A STUDY OF SMALL, MEDIUM, AND MICRO-SIZED ENTERPRISE (SMME) BUSINESS OWNER AND STAKEHOLDER PERCEPTIONS OF BARRIERS AND ENABLERS IN THE SOUTH AFRICAN RETAIL SECTOR

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Abstract

Despite the support extended to the small business sector in South Africa, the growth and survival rates of small, medium, and micro-sized enterprises (SMMEs) are lower than expected. This paper investigates business owner and stakeholder perceptions of barriers and enablers of the start-up, survival, and growth of SMMEs in the South African retail sector. A qualitative research design using semi-structured interviews was employed for data collection from samples of stakeholders and business owners. Framework analysis was used to analyse both sets of data. The findings show that the stakeholders and business owners consider the lack of support, competition, skills shortages, and poor internal controls as the key barriers to the start-up, survival, and growth of SMMEs. Stakeholders considered the business environment as the key enabler while the business owners regarded increasing demand as the key enabler. To address the barriers, recommendations relating to skills development, funding, shelter and services, and other business development resources are presented***.

Keywords: South Africa, Retail Sector, Barriers, Enablers, Informal Businesses, SMME

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1 Introduction

According to the South African *Financial Mail* (13 June, 2013), despite the many support programs in place, the growth and survival rates of small businesses in South Africa is lower than expected. Evidence suggests that South Africa's performance in entrepreneurial and business activity ranks below average (Herrington et al., 2010). The *Financial Mail* article goes further to proffer a number of reasons that could account for the poor state of affairs regarding the growth and survival rates of small businesses in South Africa. These reasons include that the needs of small, medium, and micro-sized enterprises (SMMEs) are ignored, good programs are working at a small scale for impact, resources are channelled to ineffectual programs, the high burden of compliance with both local and national regulations, and rising operating costs. Still others are unfavourable labour laws, red tape, uncertainty regarding the supply of services, unfavourable economic conditions, poor or lack of access to business advisory services and finance, uncoordinated SMME support programs, and lack of skills. The *Financial Mail* article demonstrates that the issue of SMME development is topical and important in South Africa. This paper aims to take this discussion further by addressing the issue of SMMEs with a focus on informal and SMME retailers in South Africa. More specifically, the paper seeks to identify the factors that impact on the start-up, survival and growth of SMMEs including informal small businesses, by answering the following question from the point of view of SMME business owners and stakeholders in organisations involved in SMME development: What are the external and internal barriers to, and enablers of, the start-up, survival and growth of SMMEs?

The inclusion of informal small businesses in this paper is important because the informal sector is a major factor in developing countries such as South Africa (Ligthelm, 2013). Informal businesses exist in almost all economies, but they are a major contributor in emerging and transition economies. The size of the informal sector varies across countries but ranged from, for example, 9%, 15%, 29%, 34%, and 60% of GPD in 1999/2000 for the US, Canada, South Africa, Kenya, and Zimbabwe respectively (Khavul, Bruton and Wood, 2009). Though the informal sector includes a wide variety of activities, this paper focuses on those involved in the retail sector. According to the FinScope South Africa Small Business Survey, which is a "comprehensive, nationally representative survey"

(Finmark Trust, 2010:1) that describes the size and scope of the small business sector amongst other objectives, about 79% of small business activities involve an element of retailing. The retail sector is therefore an important participant in the economy having a significant impact on both the formal and informal sectors (Morris, Pitt and Berthon, 1996). Informal retail trade dominates the informal sector and is estimated to contribute more than 70% of total informal sector output (Rolfe et al., 2010).

2 Literature review

2.1 Role of retail SMMEs

In addition to the traditional role of supplying goods and services to consumers and employment generation; SMMEs play a variety of other roles including providing diversity, colour and choice in a sector which is becoming increasingly standardised in terms of the format and product offerings (Smith and Sparks, 2000). Retail businesses also play a significant social role in the communities they serve (Coca-Stefaniak et al., 2010; Schmidt et al., 2007; Bennison and Hines, 2003; Smith and Sparks, 2000). Smith and Sparks (2000: 205) found that small retail shops "…have provided a sense of location and locale and have often been identified with 'ways of life' and social and community infrastructures." This alludes to retail SMMEs providing a sense of identity and being the focus for interaction of community members without which social exclusion and isolation, particularly for the poorer community members, would spread (Schmidt et al., 2007). The growth of large out-of-town shopping centres, it is argued, results in a poor shopping environment and social exclusion of consumers with limited mobility, including the aged and low-income households. This has led to governments recognising the role of retail SMMEs and local retailing when addressing the concerns around social inclusion (D'Andrea et al., 2006; Schmidt et al., 2007). Retail shops contribute not only to community preservation, but also to serving the specific needs of their customers with whom they have personal relationships (Schmidt et al., 2007; Bennison and Hines, 2003; Smith and Sparks, 2000). Depending on their location, retail SMMEs may also be the only place where purchases can be made, or they may be the only providers of specialised goods and/or services (Smith and Sparks, 2000). For retail SMMEs to be seen to be playing this role, they have to be embedded in the community and have a sense of belonging therein, which goes beyond merely being located in a particular area, and running their business to become a part of the community fabric (Coca-Stefaniak et al., 2010).

