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The causes and impact of business failure among small to micro and medium enterprises in South Africa

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Background: Over 70% of small to micro and medium enterprises (SMMEs) in South Africa fold within the first 5–7 years of inception and there is generally no agreement among scholars and experts as to why this is so.

Aim: This study conducts an empirical review of literature which summarises itself into a hypothetical framework, putting the causes of SMME failure into some reasonable perspective and finally making suggestions for further enquiry into the subject in future.

Setting: This study is located in the Republic of South Africa where SMME failure and success are important among national strategic priorities in the wake of many economic hardships, chief among which are unemployment, poverty, as well as HIV and AIDS.

Methods: This study conducted an empirical review of literature from an explorative perspective focusing on the causes and impact of SMME failure in South Africa.

Results: Because of varied SMME failure factors, this study consolidated its findings around three factors: entrepreneur incapacity, environmental inauspiciousness and enterprise incompetence. All these are attributed to poor understanding of the varied needs of SMME at each stage of its growth process. The impacts are loss of jobs and income, poverty, social evils and unemployment, among others.

Conclusion: Every SMME failure situation ought to be reviewed as a unique case and treated on its own merit. Consequently, the success of SMMEs would be found in the reverse of these elements, namely, entrepreneur capacity, enterprise competitiveness and environmental conduciveness (alignment).

Introduction and context of the study

Lings (2014:169) pointed out that there is apparently a very high rate of business failure among small to medium enterprises, hereinafter referred to as small to micro and medium enterprises (SMMEs[1]) in South Africa. It is estimated that 40% of all new businesses in the country fail in their first year of existence, while 60% in the second year and 90% with the first 10 years from inception. This poor survival rate is corroborated by the 2012 global entrepreneurship monitor (GEM)[2] report, which highlighted that 'the survival rate for local start-up businesses in South Africa is low by global standards.'

Despite the globally accepted view that SMMEs are a much-needed panacea to promote economic development, particularly that they contribute to job creation (reduction of unemployment), poverty eradication, equitable distribution of income and improved lifestyle, among others, research into the causes and impact of SMME failure is still negligible in the developing and underdeveloped countries of the world and South Africa is not an exception from the challenge. Furthermore, there still lacks a consolidated framework for putting the challenge into perspective to make it easier to tackle at all levels: macro, micro and all other levels of entrepreneurial initiative envisaged. Despite the fact that SMMEs are regarded as a panacea to unemployment, for instance, unemployment in South Africa is pegged at 24.30%, an all-time high, in eighth position globally in comparison to those with the worst unemployment and fourth in the world for those with the worst youth unemployment. At present unemployment is rated at 24.30% after dropping from 25.40% in the third quarter of 2014 (Statistics South Africa 2014). It is often argued that if SMMEs are promoted, they would contribute immensely to economic growth and development; however, the rate of SMMEs failure cannot account for the needed economic growth, especially

1.The term 'business failure' shall be used in this study to refer to SMME failure.

2.GEM Stands for Global Entrepreneurship Monitor an organisation established in 1997 by two leading academics, one from the London Business School and the other from Babson College in the Unites States.

with proportional to the challenge of employment creation. Unemployment is growing at an unprecedented pace because of the 'massification'[3] of higher education enrolment and the churning of thousands of graduates annually against a dwindling job market. This is against the backdrop of South Africa's jobless growth phenomenon where even if economic growth (gross domestic product [GDP]) tends to always exceed population growth annually – such growth still fails to create the needed jobs.

For example, a study by Berry et al. (2002) cited in Olawale and Garwe (2010) revealed that reality in South Africa is that, at the rate of development of SMMEs, it is unlikely that they will fulfil the touted role as a panacea to economic development. The study by Olawale and Garwe (2010) asserts that at least, on average, a growth rate of 5% between 2004 and 2014 is needed to achieve the social objective of the government, and expects SMMEs to contribute significantly to the expected growth rate, and SMMEs are not close to achieving that (Republic of South Africa 2009). ASGISA (Republic of South Africa 2009:5) in fact opined the view that, 'the mediocre performance of the small, medium and micro business sector in terms of contribution to GDP and employment partly arises from the sub-optimal regulatory environment'.

There is however merit in Lings' (2014:166) view that new companies create the majority of new jobs in the economy, while existing large companies tend to focus on increasing output but with a more modest increase in employment. This is because of the global tendency towards the increased use of technology in the workplace, as well as a focus within many companies on constantly improving productivity in order to boost profitability. Correspondingly, the development of South Africa's small business sector is critical to the government's aim of increasing employment and sustainability, lifting the country's economic growth rate. The National Development Plan (NDP [an economic development plan by the government of South Africa]) states that looking forward 'small and expanding firms will become more prominent and generate the majority of the new jobs created'. This view, the NDP argues, is supported by the fact that '90% of jobs created between 1998 and 2005 were in micro, small and medium sized firms' (Lings 2014). The general undertaking is that more could still be done at policy level to inculcate an entrepreneurial spirit among local South Africans as a panacea to stifled economic growth. This challenge is still far from being fathomed and much work still needs to unfold to produce an economic miracle in South Africa

Aims and objectives of the study

The aim of this article is to review various literature and the attendant perspectives on the causes and impact of business failure in South Africa to suggest a perspective for the development of strategies that could ensure that future initiatives to get SMMEs to succeed are secured. According to Drucker (1985; Management Matters, n.d.), who is widely regarded in the West as the father of the management discipline, held the view that 'it is important for managers to ask the right questions rather than to get the right answers for the wrong questions?' Therefore, the best way to define a problem is to do it in the form of questions.

3.The term 'massification' describes massive enrolments of scholars into higher education institutions of learning.

Research questions

This study seeks answers to the following questions: (1) what is business failure? (2) what are the causes of SMMEs failure in South Africa? (3) how can SMME failure be articulated? and (4) what can be done to address the challenge of SMME failure?

In an attempt to answer the above questions, this study set the following objectives: (1) to find out the causes of business failure, (2) to examine the impact of business failure, (3) to propose a framework for analysing business failure and, finally, (4) to recommend courses of action to enhance business success and conduct further studies.

This article explores the causes and impact of SMME failure in South Africa. A review of the causes and impact of SMME failure is prefaced by a review of the context of the study, viz., South Africa as a country. The article also proposes an approach to tackle the challenge of SMME failure, consistent with the above objectives.

Context of the study

This section provides a thorough analysis of the context in which this study is conducted, utilising the political, economic, social, technological, ecological and legal factors in the business environment (PESTEL) analysis approach (https://rapidbi.com/history-of-pest-analysis/). The context is imperative to this treatise for the simple reason that it, by its nature, influences the interpretation of phenomenon or issues under consideration. The inevitability of context is inspired by the philosophy of hermeneutics, particularly the views of Gadamer (1989 cited in Lessem & Schieffer 2008:226) who argues that context determines meaning, underscoring the notion that people have of a historically effected consciousness. He further argues that our consciousness is embedded and inclined in a particular history and culture that shaped it. Gadamer (1989) also argues that history does not belong to us but we belong to it. As such: 'Long before we understand ourselves through the process of self-examination, we understand ourselves in a self-evident way in the family, society and state in which we live' (p. 225). 'The focus of subjectivity is a distorting mirror. The self-awareness of the individual is only a flickering in the closed circuits of [*his or her*] historical life' (p. 230). That is why 'the prejudices of the individual, far more than his [*or her*] judgements, constitute the historical reality of his [*or her*] being' (p. 305).

The PESTEL analysis approach is a tool used to conduct an environmental analysis of a business or research context so as to ascertain the political, economic, social, technological, ecological, as well as the legal issues' impact on a research problem (https://rapidbi.com/history-of-pest-analysis/). The context of this study therefore is prefaced with a discussion of South Africa using the PESTEL analysis in turn. These are considered in this section, leading to a theoretical review of literature on the subject of SMME failure, causes and impact.

Political issues

In analysing the political issues pertaining to South Africa, this study considers the extent to which a government intervenes in the activities of an economy through government policy, political stability or instability in overseas markets, foreign trade policy, tax policy, labour law, environmental law, trade restrictions, among others (Smit et al. 2013). It is noted by Lings (2014:12) that in one of the main events that demonstrate South Africa's ability to excel at the highest level is the remarkable political transition she was able to achieve in the April 1994 national elections, which marked the country's passage from apartheid to full democracy. South Africa attained independence from apartheid rule in 1994, making it a 20-year-old democracy, and in the result the democratic transition opened up its economy to the rest of world after many years of exclusion through targeted sanction (Lings 2014:12).

The policy of the South African government is aimed at maintaining market economy, private ownership and freedom of speech, but it will intervene where monopolistic or other conditions impede the functioning of the market or their political power (Smit et al. 2013:77). The new constitutional democratic dispensation replaced parliamentary supremacy, providing a new constitution whose Bill of Rights provides extensive guarantees including equality before the law; prohibitions against discrimination; the right to life, privacy, property and freedom; prohibition against slavery and forced labour; and freedom of speech, religion, assembly and association, among others.[4] The current government of South Africa is led by the African National Congress (ANC), which is predominantly controlled by black people (Swanepoel, Erasmus & Schenk 2008:76).

The ANC government has, however, come under spotlight recently, with pressure on President Jacob Zuma to resign after many instances of alleged corruption scandals and other misgivings such as the Nkandla saga (Lings 2014:13). The other matter that cannot escape the eye of scrutiny is the platinum mining industry strike at Marikana, near Rustenburg, on 16 August 2012, when 34 people lost their lives at the hands of police, which is probably the country's worst post-apartheid tragedy (Lings 2014:13).

Zuma became president of South Africa after the then President Thabo Mbeki was ousted by his own party, allegedly, because of the general path of the economic and fiscal policy, and his centralist style of leadership. This element is significant because Zuma's trump card on the rise to presidency was in part to reduce unemployment and also to enhance SMME development. Whether he has achieved that is a concern for national debate and discussion, giving regard to why and what could have been done differently – issues partly addressed in the rest of this article. Zuma has, however, not had a smooth presidency, with regular calls for his impeachment by a breakaway party led by the vibrant former ANC Youth League President – Julius Sello Malema. One notable exception has been the former Public Protector, Advocate Thuli Madonsela, who was controverted for the several occasions that she has raised the ire of some in the ruling party by investigating maladministration at the highest levels. Her courageous critique of the president's excessive 'upgrade' of his private residence, Nkandla, with $23 million in public money, set Zuma under intense pressure, even from within his own party (Bertelsmann Stiftung, BTI 2016:5).

Presently the South African economy has the promise of an economic miracle since the ouster of the Zuma administration and ushering in of the Cyril Ramaposa Presidency. The Ramaphosa Presidency has a tough call to reinvent the South African economy and provide an environment that the SMME can thrive and provide answers to the various economic questions, such as SME survival already discussed (BusinessLive, 2018).

Economic issues

Key variables or economic factors briefly considered here are economic growth, interest rates, exchange rates, inflation, disposable income of consumers and businesses, and so on (Smit et al. 2013:65), in so far as these contribute, either positively or negatively, to SMME growth and development. For instance, lower interest rates would enhance SMME ability to invest as cost of capital would be generally lower and affordable, while higher interests will reduce the propensity to invest and generally increase failure prospects because of inadequate working capital to enhance businesses. South Africa uses the South African rand as its national currency (Bertelsmann Stiftung, BTI 2016). The unemployment rate in South Africa fell to 26.5% in the last quarter of 2016 after reaching a high of 27.1% in the preceding period (Trading Economics n.d.), with a GDP per capita of US$13046.2 in 2016 (Bertelsmann Stiftung, BTI 2016:3).

Unemployment is arguably the most important and vexing problem that the South African economy is facing. The unemployed suffer mental hardship and unemployment poses a serious threat to social and political stability. A high GDP growth rate of around 7% and 8% per year in real terms signals rapid economic growth that creates jobs for its people, one which exports more products than it imports to sustain a positive trade balance and stable currency and one which can provide improved living standards for its people. Consequently, a low economic growth below the population growth rate usually lowers the people's standard of living (Mohr, Fourie & Associates 2008:79).

4. Chapter 2 of the Constitution of the Republic of South Africa.

South Africa's GDP growth rate has greatly exceeded the population growth rate of 1.5% per annum. Furthermore, the population growth rate has slowed down significantly in recent years, estimated at less than 1% in 2013, which is down from 2.4% in 1994. The decline in the population growth is attributed to the rise in death rate because of the rise in the incidence of HIV- and/or AIDS-related deaths. Arguably, the economic growth having exceeded the population growth over the past 20 years, the income per person of the country has increased meaningfully. The net result is that South Africa has achieved increased production without the accompanying increase in employment – a phenomenon referred to as jobless growth (Mohr et al. 2008:79). Some time ago there was an outcry after South Africa has been downgraded to junk status by the rating agencies, such as Fitch, who believed that the downgrading of South Africa's long term Issuer Default Ratings (IDRs) reflected their view that political events, including a major cabinet reshuffle which involved the replacement of the finance minister, Pravin Gordhan, and the deputy finance minister, Mcebisi Jonas, would weaken the standards of governance and public finances.

