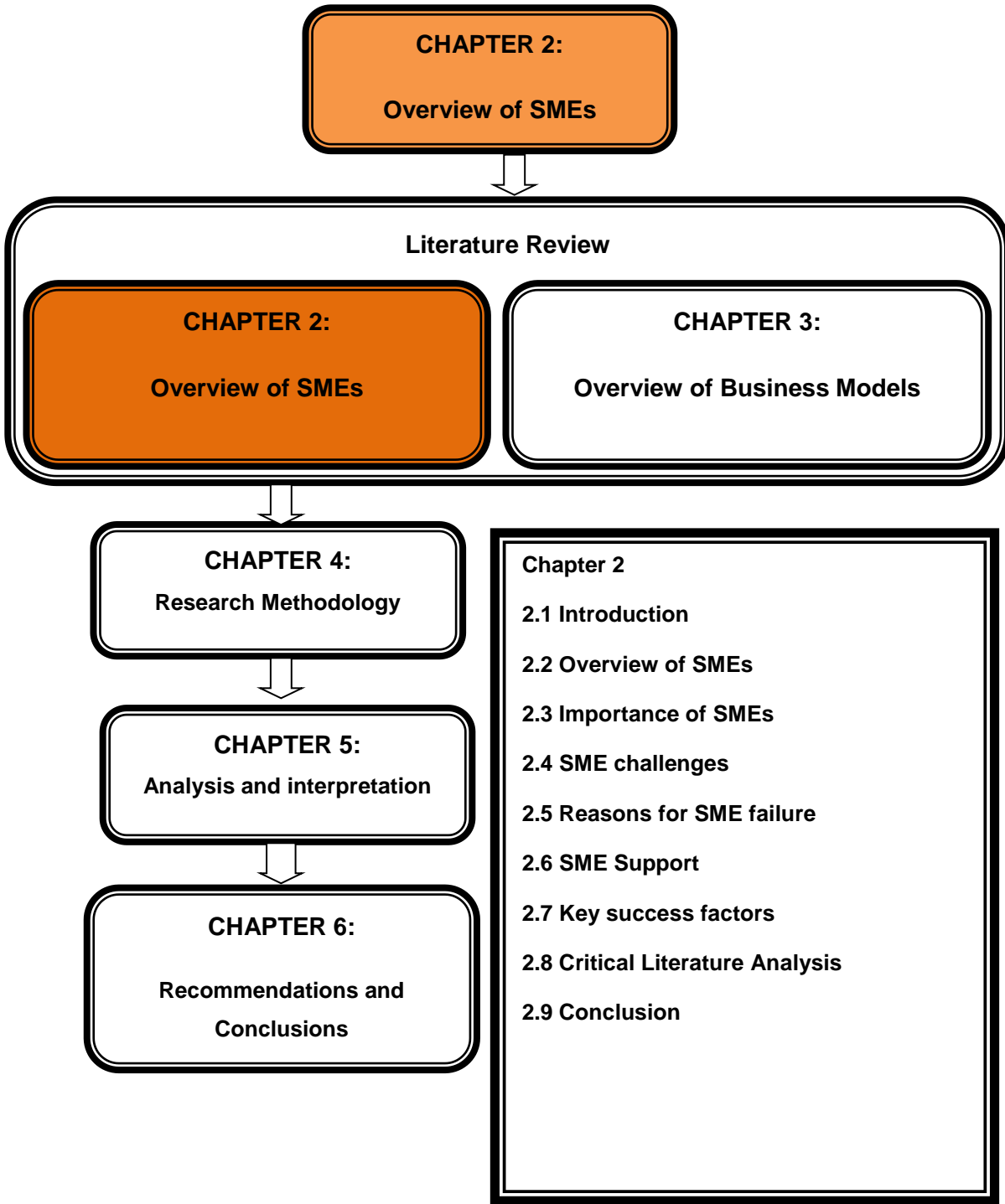
This chapter explains the research approach used. This includes explanations on the research methods, data collection and data analysis. The validation of the research instrument is discussed in this chapter.

Chapter Five: Analysis and Interpretation of Results

The chapter provides the interpretation of the data. The results obtained are compared to the findings of previous studies. This chapter explains how the Business Model Canvas components are applied to develop a sustainable Business Model for SMEs in Namibia.

Chapter Six: Recommendations and Conclusions

The chapter uses the findings to design a BM framework for SMEs. The chapter incorporates the findings from the engaged participants and outlines the research achievements. This concludes the overall research and provides the recommendations.



CHAPTER 2

OVERVIEW OF SMEs

2.0 Overview of the chapter

This chapter presents the general overview of Small to Medium Enterprises (SMEs). The chapter indicates the current state of SMEs in several parts of the world. The chapter presents the general SME overview, benefits, support obtained, challenges faced and business incubation. The chapter provides the business incubation case studies to show different initiatives that are done to promote SMEs.

2.1 Introduction

There is no doubt about the contribution of SMEs in stimulating economic growth (Tang, Wang & Zhang, 2007:118). The contribution of SMEs to economic growth within less developed nations is well documented. Current literature shows that such business organisations are responsible for employment creation, source of innovation and improvements in societal living standards (Tang *et al.*, 2007:124). These SME contributions are also pointed out by Ciubotariu (2013:202) who also added better quality products as one of the products of SMEs. To improve the knowledge of the research, it is vital to define SMEs and provide a working definition that is used in this research. In this research, the understanding of SMEs and how they operate, challenges faced and opportunities available for such organisations are important. This helps in identifying the gaps that exist and a better way to improve the operations of SMEs. At the same time, it assists in evaluating the strengths and weaknesses of the proposed solutions for this research.

2.1.1 Definition of SMEs

There is no single definition for SMEs. The term has different explanations, varying from one place to the other and between original sources of information. The most popular characteristics used to explain the term usually include: the size of workers, resources available, income level (Ayyagari, Beck & Demirguc-Kunt, 2007:4). The differences in the explanation of the term are due to differences in economies. In emerging economies for example, with a low capital and increase in employment needs, the following characteristics of SMEs are critical in the definition as was indicated by Cronje, Du Toit and Motlatla (2001:492) and supported by Zindiye (2008:59):

- SMEs are generally more labour intensive as compared to larger organisations;
- Create direct employment;

- Have less capital investment per employment opportunity;
- They are creative, innovative and enable one to develop entrepreneurship skills;
- Provide services to smaller and restricted markets;
- Promote individual skills and enhance participation in economic growth.

An overview of a variety of definitions of SMEs is captured by Motilewa, Ogbari and Aka (2015:904). They give the definitions from different countries as follows:

In Nigeria, the Central Bank of Nigeria defines an SME as an organisation with fixed capital or assets that are in the range of N5million – N500million which is US\$27, 000 – US\$3 million and a turnover of less than US\$600 000 per annum. Such an organisation should be employing less than 50 full time workers.

For Brazil, SMEs are defined as those business organisations that have a turnover of not more than US\$912,000 per year. The maximum number of employees is 99 for construction, agriculture or any industrial sector and a maximum of 49 for commercial and service sectors.

The Chinese definition of SMEs is derived from the promotion Law of China. The definition says, for an SME in the industrial sector, a maximum of 2000 employees is expected. The annual revenue should be less than US\$49million.

And for Austria an SME is defined as one that employs less than 20 employees with an average annual turnover of less than US\$1million.

The European Union refers to SMEs as enterprises with less than 250 people and an annual turnover of less than 50 million Euros (US\$ 60million).

A much closer definition to where this research is based is by the National Small Business Act in South Africa which defines an SME as a unique business organisation and distinct entity that does not belong to another organisation (KNC & associates, 2002:3). It is supervised by the owner (KNC & associates, 2002:3). Table 1 gives some notable definitions used and the categories available to explain the term SME:

Table 1: SME Definition Criteria Adapted from KNC and Associates (2002:3)

Enterprise size	Yearly turnover	Workers	Supervisor	Available resources	Financial requirements
Small	Not more than R2 million to R25 million	Not exceeding 50	Owner	Not more than R2 million and R4.5 million	R50000 to R2 million
Medium	between R4 million and R50 million	Less than 100 to 200	Owner/ manager	between R2 million and R18 million	R2 million to R5 million

2.1.2 SME Definition in Namibia

In Namibia, at times SMEs are considered as mainly under the informal sector (Hansohm, 2004). The different definitions could be one of the elements contributing to many challenges that SMEs face. A commonly used definition of the SME sector in Namibia is that of the Ministry of Industrialization, Trade and SME Development (MTI) – reflected in Table 2.

Table 2: MTI's Small Enterprise definition (MTI, 2005)

Sector	Employment	Turnover (N\$)	Capital N\$ Employed
Manufacturing	Not more than 10 employees	Not more than 1,000,000	Less than 500,000
Service	Fewer than 5 people	250,000	100,000

The Namibian definition will be considered since the research involves the organisations in this country. Of course, other definitions available in literature will also be considered to verify the correctness of the definition and improve the selection of the participants.

2.2 Overview of SMEs

SMEs are regarded as a separate entity and may include a cooperative or non-governmental organisation managed by one owner or more (Mbonyane & Ladzani, 2011:551). SMEs have a variety of characteristics and features that distinguish them. In general, SMEs are located closer to the target markets (Parrott, Roomi & Holliman, 2010:199). They are more active and do small research to select best ways of communicating with their customers and to offer differentiated products. SMEs must design creative and innovative solutions to be able to reach their customers and effectively communicate (Parrott *et al.* 2010: 199). It is clear that with the changing business

environment, as technology takes charge, SMEs must transform their business activities. They must embrace emerging technologies and social media to ensure their continued existence in the market.

The contribution of SMEs and their potential in improving the economy and social living conditions is supported in literature. Different stakeholders such as politicians, academics and developmental economists agree that it is essential to support SMEs as they contribute to and promote economic development (Edmiston, 2007:85; Kongolo, 2010:2289). Edmiston (2007:77) also mentions that SMEs offer employment opportunities to many people especially in developing nations. Kongolo (2010:2288) alludes to the fact that employment creation helps in providing sustainable environments and stimulates the economy. In the same research Kongolo (2010:2289) points out that SMEs have great potential to be innovative, adapt to technological changes and reach new markets and attract more customers. This was supported by Edmiston (2007:81) who argues that small businesses could easily adjust and accommodate new market changes to suit market conditions. Hence, it is important to create an environment conducive to the operation of small businesses, innovation, and the creation of jobs.

SMEs are known to be pillars of societal developments and in some cases are referred to as social agents, as they fit in all economies (Motilewa *et al.*, 2015:904). Motilewa *et al.*, (2015: 903) on the papers on the impact of SMEs as social agents argue that SMEs are vital in reducing rural-urban migration especially in developing nations. They view SMEs as a catalyst for societal developments and argue that many countries such as Taiwan, South Korea and Singapore have been established due to the support and viability of the SME sector. The success of SMEs is witnessed as well in the United States, United Kingdom, and other countries with liberal economies such as Brazil, Russia, China and South Africa.

In supporting the success of SMEs, Pang (2008:12), mentions that SMEs have been one of the contributing factors for the quickest growing economy (China), with a contribution to the national Gross Domestic Product (GDP) (accounting for 40%), resources, diversification of products, and job creation. Pang (2008:14), on the same article on the assessment of SMEs on Asian Markets, mentions that the role of SMEs is also properly documented even in industrialised economies in terms of economic development. It is further indicated that even the success and growth of Pakistan's economy is heavily attributed to the developments of SMEs. This is justified by a report by the Small and Medium Enterprises Development Authority (SMEDA), which shows that SMEs offer and add up to over 90% of the enterprises in Pakistan; offer jobs to over 80% of

the non-agricultural labour force; and contribute 40% to the GDP (Neumark, Wall & Zhang, 2008:4).

Despite the potential benefits of SMEs Motilewa *et al.*, (2015: 903) still argue that most developing nations have not fully benefited from the benefits that come from such business organisations. This research seeks to provide a sustainable solution for SMEs that will enable them to grow and become more independent. It is necessary to explain the general view of SMEs in Namibia where the research is based.

2.2.1 Overview of SMEs in Namibia

In Namibia SMEs are found in a couple of sectors such as sewing, travelling, manufacturing, ICT, consultancy and electronic repairs (Jauch, 2010:2). According to Jauch (2010:51) generally, SMEs in Namibia focus on different services and activities at a small-scale level. These include: agriculture, mining, art and craft products, manufacturing of various products like candles, bread making and catering, construction, different sorts of informal businesses like car repairs, gardening and domestic work and the informal trade (including rural information markets (*Cuca* shops), urban information markets (e.g. Katutura “single quarters”), informal cross-border trade (e.g. along the Namibian-Angolan border), informal meat markets (“bush markets” in rural and urban areas), informal *mahangu* marketing, and informal/illegal diamond smuggling (Jauch, 2010:52). Despite the importance of SMEs in Namibia, there is no doubt that the importance of SMEs has been witnessed in both developed and emerging economies as well. In spite of these benefits, SMEs face challenges as well. Some of the challenges are explained in the next section.

According to Schoneburg-Schultz and Schultz (2006:6), and Jauch (2010:2), an SME in the manufacturing sector employs less than ten (10) people and has a turnover of N\$1 million. On the other hand, an SME offers a service or any other business and has less than five (5) employees and a maximum turnover of N\$250 000. Within Namibia it is agreed that most SMEs are formal, however the employment within those SMEs is deemed to be informal (Jauch, 2010:3).

2.3 Importance of SMEs

In a study by Ayyagari, Beck and Demirgüç-Kunt (2007:60) from both developed and less developed nations, it was found that almost 60% of the people are employed in the SME sector. A summary of the importance of SMEs could be captured by their contribution in different countries as main researchers have mentioned (Motilewa *et al.*, 2008:12; Kongolo, 2010:2289-2292):

- Job creation;
- Economic support and development;
- Source of innovation;
- Labour intensive.

Current literature clearly shows that most countries have benefited from the SMEs (Charamba & Masocha, 2010:18). These organisations have empowered many people and enabled some nations to be economically and socially stable. In a research paper by Cant, Erdis and Sephapo (2014:566) it is argued that SMEs are important in offering the following: employment creation, innovation, and inventing of new products and contributing to economic growth.

Earlier studies by Jauch (2010:51) have shown that SMEs in Namibia focus on different services and activities at a small-scale level. Despite the importance of SMEs in Namibia, there is no doubt that the importance of SMEs has been witnessed all over the world. Despite these benefits, SMEs face challenges as well. Some of the challenges are explained in the next section.

2.4 SME Challenges

There are many challenges faced by SMEs in less developed nations. Current literature summarises these challenges as: no proper supporting business policies, access to finance, lack of technical business knowledge, and competition (Seda, 2012:43; Vanhaverbeke *et al.*, 2012:18). Jauch (2010:56) mentions that SMEs find it difficult to get proper funding as they grow. This is supported by the GTZ and JCC research (2008:16) that shows that over 60% of SMEs face financial crises. Another problem is that SMEs find it difficult to access global markets (Vanhaverbeke *et al.*, 2012:18). Competition from international companies is a challenge for SMEs because they do not have the resources and finance to compete with large and well established multinational companies. To support the current SME challenges in Namibia, the other challenge for SMEs is poor marketing skills and strategies, and lack of technical skills and equipment to produce quality products (Ligthelm & Cant 2002:3). Over 50% of small business owners lack the necessary marketing knowledge required for them to make sound business decisions (Ligthelm & Cant, 2002:3; Radipere & van Scheers, 2005:409). From the research paper on a study of SME challenges by Radipere and van Scheers (2005:402), it is argued that managerial and marketing skills are needed for the success of the business. The main challenges faced by SME owners were summarised by Radipere and van Scheers (2005:402), as follows: lack of managerial and marketing skills, lack of financial management expertise, and inadequate human resource skills.

The majority of SMEs close business annually because of lack of proper managerial skills. Furthermore, many of those who fail, do not have the tolerance for hard work (Hellriegel, Slocum, Jackson, Staude, Amos, Klopper, Louw & Oosthuizen, 2004:30). Van Vuuren (2002:1) also states that despite start-ups always coming out, many SMEs are still closing shop.

Other challenges as was mentioned by Gaweseb and van Scheers (2015:43) include:

- Lack of capital;
- Lack of business and IT skills and
- No expertise in business operation.

In a survey of South African SMEs, the main finding was that SMEs' understanding of the use of IT can improve their businesses (Goldstuck, 2009:1). Introduction of IT in SMEs was found to reduce cost (Goldstuck, 2009:1).

Brink, Cant and Ligthelm (2003:5) summarised the challenges to include: human resources issues and financial challenges. SMEs find it difficult to get suitable staff, lack or required training and skills required by employees. Again, in most cases these businesses do not have a good reputation attached to them and hence this reduces chances of attracting the skilled staff (Brink *et al*, 2003:5). Furthermore, the fact that SMEs do not have enough resources prevents them from offering training. On the other hand, inadequate capital is one of the SME challenges (Brink *et al*, 2003:5). The problem of lack of finance is also mentioned by Tshabalala and Rankhumise (2006:144), who point that in South Africa, most commercial banks are not giving financial support to SMEs due to lack of convincing collateral security.

Unstable economic conditions in most developing nations hamper the financial stability for small businesses. For example, in the Democratic Republic of Congo, most SMEs were negatively affected in the 1990s because of shop lifting during the civil war (Kauffmann, 2005:14). This has been also common in South Africa recently. Issues involving the availability of resources, unclear regulations and corruption have also been documented as contributing to some challenges facing SMEs. For example, In Congo, Equatorial Guinea, Gabon and Chad, the dominance of oil has affected the growth of non-oil businesses. In Nigeria, there are over 90% of SMEs in the manufacturing sector. Such businesses are key to the economy but lack of security and lack of good infrastructure prevents them from flourishing (Kauffmann, 2005:14). An additional list of challenges for Nigerian SMEs is outlined by Motilewa *et al.*, (2015:909) and that includes: lack of capital, lack of focus, inadequate market research, overconcentration and reliance on single markets, lack of skills transfer, ignorance, poor accounting, book keeping, lack of business

strategies, lack of business communication skills and the mismanagement of funds and inability to separate business from family issues. Adding on to the list from the same findings on SME challenges in Nigeria, the following were also observed: inconsistent government policies, inconsistent tax policy, poor business infrastructure, lack of credit information and a bottleneck bureaucracy (Motilewa *et al.*, 2015:911).

The Economic Commission for Africa (2000:13) summarises the challenges faced by SMEs by indicating that most African countries do not have an adequate skilled labour force; business education and training, affected by lack of business supporting policies; lack research and development facilities and poor business infrastructure. The same report mentions that unless SMEs in Africa are provided with the conducive business environment within their countries, it will be difficult for them to access and integrate global markets.

It can be noted that challenges explained are common in most countries and could be experienced in Namibia as well. However, in some countries different plans are in place to support SMEs. The research considers these challenges and provides a possible solution that will be experimented on using SMEs in Namibia. The solution will be presented later in Chapters 4 and 5 of this dissertation. The next section explains the support and initiatives that are currently available in different countries to promote small businesses.

2.5 Reasons for small businesses to fail

Hyder and Lussier (2016) give a summary of why most SMEs fail. The reasons could be related to different factors or based on the challenges faced. These reasons for failure include:

Waiting for funds - this is a situation where one relies on external money without really putting effort to improve the business.

Ideology and Psychology – this refers to the reaction of a business owner to a situation. It is always important to make good decisions and avoid panic decisions.

Customer base – it is important for a business to maintain the customers and possibly increase the number of customers. This includes being innovative and creative and finding ways of keeping regular customers.

Lack of services – small businesses should create better services and failure to do so affects the reputation of the business.

Inappropriate management – SMEs' managerial decisions affect the success of the businesses.

Not following market trends – one of the possible reasons for failure is ignoring the market trends.