2.2 Success factors and challenges in the retailing environment

The retailing environment is very competitive. Viability therefore depends on the firms having a clear understanding of the challenges and opportunities presented by the retail environment. To succeed in the retail sector, retailers must offer compelling value propositions and be responsive to market dynamics. As a way to influence consumer perceptions of value, Grewal et al. (2010) suggest that retailers must manage six levers of retail success, namely; store factors, service factors, merchandise factors, price factors, supply chain factors, and technology factors. Store factors are concerned with the combination of retail format and retail environmental factors. Store factors are important as a lever of retail success because customers consider both the functional benefits and the overall experience offered by the physical store. Differentiation based on retail atmospherics is one way retailers add value to the shopping experience and, therefore, influence store patronage intentions. Environmental cues such as music, colours, and people are examples of factors that affect consumer experiences (e.g., Baker et al., 2002).

Service factors are concerned with how much attention is paid to customer service and are a key driver of retail success. Service factors can provide a significant source of competitive differentiation. An important service factor is convenience; which may be one, or a combination of, decision, access, transaction, benefits, or post-benefit convenience. The third lever of retail success is merchandise. Merchandise management as a lever of retail success involves finding and stocking merchandise which meet the targeted consumers' needs; and ensuring that adequate stock of the appropriate merchandise is available when and where it is required by customers. Price is a further lever of retail success and should be based on the value of what is being offered in the mind of the targeted customers. Retail success is in part dependent on the extent to which retailers understand what the customer will give up in exchange for their offerings. Important aspects of price include the monetary price, the time, and the effort the customers give up to acquire the product. The fifth lever, supply chain management, involves the efficient and effective integration of manufacturers, suppliers, warehouses, stores, and transportation companies to ensure that the right products and quantities reach the customer at the right price and service level. Finally, the use of appropriate technology at any level in the supply chain can contribute to retail success. Retailers that employ appropriate technology are more likely perform well and be competitive because they are able to collect and use sales data and manage their inventory using this technology (Grewal et al., 2010).

2.3 Challenges facing retail SMMEs

According to Grewal et al. (2010), retailers face many challenges, including consolidation, value, innovation, and cost control. The latter three are more relevant to this paper. Value is a major ingredient in retail sustainability. To succeed, retailers have increasingly to rely on the provision of better value than their competitors. This also applies to retailers serving low-income consumers as well as informal retailers. Innovation is increasingly employed to enhance customer service-levels. This simply means finding better ways of maximising the customer shopping experience. For example, cooperative buying by small retailers to take advantage of quantity discounts could give them a competitive edge and add to the customers' shopping experience as well as the bottom line. Finally, retailers, especially those serving low-income consumers need to be efficient and effective managers of their value chains to minimise system-wide costs in order for them to meet their customers' service and price requirements (Grewal et al., 2010). According to Dawson (2000), challenges faced by retail managers include the need to grow continually, the changing nature of brands, the imminent overcapacity of retail space, the turbulent and changing retail environment, balancing the externalisation and internalisation of functions, and the impact of e-retailing.

The challenges faced by small business retailers include high crime rates; inadequate business/management training; progressive degradation of ageing or inadequate urban infrastructure; individualism and lack of a single lobbying voice for influencing policy; distrust and cynicism towards local authorities; and, rapidly changing consumer behaviour (Parker and Byrom, 2000; Hallsworth and Warnaby, 2003 cited by Coca-Stefaniak et al., 2010). A major challenge facing SMMEs is the growing competitiveness resulting in market concentration. This trend has posed a serious threat to the existence of SMMEs. Lee et al. (2008) state that at least one third of new retailers in the USA do not survive their first year of operation; most of the 'casualties' are SMMEs. Howe (1992) identified the crowding out of retail SMMEs in central business districts by large retailers as a threat, particularly to 'mom and pop' stores in the UK. Other studies have found a similar trend in the decline of retail SMMEs both in Europe and the USA due to increased competition from larger retailers (Coca-Stefaniak et al., 2010; Schmidt et al., 2007).

