

UNIVERSITY OF KWAZULU NATAL

**The viability of Small to Medium Enterprises in the Private Security Industry in
Durban**

By

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DECLARATION

I, Nhamoinesu Chikowore, do hereby declare:

- That this Dissertation contains my own work except where specifically acknowledged as being a source from other persons.
- That this research has not been previously accepted for any degree and is not being currently considered for any other degree at any other university.
- That this dissertation does not contain other person's data, pictures, graphs or other information, unless specifically acknowledged as being sourced from other persons.
- All additional information used in this research is referenced and all sources have been accurately reported and acknowledged.

Signature_____

Date_____

DEDICATION

This dissertation is dedicated to my family and many friends from whom I drew inspiration to finish this project. A special feeling of gratitude to my loving wife, Minenhle Sithandwa and my children for their valuable support. To my parents, Alice and George Chikowore for bringing and nurturing me to be what I am today.

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ABSTRACT

Small to Medium Enterprises (SMEs) are pivotal in employment creation, poverty alleviation, wealth re-distribution and contribution towards the gross domestic product. SMEs in South Africa constitute 91% of all formal businesses, providing 60% employment and contributing 34% to the gross domestic product. Studies conducted reveal that 80% of SMEs in South Africa fail to survive beyond 42 months. Various factors have been identified as contributing to this high failure rate. This research examines factors that affect the viability of Private Security SMEs in Durban, South Africa, with the view of establishing the homogeneity of these viability factors across different industry sectors in South Africa and the pecking order thereof. In conducting this research, quantitative and qualitative methods were employed in data collection. Self-administered questionnaires with some open ended questions were used to collect primary data while interviews were conducted with a selected sample to gather data on perceptions of the regulatory authorities and customers. The research established three approaches to the factors influencing SME success, namely the customer perspective, the business owner perspective and the regulatory institutions' perspective. Customers and regulators alluded to internal factors such as lack of financial management competencies and lack of infrastructure as key to this high failure rate, whereas the SME business owners identified mostly external factors such as access to finance and regulatory compliance as pushing them out of business. The study generally concluded that SMEs in the private security industry needed to focus mainly on internal factors like improving management competencies and infrastructure that will necessitate execution of a security mandate. Notably no participants had studied beyond a post matric diploma or had acquired a first degree. Other external factors such as the effects of globalisation and technology were found to have minimal influence on the viability of SMEs in the private security industry. The research concluded by making recommendations that could mitigate on the viability factors that affect SMEs in the private security industry.

Key Terms: Security Industry, SME, Viability Factors

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ACRONYMS

COIDA	-	Compensation Occupational Injuries and Diseases Act
ECC	-	Employment Conditions Commission
GDP	-	Gross Domestic Product
NDP	-	National Development Plan 2030
PSIRA	-	Private Security Industry Regulatory Authority
SA	-	South Africa
SARS	-	South African Revenue Services
SME	-	Small and Medium Enterprises
UIF	-	Unemployment Insurance Fund
OECD	-	Organization for Economic Cooperation and Development

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CHAPTER 1

INTRODUCTION

1.1. Introduction

The success and development of Small to Medium Enterprises (SMEs) is largely important for the attainment of an economy's growth targets within any given geographical jurisdiction. SMEs principally dominate the mode of production in developed and emerging economies. However, the vestiges of the 2007 economic crisis continue to haunt most countries (Sattara & Ahmedb, 2012), with South Africa (SA) struggling to achieve its full economic growth potential. South Africa as an emerging economy is confronted with a wide range of economic imbalances chiefly caused by the ghosts of the structural and institutional imbalances of apartheid capitalist policies and a labyrinth of complex systems and procedures of excluding SMEs into the mainstream economic discourse (National Credit Regulator, 2011). Hence, the attainment of the 2030 National Development Goals has become an endless task because the legal infrastructure hardly empowers SMEs to actualise in a competitive economic strata sphere. Although the SA Government has introduced various legislative and policy frameworks to address the inequalities like Broad Based Black Economic Empowerment (BBBEE) legal framework, the policies seem to be creating a new economic order which widens the wealth gap between the affluent and the poor (Human sciences Research Council, 2014). Within this context, this study investigates the factors that influence the viability of SMEs within the Private Security Industry in Durban. The following discussion details the contributions of the SMEs in both developed and emerging economies, showing the pertinence of this study in establishing the factors that influence the viability of the private security.

