

# **Business Development Services (BDS) and SMME Development in South Africa**

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## **DECLARATION**

I, Portia Zilwa, hereby affirm that the material in this study is my own work and has not been submitted previously to UCT or any other University. I have conducted work alone apart from for where it is stated otherwise.

## ABSTRACT

Small businesses are regarded as economic growth engines with the potential to address the unemployment crisis in South Africa. The government has limited capacity to employ the majority of the unskilled and semi-skilled who are unemployed. Agencies and private organisations offering business development services (BDS) are required to assist small, medium and micro enterprises (SMMEs) help government to address unemployment. Small and medium enterprises (SMEs) are recognised for the crucial role they play in activating and supporting economic growth. While much attention and hope has been placed on SMEs to provide the much-needed jobs, they are faced with enormous challenges and continue to fail. These challenges make it impractical for SMEs to realise their full potential and deliver to the government's and society's expectations. It is documented that SMEs face unique problems, which negatively affect their prospects and as a result, weaken their capacity to contribute to sustainable economic growth. Government and other private sector stakeholders have availed various types of business support in South Africa both as financial and non-financial support to assist SMEs overcome these problems. There has also been an emergence of business development service providers (BDSPs) that seek to extend support to SMEs, to ensure their sustainability, improve production techniques, market access and increase competitiveness but this has not yielded the desired results. Business development services refer to services that improve the performance of the enterprise, its access to markets, and its ability to compete.

This study sought to explore the nature of BDS offered to SMMEs with a view to help them remain sustainable. Further, the study explored the challenges faced by BDSP. The study used an inductive qualitative research approach and employed semi-structured interviews to collect data. The population of the study consisted of SME business development service providers in South Africa, with an eventual study sample size comprised of ten providers.

The findings indicate that there is a range of services offered to SMEs, with training and technical assistance and market access being the focus areas. While providers offer these services to SMEs, they themselves experience various challenges such as internal challenges which include funding and resources; expertise and skills levels of providers; and design of services. In addition, there are external challenges such as payment inability of SMMEs; low market awareness; commitment to and from SMMEs; perceived value of BDS; finding the right clients; and the business operating environment, which hinder their service provision.

The study concludes by providing recommendations on approaches that BDS providers can adopt to offer solutions to some of the identified challenges. These approaches include: developing sector-specific approaches in delivering business development service; attracting enterprise and supplier development funds as a possible strategy to solve the lack of resources in this sector; alignment of the Broad-Based Black Economic legislative framework to business development services strategies; introduction of professional standards and guidelines in the business development services sector and implementation of an impact assessment matrix.

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## **LIST OF ACRONYMS AND ABBREVIATIONS**

BEE	Black Economic Empowerment
B-BBEE	Broad Based Black Economic Empowerment
BDS	business development services
BDSPs	business development services providers
CDASED	Committee of Donor Agencies for Small Enterprise Development
DFI	Development Finance Institutions
DfID	Department of Foreign and International Development
DTI	Department of Trade and Industry
ESD	enterprise and supplier development
GDP	gross domestic product
IFC	International Finance Cooperation
NDP	National Development Plan
NGO	non-governmental organisation
NPO	non-profit organisation
OECD	Organization for Economic Co-operation and Development
QLFS	Quarterly Labour Force Survey
SEDA	Small Enterprise Development Agency
*SME	small and medium enterprises
*SMME	small, medium, and micro enterprises

*\*The terms SME and SMME will be used interchangeably throughout the study*

## CHAPTER 1: INTRODUCTION

### 1.1 Introduction and background of the study

It is generally acknowledged that the small, medium and micro enterprises (SMMEs) sector plays a crucial role in the economy (Mahembe, 2011; Rogerson, 2008). The general view is that SMMEs as enterprises have an economic role to fulfil (Berry, Blottnitz, Cassim, Kesper, & Seventer, 2002). The SMME sector is considered a key element in providing solutions to major societal problems like high unemployment, poverty and inequality (Lussier & Hyder, 2016). Consequently, this sector has been evolving globally over the years and great emphasis has been placed on its vital role in promoting economic growth, employment creation, poverty elevation (Lussier & Hyder, 2016; Masutha & Rogerson, 2014; Musara Mazanai & Fatoki, 2011), income and wealth generation as well as upgrading of human capital (Berry et al., 2002). Small businesses further provide an opportunity for workers unable to find secure employment and offer prospects of an improved livelihood to the entrepreneurial poor. According to the Committee of Donor Agency for Small Business Development (2001), SMMEs play a pivotal role in raising productivity and growth of the private sector and the national economy at large.

The SMME sector provides prospects for the development of new ideas and services that lead to an increase in national income. They also have the capability of moving many individuals from survivalist, including the informal economy, to the mainstream economy (DTI, 2005). It is additionally believed that the SMME sector is indispensable to the accomplishments of more extensive development objectives, namely the Sustainable Development Goals (Mbura & Merezia, 2015). Thus, great emphasis has been placed even by the United Nations and International Labour Organisation on the advancement of small businesses through enterprise development (International Labour Organisation, 2007). It was in the 1960s when the idea of small and medium business began to gain impetus, and it comparatively picked up reception in developing nations like South Africa. As indicated by Lussier and Hyder (2016), many nations now realise the necessity and benefits of enterprise development promotion and consider it a viable strategy for poverty alleviation, particularly in developing nations. Masutha and Rogerson (2014) and Mbura and Merezia (2015) further affirmed that SMMEs are fundamental for the financial security of a nation.

There is no universal definition of an SMME given the variety of classifications and criteria used in different countries (Abor & Quartey, 2010; Gibson & van der Vaart, 2008). This is

further complicated by the different levels of capitalisation, size and turnover of SMMEs in different sectors (OECD, 2017). The geographic location and the legislation promulgated to regulate SMMEs also have a bearing on the definition and classification of small businesses (Smit, 2006). However, in most regions of the world, SMMEs are commonly classified according to the number of employees (Abor & Quartey, 2010). For example, in China an SMME can be a business with one to 3000 workers; total assets from ¥ 40 to 400 million and turnover from ¥10 to 300 million dependent on the sector. Meanwhile, in the European Union an SMME is considered a business with up to 250 workers and revenue of no more than €50 million or a total balance sheet of no more than € 43 million (Kushnir, 2010). This is further complicated by the fact that even multilateral development institutions have gaps in how they define an SMME. Gibson and van der Vaart (2008) provided the following table stipulating the disparities in maximum number of employees, maximum turnover and maximum assets.

**Table 1: SMME definitions used by multilateral development institutions**

Institution	Maximum # of Employees	Maximum Turnover/ Revenue (\$)	Maximum Assets (\$)
World Bank	300	15 000 000	15 000 000
MIF – IADB	100	3 000 000	(none)
African Development Bank	50	(none)	(none)
Asian Development Bank	No official definition, used only definitions of individual national governments		
UNDP	200	(none)	(none)

Source : (Gibson & van der Vaart, 2008).

From a South African context, the new National Small Enterprise Act, revised in March 2019, provides new thresholds for defining small enterprise "SMMEs" sizes. The threshold is by sector using two proxies, namely total full-time equivalent of paid employees and total annual turnover (Republic of South Africa, 2019). The Act further describes small businesses along a sliding scale indicating their size as follows: small enterprises, medium enterprises and micro enterprises (Gazette, 2019; Gazette, 2013). Nonetheless, SMMEs constitute about 91% of formal businesses in South Africa and provide employment to 61% of the population. Furthermore, small businesses contribute between 52 and 57% to the gross domestic product (GDP) (Abor, 2011).

In South Africa, unemployment is pervasive and inhibits long-term social, economic and political stability (DTI, 2004). Recent statistics show that unemployment has continued to rise over the years. In 2019, unemployment rose to 27.6% according to Statistics South Africa quarter one, Quarterly Labour Force Survey (QLFS; 2019). Because of the SMME sector's dynamic role in the economy, it has become a policy instrument through which unemployment and other challenges can be addressed. This policy approach was first conceived through the White Paper on National Strategy for the development and promotion of small businesses in South Africa, released in 1995 (DTI, 2005). The White Paper thus set a new trajectory for the SMME sector and defined the policy and strategy necessary for the effective functioning of small businesses. Through this paper, the government demonstrated commitment to improve the lives of the vast majority of people in the country through creating an enabling environment for small businesses to thrive in (DTI, 1995). To date, there is a strong belief by government that SMMEs can drive economic growth through job creation as has been demonstrated in other countries across the globe.

Following the White Paper in 1995, the government then introduced the Integrated Strategy on the Promotion of Entrepreneurship and Small Businesses. One of the key features of the strategy was a focus on making sure that small businesses are supported to facilitate their survival, growth and competitiveness through the provision of business development services (BDS). According to the Department of Trade and Industry (DTI) (2005), the provision of BDS was intended to anticipate and provide business support based on the needs of small businesses at every stage of the development cycle. In this case, taking decisive action and providing appropriate solutions meant that the number of small businesses that survive the first few years of establishment would increase, thereby leading to higher levels of job creation and economic expansion. Driven by this incessant desire to create jobs and stimulate economic growth (Parliament, 2014), the government's efforts culminated in the creation of a ministry dedicated to small businesses (Pooe, 2016).

Before the above policy and legislative frameworks, the South African small business sector was dominated by large capital intensive business with no regard for the small firms (Department of Trade and Industry, 2003). In the apartheid political regime, development focused on a certain class of individuals, accelerating a certain few, with other classes been left behind, introducing the structural inequalities experienced in South Africa today (Mellet, 2012). The DTI (2003) believed that small business development can be an efficient tool to redress the

legacy of apartheid. This belief is encapsulated in such instruments as the Black Economic Empowerment (BEE) Act 53 of 2003, which was later amended to the Broad-Based Black Economic Empowerment (B-BBEE) Act. The B-BBEE Act came about as acknowledgement that for decades, development in South Africa was provided at different levels to different groups leaving some groups lagging behind (Mellet, 2012). This historical legacy meant that the majority of South Africans were marginalised and left out of the mainstream economy through systematic deprivation of viable business opportunities (Department of Trade and Industry, 1995). The cumulative effects of economic discrimination meant that many South Africans were left poor, uneducated, lacking skills and unable to participate in the business sector (South African Presidency, 2013)

Far and above the policy framework, the South African government realised that promoting and developing SMEs required partnerships between government and various stakeholders (South African Parliament, 2014). Thus, these government policies set the stage for the proliferation of various business support programmes and services targeted at the small business market. These business development and support programmes emerged from both public and private sector entities.

Business development services are broadly defined by the International Finance Corporation (IFC) (2004:52) as those “non-financial services and products offered to entrepreneurs at various stages of their business”. Therefore, BDS are financial and non-financial interventions, offered as a means to encourage growth and develop entrepreneurial competencies and skills which will result in improved business performance, increase productivity and enable business owners and managers to come up with new strategies and products to ensure their sustainability. Business development services also constitute services offered through small business microfinance institutions. These services are often aimed at increasing the profitability of small businesses, thereby fostering their success and sustainability. Some of the key services include accounting and management training to empower micro-borrowers to successfully run their businesses (Bourlès & Cozarenco, 2014).

The foregoing discussion demonstrates that BDS are crucial for the survival, growth and competitiveness of small businesses. According to Masutha and Rogerson (2014), the concept of business incubation has been embraced as one of the vehicles for supporting SMMEs in South Africa. Given the centrality of BDS to the success of small businesses, this study

examined the nature of these services and their specific role in business development (survival, growth and competitiveness) of the SMME sector in South Africa, and as a consequence, how they establish best practices needed to be applied for such support to be effective.

## **1.2 Problem statement**

Studies indicate that SMMEs play a pivotal role in accomplishing inclusive economic growth, and the sustainable development goals through provision of job opportunities, decent work, encouraging innovation and lessening income disparities (OECD, 2017b). As indicated by Graetz (2016), South Africa has a sound policy framework to support SMMEs and as a rejoinder to such, there has been an emergence of diverse finance institutions and business support service providers, but critical challenges remain. South Africa, like many other countries, encounters unacceptable low economic growth levels, with reports of -2.2% GDP contraction and high unemployment levels. For instance, the unemployment rate in the first quarter of 2018 was at 26.7% (Stats SA, 2018), and increased to 27.6% in the first quarter of 2019, according to the quarterly labour force survey (Stats SA, 2019). The National Planning Commission (2011) emphasised this point by stating that the South African economy portrays low-growth, where high-income seems unattainable, a large number of job seekers unable to find jobs, lack of business competitiveness, inadequate savings and a poor skills profile, resulting in high levels of unemployment.

Unlike huge organisations, SMMEs are identified as a sector that can assist in providing solutions to unemployment, because they are deemed to have the capacity to assimilate labourers who are less experienced. SMMEs are also viewed as vehicles for job creation and alleviation of poverty (Hove-Sibanda, Pooe & Sibanda 2017; Lussier & Hyder, 2016). SMEs provide a ground for entrepreneurship and innovation, and because they are locally owned and controlled, they have an opportunity to strengthen social systems (Hyder & Lussier, 2016). Statistics indicate that the majority (91%) of formal businesses in South Africa are SMMEs and they contribute between 52% to 57% to GDP and about 61% to employment (Abor & Quartey, 2010). Therefore, the SMME sector provides real opportunity for employment creation and growth (Ravens, 2017).

In South Africa, the National Development Plan (NDP) presents a roadmap for the social and economic development of the country. The SMME sector is viewed in this plan as a pivotal player in this regard. A target to reduce unemployment to 6% by 2030 has been set and a

forecast of 11 million new jobs to be created by 2030. It is projected that 90% of the 11 million employment opportunities needed to attain that goal will be created by the SMME sector by 2030 (South African Presidency, 2011). The predicament, however, is that the SMME sector is not growing well and various interventions by government have not yielded satisfactory results (Parliamentary Liaison Office, 2014). These projections are made amid concerns that the failure rate of SMMEs in the country is still very high. Only about 20% - 30% of SMMEs survive beyond the three to five-year mark, with an average failure rate of 75% (Mafoyana, 2016). Approximately 1% of smaller scale ventures who have begun with under five workers have developed to utilise ten individuals or more (Friedrich, 2016). This results in a huge problem for the South African government, and has negative consequences for the economy because small businesses are not creating sustainable long-term jobs, leading to a diminishing tax base and low economic growth and development (Friedrich, 2016).

This means that most SMMEs in South Africa fail to thrive, grow and move past the survivalist stage. Consequently, the potential for SMMEs is inhibited and their contribution to social and economic development of the country remains limited (OECD, 2017b). Although there is a general agreement on the vital developmental role to be fulfilled by SMMEs (Hove-Sibanda et al., 2017), some studies show that most entrepreneurial and SMME development initiatives are inefficient (OECD, 2017b). It is believed that instead of focusing on existing SMMEs with growth potential, too much focus is placed on increasing the number of formal registered SMMEs which has resulted in a large number of SMMEs failing and not realising their intended purpose.

Albeit the challenges, there is still hope for the revival of the SMME sector as some of these small businesses have shown resilience and survived. Finance institutions have backed some of these small businesses and supported them into becoming profitable enterprises. However, the continued failure of more small businesses suggests that finance on its own is not sufficient to ensure the survival, growth and competitiveness of SMMEs and more importantly raises a concern on the nature and delivery of business development services (BDS). Berry, Magali, Cassim, Kesper, Seventer, D and Bala (2002) alluded that there is a sign that in spite of their great aims, strategy measures for business support suffer from "sub-optimal implementation" either because they are ineffective, misunderstood by SMMEs or the inadequacy of support institutions to influentially bring issues to light about their existence.

The survival and growth of SMMEs largely depend on the availability and access to essential strategic resources, for example, skills and information systems. They need institutional support and especially require comprehensive investments in areas such as education and training, innovation and infrastructure. The need for business support services in order to support SMMEs has created an opportunity for business development service providers. However, despite such developments, lack of access to or poor BDS remains one of the major challenges in the SMME sector (OECD, 2004; URT, 2002).

This study was motivated by the potential that BDS hold in addressing the challenges that the SMME sector faces, as discussed above. The study, therefore, explored the role of BDS in aiding the survival, growth and competitiveness of SMMEs, at the different stages in the business growth cycle.