Lack of the right employees – a small business and a successful business both need the right team members and equally potential to lead.

Lack of appropriate business model – having an efficient business model improves the success of an organisation while a poor business model affects the success.

The reasons for small business failure, coupled with the challenges means that there is need to support SMEs. It is evident that without proper support and initiatives, the growth of SMEs is unclear. The following section explains support initiatives offered to SMEs.

2.6 SME Support

Support for SMEs is vital from all stakeholders. Literature is available on different support initiatives that are in place in many countries. Such support is mainly witnessed in stable countries and mainly developed countries. For example, according to Kongolo (2010:2290) countries such as the USA, Japan, China and Ireland have been supportive to SME development. However, such support is difficult to mention in countries that are affected by war such as the DRC, Sudan and Liberia. Kongolo (2010:2290) further points out that government policies to encourage SMEs are vital, as indicated by the White Paper by the Department of trade and Industry in South Africa. The formulation of the National Small Business Act of 1995 in South Africa is one example of how the government could show support for SMEs. It is clear that government plays an important role in enabling the success of small businesses. However, as has been observed in most cases, government alone cannot succeed, it is important for all stakeholders to come together. In most cases, the private sector, Non-Governmental organisations and individuals have come together to support SMEs. This could be in different forms like offering business management skills, business plan training and business support.

2.6.1 Other initiatives to support SMEs

There are certain support strategies that SMEs themselves could initiate. These are meant to enable small businesses to grow:

Networking of SMEs

SMEs need to create business networks. Current literature shows that networking allows business owners to share business activities (Gaweseb & van Scheers, 2015:16; Hakimpoor, Tat, Khani,

& Samhain, 2011:1530). In addition to this, Kariv, Menzies, Brenner and Fillion (2009:241), agree that networking enhances business competitiveness. More so, better connected businesses tend to prosper more than those that are not (Hakimpoor *et al.*, 2011:1529). Current literature shows that SMEs with open and well-connected SMEs are more successful than others (Harris, Rae & Misner, 2012:337).

Trade fairs as part of the communications mix

One of the ways to promote small business products is through trade fairs (Gaweseb & van Scheers, 2015:24). Trade fairs improve business communication and facilitate the marketing of a business using different platforms (Häyrinen & Vallo, 2012:33). Businesses are able to showcase products and services, study their competitors and discover new trends and opportunities. During trade fairs relationships between exhibitors and visitors and the information sharing starts (Reychav, 2009:143–144). Major trade fairs allow different days for visiting by formal business people and the general public (Isohookana, 2007:166). Participation of business organisations during trade fairs provides an environment where visitors or potential customers can interact with exhibitors.

2.6.2 SME Support through Incubation

Most governments have supported SMEs through incubation centres. Such facilities enable individuals with business ideas to be groomed and mentored to develop business ideas.

Global Incubation Centres

Hsu (2012) defines incubation centres as locations for helping SMEs to upgrade and transform themselves, while The National Business Incubation Association (NBIA) of the United States of America (USA) defines business incubators as: “a comprehensive business-assistance program targeted to help start-up and early-stage firms, with the goal of improving their chances to grow into healthy, sustainable companies” (NBIA, 2010:2).

The incubation centre method has been a growing trend for developing SMEs. Literature on business incubation shows that there were more than 550 incubators operating in North America, and around 50 incubators in Australia (Szabó, 2006). During the past decades, business incubators have evolved in different ways. The first incubator was established in 1959 in Batavia, New York in the USA, but until the 1970s this concept was unique (NBIA, 2010:2). The National Department of Trade and Industry in South Africa recognises business incubation as a viable tool to help SMEs grow and become successful and globally competitive enterprises (SEDA, 2010).

According to Ndabeni (2008:259) incubation is still a new idea in African countries and still developing in South Africa. Therefore, in the context of this research, a business incubator is an environment that supports start-ups and provides business training and skills. In South Africa, business incubators follow the United States of America models. Classical incubators are business incubators oriented towards the following:

- Mentor, educate and offer business support,
- Provision of facilities, infrastructure and business support services.
- Provision of good connections to sources of funding

2.6.3 Overview of Incubation Centres

The Bahrian Business Incubator Centre (BBIC) states that “business incubation is a business support process that is designed to accelerate the successful development of entrepreneurial small businesses through an array of targeted resources and services which are offered both in the incubator and through its network of contacts”. The aim of this process is to produce famous businesses that can survive outside the business incubator (Ramluckan, 2010:7). The importance of incubation in small business growth is quite significant. Business incubators have a burgeoning role to play in encouraging entrepreneurship, promoting start-up businesses and cultivating economic development (Qian, Haynes & Riggle, 2011:81). To support the role of incubators, in the United States, business incubators create plenty of job opportunities (NBIA, 2010:2). Services provided in incubation centres are vital in the success and growth of small businesses. A few cases of incubation centres are discussed in the next sections.

Incubation Centres in Taiwan

There were over 1.2 million SMEs in Taiwan, getting support from the incubation centres (Lin, Hsieh, & Lai, 2012:119). The incubation centre engages different stakeholders such as the government, academia, research institutions and the private sector. It provides an enabling environment with the business training and support needed (Lin *et al.*, 2012:119).

Incubation Centres in China

There are more than 500 Incubation centres in China and they contribute to more than three hundred billion RMB (Qian, 2006). The number of incubators in China continues to grow and has been projected to exceed one thousand (Qian, 2006). The business incubation industry in China is arguably the largest in the developing world and the second largest worldwide, after the USA.

According to Xu (2010:93) Chinese incubators offer physical facilities to assist business setup for example: low cost space, construction equipment, office equipment and services. Some of the services include marketing, advertising and promotion to the world using existing contacts. According to Scaramuzzi (2002:16–17), incubators in China are interested in providing different support services for start-ups such as financial consultancy and business training.

Incubation Centres in Brazil

In Brazil, there are over 400 incubators (Chandra, 2007:4). This is the fourth largest in the world after the United States, Germany and China. The focus of the Brazilian incubators is to formulate supporting business policies that encourage growth of emerging businesses. The other function is to design and experiment on working business models that are shared across start-ups (Chandra, 2007:4). Some incubators focus on ensuring that all the necessary information is available and accessible to all key stakeholders (Scaramuzzi, 2002:25).

It is important to understand that the incubation centres are critical in small business development. From the cases that have been considered, incubation clearly means a temporary place for gaining more business training. There are also incubation centres in Africa for example in Kenya, South Africa, Nigeria, etc. However, these were not covered for this literature section. An overview of incubation in Africa is given for Namibia, later in this chapter.

2.6.4 Stages of incubation

There are three stages of incubation as was mentioned by Mathernová and Le Bail (2010:4): These are summarised below:

Pre-incubation – this refers to the activities that are required to support the start-ups in generating a business model, strategies to establish businesses. This normally involves analysis of the business idea, informative education, business reports and effective ways of operating a business. Most of the academic incubators fall under pre-incubators.

Incubation - this is the assistance given from early stages to growth. This could be a period of 3 years where the business is operating under guidance and support from the incubator. The support initiatives include financial resources, training and business advises.

Post-incubation – this is when a business is mature enough to run business on its own, with minimal support. At this stage, the business organisation moves out of incubation. Mathernová and Le Bail (2010:26) point out that SMEs continuously need support for example to introduce

innovative sales and production processes, and better ways of engaging other well-established businesses.

2.6.5 SME Support in Namibia

The Namibian Government has for a long time advocated support for SMEs. There is a government policy of 1997 to support SMEs. This is meant to empower and enable smooth SME business operations (Quinto, 2011:1). The policy was to support the National vision 2030 on its second National Development plan (NDP2). Although it has been difficult for the government to implement its plans, it still supports the development of small business enterprises in the country (Quinto, 2011:1). There are emerging entrepreneurship initiatives meant to support the SMEs especially among the Namibian youth. Such initiatives are offered at the Namibian Business Innovation Institute (NBII) and Fabricated Laboratory (FABLAB) in Namibia. The two organisations also support entrepreneur incubation and promote innovative services and product development for emerging youth who have business ideas (Quinto, 2011:1). Furthermore, an SME Bank has been established by the Namibian Government to ease access to finance by SMEs. Again, there are SME incubation centres in Namibia.

SMEs in Namibia get support services at the incubation centre such as: condition of advises and market education and business management. The SMEs are also closer to their customers and security is provided within the incubation centres as found by Gaweseb and van Scheers (2015:20) in the recent study. Despite all the benefits within the incubation, the same study by Gaweseb and van Scheers (2015:19) also mentioned that Namibian SMEs complained about stiff competition and high rentals within the incubation centre.

It is clear from the Namibian case that supporting SMEs through the incubation centres and access to funding may not be what all SMEs need for them to support themselves. In supporting the current initiatives undertaken in Namibia, it is important to consider some of the main support needs for SMEs. For example, in a study by Radipere and van Scheers (2005:404) in South Africa, SME owners needed support in the form of: business training, financial assistance, and general business counselling. However, besides these support initiatives, SMEs still face challenges. In addition to this, SMEs in Namibia have the opportunity to showcase their products and services at various trade shows, such as the Windhoek Show, Okakarara Trade Show, Ongwediva Trade Show and Otjiwarongo Trade show. These are major annual trade shows in Namibia.

2.6.6 Incubation Centres in Namibia

In 1996, the first incubation centre for SME development was opened in Namibia at Katutura with the intention of providing opportunities to previously disadvantaged citizens of Namibia to start small businesses (Gaweseb & van Scheers, 2015:17). The Katutura incubation centre is located in the centre of Katutura at the corners of Independence Avenue and Abraham Mashego Street. The incubation centre currently accommodates 151 traders; another incubation centre was opened in Khomasdal in 2006 which can accommodate 41 traders (City of Windhoek, 2012). The objective of an SME Incubation Centre (SMEIC) is to create a viable business environment where start-ups can learn and grow their businesses (City of Windhoek, 2012).

The role and importance of incubation centres at Katutura and Khomasdal are significant as they are keeping several SMEs together and marketing communication methods applied at the incubation centres can benefit all the SMEs located at the incubation centres (Gaweseb & van Scheers, 2015:19).

The role and importance of incubation centres at Katutura and Khomasdal is significant as they are keeping a number of SMEs together and marketing communication methods applied at the incubation centres can benefit all the SMEs located at the incubation centres (Gaweseb & van Scheers, 2015:19). Given the difficulty of starting up a business in today's environment, and the evidently high failure rate of SMEs (Van Aardt, Van Aardt, Bezuidenhoudt & Mumba, 2008:49–256) it is important for SMEs to make use of incubation support provided by the City of Windhoek to benefit from growth opportunities provided in Katutura and Khomasdal. Unfortunately, the purpose of the incubation centre is to train and release the SMEs after a certain period. However, this is not happening in Namibia as SMEs at the incubation centres do not want to leave after the incubation period.

Despite all the benefits within the incubation, the same study by Gaweseb and van Scheers (2015:19) also mentioned that Namibian SMEs complained about stiff competition and high rentals within the incubation centre. It is clear from the Namibian case that supporting SMEs through the incubation centres and access to funding may not be what all SMEs want for them to support themselves. Hence the need for considering the business models in this research.

2.7 Key success factors for SMEs

A study by Charamba and Masocha (2010:26) indicated that there are different success factors that enable small businesses to grow and survive. A summary of those factors includes:

- Creativity, entrepreneurship and innovation
- Ability to take on business risks
- Leadership knowledge and skills
- Perseverance and Planning
- Knowledge of competitors
- Customer service and understanding of Marketing needs

The success factors cannot be ignored as they are important in enabling small business success. However, this research aims to assess if these success factors are enough for SMEs to expand and survive. Through engaging SMEs within the incubation centre in Namibia, the truth about these factors will be examined.

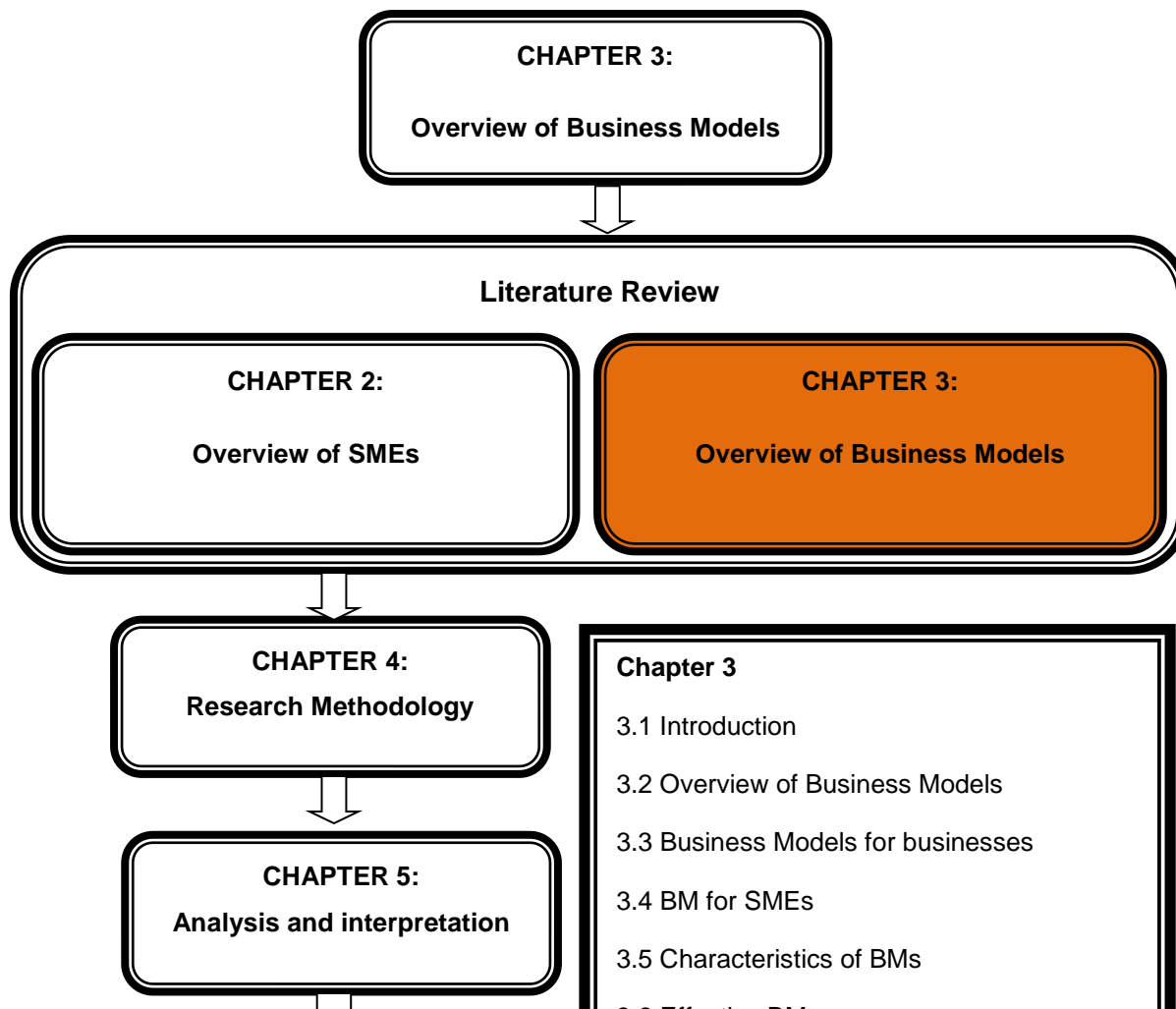
2.8 Critical literature analysis

According to Hui-Hong and Hua (2004:196), most SMEs have failed to expand, grow and transform into large organisations all over the world. SMEs find it difficult to grow and become large businesses despite the implementation of various innovative techniques. This challenge has attracted many potential experts in businesses, government and academics to come up with better ways that can transform SMEs. However, as mentioned by Hui-Hong and Hua (2004:197), most of the proposed solutions by experts in different countries are more suited to large organisations. It is clear that current SME Business Models do not support growth and need to be revised. The literature indicates that there are different initiatives available for small businesses, but still the failure rate is high. Small businesses can get support through incubation centres, but still fail to be sustainable and grow independently. The major gap that exists is the dependency of small businesses to other stakeholders. It is evident that SME owners rely on support and other stakeholders for them to effectively operate and survive. The research argues that if proper business training is provided and a proper business model is chosen, small businesses could become more independent and self-sustaining.

2.9 Conclusion

The chapter has presented the overview and current state of SMEs the world over, including Namibia where the research is based. It is clear that, there is no single definition of SMEs and this varies from one country to the other. These organisations face different challenges but in summary, such challenges seem to be common especially in developing countries. There have

been supporting initiatives by stakeholders to encourage growth of the SMEs. One of the notable initiatives is through the incubation centres. This is where business training, knowledge and information on how to run a business is offered. These incubation centres are also available in Namibia, however, even if the SMEs receive business training and support, they remain at the incubation centres and refuse to move and set up their businesses somewhere. This is the reason for embarking on this research with the aim of proposing a solution that will give Namibian SMEs within the incubation centres confidence to start their businesses and operate outside the incubation centre. The next chapter unpacks the characteristics of the proposed solution for this research. Chapter 3 discusses the business models and the business model canvas.



CHAPTER 3

OVERVIEW OF BUSINESS MODELS

3.1 Introduction

This is a literature review extension chapter to unpack the Business Models. The chapter presents the Business Models (BMs), Business Model Canvas (BMC) tool and continues to explain the literature related to this research. There is need to understand existing business models and how these are applied in business organisations. Possible models for small businesses are also covered. Despite the different support initiatives that could be availed to small business, in this dissertation the business model is one of the interventions that could be used to equip SME owners with business skills that could improve their performance. Business models are an integral part of the business and if SMEs can capitalize on this more can be achieved. Most importantly, the chapter covers the cases of the business that have used the Business Models and the Business Model Canvas.

3.1.1 Definitions of Business Models

Business Model is a plan that describes the various aspects of business and shows how these could be related to improve business activities (Johnson, Christensen & Kagermann, 2008:52). Osterwalder, Pigneur and Tucci (2005:3) explain a business model as “a conceptual tool containing a set of objects, concepts and their relationships with the objective to express the business logic of a specific firm”.

Business models enable organisations to identify customers, classify customers and decide on effective ways of reaching the customers (Teece, 2010:172). According to Osterwalder (2004:1), a business model provides a framework on how the business offers value and unique services to customers to increase revenue.

“A business model articulates the logic, the data, and other evidence that support a value proposition for the customer and a viable structure of revenues and costs for the enterprise delivering that value (Osterwalder, 2004:3). The business model deals with highlighting the benefit the enterprise will deliver to customers, how it will organise to do so, and how it will capture a portion of the value that it delivers. A good business model will provide considerable value to the customer and collect a viable portion of this in revenues. But developing a successful business model (no matter how novel) is insufficient in itself to assure competitive advantage.

Business Model Canvas (BMC) is a strategic management and entrepreneurial tool to assist in designing a Business Model (Osterwalder & Pigneur, 2009:2). It is an emerging business tool used to enable the development of a proper business model based on the existing models and the different factors within the business environment (Osterwalder & Pigneur, 2009:1). In this research, this tool is applied and introduced to Namibian SME owners.

3.2 Overview of Business Models

The term BMs has expanded since the late 90's, with the growth of the Internet and electronic commerce (e-commerce) (Ghaziani & Ventresca, 2005:526). In the academic literature, however, there is no common language or unanimity for Business Models (Zott & Amit, 2010:218). Suggestions range from a broad perspective, that is 'everything in your value chain approach', to the simple 'how organisations make money' statement (Johnson *et al.*, 2008:55). According to Johnson *et al.*, (2008:56), a business model cannot only focus on how a business intends to make money, but includes other aspects to reach customers. BMs need to address different elements by which a company creates value for its customers as well as itself. Similarly, Tikkanen, Lamberg, Parvinen, and Kallunki (2005:790) stressed the different components, business blocks of a BM to generate value for customers and organisations as was also supported by Tschentscher and Goc (2013:52).