1.2. Motivation for the Study

The viability challenges affecting the SMEs in South Africa have raised essential questions on how to address the ameliorations that are being suffered by these entities. As a result, knowledge has been produced within this field, however research within the private security industry sector with regards to SMEs has been hardly conducted. This research will therefore contribute to the existing body of knowledge by providing an insight into the challenges that affect SME entities within the private security industry. Furthermore, with South Africa

experiencing a high unemployment rate of 24.3% (Statistics South Africa, 2015), both labour and government have vested interests in the survival of this SME sector. Therefore, the findings of this study can assist policy makers and political leaders in constructing intervention strategies to ensure that the risk posed by closure of security companies can be mitigated while at the same instance ensuring that more jobs are created for the citizens.

In addition, the security of persons, property and information in many public and private institutions, including individual remains exposed to threats associated with the closure or dysfunctionality of security companies. With appropriate SME support, the Security sector is a key contributor to attainment of economic growth targets of the National Development Plan 2030 and more so can be a catalyst in accelerating the black economic empowerment, a program that remains high on the SA government wish list.

1.3. Focus of the Study

This study focuses on the viability of SMEs in the Private Security Industry operating in Durban. This study setting was chosen because Durban is located in KwaZulu Natal (KZN), the third largest province, which is home to two of Africa's busiest and largest ports namely Durban and Richards Bay (Trade & Investment KwaZulu Natal, 2015). With the range of economic activities, Durban has become home to a plethora of private security companies. According to PSIRA 2014 report, Durban had the third highest number of security inspections conducted by virtue of the fact that it contains the second largest number of active security businesses. Consequently, the highest number of summonses issued for non-compliance and misconduct remained the highest in the country; a signifier of possible failure of private security businesses in Durban. Hence the study setting provides an opportunity for a good sample of the industry representing national trends.

Furthermore, the scope of the study shall focus on SMEs providing security services and are located in Durban. The business life span of the selected SMEs in the private security industry shall be calculated from the year it was registered with Private Security Industry Regulatory Authority. The study was also widened to include companies that have been in existence for more than five years but qualifies to be small and Medium Enterprises within the definition of Small Business Act.

1.4. Problem Statement

The importance and significance of SMEs in economic development cannot be overemphasised. However the operational environment and the functionality of the SMEs are haunted by viability challenges, which has resulted in a high failure rate. Current studies on SMEs hardly discuss the viability challenges that are within the security industry. It therefore becomes imperative to assess the factors that contribute to such a phenomenon. The image that has motivated this study is both hopeful and disparaging, especially when considering the role that SMEs play in emerging economies, specifically in Durban. It is hopeful in that SMEs are largely instrumental in job creation, innovation and new products development (Aligbavboa & Thwala, 2014). For instance, the net worth value of the private security industry in South Africa was estimated at R50 billion in 2008 (Employment Conditions Commission, 2012). The Institute of Security Studies estimated that the private security sector's contribution to South Africa's Gross Domestic Product was 2% in the same year. Policy makers and economists across different economies acknowledge the importance of SMEs as drivers of economic growth (National Credit Regulator, 2011). Governments worldwide recognise SMEs for their actual and potential contributory role to jobs, growth and shared prosperity (IEG World Bank/IFC/MIGA, 2014). To demonstrate, the SMEs security industry in South Africa recorded significant growth of active security officers from 387,273 in 2010/2011 financial year, to 487,058 in 2013/2014 representing a phenomenal increase of 25.76 per cent. The statistics provided reveal that the private security industry is the largest employer in the safety and security arena, eclipsing police, corrections, justice, defence, intelligence and legal service industries (Nevin, 2013).

The disconcerting part is that despite the surge of, interest in and support for SMEs, questions about the basis for such support and about its depth still lurk in the operational environment (Aigoboduwa & Oisamoje, 2013). For instance, South African SMEs remain highly exposed to viability challenges, characterised by a high failure rate, whereof 75% of SMEs struggle to become established firms in comparison to their counterparts in developed economies (Olawale & Garwe, 2010). Olawale and Garwe (2010), further estimate that 80% of SMEs in South Africa struggle to operate beyond a time line of 42 months. In that regard, SMEs in general face a multitude of challenges across different economies and more so the private security industry is not immune to these challenges especially given that this is a heavily regulated industry with many state departments and regulators having much interest in the

existence and survival of its operations. For instance in South Africa, according to the Private Security Industry Regulatory Authority (2014) reported that, as of June 2014 over 7,400 security companies had either been withdrawn or suspended for regulatory non-compliance. The conclusion is that, as the number of active security officers continues to rise, paradoxically there has been a significant drop in number of active security businesses.

