

Why Growth Eludes Small and Medium Enterprises (SMEs) in a South African Township?

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Abstract

Despite establishing the economic importance of SMEs to the township economy, the inability of small businesses to grow into medium or large businesses, coupled with their high failure rate is cause for concern. The study seeks to answer the question “Why growth eludes Small and Medium Enterprises (SMEs) in a South African Township? The study took a qualitative approach and conducted interviews with business owners using a semi-structured interview guide. Purposive and convenient sampling processes were followed and 14 participants were interviewed after saturation was reached at 12. Using the summation approach. findings revealed that 57% of the participants studied beyond grade 12 while 71% of the participants were employed before starting a business, compared to 7% of the business owners who were self-employed from the onset. This finding was further confirmed with 86% of participants deliberately venturing into entrepreneurship as a career compared to 14% as a necessity or unemployment. This study has found that though the internal and external environment can be a hindrance to SME growth in townships, explanations from business owners are that individual business owners’ vision for growth plays a significant role in the stagnation and failure rate of an SME. Given that SMEs are the main drivers for economic development, financial and non-financial support from government institutions were found to be an important determinant for ensuring growth in the SME sector which in turn may address issues of business growth, unemployment, and poverty.

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1. Introduction

The poverty mapping of South Africa by Statistics South Africa (Stats SA) reported an increase in the unemployment rate from 29.1% in the 3rd quarter of 2019 to 33.5% in the 4th quarter of 2021 and 35.5% in the 1st quarter of 2022 Stats SA (2023).

Although there was a marginal decline in unemployment to 32,7% in the fourth quarter of 2022, the Quarterly Labour Force Survey (QLFS) report by Statistics South Africa (Stats SA, 2023:16 May) revealed a slight increase in the unemployment rate of South Africa to 32,9 % in the first quarter of 2023.

This record indicates an increase of 0,2 of a percentage point compared to the fourth quarter of 2022. While the unemployment rate in South Africa remains stubbornly high, the country further experiences an increase in time-related under-employment which is the percentage of time-related under-employed persons to employed persons.

As a result, the first quarter of 2023 reveals that 4,9% of employed persons were in time-related under-employment which is consistent with under-employment recorded in the first quarter of 2020 pre-COVID-19 with a slight increase of 0,2 a percentage point over these years.

The prevalence of underemployment increased during COVID-19, increasing from 4,7 % in the first quarter of 2020 to 5,2% in quarter one of 2021. This was followed by a significant increase in the proportion of persons affected by time-related under-employment in the first quarter of 2022 at 5,6%. The high unemployment levels and job losses during this period forced many township dwellers to start small businesses to survive. Small and Medium Enterprises (SMEs) in South African townships are a source of income and employment for most residents. Estimates of how many businesses are in operation in South Africa vary in terms of small and medium enterprises (SMEs) due to the absence of reliable and consistent data and the ease of entering and leaving.

However, the Small Enterprise Development Agency (SEDA, 2021) of South Africa estimates that there are about 2.3 million SMEs of which 1.5 million trade informally. A 2018 study by the Development Policy Research Unit (DPRU, 2018) of South Africa shows that more than 30% of SMEs in the country are located in the Gauteng Province. Bushe (2019) further explained that these businesses rarely grow beyond their inception size while those that attempt to grow into medium or large enterprises have an estimated 70% failure rate within 5-7 years from inception.

The problem facing business development in many South African provinces is access to credit facilities, hence the study seeks to examine the factors influencing the growth of small businesses in the township using Soweto as a case study.

A small business is considered to be a failure when there is zero yields on capital invested and cash-flow problems (Hasan *et al.*, 2022). However, in developing countries a significant proportion of small businesses exist due to necessity, the need for survival and as creators of work opportunities (OECD, 2018). South Western Township (Soweto) is South Africa's largest and most populated township holding 24% of the country's residents, with the highest unemployment rate of 43% (Stats SA, 2019).

This paper presents a background to the study, problem statement, research objectives, literature review, research methodology, results and discussion, management implications and conclusion.

1.1. Background

South Africa has a rising unemployment rate, an increasing rate of business failures, the stagnant growth rate of SMEs and the after-effects of the Covid-19 pandemic. These factors all impacted the SME sector and the effect is more evident in the townships of South Africa.

In this study factors that contribute to the growth of SMEs in the Soweto township of South Africa were explored. The motivation was to learn from successful township businesses that have evolved into medium and large enterprises despite the growth challenges in these townships.

The researcher believed that upon completing this study, the relevant literature, research approach, methodology, and research findings could be adopted for future studies in other townships across South Africa.

The outcome of this study may add value to the development of guidelines and strategies for implementing the objective of the National Development Plan (NDP 2030) which is to increase employment by 14% by creating 11 million jobs by 2030. The current study therefore highlights the need to research township-based small businesses as a strategic sector for the developmental agenda of the South African government.

This study focused on township businesses owned and operated in Soweto. The SMEs involved in the study have existed for two or more years with between 1- 50 employees. The aim was to get beneficial information about the obstacles faced by these businesses from the inception to the maturity stage.

The choice of SMEs was influenced by a research study by Bushe (2019) which entails examining the causes and impact of business failure in South Africa. The Churchill-Lewis Growth Theory provides the conceptual basis for this study (Kindström *et al.*, 2022) as it explains the dynamic nature of SME growth. However, concerns are that new SME ventures in South Africa do not follow the stages in the “growth curve” such as survival, success, expansion, and maturity. Bushe (2019) has argued that SMEs in South Africa have minimal contribution to resolving the country’s economic problems even with targeted government initiatives as their growth has remained limited since they are borne out of necessity instead of opportunity.

Lewis and Churchill (1987) assume that businesses move through five growth phases from existence to maturity. Each phase is characterised by size, vision, the complexity of systems and management style, all of which must be completed before growth can continue to the next phase. Therefore, each phase has a ricochet effect from the previous stage and the progression to the next phase. In the existence phase the business must prove that its products and services are in demand. This is when businesses streamline their processes and improve product quality.

Next comes the survival phase. The business establishes a market presence and works efficiently with a reasonable profit margin. There is growth in size and the business can generate higher profits. The businesses at this stage experience periods of sustained growth. Once they reach the success phase at stage three systems and processes should already be in place.

The main decision at stage three is whether to remain stable and profitable or expand the company by investing in new business ventures. Also, at this stage, the company employs more people to ensure that work is distributed accordingly between management and employees. This ensures that owners capitalise on growth strategies and other value-adding decisions. If the owner decides to continue the business, the control mechanisms and processes are considered to maximise profits.

Stage four is the expansion phase where deciding on crucial issues regarding growth and financial resources become necessary. Mismanagement of finances at the expansion stage could cause the business to collapse. Finally, a business reaches maturity when it is ready to diversify its products and services. At this stage, business operations have now reached a slower pace however, this does not mean that the business is unable to respond to market fluctuations. The business now aims to diversify into other markets and expand the customer base on a revised business model. This will ensure the organisation remains an ongoing concern with streamlined business processes.

The Lewis and Churchill (1987) research theory explains business growth as a life cycle necessary for growth. Dhliwayo (2021) explains that the Churchill and Lewis model emphasises management style while moving through the growth stages. As such, the role of the managers, the management style and the structure need constant adaptation as the business ecosystem changes.