According to Johnson *et al.*, (2008:55), a business model cannot be just about how a business plans to generate income. Business Models need to address different elements by which a company creates value for its customers as well as itself. It should be noted that the Business Model concept is still new for most of the business organisations. This has caused a lot of debate as business stakeholders have different views on understanding (Gordijn, Akkermans & van Vliet 2000:40). A Business Model is more generic than a business strategy. Business Models experts agree that combining the two is important in enabling business competitive advantage (Morris, Schindehutte & Allen, 2005:728; Teece, 2010:175). As a result, there are many Business Models currently available and used within business organisations. Some common Business Models used for SMEs are license models and can either be product centred or buyer driven. A brief description of the common Business Models, according to Tschentscher and Goc (2013:34) is given in Table 3.

Table 3: Examples of Business Models adopted from Tschentscher and Goc (2013:39)

Type of Business Model	Brief description of model
License model	<ul style="list-style-type: none"> • Mainly applied in the functional food business areas. • Revenue generated from sales of raw products • The business only delivers raw products
Product Model	<ul style="list-style-type: none"> • Products sold as finished products to its partners • The partner is responsible for packaging and marketing of the products • Much higher profit margins
Consumer Model	<ul style="list-style-type: none"> • Company is involved in different activities • The partner and company share the revenue equally • Marketing and sales activities done by both partner and company

3.2.1 Other examples of business models

The following examples provide an overview for various business model types that have been in discussion since the invention of the term business model: These examples are specific on Tschentscher and Goc (2013:39):

Bricks and clicks business model – this involves the use of both tradition and technological means. For example, both offline (bricks) and online (clicks) are present within the business.

Collective business model – This is a model that allows organisations to pool resources, share information or provide other benefits to each other. This involves working together for one common goal.

Cutting out the middleman model – Businesses deal with the exact contact be it suppliers or customers. There is a direct interaction with the exact service provider. An example could be by using the internet.

Direct sales model - Direct selling is marketing and selling products to consumers directly, away from a fixed retail location. There is a direct contact with the targeted customer.

Other examples of business models include:

Auction business model; All-in-one business model; Low-cost carrier business model; Loyalty business models; Monopolistic business model; Multi-level marketing business model; Network effects business model; Online auction business model; Online content business model; Premium

business model; Professional open-source model; Pyramid scheme business model and Subscription business model.

Business Models enable businesses to define their uniqueness and plan business strategies that enable sustainability and to reach all customers (Johnson *et al.*, 2008:55). According to Govindarajan and Trimble (2011:109) some businesses concentrate much on the existing models and fail to ensure growth and expansion.

The definitions and the understanding of the different types that are explained in this section improve the knowledge required to propose a solution for this research. The variations in definitions and types of business models show that it cannot be approached in one way. The complexity that business models bring indicates that proper planning, awareness and training are important in introducing business models.

3.3 Business organisation and business model

The business model is at the centre of a business organisation.

3.4 Business Models for SMEs

There are important questions to consider when formulating a BM. Dolan (2011:5), summarises these are stated here:

- How do we plan to engage the market?
- How do we intend to make profit?
- How are we selling the products?
- Do you plan to produce or manufacture products?
- Are you creating a new way of doing business?

According to Dolan (2011:8), developing the BMs by asking the mentioned question will assist the understanding and purpose of the BMs. The questions help in planning for the business strategy and the model to use. These questions were considered during the data collection to assist in understanding how current small businesses are addressing the questions. The questions should be supported by the characteristics of BMs that exist. By combining the questions and the characteristics one can only strengthen the business. The next section covers characteristics of BMs.

3.5 Characteristics of a Business Model

A business model typically includes at a minimum four major components as was mentioned by Miller (2014:1). These characteristics are explained as follows:

a. The company's offering and value proposition.

A well-defined BM should have of the company's value proposition. This describes the company's offerings in goods and services in terms of the value they offer to the customer. An example of a company that has capitalized from a clearly defined value proposition is Dell. A case of Dell will be used as an example later in this chapter. Dell has used an innovative value proposition that was unique at the time (Miller, 2014:3). Dell promised to assemble a computer, the same way the customer has requested and specified, and deliver it at a very competitive price. Another example used is that of Tschentscher and Goc (2013:39); Boeing states the customer value proposition for its 747-8 aircraft very simply: "...more range, better fuel efficiency, and lower operating costs". To summarise, the value proposition explains what attracts people to buy from this company instead of from the competition (Dolan, 2011:7).

b. The business's customers

The BMs should clearly explain the targeted customers, relations, how to reach them and design a proper marketing strategy (Tschentscher & Goc, 2013:39). As examples of key points for this, a BM should address:

- The target market, or targeted audience. This could be defined by considering the characteristics of the customers or their special interest (Dolan, 2011:10).
- How to maintain and establish innovative ways of reaching customers and keeping them buying again.
- How the products and services could reach the customers.

c. The Business main activities

The BM must clearly outline the business activities that are to be performed. These activities may include the available resources and infrastructure that is available (Govindarajan & Trimble 2011:110):

- Main functions, category and services offered by the business.
- Critical resources and facilities necessary to attract customers.

d. The Business finances

The BM should indicate how the business will generate income and pay for the expenses (Miller, 2014:2). These are indicated by:

- The company's revenue sources and cost structure.
- The company's revenue strategy and how to maintain and ensure more income is generated (Dolan, 2011:8).

To support these characteristics, using Schmidt, (2016:1), the summary of the features and major elements of the BMs are covered, in this section:

- Core capabilities;
- Partner network;
- Revenue;
- Value configuration
- Costs
- Distribution.

Adding to the main features of the BMs, Hui-Hong and Hua (2004:198) state that, besides the mentioned key components of the Business Models, there is need for a business to have a well-structured organisational structure and human resources development. This means that the Business Model alone cannot be enough to transform the business. Despite all these pros and cons of the business model, the research proposes an analysis of the current Business Models and uses the BMC as a tool to build a successful model for SMEs in Namibia.

3.6 Effective Business Model

The BM should be well balanced. The business should have a way to measure the time, effort and resources that are required to bring in new customers. Figure 3.4 shows the BM could be balanced. Some of the questions as indicated by Skoki (2015:1) are:

- Does it help you to increase the market share?
- Can there be effective ways of reaching and capturing the customers?

There is need to consider other factors as well in enabling the balance. An example of a well-balanced business model is as follows:

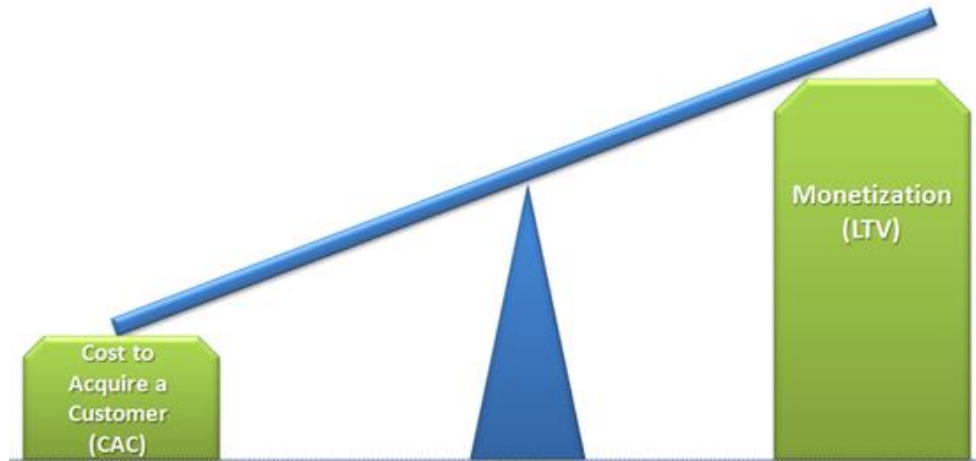


Figure 1: Balancing the customers and finances for a BM extracted from Skoki (2015:5)

It is also very useful to look at some of the factors that can help drive the balance of the model: The balance as mentioned by Skoki, (2015:5), is driven by other factors such as: inbound marketing, inside sales, channels, strategic partnership, field sales, recurring revenue, customer satisfaction and affordable prices.

3.7 Summary of Business Models

According to Morris *et al.*, (2005:730) and Teece, (2010:176) any sustainable Business Model should consider the following: the major market segments; the value to be offered for each market segment; the approaches and mechanisms to capture the value; strategies to be unique and compete with the rivals and most importantly effective ways of how to make money. There is no doubt that to come up with an effective business model, many resources, skills, research and consultations are essential. According to Koen *et al.*, (2011:54) coming up with a good Business Model involves bringing in innovative skills. This will require knowledge and experts on Business Models. Business Models have benefited other businesses such as Apple. It is also true that a poorly planned BM can lead to business failure (Koen *et al.*, 2011:55; SMARTINMED, 2014). This has been witnessed by Kodak and Microsoft despite their financial investments (Koen *et al.*, 2011:56). These benefits and success stories on Business Models are used in this research to be able to explain and demonstrate to SMEs the strengths of Business Models.

One of the common features of a Business Model is that, they require modifications and should accommodate environmental and organisational changes. The current Business Models for SMEs are mainly focusing on sourcing finance and attracting more customers (SMARTINMED, 2014:14). For this study, other aspects such as production, reaching other markets, ability to form

partnerships will be considered in formulating the business model for SMEs. Again, guiding frameworks or models could be important as well to adapt a desired model. One such guiding tool is the Business Model Canvas (BMC) discussed in the next section.

3.8 Business Model Canvas (BMC)

BM experts agree in current literature that the Business Model Canvas is a long-term planning tool (Alexandros, 2014; Bettencourt, 2012:1; Maurya, 2012:2; Rampen, 2011:1). It is important to consider the BMC as it possesses key categories that are necessary for the development of business models. The Business Model Canvas was proposed by Osterwalder and Pigneur, (2010:22) and it has received wide acknowledgement as a model that could enhance the designing of viable business models. The Business Model Canvas has the nine (9) business blocks summarised by Osterwalder and Pigneur (2009:2) as follows: Customer segments; Customer relationships; Channels; Value proposition; Key Activities; Key resources; Key partners; Cost structure and Revenue streams. Each of these segments is explained in the next section.

3.8.1 Overview of BMC

According to Osterwalder, Pigneur and Clark (2010a:33), the BMC consists of the following key segments:

Customer Segments – This refers to the market which the service or product is offered to. A customer segment is that part of the market targeted by the organisation. In any business model, customers are at the centre of the business. There is need to classify these customers, identify their needs and satisfy the customers for the business to survive. There are different customer segments which include based on different market characteristics.

Value Propositions – these are the different products and services which the business offers and which create value in each of the customer segments. Value proposition enables the customers to go for the product or service that is being offered as compared to the others. It is the one which attracts the customers and which makes the customers to return. Some of the characteristics of value proposition include the newness, customization, uniqueness and quality of the product or service. Price, design, brand and accessibility are some of the key attributes of value proposition.

Channels – These are the means by which the goods and services reach customers. Recently modern technologies have been used to easily and effectively reach customers.

Customer Relationships – this involves all the activities that are undertaken to motivate and impress customers. Different market segments have different relations which the business should identify and maintain.

Revenue Streams – includes the means and sources that the business gets income from. These are the different ways that an organisation would use to get revenue. Examples could be advertising, asset sale, subscription fees and renting.

Key Resources – Key resources are the main utilities that the business has and uses to achieve customer satisfaction. It includes the equipment, pool of assets and other products that the business uses to ensure that there is production and service delivery.

Key Activities – these are the major functions of the organisation. These are key activities that a business engages in, to ensure survival in the market.

Key Partnerships – includes all the key stakeholders that the business requires to be able to perform its activities. These may include manufacturers, suppliers and other businesses in the same category of other entities that a business can collaborate with.

Cost Structure – describes all costs incurred to operate a business model. Such costs include the costs incurred during the creation and delivery of value, enabling customer value and getting income. The summary of these components is given in Figure 8.

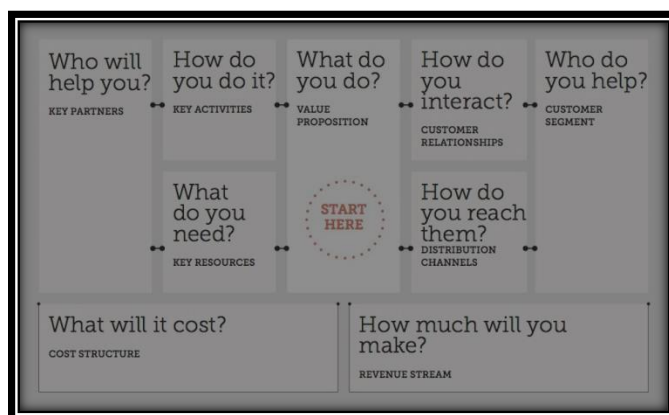


Figure 2: Business Model Canvas summarized by Osterwalder and Pigneur (2009:3)

3.8.2 Other types of Business Model Canvases

There are other Business Model Canvases available. It should be noted that most of the BMCs are now being derived from the BMC by Osterwalder and Pigneur (2009:4). Other business model experts such as Rampen, (2011:2); Smith and Souder (2012:5) agree that it is

important to maintain the original nine business blocks of the BMC. However, there is need to address other aspects of the new business model in meeting the requirements of the not for profit businesses. These BMCs are summarized in Table 4.

Table 4: Summary of some existing Business Model Canvases

Name of BMC	Brief description of BMC
The BMC by Osterwalder and Pigneur (2009:2)	<ul style="list-style-type: none"> • Has 9 business blocks and is the original one. • Shows how customer segments are connected to value proposition • Describes what happens at each of the business blocks.
Value co-creation canvas by Rampen (2011:3)	<ul style="list-style-type: none"> • Aligns customer needs to the requirements. • Focuses more on the value to the customer.
Service Model Generation Canvas 1.0 by Bettencourt (2012:4)	<ul style="list-style-type: none"> • Answers what customer jobs a customer wants to achieve.
The non-profit BMC by Smith and Souder (2012:1)	<ul style="list-style-type: none"> • Focuses on providing the differences between Business Model for donors and beneficiaries.
Lean Canvas by Maurya (2012:3)	<ul style="list-style-type: none"> • Business Models can be modified for special needs i.e. start-ups. • There is need to have a proper plan and design before full implementation of the business model.

3.8.3 Alternative Business Model Canvases

There are many examples that are in line with the business model canvas. These are summarised in Table 5.

Table 5: Business Model Canvases

Value co-creation	Focus on the value that is offered to the customers (Rampen 2011:3)
Nonprofit business Model Canvas	Mainly for those organisations that are not targeting to make profit. Addresses the needs of the beneficiaries and the donors (Smith & Souder 2012:3)
Service model generation canvas 1.0	Uniquely identified services to satisfy the customers (Bettencourt, 2012)
Donor Model	This focuses on the donor component. It is also for the non-profit making businesses (Smith & Souder 2012:4)
Lean Canvas	This is commonly used for emerging businesses. It helps start-ups to learn and adapt fast (Maurya, 2011:2)

The other model is the lean model. The lean model is a good tool for the start-up businesses. The BMC exists with different components, it is important to explain, the reasons for considering the Osterwalder (2004:3), BMC.

3.9 Why Business Model canvas

The reasons for applying and considering the BMC are summarised as was indicated by Osterwalder and Pigneur (2010(b):12):

- Can be modified to suit the business situation;
- It is well explained;
- Can be applied by any business e.g. small, large, cooperatives and or nonprofit making.

The BMC has been applied by business organisations and small emerging start-ups (Osterwalder, 2004:5; Agostini & Floren, 2015:305). It is significant to consider this in this dissertation and apply to the Namibian environment. The next section explains the cases where BMs and the BMC have been applied to improve the organisations.

3.10 Application of Business Models

Agostini and Floren (2015:305) provide a summary of business organisations that have applied changes to operations using BMs. One of the examples is Bayer, a German leading pharmaceutical company. The model was applied for the rebranding of the Aspirin painkiller. Bayer's market share dropped by 6% in the early 90s and the organisation made a move to change the value proposition (Agostini & Floren, 2015:303). This was a modification: "from a painkiller to a lifesaver", and maybe few minor activities such as partnerships or distribution channels (Agostini & Floren, 2015:300). The change improved the market share and the customer base rapidly. The details of the old BM and the new one are shown in Table 6.

Table 6: Bayer Business Revised Business Model extracted from Agostini and Floren (2015)

Bayer old business model		Bayer new business model
Sold as an effective painkiller with a broad range of usage. Sold in 500mg tablets.	Value proposition	Branded as a "wonder drug", with life-saving properties. Sold in pills and chewable flavoured gums. Creation of different target offerings: for women, for headache, for body pain, double dosage/singe dosage.
Focus on growth.	Profit formula	Cash-cow; high price (compared to competitors), high volume and high margins
Brand name, logo and distribution through pharmacies.	Key resources	Brand name, logo and distribution through pharmacies and major retailers. Hefty commissions to distribution partners; strong relationships.
Manufacturing process is paramount	Key processes	Stayed the same, with only minor tweaks in terms of marketing and manufacturing.
N/A	Structure	N/A

Dell

As indicated by Agostini and Floren (2015:306), in 1999, Dell became the largest PC manufacturer in the world. "The company did not sell a product with special characteristics, nor was the price cheaper than the competitors'. Instead of relying on wholesalers, retailers and intermediaries, Dell commercialized its products directly to consumers via the Internet", (Agostini & Floren, 2015:301). Finally, "Dell built Page 2200 International Association for Management of Technology IAMOT 2015 Conference Proceedings P305 direct relationships with its customers, enabling the company to predict trends earlier than anybody else", (Agostini & Floren, 2015:302). In summary, the business modified the business activities to maximize on the customer base. Table 7 shows the changes to the BMs that were made at Dell.

Amazon

The company was formed in 1995 as an online bookstore. Amazon keeps on introducing new products like the kindle. The business models have been mainly to focus on how to be innovative and introduce new products that address the world's needs (Agostini & Floren, 2015:302). The summary of the changes to the BM is reflected in Table 7.

Table 7: Amazon Business Model extracted from Agostini and Floren (2015)

Amazon old business model		Amazon new business model
Low-cost online bookstore and retailer. Price and convenience.	Value proposition	Sale of the Kindle ecosystem (tablet, media store, e-books)
High economies-of-scale	Profit formula	Sales of hardware (low margin) along with sales of media content (high margin). High economies-of-scale and locked eco-system.
Distribution of products. Warehouse distribution centres. Outstanding customer service.	Key resources	Creation of products. Warehouse distribution system. Outstanding customer service.
	Key processes	Manufacturing capabilities. Publishing books.
Business through its e-commerce platform.	Structure	Business through its e-commerce platform.

3.11 Business Model Canvas (Application)

In a separate study to show how the BMC could be applied to the business operations, Naggar (2015:12) shares the following. Table 9 shows how the BMC could be applied for an innovative idea. In a case where one has an innovative idea that may lead to a business startup, Naggar (2015:32) demonstrates how the BMC could be applied.

In this dissertation, this example is quite suitable as many small businesses are created from innovative ideas. The question remains whether, this could assist Namibian SMEs or not. However, having information shown in Tables 6-9 motivates this research, as it is evident that BMs are used in different organisations. In addition to this, the BMC could also be applied.

Table 8: Application of the Business Model Canvas to a Business, adopted from Naggar (2015).