1.5. Objectives of the Study

The challenges affecting the SMEs are not only obstacles but also present an opportunity for the further solutions that ameliorate the viability challenges that currently haunt the SME players in the private security industry. The Report, which reviewed 10 years of Small Business Support in South Africa (1994-2004) articulated measures that were meant to create a conducive environment for SME development and growth (Department of Trade & Industry, 2005). According to the Department of Trade and Industry (2005), the strategy was based on three main actions, namely increasing supply for financial and non-financial support services, creating demand for SME products or services and reducing SME regulatory constraints. However, SMEs in the private sector continue to face a plethora of challenges leading to the high failure rate. In order, to be able to devise appropriate strategies for SME sectors, this study will focus on the factor identification and making recommendations applicable to the private security sector.

The objectives of the study are to:

- a) To identify factors that influence viability of SMEs in the private security industry in Durban;
- b) To identify the life span of SMEs in the private security industry in Durban;
- c) To establish a pecking order of the factors that affect the viability SMEs in the private security industry;
- d) To suggest interventions that will enhance the performance of SMEs in Private Security Industry;

The above research objectives will be achieved through answering the following research questions.

1.6. Research Questions

The following research questions are:

- a) What are the viability factors influencing SMEs in the private security industry?
- b) What is the life span of SME private security companies operating in Durban?
- c) What are the key viability challenges for private security SMEs operating in Durban in their pecking order?
- d) What key interventions can be suggested to enhance the performance of SMEs in the private security industry?

1.7. Thesis Structure

The dissertation consists of the following six (6) chapters:

Chapter One : Introduction

The chapter provides an overview of the study, outlining the research problem, objectives of the study and management implications of the study.

Chapter Two : Literature Review

This chapter provides a theoretical framework as well as the background to the private security industry of South Africa while also exploring from literature, the importance of SMEs in a country's economy.

Chapter Three: Research Methodology

This chapter explains the research design and the rationale for choosing such design.

Chapter Four: Presentation of Results

This chapter presents the results of the study with a particular emphasis to tabulation and graphical presentations.

Chapter Five: Discussion

The chapter provides an analysis and discussion of the findings with particular reference to the objectives of the study.

Chapter Six: Recommendations and Conclusions

The chapter concludes the study with recommendations and interventions that will be necessary to improve on the viability of SMEs in the private security industry.

1.8. Summary

The viability of SMEs in the private security industry is of great concern given its contribution to the economy. Literature has singled out the SME sector in South Africa facing a myriad of viability challenges leading to a high failure rate. Hence, this background establishes the need for research focusing in this sector to establish the homogeneity of the viability challenges in the SMEs. The next chapter shall discuss the general orientation of literature concerning SMEs while noting the knowledge gaps that exist within it.

CHAPTER 2

THEORETICAL FRAMEWORK AND LITERATURE REVIEW

2.1. Introduction

The success of SMEs in the private security industry largely depends on the ability of owners to mitigate on the viability factors identified as risking their very existence. The scope of these factors extends beyond what could have been identified in previous studies. This chapter provides a review of literature on the viability of SMEs in general. Multiple academic journals were accessed online through google search engine as sources of literature on the subject. Book sources were also utilized to identify theories and models applicable to this research topic. Considered are topics on SME definition, global and local perspective, SME growth models, SME challenges, Importance of SMEs in global and local economies, SME environment both globally and in South Africa and the Factors that influence the viability of SMEs. This literature review is devoted to gain more insight into the viability challenges that confront SMEs in their generality. A framework on which this research is based was formed from the existing literature thereby providing an in-depth understanding of previous research and general viability trends.

