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Factors contributing to high growth in SMMEs in Gauteng

Abstract

South Africa is in desperate need to grow the population of high growth SMMEs, as these businesses are key to job creation, innovation efforts, poverty alleviation, promoting economic growth and contributing meaningfully to the South African tax base. This study aims to identify the factors contributing to the high growth of SMMEs in the Gauteng province in South Africa. The study further aimed to determine how the high-growth SMME sector could be nurtured, from the perspective of existing high-growth SMME owners who have experienced more than 20% growth in the past three years. The study was qualitative in nature and made use of semi-structured interviews with sixteen SMME owners based at Incubation Hubs in Gauteng. Data were analysed by means of thematic content analysis. This study concludes that this particular sector plays a significant role within South Africa's economy. However, for this sector to continue growing, SMMEs need to equip themselves with managerial and industry skills, have a good financing model in place and be provided with government support through policies and development finance. The study is of value to existing SMMEs struggling who can use the identified factors to promote growth internally, as well as to policymakers to structure interventions to promote high growth in existing SMMEs.

Keywords: *small, micro and medium-sized enterprises; South Africa; high growth*

1. Introduction

South Africa faces a multitude of social and economic problems, with recent statistical releases showing pedestrian economic growth rates of around 1.4%, an unemployment rate of around 27.1% according to the restricted definition, coupled with a growing population estimated to be almost 58 million people (Statistics South Africa, 2018a,b,c; 2019). In an effort to alleviate some of the socio-economic ills, the South African government adopted the National Development Plan (NDP) 2030, an all-encompassing blueprint to ignite economic growth, reduce unemployment and bring countless South Africans above the poverty line. One central component of the NDP is the creation of small, micro and medium enterprises (SMMEs) to close the gap between the economic reality and envisaged plan (National Development Plan, 2016). The NDP recognises the role SMMEs can play in creating meaningful employment on a broader scale, thereby alleviating poverty.

It is however of utmost importance not just to create these enterprises, but also to stimulate growth in new and existing SMMEs (Bhorat, Asmal, Lilenstein & Van der Zee, 2018). The importance of promoting growth within SMMEs cannot be overstated, as it has been found that 52% of enterprises with high growth rates have shown increased levels of employment (SME Growth Index, 2013). It is therefore not surprising that an increased volume of research has been dedicated to uncovering the nature of various metrics of organisational performance (Coad, Daunfeldt, Nightingale, Hölzl & Johansson, 2014). It has also been observed that approximately half of all formal SMMEs operate in the Gauteng province, contributing up to 14% to GDP (Statistics South Africa, 2015).

In addition, approximately 20% of the population resides in Gauteng and the province is considered a booming market for entrepreneurs to start their businesses (Gauteng Enterprise Propeller Overview, 2017). The large population residing in the province presents significant opportunities for SMMEs, as there are large target markets to serve due to the substantial demand, coupled with an increasing migration pattern to Gauteng in search for job opportunities (Statistics South Africa, 2018a). It is therefore concerning that South Africa has a relatively small base of existing SMMEs, as well as an observable diminishing growth of the number of these types of enterprises (Goddard, 2017). In addition, SMMEs experience high failure rates and various obstacles to growth and sustainability, such as lack of access to credit and financial services, poor infrastructure, low levels of support, problems with market accessibility, as well as a shortage of available skills, amongst other problems (SEDA, 2016).

This study therefore aims to address the need to identify and understand the factors contributing to the high growth of SMMEs in Gauteng, as well as uncover recommendations on how to nurture this important sector.

2. Problem Statement

The social and economic importance of high growth SMMEs cannot be overstated, as these enterprises contribute meaningfully to GDP growth, assist in alleviating high levels of unemployment by providing job opportunities. Yet, South Africa is only host to a relatively small number of high-growth SMMEs, thereby not fully using the potential these enterprises hold. In addition, small businesses in South Africa experience high failure rates, thereby reducing the number of small businesses that could have been transformed into high-growth SMMEs. Over the years, increased attention has been placed on high growth businesses owing to the significant contribution of economic growth (Mamburu, 2017). The identification and study of the success factors contributing to the high growth in the SMME sector is equally as important to consider. Therefore, special attention needs to be given to identifying the critical success factors contributing to the high growth of SMMEs (Ngcobo & Sukdeo, 2015). This then highlights the need to understand and highlight the success factors that contribute to high growth within SMMEs, thereby empowering more SMMEs to grow their businesses.