The high levels of market concentration have resulted from the phenomenon of a relatively small number of chain retailers with better access to resources, which enjoy economies of scale and consequently compete more favourably (Schmidt et al., 2007). This threat to SMMEs has been intensified by large retailers venturing into niches which have traditionally been the preserve of small retailers such as convenience stores, as well as having long operating hours; thus rendering the neighbourhood corner stores redundant (Schmidt et al., 2007). Furthermore, the proliferation of large surface retailers and shopping malls which offer customer convenience through the combination of diverse shopping options, such as leisure and entertainment, have drawn customers away from neighbourhood retail SMMEs. The multiple-store threat to retail SMMEs also has supply-chain implications. The increasing size of chain retailers gives them more control over the supply chain, which works to the detriment of the smaller retailers (Waters, 1999).

Logistics and supply also challenge retail SMMEs. A common logistical challenge that retail SMMEs face relates to distributor minimum-order sizes that are in excess of the SMME inventory requirements. Increased inventory levels result in relatively higher operating costs, rendering SMMEs less competitive compared to the larger retailers (Schmidt 2007; Smith and Sparks, 2000). This constraint points to one of the internal weaknesses of SMMEs, namely the limited financial resources for both capital as well as working capital expenditure. SMME retailers may not be able to afford to invest in capital assets such as point-of-sale technology to give them competitiveness. Limited managerial skills and succession problems are a further internal weakness. Business and technical skills are among the constraints faced by microenterprises in emerging markets (Palakurthi and Maddocks, 2006).

In the context of emerging markets, Okpara and Wynn (2007) identified the main barriers faced by SMMEs in Nigeria to be lack of financial support, management experience, infrastructure, and training, as well as corruption and inadequate bookkeeping and recording. A subsequent study in Nigeria identified similar barriers including lack of financial support, poor management, corruption, poor infrastructure, and a demand for products and services (Okpara and Kabongo, 2009). Another emerging market study in India found that the major barriers for small businesses included working capital, power shortages, equipment, and management (Coad and Tamvada, 2012). A study of the barriers encountered at start-up for micro and small business in England found that the major barriers included financial difficulties (i.e., a lack of investments in new businesses and a lack of adequate support and acknowledgement of the challenges faced by new small businesses. In addition, there was a lack of flexibility from financial institutions and large organisations. This study also identified the major enabler to be the employment of mentors and provision of ongoing specific advice by service providers (Fielden, Davidson and Makin, 2000).

It is evident from the literature review that SMMEs, which are predominantly retail-based, face many internal and external challenges, ranging from poor business management skills to changing consumer behaviour and increasing competition. However, it is also evident that there are enablers or opportunities available to SMMEs, including provision of goods and services to consumers; flexibility relative to big business; collective bargaining or unionisation; informal financing from social networks; opportunity to provide for oneself and family; development of entrepreneurship skills and confidence; partial access to additional income; and, limited use of start-up capital (Willemse, 2011). The Department for Business Innovation and Skills (2013) of the United Kingdom summarises the key enablers of businesses success for SMMEs into three broad clusters, namely internal capacity and capability to grow, the external environment including the market, and the vision of the business owners regarding growth.

Other researchers including Cant and Ligthelm (2002), Dockel and Ligthelm (2002) and Storey (1994) have approached the question of impediments to, and enablers of, SMMEs by investigating the determinants of success. According to Cant and Ligthelm (2002), important determinants of small business success include: marketing-related factors (e.g., increased competition, limited market size, ineffective marketing, lack of knowledge of competitors, and poor location), financial factors (e.g., problems in sourcing finance, high operating expenses, consumer credit management, poor cash flow management, and lack of financial planning), human resources factors (e.g., new labour laws, inability to attract and retain suitable staff, low labour productivity, poorly trained employees, and high labour turnover), management factors (e.g., adapting to changing business environment, time management, delegation and cooperative management, planning and prioritising, and effective control), and macro-environmental factors (e.g., crime and corruption, inflation, unemployment, interest rates, and exchange rates). Dockel and Ligthelm (2002) identified the main factors that differentiate successful business from unsuccessful ones as the following: the reason for starting a business; access to infrastructure; place of business; period in business; type of involvement (full-time or part-time) in business; size; financing; and, demographic factors (e.g., owner qualifications, age, population group). For Storey (1994), three dimensions need to be combined and optimised in order for small businesses to grow: the entrepreneur's starting resources (e.g., motivation, education, gender, prior business failure); the business enterprise (e.g., age, sector, location, size); and the strategy (e.g., state support, information and advice, market positioning, planning).