Dhliwayo (2021), in a study has shown that there are limitations to the growth model throughout the stages. The first weakness is that not all businesses move from stage 1 to 5 because they encounter hardships during their lifetime. The second weakness is that the management style is not specific to a stage. A third weakness is the assumption that crisis fuels the movement from one stage to another.

The fourth weakness is that some businesses have no desire to grow past the survival stage as conventional business wisdom equates growth with survival (Tshwete, 2020). Small and Medium Enterprises (SMEs) are varied in growth and size, making it challenging to determine growth patterns and problems. Therefore, a business owner must have insight into Business Growth Models to identify complex problems to foresee and eventually navigate. The Churchill and Lewis (1983) Growth Stage Theory was designed for small businesses and managers to help in the establishment of existing challenges where any business operates and assist in predicting challenges individual businesses face as they grow and develop through the stages.

The theory was ideal in laying the foundation for this research on the growth of township SMEs in South Africa as shown in Figure 1.

	Stage 1	Stage 2	Stage 3(1)	Stage 3(2)	Stage 4	Stage 5
	<i>Existence</i>	<i>Survival</i>	<i>Disengagement</i>	<i>Growth</i>	<i>Take-off</i>	<i>Maturity</i>
Management style	Direct supervision	Supervised supervision	Functional	Functional	Divisional	Line and staff
Organisation	Simple	Growing	Growing	Growing	Growing	Sophisticated
Extent of formal systems	Minimal to non-existent	Minimal	Basic	Developing	Maturing	Extensive
Major strategic imperative	Existence	Survival	Maintaining profitable status quo	Obtain resources for growth	Growth	Return on investment

Figure 1: The Churchill and Lewis Stage Model(Lewis & Churchill, 1987)

Kindström *et al.* (2022) stated that the Churchill-Lewis model gives insight into the dynamic nature of SME growth however, the concern is that new South African SMEs do not progress from existence to other stages such as survival, success, expansion, and maturity. Bushe (2019) argued that South African SMEs have minimal impact on the country's economic challenges and that even with government initiatives and support their growth is limited because they are established out of necessity instead of opportunity.

1.2. Problem Statement

There is no dispute that small businesses are important drivers of economic development in townships across South Africa. However, a survey on small business turnover as reported by Statistics South Africa (StatsSA, 2022) which indicates that while the formal business sector generated over R10.5 trillion in total revenue in the 2019 financial year, small businesses generated only R2.3 trillion (22%). Of these, medium-sized businesses contributed (10%), while large businesses contributed over two-thirds (68%) of total turnover, with data predicting that 80% of SMEs fail within five years of inception and if the income potential of small businesses is considered, owners need to be resilient and adopt a mind-set of opportunity recognition (Hashim, 2017).

Udimal and Biyase (2021) explained that existing research established the economic importance of SMEs in the development of South African townships. The inability of small businesses in townships to grow into medium or large businesses coupled with the high failure rate when compared to those in urban areas is cause for concern. du Toit *et al.* (2021) in a study established that Micro-finance Institutions in South Africa provide business loans to small businesses that are traditionally not financed

by commercial banks. These finances are channelled to formally registered small businesses to the exclusion of informal businesses that constitute most small businesses in the townships.

The numbers of small township-based businesses that still trade informally but have the potential to grow have not been fully explored. In addition, businesses that arise from survival, poverty, and weak structures such as those operating in the townships of South Africa face greater obstacles to growth than those in the major cities and towns. Data from the Small Enterprise Development Agency (SEDA), as shown in Table 1 indicates there are 1 580 155 informal SMEs compared to 653 530 formal SMEs that existed across South Africa in the third quarter of 2020. Combined these businesses provide 10 058 355 jobs to South Africans.

Since informal businesses are the dominant business activities in the township they are the main source of income for households and employment for township dwellers. However, the problem identified is that the number of small businesses that die off within months of a start-up in townships across South Africa is equivalent to those entering the small business sector at any time. Furthermore, most township SMEs that survived their first year in operation remain small and do not grow into medium or large businesses. This affects the income generation potential of these businesses and the number of people they can employ. This research therefore seeks to explore factors that contribute to the growth of small businesses in the township of Soweto of South Africa.

1.3. Research objectives

The following research objectives were identified for this study:

- To understand how SMEs registration processes affects business growth in townships.
- To understand the challenges of operating SMEs in the townships of South Africa.
- To understand the growth strategies of SMEs operating in the townships of South Africa.
- To examine the implication of SMEs regulations on the growth of the township economy.

In the last paragraph of the Introduction it provides the reader with the layout of the paper.

2. Literature Review

Small township businesses were historically born from survival rather than motivation because of South Africa's political history (du Toit *et al.*, 2020). In South Africa townships are areas previously designated under the apartheid system for the exclusive occupation of people classified as non-white (Cant, 2020; Petersen & Charman, 2018).

Despite the independence of South Africa in 1994, the apartheid period (28 years) has townships remain overpopulated and under-resourced with increasing levels of unemployment and poverty when compared to urban areas (Smith, 2021). Despite this trajectory existing township businesses have shown increasing economic and social importance to their communities as they serve as the only source

of employment and source of income for community members, but what are Small and Medium Enterprises (SMEs) in the context of South Africa?

The definition of small businesses is explained in the National Small Business Amendment Act 29 of 2004. The Act characterises small businesses by the amount of turnover and the number of employees. Although quantitative guidelines differ depending on the industry, SMEs employ no more than 50 people with an annual revenue ceiling of R80 million. Furthermore, in South Africa, micro, small and medium enterprises are collectively known as SMEs (Mashavira *et al.*, 2021). In this research, small businesses form part of the SMEs in all sectors that are cited in a township of South Africa.

In this study, it was opined that the unlisted numbers and activities of small businesses located in townships across South Africa have raised concerns around funding, infrastructure development and government support for these businesses which could perhaps be a source of low growth or stagnation in this sector.

A performance review by the Small Enterprise Development Agency of South Africa found that SMEs are creators of employment opportunities and are labour-intensive (SEDA, 2021), employing township citizens who are not employable in the formal economy. Research further indicates that 76.5% of employment opportunities in South Africa between 2018 and 2021 were created by SMEs (STATS SA, 2022), thus highlighting the important contribution of SMEs in the township economy as shown in Table 1.

Table 1: SME number, employment figures

KEY INDICATORS	2020 Quarter 3
Number of SMEs	2 363 513
Number of formal SMEs	653 530
Number of informal SMEs	1 580 155
Number of jobs provided	10 058 355

Source: (SEDA, 2021)

From the table there is evidenced that the number of jobs SMEs (formal or informal) provide to communities significantly reduces unemployment in South Africa. The data further substantiate the importance of SMEs in job creation despite the outbreak of the recent Covid-19 pandemic. The National Development Plan of South Africa (NDP, 2030) has recognised the market size of the township economy as a key economic driver for job creation in disadvantaged communities. As a result, supporting activities that enhance the growth and sustainability of SMEs is crucial for the National

Development Plan (NDP 2030) objective to reduce unemployment by 14% through the creation of 11 million jobs by 2030. Hence, while most studies have focused on factors limiting the growth of SMEs in the townships of South Africa, this study on the other hand focuses on exploring factors contributing to the growth of small and medium enterprises (SMEs) in a township in South Africa.