2.2. Conceptualisation

SMEs provide a stimulus to the economic development, however, existing empirical literature avers that SMEs in emerging and developed economies are largely troubled by similar viability challenges. SMEs situate in emerging economies have been the hardest hit by various viability factors thereby contributing to a higher failure rate (Pandya, 2012). Given the colossal challenges that continue to dodge the SME sectors especially in the emerging economies, a theoretical framework on the business life cycle provides the basis upon which this study draws the comparative theories through which the SMEs evolve in their lifetime. This theoretical path informs the researcher on likely phases which the SME owners would need to prepare for in order to curtail this down ward trend leading to high failure rates of SMEs in the private security industry. The study will focus specifically on the private security industry and identify the challenges that are faced by SMEs. Before examining literature that discusses and analyses the viability challenges that affect SMEs globally, regionally and locally, it is imperative to understand the life cycle that SMEs evolve.

Understanding the life cycles permits a deductive analysis and understanding of the challenges that affect SMEs based on their different levels development.

2.2.1. Definition of SME

Internationally, SMEs have been defined and classified based on their size, which includes employee head-count, assets, and financial turnover that is below certain limits (The Open Group, 2015). Therefore, the laws of different geographical jurisdictions determine the definition of SMEs. However, the differences from the prescribed limits with regards to headcount, sales or assets (Pandya, 2012). For instance, in the United States of America defines an SME as being constituted less than 500 employees, whereas Euro-zone recognises a corporate persona as an SME if it is constituted by less than 250 people (National Credit Regulator, 2011). On the other hand, the World Bank classifies an enterprises as SMEs if it fulfils at least two of the following requirements; namely a threshold of 300 or less employees, USD15 million in turnover and an asset base of USD10 million. The European Union applies the criterion that is used by the World Bank in defining an SME (European Commission, 2009) , although there is a distinction between the legal and statistical definition which generally accommodates definitions from both developing and developed economies as based on the threshold of the three requirements.

Table 2.1: Synopsis of SME definitions in different economies.

Country	Headcount	Turnover
US	≤ 500	≤ R418 million
Europe	≤ 250	≤ R682 million
UK	≤ 250	≤ R568 million
Japan	≥20 ≤ 300	≤ R30.5 million
World Bank	≤ 300	≤ R187 million
South Africa	≤ 200	≤ R 50 million

Source: Author's compilation

2.2.3. Definition of SMEs – South African Perspective

The National Small Business Act of South Africa (Act 102 of 1996), defines an SME as “a separate and distinct entity including co-operative enterprises and non-governmental organisations managed by one owner or more, including its branches or subsidiaries if any is

predominantly carried out in any sector or sub-sector of the economy mentioned in the schedule of size standards”. The NDP classifies SMEs into three distinct categories namely:

- **Survivalist businesses:** this is a pre-entrepreneurial category that are normally home-based or operate on street corners. Other scholars have labelled such SMEs to be representative of the micro-enterprise sector (Aligbavboa & Thwala, 2014). These businesses include taxi operators, spaza shops, taverns, casual construction workers, hawkers, informal subcontractors and gardeners (National Planning Commission, 2012).
- **Lifestyle businesses:** According to the NDP these businesses are based at home (often in middle- and upper-class areas) or a business which has a single office i.e. doctors, an electrician, a plumber, an artisan, an engineer, an accountant, a franchisee, a broker, a consultant, small assembly in production as well as technology.
- **Entrepreneurial businesses:** Refers to an entrepreneur who wants to

Develop a brand, expand its market share or even develop a franchise concern concerning his or her business. Entrepreneurs may invent a new process, a new product or service, or even a new market. Venture capitalists often show an interest in investing in this business. It is this category of business, which the NDP considers will be most successful in the generation of employment (National Planning Commission, 2012).

Despite the varying definitions of SMEs, there is general a consensus across the world on the importance of SMEs in stimulating the economic growth of different economies because there is a positive correlation between a country’s economic growth and its SME development (Pandya, 2012). Pandya (2012), further argues that SMEs’ play a vital role in economic development more crucially in developing economies because they provide a potential for improvement with regards to income distribution, employment creation, poverty reduction and export growth. With the key concepts as a general orientation, the following discussion will formulate the statement of the problem that has inspired this study.

2.3. SME Business Life Cycle

SME businesses evolve through various generic stages during their operational existence and growth. It is imperative, for this study to explore and examine these different stages because

every stage presents different challenges or obstacles that require suitable strategies to address them. Literature from studies on SMEs developed growth business life cycle models that pronounce generic stages in which small businesses transcend. This study shall adopt the five stage model of the firm's life cycle (Lipi, 2013) and the business cycle model developed by Hove and Chikungwa (2013), which identified four distinct stages of a SMEs life cycle. Corroborated and complemented by Greiner's model, which identifies five key dimensions, namely the organisation's age, its size, its stages of evolution, its stages of revolutions and growth rate of the industry (Greiner, 1998) shall as a constitutive whole be analysed in the examination of the business life cycle of an SME.