Social issues

Also known as the socio-cultural factors, social and cultural issues touch upon the shared belief and attitudes of the population that gives it its national identity, collecting around attributes, such as population growth, age distribution, health consciousness, career attitudes and so on (Smit et al. 2013:74). Social issues, such as general career attitudes, for instance, influence the degree to which a society considers SMMEs as a career option and the likelihood that such a society considers it desirable to do well at it. This influences whether society at large supports SMME success (Lings 2014).

The social variable is considered as more sensitive and susceptible to the direct influence of other variables, namely, political, economic, technological, ecological and legal variables. Ordinarily, people are products of their society as members of a particular community, nation or population group; they adopt the culture of that society, that is, they learn its language, values, faith, expectations, laws and customs. This culture, or the sum total of the way of life of a group of people, influences an individual's lifestyle. Consumption is, therefore, explained not only in economic terms, but also as a function of the individual's behaviour (attitudes, values, motivation, etc.) and pressure from groups, such as family members, peer group and the community at large. Behaviour is not static, however, and a community's values, expectations, way of life and habits change over a period of time (Smit et al. 2013:74).

South Africa is a large country, boasting a population of 54.0 million people (Bertelsmann Stiftung, BTI 2016:2). The country is a culturally diverse mix consisting of the following types of people according to race: white people – 4 584 700; mixed race people – 4 424 600; Indian people and Asian people – 1 299 900 and black people – 38 682 600 (Smit et al. 2013:270). There are 11 national languages in South Africa: Afrikaans, English, Ndebele, Northern Sotho, Sotho, SiSwati, Tsonga, Tswana, Venda, Xhosa and Zulu (Statistics South Africa 2012:4). South Africa enacted same-sex marriage laws in 2006, allowing full marriage and adoption rights to same-sex couples (Devos & Barnard 2015:795). The country is home to many immigrants collecting from the entire African continent.

South Africa has a poverty rate of 34.7% and a life expectancy of 56.7 years (Bertelsmann Stiftung, BTI 2016). Poverty is the highest among the black population. The low life expectancy may be attributed to HIV and AIDS prevalence in the country (Smit et al. 2013:75). Based on a wide range of data published by the United Nations AIDS (UNAIDS) and World Health Organization (WHO) in July 2008, there was an estimated 18.1% prevalence of AIDS in South Africa in those aged between 15 and 49 years at the end of 2007. This means that around 5.7 million South Africans were living with AIDS in 2007, including 280 000 children under the age of 15 years. The Actuarial Society of South Africa (ASSA) 2003 estimation model predicted that the number will exceed 6 million by 2015, by which time around 5.4 million South Africans would have died of AIDS (Smit et al. 2013:75). The rate of poverty provides an impetus for the society at large including government to provide support for the SMMEs to take root and grow as a panacea. The rate of failure, however, does not reflect a move towards SMME solution but rather a neglect thereof.

Technological issues

About 28.9 million of the South African population use the Internet, which translates to 53.3% of the entire population, according to KPMG (2016:1). The use of Internet is an important global development which creates a catalyst for research and development and the advancement of economic growth and development (Smit et al. 2013:73). Among other issues buttressing the South African technology environment, is the emergence of practices such as whistleblowing and citizen journalism. For example, even if the government wanted to lie on issues, say, the current student strikes, social media would be busy providing information as is and as it occurs (Louw 2010:47).

The Internet users and bloggers, who have already, collectively made an impact in the United States, threaten to make similar inroads into South Africa. Also looming is restrictive legislation that threatens the media freedoms protected by the constitution (Louw 2010). The growth of social media activity, such as Facebook, Twitter, Instagram and LinkedIn, among others, has made communication take a totally different turn in the socio-economic space. A new generation of organisations, staffed by younger activists from diverse racial backgrounds, is emerging. They communicate through social media and have launched several successful campaigns, some of which involved challenging the government in court, with great success (Bertelsmann Stiftung, BTI 2016:14). Generally, technology such as social media platform provides more opportunities for SMME success through easy access to cheaper models of reaching target customers if fully utilised. The chances of reducing SMME failure are higher now than ever because of the technological advancement that our society is generally presented with. As to whether this advantage – technology – is being utilised fully to enhance SMME growth and development, is a critical aspect of review for this study.

Ecological issues

The environmental issues also impact this study, which only started coming to the fore in the 1960s, and have become important because of the increasing scarcity of raw materials, pollution targets, doing business as an ethical and sustainable company, carbon footprint targets set by governments (this is a good example where one factor could be classified as political and environmental at the same time) (Smit et al. 2013:76).

These are just some of the issues organisations are faced with within this factor. More and more consumers are demanding that the products they buy are sourced ethically, and if possible from a sustainable source. Environmental awareness and protection is defined and enshrined in the South African constitution (s. 24 – *Constitution of the Republic of South Africa, Act 108 of 1996*). A high level of awareness about the need of environmental sustainability exists in South Africa. Global climate change, the effects of raw material extraction and questions of energy security continue to command unprecedented attention among academics and policymakers (Bertelsmann Stiftung, BTI 2016:26).

The Department for Environmental Affairs and Tourism is the authority responsible for enforcing the responsibility on environmental issues. To that effect, in 2008, the government adopted the National Framework for Sustainable Development (NFSD). The country's environmental record remains allegedly mixed. This is so because on one count the country undertakes notably serious efforts in nature and wildlife conservation (Bertelsmann Stiftung, BTI 2016:26).

Granted that tourism commands 8% of the country's GDP, as in 2009, such efforts are driven by economic interests. South Africa is among the 20 largest emitters of greenhouse gases in the world. The energy supply is mainly based on cheap coal. Estimates have it that 77% of South Africa's electricity is generated from fossil fuels. The country is exploring securing clean renewable energy options, with inroads and major investments being made in wind and solar energy (Bertelsmann Stiftung, BTI 2016:26).

Another environmental concern is the high volume of waste, approximately 300 kg per capita. South Africa is generally faced with a crisis of freshwater shortage. Despite its large and still growing legal framework for environmental protection, South Africa is experiencing a huge gap between regulations and implementation, sometimes because of weak capacities (Bertelsmann Stiftung, BTI 2016:27). Ironically, some sectors, such as mining, have been granted exemptions from compliance with environmental rules. South Africa ranks at 72 out of 178 countries as per the data of the Environmental Performance Index, based on a mix of 20 different indicators that measure actual compliance with environmental policy aims and public health aims. Unfortunately, environmental and health concerns are often subordinated to economic growth and job creation on the priority list. In 2011, the South African government launched a Green Economy Accord, which pays greater attention to environmental issues and gives more attention to cooperation with the private sector (Bertelsmann Stiftung, BTI 2016:27). The ecological attribute may somewhat affect SMME failure among those that establish businesses that have direct relations with the ecological environment, who may lose business if customers develop aversion towards their products and services because of environmental unfriendly practices. Because of an open environment in which customers communicate through social media and other platforms, it is easier for SMMEs to generate negative publicity if they engage in negative practices.

Legal issues

South Africa clearly has a 'hybrid' or 'mixed' legal system where the common law system runs parallel to the indigenous legal system. The classification suggests that the two parallel systems are seen as blending both African tradition and modern common law (Van Niekerk & Wildenboer 2009:1). South Africa is a constitutional democracy according to the new constitutional order of 1996, which replaced parliamentary sovereignty with constitutional supremacy. The constitution is the supreme law of the land. Any law or conduct inconsistent with it, either for procedural or for substantive reasons, will be invalid. The 1996 Constitutional Order enshrined the Bill of Rights to safeguard human rights, to end centuries of state-sanctioned abuse. The courts were given power to declare any law or conduct inconsistent with the Bill of Rights and the constitution (Currie & De Waal 2005:2).

The Bill of Rights guarantees and safeguards the people's rights. This means that the government derives its power from a written constitution and that its power is limited to those set out in the 1996 Constitution. The strong central government of the past was replaced by a system of government in which legislative and executive power was divided among national, provincial and local spheres of government (Currie & De Waal 2005:2). South Africa prescribes to the principle *triaspolitica*, which prescribes a division of governmental power into three branches of activities: executive, legislature and judiciary (Currie & De Waal 2005:18). The separation of functions directs that the three arms of the government are vested with different functions: the function to make or enact laws (the legislature), the function to execute laws or administer (the executive) and the function to administer justice or to resolve disputes through the application of the law (the judiciary) (Currie & De Waal 2005:18). However, it is important to note that the Constitution of 1996, particularly the Bill of Rights, gave provision to the right to fair labour practices, as well as the right to strike (S 23 of the Constitution of 1996), the right to equality (S 9 of the Constitution of 1996), the right to freedom of assembly (S 17 of the Constitution of 1996), expression (S 16 of the Constitution of 1996), and association (S 18 of the Constitution of 1996), and the right to choose a trade, occupation or profession (S 22 of the Constitution of 1996). SMMEs are called upon to give regard to fundamental rights in their practices, especially the right to equality, the right to strike and the right to fair labour practices, the failure of which can lead to several challenges, such as lack of productivity among staff and business stoppages because of protests. These are the issues that can contribute to SMME failure if not properly handled, especially in South Africa where labour unrest is rife.

Theoretical review of small, medium and micro enterprises failure and impact literature

Business failure is not only a concern among the business owners, but a concern of governments, who often bear the brunt of failure to create jobs, as can be seen at the debuts to national office during electioneering by legislators everywhere in the world that job creation is bait used in races, although the aftermath is seldom the reality of the promise. It is instructive in this section to first consider the meaning of failure before the treatise seeks critical resort at causes of SMME failure.

The meaning of business failure

There is no single definition of SMME failure about which scholars and prominent exponents of the discipline of entrepreneurship are commonly in agreement. This makes SMME failure a complex concept to define and further difficult to put into perspective an approach to tackling such failures. Several studies have been conducted that sought to define failure, but none of them are in agreement. For example, several of these studies relate to failure in terms of insolvency, as when a business becomes insolvent and therefore unable to pay its dues to creditors as they become due and payable. The word 'failure' is generally defined by the *Thesaurus English Dictionary* to mean 'breakdown, stoppage, malfunction, crash, collapse, closure, bankruptcy, not a success, let-down, or disappointment', among others. The word 'decline' is also a common parlance among enquiries of SMME performance.

Some of the terms commonly used to describe SMME failure are 'bankruptcy' (Schwartz & Menon 1985) (excluding intentional bankruptcy that was used as a legal tactic [D'Aveni 1989:585; Watson & Everett 1999:5; Zacharakis, Meyer & DeCastro 1999:5]); 'failure or severe form of financial distress such as loan default or non-repayment of creditors' (Keasey & Watson 1991); closure of a unit but not total closure (within a franchise organisation) (Castrogiovanni, Justis & Julian 1993); a firm gone out of business with losses to its creditors (Duncan & Handler 1994); discontinued ventures leading to liquidation whether voluntary or involuntary (Lussier 1995); seizure of operations because of outright insolvency or to stop continued losses (De Castro et al. 1997:4); business closure because of financial crisis (Stead & Smallman 1999:13); discontinuance (ceasing of operations) of business (Henderson 1999:291); and 'an initiative can be said to have failed when it is terminated as a consequence of actual or anticipated performance below a critical threshold (fallen short of its goals)' (McGrath 1999:14). In the 1980s and the 1990s, all the foregoing definitions saw failure primarily as insolvency, seizure of operations, as well as poor performance of the venture.

In 2001, however, Lussier and Pfeifer (2001) pursued the so-called non-financial prediction model which looked at business failure as 'not having made profit for the previous three years'. It is observable that lack of profit is an outcome that follows prior events that would have precipitated such loss. Profit, for instance, comes from selling and controlled expenditure. Poor sales, for instance, could mean a diminished customer base, or ignoring competition, thus impeding enterprise performance. It is therefore insufficient to say failure is not having made enough profits.

Shepherd conceptualised business failure and characterised it as insolvency just as the 1980 and the 1990s scholars discussed above. This happens when:

> ... a fall in revenue and/or rise in expenses are of such magnitude that the firm becomes insolvent and is unable to attract new debt or equity funding; consequently, it cannot continue to operate under the current ownership and management. It often results in insolvency and involuntary change in ownership and management. (Shepherd 2003:318; 2005:124)

Thornhill and Amit (2003:497) opined a resource-based view that a business exists in the economy ultimately when it lacks sufficient capital to take care of its obligations as they become due and payable. When a firm reaches a state of insolvency to the point where legal proceedings have clearly failed to meet the market's performance threshold of fulfilling its financial obligations, it just becomes insolvent and eventually collapses. The challenge here is that in the wake of business rescue proceedings, one cannot outrightly say a firm has failed until one identifies clear indications of such things. There are cases where mismanagement has caused sickness to the business, but it is possible to rescue it with better management. So insolvency and failure cannot be married without struggle.