### **1.3 Main research aim**

The broad aim of this study was to examine the nature of business development services and their role in aiding SMMEs in South Africa, and how to deliver BDS to strengthen the SMME sector.

#### **1.3.1 Research objectives**

The following were the specific objectives of the study:

- To understand the nature of BDS and the extent to which they meet SME needs;
- To investigate challenges facing BDS providers.

#### **1.3.2 Research questions**

- What is the nature of BDS, and to what extent do they meet the needs of SMMEs?
- What challenges do BDS providers face?

### **1.4 Justification of the study**

Ensuring the effectiveness of SMMEs in the economy is fundamental to ensure growth, employment and resilience in the light of economic downturns (OECD, 2017b). According to the Government of South Africa Presidency (2011), SMMEs are well positioned as a policy instrument to address issues of unemployment, inequality and economic growth. Therefore, policies directed at the SMME sector are constantly reviewed to ensure alignment with the

economic needs of the country. It is evident that although there have been many interventions, they have not yielded the anticipated results. Previous studies have also indicated that there are still gaps in the study of BDS, which require further research. Filho *et al.* (2017) suggested that small businesses require customised training and guidance suited to their position in the business life cycle. Mazanai and Fatoki (2011) suggested the need to examine the supply side by focusing on the business development service providers (i.e. the supply side) to establish their challenges and potential areas for increasing their effectiveness. This is a key priority, given the centrality of BDS from a policy perspective. Given the empirical studies available, it seems there is a need for a revised approach. In the midst of all the interventions provided, SMME competitiveness and growth remain challenges, and need to be elevated to levels that enable SMMEs to compete, grow and ultimately, create the much-needed jobs. However, the capabilities of South African entrepreneurs are not sufficient to elevate on their own. They need a suite of services including both financial and non-financial services to ensure their success (Rodriguez, 2010). There further seems to be a need to assess the various platforms available for the support and development of SMMEs, as well as understand the various challenges faced by providers in these platforms and possibly identify best practices and more effective ways for offering BDS.

This study has sought to establish what needs to be done and what could be done regarding services provided to further advance the development of small businesses. The study was therefore intended to provide an opportunity for stakeholders to assess whether they achieve their aims and objectives and learn some best practices to develop appropriate training solutions and other business support services to enhance the performance of SMMEs at different stages of their development. This study also sought to generate information and knowledge that could be accessed by stakeholders working in the BDS sector in South Africa.

## **1.5 Organisation of the study**

The dissertation is organised as follows:

### **Chapter 1: Introduction and background**

This section provides an overview of the South African SMME sector policy framework and provides a brief description of the crucial role of business development services in the SMME sector. To set the context for the study, the chapter also presents the problem statement, the

overall aim, specific objectives and research questions of the study. The chapter concludes with the justification of the study.

## **Chapter 2: Literature Review**

This chapter begins by providing an overview of business development services and definitions of the various concepts in the study. It also provides an analysis of the conceptual frameworks that relate to BDS. The chapter also provides a review of the various literature on SMMEs and BDS to establish what is currently known in this field of business development. The chapter serves to create a benchmark against which the findings of this study will be compared and contrasted with.

## **Chapter 3: Research Methodology**

This chapter gives a detailed discussion on how the research was conducted. It provides details on the research design, approach and strategy including data collection, sampling, data analysis methods and the limitations of the study.

## **Chapter 4: Discussion of Findings**

This chapter presents the findings of the study. The findings are analysed and discussed in relation to the research questions and objectives.

## **Chapter 5: Conclusion and Recommendations**

This chapter provides a summary of the study findings and presents the conclusions. Recommendations are made and suggest potential areas for future research.

## **CHAPTER 2: LITERATURE REVIEW**

### **2.1. Introduction**

This chapter provides a synthesis of available literature on SMMEs and business development services. Key concepts relevant to the study are described. The chapter also discusses the known challenges that affect SMEs, experiences of other countries BDS, existing theories around small business development and lastly an evaluation of existing empirical studies. The session concludes with a summary of the chapter.

### **2.2. Definition of concepts**

#### **2.2.1. Business development and support**

Although business development has become a policy buzzword and has been used often by business practitioners, it is a term that has been challenging to define (Kind & Knyphausen-Aufseb, 2007). According to Economic Development Services, Inc (cited in Kind & Knyphausen-Aufseb, 2007), business development services are enterprise development activities designed to enhance the profit making ability, production and service delivery potential of an enterprise. These activities can include capital investment and other value adding services beneficial to the growth and expansion of the enterprise, leading to an increase in its market share.

Business support is often defined by activities that provide advisory input on the practical aspects of running a business. These include legal and financial advisory services (Kind & Knyphausen-Aufseb, 2007; Sivaev, 2013). Sivaev (2013) suggested that this definition is narrow and does not reflect the depth of what business support entails. He further alluded that the definition should be wider and business support offering should include a broader range of interventions aimed at enhancing business performance. Such activities include improving access to business finance, creating platforms for information and knowledge sharing, and promoting collaboration, innovation and entrepreneurship through sustainable working relationships (Sivaev, 2013). According to Rijnveld (2006), business development is one of the key building blocks crucial in developing the private sector. The other two components are financial services development and enterprise development.

### **2.2.2. Business development services (BDS)**

Business development services are services that improve the performance of the enterprise, its access to markets, and its ability to compete (Committee of Donor Agencies for Small Enterprise Development, 2001). Smallbone, Xiao, and Xu (2008) stated that BDS refer to a variety of targeted assistance, which businesses may need to aid their development or implement strategies aligned to their growth and expansion. The Committee of Donor Agencies for Small Enterprise Development, (2001) provided another perspective on BDS by suggesting that such services aim to enhance the performance and competitiveness of small enterprises. These services could be strategic or operational and could include training, consultancy, marketing, information, technology development and transfer, business linkage promotion. According to Asafo-adjei (2014), some of the services include skills development, management training, production management, development of domestic and export markets and formation of business networks. Otieno and Kiraka (2004) further affirmed that services also include business consulting services, assistance with market access, efforts to support SMME to access inputs at preferential rates and terms, training and mentorship, provision of infrastructure and business incubation professional services.

Given the vital role of SMMEs in the economy, BDS have been deployed globally as an instrument to enhance the sustainability of SMMEs through aiding them to seize growth opportunities, reach export markets, become innovative and competitive. These services are non-financial in nature and are viewed to be critical for the success of SMMEs from entry to maturity (SEDA, 2014; Olomi, 2009 cited in (Mbura & Merezia, 2015).

The intention of BDS, according to Asafo-Adjei (2014) and Otieno and Kiraka (2004), is to build human capital and capacity through skills transfer services, provision of business advice, access to better technology with the consequence of running business efficiently and effectively. Business development services can be seen as one means to improve the performance of SMMEs in developing countries in order for them to attain higher levels of economic growth that would enable them to create more jobs and reduce poverty, among other challenges (Committee of Donor Agencies for Small Enterprise Development, 2001). Furthermore, BDS can offer solutions to the many challenges faced by SMMEs by facilitating access to markets, increasing access to inputs, promoting innovative services and products, improving human capital, eliminating policy constraints, helping enterprises to access appropriate financing mechanisms and business incubation professional services (Esim, 2001).

According to the International Finance Corporation (2004), BDS can be considered as an alternative form of “collateral” to facilitate access to finance for small businesses where tangible collateral may be an impediment to meeting traditional security requirements.

Business development services at the micro firm level provide tangible benefits that can improve the livelihoods of families. For instance, increase in household incomes through small business enterprises can enable women to guarantee food security, housing, health and education of their families. This is in addition to the absorption of excess labour, promoting innovation and adding value to goods and services, flexibility in responding to dynamic and volatile markets, and fiscal contributions to hard-pressed governments (DfID, 2000, cited in Pinto, 2004).

SMMEs who benefit from BDS stand to gain by way of experiencing improved profitability and efficiency which should result in business growth and increased access to local and global markets (Zikode, 2014). Therefore, when SMMEs receive appropriate and relevant BDS, they will develop entrepreneurial competencies and skills which will result in improved business performance and increased productivity. In addition, business owners and managers will be enabled to come up with new strategies and products to ensure their sustainability and contribute greatly to operational and strategic efficiencies. The ultimate goal is to strengthen and create a vibrant, robust SMME sector.

### **2.2.3 Business development services providers (BDSPs)**

The term BDSPs encompasses a range of providers that offer business development services to the SMMEs sector. The BDSPs include private businesses, specialised governmental agencies, non-governmental organisations (NGOs), local governments, development companies, business associations and individual providers (Barisic, 2004). Business development services are offered through both formal and informal networks and arrangements (Miehlradt & McVay, 2003 cited in Mbura & Merezia, 2015). Business development services offered by private companies are generally based on the practical needs of SMMEs and thus tend to provide sustainable and successful solutions (ECD, 2004; Barisic, 2004). Private BDS providers range from global to regional and national consulting firms, and may also be in the form of informal micro enterprises serving local SMMEs (Mbura & Merezia, 2015). Table 2 below shows the typology of business services providers.

**Table 2: Existing and potential BDS providers**

<b>Traditional publicly funded providers</b>	<b>“Hidden” private sector providers</b>
National governments programmes	Large firms supplying inputs to SMMEs
Local government programmes	Large firms buying SMME products
Parasternal business development	SMMEs supplying inputs or buying SMME products
Technical training institutes & universities	Advanced SMMEs in the same industry as target SMMEs
NGOs (international, national and community-based)	Large service suppliers like telecommunications firms for whom SMMEs make up a substantial part of their market
Business associations & cooperatives	Informal full-time or part-time business service providers
Consulting firms serving SMMEs on contract from donors, government, and NGOs (international, national and community-based)	Small enterprise service suppliers
Microfinance institutions	

*Source: Miehlbradt and McVay (2003)*

### **2.2.3. Challenges facing business development service providers (BDSPs)**

Institutions involved in the provision of BDS to the SMME sector face a wide range of challenges. Some of these challenges emanate from the operating environment characterised by limited resources and an increasing emphasis by donors and development organisations on sustainability. According to Rodriguez (2010), some of the major challenges facing BDSPs include the following:

- Having to choose from an expanding array of BDS initiatives and interventions;
- Diverse needs of beneficiaries that do not permit standardised approaches;
- Changing markets and environments in which the enterprises are expected to survive and grow;
- High costs of delivering certain BDS;
- Inability or unwillingness of beneficiaries to pay for such services; and
- Difficulty in monitoring, evaluating and documenting the impact of such services.

It is also suggested that many of the BDS interventions were established based on the optimistic assumption that they would be able to offer competent advice on management or technology to SMMEs. Unfortunately, good, competent, experienced staff were either non-existent or difficult to recruit and the only staff available were young graduates with mainly theoretical knowledge regarding the SMME needs (Barisic, 2004)

The most discouraging challenge is that even when the most appropriate services are delivered, SMMEs can still fail to achieve their objectives if other critical elements such as poor entrepreneurial skills and knowledge, lack of capacity and/or the enabling environment persist. Further challenges include the inability of SMMEs to realise the value of business development services; and even when such are available, they may not be suitable to their needs (Otieno & Kiraka, 2009). In order to address these challenges most BDSPs opt to provide a suite of services as opposed to focusing on providing a single service (Rodriguez, 2010).

**2.2.4 Small, micro and medium Enterprises (SMME)**

Defining an SMME is a challenging task, given the variation in classification across countries and sectors with levels of capitalisation, size and turnover (OECD, 2017a). Abor and Quartey (2010) agreed that there is no universally accepted definition of SMMEs. Different scholars use different approaches, ranging from size of balance sheet and annual turnover to legal status and production process. However, the most commonly used measure to classify SMMEs is the number of employees (Abor & Quartey, 2010). The National Small Business Act 26 of 2003 of South Africa defines business according to three categories (South African Presidency, 1996), as presented in Table 3 below (Revised in March 2019).

**Table 3: Broad definition of SMMEs in the South African National Business Act**

<b>Enterprise size</b>	<b>Total full-time equivalent of paid employees</b>	<b>Total annual turnover (Rand S.A)</b>
Medium	51-250 across all sectors	less than 35m to 220m depending on sector
Small	51-250 across all sectors	less than 15m to 80m depending on sector
Micro	51-250 across all sectors	less than 5m to 20m depending on sector

*Source: Falkena et al., (2001) cited in Mahembe (2011)(Republic of South Africa, 2019)*

**2.3. Overview of business development services**

The provision of BDS by donor agencies dates back to the mid-1970s. Traditionally characterised as non-financial services, these services have generally been provided in packages along with financial services (Goldmark, 1996 cited in Esim, 2001). Business development services are classified into two distinct categories, namely operational and strategic business services (Committee of Donor Agencies for Small Enterprise Development, 2001). The distinction is detailed in Table 4 below.

**Table 4: Types of business development services**

<b>Operational business services</b>	<b>Strategic business services</b>
These are services that are needed for day-to-day operations, such as information and communications, management of accounts and tax records, and compliance with labour laws and other regulations.	These are services used by the enterprise to address medium- and long-term matters to improve the performance of the enterprise. The services relate to strategic services developed to help the enterprise to identify and service markets, design products, set up facilities, and seek financing to increase market share and better compete.

*Source: CDASED (2001)*

According to the Committee of Donor Agencies for Small Enterprise Development (2001), much of the focus on BDS has been on the operational level while the strategic business requirements of SMMEs have been largely ignored.

The nature and type of service required depends on the sector and stage of development in which the SMME is. The intervention also depends on the business owners’/managers’ capabilities around business development, including the ability to perform functions that enhance the profitability of the business, such as developing markets, designing relevant and quality products, enhancing productivity while reducing costs in order to increase profitability, and improving business management and administration. (Otieno & Kiraka, 2009).

Business development services can be classified into several categories. The Small Enterprise Education and Promotion Network (SEEP) has identified seven general categories of BDS, as stipulated on Table 5 below.

**Table 5: Categories of business development services**

<b>Market access</b>	Market research Market information Trade fairs Product exhibitions	Advertising Packaging Subcontracting and outsourcing Marketing trips and meeting
<b>Infrastructure</b>	Storage and warehousing Transport and delivery Business incubators Telecommunications	Internet access Computer access Secretarial services
<b>Policy and advocacy</b>	Training in policy advocacy Analysis of policy constraints and opportunities	Direct advocacy on behalf of MSMEs Sponsorship of conferences Policy studies
<b>Input supply</b>	Linking MSMEs to input suppliers Improving suppliers' capacity to deliver quality inputs	Facilitating establishment of bulk buying groups Information on input supply sources
<b>Training and technical assistance</b>	Mentoring Feasibility studies Business plans Franchising Management training	Counselling / advisory services Legal services Financial and tax advice Accountancy and bookkeeping Technical training
<b>Technology and product development</b>	Technology transfer/ commercialisation Linking SMME's and technology suppliers	Facilitating technology procurement quality assurance programmes Design services
<b>Alternative financing mechanisms</b>	Factoring companies providing capital for confirmed orders Equity financing	Facilitating supplier credit Equipment leasing and rental

Source: [www.seepnetwork.org/bdsguide.html](http://www.seepnetwork.org/bdsguide.html)

Business development services have traditionally taken the form of training and technical assistance services provision and were largely provided to SMMEs by NGOs and microfinance institutions. These services have also been largely provided free of charge or heavily subsidised (Rodriguez, 2010). Training and technical assistance services aimed at developing the capacity

of enterprises to improve their business planning and management as well as improving their technical expertise (Esim, 2001). Business development services are delivered through three major approaches (Rodriguez, 2010) as follows:

1. ***Direct delivery approach (1980s to the 1990s)***: Business development services were delivered directly by the agencies implementing development programmes and projects free of charge or heavily subsidised. Rodriguez (2010) stated that this approach inherently had the following shortcomings:
  - a) Organisations could reach only a limited number of SMMEs;
  - b) Delivery of BDS could not be sustained beyond the life of projects which were funded; and
  - c) The cost to impact ratio of this model was quite high
2. ***Facilitation/Market development approach (1990s early 2000s)***: This approach encouraged organisations to develop the demand for BDS, and then engage commercial BDSPs to deliver the services.
3. ***Systemic approach (post 2002)***: This approach is where the BDS are embedded and bundled (and thus costs recovered) with business transactions.