<p>Key Partners</p> <p>External members of the communities</p> <p>Creativity consultants</p>	<p>Key Activities</p> <p>Basic activities: Creativity & RDD projects</p> <p>Circulation of knowledge and ideas</p> <p>Middleground activities: Stimulation of creativity, circulation of knowledge and ideas. Recommendation of upstream RDD projects.</p>	<p>Value Proposition</p> <p>For entrepreneurs: Never lacking work that is rewarding and valued. Edge over competition.</p> <p>For innovators: No shortage of winning ideas from which to derive value. Availability of needed knowledge and skills.</p> <p>For ideators: Recognition of their contribution to innovation. Challenging environment and trust networks</p> <p>For researchers: More support for and greater commitment to their research. Supplier of knowledge crucial to the realization of ideas whose value is recognized.</p>	<p>Relationship</p> <p>Credibility stems from the backing of the company's senior management.</p> <p>As community members, system customers are directly involved in its operation and the direction it takes.</p> <p>Trust networks</p>	<p>Customer Segment</p> <p>Entrepreneur</p> <p>Innovator</p> <p>Ideator</p> <p>Researcher</p>
<p>Cost Structure</p> <p>Upstream RDD (differential cost)</p> <p>Middleground activities: - Steering and organizing - Participation</p>		<p>Revenues</p> <p>In kind participation into the communities through member projects</p> <p>Direct financing for steering teams and other costs through special member projects</p>		

3.12 Analysis of the Business Model Canvas (BMC)

The BMC is one of the common tools in use to enable business planning. The BMC provides business with a guide through a variety of elements that enables a business to run the organisation (Osterwalder *et al.*, 2010b:4). The BMC tool by Osterwalder and Pigneur (2009:2) covers nine basic business blocks including major business activities such as customers, revenue streams and major stakeholders. The BMC has become a popular tool and has the following advantages (Coes, Kraaijenbrink & Kijl, 2014:24; Osterwalder *et al.*, 2010a:6): The BMC business blocks are simple and easy to follow;

- Can be practically implemented and not only an academic tool;
- The BMC is based on the plug and play principle;
- Ability to engage and allow stakeholders to discuss;
- Can be customized to suit the required BM.

Besides, the popularity of the BMC, a couple of studies which have been done on evaluating it show that it has the following criticisms as mentioned by Coes *et al.*, (2014:18) and Ching (2014:41):

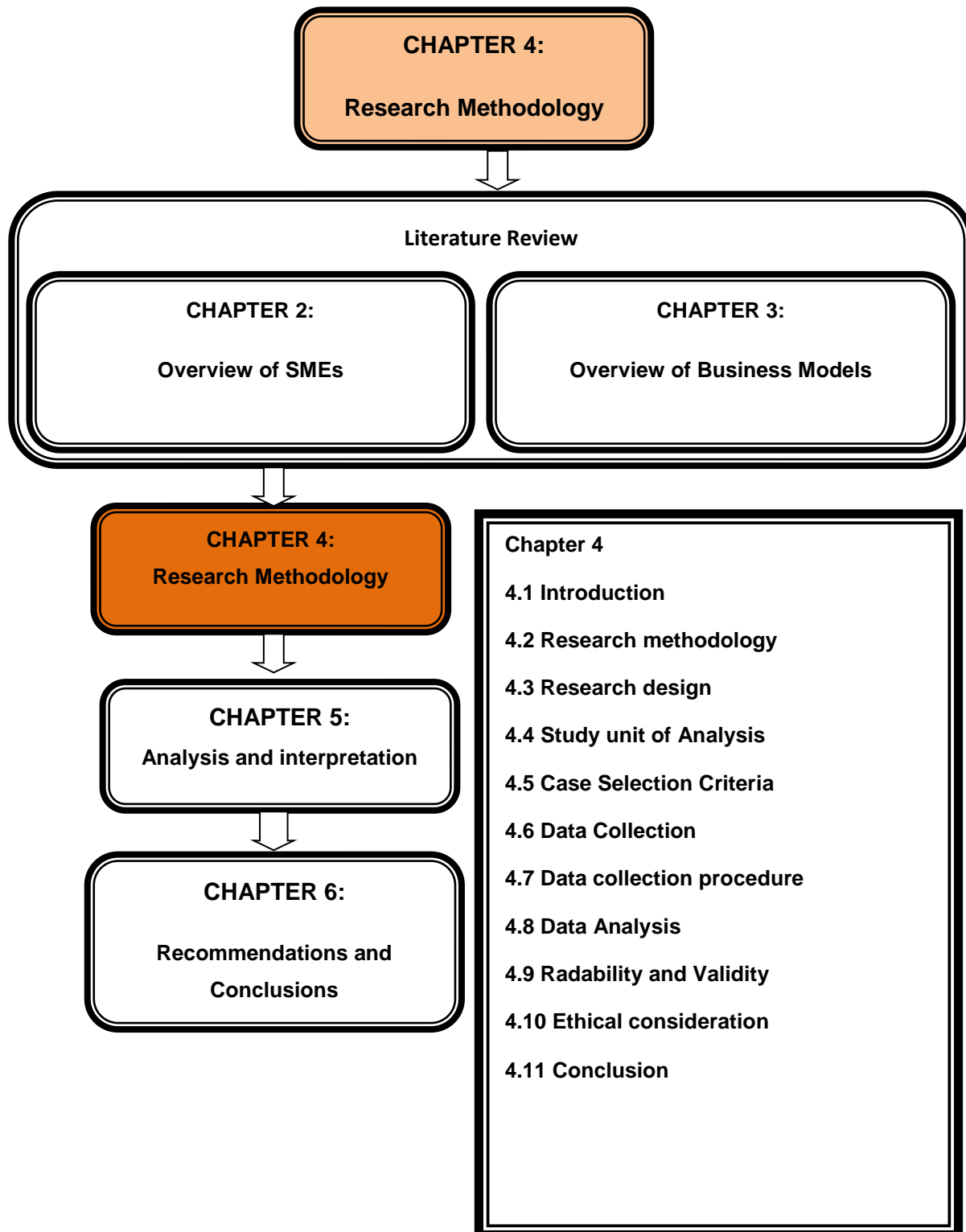
- Does not show how the business handles competition;
- Does not highlight any competition structures;
- The BMC does not show how business goals are formulated;
- The BMC is mainly applicable for new ideas and not necessarily changing current models.

The weaknesses of the BMC as noticed by Bettencourt, (2012:2); Maurya, (2012:3) and Rampen, (2011:1) have encouraged other researchers to propose different canvas models such as the ones shown in Table 2. On the other hand, the BMC does not only address the issue of finance alone or lack of management skills but also addresses the issues of overall customer satisfaction, partners, and activities in one model (Ostarwalder & Pigneur, 2009:4). The interest for this dissertation is based on the popularity of the BMC and therefore proposes this as the tool to be considered for the Namibian SMEs. The application of the BMC is suggested to equip the current SME owners with further business skills that could assist them to perform well outside the incubation centre.

3.13 Conclusion

This chapter has highlighted the overview of the business model. It is quite clear that businesses, whether small or big, private or public have a business model. As was mentioned by Teece (2010), a business model “describes the design or architecture of the value creation, delivery and capture mechanisms employed”. The BM should show who the customers are, how the customers are reached, how they will pay for the services and products and how the business intends to get money. Teece (2010:189) also points out that a “good business model design and implementation involves assessing such internal factors as well as external factors concerned with customers, suppliers, and the broader business environment”.

Another important aspect of this research is the explanation of the BMC. The significance of this is to assist those organisations that may be having challenges in designing BMs to use this. The BMC is a tool that could be used to assist organisations to set up efficient BMs. In this chapter, many BMC tools have been discussed, but the Ostarwalder BMC is considered for this research. The main research objective is yet to be addressed, but having gone through this chapter, it is clear that, BMs are vital for business success. Again, the BMC could assist in formulating sustainable BMs. The small businesses within the incubation centre in Namibia are chosen to consider implementing the BMC to enable them to survive outside the centre. The next chapter covers the specific methodology and methods that were chosen for this research.



CHAPTER 4

RESEARCH METHODOLOGY

4.1 Introduction

This chapter explains the specific research approach that was used in this research. The purpose of the research was to understand how SMEs within the Bokamoso Entrepreneurial Centre are applying business models. The overall intention was to propose practical business models that could give SMEs self-confidence to operate on their own outside the centre and survive. A couple of approaches were used to engage the SMEs as indicated in the following sections.

4.2 Research Methodology

The research uses a mixed method research approach. In other words, both quantitative and qualitative research designs were used. The mixture of methods has a higher chance of giving comprehensive results that are more reliable and dependable. The questionnaire contained mainly quantitative questions. Data collected from the current available document was also quantitative. The interviews were used for qualitative purposes. The research considers different categories of businesses in this case, eight (8) different categories. These businesses are different in operations, and most likely have different models and ways of doing business. Hence, using a mixed approach is proposed to give more information. It is important to consider a mixed approach as this is likely to accommodate the different ways of doing business.

4.3 Research Design – Case Study

Since the main research question is more exploratory, this research uses a qualitative case study strategy. The research makes use of the interpretivist philosophy and employs an inductive logic, utilising a variety of methods to collect qualitative data from which to come up with the business model framework (Choi, Barratt & Li, 2011:330; Maoneke & Isabirye, 2014a:67). The case study is chosen to be able to demonstrate and apply the BMC concept to the Namibian SME owners. Some SMEs are using different Business Models, so the case study approach will enable the researcher to have a better understanding of current approaches used to run businesses. Furthermore, the researcher does not have influence on how Namibian SMEs are run and the study is best in this context (Dube & Pare, 2003:600; Maoneke & Isabirye 2014a:68; Yin, 2003:28).

The case study method was adopted in order to be able to get the views of each business and how the application of the business models was done. These attributes of the cases selected are discussed next within the context of this research.

4.4. The Study's Unit of Analysis

This study considers SMEs operating at Bokamoso Entrepreneurial Centre in Windhoek as its unit of analysis. The centre is an incubation place where SMEs are trained and offered business education. The centre was chosen as it represents the main categories under which most SMEs in Namibia fall in. "The centre is comprised of different stalls occupied by small business entrepreneurs involved in a variety of services that include: *tailoring and knitting, tourism and travel, joinery, manufacturing of cleaning materials, solar equipment, events management, design and printing and electronic repairs*" (Brandt, 2013:1). However, from the latest information obtained there are 40 stalls and at the time of the study, three (3) were not occupied.

Data was collected from a population of forty (40) SMEs based at excluding three (3) that were not occupied. This categorisation is based on the different lines of business the SMEs are in. The idea of the research is to engage all the categories of the business available. Each of the categories was represented. The chosen research community involves SMEs within the Bokamoso Entrepreneurial Centre. The participants are all in the Centre for one common interest which is doing business. The participants are located within the same incubation Centre. In preparing the research, many visits have been made to the Centre just to understand how SMEs residing in the Centre are doing business.

4.5 Case Selection Criteria

This research used stratified random sampling for selecting cases during data collection. SMEs based at the Bokamoso Entrepreneurial Centre were engaged. It should be noted that, there were eight (8) identifiable categories of SMEs based at the Centre (Brandt, 2013:1). Each of these categories qualified to participate in the research. The categorisation was based on the different lines of business the SMEs are in. Accordingly, the stratified sampling method was used to split the SMEs into the respective categories to make sure each business category was represented. Within each category, the simple random sampling method was applied to select the research participants.

Eight (8) participants (SME Owners) were initially considered for the interviews. A simple random sampling method was applied to select two representatives from each SME category to complete the questionnaires. Therefore, sixteen participants were chosen to complete the questionnaires. Eight (8) participants from each business category were targeted for the interviews. Then sixteen (16) participants completed the questionnaires. A total of 24 participants representing each category were engaged in the study. The sample was complimented by the observations and current documents available about the Centre. However, during the time of the research, there were two missing SMEs from different categories. The research presents that data that excludes the solar equipment and events management categories as they were not available during the time of the study.

4.6 Data collection techniques

The study used a triangulation for its data collection. Different data collection techniques were used to enhance the understanding of data. In particular interviews, observations and a questionnaire were used for data collection. The interview questions and the questionnaires were based on the Business Model Canvas tool. The BMC has nine (9) building blocks and the questionnaire and interview questions are based on these building blocks. The intention was to get information on how Namibian SMEs are considering each of the components of the BMC.

Researchers such as Ventakesh, Brown and Bala, (2013) and Maoneke and Isabirye (2014b:53) agree that for a case study approach, there is no one approach used to collect data. This makes it different from the quantitative research. To support the different approaches, the study uses triangulation for data collection to achieve transferability and dependability (Choi *et al.*, 2011:331; Beverland & Lindgreen, 2010:57; Dube & Pare 2003:614). The examples of methods used include exploratory, interviews, and document review during data collection. Some SME owners were contacted through mobile phones and they indicated that they were out of town and could not participate in the research.

Document analysis was used to understand how SMEs operate and the BMs popularly used. The main document used was the Centre information booklet, which explains the SMEs and the description of each business. Interviews were used for collecting data on the current state of SMEs in Namibia especially at infant stage. Literature review was proposed to explain and benchmark the results from the engaged SME participants.

The guiding questions from each of the BMC components are summarised as follows:

Customer Segments:

- Who are the major customers of your business?
- What do customers say about your business?
- Are there any important customers?

Value Proposition:

- What is unique that is available to customers?
- Why do customers buy from your business?
- Which classes are you creating values for?
- What unique service do you offer to your customers?

Channels:

- What channels are used to reach customers
- What alternatives are available to reach customers?

Customer Relationships:

- What is been done to maintain customers
- What incentives and rewards are available for customers?

Revenue Streams:

- What are the main revenue source
- What is the business doing to get more income?

Key Activities:

- What are the main functions of the business?
- What does your business do?

Key Resources:

- What are the main assets and resources for the business?
- What do you need to be able to satisfy customers' needs?

Key Partnerships:

- Who are the main stakeholders?
- What are the motivations for the partnerships?

Cost Structure:

- What are the business' major cost drivers? How are they linked to revenue?
- What are the main expenses for the business?

The other parts of the questions included the challenges facing different businesses and support obtained from other stakeholders. Additionally, information about the nature of the business and services within the Centre is included.

4.7 Data Collection Procedures

The interviews were done face to face during the visit to the Centre after getting the appointment. At the same time, questionnaires were distributed by the researcher. During the interviews, the key points were questionnaires and carry out other interviews.

Short notes were written as the participants were speaking and a voice recorder was used with the permission of the interviewee. One full month was allocated for data collection. The questionnaire provides information on the business overview, the services obtained in the incubation centre and views on the business model concepts. The interviews focused on the application of the business model as the participant had an opportunity to complete a template of the Business Model Canvas. The questionnaires assisted in addressing the quantitative section of the study and the interviews targeted the qualitative research part.

Appointments were made and one month was reserved for data collection. The research area is easily accessible and each interview was scheduled for 30-45 minutes. The interview guide was divided into six sections (refer to interview guide attached). The questionnaire also required 30-45 minutes completion time. The questionnaire comprises of six sections of which five of the sections were on a 5-point Likert scale. The researcher made five trips to collect the visits that were made to collect the feedback, three (3) visits were done to get some information from the SME owners. Five (5) SMEs were informally briefed about the research. A visit was also made to the administrative office that manages the Centre and the administrator also gave valuable information on the SMEs. The visits were helpful, as SME owners suggested ideas such as the best time to conduct research for example early morning during week days when many people are at work and business is slow. Participants indicated that even though some struggle to speak English fluently, the business is done in English, so they recommended that the questionnaires and interviews should be in English. The participants were willing and expecting to get some ideas on how to improve their current models.

All the questionnaires were distributed by the researcher and collected after agreeing on the day and time with the participant. During the interview, the key points were written down as the participants were speaking. For the questionnaire, participants were given some time to complete the questionnaire.

The researcher was flexible and accommodated the needs of the SMEs. For example, some did not have time during the research period to be interviewed. They asked if they could get the interview questions and complete at their own time, this was considered. Secondly, some of the participants were unable to complete the hard copy questionnaires and they requested that the questionnaire be sent online. This was also done and completed.

4.8 Data Analysis Procedure

For qualitative data, a case and cross-case data analysis approach was used for all the SMEs engaged. The research uses coding to extract meaning from collected data within the case analysis. In this case, open coding was used first. The process of open coding begins with content analysis to verify factors identified from the literature (Maoneke & Isabirye, 2014a:79; Roux, 2005:7). After the results from SME owners, the feedback was given to the SME owners to comment on them first as suggested by Beverland *et al.*, (2010:57). This also allowed SME owners to check if all their responses were correctly captured and it is a verification process which improved the quality of the results. This paved way for cross case analysis. Cross case shows the similarities and differences between the feedback from the engaged participants.

For qualitative data, a case and cross-case data analysis approach was used for all the SMEs engaged. The research used coding to extract meaning from collected data within case analysis. In this case, open coding was used first. Quantitative data was also collected to support the qualitative data. Most of the questions from the questionnaire were quantitative. For quantitative analysis, data was inputted into SPSS version 24 (Statistical Packages for the Social Sciences). A p value <0.05 was considered as statistically significant. Data analysis was initiated with a check of the data for outliers, missing data, and normality through skewness and kurtosis values that could affect relations between variables. A descriptive statistical analysis of the data (means, standard deviations, ranges, frequencies and percentages, etc.) was initially conducted prior to conducting inferential analyses. A Pearson Chi-Square and the Fisher's exact test of association was used for any association between categorical variables. The analysis was carried out in the following steps:

1. Describing typical features of SMEs within the incubation centre forming the general background for the study.
2. Introducing the core contents of the BMC establishing the case studied.
3. Categorising and analysing the SMEs who are using business models.
4. Analysing the business model components in the context of Namibian SMEs within the incubation centre.
5. Identifying potential business models from the literature that are related to the Namibian businesses.
6. Analysing and discussing the applicability of the identified business models for SMEs
7. Selecting the most potential business model and demonstrating how the BMC could be applied to develop the proposed models.

4.9 Reliability and Validity

This refers to the measures that were put in place to ensure that there are consistencies in data collection and during the research process (Rungani, 2009:19). This was done by engaging and consulting a statistician to verify the questions before engaging the participants. The support letter and confirmation from the statistician is attached in Appendix 4. Reliability was also verified by conducting a pilot study to get the feedback from some selected participants. A pilot test was done to verify the questions and check if the responses were in line with the research objectives.

Validity refers to the accurateness of the research instrument. Ensuring the validity of data meant that the research process was verified and assessed to eliminate issues of bias (Mthombeni, 2010:49). The researcher used both primary (questionnaires, interviews) and secondary (journals, publications, books) data sources to build the research and to ensure validity. Time is also a major factor that influences the acquisition of valid data. The researcher spent time at the research site sharing the research idea and explaining the ethical clearance.

To support the different approaches, the study used triangulation for data collection to achieve transferability and dependability. The examples of methods used include exploratory, demonstrations, interviews, and document review during data collection. Literature review is proposed to explain and benchmark the results from the engaged SME participants. After the results from SME owners, the feedback was given to the SME owners to comment on the results first. This also allowed SME owners to check if all their responses were correctly captured and it was a verification process which would improve the quality of the results. Finally, a cross case

was done to show the similarities and differences between the feedback from the engaged participants.