Nature of Small Business in South Africa

Mashavira *et al.* (2021) opined that it is common practice for literature that deals with small businesses to first provide background and definition of micro, small and mediums enterprises (SMEs) because small businesses are treated as a subset of SMEs. As such the definition of SMEs in the literature depends on the country with no set definition that applies globally. The National Small Business Amendment Act 29 (2004) of South Africa formulated the official definition of SMEs as characterised by industry, annual turnover, and the number of employees below a certain threshold. The United States Small Business Administration (SBA) and the European Union define SMEs within similar parameters albeit with country-specific guidelines. SMEs are generally non-subsidary independent businesses with a set limit on the number of employees (OECD, 2018).

While SME is a broad generic term globally, South Africa has a specific definition for the types of enterprises that are categorised under SMEs. Although the quantitative guidelines differ depending on the industry, small enterprises employ no more than 50 people and have an annual revenue ceiling of R80 million. Micro-enterprises employ fewer than ten people with an annual revenue ceiling of R20 million while medium enterprises forming part of the small business sector that does not employ more than 250 people have an annual revenue ceiling of R220 million (2004).

Bhorat *et al.* (2018) define small businesses as subsets of SMEs independent and controlled under the owner's direct supervision where the owner's presence dictates the management style. Agzamov *et al.*, (2021) further define small businesses as independent owner-managed businesses with a portion of the industry market share. This categorization is essential in South Africa as it helps protect and promote small businesses in the larger economy by enabling access to government contracts, resources and funding to help them compete with larger businesses.

The importance of SMEs in providing work opportunities has become apparent in recent years as they provide 50% of employment worldwide (Narada *et al.*, 2020). Investigations by the Organization of Economic Corporation and Development (OECD, 2021) found that 66% of all work opportunities in the USA between 2015 and 2020 were created by SMEs employing fewer than 20 workers. In South Africa the Small Enterprise Development Agencies (SEDA, 2021) reported that SMEs provide over 10 million job opportunities despite the growing number of business failures. Hence the SME sector is necessary for creating new work opportunities and replacing work opportunities caused by the declining employment by larger companies.

Furthermore, Rahadi *et al.* (2020) explain a multiplier as that which gives a multiplication effect and its related consequence such as creating work opportunities and income and SMEs have been seen to have such an effect in the townships of South Africa. The result of the multiplier effect SMEs creates within townships is the re-circulation of the larger portion of wealth within the township when compared to chain-owned businesses. This results in a circular flow of income that can stimulate local economic activity within townships (Gašperová *et al.*, 2017). The impact of the multiplier effect within a community by small businesses through the re-circulating income on daily living expenses contributes further to the expansion of local infrastructure. This explanation is consistent with a study by the American Independent Business Alliance (AMIBA, 2022) on local economic returns.

While the National Development Plan (NDP 2030, 2030) vision of South Africa views small businesses as economic stimulators for poverty reduction and unemployment alleviation, Malecki (2018) opined that most SMEs create self-employment for their owners and do not add to economic growth and job creation. As such, Botha *et al.* (2021) argue that while the South African government recognizes the vital role of SMEs, small businesses that enter the market often remain small due to barriers to growth. Bhorat *et al.* (2018); (Bodlaj *et al.*, 2020); Karlsson (2021) cited concerns that business growth is constrained by internal and external barriers with financial constraints, management incompetency and technology adoption singled out as impeding the growth of small firms in developing countries.

Traditionally small businesses in developing countries are systematically underserved as they are perceived as high-risk by financing institutions due to their lack of collateral. They are often ignored in favour of safer investment options. In contrast to large businesses that obtain bank loans, small businesses rely on internal funds to start the business (Cole & Damm, 2020; Mago & Modiba, 2022; Nkwabi & Mboya, 2019). A World Bank Report (2022) cited that 50% of small to medium enterprises do not have access to formal credit and the financing gap is wider for micro and informal enterprises which are considered as high-risk businesses by financial institutions. The South African Financial System though well-developed still considers SMEs as high-risk ventures and is hesitant to finance them when compared to the more advanced sector of the economy (International Monetary Fund, 2022).

Literature suggests that a significant proportion of small businesses in developing countries are driven by necessity (Fairlie & Fossen, 2020; Puente *et al.*, 2019). According to Ahmad and Ahmad (2021); Popescu *et al.* (2020) ineffective management planning, decision-making, poor control and financial management skills are some of the challenges associated with SMEs operating in developing countries and the townships of South Africa are no exception.

To better understand managerial incompetence, it is necessary to first define competence in the context of this study which refers to a combination of skill, knowledge, behaviour and attitudes that contribute to personal effectiveness in a variety of areas in a business organisation. Although managerial

competencies can be achieved through skills development for small businesses, skills development in the business sector should be industry related.

In South Africa Business Incubators have been enlisted to address challenges faced by SMEs through business support services. Jabulile and Elona (2021) cite that the effectiveness of incubator programs is questionable as there is no standard measure to accurately assess their effectiveness which in turn exacerbates the failures of SMEs in townships. In a study on “*Why small businesses stay small*’ by Marshalok *et al.* (2021), managerial failures were identified as managers being hesitant to take the risks that might lead to the growth and expansion of SMEs.

Small businesses are part of a dynamic environment that tests their adaptability and influences business development. Technology adoption improves the efficacy and effectiveness of small businesses and gives them a competitive advantage (Trevor *et al.*, 2018). In a report by the International Monetary Fund (2022), South Africa’s Information Communication Technology (ICT) is significant and advanced when compared to the rest of Africa. SMEs in the township have not taken advantage of the adoption of technology in overcoming business challenges and benefiting from the opportunities.

This is an indication that the availability of technological infrastructure does not translate to adoption and use since most small businesses cannot invest in technology (Joana & Rafael, 2021). Furthermore small businesses may be skeptical due to the risk of their information being exposed to competitors and view technology adoption as a risk to their business. Bvuma and Marnewick (2020) maintain that for “township businesses” to participate fully in the economy, develop and grow, there is a need to have an in-depth understanding of the factors affecting their ICT adoption. These authors (Bvuma and Marnewick, 2020) and Monitor, (2018) argues that the high rate of failures of townships SMEs are poor ICT infrastructure which poses as growth barriers and inhibit the successful adoption of ICT.

Nieuwenhuizen (2019:2) in a study has also established that small businesses are sensitive to government policy and regulations. As businesses grow, regulations become stricter, discouraging businesses from growing. In South Africa Government policy and regulations should consider whether incentives help businesses overcome barriers to growth or give them the incentive to stay small (Slattery & Zidar, 2020). Furthermore, the enabling environment has been found as a key barrier to growth. Crime and theft have been identified as major constraints (Drinkwater *et al.*, 2018; Nwajiuba *et al.*, 2020). Businesses that have been victims of crime were 22% less likely to increase employment and this figure was higher in townships and inner-city locations.

Furthermore, research in townships focusing on what product or service should be offered to satisfy the consumers in the township market by is limited due to costs. Given that business success depends on the combination of market acceptance and product/service decision, it is therefore not surprising that

most township businesses failed and those that survived do not grow (Peñalba-Aguirrezabalaga *et al.*, 2021). While competition is a common challenge associated with the success and growth or failure of businesses irrespective of location, the effect is much higher for small businesses since most of their products as services can easily be imitated.