#### **2.4. Challenges of the SMME sector**

Although SMMEs play a critical role in national, social and economic growth, they face many challenges (Mbura & Merezia, 2015). Some of the challenges these SMMEs face include the absence of access to suitable innovation, limited access to export markets, regulatory burdens, weak institutional capacity, the absence of managerial skills and training, and lack of working capital. Additionally, SMMEs cannot manage the cost of business support services (Abor & Quartey, 2010; Mahembe, 2011). Mellet (2012) and Mensah (2004) established that these challenges also include the lack of access to technical skills development, hence SMMEs keep their businesses close to the bosom, and are hesitant to open to anyone about their businesses. According to Mensah (2004), SMMEs also appear not to be aware of the requirements and expectations of financial institutions regarding access to financial support. Management and support services are viewed as restrictive and of no value to the SMMEs. SMMEs, further, often find it difficult to access funding because they lack collateral, and it is difficult to verify their credit history (Bourlès & Cozarenco, 2014). There is also evidence of serious information

asymmetry problems and poor record keeping. Moreover, many small businesses are opened as a means to survive (Minniti, Bygrave, & Autio, 2005). This is particularly true in South Africa where unemployment is rife as a result of discriminatory policies that disenfranchised the majority of the population, resulting in a labour force with a racially skewed distribution of skills, career opportunities and workplace experience (Berry *et al.*, 2002). Though access to finance is noted as the major constraint to SMME success, there are still many other non-financial constraints in the sector (Mensah, 2004).

Only a few SMMEs are able to cope adequately with these challenges and fully exploit opportunities presented to them (Otieno & Kiraka, 2009). Therefore, some kind of outside help is justified for these enterprises to reach their maximum capacity (OECD, 2004). Rectifying these constraints is an uphill challenge and requires a comprehensive approach to create a conducive environment with functional institutions (Mbura & Merezia, 2015). Business development services in their very nature have been designed to assist SMMEs to overcome these constraints and issues (Mcvay & Miehlabradt, 2001).

The case of South African SMMEs is even more gloomy. The Global Entrepreneurship Monitor report of 2005 revealed that apartheid era discriminatory policies were responsible for the lack of basic skills and entrepreneurial training for the majority of South African entrepreneurs. This has in turn affected their confidence, initiative and creative thinking, communication and business skills. Ultimately, this has impacted on their ability to engage successfully with financial institutions to present their business plans. Entrepreneurs also cite language and cultural barriers in their communication with financial institutions (IFC, 2004). Therefore, without support, South African entrepreneurs are not well equipped to become competitive on their own, and hence, business development support services need to be provided with clearly defined competitive outcomes in mind (Zikode, 2014).

## **2.5. Experiences of business development in other countries**

A key challenge to drawing unified lessons for BDS is the multiplicity of services that are considered BDS (CASED, 1998, cited in Esim, 2001). Furthermore, the delivery and success of business development services are also influenced by the country-specific context (Esim, 2001). Documenting the experiences of other countries was found to be useful in order to distil lessons learnt and establish what could be useful within the context of South Africa.

### **2.5.1 Experience in Nigeria**

Adegbite (2016) explored the small business incubator operational status in Nigeria, to highlight the successes and shortcomings associated with this model. The findings demonstrated that in Nigeria incubators provided an opportunity of survival and establishment of small business through the provision of targeted support with a range of BDS.

### **2.5.2 Experience in Ghana**

About 90% of companies registered in Ghana are SMMEs. As in many other countries globally, SMMEs in Ghana have been identified as potential vehicles for economic growth of the country as they are a major source of income and employment. As a result, the government has announced policy interventions geared towards supporting technology development and adoption; skills development and entrepreneurial training; facilitating access to finance; and creating linkages between large and small industries.

The general perception among SMMEs in Ghana is that business development is both expensive and not relevant to their needs. As a result, the uptake of government-sponsored BDS programmes has been very low. These programmes are provided by the National Board for Small Scale Industries (NBSSI) and the Ghana Regional Appropriate Technology and Industrial Service (GRATIS), a foundation that provides skill training and basic working capital tools for start-ups.

### **2.5.3 Experience in North America**

According to Hackett and Dilts (2004), there has been continued growth in business incubation in North America since the 1980s. This trend is based on the belief that small companies can be assisted to develop self-sustaining business structures, thereby increasing the success rate of SMEs. The incubator system enables SMEs to receive the necessary resources and be linked to other services to ensure continued growth. The system is a multi-stakeholder platform linking SMEs to a network of service providers ranging from incubator managers and staff to universities and research institutions, industry, and professional services providers such as lawyers, accountants, consultants, marketing specialists, venture capitalists, angel investors, and volunteers.

#### **2.5.4. Experience of Korea**

Korea has a registered non-profit organisation (NPO), which is responsible for venture entrepreneurs and for the administration of small and medium businesses in Korea (Singer, Herrington, & Menipaz, 2018). The goal of the NPO is to foster, nurture and discover entrepreneurship amongst the young generation. They provide training and entrepreneurship education programmes. Teachers are engaged at the primary education level and given training by the NPO so that they can assist in enhancing the capabilities of trainers in the entrepreneur ecosystem. Teachers are key in unleashing the impact on the young, and this strategy has greatly contributed to the vibrant entrepreneurship culture in Korea (Singer et al., 2018).

### **2.6 Conceptual framework**

#### **2.6.1 Human capital theory**

The human capital theory was initially conceptualised by Ted Schultz in 1961, and advanced by Gary Becker in 1964, and had been revised over the years (Asafo-Adjei, 2014). The human capital theory refers to processes that relate to training, education and other professional initiatives to increase the levels of knowledge, skills, abilities, values, and social assets of an individual, which will lead to the individual's satisfaction and performance, and eventually to firm performance in work settings (Arokiasamy, Maimunah & Marimuthu, 2009). Essentially, human capital is the totality of investment made in humans to develop and increase their capacity to be more productive. Ultimately, higher worker productivity is expected to lead to higher individual value and more lucrative labour markets. Becker (1994) specified that there are different forms of capital like hard cash, equipment, land and buildings. These are investments which in the long run are expected to yield a certain output or return. Likewise, human capital investments like schooling, training and education are investments with valuable returns. Becker (1994) and Olaniyan and Okemakinde (2008) concurred that there is a positive association between education, productivity and economic development. According to Becker (1993) as cited in Arokiasamy *et al.* (2009), human capital is the most valuable of all capital investments. The belief is that an educated population is a productive population, and results in efficiency (Becker, 1994). Becker (1994) emphasised this point by providing an illustration of how countries like Japan and Taiwan and other Asian countries, who had no natural resources, grew rapidly by focusing on a well-trained, educated and hardworking labour force.

This theory suggests that providing SMMEs with quality education, training, skills and other value additions like mentorship, through BDS, will prepare and equip them with capabilities

and skills to manage and overcome their constraints, and ultimately contribute to employment creation and economic growth. The International Finance Corporation (IFC) asserts that one of the building blocks in supporting SMME growth and competitiveness is capacity building. The IFC further indicates that the performance and growth potential of SMMEs is limited to the management and operational capacity of the business. Sanderson (2016) concurred that the material gaps in the SMME sector show themselves as human capital limitations. All things considered, improvements in this area should assist the sector to fulfil its potential. The importance of the human capital hypothesis is that it views individuals as resources and stresses that investment in individuals will create great returns. The basis of BDS is to empower the entrepreneurs with the required skills to do business by providing opportunities for training and offering of knowledge to do business in a better practice for more sustainability and the growth of their business (Teece and Augier, 2006). Business development services are believed to be crucial, because of their important contribution to human capital in the SMME sector, and their contribution to sound business decisions and practices.

### **2.6.2 Expectancy theory**

The theory derived by Victor Vroom in the mid-1960s proposed that the extent to which people apply themselves is a direct correlation of the expected positive and desirable outcome. When presented with different alternatives, choices will be made based on whether the effort will lead to greater performance, which will in turn lead to desired personal outcome (Parijat & Bagga, 2014). Therefore, people are motivated by the expected reward. Based on this theory, Mbura and Merezia (2015) highlighted that the demand for BDS by SMEs will also have a direct correlation to the value SMEs expect to derive from BDSPs. It therefore becomes imperative that SMMEs are made aware of the availability and potential benefits of these services. Additionally, BDSPs must supply services that are appropriate and relevant to the SMME market, in order to attract them.

### **2.6.3 Contingency theory**

This theory speaks to a leader's capability and the importance of understanding specific situational factors which affect business performance. The theory suggests that leadership is situational (Fielder, 1964). Therefore, certain traits, skills and styles fit better in one situation than another. Leadership effectiveness is often viewed as a critical factor in organisational performance (Fielder, 1964). Given that SMMEs often have only one owner as the leader, that person is expected to be decisive, the planner, thinker, who evaluates and coordinates all

functions particularly at early stages of business development. It therefore becomes critical through the provision of appropriate, effective BDS initiatives, that SMMEs are trained to be dynamic and adaptive to the changing business environments. To this end, Mbura and Merezia (2015) alluded that BDS, if provided efficiently, can assist businesses achieve such business success. Mbura and Merezia (2015) further stated that this may elucidate the distinction between why SMEs' performance and growth rates differ. This difference may be owed to the different types and levels of BDS received from business development services providers (Mbura & Merezia, 2015).

#### **2.6.4 Real options-driven theory**

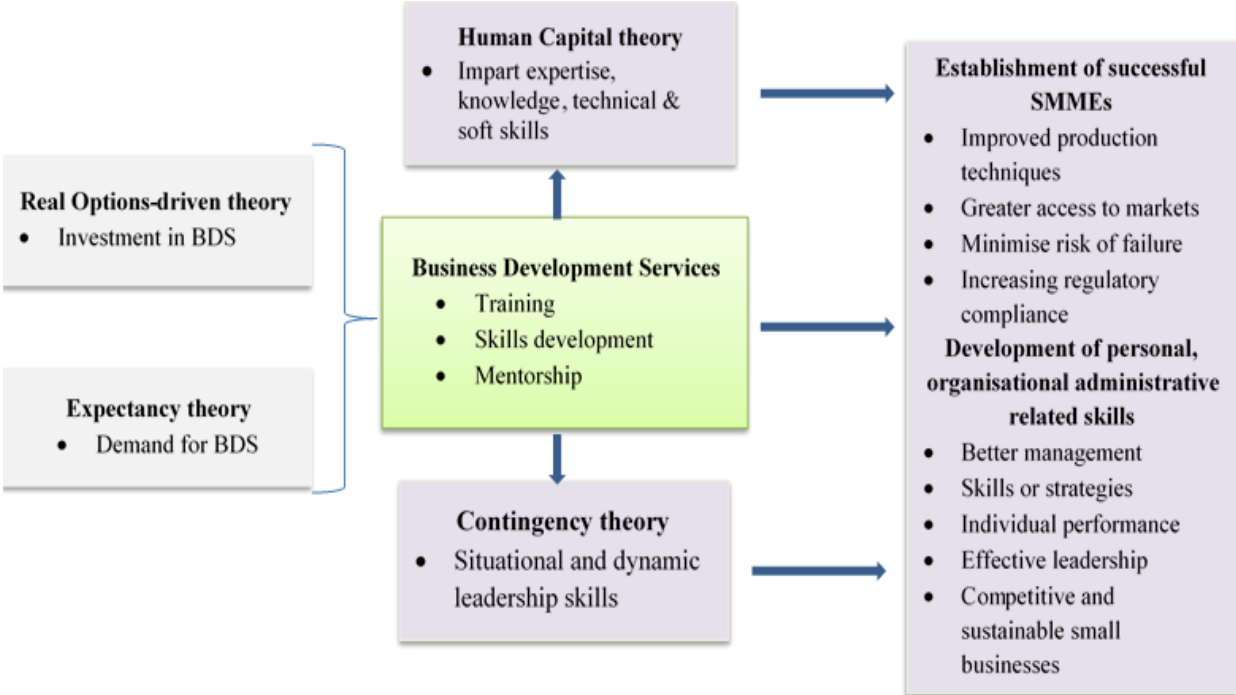
Research conducted by Hackett and Dilts (2004) concluded that the real-options theory was the most applicable to the process of business incubation. According to these authors, the real-options theory conceptualises the incubator as an entrepreneurial firm supporting and managing the business development process to minimise the probability of failure of the business. Therefore, the incubator sources all the necessary resources to support the emerging business with the result that the success of the incubation is determined by the performance and profitability of the small business at the end of the process.

Hackett and Dilts, (2004) further elaborated that the real options theory, as defined by Rosenberg (2003), considers investment decisions as options. Therefore, the business incubation decision is an option that is followed by other decisions to provide the necessary resources and support services. Operationally, there are five different mutually exclusive incubatee outcomes at the completion of the incubation process articulated by Hackett and Dilts (2004) as follows:

- The incubatee is surviving and growing profitably.
- The incubatee is surviving and growing and is on a path toward profitability.
- The incubatee is surviving but is not growing and is not profitable or is only marginally profitable.
- Incubatee operations were terminated while still in the incubator, but losses were minimised.
- Incubatee operations were terminated while still in the incubator, and the losses were large.

The first three statements denote success, while the fourth statement may be viewed as a failure. However, it is considered as a successful outcome in the sense that the losses incurred by the incubatee are less than what they could have been if the business was not in the incubator. The last statement is considered a failure (Hackett & Dilts, 2004).

**Figure 1: Conceptual flowchart**



*(Source: By writer derived from literature)*

**2.7. Literature review of business development services**

According to Abor and Quartey (2010), SMMEs have a significant role in developing countries through their contribution to increasing production, employment and incomes. National governments in these countries have responded with policy mechanisms focused on promoting SMMEs. Notwithstanding the pivotal role played by SMEs, they remain constrained by several challenges that inhibit their growth and sustainability. These challenges include lack of access to appropriate technology, limited access to finance and export markets, restrictive legislation, weak institutional capacity and lack of management skills and training (Abor & Quartey, 2010). The need to provide support to SMMEs is universally acknowledged and has prompted the emergence of a wide range of solutions ranging from policy interventions, such as tax incentives for businesses to mentorship for SMMEs and the use of appropriate and inexpensive technology to enhance productivity (Abor & Biekpe, 2009).

Improving the performance of SMMEs requires interventions from multiple perspectives, including policy to regulate the operating business environment, access to financial resources and a growing market for SMME goods and services (CDASED, 2001). According to literature, most BDS and SMME development initiatives have been viewed as inefficient (OECD, 2017). The United Republic of Tanzania (2002) argued that the challenge for SMMEs is that the very offering that ought to assist them to overcome some of their constraints is considered to offer poor quality business development services. This issue was stressed by the Organization for Economic Co-operation and Development (OECD) (2004) who highlighted that the SMME sector remains weak and has been unable to provide services successfully.

### **2.7.1 Role of business development services**

Specialists in the SMME sector have increasingly turned to BDS because by their nature they are expected to ensure new business entry, survival, productivity, competitiveness and growth (Esim, 2001). The author further stated that BDS can help businesses in the following ways:

- Facilitating access to markets;
- Improving the availability of less expensive or higher quality inputs;
- Introducing new or improved technologies and products;
- Improving management and technical skills;
- Ameliorating or eliminating policy constraints; and
- Helping enterprises access appropriate financing mechanisms.

In South Africa, the government has committed to promote the SMME sector and has played a key role in providing business development services in order to counter the high business failure rates (Hitchins, 2002). However, to be more effective, interventions in the SMME sector should take an integrated approach including both government and business to ensure that BDS are strategically delivered.

### **2.7.2 Challenges in the delivery of business development services**

According to Berry *et al.* (2002), policy implementation has been slow and ineffective to bring any meaningful success for SMMEs. The SMMEs also do not have trust in institutions that are meant to assist them. These institutions have also not been able to persuasively raise awareness about their existence and effectiveness for the other. Furthermore, there has been a

disproportionate concentration of service providers focusing on SMMEs in urban areas with poor co-ordination resulting in a replication of services.