3. Research objectives

The primary objective of the study is to identify and understand the factors contributing to the high growth of SMMEs in Gauteng. Secondary objectives included uncovering recommendations from the viewpoint of SMMEs on how to nurture the SMME sector, as well as making practical growth-related recommendations for SMME owners and policymakers.

4. Research methodology

The research design for this study considers the structure in researching and identifying the aim and objectives of the study including how the data was collected and analysed (Sekaran & Bougie, 2010). The study was qualitative in nature, using an interpretivist philosophy to understand the thoughts of the entrepreneurs by viewing growth-related factors from their perspective, thus getting deeper insights into their lives. This helped to identify and understand the factors contributing to the overall success and growth of SMMEs and how to nurture this sector and to

shortlist the critical factors contributing to growth. The scope of the study focused on high-growth SMMEs serving the Gauteng province in South Africa and are located within incubation hubs in the Gauteng area. To be included in the study, the SMMEs had to have association with an incubation hub in Gauteng, as well as experienced profit growth of 20% over a three-year period. Gauteng is home to a number of incubation hubs, such as the Awethu Project, Innovation Hub, Tshimologong Precinct, The Box Shop, Riversands Innovation Hub and Jozi hub. These hubs all serve different purposes or have different strategies ranging from mentorship, business development and support, office space and help solve market problems (Modau, 2018).

For purposes of this research, owners of high-growth SMMEs operating from an incubation hub in Gauteng were considered as part of this study. The targeted participants were above the age of 18. The sampled SMME should be in operation for a minimum of three years and with 20% profit growth to ensure that the entrepreneurs who were interviewed fall within the definition of a high-growth enterprise. A non-probability sampling approach was followed in the form of convenience sampling to obtain a sample of sixteen SMME owners during the month of August in 2018.

Data were collected by means of semi-structured interviews, guided by an interview guide that contained seven broad open-ended questions for the respondents to explain their thoughts in depth. The interview guide was formulated based on the issues discovered during the literature search, which included age of the business, contributing factors to business success, as well as other contributory factors. Interviews were audio recorded with a cell phone and supplemented through written notes, where after the researchers transcribed the data. Data were analysed by means of thematic content analysis, with results presented according to major over-arching themes uncovered in the data collection process such as funding, skills and experience and government policy.

Ethical clearance for the study was granted by the College of Business and Economics at the University of Johannesburg. Before interviews were conducted, participants were briefed on the purposes of the study and informed that participation was strictly voluntary. Participants were further informed of their right to withdraw at any point during the interview. All identifying information was removed in order to ensure confidentiality and anonymity.

5. Literature Review

The following literature review investigates the nature of entrepreneurship. The various success factors contributing to the high growth in SMMEs illustrate two critical accounts on success definition and key critical success factors, namely: skills and expertise, personal qualities, creativity and innovation, risk, culture, education, government support, access to finance and policy development.

5.1 Defining entrepreneurship

Morris, Kuratko and Covin (2008:10) define entrepreneurship as “the process of creating value by bringing together a unique combination of resources to exploit an opportunity”. Burns (2013) argues that the core to entrepreneurship is opportunity exploitation, which commonly involves the creation and capturing of value for the entrepreneur and customer. Morris, Kuratko and Covin’s (2011) definition of entrepreneurship agrees with the value creation component of Burns’ definition, however the authors add that the creation of value is achieved by means of the assembly of resources to exploit an opportunity in the marketplace. Acs, Szerb and Lloyd (2017) state that there are three components driving entrepreneurship; namely attitudes, abilities and aspirations. In addition, other contributory factors to entrepreneurial success are strategic market segmentation, in-depth competitor knowledge, as well as the capability to respond to customer needs and wants in an effective manner.

In addition, entrepreneurship contributes directly and indirectly to economic growth, the establishment of new businesses and the re-development of existing businesses (Minniti, 2005). Fillion (2008) goes further to state that entrepreneurship is a field of study that investigates the entrepreneur, other entrepreneurial actors and the entrepreneurial environment. At the centre of the process of entrepreneurship is therefore the entrepreneur, who is usually an individual who undertakes the entrepreneurial process with the aim of wealth creation and value-add, through the development of ideas, assembly of resources and overseeing of internal operational excellence (Strydom & Adams, 2009). As the entrepreneur is the central actor in, and initiator of, the entrepreneurial process, the growth and development of a small business is therefore greatly influenced by the entrepreneur, who needs to be on the lookout for new avenues of growth (Nieuwenhuizen & Nieman, 2019).