2.4 Small businesses in South Africa

SMME development is one of the South African government's priority areas (Ligthelm, 2013; Rogerson, 2013) with various programmes in place to support small business development. The nature of small businesses in South Africa covers a wide spectrum of activities; but, as shown in Table 1, about 79% of the business activities involve an element of retailing, whether or not the businesses perform other activities such as growing or making what they sell.

Table 1. Nature of small businesses

Business activity	% of small business owners
Retailing activities	*78.7*
Sell something in the same form it was bought	48.8
Buy something to sell, but add value before reselling	10.7
Grow something to sell	5.2
Make something to sell	5.1
Sell by-products of animals	3.7
Rear livestock/poultry and sell	3.1
Sell something that was collected from nature	1.5
Sell something that was obtained for free	0.6
Service provision activities	*21.3*
Render a skilled service, e.g., mechanic, plumber, hairdresser	13.2
Render other services, e.g., car wash, garden services, transport (taxi services), catering	5.1
Render a professional service, e.g., doctor, lawyer, accountant	1.3
Render building/construction services	1.0
Render tourism-related services, e.g., accommodation/hotel/Bed and Breakfast/ guest house, tour operators	0.6
Total	*100.0*

Source: Finmark Trust (2010): 8

Based on the business owners' claims, only 8.3% of the small businesses in South Africa are formally registered (Finmark Trust, 2010); suggesting the majority of small businesses are unregistered and therefore, informal. Though there is no convergence on what exactly constitutes the informal sector, Ligthelm (2013: 59) explained that “the informal sector is collectively defined as small unregistered businesses operating as street vendors and in-home businesses established on residential sites (often termed as ‘spaza shops’ or ‘tuck shops’ in South Africa)”. Schneider (2005: 600) defines economic informality as “all market-based legal production of goods and services that are deliberately concealed from public authorities” to highlight that informal businesses do not necessarily engage in criminal activity. The concealment is meant to circumvent taxation, labour laws, and administrative regulations. Therefore, though the goods and services traded in the informal sector are not illicit, their production and distribution may be illicit (Portes and Haller, 2005); and although informality tends to lower the immediate cost of doing business (e.g., no registration or licencing fees, no tax and tax administration, and no labour law compliance), it has long-term costs for the small businesses (e.g., no business bank accounts and no formal business track record). For Pretes (2002), informal businesses are those that have fewer than five employees, are not registered or licensed and do not typically pay tax. This is in contrast to small formal businesses which are defined as “businesses operating from fixed building structures located on business stands demarcated as such by local government (municipal) town planning regulations” (Ligthelm, 2013: 59). The limited consensus on what constitutes the informal sector, or how to measure its impact accurately (Yu, 2012), leads to large reporting discrepancies in the levels of activity in the informal sector. By definition, informal businesses are largely unrecorded (Ligthelm, 2004), hence the dearth of reliable statistics on the informal sector. Though difficult to study, it is essential to understand informal businesses because of the significant role they play in creating employment and sustaining livelihoods.

Despite one in five of the South African business owners surveyed in the Finscope Survey responding that there were no obstacles to growing their businesses, a wide range of obstacles were also identified including: space to grow (16.2%), competition (12.6%), access to finance (8.7%), crime and theft (6.6%), cost of finance (5.2%), transportation (3.8%), and electricity (3.5%). Some business owners did not know whether or not there were any obstacles to growing their businesses (5.3%) (Finmark Trust, 2010). The major problems faced by small businesses include capital shortages and inadequate demand. Inadequate demand could be due to a number of reasons including inadequate access to markets, disadvantages of scale, and poor marketing or lack of marketing skills. Luiz (2002) summarised the problem areas as follows: finance, labour (cost and skills availability), trade (restrictive regulations), tax (complexity), procurement (inaccessibility), infrastructure (especially in townships and rural areas), and demand. When South African small business owners were asked to identify the three most serious constraints they encounter in running their business, the most prominent factors identified were the shortage of funds (38.4%), overtrading (i.e., too many competitors) (33.3%), crime/theft (31.4%), and non-payment of customer accounts (bad debts) (30.7%) (Ligthelm, 2002).