The IFC (2004) stated that there is a clear divide between what is demanded from, and what is supplied by BDSPs. This can be attributed to the inefficiencies among BDSPs. Indeed, the skill levels and experience of these service providers are increasingly being questioned amid assertions that gaps also exist in the understanding between SMMEs and BDSPs. In responding to these gaps, the IFC (2004) proposed strategic interventions that help create a conducive environment for SMMEs to thrive through creative provision of non-financial support to offer alternative sources of risk management to financial institutions seeking to rely on skills transfer or mentorship as a pre-approval condition to obtaining loans. Additionally, a study by Abor and Quartey (2010) on SMMEs in South Africa and Ghana suggested that access to finance should not be treated in isolation from non-financial support offered by BDSPs. Abor and Quartey (2010) further suggested that for BDS to be effective, there must be a holistic approach applied to financial and non-financial offerings in the SMME sector.

Acs, Arenius, Hay and Minniti (2005) also confirmed that there are still challenges to be overcome in the SMME sector despite the government investing considerable resources to promote business growth. Lussier and Hyder (2016) indicated that providing access to finance should be accompanied by business and technical support because there is a belief that appropriate training can foster business efficiency. Lussier and Hyder (2016) also noted that an important starting point to any SMME support service is the development of an appropriate and accredited syllabus, which is customer-centric and jointly negotiated by providers and recipients. This provides a risk mitigating tool against dissipating resources on irrelevant and questionable programmes.

A study conducted by Smallbone *et al.* (2008) in Chengdu, China, showed there are constraints to the development of SMEs on both the demand and supply side. The findings indicated that there was an unfulfilled demand for BDS by small firms. On the supply side, the findings indicated that the BDS offered were not fully developed and the BDSPs had inadequate practical experience in managing small firms. Smallbone *et al.* (2008) suggested that an effective business development service system, capable of delivering business services that meet the needs of small enterprises, is a necessary part of a strategy for supporting growth in the small enterprise sector.

An assessment of SMME development in South Africa conducted by Rogerson (2008) concluded that the improvement of knowledge and skills at both the individual and business levels is key for competitiveness in the global business landscape. However, although important for the success of SMMEs, skills are not the panacea. The study by Rogerson (2008) on a skills development programme noted that training material used in the training was generic and not customised to the needs of SMMEs; the trainers lacked requisite skills and expertise, and were not accredited; and most of the trainers were more accustomed to the corporate market and could not align their experience with the needs of SMMEs. The study also revealed that SMMEs did not fully appreciate the value of training and skills development in enhancing business improvement and performance. Lastly, the training programmes were not structured according to the varying needs of SMMEs at different stages of enterprise development.

Rogerson (2008) concluded by highlighting the importance of training and understanding its impact on business success. Rogerson (2008) also affirmed the need to understand learning processes within the context of SMMEs in different sectors, including the analysis of government training systems and impact of sector-specific training; while emphasising the need for constant review of the appropriateness of SMMEs support services.

A study on the impact of BDS on SMMEs conducted in the Eastern Cape Province in South Africa by Mazanai and Fatoki (2011) concluded that most of the SMMEs were not aware of the existing business development services; and that those SMMEs that did access the BDS improved their chances of accessing finance. This suggests that there is a positive relationship between BDS and improved access to funding. The study by Mazanai and Fatoki (2011) was limited to the view of the small business owners, therefore, there is scope to conduct a study focused on the effectiveness and challenges faced by BDSPs.

Mensah (2004) concluded that one of the key reasons SMME finance, amongst others, is ineffective, is the lack of SMME managerial capacity and lack of training. Mensah (2004) recommended coordination of training programmes in order to effectively support the design and implementation of these training programmes for SMMEs. The content of these training programmes should be customised to the needs of SMMEs and could include business management, financial management and accounting, preparation of business plans, financial statement analysis, personnel management, marketing and other subjects, as well as one-on-

one mentoring of business owners. There is also need for a system for monitoring, evaluation and follow-up of different aspects of the training and support programmes. Without the relevant training, SMMEs are constrained and financial institutions take enormous risk with such SMMEs as they are likely to default on their loans.

Filho, Albuquerque and Nagano (2017) conducted a study to determine the factors that contribute towards the high failure rate of SMMEs. Filho *et al.* (2017) argued that; “formal bridging of success and failure of SMMEs should be emphasised as conduits for provided guidance towards mortality factors that should be considered by the small business owner-managers throughout the life cycle stages of SMMEs”. The study results further confirmed that training programmes for small businesses were generally ineffective and did not respond to the specific needs of SMMEs at different stages of their development. The study, therefore, recommended that training programmes should be designed based on the needs of SMMEs throughout the business development life cycle from conception to maturity (Filho *et al.*, 2017).

A similar study conducted in Tanzania by Kessy and Temu (2010) showed that SMMEs who had received business training improved and achieved higher performance than those who had not received any business development training. The study thus revealed that business training is an important factor in facilitating the growth of enterprises and agreed with Mbura and Merezia (2015) who stated that both the small business and the owner or manager benefit from business training. According to Kessy and Temu (2010), the skills acquired by the business owner/s become assets that will enable them to navigate the business environment to achieve business success.

Mbura and Merezia (2015) examined the value and impact of BDS in Tanzania's SMME sector. These authors found that BDS should embody a balanced combination of demand and supply-driven strategies and highlight that government assistance has a significant role to play. It is therefore imperative for BDSPs to take cues from the recipients of the services and drive such intervention. Additionally, providers must provide a ‘thinking out of the box’ exercise whereby they bring about desired changes and provide solutions that will steer growth and development. Government’s part in providing a role in facilitating business formation and access to finance is necessary, in addition to ensuring that the regulatory framework was fully functional and responsive to the needs of SMMEs. In this study, it was recommended that the government should set up a policy for BDSPs to acquire essential skills for them to build their capacity and

to foster the experiential skill, a competency in solving many of the SMEs' growth challenges. It was also recommended that to foster the experiential learning and acquire coaching services, is crucial to link infant BDSPs with the senior experts on BDS and SME consulting companies. Further, BDSPs must price their services according to the ability of the SMEs to pay and where necessary, the government should sponsor BDSPs whose objectives are geared towards the development of the private sector, growth of SMEs and encouraging linkage with other prominent stakeholders.

According to Sivaev (2013), BDS offered by government institutions tend to be ill organised without a coherent vision and strategy for implementation. Despite the challenges encountered with public sector financing, a state-funded approach is still necessary to proactively support all SMMEs with potential for success. The private sector support services tend to be much faster in adapting to changing business needs of SMMEs (Sivaev, 2013) and can thus complement state-funded initiatives. This is support by earlier calls made by Otieno and Kiraka (2004), who suggested that a market development approach with emphasis on demand-driven services was necessary after years of dismal performance of state-funded BDS programmes. Some of the factors attributed to the failure of these interventions include content determined by trainers that was not specific to the needs of SMMEs; poor quality of trainers and lack of follow-up on training to evaluate impact (Esim, 2001). A recent study by Peters and Naicker (2013) also confirmed that state-funded programmes have favoured the supply-side with little regard for the views of the SMMEs regarding the nature and content of training, mentoring and other programmes.

Business development services can be focused on a single area of support such as training, technology or marketing; or can be provided as a package with a suite of services. Whereas the minimalist strategy often fairs better in terms of cost effectiveness and sustainability, integrated strategies on the other hand can have greater impact but they cost more and often must be subsidised. Business development services also differ in their strategic focus of service (Otieno & Kiraka, 2009)

The International Finance Corporation (2004) argued that training is one of the most common types of BDS offered to SMMEs. This training includes business or technical knowledge or skills, changing business owners' attitudes, such as mind-set, bias, cultural values (e.g. gender

bias); and enhancing awareness and knowledge of policies, laws, regulations, diseases, the environment, gender and the likes.

Ruhiiga (2002) examined constraints that face business growth and concluded that there is a critical role played by management and the factor market in determining the performance and growth potential of firms. Further, the paper indicated that the internal environment of firms accounts for most of the constraints to business growth. As such, Ruhiiga (2002) argued that accelerated business growth is a function of optimal input mix, and only possible when management achieves that critical set of optimal input mix at the level of individual firms.

The IFC (2004) raised concern over the lack of focus on the specific issues faced by women with regards to provision of business development services. The IFC (2004) further stated that not enough attention was being paid to women's enterprises and their needs at different levels of growth. It is also imperative for BDS programmes to be integrated with access to finance strategies for women. According to Rodriguez (2010), significant numbers of women microfinance clients say that they drop out of microfinance programmes due to lack of business development support or services related to basic business planning and management skills.

There are still gaps in the knowledge accumulated by researchers and practitioners with regards to BDS for SMMEs. However, current experience and research suggest that SMMEs can be assisted better through improved access to funding complemented by business support services. In order for non-financial services to be effective, however, they must be accessible, customised and cost-effective (Lobbezoo, 2012).

## **2.8. Conclusions**

From the above reviewed literature, it has been established that there has been a mismatch in BDS provided to SMMEs, and that the services are not always streamlined to cater for the different unique needs of SMMEs at different stages in their business lifecycle. It has also been identified that there is a need to develop a targeted and holistic offering which speaks to the different needs of the SMME sector, with the aim of removing obstacles to firm growth, and lead to a more competitive SMME sector. The identified gap, as mentioned by Mazanai and Fatoki (2011), is the examination of the effectiveness and problems faced by business development service providers (i.e. the supply side), owner-managers and managers, which this current study therefore seeks to address.

The next chapter presents the research methodology adopted for the study.

## **CHAPTER 3: RESEARCH METHODOLOGY**

### **3.1 Introduction**

This section focuses on the research methodology used in the study to answer the research questions. Research methodology is the roadmap that guides the research and refers to the tools, techniques and procedures used to obtain and analyse data (Saunders, Lewis & Thornhill, 2009). As Bell (2010: 6) stated, the choice of the approach and methods employed to facilitate data collection depend on the nature of the study and the type of information required. This chapter, therefore, discusses the various aspects of the research methodology, namely the research design, sampling technique, data collection and analysis methods, as well as ethical considerations observed during the study.

### **3.2 Research approach, strategy and design**

The research methodology utilised in the study was chosen based on the research aim, and the specific objectives. This study used an inductive qualitative research approach. According to Saunders *et al.* (2009), the purpose of the inductive study is to acquire an in-depth understanding of the research problem. A qualitative study was conducted with the view of picking up knowledge and ideas through the discernments, sentiments and dispositions of business development service providers and the difficulties that they face. This speaks directly to the purpose of this study, which focused on understanding the nature of small business support and challenges faced by business development service providers. The inductive approach is part of the qualitative research approach which entails the collection of data methods that vary, using non-numeric, unstructured or semi-structured techniques (Punch, 2005:28).

For this study, the qualitative approach was the most preferred and considered most appropriate because phenomena under investigation had to be understood by examining the perception of BDSPs in relation to the provision of BDS to small businesses and observing trends or patterns that may be repeated in other similar situations. In this study, the researcher sought to acquire a detailed understanding of the nature of BDS by engaging directly with service providers who could share their perceptions and experiences. Beyond the individual experiences, qualitative research is also concerned with understanding individuals' perspectives of the world (Bell, 2010).

Research design provides a framework for the research process. This is long-established by Saunders *et al.* (2009:126), who stated that the research design provides a general plan of the process of answering the research questions and the specific data collection and data analysis techniques used. Therefore, the research design provides structure to the research. According to Saunders *et al.* (2009:138-141), there are various research designs, such as the following:

- Exploratory studies: seek new insights, to ask questions and to assess a phenomenon;
- Descriptive studies: provide profile of persons, events or situation and described trends and occurrences; and
- Explanatory studies: explain relationships between variables.

Given that the study intended to find new insights in relation to the provision of BDS to small businesses, the exploratory research design was used. The design was also suitable for exploring the challenges faced by business development service providers and for establishing potential strategies to address these challenges and suggesting possible best practices in the provision of business support services to small businesses.

Saunders *et al.* (2009:140) indicated that exploratory research is typically conducted through literature search, consulting experts in the field under study, and conducting interviews. In conducting this study, both secondary and primary research methods were utilised. Secondary research methods entailed conducting a desktop search of relevant literature related to the study. This approach enabled the researcher to collate information from a large body of knowledge on SMMEs and BDS in South Africa and internationally. Primary research was conducted through interviews with business development service providers.

### **3.3 Population and sample**

#### **3.3.1 Population**

The population of this study was comprised of business development and support institutions who offer integrated services (financial and non-financial) and non-integrated (non-financial support) services to the SMME market in South Africa. The study targeted business development practitioners and experts.

### **3.3.2 Sample**

Non-probability sampling was used in this study. A purposive sampling approach was used, which according to Saunders *et al.* (2009:237), enabled the researcher to use subjective criteria and own judgement to select cases that could best assist in answering the research questions and to meet the research objectives. This meant that the researcher had to select participants with the requisite knowledge and experience in the provision of BDS and support to SMMEs. The researcher counted on gaining access to business development service providers through networks and contacts that the researcher had established.

The sample included managers and associates of business development and support institutions who provide BDS and support to SMMEs. The sample size of ten participants was influenced by time constraints on the part of the researcher to mobilise participants and to conduct the interviews as well as unavailability of interviewees. The sample size is consistent with those of other similar studies. For instance, Guest, Bunce and Johnson (2006) suggested a sample size of six to 12 participants, while Baker and Edwards (2012) considered that a sample of 15 participants is sufficient.

### **3.4 Data collection**

According to Gary (2012:62), qualitative data can be collected through the use of various instruments such as semi-structured questionnaires with open-ended questions or observation schedules. There are several qualitative research techniques used by researchers, including individual interviews, focus groups (group discussions), and participation/observations (Van Maanen, 1983). This study used individual interviews to gather categorical data from a sample of ten respondents. This sample size is consistent with qualitative research which can gather detailed information about a phenomenon from a small group of respondents. Interviews are regarded as one of the leading tools for behavioural scientists, not just to get subjective information but also as a device for estimation (Taylor, Sinha, and Ghoshal,2011).

For the purposes of this study, individual interviews were conducted with participants to gather relevant information to answer the research questions and address the research objectives. Interviews were chosen over all the available qualitative data collection techniques, as they allow the researcher to get to know specific information which can be compared and contrasted with other information gained.

### **3.4.1 Data collection instrument: Interviews**

The technique employed was semi-structured interviews. This technique provided the researcher flexibility during the interview by allowing the conversation to flow in a manner that facilitated emergence of insights. Dawson (2010:28) explained that in semi-structured interviews, the researcher focuses on acquiring primary information that can be compared to or contrasted with other information gathered, especially from literature reviewed. The semi-structured interview technique facilitates probing for more detailed information and exploring new and emerging information previously not anticipated Gray, (2017). However, a major criticism of the individual interview emanates from the observation that the results cannot be easily generalised as they are typically obtained from a small group of individuals (Chilisa & Kawulich, 2012) .

The interview schedule for this study contained questions relating to BDS as a tool for SMME development. The interview schedule was divided into six sections (Annexure B), structured as follows:

- **Section A** consisted of general questions to determine who the respondent was;
- **Section B** contained questions to evaluate the organisational strategy pertaining to small business development and the service offering;
- **Section C** contained questions about the nature of BDS and the general view of the respondents pertaining to BDS and how the needs of SMMEs are identified and what interventions are commonly provided to SMMEs;
- **Section D** contained questions to determine the challenges faced by business development service providers

### **3.4.2 Process of collecting data**

In order to commence data collection, the researcher had to go through the University's internal ethics clearance process, as well as seeking permission to conduct research at institutions that provide BDS to SMMEs. Once permission had been granted, the researcher identified potential business services providers with experience in providing support services to SMMEs. The researcher contacted potential respondents identified to inform them about the study and request their permission and consent to include them in the sample. This process included ensuring that the ethical considerations of informed consent, confidentiality and anonymity were observed.

The researcher arranged for individual interviews and mutually agreed on the time and venue for the interviews. Before commencing interviews, all respondents had to sign a consent form in line with the research requirements. Interviews were directed using a semi-structured interview guide. The interview guide permitted the researcher flexibility to probe for more details and to follow new lines of thought not previously anticipated. Respondents were encouraged to be forthright in their responses and they were advised that they had the right to stop the interview at any time. All the interviews were audio recorded and transcribed at a later stage in preparation for analysis.