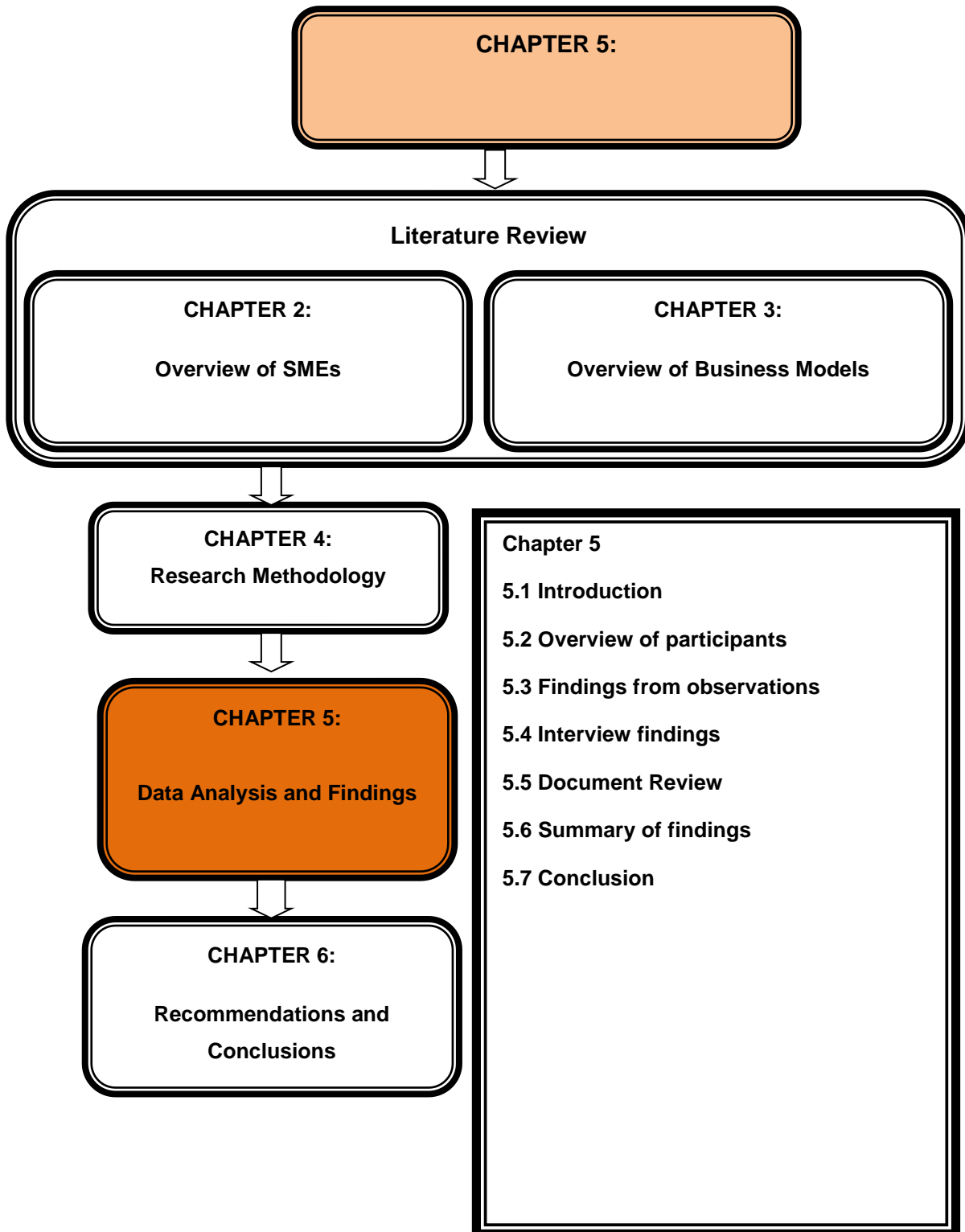
4.10 Ethical considerations

This research complies with the policies and procedures stipulated by the University of South Africa's research ethics committee, before, during and after the commencement of data collection. The Unisa ethical clearance process was followed. This study has received written approval from the Research Ethics Review Committee of the Department of Entrepreneurship, Supply Chain, Tourism, Transport Economics and Logistics Management (DESTTL) Research Ethics Review Committee, Unisa. The participant's name was not recorded anywhere and no one is able to connect the interviewee to the answers one gives. Additionally, answers were not indicating the specific names of the participants.

Accordingly, this study is guided by four basic ethical principles applicable to research, namely autonomy and respect for the dignity of persons, beneficence, non-maleficence and justice (Wassenaar, 2006:70). The data obtained was confidentially treated. Therefore, ethical concerns included voluntary participation, no harm intended to participants, anonymity and confidentiality of participants (if requested), and conveyance of purpose and sponsors of the study.

4.11 Conclusion

This chapter explained the research approaches, methods and procedures that were followed. It provides the processes and procedures that were considered during the research. The explanation on the ethical process is included in the chapter. The next chapter analyses and interpretes the research findings.



CHAPTER 5

DATA ANALYSIS AND FINDINGS

5.0 Introduction

The research findings are presented based on the questionnaires, interviews and documents that were available during the data collection. The chapter presents the findings from the engaged SMEs.

5.1 Overview of participants

A total of twenty (20) questionnaires were distributed across SMEs and the required 16 SMEs completed the questionnaires. This gave a response rate of 80% for the questionnaires. Then six (6) SMEs out of the targetted eight (8) were engaged for the interviews. This gave a 75% response rate from the interviews. An additional informal interview with the City of Windhoek administrator based at the Centre was conducted. This was to get information on the operating businesses. The SMEs in the Centre booklet and documents were also considered.

5.2 Findings from observations

From the observations during the visits to the research site, the majority of the SMEs were willing to participate in the research. This is despite them always being busy and working on getting orders out. In most cases, the SMEs' employees were less than five. It was also observed that for many businesses the stalls were a bit small, as there is no space in the shops. The SMEs engaged were welcoming and using technologies, for example internet for searching, social media for advertising and emails to communicate with the clients.

One of the observations was that some categorises had more businesses than the others and vice versa. For example, a higher number of the SMEs were in the tailoring and knitting business category. The contact details were obtained after explaining the research and the ethical clearance. The participants who had expressed interest were asked for their contact details and an appointment was set. The interviews were done face to face during the visit to the Centre.

It was also observed that the majority of the SMEs work almost every day including weekends. On two of the trips that were done during the weekend more than half of the stalls were open.

5.3 Structure of the questionnaire and findings

The questionnaire was developed and verified with a statistician before it was given to the participants. The questionnaire consisted of six sections. The summary of the different sections is as follows:

Part A: General business questions. These were questions on what the SME was doing, how it had been operating and whether any business training had been received.

Part B: Services provided within the centre. The section had a few questions or statements that were related to the services that are provided at the centre. These were aimed at identifying the services that could be attracting the SMEs to stay longer within the centre.

Part C: Characteristics of businesses in the centre. It was important to understand some of the common features of the businesses within the centre.

Part D: Knowledge on business models. This section focused on the information that SMEs had on business models. It was also important to know if SMEs were aware of any business models and had received any training on business models.

Part E: Business model components. The section included statements on the business model components. These were based on the Business Model Canvas. The questions were to understand what SMEs consider as key components of the business model.

Part F: SME challenges. It was important to give SMEs an opportunity to highlight some challenges they are facing. This section could form the business models that have to be used by the SMEs.

The questionnaire was supposed to take 30-45 minutes to complete. However, due to the busy schedule that the SMEs had, there was flexibility in getting the feedback. Some were able to complete the same day and others needed more time. Again in some cases, there were only employees and the SME owners were not available. So the employees waited for the SME owner to complete. In general, the response time was fairly good. Within five days, all the questionnaires distributed were collected. A couple of trips and reminders were done in some cases, but all the SMEs completed all the questions without leaving any section.

General Business information

As part of general business information, data on the line (sector) of business an SME was engaged in was collected. This was the first question; to know the type of business, the approached SME was engaged in. Out of sixteen SMEs, six (37.5%) were in Tailoring and Knitting. This was the common business in the Centre. The two other common businesses were Consultancy (ICT and Business) and Manufacturing representing 18.8% each. Then two businesses were involved in Joinery and had a 12.5% representation. The others which were one each were engaged in Tourism & Travel and Design and printing. There were other businesses involved in Events management and Solar equipment, but unfortunately, these were not available during the time of data collection. Efforts were made to arrange for a meeting, but the business owners were in other regions and therefore not available.

One of the first questions was for the participants to indicate the type of business they are in.

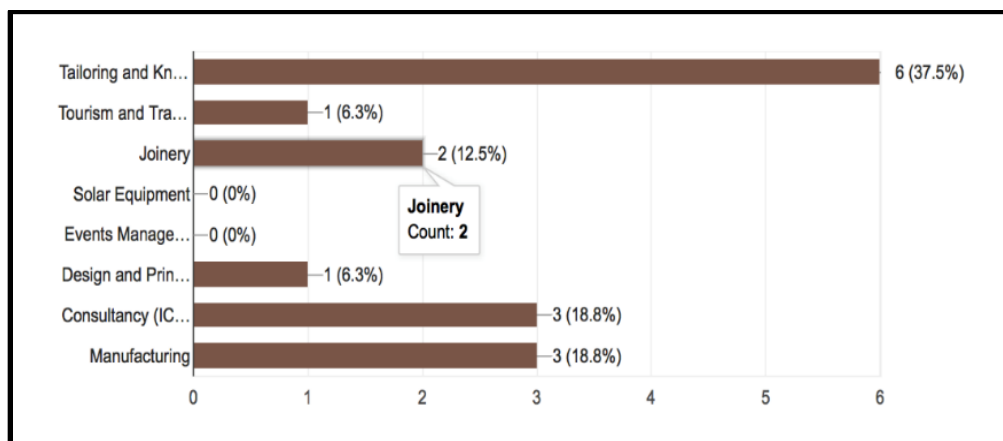


Figure 3: Type of business

Duration at the Bokamoso Entrepreneurial Centre

SMEs were asked to indicate how long they have been based at the Centre. Results showed that 50% of the businesses engaged have been operating between 2-5 years. In addition to this, five out of sixteen engaged businesses representing 31% have been operating between 6-10 years. Only three businesses have been in the Centre for less than one year. Interestingly, interview findings from the Ministry section for SMEs based at the Centre highlighted that SMEs should only be there for a maximum of three years. The findings show that more than half of the SMEs have overstayed in the Centre.

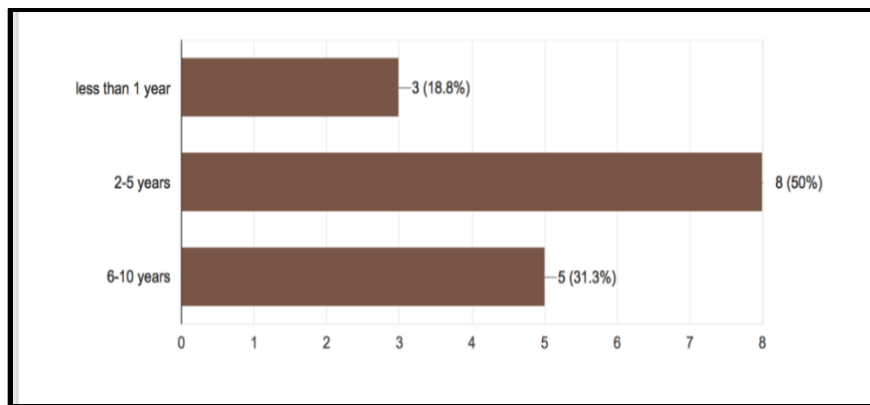


Figure 4: Period of Business operation in Centre

Training

The SME participants were asked if they had attended a workshop or business training organised by the City of Windhoek. Results showed that 94% of the SMEs involved in the study had attended the business training. Only a small percentage of less than 5% had not attended training, meaning very few of the engaged participants have not received training. Most likely, these are the SMEs that have been operating for less than a year. Figure 5 summarises the results.

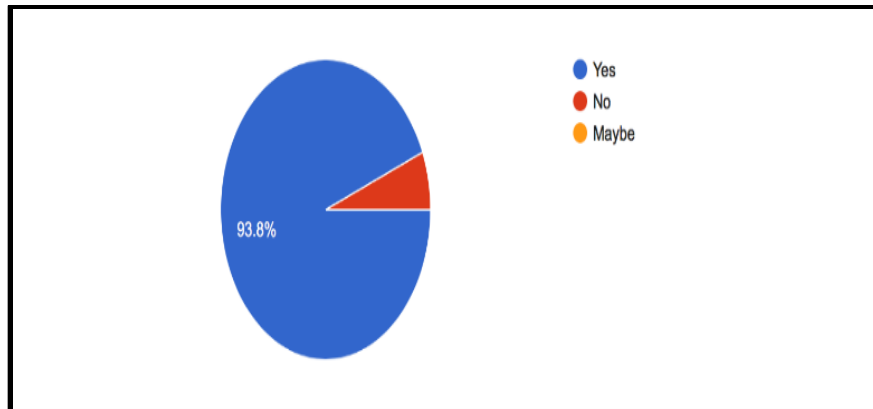


Figure 5: Business training received

The suitability of the centre for business purposes

SMEs were asked to indicate if they find the Bokamoso Entrepreneurial Centre conducive for business purposes. As observed in Figure 4, there were variations of answers on this question. Results showed that 50% of the participants strongly agree with the assertion that the Centre is safe for business. In addition to this, 25% also agree to the statement and considered the place safe for business operation. A relatively low percentage of 18.8% strongly disagree that the place is secure. This can explain why most SMEs have overstayed at the Centre.

Part B: Services provided within the Centre

Market accessibility and operational expenses

The other question was the accessibility of the SMEs to the public. This question had a wide range of answers. It came out clear that those who have been operating longer, for example, two years or more, agree and strongly agree to the statement that the location was accessible. The combined percentage of these SMEs was approximately 70%. Four of the SMEs were neutral on this statement, while the two others which represent newly established businesses disagree and strongly disagree that the SMEs were easy to access. Figure 6 shows the views of the participants on this question.

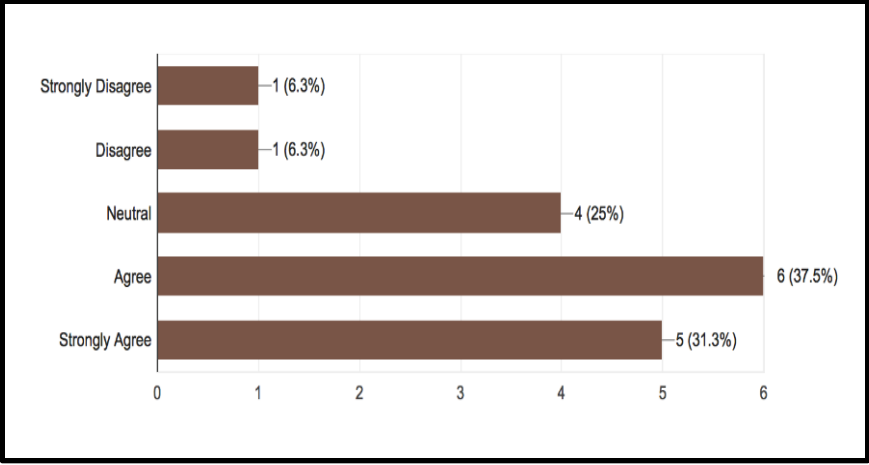


Figure 6: Accessibility of the SMEs

On the statement on rent, the SMEs unanimously agreed that the rent in the Centre was reasonable. This was supported by nine SMEs and five SMEs representing a total percentage of 87%.

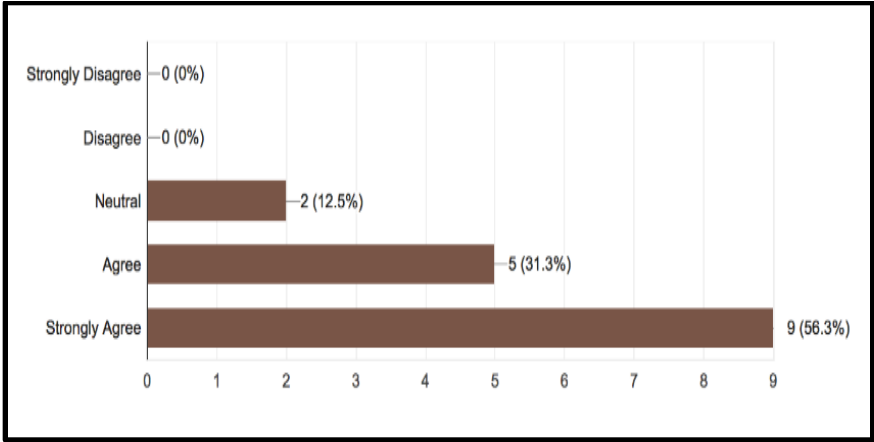


Figure 7: Affordability of Rent in the Centre

The other question was to know if the SMEs would be able to survive and do their business outside the Centre. The statement was: *The Business will not survive outside the incubation centre:*

SMEs have confidence that they can operate and survive outside the Centre. This is supported by a 44% of SMEs that disagree to the statement. An additional 25% also strongly disagree to the statement that they will not survive if they were to operate outside the Centre. At the same

time, some SMEs were neutral on this statement. Some even agree that they may not survive. These were represented by 19% and 13% respectively.

To verify the above statement, participants were also asked to comment on the following statement:

I would be disappointed if I am asked to operate outside the Centre:

There were mixed reactions to this statement. Again, it could be noticed that the SMEs, though operating in the same Centre, have different views. The statement had a wide spread variation of answers. On this question, despite the SME participants having indicated on the previous question that the majority could still survive outside the Centre, a combined 56% thought they would be disappointed if they were to be asked to leave the Centre. However, 19% disagreed to the statement, while 6% strongly disagreed and another 19% were neutral. The ones who strongly disagree are those who have been using business model skills and have received business training.

Part C: Characteristics of businesses in the Centre.

In addition to the statement on rent, another question on the flexibility and comfort of SMEs operating in the Centre was included. Again, there was a consensus among SMEs that the businesses were comfortable, operating in the Centre. Of the SMEs that were interviewed, 56% agreed while 18% strongly agreed that the Centre was comfortable for their respective businesses.

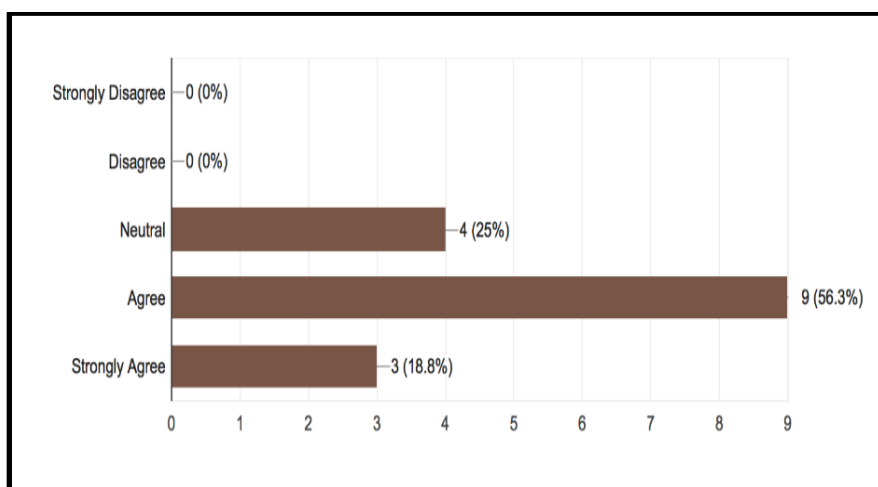


Figure 8: Comfort for Business operating in the Centre

SMEs were asked to comment on the statement on challenges within the Centre and outside. The statement was: ***Operating within the Centre has less challenges than other places:***

Most of the SMEs supported the statement that there are less challenges of operating in the Centre than outside. This was indicated by the 75% support of the participants who agreed and 6% who strongly agreed. There was a considerable number contributing about 13% who were neutral on this statement. These were the newly established businesses that only started operating within the Centre and may not have had experience of other environments.

Part D: Knowledge on business models

An additional statement on the need for business models was included. Again, all the SMEs agreed that there is need for them to have business model skills. Only one SME was neutral on this statement. However, a combined total of fifteen SMEs representing 94% of the participants, both agreed and strongly agreed to the need for business model skills.