3 Methodology

We employed semi-structured interviews for data collection from participants drawn from small business support institutions and from formal and informal business owners. We employed purposive sampling in that participants were primarily selected because of our expectation that they were well informed regarding the subject under investigation. Altogether, eighteen participants from institutions involved in enterprise development (10 managers, 4 directors, 2 researchers, and 2 chambers of commerce representatives) and twenty- six participants from the small business sector were interviewed for this study. The sample of twenty-six small businesses was involved in the retail trade ranging from informal unregistered hawkers to registered grocery stores and township liquor traders. The sample sizes of twenty-six and eighteen participants for business owners and stakeholders are considered adequate for the purpose of this study for two reasons. Firstly, by the time the twenty-sixth and eighteenth interviews were conducted, data saturation was evident in that additional data did not generate new findings on the subject under investigation (Glaser and Strauss, 1967). Secondly, the sample sizes are above the minimum recommended by Bertaux (1981: 35) who suggests fifteen as the minimum sample size in all qualitative research and Mason (2010) who recommends sample sizes ranging from 10 to 40.

Though participants were encouraged to answer all the questions, they were informed, in line with the ethical clearance granted to the researchers, that if they did not want to answer any question they could do so and that they were at liberty to opt out of the interview at any point without consequences. The interviews typically lasted between 30 and 60 minutes. With the consent of the participants, all the interviews were voice recorded to allow for attentive and active listening by the researcher. Consistent with the objective of the study, (i.e., to identify the external and internal barriers to and enablers of the start-up, survival and growth of SMMEs), both samples of participants were asked to identify and discuss a) what they considered to be the most important internal and external barriers to the formation and growth of informal and SMME retailers and b) what they considered to be the most important internal and external enablers to the formation and growth of informal and SMME retailers.

We employed framework analysis in the data analysis (Richie and Spencer, 1994). This is a qualitative data analysis approach that is used mainly in applied policy research. Though inductive in approach, framework analysis permits the inclusion of a priori concepts in addition to emergent concepts in the analysis. As we began data collection with specific issues to investigate, this approach was considered appropriate. We employed all five stages of framework analysis namely; familiarisation, developing a thematic framework, indexing (coding), charting, and mapping and interpretation. In the first stage, the data was transcribed to extract key messages and quotes. . The transcripts were read several times to ensure they were correct and that they became familiar. Secondly, based on a priori issues, we developed the initial thematic framework to use for coding. The main themes or categories we employed are internal barriers, external barriers, internal enablers, and external enablers. These themes are consistent with the Department for Business Innovation and Skills' (2013) clusterisation of the key enablers of business success for SMMEs into internal capacity and capability, the external environment, and the vision of the business owners. In the third stage, having developed the thematic framework to employ in coding, we started the process of indexing (coding). This stage involved identifying specific pieces of data (i.e., category dimensions) relating to each one of the themes in the framework. In the fourth stage, charting, we used the headings (i.e., a priori themes initially) from the thematic framework to create thematic charts in which we populated all the main pieces of data for each participant according to the themes in which they fell. Finally, the last stage, mapping and interpretation, involved the search for patterns, explanations, concepts, and associations in the data. Our focus was on identifying the different types of data falling within and outside the a priori themes. This process enabled us to determine the areas and extent of commonality within and between the two participant groups. The resulting themes and codes (category dimensions) are summarised in Table 2.

Table 2. Themes and codes (category dimensions)

		Stakeholders		**Business owners**	
Theme	*Codes (category dimensions)*	*Count*	*%*	*Count*	*%*
External barriers	Competition	5	42	9	35
	Lack of access to markets	5	42	0	0
	Labour laws (not conducive to business growth)	3	25	0	0
	Lack of entrepreneurial education	3	25	0	0
	Business registration process	4	33	0	0
	Reason for being in business (business not the first career choice)	4	33	0	0
	Ignorance about support services available	2	17	0	0
	Conflicting regulations (e.g., refuge rights to trade vs promotion of local businesses)	3	25	0	0
	Customer demands	0	0	11	42
	Shelter and facilities			8	31
	Lack of support for SMMEs (including funding)	5	42	10	38
	Other threats			11	42
Internal barriers	Poor internal controls (e.g., no separation between business and personal resources)	7	58	4	15
	Poor/insufficient market research	5	42	0	0
	Negative attitude to business and competition	2	14	0	0
	Skills shortage	8	67	8	31
	Lack of capital	0	0	11	42
	Lack of equipment	0	0	4	15
	Lack of shelter	0	0	6	23
	Lack of capacity to deliver orders	0	0	3	13
	Inability to order stock from right sources	0	0	2	8
	Others	0	0	4	15
External enablers	Training opportunities	2	17	0	0
	Access to funding (for good business ideas)	2	17	0	0
	Support programme (e.g., from SEDA)	3	25	0	0
	Generally conducive environment	5	42	0	0
	Shopping centres as business hubs	0	0	3	13
	Increasing demand	0	0	5	19
	Delivery of stock by some suppliers	0	0	1	4
Internal enablers	Technical skills	1	8	0	0
	Networking skills	1	8	0	0
	Skilled owners	0	0	5	19