Although SMEs are characterized by independence of action, differing organizational structures, and varied management styles, most SMEs experience common problems arising at similar stages in their life cycle (Churchill & Lewis, 1983). These stages elaborate and classify the SMEs by their operational characteristic, which in turn informs the position of the SME *vis a vis* the stage of its development in the business life cycle. The following section shall discuss the initial stage that emerges during the developmental process of an SME.

2.3.1. Stage 1: Existence/Abort or Creativity

Hove and Chikungwa (2013), identify the existence or creative stage as a signifier of the formation of a business, represented by the commencement of operations. At this stage, decision making and ownership is concentrated (Lipi, 2013) as the business aims of the SME are operationalized with the ultimate objective establish a viable business entity. Often, most business owners fail to progress to the next stage because of challenges associated with capitalisation or attaining and securing a specific targeted market. Inability to attain sufficient customer acceptance or viability, has more frequently been associated with the SMEs closing shop (Churchill & Lewis, 1983).

2.3.2. Stage 2: Survival

The survival stage of an SME reflects when a business demonstrates continuity through the establishment of a customer base for its products, goods or services. Churchill and Lewis (1983) argue that the identified stage usually emerges within the first three years of existence, whereof the SME attempts to keep the business solvent while developing customer base. The primary strategy is survival. At it this stage an SMEs' success is determined by the formalisation of its structures (Lipi, 2013), systems and the shift from "mere existence to the

relationship of revenues and expenses” (Churchill & Lewis, 1983). The business is still in its infancy and attempting to establish a strong foothold that is busily engaged in perfecting technology, gearing up operations, broadening up distribution and gaining buyer acceptance (Hough J et al., 2011). Churchill and Lewis (1983) further identify this stage as one whose main goal is to accumulate sufficient income to enable finance growth.

However, at this stage poor financial management skills or paying inadequate attention to business solvency largely contributes to the collapse of an SME. Furthermore, internal constraints that may facilitate the collapse of an SME at this stage among others include, the characteristic of SME employee qualifications, access to finance, access to technology, a sound business plan, marketing skills, human resource management skills and operations management skills (Hove & Chikungwa, 2013).

2.3.3. Stage 3: Success or Growth/Decline

Greiner (1998) categorises this stage as one where the company has passed the survival test and decentralises its organisational structure through delegation of management. Lipi (2013) identifies that job descriptions, policies and procedures and hierarchical reporting structures are formalised. SME constraints at this stage include finance management skills, human resource management skills, marketing skills, operations management skills, use of technology and up to date business plan or growth strategy (Hove & Chikungwa, 2013). Furthermore, this stage introduces crisis of control (Greiner, 1998) whereof most SMEs seek to protect their current businesses instead of targeting new territories (Lipi, 2013).

2.3.4. Stage 4: Maturing/ Rejuvenation or Renewal

A maturing SME treks from a period of rapid growth to a period of significant slower growth (Hough J et al., 2011). At this stage, the business is between six (6) and nine (9) years of existence characterised by stability (Churchill & Lewis, 1983). The SME consolidates market positions and future growth strategies. The owner can at this stage strengthen the company’s competitive positions through pruning of product line, improve value chain efficiency, cost cutting measures, grow volumes to current customer, strengthen capabilities, regional and international expansion, and explore possibilities of rival acquisitions (Hough J et al., 2011). Lipi (2013) contends that at this stage the SME is oriented more towards its important stakeholders, the customers and employees.

2.3.5. Stage 5: Decline

Greiner (1998) recognises this stage as collaboration where emphasis is around teamwork management. In a globalised world, the introduction of technology equally pushes an SME into decline. Hough J et al...(2011) argues that major causes of decline is

- a) advancing technology that gives rise to better-performing substitute products e.g. DVD players replacing VCRs or lower costs e.g. synthetic to leather,
- b) shrinking customer group e.g. baby foods due to reduced births,
- c) changing life styles and
- d) Rising costs of complimentary products e.g. higher petrol costs reduces sales of petrol guzzling cars.