The participants agreed that it is vital for them to know the market requirements. This was represented by 31% and 63% of participants who strongly agreed and agreed that knowledge of the market environment is important.

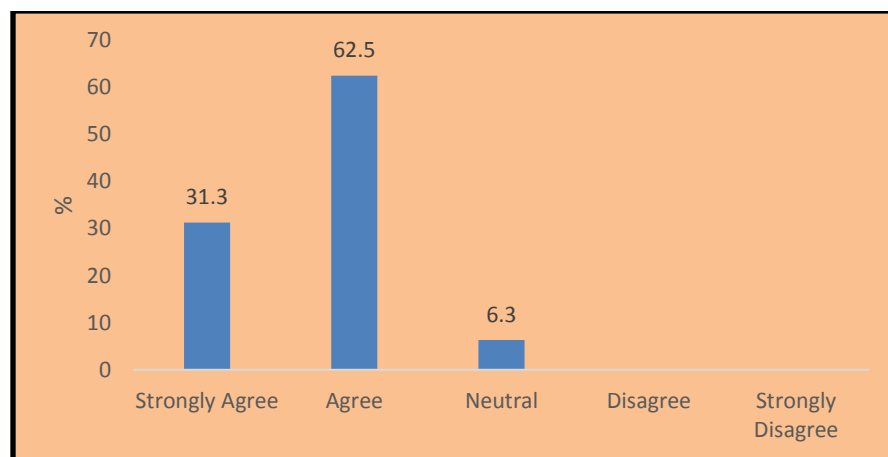


Figure 9: Knowledge on the market

One major finding that all SMEs strongly agreed to was the formation of business partnerships. That 44% and 19% respectively agreed and strongly agreed to the statement could explain this. It is also important to mention the 38% that was neutral on partnership formation. This could be understandable, considering the challenges that are brought about by partnerships.

For the SMEs, it was not only about having the business model skills, but also an understanding of the business models. The SMEs wish to have skills and understanding of how to apply business model skills in their day-to-day business operations. A total of 81% agreed and strongly agreed to the importance of understanding the business model strategies.

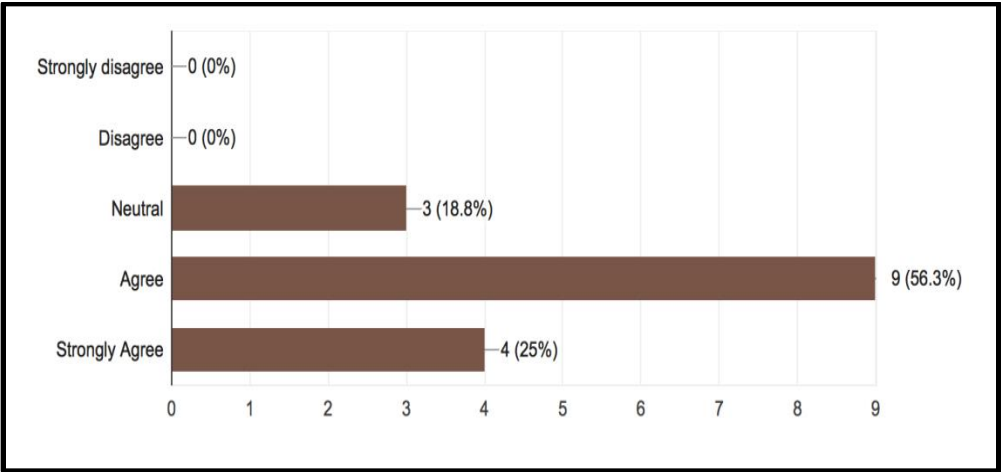


Figure 10: Understanding Business models

Participants were also required to comment on the importance of customers, business value, revenue, cost structure and key partners in forming business models. The statement was: **Customers, business value, revenue, cost structure and key partners are key for business models.** A 63% and 31% respectively agreed and strongly agreed to the statement.

In addition to the understanding of the business models, the SMEs also supported the need for business model training. SMEs agreed and strongly agreed to the need for more training on business models. This is indicated by a high percentage of 94% of the participants who supported the need for business model training.

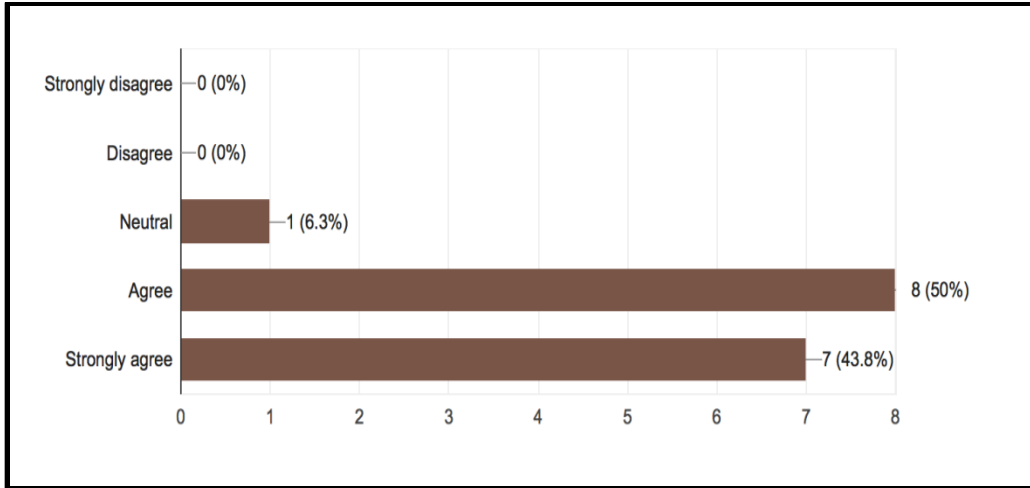


Figure 11: Business model Training needs

Part E: Business model components

The participants were asked to comment and rate questions which were related to the Business Model Canvas key building blocks. These included customers, values, partners, revenues and cost streams. For example, on the understanding of customers, all SMEs agreed that customers are a pillar to their business success. This was evident as shown in Figure 12 where 94% strongly agree that customers are a pillar to the business.

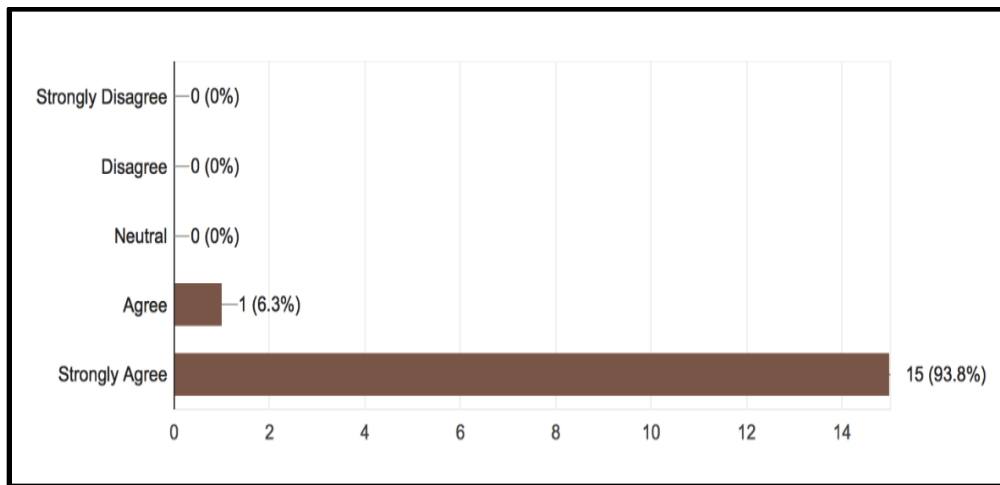


Figure 12: Customers and business success

In addition to the SMEs agreeing to the role of the customers in business success, participants were also asked if they knew their customers. Again, there was a clear indication from the participants that they were aware of their customers. Most of the participants strongly agree and agree to that statement on knowledge on customers.

Besides the customers, it was also important to understand what the SMEs consider as their key value. This was presented as a statement on the uniqueness of the business. Again, there was a unanimous agreement that all SMEs consider uniqueness and value as critical for business success. Of the participants interviewed, eleven (69%) of the SMEs strongly agreed to this statement. And the other five SMEs were agreeing to the fact that uniqueness and values are key for business success.

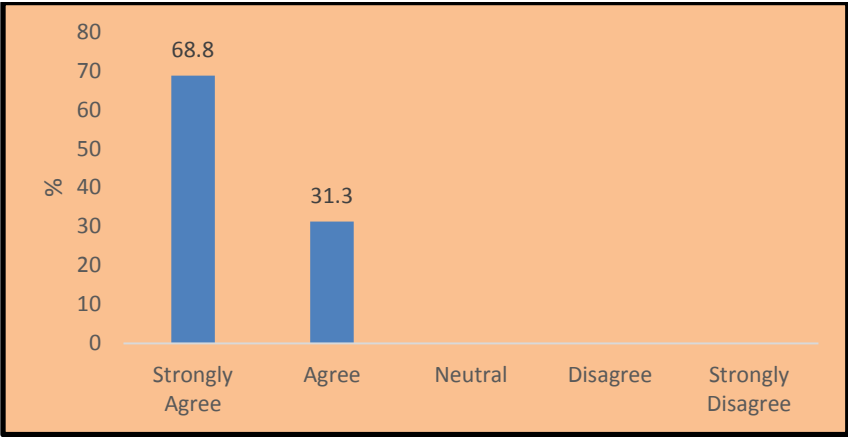


Figure 13: Values of the business

The other statement included knowledge on the cost-effective ways of reaching customers: It seems not all SMEs were clearly aware of the best and cost-effective ways of reaching customers. Of the respondents, 55% and 25% agreed and strongly agreed that they are aware. However, there were 13% and 6% who were neutral and disagreed with this statement. It is important to address this when developing a business model for Namibian SMEs.

Participants were asked to indicate their knowledge on the revenue and sources of revenue streams. It is clear that the bulk of them are aware of the sources of revenue. For example, 56% and 25% of the participants agreed and strongly agreed that they know about the revenue sources.

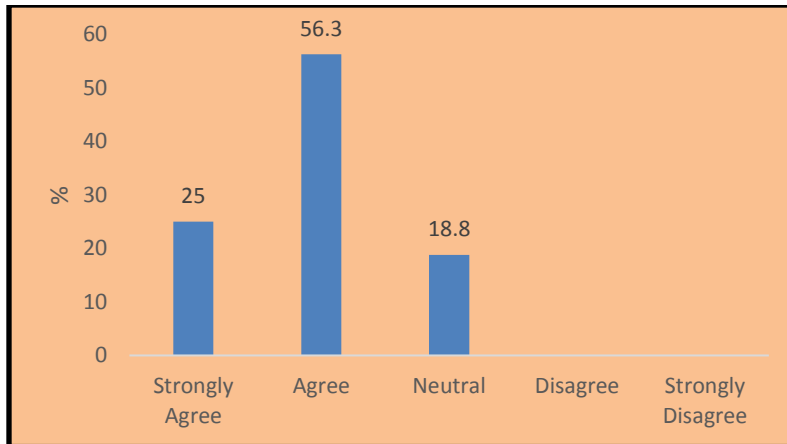


Figure 14: Revenue sources knowledge

On the issue of competition, all SMEs engaged are aware that they are competing with other businesses. A 38% and 56% of the participants strongly agreed and agreed to the statement on existence of competition.

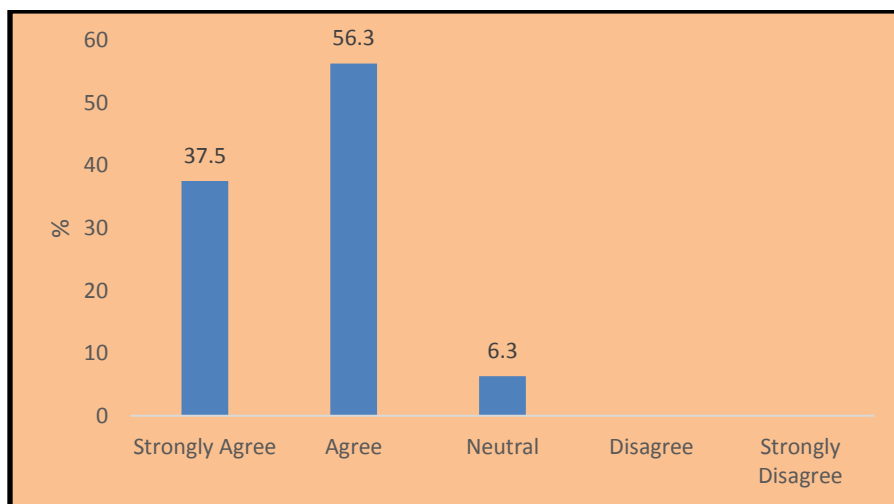


Figure 15: Competition among SMEs

The other component of a Business Model Canvas is the partnerships in business. SMEs participating in the research were asked to indicate if they know and have business partners. The responses on this were a bit scattered. The bulk of the SMEs indicated that they do have partners and are aware of these partners. This is explained by a 63% of the participants. Some SMEs were neutral and others disagreed to the statement, possibly these are businesses that do not have partners.

Participants were asked to comment on the business model features as well. A statement on how a business model could be related to business success was asked. An average of 56% of the participants agreed that a good business model is needed for the business to succeed. This was also complimented by a good number of the SMEs (44%) who strongly agreed to the statement.

The other statement on business model was for the SMEs to rate how the lack of business model skills affects their businesses. There were a wide range of answers on this. However, slightly more than half of the participants (56%) agreed that lack of business model skills affect their business success. Only one participant strongly agreed to the statement. Four of the participants were neutral to the statement. At the same time, one strongly disagreed with the statement. The other one also disagreed to the statement. These could be the SMEs that have received training on business models.

Figure 16, shows the summary of how business models were considered necessary for the business success. As shown in Figure 16, all participants agreed and strongly agreed that business models are vital for business success.

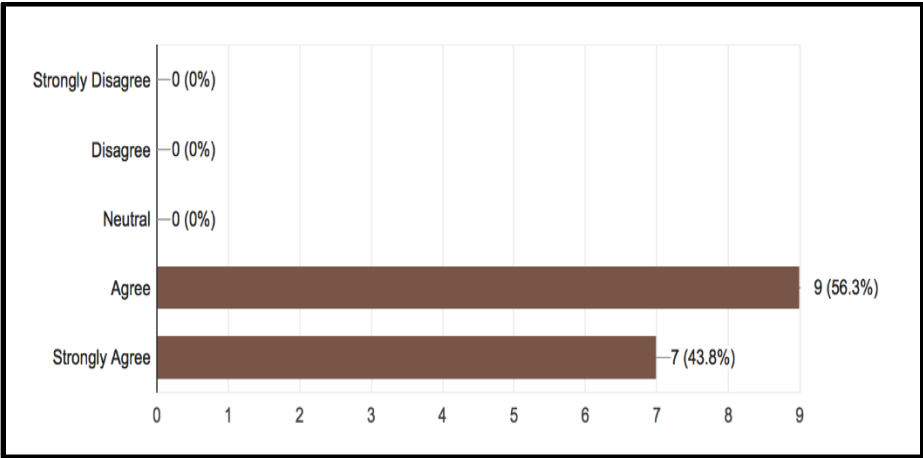


Figure 16: Business model and business success

Part F: SME challenges

Participants pointed out a couple of challenges. However, they were not all common as each business is faced with different challenges. In most of the questions the participants had different views. As shown in Figure 17, responses ranged from strongly agree to strongly disagree.

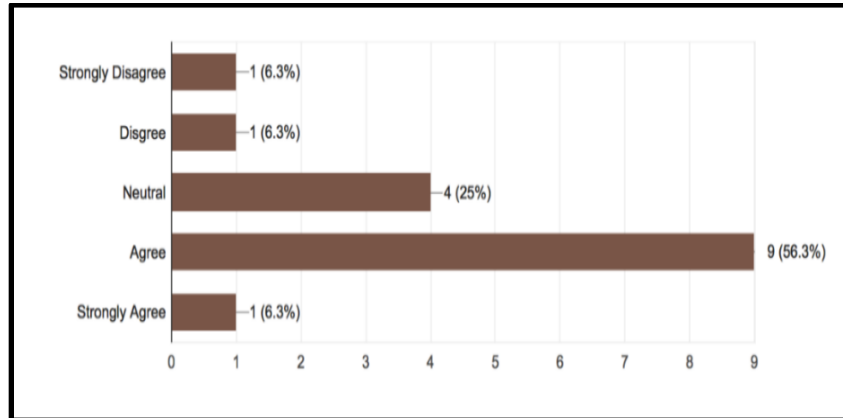


Figure 17: Lack of business model skills

On lack of capital, SMEs were also divided. Of the respondents, 50% and 19% indicated that respectively, they agreed and strongly agreed that capital affects their businesses. However, 13% and 6% also strongly disagreed and disagreed that capital was a challenge. This could show that at times it is not always about lack of capital, for SMEs, but the need for appropriate business skills.

5.4 Interview findings

Within the case study approach, interviews were also conducted. The interviews were initially targeting the eight categories. However, the other two were not available during the time of the study. A total of six interviews were then conducted. From the six interviews, two were recorded and the other four were written down. Due to lack of time by other participants they requested to write down their feedback on the interview questions. The interview questions were structured as follows:

- A. Introduction part of the business: The participants were to introduce the business structure and activities.
- B. Services from the Centre: participants were to indicate the service they are getting from the City of Windhoek and the advantages of operating in the centre.

- C. Business skills and business models: the participants were also asked on the specific business skills they have and the business models they are applying and using for their businesses. The Business Model Canvas components were presented to the interviewee to complete
- D. SME challenges: the participants were asked on the SME challenges that they are facing.

One informal interview was carried out with the administrator from the City of Windhoek who is based at the Centre. The purpose of the interview was to get general information about the Centre. The information included, the list of the businesses operating at the Centre, services provided by the City of Windhoek and the main business categories. At the time of the research, the summary of the businesses within the Centre is as given in Appendix 2. As pointed out earlier there were forty (40) stalls within the Centre and three (3) were unoccupied at the time of the research. This means thirty seven (37) SMEs in different categories were available for the research.

5.4.1 Research interviews

The findings from the research interviews are presented in two formats. The first is providing the overview of the findings from each of the participants and secondly the summary of all the interviewed participants. The summary is first on the general business activities and services from the Centre and secondly on business skills and application of business models.

5.4.2 Interview feedback per participant

Each SME was given time and a set of questions to answer. The first interview was recorded and later transcribed. The summary of the feedback from the interview is as presented:

Feedback from Interviewee 1 (Tailoring, Knitting and Design)

The first interview was with the participant in tailoring and knitting. The business also does African designs. The business has been in operation for three years and the participant mentioned that there has not been any training in line with his business within the Centre, but has attended a book keeping training workshop for own understanding.

Notable characteristics of businesses within the Centre as mentioned by the participant were that all businesses work according to the customer needs and their products are tailor made as per the customer specifications. A summary of the **services** from the Centre included:

- Security;

- Cleaners;
- Training sessions;
- Business Advisors and information;
- Very flexible working hours.

On plans to relocate the participant said:

“Yes, we need to grow and operate out of the Center as the vision is to grow”

The participant is aware of the business models and is mainly applying social media marketing related models.