In 2004, Ritchie and Richardson (2004) saw failure as an 'end state' when a business operation fails to meet the requirements of a sustainable business. In this regard, failure is a concomitant development that starts somewhere by some other reason which, if unaddressed, results what Ritchie and Richardson termed an end state. In the same vein, Cannon and Edmondson (2005:300) brought a view that failure is deviation by which an SMME organisation strays from expected and desired results, therefore, leading to its failure. Pompe and Bilderbeek (2005:851) also saw failure as a failure to meet credit obligations so that at the time of failure the 'legal status' of the firm was bankrupt, meaning that it had suspended payments against creditors and had lost all credit. Hass and Pryor (2005:12) conceived business failure as a major loss of value rather than bankruptcy. While Pompe and Bilderbeek (2005:851) treaded on the same line of insolvency like all other authors, Cannon and Edmondson (2005:300) saw deviation from goals as an entirety rather than just singling out financial loss, and Hass and Pryor (2005:12) vaguely discuss loss of value without specifically stating the exact meaning of that value.

Finally, Cressy (2006:103) saw failure as occurring when 'a firm's value falls below the opportunity cost of staying in business signifying performance decline', while Joseph and Lipka (2006:296) on the other hand, opined the conception of firm failure around distress prediction theory as when '… firms whose stocks are delisted as a result of either bankruptcy or liquidation elections'. Clearly it is not the fact or delisting of stock that is failure but what leads to it. Mitchell (1994:576), for instance, viewed business failure as eventual business dissolution (characteristic of a single business failing) and may include both voluntary liquidation and involuntary bankruptcy. This takes place when sales dwindle, making a business unsustainable. Richardson, Nwankwo and Richardson (1994:9) conducted a study that opined business failure as businesses headed in the direction of insolvency, unless appropriate management actions are taken to effect a turnaround in financial performance.

All these attempts at defining failure are meandering around the same conceptualisation, short of insolvency, whereby a business is unable to pay its debts as they become due and payable, hence left to a free fall or seizure of operations as a result. This is often limited to periods of 6–12 months to measure due and payable debts so that failure by a firm to pay is categorised as insolvency and illiquidity. When gleaning through the approaches of Schwartz and Menon (1985), it can be said that failure is an end result of a concomitant pattern that would have started developing somewhere and either evaded the scrutiny of the owners or was neglected. Sometimes one single decision, such as when an owner engages in an act of misappropriating business money, can blow a business out of proportion in a single disaster, whereas in other quarters it resembles a cancerous pattern that, if not diagnosed, will tend to eat the SMME slowly until its eventual death. It is reasonable to conclude that failure occurs when a business loses revenue drastically, either because its sales are too low or dropped considerably, or that the competitive environment is untenable, causing its cash flow to drop or slide, making it unable to meet its financial obligations as they become due and payable. The end result of the SMME state described above may be bankruptcy, but it also takes on the character of an insolvent company. Arguably, an insolvent company is one which could be resuscitated through business rescue administration, whereas one that has failed is beyond redemption. Failure suggests death of the company, never to rise again. SMME failure is therefore a condition where a business finds itself unable to pay its debts (insolvent) and generate enough revenue to keep it liquid and sustainable over the long term and is rendered inoperative thereby.

The causes of small to micro and medium enterprise failure

In light of the foregoing discussion which sought to define SMME failure, the need to identify the exact causes of failure is one of the main aims of this article and the process may peradventure generate some lessons for helping in building sustainable businesses in South Africa. Studies that sought to investigate the causes of business failure date back to 1895, when scholars initially pointed out that failure related to financial predictions, summoning words such as 'bankruptcy', 'insolvency'', delisting', 'loan delinquency', 'lack of profitability for three years', 'liquidation' and 'eventual closure or seizure of operations', as being both conceptions and causes of SMME failure (Pretorius 2009; Schwartz & Menon 1985).

However, as noted earlier, scholars are not in agreement regarding a universal list of causes which may be attributable to the fact that not all SMMEs are the same, or operate within similar industries, or are run by people with a similar set of skills and endowments to run a business successfully.

There are several arguments that seek to locate the cause of SMME, suggestive of the fact that entrepreneurship is new to Africans. Entrepreneurship is exogenous[5] to Africa. This view suggests that African economies joined the entrepreneurship race late, hence the inability to hatch it, and nurture it well and generate the much-needed entrepreneurial miracles. A readable pattern shows that around the 1990s African economies started on a downward spiral, characterised by economic collapse, deteriorating cities, declining food production and exploding populations (Cronge et al. 1998). The economic crisis led to many undesirable consequences, namely, endless misery, poverty, starvation, illiteracy, unemployment and violence. The whole idea of entrepreneurialism emphasis hinged on the need to provide a possible panacea to these. However, entrepreneurship efforts have not generated the much-needed results. The reasons for this are not in clear sight.

An attempt to trace the history of entrepreneurship sheds some light on the fact that entrepreneurship is not necessarily a borrowed phenomenon in Africa. Firstly, an ironic suggestion points to the fact that the early discoveries of fossils at Leakeys in Olduvai Gorge in Tanzania by Professor Raymond Dart and the late Professor Phillip Tobias[6] and other recent DNA tests point to the fact that Africa is the cradle of mankind, that is, humankind originated on African soil (Cronge et al. 1998).

5. Exogenous suggests that something came from outside, so that entrepreneurship is seen as a borrowed phenomenon in Africa and not one that is well rooted in it (endogenous). This approach suggests that business failure is endemic on African soil because it has not been a part of African culture to grow and nurture businesses. It would mean that entrepreneurship is not endogenous to Africa if that view is to go by.

6. Philip Tobias is a professor of the University of Witwatersrand.

It is also argued that as far back as 5000 BC the Africans practised agriculture, lived in communities and bartered some goods. Africans owned livestock such as cattle, goats, sheep and donkeys which were often traded for other goods they lacked and sold for meat and food. The earliest popular settlement at the Great Zimbabwe Enclave was in the fourth century. It is believed that as from the 10th century to about the 15th century gold was mined in the region. The gold was exported to China to add value to it according to a 1987 archaeological finding, which discovered pieces of the blue and white porcelain of the Ming Dynasty of China dating to the 15th century. These developments point to the fact that entrepreneurship was very much alive on African soil. It is also argued that because of trade, the Nigerian state of Benin exchanged ambassadors with Portugal in 1486. However, towards the end of the 15th century, entrepreneurship came to a standstill, with no reasonable explanation for it. The only possible explanation is that it came to a standstill because of violence when Portugal took the first Africans into slavery in 1441, which in and of itself was a violent trade. Other slave traders followed suit, making it an international slave network with Africa as the main source of slave trade (Cronge et al. 1998). After the abolition of slave trade, came colonialism by which almost every square inch of Africa, with the exception of Ethiopia, Liberia and the Union of South Africa, was occupied and ruled by European powers by 1920, commonly known as the scramble for Africa and the partition. This possibly led to a natural death of entrepreneurship pioneered and owned by African natives.

When decolonisation of Africa started in the 1960s, policymakers in Africa, as well as economists and development agencies involved in Africa held a perception that there was a shortage of indigenous entrepreneurs in Africa. This was characterised by the fact that foreign entrepreneurs were distrusted. According to Cronge et al. (1998), it was mistakenly believed that the state was better equipped to handle entrepreneurial functions than private individuals, which consequently gave the state control over economic resources with the insurgence of many state enterprises. The phenomenon of the centralised control of economic resources by the government hampered entrepreneurial development to a very large extent. This is so because of public sector inefficiencies and market distortions, caused by excessive government intervention, have triggered a review and reappraisal of development strategies over the past 20+ years. Achieving sustainable growth relies on capacity development of people from all levels of African society to respond flexibly to new market and technical opportunities and challenges (Cronge et al. 1998). It is expected that by 2020 the African population will be doubled, with close to 1 billion people on the continent, with a very small economic base and shrinking economies. Only the private sector can deliver the needed entrepreneurial miracles to create jobs, reduce unemployment and compete with globalisation giants such as China.

It is arguable from the foregoing discussion that it does not hold that entrepreneurship is not endogenous to Africa. There are traces of trade on African soil, but the possible explanation could arise from the fact that governments of Africa generally failed to configure the entrepreneurial culture by, instead, attempting to run firms themselves in areas often justified as public goods, such as water, electricity and telecommunications, which governments of Africa are not offering for privatisation participation. Evidence shows that governments have in more ways than one failed to run these firms (or corporations) successfully, hence the argument that these should be left to the private sector.

On another angle, African revolutionary governments have not provided enabling environments in which an entrepreneur can thrive. The gaps brought by slavery, colonialism, apartheid and post-colonial misrule and maladministration by African governments are responsible for the possible death of entrepreneurship. A new entrepreneur is required to close these gaps and help African states out of the present quagmire of misery, poverty, starvation, illiteracy, unemployment and violence. The saddest reality is that despite the globalisation revolution, Africans only bring raw materials and not processed products. This is the outcry of former president of Zambia, who is popularly believed to have said 'the trouble with Africa is that we do not produce what we consume and do not consume what we produce.' Professor Lovemore Mbigi argues that we have a crisis of leadership, by which, when Africans entered the international market, the first product we offered were our own people whom we sold as slaves. When slavery was to be abolished, it was not even Africans who abolished it. It was William Wilberforce and his eight or nine friends in the British Empire and Abraham Lincoln in the American state. Possibly Africans would have continued supplying slaves if those two did not take a leadership role to end slavery. In fact, Africans continued to subject children to child labour (popularly known as Chibharo in the Shona language of the Zimbabwean people), which only brought thought to end it as recently as the 1970s (Sibanda 1989:4). The major awakening required in the business, political and family space is progressive leadership in thought.

Another reason advanced by Olawale and Garwe (2010) is that SMMEs are often established as a last resort (necessity), rather than first choice (opportunity), hence their inability to grow at expected levels sufficient to announce the needed economic miracle in South Africa. This, it is argued, is the reason why SMMEs fail. The challenge is that there is no general agreement on the causes of business failure or those factors that impede SMME growth. Many scattered initiatives have littered most efforts in identifying major challenges and constraints facing SMMEs to identify corrective measures. If there is no agreement on the causes of failure, let alone the meaning of failure as already seen above, the challenge of correcting firm failure remains scant and ambiguous.

From financial issues the enquiry shifted to non-financial causes of failure by Lussier and Pfeifer (2001), who attempted to point out that failure resounded in failure to generate profit in the previous 3 years. One, however, fails to see how such a view is a departure from financial attributes, especially when the word 'profit' is still in the picture. Even a study such as one by Hass and Pryor (2005), who attempted to avoid use of the term 'bankruptcy' by rather speaking of loss of value due to their insistence on qualitative causes, treaded a slippery academic slope by which they ended up making use of the very financial elements of SMME failure they initially sought to sideline. It is difficult to find failure which avoids financial links to the end result thereof, even in studies by Cannon and Edmondson (2005:300) who conceived it as deviation from the expected and desired results and Ritchie and Richardson (2004:236) who also suggested that success and failure are identifiable as 'end states'.

A study by Shafique et al. (2011) confirmed these concerns when they highlighted that 'there were in fact eight dimensions of performance measurement in entrepreneurship, widely used in research: namely, efficiency, growth, profit, size, liquidity, success/ failure rate, market share and leverage' (Brush & Vanderwerf 1992; Murphy, Trailer & Hill 1996). Majority of these dimensions are actually measured through financial terms and a few through operational and non-financial performance measurement terms (Murphy et al. 1996; Venkatraman & Ramanujam 1986).

The question that remains unanswered in all this is the following: what are the main causes of failure among SMMEs?

This study also furthers an argument that, given that most of the SMMEs that concern us, relate to those set up and run by native Africans, it is arguable that a whole lot of other factors cannot be overlooked. Native Africans arguably have not had a long history of reasonable economic activity or free enterprise mainly because of the oppressive history apartheid subjected them under. In South Africa, equal opportunity that saw native Africans able to set up and run businesses is no more than 21 years old. Africa at large has a history of less than 100 years of liberation from colonial rule. On this basis, it would be argued that entrepreneurship is exogenous to Africa. It is almost like a borrowed phenomenon rather than being endogenous to our African people. If that line of reason is to go by, one would argue that Africans have entered the race a little bit late compared to the need for it. Liberation from colonial rule saw most Africans embracing a mindset that, since governments were instrumental to political liberation they would also assume responsibility for the economic liberation of the nations – including formation of companies. As a result, not many Africans saw the need to take entrepreneurial initiative. The education systems in most African countries rather promote the notion that its citizens should get a good education in order to secure a good job. Governments did not trust entrepreneurship by either foreign nationals or other racial groupings as the governments took on socialist tendencies. Only later did capitalistic ideation permeate African thought processes, but not as fast as globalisation did. As such, populations and societies grew fast and bigger than the economic base of African societies and now events seem to be overtaking them. This is why turning entrepreneurial seems like a challenge when global thought processes such as the Organisation for Economic Cooperation and Development (OECD) countries still believe that SMMEs are the economic miracle of any advancing nation or economy in the world.