Furthermore, there is no barrier to entry or exit of the market township market. In theory, perfect competition markets are ideal market structures as they are consumer-re-oriented and control of prices remains under the supply and demand forces with no probability of customer exploitation. Due to the homogeneous nature of perfect competition in townships business growth is not encouraged as a business would have to manoeuvre competition to survive (Kolmar, 2022; Ramadhanty, 2018).

The success associated with some township businesses appears to be a collaborative effort and a resilient mindset of owners. Furthermore, business owners in townships should focus on value creation and perseverance for long-term goals while navigating the business environment (Antoncic *et al.*, 2018), Liguori and Pittz (2020) cite that being aware of the changing market, building strong customer relations and being aware of the entrepreneurial ecosystem are key strategies for small business growth.

Small businesses are usually established from an idea of a person. It is therefore rare for a small business owner to possess the full range of administrative, marketing and financial skills that are required to operate a business. In addition, basic management skills that are important to business growth are often unknown or ignored. Al-Saidi *et al.* (2022) in a study have identified operational skills as those that can be acquired through learning, however, management skills are abstract and cannot be learned.

Marchese *et al.* (2019) stated that business skills are a collective term for competencies that are necessary to operate a business effectively. They are particularly important for entrepreneurs. Business skills that are essential for small businesses include financial management skills, marketing skills and entrepreneurial skills.

Llados-Masllorens and Ruiz-Dotras (2021) state that individuals starting a business should be prepared to embrace financial skills effectively. They describe financial skills as having “a role in boosting entrepreneurial culture, overcoming reticence and increasing awareness of business opportunities”. Msomi and Olarewaju (2021) describe financial skills as valuable when raising capital to finance a business. Nohong *et al.* (2019) identify financial skills as those responsible for ensuring that a business monitors its financial resources appropriately. Okoye *et al.* (2017) state that small business owners must possess financial skills and they describe financial management as an essential management function for any small business. Rankhumise and Letsoalo (2019) in a study found that business owners with sound financial skills succeed in their business interests and it is necessary that amongst other managerial skills, experience in financial skills is essential

This finding was supported by Ye and Kulathunga (2019) who state that, when the business owner has sound financial knowledge, it becomes easier to choose the most appropriate finance option suited to business needs. Bushe (2019) opined that owners of small businesses in South Africa often need to perform this function themselves and many do not possess the knowledge required to perform this function effectively. Financial self-efficacy acts as an important motivating factor in managing the finances of a business. Focused training is important in developing financial management skills, but little research has been conducted to determine whether this type of training improves financial management skills and financial self-efficacy.

Agzamov *et al.* (2021) add that a business cannot compete in the market if it cannot sell its services or products. Trevor *et al.* (2018) define marketing as a performance of business activities aimed at satisfying the needs of the customer that enables small businesses to exist and grow. According to Gilmore *et al.* (2018), marketing is a necessary skill when faced with competition and small businesses must recognize their opposition in marketing which will enable them to prepare a marketing strategy.

The main task of township SME owners is to understand customer needs and behaviour which results in an effective marketing strategy. Traditionally, marketing has been associated with large enterprises, yet several studies have focused on SMEs and have illustrated the importance of marketing in their success (van Scheers, 2018). SMEs need to create a competitive advantage by formulating marketing strategies that are different from those of their competitors, yet marketing remains a challenge for many SMEs (Gilmore & Carson, 2018) as it is not formally planned for.

Shabbir and Kassim (2019) describe entrepreneurial skills as those associated with innovation that a self-employed person requires which is important for the successful management of small businesses. Bejinaru (2018) describes entrepreneurial skills as those associated with complex problem-solving, critical thinking, originality thinking, active learning and decision-making. One strategic goal of South Africa's National Development Plan (NDP) is to improve the country's economy by increasing and developing entrepreneurship and small business. To achieve this, NDP's strategy on entrepreneurship should be on flawless implementation of entrepreneurial education policy through government, business development incubators and educational initiatives which encourage a culture of entrepreneurship. Entrepreneurial education involves developing behaviours and skills to help individuals and business to develop sustainable businesses.

The concept of entrepreneurial education has led to a debate in the theoretical domain on whether entrepreneurship can be learned. Heinze (2020) believes that entrepreneurship can be learned through experiential learning formats. The researchers highlight that business schools' current trends and growth show the need for entrepreneurship education. It shows that those people who have acquired entrepreneurial skills and knowledge stand a better chance of developing sustainable businesses.

Entrepreneurship as a multi-disciplinary field allows for entrepreneurial education programs to embrace a variety of topics related to entrepreneurship such as innovation and leadership that strengthen entrepreneurial traits, attitudes and skills.

Ibay and Pa-also (2020) define managerial skills as the knowledge that can be learned and practiced in fulfilling specific management activities. According to Bushe (2019), management skills are essential for a successful small business as they enhance the quality of management decisions. A tactical rather than a strategic approach is adequate for small business managers' daily tasks and rapid decision-making. Bushe (2019), implies that management skills are essential for operating a successful small business. The success of the small business depends mainly on management competence and the quality of management decisions. Bhilai (2017) identified three key managerial skills, namely conceptual, interpersonal and technical skills used by large businesses that the small business can adopt. In the small business setting the small-business owner is often required to occupy multiple managerial roles necessitating a balance of all these skills. This is because having limited resources a small business cannot employ a specialist to perform all managerial functions in the business.

Small business owners are better “doers” than managers and should consider the use of outside management assistance which can supplement personal knowledge. The small business owner lacks managerial skills and the opportunity to share ideas with peers. By using management consultants, entrepreneurs can overcome some of their managerial deficiencies and reduce their sense of isolation.

Furthermore, by bringing an objective point of view and new ideas, supported by a broad knowledge of proven, successful, cost-saving methods, a consultant can help an insider directly involved in a business problem and see the issues more clearly. The consultant may also help the manager improve decision-making through better organization of fact-gathering and the introduction of scientific techniques of analysis. Entrepreneurs seeking management assistance can turn to any number of sources, including business incubators, student consulting teams, retired executives, small business development centers, management consultants and entrepreneurial networks.

3. Research Methodology

The research design that was used in this study was explanatory and focused on gathering data that can be used to explain constructs associated with the management and growth of township SMEs in South Africa as displayed in Table 1.

Table 1: The process of explanatory research design as applied in this study.

Phase	Procedure	Outcome
Qualitative Data Collection	<ul style="list-style-type: none"> • Selection of SMEs for interviews • Develop interview protocol • Conduct interviews with 14 participants • Upload transcribed data 	<ul style="list-style-type: none"> • 14 SME participants • Interview protocol • Transcribed interviews
Qualitative Data Analysis	<ul style="list-style-type: none"> • data analysis for coding and theme development. 	<ul style="list-style-type: none"> • Codes • Themes • Coding matrix
Qualitative Findings	<ul style="list-style-type: none"> • Explanation of qualitative findings 	<ul style="list-style-type: none"> • Discussion of findings • Managerial Implications • Recommendations and further research

Source: Researcher's design

The qualitative research approach was used in this study and involved collecting and analysing non-numerical data (Hammarberg *et al.*, 2016). The intention was to collect information that explains the factors contributing to small business growth in the township of South Africa. The qualitative research approach was appropriate for obtaining such in-depth information through interviews from purposefully selected owners of SMEs in a township in South Africa.