The participant could list the potential customers, for example, those planning for weddings, musicians, young generation, teenagers, year-end functions attendees and those in love with African print. On the other BMC related questions, the participant had this to say:

What are your customers thinking about your products? **Interviewee 1 answers:**

(Unique products, innovative and customers give input to the design)

What channels do you use to reach customers: **Interviewee 1 answers:**

(Social media, word of mouth, marketing road shows)

What are your relationships with customers: **Interviewee 1 answers:**

(Discount for bulk buying, regular customers and complimentary products)

What are the Cost drivers: **Interviewee 1 answers?**

(Materials, transport carrying orders, advertising)

The participant indicated that there are no current business partners. The main business-related challenges were summed up to be: difficulties in sourcing of material, getting quality material is a challenge, small spaces/premises within the Centre and at times very large orders without enough space and the challenge of limited stock.

As general comments, Interviewee 1 mentioned that there is need to be unique, compete with what is already available for SMEs and the need to put energy and have passion for what you do. This, in general was the passion that was observed from most of the SMEs engaged.

Feedback from Interviewee 2 (Business Consultancy)

The second interview was also recorded and later transcribed. This interview involved the two participants and they were assisting each other to answer the questions. The participants were in the financial consultancy business. They started businesses in 2014. They have received business training on customer care, use of finance and the role of different ministries. They mentioned that at times, they are required to pay for attending the training.

The main benefit of operating within the Centre was affordable rentals. The Centre provides the following services:

- free photocopying services,
- free internet,
- toilet papers,
- workshops, and
- cleaners

On the plans to relocate, the participants were not yet ready, as there is cheap rent, electricity and the Centre is very safe for business. The participants were aware of the business models but not applying any of those they know. On the BMC related questions, their responses were summarised as follows:

Who are your customers?

Response was: (Small companies, start-ups)

What Values do you offer?

Response was: (reasonable prices)

What Channels are you using to reach customers?

Response was: (word of mouth, business cards & referrals)

What are the ways of maintaining customer Relationships?

Response was: (tickets to shows, wedding invitations, sending SMS, small token)

What are your Key activities?

Response was: (company registration and business plans)

What are the main sources of Revenues?

Response was: (tenders, business cards, financial statements)

What are the Key resources for the business?

Response was: (computers, printers)

Who are your Key partners?

Response was: (tendering SMEs)

The main challenges mentioned were:

- The business is not very popular;
- Location difficult to reach;
- No government loans available to expand;
- No marketing of the place from City of Windhoek;
- Lack of regular workshops;
- Tenders not easy to get as they are mainly available for established businesses.

Feedback from Interviewee 3 (Manufacturing)

A summary of the interview was written down by the interviewer as participants were giving their responses. This also involved two participants who were helping each other to answer the questions.

In introducing this business, the participants mentioned that it was a manufacturing business. The main products include cupboards, chairs, tables, beds and ceiling boards. The business is also involved in joinery activities and has been operating since 2013. In terms of the services from the Centre the following were considered:

- Accessible for more customers,
- good services,
- secure,
- Water is provided & cleaning and maintenance.

It was clearly highlighted that the Centre is very safe and comfortable for customers and there is cooperation among SMEs. The participants indicated that the main customers are companies, carpenters and individual people.

On the question on value and uniqueness of the products:

The response was: *(high quality material and after sales services and free delivery).*

The rest of the questions were as summarised below:

What channels to reach customers?

Response was: *(advertise on social media i.e. Facebook and face to face to customers who visit the shop)*

What are the Customer relationships?

The response was: *(discounts and free delivery)*

What are the key resources?

The response was: *(drill machine, circular saw, scuff machine, trucks)*

Who are your key partners?

The response was: *(businesses and people in the same line of work)*

The participants indicated that the main challenges they are facing is lack of capital and support to grow the business.

Feedback from Interviewee 4 (Joinery)

The interview responses were written down by the interviewer and one participant was engaged. The business is in joinery and has a branch outside Namibia. The participant mentioned that they have been operating since 2010. They have attended a lot of business training such as entrepreneurship, risk management & quality management, international purchasing.

The summary of the interview is presented below, the mentioned services from the Centre are:

- building/facilities,
- water,
- rent subsidies
- photocopying
- available security,
- strategic location – people know about the place

The participant mentioned that they have plans to relocate if they get more business, cheap and bigger space. On business models awareness, the participant said

“Yes, I am aware of existing business models but only theory wise but not implementing any”

On BMC related questions, the summary of the responses is given as follows:

Who are your customers?

Response was: *(everyone, private / public and large organisations)*

What attracts customers?

Response was: *(innovation, listens to their needs and specifications)*

What Channels do you use?

Response was: *(NBC & TV)*

What key activities are you in?

Response was: *(cutting and edging)*

The main resources mentioned were the joinery machines and that the business does not have any business partners.

Feedback from Interviewee 5 (Manufacturing)

The participant was always busy and had to complete the interview questions at their own time. The responses were all written down in the spaces that were provided for each question.

The business is in manufacturing of leather products, fixing and selling shoes. The participant indicated that the business has been operating for one year. The only related business training that has been received is in design and manufacturing of shoes and bags

The following services from the Centre and advantages were mentioned

- training,
- access to free internet for a maximum of 4hrs per day,
- references to potential customers

The main customers as indicated by the participants are: brand owners and bulk buyers. On the ways to attract customers, as a value proposition, the following were mentioned:

- unique products,
- customers can customize the products

How to keep customer relationships?

The response was quality and affordable prices

Who are your key partners?

The response was suppliers from South Africa and local ones

The main challenges facing the business are a lack of staff training for some employees and financial challenges.

Feedback from Interviewee 6 (ICT Consultancy)

The final interview was also written down by the participant. This was also due to lack of time to provide answers during the business hours. The business is in ICT focusing on hardware, software, printing, telecom systems, drones and electronics. The business has been in operation for five months and has not received any training yet. The advantages from the Centre:

- more freedom and flexibility,
- face to face contact with customers

The participant highlighted that currently the business is not willing to relocate any time soon.

The key value proposition mentioned includes:

- cost effective,
- quality products,
- affordable prices

What are the channels used?

- emails,
- telephonic,
- brochures

What are the Customer relationships?

The response was: *after sales services*

The summary of the interviews was included in this research based on the nature of questions. The first category is on the general business and services within the centre. The summary of this is given in Table 9.

Table 9: Interview feedback on the nature of the business

Interview question – general business and services from Centre	Interview summary Responses
Business category	Tailoring and knitting, Consultancy (Business), Joinery, manufacturing, Consultancy (ICT)
Business training received	Yes, in areas of: book keeping, business service, customer services, financial management, importance of government ministries, manufacturing of shoes and bags, entrepreneurship, risk management, quality management and international purchasing.
Services and benefits from the centre	Building facilities, subsidised water, electricity and rent, photocopying, strategic location, face to face contact with customers, access to internet, references to potential customers.

The second part included the business knowledge and the business models. This section included the information that related to the understanding of the Business Model Canvas by the engaged participants. Table 10 shows a summary of those findings.

Table 10: Interview summary on business models

Interview question – Business models related	Interview Summary Responses
Who are our customers?	Commonly mentioned customers mentioned are: wedding clients, musicians, young generation, year ender function attendees, African print lovers, brand owners, bulk buyers, SMEs and startups, individuals, carpenters and big companies and private companies.
What attracts your customers?	Unique products, innovative products, cost effective, high quality and affordable products, after sales
What channels are used to reach customers?	Social media i.e. Facebook, word of mouth, promotional shows, referrals, business cards, emails, SMSs and brochures
What are the customer relationships in place?	Discount for bulk buying, token to regular customers, small compliments, NBC Television, free delivery, after sales, guarantee
What are your revenue sources?	Tenders, business cards, financial statements, selling products
Key activities and uniqueness	Business registration, business plans, cutting and edging.
What key resources do you have for business?	Print fabric, computers, printers, joinery machines, drill machines, circular saw, scuff machines and trucks.
What are the business' major cost	Materials, transport, advertising, tax returns, business tenders, raw materials.
Business partners	Tendering partners, suppliers locally and in other countries
What SME challenges	Sourcing materials, small operating space, too big orders at times, limited stock, lack of main power at times, difficult to get loans, staff training.

In analysing the interview findings it was important to apply the inferential analyses. This helped in interpreting some of the statements from the participants. In some cases participants were not open to clearly answer the questions because they did not want to disclose their business secrets.

5.5 Document review

As mentioned in the previous chapter, there were a few documents that were available, which were referred to in this research. The main source was the Bokamoso Entrepreneurial Centre booklet. The main information from this booklet was the description of the businesses, the details on the Centre's vision, mission, services and the contact details of the SME owners. Such information was valuable to get in touch with some SME owners who were not available at the site.

The booklet contains information about the SME businesses within the Centre. However, in some cases the information in the booklet and the exact business operating at a particular unit was different.

The vision of the Centre is clearly spelt out in the booklet and is:

“To play a leading role in the realization of sustainable economic growth through SME business development in Namibia”

The summary of the services provided in the Centre includes, to provide:

- *Administrative support tools and equipment to SMEs for them to effectively operate;*
- *Relevant and adequate materials for SME benefit;*
- *Adequate access to internet services for the SMEs.*

The requirements for SMEs that qualify to be within the Centre are clearly included. Some of these are:

- *Self-driven and highly motivated entrepreneur;*
- *Registered business with the Ministry of Trade and Industry;*
- *A business plan, products and services and summary of business activities;*
- *Businesses in the areas of textile, arts and craft, joinery and innovative business (IT or renewable energy solutions);*
- *Full time involvement of the entrepreneur.*

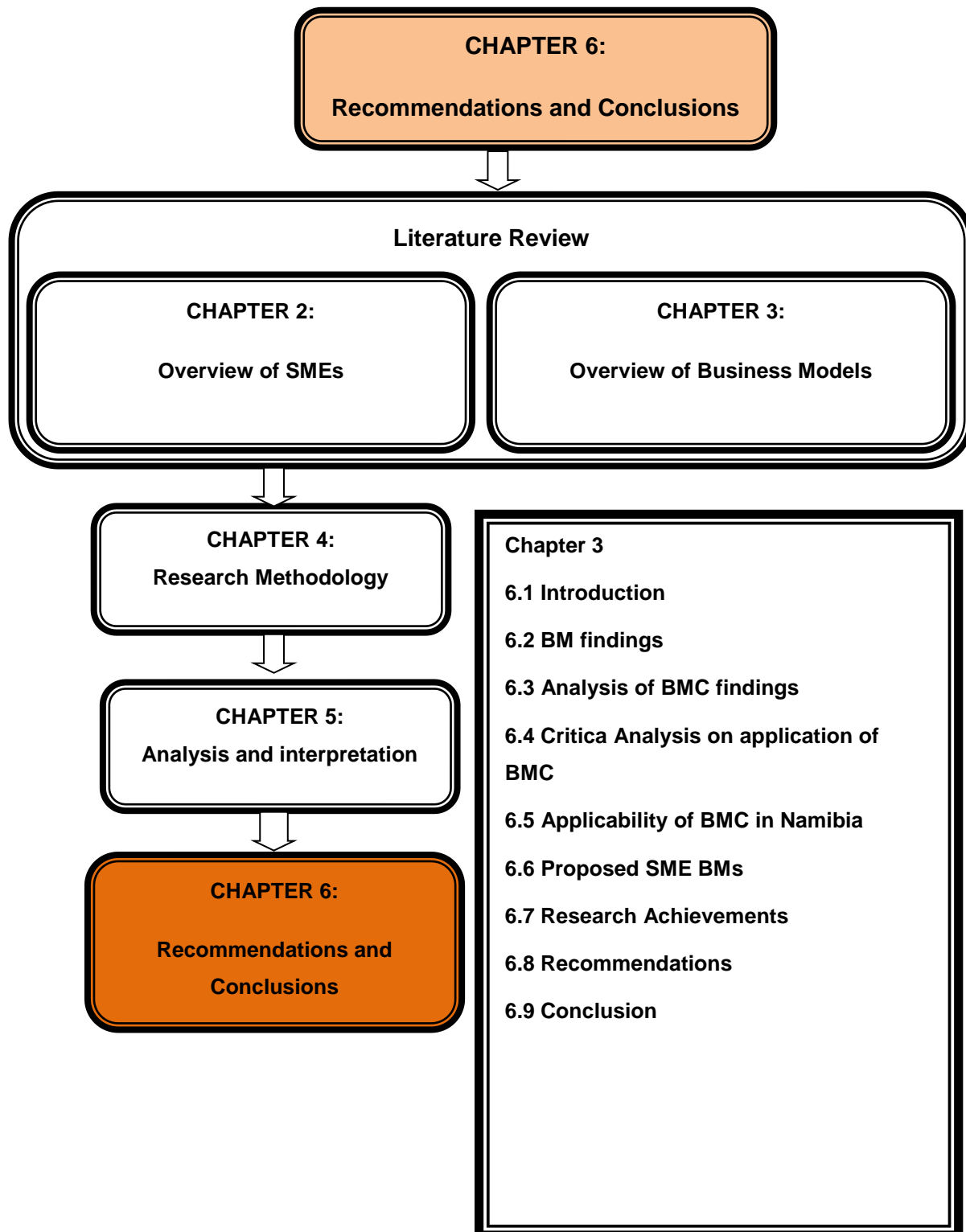
Most importantly, the booklet provides a good summary of the business activities of all the SMEs within the Centre.

5.6 Summary of findings

From the questionnaires and the interviews conducted, it was clear that the participants are aware of the Business Model Canvas components. For example, from the questionnaire, participants indicated their knowledge on their main business activities and their key customers. During the interviews, this also came out strongly and all interview participants could mention their business activities and main customers. Results show that the SMEs apply different strategies to attract customers. All the SMEs understand that customers are key for their business success. There were no SMEs that were practically applying the business models known from theory.

The findings were important in sharing the differences and the common features of the SMEs. It was vital to learn that SMEs operate differently and would require different business models.

The next and last chapter reflects on the recommendations and conclusions of the study.



CHAPTER 6

RECOMMENDATIONS AND CONCLUSIONS

6.1 Introduction

This chapter concludes the research by summarising the findings of the study, makes recommendations and conclusions.

6.2 Business Model Canvas (BMC) and Findings

Based on the BMC nine building blocks, the participants were asked questions on each of the segments. This section provides a summary of the findings.

Customer Segments: The participants showed understanding of who their target customers were. Participants had ideas of what people think about them and the majority of them mentioned this based on their regular customers. SMEs engaged, mentioned that they have regular customers and can classify them on who is always buying and what their customers know about the available products and services.

Value Proposition: On value proposition, participants were clear on the variety, differentiations and different styles and techniques they are using to attract customers. Most participants think that they offer high quality and unique products and this could be one of the reasons why customers are buying.

Channels: The SMEs engaged were aware of different channels to reach their customers and suppliers. The common one was the use of brochures and word of mouth. However, it was mentioned by the other participants that social media is growing fast within the centre. The accessible internet services enable SMEs to use innovative ways to reach the customers and suppliers.

Customer Relationships: On this segment of the BMC, participants showed understanding on the critical relationships that they are having with customers. For example, some mentioned giving a discount to bulk buyers, giving small gifts to frequent buyers and free delivery for bulk orders. The participants were knowledgeable on the different strategies on how to keep their customers and encourage them to buy again.

Revenue Streams: On this segment, some participants did not give any answer. Some thought this will be exposing business revenue sources and their income generated. Those who answered indicated that they are aware of the activities, services and products that they do for revenue.

Key Activities: All the participants could identify and mention their main activities. These activities could be categorised into different sections and some could rate those services and activities that are more aligned to the success of the business.

Key Resources: Participants managed to mention the resources that they have, which are key for the business success. The engaged SMEs could list the key assets and equipment that they have for their business to operate.

Key Partnerships: A few participants indicated that they have partners. Normally these were local and foreign partners and the majority of the SME owners are working alongside their partners. It was clear that the participants were not convinced that they need partners.

Cost Structure: All the participants could indicate the cost involved in the business. The participants could highlight the activities that affect and influence the business operations.

From the findings, it was concluded that the BMC is one of the common tools in use to enable business planning. The BMC provides businesses with a guide through a variety of elements that enable a business to run the organisation (Osterwalder, Pigneur & Clark, 2010a:15). The BMC has the following advantages (Coes, Kraaijenbrink & Kijl, 2014:23; Osterwalder *et al.*, 2010b:17):

- The BMC business blocks are simple and easy to follow;
- Can be practically implemented and is not only an academic tool;
- The BMC is based on the plug and play principle;
- Can engage and allow stakeholders to discuss;
- Can be customized to suit the required BM.

In this research, it is true that the BMC could guide Namibian SMEs to plan for their businesses. This is supported by the above-mentioned advantages that the BMC offers.

Besides the popularity of the BMC, a couple of studies which have been done on evaluating it show that it has the following criticisms as mentioned by Coes *et al.*, (2014:83) and Ching (2014:29):

- It does not show how the business handles competition;
- It does not highlight any competition structures;
- It does not show how business goals are formulated;
- It is mainly applicable for innovation, not so much for transforming existing models.

The weaknesses of the BMC as noticed by Bettencourt (2012:365) and Maurya (2012:49) have encouraged other researchers to propose different canvas models such as the ones shown in Table 2. On the other hand, the BMC does not only address the issue of finance alone or lack of management skills but it also addresses the issues of customer segments and relationships, value propositions, channels, key resources, partners and activities all in one model (Ostarwalder & Pigneur, 2009:1).

The weaknesses of the business models above could be true in this research as well. However, it could be argued that if a business understands and applies effectively the BMC components, chances of success are very high. Successful implementation and application of the BMC means that the business has partners, knowledge on the customers' needs and how to satisfy those needs using cost effective channels.

6.3 Analysis of BMC literature and findings

SMEs find it difficult to grow and become large businesses despite the implementation of various innovative techniques. This challenge has attracted many potential experts in businesses, government and academics to come up with better ways that can transform SMEs. However, as mentioned by Hui-Hong and Hua (2004:197), most of the proposed solutions by experts in different countries suit large organisations better than SMEs. It is clear, that current SME Business Models do not support growth and need to be revised. In one of their findings from a study on Business Models and SMEs, Koen, Bettels and Elsum (2011:59) found that current SME BMs do not support growth as they are a bit too limited. This challenge was also observed from this research. This means that there is no, one specific business model that works for all the SMEs, considering the varied nature of the businesses they are engaged in. On the other hand, current business models do not give room for SMEs to experiment much and engage with other potential partners.

The explanation of the findings was guided by the research objectives:

The main objective of the study is **to apply the Business Model Canvas to develop Business Models for SMEs in Namibia**. The secondary objectives are to:

- a. Assess the characteristics of SMEs within the incubation centre in Namibia.
- b. Identify and analyse the current Business Models used by SMEs within Namibia.
- c. Explore and apply the Business Model Canvas to Namibian SMEs to survive outside the incubation centre.

The findings show that the BMC could be applied to Namibian SMEs. The components of the BMC are critical in formulating the business models for Namibian SMEs.

6.4 Critical analysis of the findings and application of BMC

The findings show that most SMEs engaged were not having partnerships. And even those SMEs within the centre do not work together. This at times leads to some SMEs working long hours to complete bulk orders. In some cases, the SMEs run out of stock and fail to deliver orders required.

One of the possible ways is to incorporate business partnership models. One of such notable business models is the **Collective business model**. This is a model that allows organisations to bring resources together, share information or provide other benefits to each other. This involves working together for one common goal.

The other critical finding was the use of the internet by SMEs for marketing and advertising products. During the interviews, 80% of the participants pointed out that they were using the internet to communicate with the customers. Based on the availability of internet services within the centre, the **Cutting out of the middleman model** is proposed. This is whereby a business deals with the exact contact, be it suppliers or customers. There is a direct interaction with the exact service provider. An example could be by using the internet.

The findings were common to the current challenges that SMEs in developing nations face in implementing business models. It was also clear that SMEs approach business differently and there is need for flexibility in proposing business model templates. Each business intends to borrow relevant components related to their businesses.