5.2 Defining small, medium and micro enterprises (SMMEs)

While the Department of Trade and Industry (DTI) seeks a wide definition by inclusion of formally registered business and informal businesses, the Small Enterprise Development Agency defines an SMME as a business that ranges from medium sized enterprises, such as established traditional formal family business, which employ over 100 people to informal micro enterprises (DTI, 2008; SEDA, 2016). The official definition of a small enterprise as contained in the National Small Business Act (1996:2), which defines a small business as “a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more, which include its branches or subsidiaries, if any, is predominantly carried on in any sector or subsector of the economy” and “which can be classified as a micro, a very small, a small or a medium enterprise”. While the National Small Businesses Amendment Act (2003) provides specific criteria on classifying SMMEs, a proposal was recently tabled to amend the National Small Enterprises Act (2004) with the following new criteria as outlined in Table 1.

Table 1. SMME definition

Sector or sub-sector in accordance with the Standard Industry Classification	Size or class of enterprise	Total full-time equivalent of paid employees	Total annual turnover
Agriculture	Medium	51-250	<35,0 million
	Small	11-50	<17,0 million
	Micro	0-10	<7,0 million
Mining and Quarrying	Medium	51-250	<210,0 million
	Small	11-50	<50,0 million
	Micro	0-10	<15,0 million
Manufacturing	Medium	51-250	<170,0 million
	Small	11-50	<50,0 million
	Micro	0-10	<10,0 million
Electricity, Gas and Water	Medium	51-250	<180,0 million
	Small	11-50	<60,0 million
	Micro	0-10	<10,0 million
Construction	Medium	51-250	<170,0 million
	Small	11-50	<75,0 million
	Micro	0-10	<10,0 million
Retail, motor trade and repair services	Medium	51-250	<80,0 million
	Small	11-50	<25,0 million
	Micro	0-10	<7,5 million
Wholesale	Medium	51-250	<220,0 million
	Small	11-50	<80,0 million
	Micro	0-10	<20,0 million
Catering, Accommodation and other Trade	Medium	51-250	<40,0 million
	Small	11-50	<15,0 million
	Micro	0-10	<5,0 million
	Medium	51-250	<140,0 million

Transport, Storage and Communications	Small	11-50	<45,0 million
	Micro	0-10	<7,5 million
Finance and Business Services	Medium	51-250	<85,0 million
	Small	11-50	<35,0 million
	Micro	0-10	<7,5 million
Community, Social and Personal Services	Medium	51-250	<70,0 million
	Small	11-50	<22,0 million
	Micro	0-10	<5,0 million

Source: Government Gazette No.41970 (2018:96).

While the National Small Business Amendment Act (2003) takes into account factors such as number of employees, turnover and gross assets of the organisation, the new proposed criteria only take into account two proxies, namely total Fulltime Equivalent of Paid Employees and Total Annual Turnover, as well as removal of the category ‘very small enterprise’. This change can be attributed to the difficulty in measuring gross assets, as well as adjusting turnover values for inflationary increases since the last amendment of the National Small Business Amendment Act (2003). The proposed definition of a small enterprise is also updated to make reference to “a separate and distinct business entity, together with its branches or subsidiaries, if any, including cooperative enterprises, managed by one owner or more predominantly carried on in any sector or subsector of the economy mentioned in column 1 of the Schedule and classified as a [very small] micro, a small or a medium enterprise by satisfying the criteria mentioned in columns 3 and 4 [and 5] of the Schedule”, according to the Government Gazette No.41970 (2018:96).

The size of an SMME is important as it carries certain advantages compared to large businesses, such as the ability to adapt more easily to adverse market conditions, thereby leveraging the element of flexibility (Kayanula & Quartey, 2000). SMMEs play not only an important role in creating employment, but also address income inequality through distribution of income, particularly in rural areas. The instrumental role SMMEs play in emerging economies such as South Africa needs to focus on gathering an understanding of the factors that could stimulate high growth (Goedhuys & Sleuwagen, 2010).