Countries like Malaysia, which became independent from colonial rule the same year as countries like Ghana, have advanced their economies through establishing policies, frameworks and support structures that promote the plight of the entrepreneur. South Africa has the challenge or urgent imperative to pick its lessons from such democracies (and Asian Tigers specifically) for its own economic miracle to surface.

One can, however, not ignore that failure occurs at various stages of the business cycle. Churchill and Lewis (1983) identified five stages of growth, namely, *existence, survival, success, take-off* and *resource maturity*. The business cycle takes on characteristics almost similar to the product life cycle, which has *introduction, growth, maturity* and *decline* stages, and in the same vein, each stage in the business cycle model has ramifications, pros and cons, requiring strategic effort and focus in the management and developing the SMME to sustainable levels. This is also consistent with the views of Lings (2014:169) that 40% of all new businesses in South Africa fail in their first year – *Existence Phase*, while 60% in the second year – *Survival Phase* and 90% within the first 10 years from inception – *Success Phase.* For example, existence is the stage of inception that is the developmental phase of an SMME, which requires a lot of entrepreneurial initiative, risk and muscle to form a business on the part of the entrepreneur. Funding usually in the form of personal savings, family and friends may be employed. Each stage in the SMME business cycle ushers a new transition period which also brings with it a new set of problems calling for relevant management action and different financial and commitment needs, which, if not properly considered and configured, will make failure inevitable. This is why one often decries businesses that are formed entirely from government grants, with none of the proprietor's funds involved. At this stage the business invests money without generating revenue to take-off its expenses.

Stage 2 is the survival stage where the business starts to be self-sustained through selling and paying its dues. It learns to stand on its own. The level of skills and resourcing of an SMME is totally different at this stage. Survival is only possible to the degree that the SMME, like a newborn baby, is fed the right food – support and commitment from the owner – to see it through trials and the temptation to quit. This notion then engenders the need to consider the *success, take-off* and *resource maturity* stages of SMME growth as phases during which SMMEs may suffer distress, which if not properly handled or adequately resourced, or due to some other reason, would anounce business failure. According to Olawale and Garwe (2010), most new SMMEs in South Africa do not move from the first stage (existence) to other stages such as survival, success, take-off and resource maturity. Most businesses fail at inception stage. Just as there is legal uncertainty among legal minds as to when exactly a human being becomes a human being (person) whether at conception or after the foetus leaves its mother's body (Olawale & Garwe 2010:730): 'the precise moment in time in which a start-up venture becomes a new business has not yet been theoretically determined'. Just as current thinking is that a foetus must leave its mother's womb alive and survive the months of childbirth, a business must also go into survival mode wherein it learns to sell and survive the turbulent business environment before it can assume the status of an SMME business. The long and short of it – in such parlance – is that failure takes place at stage 1 when a firm fails to move beyond mere existence or formation into survival, success, take-off and resource maturity subsequently.

The sections that follow attempt to unearth the various causes of failure as perceived by the literature and studies that are considered prominent exponents of this discipline, with the aim of reaching a panacea leading to SMME success. This article suggests that failure happens within three context: the entrepreneur himself or herself, the enterprise and the environment of the SMME. These are discussed below.

The lack of entrepreneur capacity as the cause of business failure

Several causes have been singled out as being solely responsible for business failure although no list or definitions are exhaustively conclusive. It means that there is no universal list, agreed among scholars and experts, that provides a single set of causes.

In 1987, one of the earliest studies by Bruno, Leidecker and Harder (1987) examined 250 high-tech firms and found three major categories of causes for failure: (1) product/ market problems, (2) financial difficulties and (3) managerial problems. These three problems, especially the last two, always surface in most studies as dominant problems causing or leading to failure.

According to Bayraktaroglu and Kutanis (n.d.), the same failure reasons unearthed by Bruno et al.'s (1987) study were examined and confirmed by Karakaya and Kobu (1994). Even in studies reviewed below: (1) financial difficulties, (2) managerial problems and (3) lack of industry experience surface as major causes of SMME failure.

A study by Titus (n.d.) on why small businesses fail in the USA revealed a list of 12 identified causes: (1) lack of industry experience, (2) inadequate financing, (3) lack of adequate cash flow, (4) poor business planning, (5) management incompetence, (6) ignoring the competition, (7) unworkable goals, (8) diminished customer base, (9) uncontrolled growth, (10) inappropriate location, (11) poor system of control, and (12) lack of entrepreneurial skills. The list does not show the ranked importance of these factors or the extent of influence each has on eventual failure of the SMME thought to help shed some light. Neither does the list show the exact impact each element has on SMME failure, nor the manner in which it would cause such failure.

In Uganda, a study by Nangoli et al. (2013) revealed the following causes of business failure:

> ... employing relatives, inability to supervise, excessive global competition,[7] lack of business management and entrepreneurship skills, poor savings culture, lack of financial discipline in entrepreneur, financial problems, employing dishonest workers, bank loan delinquency, poor management of family businesses, failure to pay rent and taxes, lack of commitment to the business by entrepreneur, inability to generate profits, inability to meet family needs, e.g. job creation, lack of financial discipline, sibling rivalry, and conflict of interest between managers and family (p. 290).

There is a common thread in the reasons cited in the Ugandan article and those in the USA article, especially matters of mismanagement, financial indiscipline and poor planning.

Another recent study by Petrus (2009:24), which looked into what contributed to SMME failure in South Africa, identified 13 factors: (1) poor business planning, (2) poor financial planning, (3) poor marketing, (4) poor management, (5) access to funding, (6) regulations, (7) gender, (8) inadequate financing, (9) government's role, (10) globalisation, (11) inability to manage growth and (13) access to markets. Common elements emerged from Titus's (n.d.) and Petrus (2009:24) lists, include: (1) poor business planning and (2) inadequate financing. When looking closely at the configuration of these causes or factors, Petrus (2009) does not adequately show the difference between certain factors, in particular 'poor business planning', 'poor management' and 'inability to manage growth', which are discussed as separate factors, for instance. It is the view expressed in this article, that these elements are inseparable and all converge around the concept of management which envisages planning as its first basic tenet and then, once it is executed effectively it should also ensure that growth is effectively, managed to achieve the objectives. As such, this study would envisage poor management as constituting, among others, poor planning, poor organising, poor leadership and poorly control over the activities of an SMME, leading to its failure. The same challenge is observed in Petrus's (2009) configuration of 'access to funding' and 'inadequate financing' as one and the same thing, and fails to see how the author of the article in question discussed them as separate elements. However, the author is acknowledged for identifying a commonly featured element leading to SMME failure, which is the issue of funding. Finally, the observation made by Petrus (2009) buttresses two other 'regulations' and 'government's role' in SMME development, which would ordinarily be inseparable elements when considering their impact on SMME failure, except when the discussion focuses on the government's role in the mainstay of the economic management.

Another study by Nemaenzh (2010) identified four important causes of failure of SMMEs in South Africa: (1) monitoring and control, (2) experience and planning in marketing and finance, (3) income constraints and (4) cash control.

7.Excessive competition especially from foreign products.

A study by Crutzen and Van Caillie (2010) is also quite instructive. The study traced the root cause of business failure by reviewing varied literatures and came to a revealing conclusion that businesses fail because of five 'explanatory business failure patterns (EBFPs)': (1) EBFP 1 – Shocked firms hurtled by an abrupt event, (2) EBFP 2 – Firms serving other interests than the pure corporate one, (3) EBFP 3 – Apathetic firms that are unable to compete in a turbulent environment, (4) EBFP 4 – Firms that fail because of a punctual managerial error and (5) EBFP 5 – Recurrently badly-managed firms. The most interesting and striking finding in this article are these patterns, especially that they are based on a unique study that utilised 'a cluster analysis and a correspondence analysis applied to data collected directly from a sample of 208 small distressed firms placed under follow-up by a Court of Commerce'. These findings were derived from an analysis of previous literature that revealed that firms failed for two major reasons: endogenous factors and exogenous factors.

While endogenous factors relate to insufficient competence and consequently could be viewed as a private problem (Hall & Young 1991; Liefooghe 1997; Newton 1985; Ooghe & Waeyaert 2004; Sheldon 1994), the exogenous problem relates to external factors, in particular, a firm's inability to adapt to its environment, to anticipate events and adapt to them adequately, hence the lack of fit between the organisation and the environment (O'Connor 1994; Stoeberl et al. 1998). As such, EBFP 3 is typical of an apathetic firm whose failure proneness is typified by the absence of flexibility, which which resultantly announces or explains its failure. Crutzen and Van Caillie (2010) specifically use the phraseology that says, an entrepreneur loses dynamism and subsequently fails to anticipate and respond to change progressively, loses touch with the external world leading to loss of strategic position.

An example that could be applicable to the foregoing analysis is that when tastes and preferences of customers change, an entrepreneur, while required to make necessary adjustments in his or her operational systems to match, which fails to do that and is consequently overtaken by events and succumbs to firm failure as the final inevitable outcome. In the same vein, EBFP 4 reveals itself in poor decision-making and poor execution of decisions coupled with inadequate analysis of the environment that is a case in point.

It emerges from the foregoing analysis that literature is replete with attempts and the attendant challenge of finding a common approach to define the failure factors that are needful of detailed scrutiny insofar as such an exercise would enable the curing of this nonsensical or bedevilling challenge of nurturing successful SMMEs in every country in the world. An example is the need to correctly identify a problem and differentiate it from a symptom. While a symptom may signal the existence of a problem, it is not to be misconstrued as the main problem. An example is that poor planning is symptomatic of managerial incompetence or poor management, while poor location is symptomatic of poor marketing.

A study by Crutzen and Van Caillie (2010) also envisaged errors of commission and omission as possible explanatory factors in firm failure. Omission relates to what the firm lacks and commission relates to what the firm does wrongfully. Lacking managerial competences, financial discipline, resourcing ability, adequate leadership of people and control measures, among other micro-level inadequacies in SMMEs, often contribute to many omissions, business errors and mistakes which may also anounce firm failure. This is so particularly when dealing with situations where an SMME proceeds to make business decisions without effectively analysing the business environment, anticipating and responding to changes as they emerge may predict firm failure (Crutzen & Van Caillie 2010). What this study may have neglected to point out is how failure happens at various stages of the firm's cycle and, for instance, at what point do errors in decision-making lead to failure and what type of decisions are required at all stages of the business cycle such as those pointed out in the Churchill and Lewis's (1983) model. However, some of these specific failure elements are considered here.

Lack of entrepreneurial mindset

While it is difficult to single out a definition of 'mindset', let alone entrepreneurial mindset, one cannot underplay its influence in business failure. In his book, Cowdrey (2012) points to the entrepreneurial mindset as a missing ingredient in business success. He attributes much of business failures to lack of the entrepreneurial mindset. Cowdrey pointed out that entrepreneurial mindset consists of the following nine attributes: a clear and achievable vision, a vision where all the resources may not be in their control, self-awareness, confidence, self-motivation, a willingness to take calculated risks, a willingness to listen to others, a lack of fear of failure and a willingness to work hard. One would argue that, in light of mindset, a creature like a lion will behave and do what lions do because it thinks like a lion and a creature like a dog will act and do what dogs do because it thinks like a dog, and in the same reasoning an entrepreneur will act and do what entrepreneurs do and get entrepreneurial results because he or she thinks like one.

The challenge has always been whether entrepreneurs are made or born. The former implies that even non-entrepreneurial persons could be trained, developed and nurtured into entrepreneurs, whereas the latter argues otherwise. One would often argue that 'can a dog be trained to become a lion?' Such an argument does not always lead to a universal conclusion given that humans have the capacity for development which is not privy to animals. This separates human species from animals. However, the same free will that is enjoyed by humans can be used for success or failure. For instance, when a person fails to make the necessary commitments to see a business through to its survival stage, he will have used his freewill to fail in SMME initiative, other things being held constant. Others cite that the lack of acumen; culture or skills mean business failure. This argument about lack of acumen, culture and skills in SMMEs is corroborated by Olawale and Garwe's (2010) argument that SMMEs are often established as a last resort (necessity), rather than first choice (opportunity), as one of the factors leading to their failure.