The data was collected from 14 participants and the data sufficiency was not only dependent on saturation but on saturation plus two. Furthermore, data triangulation was performed through an extensive review of literature on SMEs in South Africa, documents as well as legislation. The focus was to mine owners' knowledge and data richness since only SME owners operating their businesses in a particular township for a minimum of 2 years and above were interviewed. Hence, data was collected from 14 SMEs located in the Soweto township of South Africa. Interview sessions took no more than 45 minutes per participant and were face-to-face and recorded. The interview questions were designed in such a way data gathering will be sufficient in explaining the constructs associated with the management and growth of township of township businesses.

3.1 Data analysis and interpretation

The data analysis process involved transcribing, examining, triangulation and interpretation of data to make sense of the collected information that answers the research questions. Coding was used to retrieve information from the data. Data analysis was stopped when no new information was discovered and

two more participants were interviewed to ensure data richness. A summation and thematic method of analysis was followed to analyse the data. The open coding qualitative data analysis process was followed, and Ngulube's (2015) eight-step process for analysing qualitative data was followed.

Figure 2 shows the iterative process allowing the validation of information for accuracy derived from (Creswell, 2014).

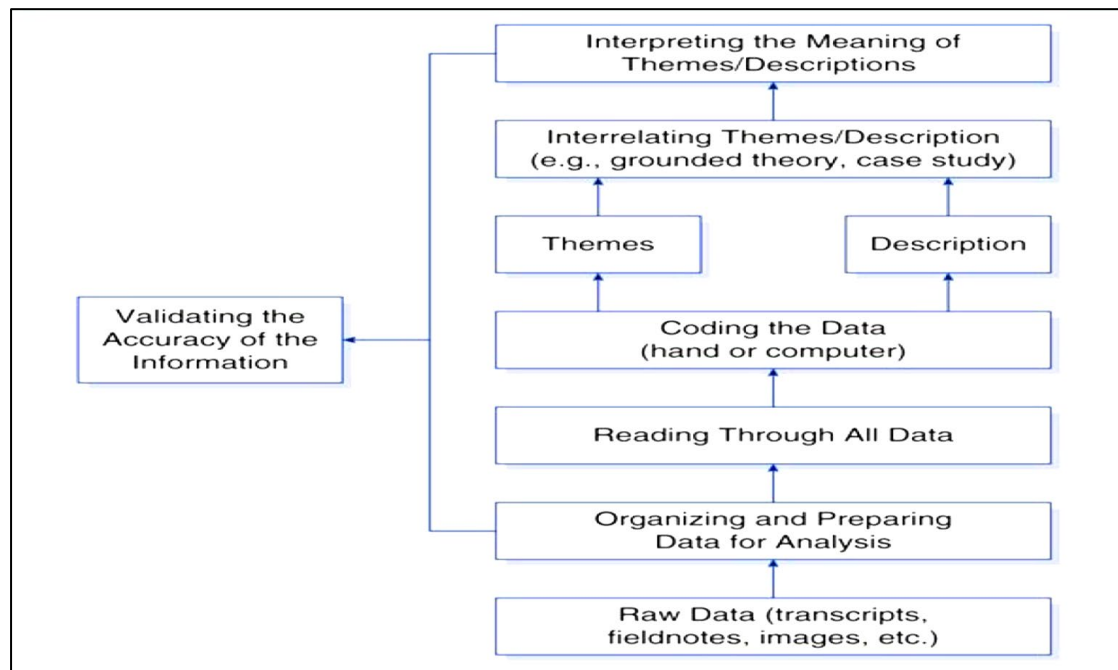


Figure 2: Qualitative data analysis process
Source: (Creswell, 2014:247)

Stage 1: Organisation and preparation of data

- In stage one, transcripts, field notes, recordings and raw data from the field are collated. The raw data should always be under lock and key to avoid loss and maintain confidentiality.
- Data obtained from field notes, transcripts and recordings are organised and prepared for analysis. Transcriptions will be aided by a data transcription internet-based software called OTTER.ia

Stage 2: Reading through all data

- The researcher should get immersed in the collected data to understand the data in-depth. The immersion process is facilitated by reading through all the data and listening to recorded conversations.

Stage 3. Data coding

- Coding refers to the analytical process of categorising raw data into themes. Themes help in the interpretation of the data. Codes are "names or symbols" allocated to a group of items, phenomena,

or similar ideas that frequently appear in the data set. In other words, data is used to search for similarities and singularities in the form of codes

- Grounded in the collected data, codes are further grouped into themes for thematic data analysis. Hand coding is laborious so computer coding is preferred for an efficient and effective coding process. Qualitative coding follows interpretive logic which involves continuous and iterative interaction with data through reading, re-reading, and examination.

Stage 4. Generation and description of themes

- Themes are generated and described. The creation of themes is part of interpretive and iterative processes. Themes constitute the frequently mentioned statements or concepts from the qualitative data. The themes guide data interpretation and they represent headings in the write-up.

Stage 5. Interrelating themes

- Using narrative passages, the findings of the analysis are conveyed and discussions of interrelated themes are carried out. This is done by the use of visuals, figures and tables to simplify the communication of findings.

Stage 6. Interpreting the meaning of themes

- The final stage involves the interpretation of the meaning of themes. A comparison of findings and information obtained from literature is made to check agreements and/or disagreements. In quantitative research this process is called corroboration. Lessons learned are also presented but these represent a personal understanding of the researcher.

4. Results and Findings

In this research, saturation was reached at the 14th participant and the descriptive characteristics of participants were analysed and the findings discussed. The age range of the participants was between 21 and 72 years. The nature of participants was analysed using age, gender, employment history and educational background. The purpose was to establish whether the business owners are native to the township and their motivation for starting own businesses.

The analysis further establishes the individual characteristics of business owners that may have an influence on the growth of a township business. Findings revealed that 64% of the participants were females compared to 36% of males who took part in the study. Although gender-wise, the percentage of females to males was not equal. The difference was not significant suggesting a gender-neutral view from the interviewed participants. The results also revealed that 36% of the participants were of aged 20-30 years, 14% were between 30-40 years, and 2% and 9% were aged 40-50 and over 50 years respectively.

Data on the educational level of participants indicates that 57% of the participants had qualifications beyond Matric (Grade 12) from institutions of higher learning and the rest of the participants had qualifications lower than matric. Information regarding previous employment before starting their businesses revealed that 71% of the participants worked in the business sector, 21% worked outside the business sector and 7% of the business owners were always self-employed.

These findings suggest that most owners of township businesses have some industry experience and knowledge of the businesses they are operating. When asked about their motivation for starting their business, 86% said it was entrepreneurial passion while 14% said it was due to necessity because of unemployment. On the question of nativity, the participants were asked if they were born in Soweto and it was found that 71% were natives compared to 29% who people from other parts of South Africa and the World were but have lived in the township for over 10 years.

4.1 Emerging Themes and research findings

The intention for question one was to determine the types of businesses operating in the township, the skill set required for operations and how the business owners view the business registration process. This was to ascertain whether these views are consistent with the literature regarding the benefits associated with formally registered businesses. Three questions were asked concerning research question one.

4.1.1 Research question one

How does the registration process affect the small business growth in the township?