5.3 Defining high growth

Growth can take several different forms, commonly in the form of growth in revenue, but also in terms of asset growth and value creation (Kruger, 2004). Yu (2000) however advises that measuring growth in terms of an organisation’s asset base can be problematic as it often does not consider the true value of intangible assets such as brands, knowledge and patents. The OECD (2017) defines “high growth businesses (Gazelles) as enterprises with an average annualised

growth greater than 20% per annum measured over a three-year period, and with ten or more employees at the beginning of the observation period". This definition concurs with the NDP, which defines gazelles as businesses that exhibit an annual growth rate of 20% for four consecutive years (National Development Plan, 2016). These two definitions highlight that the size of the business is not considered, with the focus placed on sustained high growth over a period of time. The creation and promotion of high growth businesses is vital to job creation and due to their socio-economic contribution, have attracted considerable attention in both research and with policymakers (Coad, Daunfeldt, Hölzl & Johansson, 2014).

5.4 Factors contributing to high growth in SMMEs

Entrepreneurial activities often underpin and drive competitive innovation, dynamism in industries, as well as the growth and development of modern economies (Carlsson, Braunerhjelm, McKelvey, Olofsson, Persson & Ylinenpaa, 2013). Entrepreneurship plays an important role in modern economies, both developed and developing, implying that SMMEs need nurturing and support by all relevant stakeholders, such as civil society, government and large business. However, some researchers have argued that low growth and failure of SMMEs can be attributed to the government's strategic focus on SMMEs' programmes, which, apart from other factors such as managerial and financial shortcoming, are mainly focused on employment creation and income redistribution, rather than promoting internal levels of growth (Berry, Von Blottnitz, Cassim, Kesper, Rajaratnam & Van Seventer, 2002; Kalane, 2015). These factors therefore create the need for researchers and industry to understand how high growth SMMEs have survived the first three years in operation despite many challenges and obstacles, as well as to identify those factors that have contributed to their growth.

There are a diverse range of success factors associated with SMME growth. which can be both personal, internal or external to an organisation, namely; an entrepreneur's education and skills, access to finance, personal qualities, creativity and innovation, risk, culture, government support and policy development (Naidoo, 2016). A discussion of the more prominent factors follows.

5.4.1 Internal factors

Internal factors are usually those factors, which are controllable by the entrepreneur and which affect the success and the operations of an enterprise (Fatoki & Garwe, 2010). When an entrepreneur invests in their personal development through formal education, practical learning, and acquiring relevant skills in their business this could have a positive impact in growing their business (Simpson & Docherty, 2004). The entrepreneur's personal learning is directly linked to the ability of an owner to develop the necessary competencies and stimulate the competitiveness

of the enterprise (Rambe, 2015). The key role an owner plays in a business is stated by Strydom (2012), who highlights that the owner tends to be the key role player in driving the business by applying skills, experience, expertise and aptitude to manage a business profitably. McMullen and Shepherd (2006) further support the view that entrepreneurs will always find creative ways of developing themselves through unconventional learning, to identify business opportunities as their success in business is not only influenced by the education they possess, but also by their desire to achieve goals, as well as prior industry experience. To support these owner-entrepreneurs, some authors suggest that traditional business schools should focus on equipping entrepreneurs with practical and useful skills and attributes (Kirby, 2005).

In terms of the personal qualities of an entrepreneur, as much as education and skills discussed earlier are crucial for the success of any business, the personal attributes of an entrepreneur also contribute to reasons behind the growth and success of the business (Chavez, 2016). As the owner shapes the direction and trajectory of a business, their personal qualities are of utmost importance. This is where the entrepreneur's drive and innovation play a significant role (Walker & Brown, 2004). Herrera (2016) claims that there is evidence that implies that successful entrepreneurs are those that are innovative. Risk and innovation are usually connected, because risk is considered to increase with new and untested ideas, while risk also subsequently increases when the entrepreneur ignores the need to innovate (Morris, Kuratko & Covin, 2011). Hence, it is of importance for a country to have entrepreneurs who are both innovative and risk-taking, which allows the business to be a step ahead of competition and develop new ways to produce a product or a solution and contributes to the longevity of a business (Drucker, 2014).