To enhance the validity and reliability of the study, and in light of the qualitative nature of the study, we employed trustworthiness as proposed by Guba and Lincoln (1994). We took into consideration the different types of criteria of trustworthiness namely credibility (internal validity), transferability (external validity), dependability (reliability), and confirmability (objectivity) (Bryman and Bell, 2007). Credibility addresses the congruency of the findings with reality. To establish credibility requires good practice in the conduct of research such as subjecting the findings to confirmation to ensure correct understanding (Bryman and Bell, 2007). In this study, we sought to realise credibility by the use of data triangulation involving two different types of data sources namely stakeholders from small business support institutions and small business owners. While acknowledging that it is difficult to replicate exact situations in investigations involving social interaction, we sought to mitigate this challenge and enhance transferability of findings by providing a clear description of the context and type of informants we interviewed. Further, we voice-recorded the interviews, and which, together with our description of the context and findings, will enable readers to make judgments about the possible transferability of findings to other similar situations. To ensure dependability, researchers keep records of the research process (Bryman and Bell, 2007). In this case, we have ensured that the findings are auditable because, while providing anonymity by delinking statements from participants, the participants are still contactable to confirm their participation. Additionally, as argued by Guba and Lincoln (1994), demonstrating credibility as we have done above in part contributes to dependability. Finally, confirmability is concerned with objectivity and ensuring that the reported findings are those of the participants or informants rather than the researcher's. To minimize researcher bias, we employed triangulation of data sources.

4 Findings and discussion

The profile of the small and informal business owners interviewed is summarised in Table 3. Forty-two percent of the small business owners we interviewed have been operating for over ten years.

Table 3. Profile of the business owner participants

Characteristic	Category	Count	%
Business age	0-2	2	8
	2-5	4	15
	6-10	5	19
	11 and above	11	42
	Not known	4	15
Source of start-up capital	Own resources	23	88
	Family	3	13
	Informal loan	1	4
Self-reported growth trend	Growing	12	46
	Static	6	23
	Declining	6	23
	Not known	2	8
Registration status	Registered	5	19
	Not registered	18	69
	Not disclosed	3	13
Reasons for starting the business	Desire to be self-employed	2	8
	Unemployment	6	23
	Financial necessity	1	4
	Not disclosed	17	65

4.1 Business owner perceptions of external barriers and enablers

A number of external barriers were identified including competition *(n=9)*, customer demands *(n=11)*, lack of shelter and facilities *(n=8)*, and lack of support for SMMEs *(n=10)*. There was a view that customers are becoming more demanding with regard to prices and level of service they expect. Some business owners perceived these customer demands for quality and good services as a threat. The business owners claimed that they *"…cannot meet these price demands because prices at the suppliers are high"* (Business owner 13). According to Business owner 5, *"local customers are unwilling to pay reasonable prices, hence our dependence on tourists and customers from outside our township. We also take our furniture to flea markets whenever we can"*. The sources of competition identified are immigrant-owned shops and national shops operating from shopping malls. There was a perception, however, that *"immigrant owned shops are more of a threat than* *shopping malls because of their everyday low prices"* (Business owner 10). On the other hand *"shopping malls have specials every month"* (Business owner 23). Other issues relating to customer demands include non-payment or late payment by credit customers and what was seen as unreasonable returns of non-perishable goods for refunds.

The inadequacy and absence of basic shelter and facilities was also identified as a major problem in the development of SMMEs. For example, because they operate in makeshift structures, some businesses owners are prone to suffering losses due to inclement weather. The absence of appropriate storage facilities means that business owners have to transport their goods and services to and from the place of operation every business day. The challenge of basic shelter and facilities is related to the perceived lack of support for SMMEs from the government; although Business owner 6 shared this perception, he was quick to admit *"but I once attended a business management training program"*. For some, lack of access to capital was a manifestation of this perceived lack of assistance. To illustrate, Business owner 21 stated *"I can't get access to capital because I cannot provide surety"*. Business owner 23 claimed *"…we don't get (financial and training) support from our government. …I have applied for funding but been unsuccessful; government must relax requirements for funding for small businesses"*. Other threats identified include seasonality of some businesses, dependence on tourists, rising costs of inputs, minimum wage requirements, unreliability of short-term employees, unemployment, and security.