Type of business

The participants on being asked about the types of businesses they operate gave vastly different answers. Business characteristics were discussed as they present generic information about the age and size of the business, the number of employees, the industry sector and future growth plans. The purpose of this information was deemed useful to identify possible factors that contribute to small business growth at different ages of the business. The types of businesses varied based on their employment background or the motivation behind starting the business. Most businesses fall under “small in size” in terms of South Africa’s definition employing one person. The various businesses included retail stores, beauty spas, artisan workshops, bakeries and hair salons.

Business Registration

When asked about their awareness of business registration processes, the owners of businesses 1, and 2,3,4,6,7,13 which represent 50% of the study population stated relatively similar answers. These

business owners stated they are aware of the benefits of registering with the CIPC and SARS and that they were in the process of registering. Their responses were transcribed as follows:

“I don't know why. I haven't had time for that. It has been at the back of my mind. But sometimes I get so busy. I forget to do that. You know, it's one of those things that we know, but take for granted. And you can always do it” (Business 2). “I am very aware of all these things and frustrated about that knowledge because many vendors like me in the township are not registered. So, it's a big competition; I will register because I am a law-abiding citizen and I'm also a coward” (Business 3). “I do want to register the business, I know it is necessary, particularly if I'll need funding from financial institutions, but even if it's not from financial institutions, but from angel investors, I would need to have a registered business it just gives it credibility in my opinion” (Business 7).

Fifty % (50%) of the business owners were indifferent to the process of registration stating that they would only do so when it became necessary.

Skill requirements needed to operate.

The participants were further asked about the skills needed to operate a small business which led to the identification of skills in technology, communication, marketing and financial management as the main themes. Almost all business owners deemed communication and financial management necessary skills compare to about 71% business owners who indicated that marketing was important to promote their businesses.

To illustrate the above through examples from interviews, the owners of Business 1,2,3,4,5,6,8,11 stated that technology, communication, marketing and financial management were required skills.

“I need all these skills to operate my business, technology most importantly because 70% of my business is online” (Business 1).

Businesses 7,9,12,13,14 indicated that while the other skills are necessary, they can operate efficiently without the use of technology, stating that their mobile phones are the only type of technology they need. ***“I promote my business through social media marketing on my mobile phone; I also use the banking application to manage my finances” (Business 8).***

Business 10 indicated that only communication was necessary and had no interest or need for the other skills stating, ***“My business is too small for me to worry about such things; I live from hand to mouth.”***

4.1.2 Research question two

What are the challenges of operating a small business in the township?

This question is intended to ascertain the internal and external challenges affecting business growth. Participants were asked numerous questions to determine their level of understanding of business challenges and how their views on how these challenges affect their business.

Three questions were asked concerning research question two.

The focus of this question was on challenges associated with the location of a business. The participants

Sub-question 1:

Tell us if you think operating a business in the township is more difficult than operating a business in other areas such as the CBD or suburbs?

gave relatively similar answers leading to the identification of six themes, namely, foot traffic, infrastructure, municipal services, competition, accessibility and growth.

The most common response stated by the business owners was that foot traffic was a challenge when operating in the township, particularly given that most businesses operate from home. Almost one third of the interviewed business owners indicated that accessibility to suppliers is a limiting factor given that they are limited in transport and the cost of transport is higher compared to businesses operating in CBDs or suburbs. A further sixty percent of business owners indicated that they might grow if they were in the city or urban hub and two participants' businesses mentioned competition as a factor stating that "*Most of us sell the same kind of products*".

"The challenge is transportation; the clients can't afford to come to me and they're too far for me. Sometimes no taxis are going that side, and I can't afford Uber with my current prices. So more than anything, it's mobility" (Business 2). "There are a lot of people working in the city, my business would get more foot traffic and I would make more sales" (Business 4). "The majority of people in the city are there to shop, they are all consumers" Business 7).

Sub-question 2:

Please explain to us the difficulties or challenges of operating a business in this township?

The participants' responses to this question identified internal and external challenges affecting business operations such as funding, facilities, family dynamics and owner's vision as internal challenges confronting township business owners. The participants gave relatively similar answers concerning internal factors affecting their business which led to the identification of themes.

Responses given by 10 of 14 businesses revealed that funding and facilities affected their business activities. Through observation, 3 of the 14 participants indicated a lack of vision while participant 10 had indicated that they were only operating as a survival strategy. While businesses 5 and 14 had no vision of growth and wanted to retain their current size, 5 of the 14 business owners stated family dynamics as an internal factor; Business 11 indicated that 6 of the seven employees are family, all of whom have a stake in the business.

“I’m only running this business for now while I work on my real goals”. The owner of Business 14 “My very small shop has a lot of customers; I am satisfied with my business” (Business 5). “Everyone in the family has a part to play, we all work together to ensure a future for our children” (Business 11).

When the business owners were asked about external factors affecting their business, the most common themes identified were economic factors and politics with 9 of the 14 participants stating that in their responses. Furthermore, 7 of the 14 participants identified financial exclusion as an external factor affecting their businesses while 6 of the 14 participants identified changing trends and technology as a common external factor affecting their business activities. Some of the participants identified competition from similar businesses as a factor while the owners of businesses 5, 10 and 14 indicated that they were not affected by any of the external factors. The responses from three businesses were that they had no desire to grow while business 10 indicated that his business is for survival purposes and businesses 5 and 14 wish to retain their current size. All these provide answers to the question of why small businesses turn to remain small and do not grow.

Sub-question 3:

Tell us the strategies you use to manage the day-to-day challenges of operating your business in this township?

The participant's response to this question identified daily challenges affecting business operations. The themes that emerged were time management, cashflow management, customer care and inventory management as a day-to-day challenge confronting township business.

When asked about day-to-day management, the participants gave relatively similar answers. The common themes identified were time management, cash flow management and customer care. Nine (9) out of 14 businesses identified inventory management as they sell products as a daily challenge and 5 out of the nine businesses were offering service products. Business 10 indicated customer care as the only factor that needs to be managed daily stating that the others were irrelevant. Business 1 indicated time management and cash flow management stating that is all that is required based on the nature of his online business.

4.1.3 Research question three

What are the growth strategies used by small businesses operating in the township?

The intention for this objective was to determine the growth strategies currently used by businesses operating in the townships of South Africa. Participants were asked four sub-questions to examine their level of understanding of the concept of business growth.

The objective was to ascertain whether business owners in townships are aware of the concept of growth strategies and how they apply them in the day-to-day running of their businesses.

The four sub-questions asked were:

Sub-question 1:

Please, tell us what motivated you to start and operate your business in the township instead of CBD or suburbs?

From the responses, the researchers found that most participants between the ages of 20 – 30 years exploited business opportunities based on their passion and interests. Participants between 30 – 40 years of age exploited business opportunities based on their employment history, while participants 40 years and older were motivated by survival. The common themes that emerged from participants' responses were; Entrepreneurial, industry knowledge, retirement, passion and opportunity to support their motivation for operating businesses in the township.

Participants were asked about their motivation towards starting their businesses, particularly within the township instead of other areas. Findings revealed three quarter of business owners were native to the area and most operate their businesses from their premises because of the cost associated with renting business space.

The responses also revealed that business owners would like to grow their businesses and increase their income before considering operating from other areas. When asked about future growth prospects the majority mentioned growth as the ability to create employment for a few people around their community. It was deduced from the responses that most business owners were not considering growing into medium or large enterprises in the immediate future as evidenced by some direct quotes.