6.5 Applicability of the BMC within Namibian SMEs

According to Morris *et al.*, (2005:728) and Teece (2010:185), any sustainable Business Model should consider the following: the major market segments, the value to be offered for each market segment, the approaches and mechanisms to capture the value, strategies to be unique and compete with the rivals, and most importantly effective ways on how to make money. There is no doubt that to come up with an effective business model, a lot of resources, skills, research and consultations are essential. Again, guiding frameworks or models could be important as well in adopting a desired model. The SMEs engaged clearly indicated that they understand most of the BMC components i.e. customers, values, cost structure and revenue. Based on the research findings, the BMC can be applied for the Namibian SMEs engaged.

Using the findings from the engaged participants, the BMC tool template was used. The feedback from the participants was populated. Even though statistically, it was not possible to prove the applicability of the BMC, qualitatively, it was possible. The findings from the participants could be used to populate the BMC. The summary of this is shown in the BMC template, populated Table 11. There were some blocks, that did not have much content, but this possibly means to a greater extent the BMC could be applied by Namibian SMEs. Most importantly, it could be concluded that despite the application of the BMC, the information collected proved to be very useful in proposing business models for Namibian SMEs.

Table 11: Application of BMC by Namibian SMEs based on findings

<p><i>Key Partners</i></p> <p>Tendering partners, suppliers locally and in other countries</p>	<p><i>Key Activities</i></p> <p>Business registration, business plans, cutting and edging</p>	<p><i>Value Proposition</i></p> <p>Unique products, innovative products, cost-effective, high quality and affordable</p>	<p><i>Customer Relationships</i></p> <p>Discount for bulk buying, token to regular customers, small compliments, free delivery, after sales and guarantee</p>	<p><i>Customer Segments</i></p> <p>Wedding clients, musicians, young generation, year-end function attendees, African print lovers, brand owners, bulk buyers, start-ups, carpenters, individuals, private companies and big companies.</p>
<p><i>Key Resources</i></p> <p>Print fabric, computers, printers, joinery machines, drill machines, circular saw, scuff machines and trucks.</p>		<p><i>Channels</i></p> <p>Social media i.e. Facebook, word of mouth, promotional shows, referrals, business cards, emails, SMSs and brochures</p>		
<p><i>Cost Structure</i></p> <p>Materials, transport, advertising, tax returns, business tenders, raw materials.</p>		<p><i>Revenue Streams</i></p> <p>Tenders, business cards, financial statements, selling products</p>		

The BMC could be applied by the Namibian SMEs, however, as was mentioned in the literature, most business models do not encourage growth and expansion for SMEs. Even though the BMC could be applied for Namibian SMEs, the research findings show that there is a lot of differences and diversity within the businesses engaged. Even businesses in the same category, the way they do business is completely different. The major observation was that all businesses put an effort in becoming unique and different. This research's main objective was to apply the Business Model Canvas to design Business Models for SMEs in Namibia. The research concludes that due

to the nature of SMEs in Namibia no one model could satisfy all the SMEs. However, based on some of the selected findings i.e. use of the internet for business marketing, no partnerships and application of other traditional means, three possible business models are proposed for Namibian SMEs. The next section explains these models.

6.6 Proposed Namibia SME Business Model

The following are the proposed business models based on the findings from the engaged SMEs. The research shows that the BMC components could be applied by Namibian SMEs. However, one business model may not address all the business needs. Based on the SMEs engaged, indicating spending a lot of money and resources in bringing in raw materials, a lot of the SMEs engaging technologies and lack of partnerships among SMEs, the following models are proposed.

Cutting out the Middle Man Model

Based on some findings from the SME owners engaged, it was mentioned that in some cases there were too many parties involved in bringing in the raw materials. This is the reason for proposing the Cutting out of the middleman model. This model is also known for bypassing intermediaries in a supply chain (Spacey, 2016:1). This model reduces the total cost of bringing raw materials and may allow SMEs to sell at much affordable prices. The pricing model will then be to cater for the incurred expenses (Gellman, 1996:4).

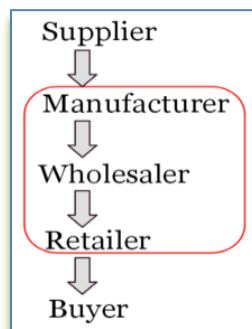


Figure 18: Cutting out the Middle Man Model

Collective Business Model

The other proposed business model for Namibian SMEs is a **collective business model**. This is where businesses pool resources together and work jointly to achieve a common goal. In this case, some SMEs fail to deliver orders due to lack of manpower and resources, so if the collective business model is encouraged, this could assist SMEs in achieving their goals.

Bricks and Clicks Model

The last business model proposed is to enable SMEs to incorporate both traditional and new technologies for their businesses. Where possible, SMEs could use brochures and word of mouth. At the same time, emails, social media, online advertising, websites and emerging technologies could be used to improve business services. In some cases, mobile technologies could also be used for business purposes with applications such as WhatsApp, to improve the interaction and communication for the business. SMEs in Namibia should have an environment where the customers are able to place orders online and offer home deliveries.

6.7 Research achievements

This study explains how the problem statement, research questions and research objectives were addressed. This is considered as an achievement for this research. Besides addressing the research objectives, the research also proposes possible business models that could be applied by Namibian SMEs. The summary of the research achievements is given below.

Part of the identified problem was:

Current SMEs at the incubation centres in Namibia do not want to move and set up their businesses somewhere else to allow new potential SMEs to be incubated. Despite all current SME initiatives in Namibia, SME owners still lack confidence in leaving the incubation centres and start their businesses outside the centres. The dissertation presents possible different models and the BMC components on how these could be applicable for Namibian SMEs. The proposed models are based on the findings obtained and SMEs could practically implement the business models.

The research questions were:

How can the Business Model Canvas model be applied to assist in developing viable Business Models for SMEs in Namibia? The main question was answered by considering the different research techniques. By engaging the Namibian SMEs, the research provides an answer to the

research question. Through the questionnaires, interviews and the inclusion of the BMC components in the research instruments, it was possible to get the different views on how the BMC could be applied. It was evident on the specific BMC components that the Namibian SMEs could apply.

Additionally, the initially mentioned sub-research questions were also answered. For example, it was possible from the findings to identify the main service, characteristics and main business categories at the Bokamoso Entrepreneurial Centre.

Furthermore, the primary objective of the study is to **apply the Business Model Canvas to develop Business Models for SMEs in Namibia**. The main research objective was addressed by the selected methodology. By interacting with the SMEs, it was possible to identify how they do business and the models they were applying. After sharing the research guide with the BMC components, the SMEs could identify and share how they could incorporate the BMC components.

6.8 Recommendations

Few suggestions were received during the interactions with the SMEs within the Bokamoso Entrepreneurial Centre. Some of the findings were considered for the proposed business models, and there are a few recommendations proposed:

- There is need to consider the nature of business before recommending a business model to use.
- One business model may not be appropriate for all businesses.
- Entrepreneurs need digital marketing training and use of social media and the internet for marketing.
- The Centre should train SMEs on business models and monitor those that are implementing.

6.9 Overall research conclusion

The dissertation has provided findings and activities that are taking place in one of the SME Entrepreneurship centres in Windhoek. The research showed that the SMEs are well located as they are in the main road, which goes to the main location in Windhoek. Based on the engaged SMEs within the incubation centre, there was a positive understanding of the BMC components.

The majority of the SMEs mentioned that they are aware of possible business models, but are not practically applying them in the day-to-day running of the business. The SMEs were knowledgeable on their main activities and customers. All participants indicated different strategies to engage and attract customers. Most importantly, the services such as training, reasonable rent, cleaning and security services were indicated as one of the critical reasons for businesses to remain in the Centre. The engaged participants were business oriented and have a passion to drive their businesses and grow. None of the participants indicated any signs of shutting down any time soon, but rather aiming to expand as time goes on.

The SMEs mentioned different strategies that combine both traditional and modern approaches to market and reach customers. The Centre was described as a conducive place and very flexible for business. This was observed during the visits, where most businesses were always open even after hours and weekends. In conclusion, the diversity of the SMEs engaged and the activities undertaken makes it difficult to propose a single business model. The results have shown that the BMC components could be applied and assist SMEs to develop tailor made business models to suit the business purpose. Though the research focused on one entrepreneurship centre, it is motivating that the common categories of Namibian SMEs are represented and there is a possibility of applying the same approach to other SMEs in the country. The proposed business models such as the collective business model, cutting out the middleman and the bricks and clicks if aligned to the BMC components could assist all SMEs in the country. There is a great chance of the Bokamoso Entrepreneurial Centre to achieve its objective if the proposed recommendations are considered. The majority of the SMEs interviewed said they will be ready to move to other places after three years and have the confidence that their businesses will thrive. What is required is more business training on business models and practical implementation of the selected models.

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Appendix 1 - Questionnaire

Research Topic: Applying the Business Model Canvas to Develop Business Models for SMEs in Namibia

The questionnaire is focusing on the SMEs operating within the Bokamoso Entrepreneurial Centre

Researcher: Millicent Patience Charamba
Institution: University of South Africa, Department Business Management
Student Number: 57636672
Qualification: MCOM: BUSINESS MANAGEMENT
Expected Duration: 30 Minutes Maximum

Aim of Research: The aim of this questionnaire is to understand how Namibian SMEs apply business models and business model tools. The research seeks to understand the services offered within the Bokamoso Entrepreneurial Centre and some business-related challenges facing SMEs. This questionnaire consists of six (6) sections. It is going to require between 20-30 Minutes of your time.

PART A. GENERAL BUSINESS QUESTIONS

1. What type of business are you in? (Tick the appropriate)

Business Category	Tick appropriate
tailoring and knitting	
tourism and travel	
joinery	
manufacturing of cleaning materials	
solar equipment	
events management	
design and printing	
Any other	

2. How long has your business been operating within the Bokamoso Entrepreneurial centre?

Duration of Business	Tick appropriate
less than 1 year	
2-5 years	
6-10 years	

3. Have you received any business training or workshop to support your business operation?

Yes	
No	

4. How often do you attend business related training?

Duration of Business	Tick appropriate
Always	
Very often	
Sometimes	
Rarely	
Never	

Part B. Services from the Bokamoso Entrepreneurial Centre – indicate to what extent the following is/are correct about the centre by ticking the appropriate box	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. The centre provides business training	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. The centre is safe and secure for business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. The centre is easily accessible to customers	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The business will not survive outside the incubation centre	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. The services from the centre are good for my business	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Rent in the centre is reasonable	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. I would be disappointed if I am asked to operate the business outside the centre	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Part C. Characteristics of businesses within the centre – Tick the appropriate box	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. Businesses in the centre rely on support from the Windhoek Municipality	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Businesses are all comfortable with operating within the centre	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Other SMEs outside the centre get more customers than here	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. All businesses within the centre employ less than 10 employees	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Operating here has less challenges than other places	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>		
Part D. Business Knowledge skills and business models – indicate the extent you agree or disagree to each of the following	Strongly disagree	Disagree	Neutral	Agree	Strongly Agree
1. Business models skills are significant for this business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Knowledge about the market environment is important.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Forming partnerships with other businesses is necessary.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. The support from the incubation centre keeps this business going.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Understanding of business models and best business strategies is vital.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

6. Customers, business value, revenue, cost structure and key partners are key for business models.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. More training on business models can improve confidence in setting up a business out of the centre.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Part E. Business model Components – To what extent do you agree with the following statements?	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. Customers are a pillar to your business success.					
2. I know the major customers for the business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. Uniqueness and values are key to business success.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. I know the cost effective ways of reaching customers.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. I know the sources of revenue for this business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. I am aware of the key business activities.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. I know that there is competition for resources with other businesses.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
8. I know the main partners we do business with in Windhoek.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
9. I am aware of all costs incurred in this business.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
10. A good business model is required for my business success.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Part F. SME Challenges – to what extent is each of the following a danger to your business	Strongly Disagree	Disagree	Neutral	Agree	Strongly Agree
1. There is Competition	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
2. Lack of business model skills.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
3. High operating expenses in the centre.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
4. Customers are seasonal.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
5. Security is a challenge in the centre.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
6. Lack of proper business training.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
7. Lack of enough capital.	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

End of questionnaire Thank you for your participation

Appendix 2 - Interview Guide

Research Topic: Applying the Business Model Canvas to Develop Business Models for SMEs in Namibia

The interview is focusing on the SMEs operating within the Bokamoso Entrepreneurial Centre

Institution:	University of South Africa, Department Business Management
Student Number:	57636672
Qualification:	MCOM: BUSINESS MANAGEMENT
Interview Duration:	30Minutes-45Minutes
Data recording:	Voice recorder and paper
Confidentiality:	No specific links will be mentioned between businesses and opinions in the dissertation.
Interviewee check:	Confirmation of the results afterwards (by e-mail) and arranged oral presentation.

Aim of interview: The aim of this interview is to analyse how Namibian SMEs understand business models and apply business model tools. What is the general understanding of Business models and how are some aspects of the Business Model Canvas are being knowingly or unknowingly being applied? What are the merits and demerits of operating within the incubation centre? The results of the interviews will be a representative view of opinions given and will be used to determine whether and how the Business Model Canvas aspects are being applied.

Protocol:

1. Introduction of (Interviewer) and the dissertation.

2. Introduction of interviewee background and business – Please just summarise

- a. What is your Business and its products/services?
- b. How long have you been operating within the incubation centre?
- c. Have you received any business training and skills to operate the business – Kindly give specific training received and how it is helping you to run the business?

3. Services from the Incubation centre –

- a. What are some of the common characteristics of businesses operating with Bokamoso Entrepreneurial Centre?
- b. Indicate the services that are provided within the incubation centre.
- c. What are some advantages of operating the business here? And are you planning to relocate your business out of the centre? Kindly give reasons for your answer.

4. Business Knowledge skills, Business Models and Business Model Components

- i. Are you aware of any business models or strategy used? Explain how you operate the business indicating the following:
 - a. Customer Segments: Who are the customers? What do they think about your business?
 - b. Value Propositions: What is/are your business value/s? What attracts your customers? Why do customers buy, use?
 - c. Channels: How are these propositions promoted, sold and delivered? Why? What channels do you use to reach your customers and your suppliers?
 - d. Customer Relationships: How do you interact with the customer through their 'journey'? Any after sales services and special treatments? Any special prices for some customers?
 - e. Revenue Streams: How does the business earn revenue from the value propositions? What are your revenue sources?
 - f. Key Activities: What *uniquely* strategic things does the business do to deliver its proposition?
 - g. Key Resources: What unique strategic assets does your business have to compete?
 - h. Key Partnerships: Do you have any business partners? Who are your key partners?
 - i. Cost Structure: What are the business' major cost drivers? How are they linked to revenue?

5. What are some of the SME challenges and any support that you can mention? Indicate the challenges that your business is facing and any support that you may require?

.....

End of Interview. Thank you for your participation, if you are interested in the results after the research is done, kindly provide your email address.

Appendix 3 – Research Ethics Clearance



27 January 2017

Ref #: 2016_CEMS_ESTTL_005

**DEPARTMENT OF ENTREPRENEURSHIP, SUPPLY CHAIN, TRANSPORT, TOURISM AND
LOGISTICS MANAGEMENT RESEARCH ETHICS REVIEW COMMITTEE**

This is to certify that the application for ethics clearance submitted by

Ms Millicent Patience Charamba (student #57636672, millicentcharamba@gmail.com)

Applying the Business Model Canvas to Develop Business Models for SMEs in Namibia
received Ethics Approval

The application for ethics clearance for the above mentioned research was reviewed by the Department of Entrepreneurship, Supply Chain, Transport, Tourism and Logistics Management Research Ethics Review Committee in January 2017 in compliance with the Unisa Policy on Research Ethics. Ethical Clearance for the project is granted. The student may proceed with the research project.

The research ethics principles outlined by the Unisa Policy on Research Ethics must be adhered to throughout the project. Please be advised that the committee needs to be informed should any part of the research methodology as outlined in the Ethics application (Ref #2016_CEMS_ESTTL_005) change in any way or in case of adverse events. This certificate is valid for the duration of the project. The ESTTL Research Ethics Review Committee wishes you all the best with this research undertaking.

Kind regards,

Mrs C Poole
Chairperson

Executive Dean: CEMS



University of South Africa
Preller Street, Muckleneuk Ridge, City of Tshwane
PO Box 392 UNISA 0003 South Africa
Telephone: +27 12 429 3111 Facsimile: +27 12 429 4150
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Appendix 4 - Approval to conduct research from City of Windhoek
Department of Economic Development and Environment

✉ 59

80 Independence Avenue
WINDHOEK, NAMIBIA

Tel: (+264) 61 290 2171 • Fax: (+264) 61 290 2111 • www.cityofwindhoek.org.na



Enq: LB Joodt

Tel: 290 2325

E-mail: ljo@windhoekcc.org.na

Fax: 290 2546

Date: 10 January 2017

Ref: Non-payment of Rent

Ms. M. Charamba
P O Box 5242
Auspanplatz
Windhoek

Dear Ms Charamba

**SUBJECT: REQUEST FOR PERMISSION TO CONDUCT RESEARCH AT BOKAMOSO
ENTREPRENEURIAL CENTRE**

With reference to your letter dated 09 January 2017, kindly be informed that we have reviewed your request to conduct a research project involving entrepreneurs based at the Bokamoso Entrepreneurial Centre by means of interviewing them through questionnaires.

It is my pleasure to inform you that permission is granted to you to conduct the research on condition that you secure the necessary appointments with the entrepreneurs yourself and at no stage may you involve the staff of the Centre to assist you to gather research data or to collect questionnaires, etc.

You are furthermore requested to carry with you at all times identity documents and this letter of approval, when you conduct the interviews. Please do note that the entrepreneurs at the Centre are not obliged to participate in the research and they may only do so out of their own free will.

Kindly inform our office when you intend to start and complete the research so as to allow us to inform the entrepreneurs that you would be busy with this research at the Centre.

We wish you success with your research and trust you will honour your assurance to share your findings and recommendations with Council.

Yours sincerely,

MS. L. FIGAJI

ACTING MANAGER: ECONOMIC DEVELOPMENT

All official correspondence must be addressed to the Chief Executive Officer

Appendix 5 – Language Editor



The Rev. Dr. Greenfield Mwakipesile

ThD, MBA, HBS | mwakipg@outlook.com

CONTACT

Namibia Business School
Windhoek
mwakipg@nbs.edu.na
+264813901701

TO WHOM IT MAY CONCERN

10th August 2017

RE: COPYEDITING AND PROOFREADING OF MILLICENT PATIENCE CHARAMBA'S DISSERTATION FOR THE DEGREE OF MASTER OF COMMERCE IN THE SUBJECT OF BUSINESS MANAGEMENT

This letter serves to confirm that I copyedited and proofread **MILLICENT PATIENCE CHARAMBA'S** Dissertation for the degree of **MASTER OF COMMERCE IN THE SUBJECT OF BUSINESS MANAGEMENT** entitled: **Applying the Business Model Canvas to Develop Business Models for SMEs in Namibia. A Case of the Khomas Region.**

I declare that I professionally copyedited and proofread the thesis and removed mistakes and errors in spelling, grammar and punctuation. In some cases, I improved sentence construction without changing the content provided by the student. I also removed some typographical errors from the thesis and formatted the thesis so that it complies with UNISA's guidelines.

I am a language editor currently contracted by The Namibia Business School and have edited many Postgraduate Diploma, Masters' Thesis, Dissertations and Doctoral Dissertations for students studying with universities in Namibia, Zimbabwe, Swaziland and South Africa.

Please feel free to contact me should the need arise.

Yours Sincerely,


The Rev. Dr. Greenfield Mwakipesile



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Dr. Greenfield Mwakipesile