The external enablers or opportunities identified by the business owners include increasing demand *(n=5)*, the advent of shopping malls *(n=3)*, and the delivery of stock by suppliers to some of the small businesses *(n=1)*. Though some of the participants reported that their businesses were not doing well in terms of sales *(n=6)*, some were of the view that demand for their goods and services was growing *(n=12)*. Similarly, though some business owners saw the advent of malls as a threat to their fledgling businesses, others saw this as an opportunity because malls act as business hubs and therefore attract customers, some of whom patronise small businesses*(n=3)*. According to Business owner 8, big retailers and malls *"are not the main challenge but an opportunity as I see people leaving the shopping centre and coming here to buy"*.

4.2 Stakeholder perceptions of external barriers and enablers

Forty-two percent of the participants *(n=5)* from small business support institutions identified increasing competition in the small business sector as a major problem, particularly in the retail sector in townships and small towns. The main sources of competition identified were immigrant-owned shops and national stores located mainly in malls. The participants suggested that many local stores owned by citizens were not able to compete favourably due to inappropriate business skills in areas such as procurement *(n=8)* and failure to collaborate and cooperate with other businesses *(n=1)*.

Some aspects of the policy and regulatory environment were highlighted as barriers to SMME development. In particular, the centralised business registration process was found to be an onerous and discouraging factor *(n=4)*. Labour laws relating to conditions of employment and the minimum wage were identified as stumbling blocks in small businesses offering formal employment *(n=3)*. Some participants pointed out that better coordination between government departments dealing with small business enterprises would contribute to improving the policy and regulatory environment *(n=3)*. Finally, the lack access to markets, including local procurement policies at the local government level, was also seen as a hindrance to small business development *(n=5)*.

The stakeholders acknowledged that a number of factors operated as enablers to SMME development and affirmed that the business environment in South Africa is generally conducive for SMMEs *(n=5)*. For example, there were a number of business support services in place such as training, mentorship programs, and other business development services provided by both public and private sector institutions.

4.3 Business owner perceptions of internal barriers and enablers

The lack of capital was the major internal impediment identified by the business owners *(n=11)*. The other internal barriers were lack of or inadequate equipment *(n=4)*, lack of appropriate shelter *(n=6)*, lack of capacity to deliver orders *(n=3)*, inability to order stock from right sources *(n=2)*, skills shortages *(n=8)*, and failure to separate the business from owners *(n=4)*. Others include production capacity constraints, and uncompetitive pricing *(n=4)*. The lack of capital was manifested in various areas including the inability to order stock in the right quantities and from the right sources, failure to build or expand shelter, and the lack of equipment. In the words of Business owner 1: *"Government must help us with money. We have tried the banks to raise capital…"* but *"The banks ask you how much you have before they can help you"* (Business owner 6). To emphasise that it is not hand-outs from government that they need Business owner 18 added "*Help from government is does not have to be hand-outs. Loans on good terms would help"*.

Some business owners acknowledged that lack of skills is a major impediment in their businesses *(n=8)*; the main area being a lack of general business management skills. For example, business owners, such as Business owner 1, understand the need to address his lack of marketing skills: *"I don't know how I can keep people or customers from going to the* *national stores but come to us (i.e., small business retailers)"*. Most business owners did not identify any internal enablers save for their skills as business owners *(n=5)*. These included businesses owners who relied on their skills as carpenters and tailors, for example.

4.4 Stakeholder perceptions of internal barriers and enablers

Major internal barriers identified by stakeholders were inappropriate or poor skills *(n=8)*. These were evident in areas such as entrepreneurship, finance, business management, business development, networking skills, productivity, planning, marketing, and leadership. Other barriers include poor internal controls (e.g., no separation between business and personal resources) *(n=7)*, insufficient market research *(n=5)*, and negative attitudes to business and competition *(n=2)*. Within the business enterprises, success was more likely if the business owner had appropriate business management skills, an entrepreneurial work ethic, access to finance, and the appropriate technical skills. Stakeholder 6 emphasised: *"The absence of skills is a major issue, but it is compounded by a failure to provide services for which there is a need in the community. The business owners do not go out of their way to differentiate their businesses from competitors. Immigrant business owners relate to customers very well, hence the moniker 'my friend shops'.* To emphasise, the importance of collaboration, the benefits of networking and belonging to appropriate business associations, were also identified as important business enablers for SMMEs *(n=1)*. According to Stakeholder 8 *"the business owners do not have a formal or informal structure to operate in…it is each on his or her own…hence they have no buying or bargaining power"*.