“I don't have to pay retail space, because I wasn't sure if my business was going to be successful. When you are a newbie in the industry, you start where you are and then you can move when things

work out” (Business 2). Another business owner stated “Growth for me is having enough money from what I’ve started to go into bigger things. But as an individual, it is difficult to grow because of affordability. Ideally, I would like to work with a syndicate where we put money together and buy in bulk to save on transport and get discounts on bulk purchases” (Business 3).

Sub-question 2:

Do you enjoy operating your business in the township and what are your future growth prospects?

When asked about the future growth prospects of their businesses, the participants gave varied answers based on their understanding of growth. Of the 14 business owners interviewed, 11 business owners indicated their intention to grow while 2 business owners indicated they aimed to retain their current size and 1 business owner indicated they were only operating as a means of survival. From their responses, it was deduced that the term “growth” is relative and businesses measured growth differently. Some measure the growth of a business with the increase in sales revenue and others measure growth by the impact on job creation or as a source of livelihood sustenance as explained by some responses below.

“I have the opportunity to teach and give back to the community that is what growth means to me” (Business 8) while the other said, “Opening shop in different locations, that’s how I want to grow” (Business 2). Further supporting responses were “We can only grow if we as businesses work together, it is impossible to do it alone” (Business 3).

Sub-question 3:

Please explain to us how formally registering your business affect your growth plans?

Based on the results, Table 10 reveals 57% of business owners believe that being a formally registered business does affect business growth plans. The following responses were recorded when business owners were asked whether being a formally registered business affects growth plans. Businesses 5, 10 and 14 indicated “no” because they do not intend to grow beyond their current size. Businesses 11 and 12 indicated “no”; although they want to grow, they will do so at their own pace without external support such as loans. Business 10 indicated “no” stating that registration will happen in time and growth is a prospect.

However, businesses 2, 4, 6, 7, 8 and 13 indicated “yes” stating that being formally registered would ensure growth because they currently cannot access funding and non-financial support. They explained

that they need to formally register to get a trading license as well as support from the government. Business 1 indicated “yes” stating that growth is dependent on partnering with corporate clients while Business 3 indicated “yes” stating that the intention is to partner with a similar business to grow by working as a collective.

Source: Researcher's data

Sub-question 4:

Please tell us the growth strategies you are currently using in operating your business from the township.

Following the transcription and coding of the data from the interviews it was found that very few business owners understood the concept of growth strategies with the majority unable to explain their growth strategies.

These findings concur with earlier findings which indicate that the concept of growth to township business owners in townships vary from one individual to another. Business 3 indicated the importance of collaborating with other similar businesses to his as the growth strategy, while Business 6 indicated compliance with legal requirements to benefit from government support as a growth strategy.

Research question four

What is the implication of small business regulations on the growth of the township economy?

The intention for question four was to determine the management strategies used for small business growth in the townships of South Africa. A further extension of this objective was to determine whether the mentioned techniques are specific to township-based businesses or generic to all businesses regardless of location.

Sub-question 1:

Explain to us what specific management strategies are used in the operation of business in a township?

Two sub-questions were posed during the interview and the findings are presented below.

This question entails testing participants’ level of understanding of the concept of “management strategies” and how it is applied in the management of their businesses daily.

On analysing the responses from the interviews focusing on specific management strategies, the general response was like that of business skills instead of management strategies, therefore, no themes were recorded for this question. Their responses indicated that SME owners in townships of the south cannot differentiate between management strategies and business skills required to operate a business.

Sub-question 2:

Please tell us if you think management strategies are specific to township-based businesses or are generic to small businesses.

Although the respondents were unable to differentiate between management strategies versus business skills they however managed to explain their perceptions of “management strategies”.

The emergence of the themes originated from responses recorded during the interviews with business owners. Findings revealed that, despite operating informally or as a formally registered business, less than half of the interviewed participants were unsure of what management strategies mean in business but they confuse the concept of business strategy and business skills. Furthermore, interviewees indicated that they have no idea what management strategy is all about in business and those who indicated that they have some idea what business management strategy could be segregate between the two constructs.

4.2 Discussion of findings

This study examined the dynamic nature of SMEs operating in the Southwestern Township (Soweto) of South Africa. The study intended to answer the question “*Why growth eludes Small and Medium Enterprises (SMEs) in a South African Township?*” The study focused on businesses established and operated in the Soweto township of South Africa. They established that most business owners were fully aware of the legal requirements, registration processes and benefits of operating a registered business but do not register their businesses to take advantage of government support programs. The implication therefore is that most small businesses ignore laws and regulations and do not comply with government legislation that governs the operation of small businesses in South Africa. This confirms the finding by Kankwamba and Kornher (2020) that informality leads to a loss of government revenue.

The discussion summarises the themes that emerged from the data analysis in response to the primary research questions and related sub-research questions. The analysis resulted in 27 distinct characteristics which did emerge (see Annexure 1). The emergent characteristics were grouped into six distinct themes in answering the question “Why growth eludes small businesses in a South African Township?”

The answer to this question points to the emergent themes of skills requirements, business location, internal environment, external environment, operations and motivation. Upon re-coding the six emergent themes there were three emergent themes with the highest frequency.

They include financial exclusion, owners' vision and economics of scale which formed the focus of our analysis. The themes are briefly described in Table 12 and a detailed discussion of the themes is provided after the table.

Table 1: Summary table of coding

Characterisitic	Frequency	Themes						Total Count
		Business skills	Business location	Internal environment	External Environment	Operations	Motivation	
Communication	8	8				8		16
Marketing	8	8	8	8				24
Infrastructure	7		7			7		14
Lack of owner vision	11	11	11	11	11	11	11	66
Financial exclusion	10	10	10	10	10	10	10	60
Economics	9		9		9	9	9	36
Time management	13			13		13		26

Source: Researcher's data

The discussion is focused on the top three themes. Appropriate quotations were included for each of the themes. The three themes with the highest frequency were financial exclusion, lack of owner vision and economics of scale. *In this study, financial exclusion* is defined as the lack of access to financial support while *owners' vision* was defined as the business owner's vision to scale operations or not to scale operations. Economics in this paper was referring to resource scarcity and the implications thereof for the allocation of the limited resources available to township SME owners.

A total of ten participants ranked financial exclusion as vital for business growth. One participant highlighted in their interview that financial support would bolster business growth. This was exemplified by the quote: *“With a business loan, I would be able to get more stock for my shop, but I’m also afraid if things don’t go well how will I pay back the loan” (Business 7)*. Hence, factors worth considering were the motivation for starting a business. At face value, those business owners who formally register their businesses were more concerned about financial inclusion.

A total of eleven participants ranked lack of owner vision as vital for business success.

Notably participant comments identified concepts of hope, retirement and legacy. One participant mentioned that “we are doing this for our family and children” and that they would continually strive to improve. *“We are a family, and we all live in one house. Our business is on our premises and everyone is directly involved in the business; even the children play a role in the operations of the business” (Business 12)*. In the explanation of the lack of owner vision, it is worth noting that most businesses operate from owner’s homes. The majority mentioned that not having to pay rent or

commute is an added benefit. Given this insight, there is a lack of owner vision because of the comfort and margins which might not be true as key operational costs are not factored into their business operations.