If SMMEs took entrepreneurial initiative as their first choice (opportunity), it would imply that they do so because they possess an entrepreneurial mindset behind such entrepreneurial pursuits and that would eventually positions their firm in a better position to succeed than the SMME firms formed out of necessity. Lings (2014) is of the view that:

> ... currently, small business owners in South Africa are trying to survive in an environment that is not especially conducive to entrepreneurship. This environment tends to inhibit people from venturing into business or from taking risks in expanding their existing business. (p. 168)

This argument confirms the view that there is a lack of an environment which nurtures an entrepreneurial mindset in South Africa. Olawale and Garwe's (2010) view of necessity versus opportunity is corroborated by Lings (2014) who argues that 'many individuals who do start a business do so out of necessity and not because they perceive it is a particular passion or calling they have'. What Olawale and Garwe (2010) call opportunity Lings (2014) calls passion or calling, while both are in agreement that the element that start-up failures are largely attributed to the fact that they are driven by necessity. A question that will always remain unanswered is whether one is born with passion and calling to be an entrepreneur?

However, Lings (2014) argues that:

> ... given the circumstances, it is not surprising that South Africa has a very high rate of business failures, as pointed out early – 40% failing in their first year, 60% in the second year and 90% within the first 10 years. (p. 169)

This poor survival rate is attributed to the lack of an entrepreneurial mindset, among others. The environmental argument seems to advance the argument that being born in Silicon Valley in the USA, for instance, would have turned anybody entrepreneurial just through the environmental influences and exposure to the successful others like Bill Gates and Paul Allen – the founders of Microsoft Corporation. South Africa unfortunately does not adequately offer such an environment, by and large, it would be argued. For instance, it is argued that entrepreneurship is not perceived as a viable career choice in South Africa (Lings 2014) but rather a fallback plan for those who failed to fit into the white-collar professional office.

Managerial incompetence

Managerial incompetence is crafted as meaning the same as 'management inadequacy', with its origin in management inexperience (Titus n.d. cited in Perry and Pendleton 1983:13). A study by Brink, Cant and Ligthelm (2003) specifically highlighted that 'insufficient management skills, expertise in functional areas such as marketing and human resources, and financial knowledge are the major causes of SMME failures.' In this case, it is insufficient to just point at management inexperience but specific aspects that underscore such an area of concern are important, for example, planning, resourcing, controlling and leadership. In the same vein, Cant and Wiid (2013:709) argued that '[t]he most relevant issue faced by most SMMEs is marketing related problems'.

Inadequate resourcing and financial impropriety

Bushe (2013a) discussed the fact that small firms, like a child, grow through different stages requiring different levels of attention in terms of resourcing. A firm needs money (funding), materials (raw or stock), machinery, manpower and methods to have a good start. While at inception funding from family, friends and professional colleagues may kick-start a firm, as occasion demands growth, the acquisition of more sophistry in equipment and technology may call for larger funding requirements which a firm is least prepared for, therefore leading to the decline stage. It is important that resourcing is singled out as a major element of firm failure or success, and closely related to managerial incompetence above. An entrepreneur may require resources in: (1) monetary terms, (2) manpower, (3) machinery and equipment, (4) materials and (5) methods. These are just among some other resources, and juggling between the ways to source them, reveals that managerial competences of the entrepreneur will command varied ways of providing these elements. Acquisition of machinery and equipment, for instance, is the likely first desire of every SMME, although other options such as hire purchase or hire do exist and may work for a start and prove cheaper. Obviously, it is also related to other elements from the environment, such as: (1) Does South Africa actually have hire purchase companies that can adequately provide such services to young entrepreneurs? and (2) Are such entrepreneurs aware of such options? Materials are usually availed in the form of trade credit, depending on the entrepreneur's ability to negotiate and establish sufficient credibility with supplier firms, who also depend on assurances, especially in the world of SMME delinquencies when it comes to repayment.

Poor financial management

Poor financial management is cited in many studies as the predominantly thorny reason why most businesses fold in South Africa. In this instance, it is when an entrepreneur fails to manage the inflow and outflow of cash in his or her business. In many training sessions the researcher has conducted for SMMEs, he has found that the inability to distinguish between the business and personal purse and/or wallet has racked most well-meaning businesses. A study by CCH Research (2013) in Australia ranked the causes of business failure and found failure to manage costs or anticipate rising costs as the top-ranking factor, with a score of 61%. This is often a clear case lacking basic bookkeeping skills or the commitment to distinguish between personal money and business money where the SMME resorts to using business finances for personal uses. If one would argue that it is the lack of bookkeeping skills, it would turn to commitment as the major reason. If one knows that business could grow if finances are managed well, why wouldn't one install such systems? If an entrepreneurial firm lacks a cash flow, it is not different from a human being lacking blood in his or her body. Eventually the body will collapse and die, much as the lack of adequate cash flow will turn a small business to its knees and eventually collapse. Entrepreneurs need to get financial education on matters of cash flow management to safeguard against failure. SMMEs need to, therefore, conduct cash flow forecasts for the different phases of the business to manage their cash to enhance chances of success while minimising chances of failure.

Lack of industry experience

Industry experience relates to either the business or its founders' knowledge of the industry in which the business operates, that is, understanding the dynamics, factors and determinants of success. Predominantly, there are three industry sectors: (1) primary industries that focus on primary activities that extract raw materials from the ground or natural environment, such as mining, agriculture, forestry, fisheries and so on; (2) secondary industries that focus on transforming natural resources into usable or consumable goods and services, such as manufacturing, engineering, processing and beneficiation; and, finally, (3) tertiary industries that provide civic and commercial services that often provide services to get processed goods and services to the consumer and are often called aids to trade. Service industries include: wholesaling and retailing services; financial services such as banking and insurance; logistical and transport services; information, communication, telecommunication and postal services; entertainment services; funeral services; professional services such as legal services, accounting services, real estate development, property valuation and auctioneering services; and environmental services, among others. Each of the three industries has its own sub-industries that require further studies to untangle. It is instructive to note that each of these industries can be classified as disciplines of practice that command certain standards, rules and best practices. Such standards define who can operate SMMEs businesses (entry requirements) in such industry areas often marking entry and exit barriers, the size of the industry, nature of products or services, number of players that may participate in the industries.

An entrepreneur is likely to succeed in a business if he or she has considerable knowledge and experience in it. It is unthinkable that someone will succeed in a business of which he or she has no knowledge. The first port of call here is for an entrepreneur to obtain information about their respective industry or sub-industry in terms of its prospects of business success, information available, regulatory requirements where applicable, size of the industry, age of industry, profitability and competition in the industry. A study by Cant and Wiid (2013:713) revealed that one of the market-related factors responsible for the performance of SMMEs in South Africa is knowledge of the industry. The study was however not representative of the wider South African SMME population, rendering it incapacitated to provide empirical backing for the role of knowledge of the industry. The impact of lack of industry experience as a factor on SMME performance cannot be underestimated or overemphasised in this study. Often, an entrepreneur may lack industry experience, but it is then imperative to incorporate the experience of professional persons into the business to generate success. This may incorporate skills of employees attracted into the business, advisors and directors who play an important role in generating required success.

Inadequate industry analysis

Industry analysis is a deliberate process of scanning the business environment keeping in mind the objective of developing competitive strategy. Many frameworks have been developed and are available to business organisations, such as SWOT[8] analysis, five competitive forces and PESTEL analysis, among others. The SWOT analysis model, for instance, is a popularised strategic planning tool or technique especially designed to help identify suitable business strategies for an organisation to follow (Kotler 2000; Mintzberg 1998; Proctor 2002). The technique breaks down factors that may affect the competitiveness of an organisation into internal strengths and weaknesses and external factors such as opportunities and threats. It involves specifying the objective of the business venture or project and identifying the internal and external factors that are favourable and unfavourable to achieving that objective. SWOT analysis is a two-pronged approach that looks inside and outside the organisation.

PESTEL analysis was conducted at the start as part of the contextualisation of this study. It is instructive that an SMME business must conduct industry analysis to establish internal and external factors that may have strong implications for the business success prospects. For example, if the economy is slowing down, as is the case presently, there are many implications – one of which is the reduced customer spending which may lead to reduction in business revenue. It implies that an SMME that does not conduct sufficient industry analysis may be overtaken by events in its business environment that may discomfit and mortify its operations. There is no empirical evidence on what is adequate or inadequate industry analysis. In certain respects, Downes (2005 cited in Smith 2011:503) warns against what he terms 'paralysis by analysis', whereby a business focuses too much on analysis, utilising methods that may have worked in the 1980s when the structure of industries was fairly stable and business cycles were more predictable.

The criticism was that analysis tools, such as Porter, operate on assumptions that may not be accurate given the Internet age, which has resulted in hyper-competition where

8.SWOT analysis stands for the analysis of the strengths, weaknesses, opportunities and threats.

things change very fast. Consequently, organisational analysis strategy, as recommended by Porter, would react too slowly. Small to micro and medium enterprises placing overreliance on Porter, based on this analysis, would suffer from 'paralysis by analysis'. It is instructive for SMMEs to rely on emerging technologies such as the Internet, which provides a barrage of information available for constructing competitive business strategy.

Poor marketing

A poorly planned and executed marketing effort renders the business unable to provide its market with quality products, appropriate pricing, appropriate promotional efforts and lack of proper placement and location. It is noted that often, when asked to indicate reasons of business failure, poor marketing, poor pricing, poor location and poor promotion are mentioned independent of each other. Cant and Wiid (2013:709) argued on that same footing that the thorny issues faced by most SMMEs, are marketing-related problems, among others. Most 'entrepreneurs' start-up with unique outline plans but later become stereotyped and follow what other market leaders have done before. Bruno et al. (1987) cited in Bayraktaroglu and Kutanis (n.d.) examined 250 high-tech firms and found: (1) product and/or market problems to be among the three major categories of causes for failure alongside (2) financial difficulties and (3) managerial problems. Marketing is an important function, especially in a growing entrepreneurial firm. Firstly, marketing ensures a business plans well how to develop a product that best meets the requirements of customers. Such an effort would be informed by market research on the needs of the customer, which drive their tastes and preferences. The next point of importance is the SMME's product. This constitutes the value the business is offering its target customer. It may be a physical product or a service with the need of satisfying attributes. Often because the SMME business lacks a proper understanding of its customer base, it fails to appreciate the extent of product design required to satisfy them. Customers could be divided into basically two categories: the price sensitive customers who want functional benefits and think more on the price than luxurious additionals and the image sensitive customers who consider the distinctiveness of the product more important than the cost they must pay to obtain it. The first wants basic needs satisfied and wants no extra frills, while the latter buys products for the emotional and image benefits attached to them and hence will consider frills more important than the price. Failure to design products that are customer specific may predict failure for a small firm. This even stretches to issues of packaging. Poorly packaged products may attract no interest from customers. These factors must be considered when developing a pricing strategy.

Poor pricing has emerged as an important matter in research. Wrong pricing strategies being implemented garnered 83.7% backing as a major constraint to SMME business success in the study of Cant and Wiid (2013:709). Pricing for price-sensitive and image-sensitive customers differ, same as pricing in a highly competitive market with many competing offerings. In any market, customers will tend to look for the highest price-value offering. There are many pricing strategies available to SMMEs, including market-based pricing and cost-based pricing strategies, among others. According to Best (2005:244), market-based pricing includes skim pricing, value-in-use pricing, perceived value pricing, segment pricing, strategic accounting pricing and plus-one pricing, all based on customer and competitor intelligence. On the other hand, cost-based pricing includes floor pricing, cost-plus pricing, penetration pricing, low-cost leader pricing, competitive bid pricing and harvest pricing. The latter calculates the cost to put the product on the market and adds a mark-up which stands as its profit in the end. This is where knowledge of economics, viz., theory of demand and supply, pays the premium to a customer. The SMME needs to know the needs of the customer and the benefits a product creates for them relative to competition. The researcher has conducted several seminars and training sessions in South African and Botswana during which he found that some SMME owners, undergoing entrepreneurial training, were unable to calculate basic arithmetic concepts such as break-even analysis, which would ordinarily, in the ordinary run of things, aid in generating best pricing strategies for an SMME firm. Pricing is critical as it engenders the determination of profitability, which is one of the core objectives of an SMME firm.