### **3.5 Data analysis**

According to Marshall and Rossman (2011), qualitative data analysis entails bringing order, structure and meaning to the mass of collected data. Thematic analysis was utilised for the data analysis. Thematic analysis is defined as a way of analysis that recognises patterns within the data whereby emergent themes are used as categories for analysis (Fereday and Muir-Cochrane, 2006). As part of the thematic analysis process, the audio recordings of the interviews were transcribed and analysed through thematic content analysis using the five-step method developed by Rugman (2013), as follows:

- **Step 1:** Familiarise yourself with your data – Read and re-read the data transcripts to grasp the broad and general messages conveyed by the data.
- **Step 2:** Generate initial codes – Go through transcripts highlighting and noting statements that suggest codes that are responding to the research questions.
- **Step 3:** Develop themes – Based on the codes, develop initial themes and sub-themes under which the findings could be presented.
- **Step 4:** Review themes and sub-themes – Review the initial themes by assessing if there is sufficient information to support each of the themes or sub-themes.
- **Step 5:** Define and name the themes – Give brief definitions for each theme to capture what each theme represents. Based on these definitions, provide explanations in response to research questions and specific research findings.

Further to the analysis, the researcher compared the study findings with the theories and ideas presented and discussed in the literature review. This comparison was used as a way of triangulating and validating the findings.

### **3.6 Ethical considerations**

All research that involves interaction with human beings requires that the researcher follows certain ethical principles. According to Hill (2011), ethics refer to commonly accepted principles of right or wrong that govern the conduct of a person, the members of a profession, or the actions of an organisation. In addition, Hough, Thompson, Strickland, Gamble, Human, and Makin (2008:189) stated that ethics provides a framework that governs how societies function. In this study, the researcher had sought clearance from the University of Cape Town's Ethics Committee, prior to commencing the study, to ensure the ethical treatment and protection of the participants. The researcher also sought the permission of relevant business development and support institutions to include them in the research. Such permission was requested and obtained in writing. Following that, the researcher observed the principles of informed consent, anonymity and confidentiality and voluntary participation of respondents as described below.

#### **3.6.1 Informed consent**

Before commencing the study, the researcher sought informed consent. Informed consent requires that participants are furnished with sufficient data for them to make an informed decision regarding participating in the study or not Saunders *et al.*, (2009). Consent forms with information about the study were circulated to all participants before the interviews. On the day of each interview, the relevant participants could raise questions and written consent forms were obtained from them.

#### **3.6.2 Confidentiality and anonymity**

Participants were guaranteed anonymity with the view to enable them to talk uninhibitedly during the interviews. Saunders *et al.* (2009) indicated that this anonymity guarantees to conceal the identity of participants in all records coming about because of the exploration. The researcher of the study, therefore, has not alluded to participants' names and identity in all respects. Additionally, the participants were guaranteed that all data furnished by them would not be imparted to any outsiders and would be utilised solely for scholarly purposes.

### **3.7 Elimination of bias**

#### **3.7.1 Credibility/Reliability**

For the findings to be credible, all forms of bias should be eliminated or addressed. In qualitative studies, the lack of standardisation is likely to raise concerns of reliability related to researcher/interviewer bias. In research, 'reliability' refers to the extent to which data collection techniques will yield consistent findings in similar contexts (Saunders, *et al*, 2009:600). However, according to Golafshani (2003:601-604), reliability as a concept is not well suited for qualitative studies. Rather, it is suggested that opinions collected from individuals at a specific point in time can change over time.

To ensure credibility, the interview cover page and questions were shared with the respondents beforehand. This, according to Saunders *et al.* (2009:328), also promotes validity and reliability by enabling the respondents to review the information required and to prepare themselves accordingly.

#### **3.7.2 Validity**

Research studies ought to demonstrate validity of their findings in order to be useful. For qualitative studies this is crucial given that the small sample sizes do not permit statistical generalisation about the entire population (Saunders *et al.* 2009: 327). To address the concept of validity, the researcher asked the same questions to all the respondents in order to be able to compare and contrast the responses during analysis. The researcher also focused on gathering as much knowledge as possible from the interviews and ensuring that the meaning conveyed by the respondents is not distorted.

### **3.8 Limitations**

The major study limitation encountered by the researcher was time. The researcher had limited time to conduct the research while balancing study and full-time work commitments. The effect of the time constraints was a reduced sample size. The researcher would have preferred a larger sample size in order to explore the study topic more widely. However, the rigour exercised during the study was adequate to ensure reliable and valid findings. Another limitation was that the study was based on a non-random and limited sample of business development service providers

### **3.9 Conclusion**

The research methodology for this qualitative study was described in this chapter – looking at the rationale for the study by explaining the research approach, strategy and design, population and sampling, data collection, ethical consideration, elimination of bias and limitations. In the following chapter, the findings of the conducted research are discussed and interpreted.

## **CHAPTER FOUR: DISCUSSION OF FINDINGS**

### **4.1 Introduction**

This chapter presents the results of the qualitative and exploratory study based on the interviews conducted with ten respondents. The chapter comprises five sections. Section 4.1 is an introduction; Section 4.2 details the demographic profile of the respondents in terms of gender, age, role in organisation, qualifications and years of experience; the study findings are discussed in Section 4.3; Section 4.4 deals with challenges facing business development service providers; and lastly, Section 4.5 is the conclusion of the chapter.

### **4.2 Demographic characterises of participants**

The sample of respondents for this study was drawn from the population of business development services providers (BDSPs) who offer either financial or non-financial or support services or a combination of both to SMMEs. The ten participants in the study were from eight organisations involved in the development of the SMME sector. Two respondents were interviewed from each of the first two organisations and one respondent was interviewed from each of the remaining six organisations. The organisations in the study were divided into two broad categories. The first group of organisations offers integrated business development support services that include funding. The second group of organisations offers non-financial business development services. Of the eight organisations, four offer integrated business development services (financial and non-financial support) and four offer only non-financial support.

The next paragraph presents the demographic profile of the ten respondents that constituted the sample. The gender of the respondents, as shown in Table 6, is that there were 8 males (80 percent) and 2 females (20 percent).

The average age of the ten respondents was 44 years with a minimum age of 26 years and a maximum age of 49 years. The data in Table 6 further indicates that seven of the respondents (70 percent) were between 40 and 49 years old. The majority (80 percent) of the respondents were over the age of 30 years, with only two respondents (20 percent) being younger than 30 years of age. The educational profile as shown in Table 6 below indicates that, at the time of this research, five of the respondents (50 percent) held a post matric certificate or diploma. Four of the respondents (40 percent) held a degree qualification and only one respondent (10 percent)

held a post degree qualification. The roles played by respondents in their organisations were very diverse. These roles included business development manager, financial advisor, mentor and coach.

**Table 6: Demographic characteristics of respondents**

<b>Variable</b>	<b>Attributes</b>	<b>Frequency</b>	<b>Percentage</b>
<b>Gender</b>	Male	8	80%
	Female	2	20%
<b>Age</b>	22-29 years	2	20%
	30-39 years	1	10%
	40- 49 years	7	70%
<b>Role in organisation</b>	Post Investment Associate/ Manager	2	20%
	Business Development Manager	2	20%
	Market Development Specialist	1	10%
	Coach and Mentor	1	10%
	Special Financial Advisor	1	10%
	Principal Mentor and Consultant	1	10%
	Regional Manager- Incubation	1	10%
	Enterprise Development Manager	1	10%
<b>Qualifications</b>	Certificate/diploma	5	50%
	Degree	4	40%
	Post Degree	1	10%
<b>Years of experience</b>	Less than 5 years	1	10%
	6-10 years	2	20%
	11 - 25 years	5	50%
	Over 25 years	2	20%

(Source: Estimates are from research data)

Regarding the number of years of experience, the data shows that, at the time the study was conducted, the average number of years of the respondents in the industry was 17 years. Three of the respondents (30 percent) had less than ten years of experience; five of the respondents (50 percent) had between 11 and 25 years of experience; and two (20 percent) had more than 25 years of experience providing business development services.

**4.3 Findings**

Amongst other things, the study sought to understand whether there was a perceived need for BDS in South Africa in order to support the establishment and growth of the SMME sector. The respondents confirmed that there is a growing need for BDS in the South African SMME

market. It was emphasised that BDS are critical, particularly in South Africa where there is a growing space for entrepreneurs due to high unemployment and poverty. The increasing number of school leavers entering the job market annually and other entrepreneurs can benefit from the BDS. The government has no capacity to employ the majority of the unskilled and semi-skilled who are unemployed but with support from private sector organisations offering BDS, unemployment can be addressed. The detailed findings of the study are presented and discussed in the next section.

#### 4.3.1 Nature of BDS services for SMEs in South Africa

The study sought to investigate the nature of BDS and the extent to which these support services speak to the needs of the SMMEs in South Africa. The respondents were requested to indicate the type of BDS that their organisations provide to SMMEs. Given the diversity of BDS, the study used the seven general categories of BDS provided by the Small Enterprise Education and Promotion Network (SEEP) to guide the respondents. The seven categories are: Training and technical assistance; Market access; Technology and product development; Input supply; Infrastructure; Policy and advocacy and alternative financing mechanisms. These responses from the across the seven categories are shown in Table 7 below.

**Table 7: Categories and nature of business development services**

Category	Nature of business development services	Number of responses
<b>Training and technical assistance</b>	Risk management and planning	10
	Mentoring, counselling & advisory service	10
	Leadership training	10
	Business management (basic business skills)	10
	Product costing and pricing	8
	Bookkeeping	4
	Business coaching	6
	Financial & tax services	4
<b>Market access</b>	Soft skills	3
	Business marketing	10
	Demand generation	7
	Sales strategy	6
	Export market development	3
	Advertising and showcasing entrepreneurs/Trade fairs, conference	2
Networking event hosting	2	

	Conference sponsorship	2
<b>Technology and product development</b>	Product development	4
	Systems design	4
	Linkage with technology suppliers	1
<b>Input supply</b>	-	-
<b>Infrastructure</b>	Administrative support services business incubation	3
	Administrative support services	2
<b>Policy and advocacy</b>	Sponsorship of conferences	1
<b>Alternative financing mechanisms</b>	Financial support	4

(Source: Estimates are from research data)

According to the results presented in the table above, training and technical assistance and market access are the two major categories in which the BDS providers are operating. Although the other categories are equally significant for the development of SMMEs, the service providers interviewed do not have a strong focus or capacity to provide all the associated services. However, the general view amongst the respondents was that there is a growing demand for BDS in South Africa. The respondents all agreed that many entrepreneurs have enormous challenges and need various kinds of support to find solutions to those challenges. Though business development services are diverse in nature, some providers reasoned that the idea of BDS is to provide a holistic approach where both the personal (entrepreneur) and technical aspects (enterprise) are covered, and hence the focus on basic business skills and soft skills. One respondent echoed this by stating that there needs to be a holistic approach to the delivery of BDS, and assistance provided to SMMEs. The approach should address the needs of SMMEs from all possible angles. For example, if SMMEs fail to pay an instalment, the business development service provider should be able to look at business financials, management accounts and information on other areas of the business to determine the problem. Business issues should be addressed holistically, not in isolation. This is supported in literature by Abor and Quartey (2010), who stated that for BDS to be effective, there must be a holistic approach applied to financial and non-financial offerings in the SMME sector. These two categories need to be addressed together as they tend to impact on each other.

However, it was noted that different BDS providers might not necessarily have the internal expertise in all elements of business development and may need to collaborate with other providers to ensure the SMMEs receive the type of support needed at the relevant level. This was articulated by BDSP 5 as follows:

*As BDS providers we should also develop an ecosystem that benefits clients, if one assists a client on one thing, they should be able to then connect them to another BDS provider who will then take them to the next level and so on. This ecosystem or way of delivering BDS is not there at the moment (BDSP 5)*

The foregoing has indicated that there are key categories of BDS in which SMMEs require assistance. It was also revealed that BDS providers are restricted by lack of capacity and expertise to offer a full bouquet of services to SMMEs. However, this challenge can be solved by creating an ecosystem of BDS providers who can work together through a referral system, depending on the needs of SMMEs.

#### **4.3.1.1 Training and technical assistance**

As the already stated above, most of the BDS providers offer services in the training and technical assistance category. Training and technical assistances refers to the transfer of a range of skills to SMMEs, through various modes of education, to ensure they are well-equipped to carry out all the necessary business processes they require. Training is also a process through which skills, talents and knowledge of SMMEs and employees are enhanced, and the main aim is to assist entrepreneurs to start up, grow or expand their businesses. The findings on the specific aspects associated with training and technical assistance are discussed in the following sub-sections.

- **Mentoring, counselling, coaching and advisory services**

The study findings indicate that all the respondents provide some form of mentoring, counselling, coaching and advisory services. These four services are often consolidated into one and the terms can also be used interchangeably. From a definition point of view, these services are all concerned with providing one-on-one sessions, where a skilled and experienced person will provide specialised technical and managerial input. The process involves guiding SMMEs to identify problems, opportunities and resources, define options and select a course of action. These services are critical in SMME development as most of them often lack capacity and skills to successfully run their businesses. BDSP 2 expressed this observation as follows:

*Most SMMEs lack the technical capacity and business acumen to run their businesses. This is usually visible in financial management where they lack the know how to calculate critical*

*business metrics such as break-even point and so on. Therefore, SMMEs require support in order to be successful. SMMEs benefit more from mentorship and coaching which we provide in order to leapfrog entrepreneurs to success. (BDSP 2)*

Other BDS providers highlighted that this is an essential service as many SMMEs may lack the requisite technical and business skill and experience to run their own businesses. One respondent stated that the one-on-one sessions give them an opportunity to be a sounding board to the SMMEs, providing a space to the SMMEs to think through some of their ideas and challenges and ultimately find solutions. The respondents also pointed out that this form of service allows the training interventions to be customised and focused to the individual needs of the SMMEs. This sentiment was echoed by BDSP 1 in the following statement:

*The BDS are offered through specialised mentoring, coaching and training facilitated by a specialised team of trainers and mentors, focusing on the particular needs of business as per our assessments through one on one engagements. (BDSP1)*

The emphasis on the individualised approach and its benefits shows that coaching and mentoring are important tools for promoting the success of SMMEs. Therefore, while some BDS providers might not offer mentorship and coaching services themselves, they would facilitate such services to be offered to the SMME through referrals. This was stated by BDSP 3 as follows:

*We offer a wide range of BDS. Whatever a client requires we make sure we find a mentor or a service provider in our database and determine who can best assist them. For all services that are not financial we rely on our networks to link clients with service providers. Sometimes clients bring their own mentors or coach who they want to be on the technical team, and we support them. (BDSP 3)*

The emphasis on finding mentors and coaches to provide one-on-one support to entrepreneurs demonstrates the importance of coaching and mentorship for SMMEs. The synergy between mentor or coach with SMMEs is crucial in creating a sense of security for the SMMEs to open-up about their own shortcomings. The depth of the engagement and openness of the SMMEs will enable the BDS providers to properly assess the skills set and gaps within the SMMEs and facilitate a customised training programme, assisting the SMME to overcome those challenges.

This approach is more beneficial to the SMMEs as the interventions put in place will speak to the exact needs of the SMME. This is corroborated in literature by Filho *et al.*, (2017) who suggested that small businesses require customised training and guidance suited to their positions in the business lifecycle. According to the IFC (2012), the performance and growth potential of SMMEs is limited to the management team and operational capacity of the business. This implies that coaching and mentorship could be more effective when targeted at the management level to ensure proper business leadership for the development of the SMMEs.