5.4.2 External factors

External factors are those factors over which a business has little or no control. These external factors can be both competitive in nature, as well as from the external socio-political and economic environment (Nieuwenhuizen & Nieman, 2019).

Governments are central role players in the support of small businesses by providing both support structures and supportive policy frameworks (Herrington, Kew & Mwanga, 2017). The Department of Trade and Industry (2008) supports small businesses by means of business grants and other support mechanisms, in the hope that these businesses will positively influence the country's economy. However, only about 3,7% of small business state that the department has helped their company (Timmis, 2017), indicating that greater scope for involvement exists.

Other government support initiatives that were developed include the provision of business plan templates, mentorship and business coaching through the Ministry of Small Business

Development, which aims to transform dynamics such as the country's employment rate because the sector can drive innovation and job creation (SEDA, 2016). These support initiatives are aimed at improving the growth rate of SMMEs (Riversands Incubation Hub, 2018). However, traditional government policies that seek to encourage SMME creation and growth have not yielded positive outcomes over the years because not all SMMEs contribute to economic development. This then brings the need for other policies such as business operation policies to focus on encouraging high growth SMMEs (Shane, 2009). This however can be better coordinated through streamlining government support structures for small businesses (OECD, 2017). Therefore, it is not sufficient to merely promote an increased number of small businesses, but to encourage and support the longevity and sustainability of small businesses if they are to really contribute to the economy of a country (Van Praag, 2003).

In terms of financial accessibility, the availability of external financing is essential for small, business expansion and development (Connolly & Jackman, 2017). This subsequently allows SMMEs to finance operations and activities, which are crucial to survive the ever-increasing competitive demands (Tustin, 2003). Many small businesses are however forced to self-fund their businesses as financial institutions, such as retail banks, view small businesses as too risky in nature, mainly due to a lack of collateral (Njiro, Mazwai & Urban, 2010). In addition, government support and financing models available for small businesses are dependent on the size and the age of the business. Financing models and methods differ from one company to another. Some small businesses in South Africa are self-funded; mainly borrowing from family and friends and even selling personal assets to acquire capital, however this is usually not sufficient to lead the business to its full potential. Some entrepreneurs access finance from external sources (Nieuwenhuizen & Nieman, 2019). According to Abdulsaleh and Worthington (2013), access to finances is one of the most important components in the creation and growth of an SMME, as it directly influences long-term sustainability. Similarly, Ou and Haynes (2006) point out that the availability of finance is key in the success and development of an SMME. With many businesses compounded by the lack of subsidies and grants, there is a need for more support, the provision of financial assistance and clear communication of the various available financing models. The various methods of funding are as follows:

- **Self-funding.** Due to inadequate access to financial services, many small businesses are required to self-fund in the form of accessing savings or borrowing funds from family or friends (Hussain & Al-Attar, 2004). This type of funding is one of the most powerful in terms of SMMEs funding as it reduces the risks of not being able to pay back the money in case the

business is not doing well; also the owner is not contractually obligated to anyone (Terungwa, 2012).

- **Angel Investors.** Angel investors are regarded as capitalists who see an opportunity and invest in it, either in terms of finance, skills or time, in return for equity (Cohen, 2013). Similarly, DeGennaro (2009) defines angel investors as an individual or group of people that act as venture capitalists and invest their funds into entrepreneurial projects. There are organisations that specifically connect the SMMEs with the angel investors. Lately, angel investments have become a more feasible option for SMMEs seeking access to financing. These investors are involved from the beginning phase of the business development by providing capital to help grow the business (Angel Investment Network, 2018).
- **Government grants and initiatives.** The government of South Africa has recognised that a healthy and growing SMME sector is significant in the country's economic growth and job creation. This has encouraged them to come up with grants to support this sector with financing. They developed various grants in support of this (Thinkroom, 2018). The DTI has programmes whereby entrepreneurs submit their business plans and they help fund those business plans if they meet the criteria they are looking for. There are also organisations, such as the Small Enterprise Finance Agency (SEFA), that work closely with the government to find those small businesses that require funding to ensure that the business is established (SEFA, 2017). Government also offers a range of grants to small businesses based on the business requirements, as well as Incubation Support Programmes, which aims to help develop incubators into successful enterprises (Incentives SA, 2018).
- **Financial Institutions.** Banks are the main contributors to the financing of small businesses, (Torre, Martinez & Schumkler, 2010) as they finance more SMMEs than any other business, as they play a critical role in the overall development of the country and are considered the major source of long term funding for entrepreneurs (Agarwal, 2016). The uniqueness of small business poses a risk that financial institutions find it difficult to evaluate. There are several factors that contribute to this challenge faced by SMMEs such as: financial management structures not in place, first generation of owners perceived to be risky, as well as owners that lack a diversified portfolio (Ang, 1991). The financial institutions use the same criteria for funding used in large corporates, which disadvantage the SMMEs, which then leads to banks evaluating the entrepreneur's credit worthiness and collateral (Pretorius & Shaw, 2004). This has, over time, negatively affected the establishment and growth of SMMEs as many were unable to obtain funding due to the exclusionary nature of these criteria.