It stands to reason that if customers do not know that an SMME business and its products do exist and are available for their consumption, it can present a marketing weakness for the SMME, which is under consideration in this article. Often constructed in marketing parlance as integrated marketing communications and in other usages as promotional mix, this element is equally as important as all other marketing efforts, viz., product and pricing. Best (2005:304) argues that building customer awareness and comprehension among the target customers is one of the core objectives of marketing communication among its target customers. He further argues that 'even a memorable advertisement that is well-known among the general population is a failure if it does not achieve a high level of awareness and comprehension among target customers' (Best 2005). Furthermore, a message requires reinforcement to achieve a high level of target market response. Key aspects of the communication mix available to a serious SMME are advertising, sales promotions, catalogues, direct marketing, telemarketing, electronic marketing (e-marketing), public relations and publicity opportunities. The reason why the Coca Cola brand, despite selling an undesirable product like coke, continues to track in sales is that it is generating favourable marketing awareness and reinforcement.

Finally, placement or product challenges are often known as location. In fact, in the touted four Ps[9] of marketing, this element enjoys an equal footing and is commonly known as placement. The objective is to reach the customers with the product or service. Best (2005) argues that:

9. Four Ps stands for product, pricing, promotion and placement of a business.

> ... marketing channel performance is based on three things: customer reach, operating efficiently and service quality. If a business will not reach potential customers, business will not happen. If for instance operations are not efficient the cost to serve customers will be too high to be profitable. Without service quality, customer retention will suffer even if customers can be reached effectively and served cost effectively. (p. 275)

Key considerations here are geographical location and distribution methods. This depends largely on the nature of the products sold. Some products are perishable, like milk and fresh flowers, which may require fewer distribution channel levels such as one- or two-way channels. Questions to be addressed here are the following: 'how long does it take target customers to reach your business?', 'how long does it take for a customer to receive the product or service?', and 'are there no other better ways to get the product or service?'. This is a major consideration for an SMME to be sustainable.

Poor people management skills

A business also thrives on human skills. If an entrepreneur brings in the best machinery and equipment, it is equally critical for him or her to employ skilled people to operate those gadgets. Lack of people management skills can pronounce doom to a small business. People management necessitates the ability to employ the right people at the right time and with the right skills. Closely related with the previous issue of adequate resourcing, hiring skilled workers in South Africa can never prove cheap, especially when one considers minimum wage and other labour regulations that have become stringent.

The lack of enterprise competitiveness as the cause of business failure

Enterprise competitiveness is the ability of an SMME firm to grow and become a full-fledged and viable business through professional management. Some of the major challenges that have led to business failure in this regard include poor business planning, lack of a good business case, lack of leadership, ignoring competition, poor systems of control, uncontrolled growth and diminished customer share.

Poor business planning

According to the Small Business Development Centre in the USA, 90% of business failures are associated with the lack of business planning that is attributed to the lack of management skills. A popular adage which states 'failing to plan is planning to fail' cannot be overstated. 'Planning forces an organisation to be proactive – not reactive.' Labour legislation force South African business organisations to plan their workforce according to the relevant laws, such as the *Employment Equity Act* and the *Labour Relations Act*; planning ensures that managers and workers focus their efforts on the attainment of the same goals; sound plans are essential for monitoring the progress of an organisation and the increasing complexity of organisations makes planning essential (Smit et al. 2013:133). When a business is not properly planned, it leaves its operations to chance and pure luck, which is a risky path to tread. Only a knowledgeable SMME, running a business, will see the need to plan and will enforce planning for everything, starting from inputs to the production process to the customer service systems, among others. Failure in these, subjects an SMME to failure.

Lack of good business case or model

This challenge is closely related to poor planning and lack of research will cause a business to fail at building a good business case around the needs of the customers and choice of battleground. For example, if a business is established on a good idea but located among retirees who have no disposable incomes to spend on the business's products and services, it will not make the business viable. Lack of a business case and asking reality-check questions always impinge on a business and inhibit it from having a good head-start. A business ought to have a good business case around its customer markets rather than start on grounds of emotional attachment to a business idea by its progenitors. Good planning is required and resourcing of the business idea with the right funding, machinery, materials, methods and manpower to move it in the direction of success is important. A failure to have all this will lead an SMME to failure.

Lack of leadership

Leadership is a definitional element of management theory, although events have tended towards a separation of the two concepts. Leadership involves providing vision, influence and motivation to a business to see it off the ground and turn it into a firm. When ideas fail to be implemented, it always boils down at leadership. This often explains what Cannon and Edmondson (2005:300) term as failure when a firm deviates from expected and desired results. Only lack of leadership control will cause such deviation. Organisations implement plans through leadership effort and the lack of it in SMMEs will cause such deviations and, eventually, failure of the firm. Commitment to leadership takes great effort to development and exercise.

Lack of understanding of business needs

Raising a child requires every parent to interpret the needs of the child at every stage of his or her growth, and so does raising a business. When a business moves from formation to survival, there are new needs that require the attention of management, which, if ignored, will pronounce its failure. For example, the need to manage the competition is a major issue. The need, for instance, to bond with its customers is critical to ward off competition at survival stage. Companies like Dell in the USA are known for personalised service, which has seen them ward off competition from big players. When a firm fails to understand its needs at each stage of its growth, it is heading for the fall. At stage 1 – formation stage of an SMME, there is a need for aggressive marketing, for instance, while at stage 2 – growth stage, among other stages, the needs for business development around critical customer groups are required. This often calls for a business to move beyond seeing its customers as just statistics in their data base and see them as partners. Most businesses in the category of SMMEs ignore this element, and other factors, to their own peril.

Lack of professional management

Professional management refers to the ability to manage the business in all its aspects, from marketing, finance, operations, human resources, administration, viz., information flow management, public relations management, security management and records keeping. When a business, for instance, ignores the advice of accountants to avoid flamboyant purchases or acquiring a more expensive premise that increases its operating expenses, it leads to failure. This is called lack of professional management. In South Africa, it is common that security management is required, given the high levels of uncontrolled crime, theft and burglary that seriously affect businesses. There are certain business costs that are unavoidable in South African contexts, such as insuring one's business assets against losses from crime especially, and other causes. Professional management often lacks in most enterprises, depriving the business a skills set required to drive it forward to a formidable firm. A good example is the lack of separation between the corporate and personal purse of the owner. Of course, this can be attributed mainly to behavioural issues that bedevil the owner – hence the lack of professional management of the SMME firm. When corporate cash is used for personal purchases, it is reflective of unprofessional conduct that often leads to business failure.

Lack of business strategy

Small to micro and medium enterprises have to learn some lessons from large firms in formulating business strategies around key variables from their business environment. Examples include costly leadership strategies often pursued by businesses selling products to price-sensitive markets, and differentiation strategies that focus to sell products to markets that are not price sensitive. Another strategy is niche strategy which is often pursued in market segments not addressed by large firms. When an SMME fails to formulate and execute strategies typical of their market structure, it leads to failure. When SMMEs start, there often run by a single individual who does everything and if he is weak in business analysis and strategy, he can often let the business into a free fall.

Ignoring competition

In Sun Tzu's doctrine, it was categorically stated, 'know the enemy and know yourself, in a hundred battles you will never be defeated'.[10] This statement is true especially when it comes to dealing with competition in business. Titus (n.d.) argues that in capitalistic societies, of which South Africa is a part, there are cut-throat systems where customers are always looking for the best deal. At any point, customers find a competitor offering better products, services or prices, they will prevail even if it means the onslaught of an SMME business. Staying competitive is a priority for SMMEs that will evade failure. Many SMMEs are not clued up regarding this factor and this explains why their businesses lose customers to competitors and are eventually forced to close down.

Diminished customer share

Closely related to the previous factor (ignoring competition) in the foregoing discussion, diminished customer share due to competition can wallop a business's customer base. An SMME has to work on a customer strategy that is suitable for its type of business and industry to ensure that it develops competitive advantages that keep customers loyal and satisfied. Failure to do this will diminish business as customers churn to find advantages from competing firms. A business must be flexible enough to respond to new trends, tastes and preferences of markets. Henry Ford Sr, early in his business in 1923, suffered a competitive onslaught because of his unwavering insistence that he would have all his cars painted black. Customers got attracted to imported cars from other parts of the world such as Japan, and Ford Motor Corporation lost its customer share because of differences in customer taste and preferences, which Ford ignored then. Small to micro and medium enterprises must not wait for wake-up calls to foster changes required to keep their customers satisfied and loyal. These days a customer changing to competition is less costly and could even be abrupt without any ado.

Poor control systems

Control systems are usually designed to ensure that business performance goes according to the goals set. These systems are usually designed to install the main performance measures that managers use to evaluate the organisational goals. Major areas of control include the control of physical resources, such as inventory control and quality control; the control of financial resources, such as the budget and financial analysis; the control of information resources; and the control of human resources (Smit et al. 2013). A good control system will ensure that performance standards are established, performance is measured at all levels against such standards, deviations from standards are detected and corrective measures are taken to correct deviations and reinforce successes. Small to micro and medium enterprises that do not establish control systems are likely to fold as they fail to put everything under their control.

Uncontrolled growth

Management of growth is required at every stage of the business. An example is that at the introduction stage much research and development and marketing are required to grow awareness, and at growth stage competitiveness is highly required as potential entrants into the industry may flood the market to scoop the same profits an SMME may be garnering. Titus (n.d.) uses the typology that obesity is a

10.Sun Tzu's Art of War.

problem in business as it is to an individual's health. As such, controlled growth requires an SMME to assemble a professional management team, a flexible organisational structure and proper management systems and control.

Unworkable goals

McGrath (1999) also noted that setting goals is not always equated with achieving them. The difference is setting workable goals, given the uncertainty often associated with entrepreneurial initiatives. As such, setting workable goals must allow for optimism while taking cognisance of acceptable risk taking to seize available opportunities and avert threats to business (Titus n.d.). It boils down to poor planning and lack of leadership to execute the plans towards the achievement of goals.

The lack of environmental conduciveness as the cause of business failure

Some of the key environmental conduciveness factors that make the SMME sector an unviable option to economic growth in South Africa are lack of government commitment, poor infrastructure, crime, an inflationary economy and globalisation, among others. Environmental conduciveness applies both to the external environment and the failure of the firm to respond to changes. A statement by Charles Darwin may assist to conceptualise this dimension better: 'It's not the strongest of species that survives, nor the most intelligent, but the most responsive to change'. An SMME is also measured by its ability to navigate and survive the business environment which is now volatile, uncertain and unpredictable compared to a couple of years ago in South Africa slightly after independence in 1994.

There is, for instance, a general argument that South Africa lacks detailed information generated regularly on the size and performance of the South African small business sector. In addition, the information that is available is somewhat considered outdated – lacks currency. Nevertheless, the DTI[11] estimated that in March 2007, there were 1.87 million enterprises, both big and small, listed in the Stats SA Integrated Business Register. This register covers only the formal economy and excludes the sole proprietors and partnerships. Amazingly, only about 556 000 of the 1.87 million enterprises were regarded as economically active and of these a total of 536 000 operated as SMMEs up from 422 000 in 2004. Furthermore, in 2007, a breakdown of South Africa's business sector revealed that 36% were micro enterprises, 46% were very small enterprises, 11% were small enterprises, 4% were medium enterprises, and only 3% were large enterprises with more than 200 employees. These data reveal how few large companies there are in South Africa and indicate that the bulk of the business sector consisted of mostly small businesses. However, large companies dominate South Africa's business activity. This is reflected in the fact that although there are hundreds of thousands of small businesses in South Africa, in 2007 they accounted for only around 27% to 34% of the total GDP (Lings 2014:166).

Large enterprises, which equate to around 3% of all businesses, represent roughly 70% of the country's economic activity, excluding the public sector. Yet some estimates suggest that the SMMEs are responsible for about 60% to 70% of all new jobs created annually in South Africa, including those within the informal sector (Lings 2014:166).

Informal business ventures, although subsistent in nature, provide a safety net for many dependencies or beneficiaries that would otherwise not have any alternative source of income. South Africa's business sector is plagued by a number of constraints, which include limited access to finance, high level of crime and an increased incidence of corruption, extensive and time-consuming regulation, regular 'dumping' of goods in the country by foreign suppliers and a shortage of technical skills (Lings 2014). Some of these are discussed below.

Lack of government commitment

It is widely acknowledged that SMMEs are a panacea for economic growth. As to whether the government of South Africa has truly committed to the development of SMMEs remains a question unanswered. Gunto and Alias (2013:1521) noted with interest how the Malaysian government has demonstrated in no uncertain terms its commitment to the development of the SMME sector, given their role to 'economic growth, employment creation and transformation towards developed country by year 2020'. Since the early 1960s, having recognised the importance of the SMME, the Malay government put in place, there are (national) policies and institutional frameworks that address the developmental needs of the SMME sector. The Government of Malaysia offers a two-pronged support structure to the SMME sector: one being financial in the form of property loans, working capital and grants and the other being non-financial in the form of advisory, marketing, management, networking, research and development, and technical support (Gunto and Alias 2013). While such services are available, comparably there is a limited spread in South Africa. Furthermore, many SMMEs are not aware of the availability of such services as Khula Finance Enterprise (Khula) and the Small Enterprise Development Agency (SEDA) in South Africa (Maas & Herrington 2006).