- **Business management**

There was unanimous agreement amongst the respondents that basic business training was an important aspect for the development of SMMEs. Business management entails administration of an organisation to ensure implementation of all its functions. In commenting about offering business management training, BDSP 1 said:

*The services offered should ideally include all foundational aspects such costing, pricing, retail readiness and financial management. Additionally, services must also focus on soft skills in order to mould entrepreneurs into confident and skilled business owners and managers. (BDSP 1)*

Business acumen training is critical to develop problem solving skills and critical thinking skills relative to making decisions that affect business revenue generation and other business-related decisions. It is a must have across all levels of audiences as it is an important behavioural competency needed to succeed in business. This is particularly important for SMMEs who must build self-reliance and clearly understand how their role and decision-making impacts their business bottom line.

- **Leadership training**

Leadership training includes training to develop emotional intelligence to perform business responsibilities better and focuses on behaviour and effectiveness of managers. In addition to the basic entrepreneurial traits required for successful business development and management, SMMEs also need further support related to planning to ensure that all potential risks to the business are identified and mitigating actions put in place. This was articulated as follows:

*Other services include executive training and leadership performance training. We currently developing programmes for business leaders (BDPS5)*

When it relates to leadership training this involves a combination of the softer side and technical aspects with more focus on the personal side of things as cited by one respondent.

*The leadership training also extends to personal development and leadership to ensure that business priorities are put first (BDSP7)*

The focus is on the individual in order to build specific personality traits required for business success. The providers look at leadership issues to build good team relationships as well as relationships with clients. The foregoing also suggests that entrepreneurs require a significant amount of personal grooming in order to establish and run their businesses. In addition, given that most entrepreneurs are hardly prepared for the business sector, it is indeed necessary to provide the most basic or foundational aspects of business management and leadership. That way, it is possible to establish businesses with a firm foundation and have greater likelihood of survival in the long term. Leadership effectiveness is often viewed as a critical factor in organisational performance (Fielder, 1964). This is supported by Becker (1994) who stated that human capital is one of the best forms of capital in business. Furthermore, Olaniyan and Okemakinde (2008) posited that when individuals have effective leadership skills and possess superior educational qualifications, productivity goes up and this has a direct correlation with economic development.

- **Risk management and planning**

Risk management and planning is aimed at curbing business failure and ensuring competitiveness. This was also on top of the list with most respondents agreeing that many entrepreneurs aspire to own businesses as a way of escaping unemployment, but they often enter business without a full appreciation of the risks associated with running their own businesses and the importance of planning. As one of the respondents observed:

*Most businesses are at risk of financial collapse due to poor planning, most of the time if not all, they are oblivious to those risks, which are likely to lead them to business failure.*

*(BSDP 9)*

The point was emphasised by BDSP7 who said that:

*These challenges can be overcome through raising their awareness to business risk. When businesses decide to expand, we assist them to assess the risk and help them put in place mitigation measures. The other way would be to determine if the business is ready for expansion (BDSP7)*

As captured in the statement above, risk management and proper planning should be an integral part of training for SMMEs. For small businesses to succeed, it is imperative to ensure they have effective internal processes to plan and to mitigate against risk and avoid business failure. To this end, risk matrices are used to detect problem areas and assist SMMEs to come up with alternative measures for risk management. This is enhanced by assessment done through client consultation. There is need for SMMEs to be agile and swift in understanding and dealing with risks and opportunities in a manner that is likely to lead to a good outcome.

- **Bookkeeping, financial and tax services**

One respondent noted that in some instances SMMEs appear not to fully understand the implications of their business financial decisions and how these decisions can directly affect the financial position of the business. Another respondent added that SMMEs also do not understand the information presented to them by accountants in their financial statements. Many of the respondents have seen this as an opportunity to provide this service, which also gives them the opportunity to provide training in basic financial management, understanding of financial statements and tax compliance requirements.

*In addition to bookkeeping we provide our clients with application of the income statement, the balance sheet, the cash flow report, and the metrics of business performance used to gauge success. (BDSP5)*

This is a vital area in the life of any business particularly SMMEs who are found wanting in relation to management of accounts and tax records, and compliance with labour laws and other regulations. Providing this training and capability for SMME sets them up to succeed and create wealth both for themselves and the economy.

#### **4.3.1.2 Market access**

Market access refers to the ability of a business to get clients and sell its goods and services at various platforms both locally and abroad. Generally, programmes in the market access

category designed to assist micro entrepreneurs fall under marketing. Market access includes the following services:

- **Sales strategy and demand generation**

The majority of respondents agreed that the first key to getting clients for any business is its ability to clearly articulate its value proposition, unique competitive advantage and pricing. It is to this end that one respondent stated that because of their size some SMMEs that are new entrants in the market, need help in putting together their marketing/sales strategy in order to get them to compete.

*We provide SMME with templates and advise on how to design their action plan to take them out to market and the various ways they can promote their product. (BDSP 8)*

This was further corroborated by another respondent who stated that:

*We assist SMMEs from writing a business plan to marketing. (BDSP3)*

All the providers also assist the SMMEs' generated demand for their product or service through various platforms. Other providers noted that this marketing plan will entail training in design thereof, presentation skills and how to go about doing a sales pitch to assist SMMEs in their marketing efforts.

*When formulating a marketing and sales strategy, we teach SMME what to do, like how to do a sales pitch and sell products. (BDSP6)*

The foregoing demonstrates that marketing is a very important aspect of business development. Assisting SMMEs to create demand for their services is also critical for increasing business viability and sustainability in the long term.

- **Export market development**

Nearly all the respondents highlighted the hope that is placed on SMMEs, which results in the array of services offered by BDS providers to assist in widening the horizon of SMME and open them up to other opportunities. One interviewee stated that:

*...we also expose entrepreneurs to global markets and business knowledge through trade shows and other platforms like, e-learning platforms.*

Another respondent also added that they facilitate and host networking events, regularly giving an opportunity for SMMEs to connect with their bigger counterparts from a skill transfer and market access point of view and showcase their product to other SMMEs. BDS3 pointed out that they also offer funding for travel for SMMEs to travel abroad and attend international trade shows where they can showcase and advertise their product offering.

*As a means to expose SMMEs to export markets we provide finance for them to attend trade shows and advertise their products. (BDS3).*

Two of the BDS providers also provide opportunities for the SMMEs to advertise and showcase their products in the international markets and trade shows. One respondent noted that the challenge, however, is that they do not always have sufficient capital for the SMMEs to stay in the international market long enough to get exposed to various offerings and close some deals for their businesses.

- **Networking event hosting**

Networking events are hosted with the view to create a platform for SMMEs to connect with one another and share their business experiences. One respondent commented about networking as follows:

*The focus is on connecting entrepreneurs to opportunities through networking events and providing coaching and mentorship. These services are mainly targeted at early stages entrepreneurs to help them grow their business. (BDS1)*

SMMEs desperately need to grow and need access to new markets continuously. This exposure is critical in enhancing the ability of entrepreneurs to weather the competitive and changing business environment. Furthermore, this exposure enables SMMEs to expand their businesses and increase their market share as well as benchmark their services with best practices in their industry. SMMEs are challenged by changing markets and environments in which the enterprises are expected to survive and grow (Rodriguez, 2010). Market access is linked to the

ability to compete. Capacity development for SMMEs in market access will aid them to seize growth opportunities, reach export markets and the formation of business networks.

#### **4.3.1.3 Technology and product development**

These are programmes designed to assist SMMEs to improve their production techniques and perfect their innovation of new products from concept stage. A few of the BDS providers cited technology and product development as a category they provide services in. Only one BDS provider mentioned that they provide linkages between SMMEs and technology suppliers making sure they facilitate introductions with suppliers with strong quality and track record.

*We connect SMMEs with suppliers of technology with the expectation that there will be transfer of technology, knowledge and skills to the SMMEs. (BDSP8).*

The respondents mentioned that the key focus is on helping entrepreneurs to develop their products, test and then refining until ready to launch or expand and determine the pricing and take it to the market. They confirmed that this process also helps entrepreneurs to discover and learn other critical business skills.

*BDSP3* affirmed by saying:

*Our focus is on business innovation and product development. We build original ideas into innovative ideas. We also provide support with compliance, registration and intellectual property issues.*

In a similar vein, *BDSP4* stated the following:

*On the design of the system, the market strategies offered, would include design of internal processes and procedures. (BDSP4)*

In the world of evolving technology, BDS, as mentioned by Otieno and Kiraka (2004), provides SMMEs with a platform for designing relevant and quality products, enhancing productivity while reducing costs in order to increase profitability, and improving business management and administration.

#### **4.3.1.4 Input supply**

The results showed that none of the respondents provided services within the input supply category, which by implication means minimum effort is directed to support SMEs to access inputs at preferential rates and terms. Additionally, BDS providers do not facilitate the availability of less expensive and high quality inputs, resulting in SMMEs being disadvantaged.

#### **4.3.1.5 Infrastructure**

Incubation services are also popular, as they provide a safe platform for SMMEs to prove their concepts and develop prototypes without having to incur the cost of the actual setup, as mentioned by one respondent. These services enable entrepreneurs to think through their business propositions and refine them in order to launch successful businesses.

*We are a business incubator, providing office space, telephone services, secretariat services, bookkeeping and consultations (BDSP7)*

Furthermore, the respondent explained the incubation process as follows:

*The first stage is the pre-incubation program whereby the business owners develop the initial business model. This model is essentially their Value Proposition Canvas (VPC). The next stage is then the incubation period whereby they delve deeper into refining the VPC to ensure that they know who their clients are and the value they provide these clients. This helps SMEs to remove unnecessary noise and focus their business. The business owners have to demonstrate that they have learnt and understood their business before we make a decision to bring them into the incubation program. (BDSP7)*

There seems to be a recognised need of BDS and are perceived critical, particularly in South Africa where there is a growing space for entrepreneurs due to high unemployment and poverty. As a result of the changing landscape, school leavers are not expected to slot into corporates, instead the BDS provide an opportunity for entrepreneurs to be equipped and receive the necessary support to succeed. However, given that most aspiring entrepreneurs seek business as an alternative to employment, they often lack the necessary business skills. The incubator programmes are therefore critical in imparting the relevant knowledge and skills to successfully run their business. The incubator programmes are also suitable especially for SMMEs who have

an understanding of what they need to accomplish but may lack the necessary skills to implement the business ideas.

#### **4.3.1.6 Policy advocacy**

It is also worth noting that the majority of the respondents were not offering services in the policy and advocacy category which includes training in policy advocacy, analysis of policy constraints and opportunities, direct advocacy on behalf of SMMEs and policy studies. The only respondent offering a service in this category was for sponsoring of conferences. By implication, SMMEs are not equipped to advocate for their needs and to raise their concerns on policy matters that arise or contribute to changes in the sector. Further, the BDS providers do not provide or stand for the rights of SMMEs or even point them to the kind of opportunities offered through policy and even highlight the type of hindrance that policies directed at SMMEs might put in place.

#### **4.3.1.7 Alternative financing mechanisms**

As part of the training and business development, SMMEs are advised on how to apply for business loans, how to manage credit, and what expectations are for repayment. The BDS providers who were not providing finance directly stated that they facilitate for the SMMEs to find alternative sources of financing for either their start-up or expansion plans. This was echoed by BDSP3, when he said:

*The goal is to support existing businesses by linking them with mentors and assist them find specialised finance. (BDSP3)*

Another respondent noted that because of the risk involved in providing finance to SMMEs, they will provide different instruments to ensure that the SMMEs access the type of funding they need.

*We take more risk than banks and we put in place instruments like shareholding, royalty agreement or we take a percentage of the turnover. (BDSP4).*

Globally, the literature on SMMEs clearly states that SMMEs have difficulties securing debt finance. This type of service is therefore essential to SMMEs, helping enterprises to access appropriate financing mechanisms to have cash flows and liquidity to enable them to make

quick decisions about their business plans. This is in line with literature from the International Finance Corporation (2004) which argued that in cases where security can be an impediment when SMMEs seek to raise funding, BDS can be used as an alternative form of collateral to facilitate access to finance. This point is further corroborated by Mazanai and Fatoki (2011) who found that there is a positive relationship between BDS and improved access to funding. This as a result underscores the importance of effective BDS in assisting SMMEs with the different challenges they face.

These results indicate that there is a growing need for BDS in South Africa. It is however clear that given the diverse nature of these services, BDS providers are not always able to provide all types and should ideally be guided by the need of the businesses at a point in time. The ecosystem approach should help providers connect to other providers so that a holistic solution driven approach can be applied for SMMEs.

Overall, most of the services provided seem to be aligned to training and technical assistance which is meant to help with building human capital and capacity through skills transfer services and provision of business advice. The second most important category is market access which helps the enterprise to identify and service markets, design products, to increase market share and better compete. This finding was in line with the International Finance Corporation (2004) which argued that training is one of the most common types of BDS offered to SMMEs. This training includes business or technical knowledge or skills, changing business owners' attitudes, such as mindset, biased cultural values (e.g. gender bias); enhancing awareness and knowledge of policies, laws, regulations, diseases, the environment, gender and the likes. Contrary to the study of CDASED (2001), which found that much focus of BDS has been on the operational level while the strategic business requirements of SMMEs have been largely ignored. The services provided by the providers who participated in this study are more aligned to strategic services, which was the same conclusion reached by Rodriguez (2010). Strategic services are considered to be medium to long term and developed to help the business to identify and service the market, design products, set up facilities and seek financing to increase market share and better compete.

It however seems that two areas in particular are lacking, namely policy advocacy and input supply. There also needs to be a good balance of strategic services and operations by

introducing more of the operational day-to-day services, which include information and communication.

**4.4 Challenges facing business development service providers**

The analysis identified five key categories of challenges associated with the provision of business development services. The five broad categories of challenges faced by the BDS providers can also be categorised as internal or external constraints. The summary of the challenges is presented in Table 8 below.

**Table 8: Challenges faced by BDS providers**

#	Challenges of BDSP	No of mentions	Internal / External factor
1	Environmental dynamics in the context of the SMMEs (weak regulatory framework, unreliable datasets).	2	External
2	Creating market awareness, trust and acceptance among the SMMEs.	8	External
3	Design of service offerings in accordance with the needs and paying capacity of the SMMEs.	8	Internal
4	Scarcity of capital and skilled resources as well as need for market-building initiatives.	10	Internal
5	Constrained by the limited paying capacity (price sensitivity of SMMEs)	10	External

(Source: estimates are from research data)

**4.4.1 Internal capacity constraints**

All ten respondents mentioned the availability of internal capacity as a major challenge impeding their delivery of services to SMMEs. The internal capacity constraints relate to challenges within the control and operations of the providers. The findings show that the specific nature of the internal capacity constraints varied across different organisations. The three themes and challenges which were identified in rank order of importance are as follows: funding and resources; expertise and skills levels of providers; and design of services.

**4.4.1.1 Funding and resources**

All the respondents agreed that lack of capacity to provide BDS to satisfy the huge demand by SMMEs was a major challenge faced by BDS providers. It was acknowledged that entrepreneurs desperately need BDS to establish and improve their businesses. Service

providers, however, are failing to meet these needs due to their lack of adequate funding and internal resources required to deliver services. One respondent stated this challenge as follows:

*There are many businesses across all the provinces of South Africa who need business development services but we also don't have the internal funding to support them. (BDSP8)*

This statement suggests that this challenge is widespread as demand for BDS seems to be much higher than the supply. This lack of funding and resources is seen as one major inhibiting factor in the service providers' ability to extend their reach and provide services with meaningful impact on entrepreneurs.

*We do not have the resources to invest in the tools we need to offer optimum services and interventions to SMME and also train every mentor that we bring in as all these are costly (BDSP 2)*

As a result of the limited internal capacity, service providers can only service a small proportion of entrepreneurs in the market while the rest go without the necessary support. At the national level, this challenge could be one of the contributing factors to the collapse of SMMEs within the first two years of conception. Without support it is highly likely that many SMMEs would be pushed out of the market and eventually close down.

It is, however, worth noting that the major concern with regards to funding is not that there is no available funding, but rather that access to funding to support the SMME sector is seen as a concern. This is echoed in the following statement made by BDSP 4:

*Although capital seems to be a challenge there is enough capital, in previous years international organisations provided capital directly to non-profit organisations. However, later government set up structures and government agencies, resultant in and capital been centrally driven through these establishments. Due to inefficiencies in the system access to capital has become a challenge now. (BDPS 4)*

The above statement by the respondent suggests that BDS providers face challenges in accessing funding from government agencies. These challenges include tedious and lengthy funding application processes as a result of red tape pervasive in government departments.