6. Findings

The interview sought out to understand and identify the success factors that contribute to the high growth of SMMEs in Gauteng. The target was twenty interviews to identify trends and patterns from the respondents, however, due to accessibility reasons a final total of sixteen interviews were conducted. Face-to-face interviews were conducted over four days at various incubation hubs in Gauteng during the month of August 2018. Interviews were conducted with SMME owners who were present at the incubation hub and available for interviewing on the day of the visits to the incubation hub. The interviews were guided by an interview schedule, with demographic variables being obtained first, followed by a discussion on the seven critical areas identified in literature. As the focus of the study was on the SMME itself, no demographic data on the owners was collected, but rather on SMMEs themselves. After transcription of the results, data were analysed by means of thematic content analysis and findings presented according to major over-arching themes.

Table 2 Demographic variables of sampled SMMEs

Size of business	Medium	Small	Very Small	Micro
Number of SMMEs	1	4	6	5
Number of employees	4-10	1-7	1-5	1-5
Years in operation	6	3-9	1-11	0.6-4

Table 2 is constructed based on the National Small Business Amendment Act (2003) criteria. SMMEs were classified based solely on annual turnover, as it was found that the sampled SMMEs could fit into different classifications due to conflicting turnover and employee numbers. For example, one sampled SMME with an annual turnover of R30 million had only ten full-time employees. The age of the businesses differed significantly, with the one medium enterprise having been in business for six years, whilst the four small businesses ranged from three to nine years of operation. The very small businesses were within the range of one to eleven years and the micro businesses were in operation for between six months to four years. In terms of revenue, the medium enterprise had a turnover of R30 million, four small enterprises had a turnover ranging from R750 000- R3 million, the very small businesses had a turnover ranging from R200 000 to R500 000 and the five micro business respondents had an annual turnover of between R20 000 to R150 000.

Skills and experience

There are various skills SMME owners must have to grow their businesses, with one participant stating that “financial management is very important for every business to move and grow”. A similar sentiment was uncovered in the majority of interviews, with financial management being stated as a key skill for sustained success. This finding is in-line with other studies, such as Chavez (2016). One respondent stated that business is very cyclical, stressing the importance of good financial management in leaner months. A further key skill that most participants referred to was customer service. This was stated as one of the reasons that many SMMEs were still in business. Customers who were satisfied with the service had referred many other potential clients to the business. One participant stated that “our first client, until today is the one who has brought us many customers”. In addition to customer service, market knowledge was uncovered as a key skill that allows any business to be able to position their brand and business in a manner that gives it a competitive advantage above its competitors. “This is something you learn at school but get to practice in business”, said one participant who is involved in a highly competitive industry but still able to grow exceptionally regardless of challenges. Both business experience and education were identified as contributing factors to high growth in SMMEs. Six of the participants stated that they worked in the same industry before deciding to venture into their own business. This advantage has helped them in knowing the market, with one participant stating “I worked on my client base whilst still working in my previous job”. This contributed to his success, especially in the beginning of business establishment.