In addition, most policy negotiations are conducted between governments' organised labour and big business. Small business is largely excluded from the policy debates (Lings 2014:167). The result is that small business simply has to accept and comply with onerous industry-wide agreements. These include aspects of South Africa's labour legislation, which are a major hindrance to job creation. In many instances, the agreements reached are seldom beneficial to small business and add substantially to the cost of business, yet small business development is critical to job creation. The World Bank and the International Finance Corporation (IFC) report titled 'Doing Business 2014: Understanding

11. DTI stands for Department of Trade and Industry.

Regulations for Small and Medium Size Enterprises' assesses regulations affecting domestic companies in 189 economies. The document ranks economies in regulations affecting 10 areas of business (Lings 2014:167).

Lack of small to micro and medium enterprise support structures

Support structures include development of development parks, incubation centres and other SMME development systems across the wide spectrum of South African society. In Malaysia, there are many support centres for the development of SMMEs, which explains its favourable outcomes in entrepreneurialism. Support structures emanate from legislative frameworks that are SMME-friendly, a cultural environment that does not stigmatise failure, which in fact encourages learning from such failure.

Lack of funding systems that are friendly to small to micro and medium enterprise needs

There is often information asymmetry between funding institutions and SMMEs, a matter fully discussed in (Bushe 2013a); for this reason, banks do not trust SMMEs and SMMEs are reluctant to approach banks. This standoff often makes it difficult for SMMEs to access the financing they need to see their business off to survival and success phases. Small to micro and medium enterprises are often characterised by a lack of business records based on which banks could form their decisions for funding and loan delinquency makes them a costly affair to fund.

Poor infrastructure

The need for infrastructure as a support mechanism for business, let alone SMME, growth cannot be overemphasised. According to Malefane (2013), infrastructural inadequacies were mostly rampant in townships characterised by poor road networks, transportation and lack of public services such as electricity, education, recreation, development and telecommunications. Olawale and Garwe (2010) acknowledged the inevitability of good infrastructure in the form of *transportation, telecommunication* and *electricity* to business growth and development. In other countries, there exists a deplorable state of infrastructure, which disenfranchises business operations of SMMEs among other players in the economy.

The power blackouts, which started in 2008, are indicative (Lings 2014). Lings (2014:191) observed that in January 2008 South Africa experienced blackouts that dented the economy and stunted private sector investment. Arguably, the power generating capacity was exacerbated by the fact that the existing power stations had reached the end of their lifespan. Power stations, like other infrastructure components, require ongoing maintenance and regular upgrades to meet the consistent demand to enhance SMME development. The challenge is often that infrastructure projects are implemented regularly but not the ones that address the challenges of the economy. This often resonates with the argument of lack of political will to implement policies that are profitable to the mainline economy if such policies may not generate popular votes at the ballot station. Small to micro and medium enterprise would find them capable of running their businesses successfully if the environment, viz., infrastructure in the economy, supports them rather than hinders them.

Crime, corruption and unethical practices

Crime in South Africa is a seriously destabilising element that the government seems reluctant to tackle and resolve. Recent xenophobic attacks on shop owners in Soweto sparked controversy and cast doubt on the government's commitment to curb crime. In 2007 South Africa was singled out as being among the world's five most murderous nations in the world (United Nations Office of Drugs and Crime 2007). Every form of crime can be found in South Africa, including drug abuse, violence, theft, burglary, murder and armed robbery, adversely affecting the effective functioning of businesses. A business in South Africa is likely to invest more in security services as a matter of priority and compulsion than in any other African country to safeguard its assets and very livelihood. This puts a lot of pressure on SMME resources, which could be invested elsewhere for business growth.

A study by Olawale and Garwe (2010) noted that the business community is most vulnerable to crime, despite what the South African Police Service would have us believe, namely, that the incidence of crime had dropped in 2009. They refer to a study by Standard Bank and Fujistu Siemens Computers, which revealed that instead of focusing on finding ways to grow their businesses, SMME were focused on operational matters, viz., evading crime. A disputable study by Naudé and Krugell's (2002) found that there exists a relationship between criminal activity and geographical isolation, hence a tendency to find crime more concentrated in townships. This study, however, does not touch upon the truth of crime which knows no border or boundaries in South Africa, with little difference between townships and urban centres, except perhaps, in terms of frequency or incidence. Transparency International (2008) found corruption to be a debilitating link in both private and public sectors in South Africa. South Africa ranked 43rd in the corruption perception index (CPI) in 2008 in the world. Gaviria (2002) cited in Olawale and Garwe (2010) argued that by its nature corruption is often linked and related to problems of a regulatory and bureaucratic nature. This again questions government commitment to the needs of the SMME sector, as many do not have equal access to opportunity because of patronage or partisanship that favours the select few that happen to be well connected to decision makers on tendering systems, for instance.

Olawale and Garwe (2010) further argued that SMMEs in general lack the bargaining power and the influence to oppose requests for unofficial payments and similar solicitations which smack of corruption. A World Bank study found 70% of SMMEs perceived corruption as an impediment to their businesses compared to approximately 60% for large firms. This means that SMMEs are more vulnerable to corruption than large firms, making small firms susceptible to collapse for a lack of the required support. Millions of rands are lost in corruption and corruption cases in the courts yearly. In the festive season, shops in malls have been mugged by vandals, costing businesses thousands of rands of materials stolen and breakages experienced. Recent theft of millions of rands at OR Tambo Airport in March 2017, among other robberies, is a case in point. As long as government does not face the scourge of crime, corruption and unethical practices head-on with the intention to quash them, its commitment to SMME growth remains questionable.

Economic climate

It is inevitable that economic factors, such as consumption patterns, inflation and interest rates, have a direct impact on the success or failure of businesses. If interests are high, for instance, it is a disincentive to invest. When incomes in the economy are low and decline, the propensity to consume is lowered, affecting the economic climate of SMMEs. Economic aspects such as the government's fiscal and monetary policies, inflation, interest rates and foreign exchange have a bearing on the performance of businesses, let alone SMMEs. This is so because these factors influence both the demand for goods and services, and hence influence whether there will be investments in SMMEs or business growth in general. If customer demand is less because disposable income is depressed, they will demand less of goods and services, which will directly affect the revenue that a business can generate from sales. On the same premises, if interest rates are high, it reduces businesses propensity to invest, which immediately reduces SMME growth and development (Ehlers & Lazenby 2007). South Africa has not been spared the World Financial Crisis. The often dubbed world economic crunch has seen world economics racketed by inflationary pressures and an unstable currency.

Globalisation

Globalisation has ensured that the world is a global village allowing for the easy flow of goods and services across the boarders of countries. The immediate challenge of this is that some countries enjoy certain advantages while others do not. The dumping of goods that are not needed in other countries or rather cheaply produced kills local industries where SMMEs ought to succeed. China enjoys the benefits of cheap labour, which lowers their production costs across the board. This has made China export cheaper products, ranging from electronic to clothing, across the whole world and in certain respects forcing local companies to fold in the face of global competition. South Africa's clothing industry has literally been given a deathblow by cheaply produced clothes from China. In this light a local SMME that does not find competitive advantages for providing quality products at competitive prices will be forced to close down. Empirical evidence in Uganda shows that from those businesses that closed down, a good number were pushed by excessive competition, especially from foreign products (mean = 4.61) (Nangoli et al. 2013).

A very good example is the fact that Brazil is one of the biggest producers of chicken in the world. Brazilians do not consume chicken feet, which are a delicacy in certain quarters of South African society. Brazilians, therefore, can export chicken feet that can be sold at a price as low as R18 a kg to just get rid of a product that they do not consume. How fair is that to South African producers who may have to sell locally produced chicken feet at twice the price of those imported from Brazil? Those are elements of globalisation that often mean an onslaught on local businesses usually predicting failure. Others call for government policy limiting such imports, but other factors such as the capacity of local producers to meet market demand call for attention from another end of the spectrum as well.

The impact of business failure among small to micro and medium enterprises

While there is no empirical review of the causes of business failure reviewed above, some general agreement can be envisaged in the literature.

This study can envisage three levels of impacts: (1) macro-level impacts, (2) market-level impacts and (3) micro-level impacts. One of the key impacts or effects of business failure is that on the *company itself* (European Federation of Accountants [FEE] 2004). One of the key issues that emanate from SMME failure concepts is bankruptcy, which has its own domino effects that differ from one jurisdiction to another. In South Africa, attempts have been put in place through the *2008 Companies Act* to introduce measures aimed at business rescue, although few or no studies have been conducted to ascertain how such legislative provisions impact SMMEs (Davis et al. 2013). Bankruptcy simply means that the company comes to a halt and potentially, if not conclusively, shuts down.

Another effect is that the stigma of failure after one or two failed attempts may mean that the entrepreneur will not venture again. This is a very serious effect, which may even explain why some people do not want to attempt venture creation (European Federation of Accountants [FEE] 2004). The European Union however sees failure positively, especially if the entrepreneur can perceive it as a learning curve.

There is also an effect on important stakeholders, such as suppliers, employees and their families, directors of the company, banks and other non-bank finance institutions, of the business who may have an interest in the operations of the business.

Employees will definitely suffer job losses through redundancies, and in the current climate where unemployment is a major macro-economic threat in South Africa, redundancies are a nightmare. Job losses mean loss of family income and they spell other social challenges related to that fact.

Directors of the company obviously lose their investments in the company in terms of time and money spent to get the

SMME firm running. However, the *2008 Companies Act*[12] makes directors liable for poor judgement often leading to company failure. This is against the general common belief that companies exist as separate entities from those that own and control it, hence removing liability from such directors. In our day directors have to be called to account for running down their companies, especially where creditor's interest in the failed company is concerned.

Banks often run the risk of losing their funds loaned to SMME firms when the business fails. This is the risk that has caused most commercial banks to be reluctant to provide funding to the SMME sector, citing issues of loan delinquency and information asymmetry often associated with SMMEs.

Macro-level impacts include (1) economic, (2) political, (3) socio-cultural and (4) other impacts. Economic impacts go directly into job creation issues and specifically lead to job losses and therefore loss of income. Literature points out that job creation is a challenging undertaking, and SMMEs are the miracle workers in this regard. The ruling government has been under serious scrutiny with regard to job creation. However, despite the much popularised view that SMMEs are the panacea to such a cause, failure among SMMEs is also quite alarming and disturbing. This has led to many other experts to opine the view that SMMEs should just be stopped as it is hopeless.

Political factors touch on political loss in the sense of failure to create jobs. Politicians thrive on reporting jobs created for the people during elections and campaigns. When they fail to create jobs, it resonates with the perception of politicians as being liars to the electorate. What politicians should rather say and be seen to be doing is creating a political climate that is conducive for business, which in turn leads to SMMEs and other businesses at large creating jobs for the larger society.

Socio-cultural effects include loss of welfare and further social evils that are the aftermath of having more unemployed people on the streets. One of the common evils is theft, unwarranted population growth through sexual conduct and diseases through unprotected sex. One argues that Africans often resort to sex as a form of entertainment when they are not economically engaged. This is because of the lack of entertainment amenities in overpopulated African communities.

Other impacts include just the usual aggression in society, which is often dubbed as xenophobia, and other societal challenges at integration and may be boycotts of a business product and services or just the lack of adoption attitudes by markets. When a business fails to educate its market about unique products, it often leads to failure as its products are avoided by customer groups who consider such products and services foreign to their way of life. When more people are employed, they have outlets for their energies and the opposite is often true.

12.*South African Companies Act 2008*.

A hypothetical framework for analysing business failure

This study envisages that the foregoing studies are scrambled and do not provide a systematic perspective alongside management and business perspectives into the causes and impacts of SMME failure, and hence proposes three perspectives: (1) entrepreneur incapacity, (2) environmental inauspiciousness and (3) enterprise incompetence.

The researcher argues that if these elements are not configured properly in an economy and within SMME enterprises, it is going to be difficult to nurture and grow entrepreneurs, sustainable businesses and sustainable development that fully utilises in a purposeful, progressive and profitable manner the economic resources[13,14] at their disposal.

When SMMEs fail, some of the envisaged effects are: (1) loss of revenue and profits, (2) loss of motivation and propensity for venture creation, (3) loss of jobs, (4) loss of credibility, (5) loss of family income, (6) loss of entrepreneurial spirit, (7) failure and collapse and (8) closure. These are obviously undesirable elements, while their opposites are desirable.

It is arguable and instructive that these effects have domino impacts at national scale in the following ways: (1) stifled economic growth, (2) job losses, (3) socio-economic impacts, (4) loss of enterprising culture, (5) poor job creation, (6) loss of sustainable development, (7) uncompetitive markets and (8) poor wealth creation prospects.