Furthermore, although funding resources are available, they are poorly marketed which means a significant proportion of entrepreneurs are not aware of the availability of such resources.

Some other participants noted that the introduction of the enterprise and supplier development (ESD) component of the Broad-Based Black Economic Development (B-BBEE) codes has meant that there are available funds in the market to support SMMEs in various ways. As a result, many large companies have either established or allocated funds towards ESD initiatives. While the objectives of these initiatives are relevant and varied, the respondents were of the view that these funds were not allocated with the right intent and not utilised effectively to achieve the necessary objective. While ESD initiatives are an excellent avenue to access the much-needed funding to support SMMEs, the challenge is that these funds are not reaching the service providers who service the SMMEs. This general sentiment amongst respondents is captured well in this statement by BDSP3:

*Accessing funds for ESD programs through B-BBEE is also a challenge as there is a misalignment between what is required to access those funds and what is required by the entrepreneurs. Service providers are torn between complying with requirements and getting the money and yet still not solve the problems expressed by entrepreneurs. (BDSP3).*

The misalignment stated above limits the number of BDS providers who can comply with the requirements for funding. The ultimate result of the lack of adequate funds and internal capacity is that BDS providers are unable to provide the full scope of the interventions required by entrepreneurs. The range of services offered to entrepreneurs become limited with negative outcomes for entrepreneurs. For instance, when entrepreneurs are exposed to certain platforms such as international trade shows, they fail to take full advantage of these opportunities due to lack of preparation that could have been enhanced through mentorship and coaching, which needs to be funded. Furthermore, the entrepreneurs face challenges of not having adequate support and time to interact with players in the global market long enough for them to determine what they can offer in that market.

The other resource constraint raised by respondents is that BDS providers often have a limited complement of staff numbers. As a result, the staff spend more time focused on administrative work with no extra capacity to look for business or market their business development services.

With limited staff, BDS providers are unable to offer their services to all the entrepreneurs that need such services. This was stated by BDSP 8 as follows:

*We need more mentors that we can send in the field and that we can pay for. (BDSP 8)*

*There is a large concentration of incubators because there is funding there and yet this funding should also be spread across to other stages of business. Some businesses fail to grow after the incubation phase for lack of support. They cannot raise funding from private investors or venture capital and therefore remain stagnant and don't grow. This is the critical stage that needs support because this is where jobs are created. While incubators are necessary the support should be extended to the next stage of business as well. (BDSP6)*

*Capacity is a challenge at the moment. We don't have the resources to invest in the Growth Wheel tool and also train every mentor that we bring in. It is costly. However, the major obstacle is that the business industry doesn't have a common framework that we work with, like Accountants do for example. This makes it difficult to benchmark the quality of services we provide. (BDSP5)*

*Now we have capacity constraints and cannot visit as regularly. (BDSP3)*

It is evident from the foregoing that internal capacity constraints are crippling BDS providers and limiting their ability to reach a wider section of entrepreneurs who need their support. It has been clearly articulated that without access to adequate funding, BDS providers can only offer a limited suite of services. Furthermore, with limited internal staff the priorities shift towards internal administrative functions with limited focus on widening their reach in the market. The use of external resources is also limited due to lack of access to acquire and pay for such resources, including finding skilled mentors.

#### **4.4.1.2 Expertise and skills levels of providers**

There was unanimous agreement amongst the respondents that the barriers to entry to business development service provision are low. It has become relatively easy for anyone to be a "small business consultant" even without the necessary qualifications. While this has increased the number of BDS providers across several sectors and industries, it has also contributed to a rise of BDS providers with a lack of specific industry knowledge and offering poor quality services

that fail to provide relevant solutions for emerging entrepreneurs and SMMEs. This sentiment was articulated by one respondent as follows:

*The business development services space has providers with poor industry knowledge, lack of understanding of business solutions, lack of effective internal procurement processes and poor internal processes. (BDSP 6)*

The presence of ill-equipped BDS providers paints a negative picture for SMMEs who stand to receive poor support services that may contribute to their demise. Entrepreneurs and SMMEs require solid and effective support based on what works in their specific industry. Therefore, when BDS providers fall short of industry knowledge they amplify the problem and leave SMMEs worse off.

The BDS providers who offer both financial and non-financial support highlighted an over reliance on external service providers. These external services providers are accessed and included in the internal databases to assist funded SMMEs where internal competencies and expertise may be lacking. According to BDSP 10, there is a general lack of skills among BDS providers.

*Overall scarcity of capital and skills is a major challenge, but we always work around it to find solutions. (BDSP 10)*

Therefore, when it is established that skills shortages are a reality, it follows that external resources will be called in to provide relevant competencies lacking internally. However, this reliance on external assistance is also not sustainable as it is costly in the long run. Further, external providers have no vested interest to see the entrepreneur through once they have been paid. A more desirable option would be to build internal skills to enable the BDS providers to provide their core services with the use of internal staff for long-term sustainability.

The lack of skills and expertise among BDS providers was attributed to a lack of commonly stated and accepted standards among all BDS providers. The statement by BDSP 5 sums up what can be viewed as the root cause:

*The major obstacle is that the business development services industry doesn't have a common framework that we work with, like Accountants do for example. This makes it difficult to benchmark the quality of services we provide, resulting in the rise of sustainability issues*  
(BDSP5)

These challenges of lack of expertise and skills directly result in provision of limited or poor services to SMMEs. Therefore, the quality of BDS offered by providers without relevant skills is questionable. Hiring competent and experienced staff needs to be prioritised in order to ensure delivery of quality BDS to SMMEs and entrepreneurs.

It is worth noting that in South Africa the shortage of expertise and skills is not limited to entrepreneurship. Skills shortage is a national challenge. Although government is committed to supporting SMMEs to drive economic growth and increase employment, skills shortages still persist. Therefore, the question of skills among BDS providers ought to be viewed within the larger context of national development. The possibility of reducing poverty and unemployment hinges in part on the ability of BDS providers to skilfully deliver business support services to ensure the establishment and growth of profitable and sustainable SMMEs. This finding is consistent with that of Barisic (2004), who established that good, competent, experienced staff were either non-existent or difficult to recruit and the only staff available were young graduates with mainly theoretical knowledge regarding the SMME.

#### **4.4.1.3 Design of services**

The respondents pointed out that the poor design of services offered to SMMEs is one of the primary reasons why there is limited uptake of their services. The effectiveness and the impact of poorly designed interventions that some BDS providers have implemented have been questionable. The lack of well-designed services often leads to interventions that do not respond to the specific needs of SMMEs nor offer the sector-specific solutions desired. There is a sense that most entrepreneurs are arguably frustrated as they often receive generic BDS and yet what they need are solutions customised to their sectors and individual circumstances. One respondent stated that it is imperative that BDS providers accept that a one-size-fits-all approach no longer works. Respondent BDSP 8 captured this challenge as follows:

*We will find a more responsive SMME sector once we align our offerings to their needs.*  
(BDSP 8)

This is a significant statement in that interventions have to be designed based on felt needs of the beneficiaries. The needs of SMMEs are varied and need to be understood at various levels. The BDS providers, therefore, need to engage with SMMEs in order to determine what those needs are in order to design initiatives that will provide relevant solutions.

When the respondents were asked whether they attributed this challenge to a lack of technical skills amongst the providers of these services, most responded in the affirmative. The respondents also indicated that service providers apply an umbrella approach to cover all SMMEs. Their observations indicate that this approach has not worked out very well. BDSP 1 emphasised this point by stating that:

*Focusing on specific sectors provides a sense of comfort to the SMMEs that the provider actually understands their sector specific challenges and will provide specific and innovative solution (BDSP 1)*

Another challenge associated with the design of services related to the timing of implementation of services. SMMEs are all at different levels of their entrepreneurial journey and need to be serviced at the level at which they are at. The design of services ought to respond to the level of the SMMEs so that the intervention is effective and beneficial.

In general, it is evident that BDS providers tend to offer generic services to entrepreneurs at various levels across sectors. It is clear that when services and needs are not in alignment there is wastage of scarce financial and other resources. Research becomes necessary as part of the process of BDS providers gathering evidence on the specific needs of SMMEs. Furthermore, the services should be dynamic and respond to the changing needs of SMMEs as they mature or respond to their clients.

Lussier and Hyder (2016) also note that an important starting point to any SMME support service is the development of appropriate and accredited syllabus, which is customer-centric and jointly negotiated by providers and recipients. The study by Rogerson (2008) on a skills development programme noted that training material used in the training was generic and not customised to the needs of SMMEs. Rodriguez (2010) also noted that the diverse needs of beneficiaries do not permit for a standardised approach.

#### **4.4.2 External constraints**

In addition to internal capacity constraints, BDS providers also face external challenges in their provision of services to SMMEs. The external challenges emanate from both the environment and the SMME market that the BDS providers work in. The BDS providers engage with SMMEs at both the individual and SMME level. As such, providers are faced with challenges emanating from personality attributes such as level of education, leadership and perspectives on personal finances. At the SMME level, the providers encounter challenges to the productivity and profitability of these entities and available skills and expertise. However, beyond the SMMEs, the BDS providers also face societal challenges such as unemployment, climate change and recycling of materials. These issues are much bigger and there are financial constraints on society to solve these.

The six themes and challenges which were identified in rank order of importance are as follows: Payment inability of SMMEs; Low market awareness; Commitment to and from SMMEs; Perceived value of business development services; Finding the right clients; and the Business operating environment. These challenges are discussed below.

##### **4.4.2.1 Payment ability of SMME**

All the respondents indicated that the limited paying capacity of SMMEs is a big challenge. While there is no question about the demand for BDS services by SMMEs, they often lack the ability to pay for the services that they require. *BDSP 8* stated this as follows:

*Businesses do understand the importance of business development services but often cannot afford them. That's why we offer free or nominally priced events (BDSP 8).*

This challenge speaks to the need for access to funding by BDS providers so that they can offer required services, especially to those promising SMMEs without the means or capacity to pay. Some of the BDS providers have opted to offer their services to SMMEs with a certain range of annual turnover as these can pay for services. While this approach is selective it enables those SMMEs to flourish. However, the need to deal with SMMEs without the ability to pay for required services remains a challenge. Abor and Quartey (2010) and Mahembe (2011) stated that SMMEs cannot manage the cost of business development services. As a result, innovative

ways need to be found to ensure that SMMEs can still have access to the BDS that are critical for the success of their businesses.

#### **4.4.2.2 Low market awareness**

The proportion of SMMEs that are aware of BDS providers is arguably small. The business development services providers are not well known within the SMMEs sector that they serve. BDSP 7 articulated this sentiment as follows:

*SMMEs often are not aware of BDS providers and also do not understand their own needs. (BDSP 7).*

This challenge suggests that the visibility of BDS providers influences their reach in the market. As long as they remain unknown to the vast majority of SMMEs, BDS providers lack the opportunity to engage with those entities that need their services. Thus, more awareness is required in order to reach more SMMEs but also to gain the trust and acceptance of the SMMEs. According to the respondents, most of the SMME clients come through referrals. While this method is positive and reinforces credibility, it was also recognised as a weakness in that the throughput of SMMEs coming through referrals is very small. Therefore, market awareness remains a key challenge that ought to be addressed in order to enhance trust and acceptance by SMMEs. Respondent BDSP 8 noted that creating market awareness is a major challenge on its own as it is not easy to convince SMMEs why they need these services.

*Creating market awareness of the importance of business development services for SMME's is the only way to create demand and gain the trust of SMMEs. (BDSP 8)*

The credibility of BDS providers is very important in generating demand for services from SMMEs. As discussed above, when BDS providers lack the relevant skills and expertise or offer poorly designed interventions, it is likely that their reputation in the market will be poor. SMMEs need to be convinced that the BDS provider coming to them has the ability to deliver and take them to the next level in their business development process.

#### **4.4.2.3 Commitment to and from SMMEs**

The provision of BDS requires mutual commitment by the BDS provider and the SMME in order to work and be beneficial. It was noted by the respondents that there is reluctance by some

corporates to partner with black owned SMMEs. This unwillingness results in SMMEs failing to be equipped well enough to compete with established businesses. However, where SMMEs have been engaged through BDS providers it has also been noted that some exhibited unwillingness to take advice. The reasons for this could not be ascertained but failure to take up advice is likely to result in the SMME going out of business. In addition to not taking advice, some SMMEs also do not follow through and implement the suggested solutions. When these two challenges are combined, they diminish the need for BDS support for SMMEs. The purpose of providing BDS to SMMEs is so that they can implement suggested solutions and grow their business. Thus, SMMEs need to be committed to implementing interventions suggested by BDS providers in order for the partnership to work.

Outside of the BDS providers, consumers also ought to support SMMEs. There is a tendency for consumers to shun local products in favour of those in overseas markets, inhibiting the efforts of the BDS providers to ensure competitiveness of SMMEs. There is need to conscientise consumers to buy local and support local businesses. At the same time there is also the need to support local SMMEs to produce high quality products that are competitive and can open local market potential.

#### **4.4.2.4 Perceived value (trust and acceptance)**

Respondents attributed the lack of perceived value to SMMEs' lack of understanding of their own challenges and needs. Many small businesses are reluctant to share their business experiences and needs with outsiders and are not open to scrutiny and advice from outsiders. This is because some might have had negative experiences in the past, particularly with accountants. This unwillingness to open up is further aggravated by "chancers", who call themselves consultants and provide poor quality services to SMMEs. However, it remains critical that SMMEs have a sense of appreciation of the value of BDS in order to place effective demand. According to BDSP 10, once SMMEs are convinced of the value they are likely to be more open. This was articulated as follows:

*...once they see the value most people would then realise that they can actually grow their business. (BDSP 10)*

Business owners often value the time they spend working on their business. As a result, any intervention that takes them away from the business must be of less value for them to consider participating. As stated by BDSP 10:

*Business owners also find attending business development services events time wasting as they would prefer to be working then in a workshop. BDS providers also do not usually demonstrate the value of their services. Rather they focus on providing free stuff to woo entrepreneurs to attend their events. (BDSP 10)*

The burden is squarely on the BDS providers to demonstrate the value of their propositions to SMMEs in order to get them to agree to engage with them. While there is nothing wrong in focusing on marketing their services, BDS providers should also equally focus on building an understanding among SMMEs of the value of their services. Equally so for entrepreneurs, it would be beneficial for their business and personal growth to avail time for training and development.

#### **4.4.2.5 Finding the right clients**

Many respondents agreed that because of the high level of unemployment in South Africa, most people are seeking support to try to start and run a business as a means to survive and find some source of income. Some of these businesses would have started trading already but are experiencing some challenges that require intervention. According to the respondents, the general trend with some SMMEs is that they still fail despite support being rendered.

*We set up a fund to assist SMMEs but still even with that some businesses still fail.  
(BDSP 5).*

A few respondents viewed this as an issue of lack of clarity by SMMEs regarding their purpose for getting into business. To this end, one respondent alluded to setting criteria for screening SMMEs to work with. The intention is to work only with SMMEs who can meet set requirements and have the tenacity and commitment to be successful business owners. Given the lack of funding, high impact entrepreneurs are preferred and tend to be more attractive to most BDS providers. Those who do not meet the screening process would be referred to government agencies where they can be assisted for free.

#### **4.4.2.6 Operating environment**

Another challenge is the environment in which SMMEs operate. In some cases, the legislative environment requires BDS providers to be constituted as NPC or Pty Ltd in order to comply with relevant legislation. However, the B-BBEE scorecard is providing significant benefits as businesses can invest in their suppliers and buy 49% equity in black businesses and benefit from dividends. However, there is still a challenge with corporates focusing on returns and not eager to invest in SMMEs, thereby undermining the transformation agenda.

Another challenge in the SMME market is about enterprise and supplier development (ESD) by corporates. The respondents noted that there are BDS providers accessing large amounts of money and reaching more people with their services. However, most BDS providers are not accessing this money. Accessing money through B-BBEE programmes is a challenge as there is a misalignment between what is required to access the money and what is required by entrepreneurs. Service providers are torn between complying with requirements and getting the money and yet still not solving the problems expressed by entrepreneurs or solving these problems but not getting the money.