Participants were vocal on issues related to the performance of the South African economy which they refer to as economics. This theme was strongly linked to events in politics and government leadership, as one participant phrased it: *"The current leadership is failing us; they are dishonest and now we are suffering"* (Business 10). The most interesting analysis of economics was its relationship to politics, perception of an underperforming public sector and allegations of corruption. A few businesses indicated that they were considering formally registering to get corporate business contracts or get access to funding. For instance, one business owner mentioned, "We would register to get more corporate business contracts." Another business owner pointed out that "registration and compliance would give my business access to funding."

Further analysis determined the skill sets required to operate a small business. The findings revealed communication as an important skill. The researcher, through observation, determined that communication was highly ranked because of the notion of Ubuntu. The concept of Ubuntu is a feature of African culture linked to community building and respect. According to Ewuoso and Hall (2019), it is an expression of humanity through relationships with others.

Bhorat *et al.* (2018); Bodlaj *et al.* (2020); Karlsson (2021) in their literature outlined how the internal and external environment affects business growth. The literature singled out financial constraints, management incompetency and technology adoption as growth barriers. This was evident in this as the participants gave their perceived view of internal and external factors directly affecting their businesses. When asked about operating challenges, business owners mentioned access to the market as a significant barrier to growth. For instance, a participant mentioned, *"As a small business, we do not have the capital required to fund our efforts and we don't have strong enough credit to receive funding."* Politics and the economic environment were noted by 64% of the participants, mentioning infrastructure and reliable access to electricity and water and growth barrier. A business owner stated, *"We operated from our own homes, and we don't have adequate utilities, we cannot provide a service, we cannot communicate with our potential clients."* These findings reveal growth potential however the number of growth barriers hinder growth plans.

Entrepreneurial ecosystem as a critical strategy for small business growth.

In this research, only three business owners understood the concept of growth strategies and were familiar with the entrepreneurial ecosystem. Interestingly these responses were recorded from the three business owners with the highest level of education. In examining the management strategies used by business owners to overcome growth challenges participants indicated a lack of understanding of management strategies and focus on explaining business skills instead of management strategies. This

points to a reason why growth eludes township businesses. The participants focus on time management and financial management as the most important contributing factors for the successful operation of their businesses in the townships.

When asked whether management strategies are specific to township businesses or are generic to all small businesses, one participant mentioned:

“In my experience, they can be used everywhere. Unfortunately, when you are alone, you are in every department by yourself. You are the receptionist, you're the tea lady, you are the risk manager, and you are the business analyst. You are everything in one.”

Another business owner pointed out that management techniques and business models are like those used in large businesses. It can be concluded that management strategies are contextual to businesses regardless of industry or location and township businesses are owner managed which may result in inefficiencies, hence growth eludes these businesses. This finding is supported by Meekaewkunchorn *et al.* (2021) who stated that management strategies are an important aspect of small business growth as they impact the control and direction of predetermined goals. These strategies involve goal setting, business administration, business management and operations.

5. Managerial Implications

The individual characteristics of business owners operating in townships thus have a managerial influence on how township businesses perceived growth. The individual characteristics of business owners determined the management style which in turn may have an influence on the growth of a business. This was reflected in the strong link between business types of variation which is based on the employment background and/or the motivation behind why a township dweller would start a business. While skills in technology, communication, marketing and financial management are strongly needed for township businesses to grow, accessibility to suppliers is a limiting factor in the absence of reliable transport. This place township businesses in a unique situation given that the cost of transport is higher compared to businesses operating in CBDs. Therefore, operating small business in a township is more of a survival strategy given that most business owners have no vision of growth and wanted to retain their current size.

Furthermore, competition since these businesses mostly service the same market, sell similar products and stock from similar sources, the effect of external factors as a determinant of business growth in township is limited. Township business owners have no desire to grow as their businesses is for survival purposes and the owners wish to retain their current size. All these provide answers to the question of why small businesses wish to remain small and do not grow. While young adults in townships exploited

business opportunities based on their passion and interests, middle-aged adults exploited business opportunities based on their employment history and the older adults were motivated by survival.

This explanation was supported by whether business owners were native to the area or not as most of them operate their businesses from their premises due to cost associated with renting business space.

While there might be some township business owners with intention to grow their businesses and increase their income before considering expanding to other areas, their explanation of growth and the ability to create employment for a few people around their community is not consistent with literature on what business growth is all about. Therefore, most township business owners are not considering growing their businesses into medium or large enterprises in the immediate future.

The above discourse therefore provides evidenced to the question “why growth eludes township businesses in South Africa” because they do not intend to grow beyond their current size. Although some do have vision to grow, they want to do so at their own pace without external support such as loans.

Other challenges that inhibit business growth in townships business registration and to enhance growth as businesses is that they currently cannot access funding and non-financial support in the absence of trading licenses as well as support from the government, although some township business owners indicated a good growth strategy is dependent on partnering with corporate clients and similar businesses by working as a collective. Hence very few business owners understood the concept of growth strategies with the majority unable to explain their growth strategies indicating the concept of growth to township business owners vary from one owner to another.

The importance of collaborating with owners of similar businesses as a growth strategy, while reducing competition increases the scale and ensures compliance with legal requirements in others to benefit from government support as a growth strategy.

The level of understanding of the concept of “management strategies” and how it is applied in the management of their businesses daily differ. Business owners in townships in turn confuse business skills for management strategies. Despite operating informally or as a formally registered business, business owners were unsure of what management strategies mean in business as they confuse between the concept of business strategy and business skills.

This research therefore has identified factors that affects SMEs growth from an internal and external contextual environment in which businesses operate. SMEs in townships should therefore define what growth means in their context to find ways to overcome threats and take advantage of opportunities and support from the government.

Business owner vision was identified as an internal factor influencing business growth and this was identified from responses recorded on the owners’ view of growth. While some business owners are

naturally inclined to entrepreneurship, there is a need to nurture a growth mindset in SMEs owners. Financial inclusion was identified as key to facilitating growth in SMEs. Given that SMEs are considered drivers of economic development in townships, the South African government and universities need to support SMEs growth by providing training in strategic management as a measure in addressing the identified challenges that have hindered growth prospects which have proven to be difficult.

6. Conclusions, Limitations and Future Research

The growth concept among SMEs in townships of South Africa is surrounded by inefficient processes that stem from the poor understanding of business owners of the basic principles of business management.

The inability of these businesses to develop a management strategy that is focused and the lack of understanding of legislations governing this sector are some of the reasons why growth eludes these businesses. This research contributes to the existing literature on SME growth with a contextual focus. It shares a greater understanding of the challenges faced by SMEs operated from a township setting.

Small and Medium Enterprise owners in townships of South cannot differentiate between management strategies and business skills required to operate a business. Although they were unable to differentiate between management strategies versus business skills they however managed to explain their perceptions of “management strategies”.

This study was limited in that it was a qualitative study and context specific. The study focused solely on the Soweto township, therefore the findings cannot be generalised to other South African townships. Despite the limitations the methodology used to gather and analyse data is credible.

The findings help inform aspiring business owners based in the township on why growth has eluded existing businesses. This provides insight for current business owners and aspiring ventures to develop management strategies that support growth. This research explored factors that hinder SME growth but only focused on a selected township. Further research should be conducted on businesses in other urban areas with a more generalised population. There is a need for policies to improve and sustain SMEs which could be implemented nationwide.

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