The researcher conceptualised the model, which provides a possible conceptual analysis of the reasons behind SMME failure and the inability to grow this much-needed element of the economy. The following sections elucidate the different elements of the conceptual model (Figure 1).

Entrepreneur incapacity[15]

Entrepreneur incapacity refers to an entrepreneur's inability to form and build a successful business enterprise. Entrepreneur incapacity disengages an entrepreneur from recognising opportunities in needs, challenges and ideas in society that are suitable for establishing a sustainable[16] business enterprise. The common framework for analysing incapacity is built around knowledge, skills and aptitudes, as illustrated in Figure 2.

Lack of knowledge in the above figure, at the base, means that the entrepreneur lacks broad knowledge of how a business is formed and run. As a result, the entrepreneur

13.'Endogenous' refers to factors inside or within the control of a firm.

14.'Economic resources' refer to those endowments and factors that enable production and economic growth and advancement, such as natural resources, capital, talent and entrepreneurship. Entrepreneurship is the key trim-tab that triggers all the other resources into purposeful and productive uses.

15.'Incapacity' generally refers to *injury, inability, failure* and *powerlessness*.

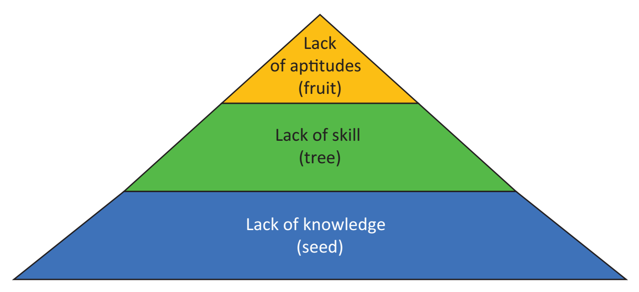
16.'Sustainable' refers to the ability to grow a business beyond satisfying its present obligations but get it to survive challenges and become a full-fledged business enterprise amongst other competitors.

SMME, small to micro and medium enterprise.

FIGURE 1: Hypothetical model – The causes and impact of small to micro and medium enterprise failure.

resorts to guesswork, trial and error, and peradventure the business succeeds or fails. The knowledge base is a deciding factor whether an entrepreneur will succeed in establishing a successful business. Looking at business knowledge, for instance, it captures many elements, such as the ability to plan (recognise opportunities in societal needs, challenges and ideas), the ability to resource the business (find the right manpower, money, machinery, methods and materials), the ability to lead (motivating staff, management style, effective communication and job design) and, finally, the ability to control (setting standards of performance, ways of measuring work done against standards set, identifying deviations from standards in work done and correcting deviations in SMME businesses while celebrating successes).

When an entrepreneur lacks knowledge, their endeavours are likely to fail, which is contingent upon other factors discussed below.



Source: Adapted from Bushe, B., 2013b, *Mastering career focus,* p.131, Reach Publishers, Durban.

FIGURE 2: Entrepreneur incapacity.

Environmental inauspiciousness (not conducive)

Recently the mention of a global financial crisis or credit crunch became a common parlance in boardroom reasons for business collapse, poor employee benefits and the curtailment of many government projects. If government entities world over could not evade such vulnerabilities, what more could small businesses do? The American government resorted to giving copious funds, popularly known as stimulus packages, to scaffold the motor industry which was almost left for the free fall. Key issues emanating from the literature which the researcher categorised under this element are: (1) access to business skills, (2) access to funding and capital, (3) access to markets, (4) institutional support structures, (5) business development strategies and (6) entrepreneurial culture cultivation (Entrepreneurial Dialogues 2010).

Enterprise incompetence

An incompetent enterprise is one which has failed to survive the test of professional management, systems development and strategic management. Professional management means an enterprise is professionally managed so that it can achieve its results. Professional management includes management of important functions of the enterprise in an effective and principled[17] manner so that, like in a symphony, they lead to the attainment of goals and objectives set. Elements of professional management include, but are not limited to, strategic and general management, financial management, marking management, talent management, public relations management, administrative management, purchasing and operations management, and project management, among others.

Professional management requires an enterprise to be properly planned in such a manner that it has a strategic focus. This starts with the installation of the right vision, defining where the business is going and its mission, deciding what its business will be and the values or guiding principles that define what needs to be done to achieve goals and envisioning the strategic pillars around which its operations will be managed, for example, financial, customer, operations and people management issues typical of the balanced scorecard framework. These areas will not succeed if they are not managed by competent people who have the necessary knowledge and skills base to install correct systems that ensure the enterprise is governed effectively. Most businesses fail because an entrepreneur may, for instance, employ friends and relatives in important roles, who become difficult to control and lead to collapse in the attendant areas.

Strategies to enhance business success

If the whole conceptualisation of entrepreneurship as the panacea to economic growth and development is to go by, then it is inevitable that it is promoted as a national agenda to start with.

The first strategy is to ensure that the entrepreneur himself or herself is capacitated and has the skills required to run a successful business. This requires an entrepreneur to constantly engage in learning for personal growth.

Secondly, the business itself should engage in professional management as it grows, remain flexible and manage the competition. When a business does not do well in general management, financial, human resources, operations, administration, marketing, public relations and customer relations management, it is likely to fold.

Thirdly, a business ought to manage its environment. It should keep its ears on the ground to watch environmental variables that may impact the business. Changes in tastes and preferences of customers, trending issues, new technologies that impact the operations of an SMME, regulations and laws from regulatory bodies that have a direct or indirect bearing on the business and competitive forces, including those from foreign products, are all important. An SMME cannot ignore environmental issues in the business playing field as these can have terminal effects on its operations if not well managed.

Empirical review of literature

What emerges from the literature studied so far is that there is a lack of empirical findings on how the identified causes directly impact business failure, leaving the whole endeavour vulnerable and subject to unending debate and scrutiny, without offering a reasonable solution to end business failure among SMMEs.

A study conducted in Nigeria and the UK established that in the UK 37% and 21% of the respondents selected poor management and financial problems, respectively, while in Nigeria, 35% and 23% of the respondents selected poor economic conditions and infrastructural inadequacy, respectively, as major SMMEs failure factors (Ihua 2009). What can be gleaned from this is that there is no single factor responsible for SMME failure in all situations. Every failure situation demands an analysis of the unique set of causes in an effort to establish a panacea thereto.

It is crucial to note that failure is not an eventful occurrence but a gradual process that starts with errors of judgement

17.Principles evade time and work in such a way that where they are respected, they afford their benefits and where they are disrespected they withhold their benefits.

somewhere, such as when an SMME pursues an abrupt growth path and engages in unwarranted expansion programmes usually unduly increasing operating expenses.

An important step which resonates with planning is to always look at the SMME financial radar as the firm progresses and engages the advice of finance professionals on four important issues: liquidity, activity, leverage and profitability ratios (Smit et al. 2013). These elements help decide whether an SMME firm is headed in a direction of fall or health. Liquidity, for instance, refers to an organisation's ability to meet its short-term obligations. The optimum ratio differs from one industry to another. The liquidity test operates in such a way that it must appear that the company will be able to pay its debts as they become due and payable in the ordinary course of business for 12 months following the date on which the test was undertaken, or, in the case of a distribution such as declaring dividends or allowing directors to borrow from the company, 12 months following that distribution. It is critical to note that a company is not able to make any distribution without satisfying the requirements of a liquidity test.

Leverage ratios, on the other hand, look at the organisation's source of capital, such as owners or outside creditors. It measures the percentage of total funds provided by creditors against the percentage provided by owners. This labours on the solvency test as contemplated by the *2008 Companies Act*. The general undertaking is that a company is solvent when its assets equal or exceed its liabilities when they are fairly valued. Directors of a company should keep a record of the value of its assets and liabilities aside in order to conduct such solvency tests when required to do so. Assets of the company, fairly valued, must equal or exceed its liabilities, and this is a precondition for making any fundamental transaction or distribution (Davis et al. 2013:75). The company is unable to do certain things such as declaring dividends without the solvency and liquidity tests (Davis et al. 2013).

Activity ratio measures how well an organisation is using its resources, for example, length of time taken to collect on credit sales. If its debtors are increasing, it means more and more of its cash is being trapped in credit sales and that does not do well on matters of cash flow. Many SMME firms have closed down because cash was not flowing and much of it is trapped in uncollected debts and credit sales. An SMME in this regard would have to review its credit policy, and if it is necessary to offer credit sales at all, it is important to consider business concepts such as factoring whereby firms sell their credit-worthy accounts receivable at a discount (generally equal to interest plus service fees) and receive immediate cash. In addition, the factor who purchases an SMME's accounts receivable, is not providing a loan and there are no additional capital financing obligations apart from the interest and fees. Hence, factoring is a comprehensive financial service that includes credit protection, accounts receivable bookkeeping, collection services and financing (Klapper 2006).

Finally, profitability ratios measure how well a business is being managed. If an SMME does not keep financial statements and records, it is impossible to keep track as to whether it is being profitable. These elements, among others, always help a firm. When an SMME fails to control operating expenses, for instance, rentals, wages and other utilities, it can fail even if it may be attracting good revenue from sales of its products and services (Davis et al. 2013).

Critical review of literature

A critical review of literature shows that there is also no general agreement as to the main causes that can be ascribed to business failure making it difficult to overcome this bedevilling challenge.

The literature shows poor planning as the dominant cause of failure identified in many studies (Nemaenzh 2010; Petrus 2009:24). It is arguable that a business which does not plan will not be able to proactively deal with opportunities effectively, as well as avert threats from its external environment and that could anounce its doom.

The next prominent SMME failure cause after poor planning is the lack of industry experience by an entrepreneur (Bushe 2013a) such that when an entrepreneur enters into a business for which he or she is least qualified to execute, then it becomes vulnerable to competition leading to its eventual collapse.

Another cause that merits the attention of this article is inadequate funding and poor financial management. A business requires different levels of funding at different stages of business growth, from inception to decline. Failure to adequately make such funds available poses threats to business sustainability. At introduction stage, when a business fails to secure start-up funds to get machinery and equipment required to service its market, funds for research and development, and general working capital, it may die in the survival phase and may not be able to see other SMME growth levels.

Conclusion and recommendations

Based on discussions of this study, it can be concluded that SMME businesses fail because of a combination of factors, the chief among them being entrepreneur incapacity, followed by environmental inauspiciousness and, finally, enterprise incompetence. This underscores the notion that every entrepreneurial activity manifests itself at the firm level, whereat it succeeds or fails but is always traceable to an individual entrepreneur who either lacks or possesses the skills, aptitudes and behavioural characteristics that could generate business success. This also summons the inevitability of context to business success or failure. Every business outcome happens within a context and each context spells out what works and what will not work. An entrepreneur has to figure out how things work and apply his or her mind and work to ensure that he or she implements the best strategies to stay afloat and achieve business success.

When an entrepreneur lacks capacity, *entrepreneur incapacity*, it means they lack the knowledge, skill and aptitude to form and grow a successful business enterprise. As such the entrepreneur lacks management knowledge (planning capacity, resourcing capacity, leadership capacity and controlling capacity), business knowledge and self-knowledge; further lacks industry experience in the chosen area of business; and finally lacks the business acumen or aptitude or entrepreneurial mindset to form and raise a successful enterprise.

While closely related to the first, *environmental inauspiciousness* refers to an environment of the business which is not conducive to business success by reasons of various factors, some among them being economic pressures, population dynamics and unfriendly funding systems. The reason why I believe this is closely related to the first mentioned cause is because the entrepreneur fails to tackle these environmental challenges to establish a successful business.

Lastly, *enterprise incompetence* emanates from the fact that the chief end of all entrepreneurial initiative to set up a self-sustained business enterprise which is defined as a juristic person at law. When the enterprise fails to be a juristic person standing alone, as shown above, it has failed to engage in professional management, systems development and strategic management to stay afloat and at best has fallen victim to the weaknesses of its founders and misgivings of the business environment. The general undertaking is that once a business reaches a certain stage, its owners must give up control and let professional management take over, based on principles and best practices that guarantee business success, the failure of which can submerge the business into deeper seas of failure.

Suggestions for further studies

This study recommends that future studies ought to investigate the attendant impact of each of the identified SMME failure factors. The researcher proposes the singling out of each element of the independent variables for a detailed study, for example, entrepreneur incapacity, and testing it against various industry situations for purposes of ensuring that cause and effect relationships are established so as to target entrepreneur capacity development to specific business needs. Future studies should also identify entrepreneurial practices which are possibly subjected to measurement and regression analysis to provide a basis for better diagnosis and treatment of entrepreneurial failures. Other areas that this research did not focus on, which require further attention, include the sustainability of immigrant entrepreneurship, religious entrepreneurship and the role they have to play in the economic advancement of South Africa.

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