To sum up, a comparison of the two groups of participants shows that both groups were in agreement about the lack of support (including funding) and competition being amongst the major external barriers to the growth of small businesses. However, while the business owners viewed customer demands and lack of shelter and facilities as part of the top three external barriers, the stakeholders included lack of access to markets and the onerous business registration process. The groups did not share the same view on internal barriers, except for poor internal controls (i.e., lack of separation between business and personal resources). For the business owners, the main internal barriers were a lack of funds shelter, facilities, and equipment. In contrast, the stakeholders saw the main internal barriers as lack of skills, failure to separate personal from business resources, and insufficient market research. There was no commonality regarding the top external enablers between the two groups. While some business owners saw increasing demand and the advent of shopping malls as enablers of small business development; stakeholders pointed to what they said was a generally conducive business environment, the availability of business support programs, and funding for good business ideas as the main external enablers; all part of the external environment according to the Department for Business Innovation and Skills' (2013) clusterisation of the key enablers of businesses success. Both groups only identified the business owners' skills as the main internal enabler because it is evidence of the internal capacity and capability of an SMME.

5 Conclusion and recommendations

This study sought to identify the major external and internal barriers and enablers to the start-up, survival and growth of small and informal businesses involved in retail. The main barriers were identified as increasing competition, inappropriate and poor business skills, lack of collaboration, and aspects of the policy and regulatory environment. Other barriers include the lack of funding, poor positioning, poor internal controls (including failure to separate personal and business affairs), reasons for going into business, lack of access to markets, insufficient market research, failure or unwillingness to take up business development assistance, and inadequate or inappropriate use of technology. A number of enabling factors were also identified including the generally conducive business environment, access to finance for good business ideas, and availability of business support services.

The findings relating to the barriers and enablers in this paper are consistent with the conceptual foundations as outlined in the literature review. For example, the findings relating to the barriers of competition, customer demands, and lack of shelter and facilities can be explained by the retail levers of success including store factors, service factors, price factors, and supply chain factors (Grewal et al., 2010). They are also consistent with previous research on the barriers encountered by SMMEs (e.g. Coad and Tamvada, 2012; Finmark Trust, 2010; Okpara and Kabongo, 2009; Okpara and Wynn, 2007; Fielden, Davidson and Makin, 2000). Similarly, the findings relating to the enablers of success identified in this study are congruent with one of the three clusters of enablers identified by the Department for Business Innovation and Skills (2013), namely the external environment and the market; under which increasing demand, market dynamics, the business environment, and business support programs fall. However, the juxtaposition of business owner perceptions with those of stakeholder perceptions reveals that although there is agreement on what the barriers and enabling factors are, there are some differences regarding the importance attached to these factors by the two groups. In order to determine whether these differences are generalisable or not, a larger study would be required. This is an area of enquiry further research on this topic could pursue.

Based on the findings, the following recommendations are made. The lack of business management skills emerged as a major problem. The first recommendation is, therefore, that resources be devoted to undertaking comprehensive training needs analyses to facilitate the design of appropriate skills development interventions. Addressing the skills gaps could help overcome many other barriers such as poor positioning, poor internal controls, and poor market research. In order to encourage more business owners to participate in these programs, the focus must not only be on creating awareness of these programmes but also on incentivising attendance. For one-person businesses, attending a training programme has the opportunity cost of lost income as the business has to close while the owner attends the training programme. As most of the informal business owners are forced into business by necessity, it is very unlikely that they will go into business having had some business management experience. This means that as far as business management experience is concerned, they start their businesses from a point of weakness. In addition to training, the use of mentors should be considered to help these businesses.

We found that 88% of the traders used their own private resources for start-up capital in their businesses. Business owners who manifest entrepreneurial flair and the desire to grow should be funded and offered business management training as a condition for funding. Shelter and services were in some cases non-existent or not up to standard. One key lever of retail success relates to store factors. Assistance is therefore required to help emergent retailers upgrade their shelters and accompanying services. A failure or unwillingness to take up available business development resources was also a problem. It is recommended that appropriate measures for creating awareness be implemented. Such measures could include business fairs in the communities and working with community- based business associations and local development associations.

We found that owner and stakeholder perceptions of what the key barriers and enablers are did not coincide in some cases. This suggests that it is important for SMME development institutions to involve business owners in the design of interventions to improve the performance of SMMEs. However, both the business owners and the stakeholders were in agreement about the key external barriers being lack of support (including funding) and competition, and the key internal barriers being skills shortages and lack of internal controls. Therefore, intervention strategies to improve the performance of SMMEs should start internally with skills development and strengthening internal controls before attending to funding issues. Without improving the business owners' relevant skills, all attempts to improve the performance of SMMEs will likely not be effective.

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