Funding

Most participants indicated succeeding due to access to sufficient funding or capital, which mirrors the views of Tustin (2003). The majority of participants struggled with access to finance and indicated not having the requisite skills to manage these funds, thereby indicating that growth is dependent on this factor. When questioned about why participants did not approach traditional banking institutions, most participants were of the view that banks have many requirements before they can offer a loan, and many of these SMMEs did not meet the minimum requirements, for instance in terms of required collateral. Most of the participants indicated knowing that the South African government has created various methods to help SMMEs grow. One of the participants said their biggest support structure financially was the government. This participant indicated having received grants and loans from the government, which contributed greatly to their success as other private institutions were not able to provide support. “SEFA has been a great help to our business, we accessed a substantial amount for a project from them last year” stated one of the participants, who had benefited from government loans accessed through SEFA. However, even

though this support is available from the government, eight of the participants claimed that the process to apply for government support was very lengthy and required too much documentation, hence most merely rely on their own capital. Self-funding was the most prominent form of funding that the participants stated used to start their businesses. Thirteen owners mentioned that they had to use their own money to fund their business due to the above-mentioned challenges experienced with financial institutions and government. One of the participants stated that “To this day, my business runs on my own money, I have not borrowed any money yet”.

Government policy

Another key role which the government plays in the South African economy is to encourage growth of SMMEs through its policies. The Enterprise Supplier Development policy created by the government encourages large corporates to collaborate with SMMEs, which has worked well for seven of the participants, one of the participants stating “we have partnered with Phillips as the small business, they are responsible to influence and contribute to its growth, this helps us get clients and gives us credibility”. The black business supplier development program is another policy that SMMEs can benefit from, as stated by several participants, which also persuades large corporates to collaborate with black-owned SMMEs. “We benefit greatly because of the Agriculture Policy Framework, which enhances the participation of SMMEs in the agro-processing industry” stated one of the participants. The above findings indicate that the government’s role in facilitating business is key to enhance the entrance of SMMEs in key industry and contributing to their growth, as stated by Shane (2009).

Social Networks and Strategic Alliances

The interviews also highlighted the importance of social networks and strategic alliances, which many of the SMME owners are part of at the incubation hub and many of the successful SMMEs are still in business due to deals identified through networks and partnerships. One of the participants stated that their business got an opportunity to collaborate with a large, well-known corporate which has helped them gain credibility and access to a larger base of clientele through this social network. Social networks, which were mentioned included expos, conferences and events which the incubation hub helps to arrange as required. Networks provide the platform to share business insights, challenges and the ways to adopt and be sustainable (Chimucheka, 2015). All participants indicated being members of some form of social network arranged by the incubation hubs.

7. Recommendations, Value and Conclusion

The purpose of this study was to uncover factors contributing to the high growth of SMMEs in Gauteng, South Africa. To achieve this objective, semi-structured interviews were conducted with SMME owners located within an incubation hub. Following the findings of this study, several recommendations can be drawn. Firstly, government should work together with financial institutions to find ways to accommodate new businesses by trying to make funding criteria more flexible for SMMEs, such as the need for collateral, as this has been known to frustrate and discourage individuals considering starting a business. Due to the South African government known to have complex legislation and compliance, SMMEs should source an expert to advise on legislation, or be provided with access to such an expert. The legal environment should also support SMMEs to compete and grow, mainly by means of lessening the administrative burden on SMMEs. Traditional business schools can also be leveraged to include practical entrepreneurship skills which can equip potential entrepreneurs and give them a competitive advantage when starting their businesses. In terms of managerial implications, it is of outmost importance for business owners to form alliances or belong to a network. These enables them to share skills and expertise on ways to grow and sustain their businesses. These initiatives help encourage confidence in the owners and give the businesses credibility. SMMEs can also consider different options within strategic alliances, such as bartering to encourage doing business within networks. The value of the study lies in the discovery of factors contributing to high growth of SMMEs from the perspective of South African SMME owners who have had exposure to growth-related interventions, through participation in an incubation hub. The study therefore contributes to the body of knowledge by providing tangible recommendations to spur growth in the SMME sector, thereby aiming to increasing the small number of high-growth SMMEs.

In conclusion, it is evident that there is a significant role within South Africa's economy that SMMEs can contribute positively to. Without the right skills, such as managerial and industry skills, many SMMEs will struggle to grow, therefore it is crucial for any SMME owner to ensure that they are equipped with a talented workforce. The workforce should have the requisite key skills as identified in this study in order to increase the likelihood of success of their business. There is therefore a need for the government and the private sector to continue supporting SMMEs to grow. It is also the responsibility of the SMME to position themselves strategically and understand what support is available, how to grow and be sustainable. A country that invests in its SMME sector not only improves its growth but also positions itself to compete more innovatively on a global scale.

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