Although there is a lot of money in Enterprise and Supplier Development, the B-BBEE codes and legislation are seen to sidestep SMMEs. Furthermore, the South African economy supports corporates and less so SMMEs. However, SMMEs have to be challenged to perform so that they grow and contribute to the transformation agenda.

Notwithstanding the challenges, there are a significant number of business development service providers who are keen to invest in the development of SMMEs in South Africa. As a starting point, the study explored the nature of business development services by looking at the type of support services offered to SMMEs. Rectifying these constraints is an uphill challenge and requires a comprehensive approach to create a conducive environment with functional institutions

#### **4.5 Conclusion**

The data collected from the interviews was analysed and the findings were presented, interpreted and discussed. The outcome reveals the importance of business development services. It seems like there is an overall perception that BDS form a crucial part of the

entrepreneurial and SMME journey. The findings affirm the existence of factors that inhibit the ability of BDS to provide an optimum service offering to SMMEs which results in limited exposure for small businesses. Drawing from the experience of business development service providers, some internal and external challenges to providing services to SMME were highlighted. These challenges related to elements which are vital in providing meaningful, impactful and enabling business development services.

Chapter five builds upon these research findings in order to reach the final conclusions and recommendations thereof.

## **CHAPTER 5: CONCLUSION AND RECOMMENDATION**

### **5.1 Introduction**

The overarching aim of this study was to examine the nature of business development services and their role in aiding SMMEs in South Africa, and how to deliver BDS to strengthen the SMME sector. The study also aimed to investigate the challenges faced by business development service providers. An extensive literature review on SMMEs, the business development services sector and the challenges faced by the BDS providers was conducted. The study further gathered information through qualitative interviews with selected BDS providers. This chapter provides a summary of the findings and the conclusions reached and recommendations made based on the findings of the study. The chapter also highlights the limitations of the study, and finally concludes with suggestions for further research.

### **5.2 Summary of research results**

There is a growing need for BDS in the South African SMME market. These services are critical, particularly in South Africa where there is a growing space for entrepreneurs due to high unemployment and poverty. The increasing number of school leavers entering the job market annually and other entrepreneurs can benefit from BDS. The government has limited capacity to employ the majority of the unskilled and semi-skilled individuals who are unemployed; however, with support from private sector organisations offering business development services, unemployment can be addressed.

The SMME sector has been identified as the engine for economic and social development in order to address unemployment and other social ills like poverty and inequality. This sector faces enormous challenges and needs various kinds of support to find sustainable solutions. Business development services are services aimed to improve the performance of enterprises, facilitate access to markets, and enhance their ability to compete. As the result of the numerous challenges SMMEs faced, provision of BDS is critical in enhancing the ability of entrepreneurs to weather the competitive and dynamic business environment.

From the study findings, it can be concluded that SMMEs face many challenges in the business environment. Most respondents stressed that the challenges they face hinder the survival and growth of their ventures. Although there are other SMMEs that have been operating for several years, some of them lack the technical capacity and business acumen to run their businesses

profitably and sustainably. This is usually visible in financial management where they lack the know how to calculate critical business metrics such as break-even point and so on. Business development services provide these businesses with a chance to survive and grow. The BDS also extend to personal development and leadership to ensure that business priorities are put first. Ultimately, these businesses are likely to create jobs and sustain the economy. In that sense, they are a game changer in the South African economy.

Categories of BDS have been provided by the Small Enterprise Education and Promotion Network (SEEP) and include: Alternative financing mechanisms; Infrastructure; Input supply; Market Access; Policy and Advocacy; Technology and product development. It was found that most services provided in an effort to address SMME challenges were in the category of training and technical assistance and market access while the least provided services were input supply and policy and advocacy.

Drawing from the experience of providers, some internal and external challenges to providing services to SMMEs were highlighted. These challenges related to elements which are vital in providing meaningful, impactful and enabling BDS. Addressing these challenges may assist the entrepreneurs in solving the numerous issues mentioned above, which are of critical importance in ensuring efficient and effective business development services. The main challenges these entrepreneurs and service providers face have been identified in literature and discussed in detail. This study established that the challenges faced by BDS providers are classified as internal and external challenges. The internal challenges relate to internal constraints within providers' company setup, affecting the effectiveness and efficiency levels of BDS providers. These internal constraints were identified as funding and resources constraints, expertise and skills levels of providers; and design of services. On the other hand, there are external challenges, which are constraints in the environment outside the control of the providers. These external constraints have been identified as payment inability of SMME, low market awareness, commitment to and from SMME, perceived value (trust and acceptance), finding the right clients, and environment.

### **5.3 Limitations**

The major study limitation encountered by the researcher was time. The researcher had limited time to conduct the research while balancing study and full-time work commitments. The effect

of the time constraints was a reduced sample size. The researcher would have preferred using a larger sample size in order to explore the study topic more widely. However, the rigour exercised during the study was adequate to ensure reliable and valid findings. Another limitation was that the study was based on a non-random and limited sample of business development service providers. The researcher could have benefited from including the views of the SMMEs but due to time and non-availability of interviewees this could not be achieved.

#### **5.4 Recommendations**

Based on the findings discussed in this paper, the following recommendations can be put forward to business development service providers, private government agencies that provide capacity building and support to SMMEs in South Africa. These recommendations comprise suggestions on how to overcome the current challenges faced by BDS providers in implementing business support services and improving their effectiveness.

- a) **Develop sector-specific approaches:** Business development service providers should avoid being everything to everyone. The focus should be on an area that they are good at and on delivering that service to SMMEs. That way they can transfer their specialist skills to small businesses. This focus should be sector or industry specific to be effective.
- b) **Attract enterprise and supplier development funds:** Enterprise and supplier development has become a buzz term given the focus from a B-BBEE perspective. As a result, there has been a rise of diverse business development service providers. There should therefore be an effort to develop a cost-effective mechanism in order to attract corporate funds for ESD and give them value for money. Given the SMME challenges of limited financial resources and providers' financial limitations in design of suitable training interventions, the need exists for a concerted effort to channel different funding pools such as ESD funds to BDS initiatives. There are funds earmarked for ESD, which could be used to support entrepreneurs. There is, however, also a need to demonstrate successes in order to gain the trust of corporates to invest in BDS.
- c) **Legislative framework:** There is a need to align business development support services with the transformation agenda. While the view might be that ESD can be driven by

compliance, it also has to be driven by the commercial value that can be derived by SMMEs. It is recommended that from a policy point of view it is imperative to integrate SMMEs' business development services with the ESD initiatives at a corporate level when SMMEs are introduced to the supply chain of large and small corporations.

- d) **Introduction of professional standards and guidelines:** Barriers to entry for business development service providers are quite low, with no professional standards and guidelines in place. Anyone can be an advisor to SMMEs without having been qualified or certified as a business development service provider. The importance of a regulated framework cannot be over emphasised, as the absence of this framework may result in SMMEs being susceptible to arbitrary advice. The development and implementation of this framework must be made a priority if meaningful progress is to be made. This strategy might have great implications not only in South Africa but in other countries as well. Because of the crucial contribution to the SMME sector and the importance of this sector to national development, it becomes imperative that providers should be skilled and experienced in various critical components of the business. This can also be overcome by provider certification in order to get social proof credentials for BDS providers. In essence, business should be delivered by properly qualified and certified professionals who are part of a professional body.
- e) **Implementation of impact assessment metrics:** Given the vital role of BDS in the development of SMMEs, systems and tools should be developed to measure the impact and success of the business development programmes offered. This will assist in enhancing the perceived value of business development services. It is not enough to just have numbers trained and yet not know what happened to them after the training. Some entrepreneurs are frustrated because they are not getting any support beyond the programmes and they cannot grow their businesses.
- f) **Embark on educational marketing:** There is generally a small uptake of BDS, and it is understood that the success of BDS is measured by the value addition it makes to the small businesses. Business owners need to be educated on the value of BDS. Educational marketing is critical for this uptake to grow. SMMEs want service providers that they can trust and to stretch their rand because their financial resources

are limited. Therefore, focus should be on driving value add and the message of sustainability.

- g) **Client-centric and solution approach:** In all the services provided, there is need for buy-in of the business owners. The client needs should be at the centre allowing them to decide on the BDS based on consultation. The focus should be teaching theories and models as well as practical for solutions to be implemented by the SMME. Business development service providers must focus on addressing business challenges; it is inadequate to merely diagnose the problem but never come to a solution that would make a valuable contribution to the business that has been supported.

### **5.5 Limitations of the study and future areas for research study**

This study found opportunities that may be suitable for further research, which are as follows:

- The role of BDS in the integrating of SMMEs in corporate supply chains.
- Business development services: Key to transforming corporate supply chains?
- Enterprise and supplier development initiatives: Enabling impactful business development services.
- The study was limited to the views and opinions of BDSP, as such another study could sample the views of SMME as it relates to the nature and challenges in BDS.

### **5.6 Conclusion**

Business development service providers have to deal with entrepreneurs' constrained capacity to pay for services rendered. This can be solved through government grants and corporate social responsibility initiatives as well as ESD. Government and foundation agencies should provide funding for BDS in order to address unemployment through supporting entrepreneurship. These funds should support entrepreneurs in running their businesses in order to create employment. Investment in the form of ESD should be appropriately directed towards suitable interventions related to unique entrepreneurial development in the South African environments.

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## 7. APPENDICES

### APPENDIX A: CONSENT FORM AND INTERVIEW FRAMEWORK INFORMED CONSENT FORM

#### INFORMED CONSENT FORM



**Title of Research: Business Development Services (BDS) and SMME Development in South Africa.**

You are being invited to participate in the above-mentioned research study. The aim of the study is to examine the nature of Business Development Services (BDS) and their role in aiding SMMEs, and how to deliver Business Development Services to strengthen the SMME sector in South Africa.

This study will be conducted by Portia Zilwa from the Graduate School of Business at the University of Cape Town, in partial fulfilment of the requirements for the Degree of Master of Commerce in Development Finance. You were selected as a possible participant in this study because your organizations involvement in SMME Support and Development in South Africa.

There are no known risks if you decide to participate in this research study. The study and all information given is kept confidential. No one will be able to identify you or your answers, and no one will know whether or not you participated in the study. The information collected may not benefit you directly, but information learned in this study should provide more general benefits. Your participation in this study is voluntary and you can choose to withdraw from the research at any time. Your consent will be shown by signing below.

The University of Cape Town Commerce Faculty Ethics in Research Committee has reviewed and approved my request to conduct this project. If you have any concerns with the research, please contact me on [Zlwpor001@gsb.uct.ac.za](mailto:Zlwpor001@gsb.uct.ac.za) or my Supervisor Dr. Patricia Makoni [patricia.makoni@gmail.com](mailto:patricia.makoni@gmail.com).

**Participants Name:**

**Participant Signature:**

**INTERVIEW FRAMEWORK**

## RESEARCH INTERVIEW SCHEDULE

### Organisation

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*NB: Your participation in this research is voluntary. You can choose to withdraw from the research at any time.*

**The broad aim of our study is to examine the nature of Business Development Services (BDS) and their role in aiding SMMEs in South Africa**

### Section A: General Information and Background

<b>Role in Organization</b>	
<b>Age Group</b>	21-34 <input type="checkbox"/> 35-45 <input type="checkbox"/> 45-55 <input type="checkbox"/> 55 and above <input type="checkbox"/>
<b>Educational background</b>	
<b>Years of experience</b>	

### Section B: Organisational Strategy

1. Operating since:
2. Core Business of the Organization:
3. Description of Typical Client:
4. Number of SMME Clients (Current):
5. Do you have a separate BDS unit?
6. What is the BDS unit's objectives and goals?

### Section B: Nature of Business Development Services

1. What is your understanding of business development services (BDS)? Why do you think they are important for SMME development in South Africa?
2. How would you describe the demand for BDS? \_\_\_\_ Growing \_\_\_\_ Steady \_\_\_\_ Declining? Why?
3. Given the diverse nature of Business Development Services (BDS), what kind of BDS does your organization provide to SMMEs (*Presented in Annex A is a list of different kinds of business development services (BDS) that SMMEs may need. Please check all the kinds of BDS that your organization has provided to its beneficiaries/clients*)
4. Any other service not listed on the annexure that you provide?
5. Why have you chosen to offer these services?
6. What tools and process do you use to determine BDS needs of SMME clients and to develop interventions/ services offered?
7. What BDS delivery approach do you use: (inhouse or external)? Motivate

8. How would you describe your beneficiaries'/ clients' perceptions of BDS?

**Section C: Challenges faced Business Development Service Providers (BDSP)**

1. BDS providers experience several challenges, can you identify with any of the below challenges?

Environmental dynamics in the context of the SMMEs (weak regulatory framework, unreliable datasets)	<input type="checkbox"/>
Creating market awareness, trust and acceptance among the SMMEs.	<input type="checkbox"/>
Design of services offerings in accordance with the needs and paying capacity of the SMMEs	<input type="checkbox"/>
Scarcity of capital and skilled resources as well as need for market-building initiatives.	<input type="checkbox"/>
Constrained by the limited paying capacity (Price sensitivity of SMMEs)	<input type="checkbox"/>

2. Please provide context where you have checked in the above box?
3. What other challenges do you experience in the provision of Business Support to SMMEs?
4. Any suggestions on how these may be overcome?

Do you want to stay anonymous?

Yes, keep me anonymous

No, you can quote

I voluntarily participated in this research conducted by Portia Zilwa (Student Number ZLWPOR001) of the UCT Graduate School of Business as a study in partial fulfilment of the Master's in Development Finance (MCOM) degree.

Name \_\_\_\_\_ Signature \_\_\_\_\_ Date \_\_\_\_\_

**Thank you for your time and consideration**

**ANNEXURE A**

<b>Market Access</b>	<input type="checkbox"/> Market research <input type="checkbox"/> Market information <input type="checkbox"/> Trade fairs <input type="checkbox"/> Product exhibitions	<input type="checkbox"/> Advertising <input type="checkbox"/> Packaging <input type="checkbox"/> Subcontracting and outsourcing <input type="checkbox"/> Marketing trips and meeting
<b>Infrastructure</b>	<input type="checkbox"/> Storage and warehousing <input type="checkbox"/> Transport and delivery <input type="checkbox"/> Business incubators <input type="checkbox"/> Telecommunications	<input type="checkbox"/> Internet access <input type="checkbox"/> Computer access <input type="checkbox"/> Secretarial services
<b>Policy and Advocacy</b>	<input type="checkbox"/> Training in policy advocacy <input type="checkbox"/> Analysis of policy constraints and opportunities	<input type="checkbox"/> Direct advocacy on behalf of MSMEs <input type="checkbox"/> Sponsorship of conferences <input type="checkbox"/> Policy studies
<b>Input supply</b>	<input type="checkbox"/> Linking MSMEs to input suppliers <input type="checkbox"/> Improving suppliers' capacity to deliver quality inputs	<input type="checkbox"/> Facilitating establishment of bulk buying groups <input type="checkbox"/> Information on input supply sources
<b>Training and technical assistance</b>	<input type="checkbox"/> Mentoring <input type="checkbox"/> Feasibility studies <input type="checkbox"/> Business plans <input type="checkbox"/> Franchising <input type="checkbox"/> Management training	<input type="checkbox"/> Counselling / advisory services <input type="checkbox"/> Legal services <input type="checkbox"/> Financial and tax advice <input type="checkbox"/> Accountancy and bookkeeping <input type="checkbox"/> Technical training
<b>Technology and product development</b>	<input type="checkbox"/> Technology transfer/commercialization <input type="checkbox"/> Linking SMME's and technology suppliers	<input type="checkbox"/> Facilitating technology procurement <input type="checkbox"/> Quality assurance programmes <input type="checkbox"/> Design services
<b>Alternative financing mechanisms</b>	<input type="checkbox"/> Factoring companies providing capital for confirmed orders <input type="checkbox"/> Equity financing	<input type="checkbox"/> Facilitating supplier credit <input type="checkbox"/> Equipment leasing and rental