In order to ensure viability, SMEs in this stage must pursue Porter's Generic Strategies (Kotler & Keller, 2012), which emphasises on establishing strong positioning on attractive segments or niches, product differentiation based on quality improvement and product innovation, focusing on low-cost leadership (Hough, et al., 2011). SMEs at this stage are challenged by consolidation and control of financial gains for growth and retention of small size flexibility response and entrepreneurial spirit (Churchill & Lewis, 1983).

2.4. Importance of SMEs in the Developed Economies

Despite the widespread perception that big businesses dominate EU economies, SMEs constitute 99% of businesses providing two out of three of the private sector jobs and contributing to more than half of the total value-added created by businesses in the EU (European Commission, 2015). Similarly in the US, SMEs account for 99.9% of the 27 million employers and in Japan, SMEs contribute more than 99% to the economy (Pandya, 2012). These statistics re-affirm the importance of SMEs in the economies of developed countries.

According to the European Commission Report (2013) SMEs' contribution to GDP declined by 1.3 per cent from €3.44 trillion in 2011 to €3.39 trillion in 2012, a decline that is attributed to the vestiges of the 2008 global recession. The Organisation for Economic Co-operation and Development (OECD) (2011) reported that more than 95% of enterprises in the OECD region are SMEs and they account for almost 60% of private sector employment while making a large contribution to innovation and support regional development and social cohesion.

2.5. Importance SMEs in the Emerging Economies

In China, SMEs play an essential role in driving economic growth through investment in fixed assets, generating exports, and promoting technology assimilation; with an estimated contribution of more than 60 per cent to the GDP (Li, 2012). Recognising the increasingly significant contribution of SMEs in the economy, the Chinese government promulgated the SME Promotion Law (Li, 2012) and the “12th Five Year Plan” which introduced favourable policies i.e. a positive tax policy, as recognition of the role played by SMEs in the economy (Cheng, 2012).

Arguably, in China, SMEs have been significantly instrumental in the record growth of the Chinese economy. Such an assertion affirms the pivotal role SMEs play in economic development. Cheng (2012), further articulated that there were 37.56 million privately or individually owned businesses in 2011 whose contribution to the economy as follows:

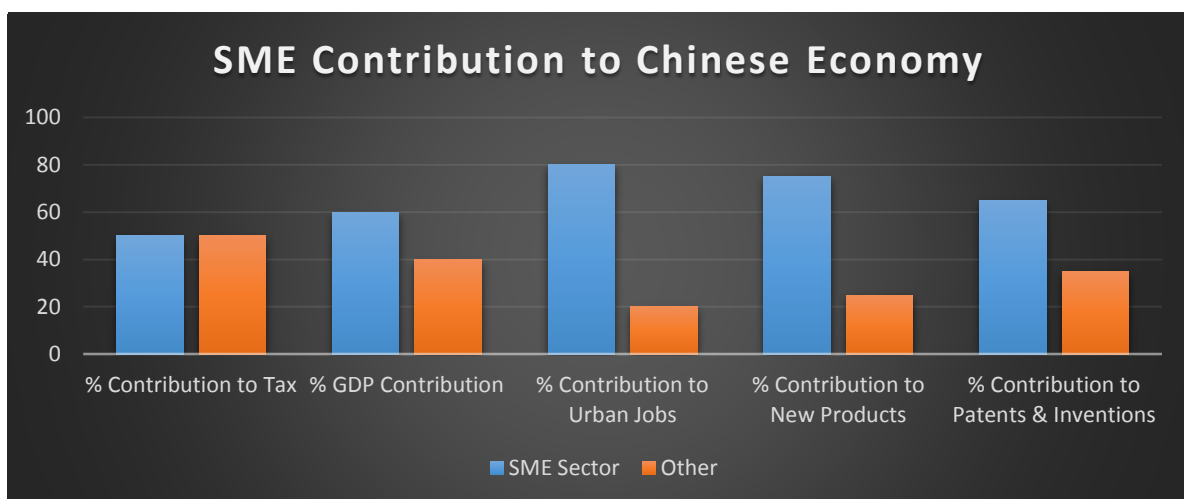


Figure 2.3: SME Contribution in China

Source: Author compilation

In other developing countries, the SME sector played a momentous role in economic and social development (Pandya, 2012). Pandya (2012) further propagates that the SME sector contributed 40% of the total exports and 45 % of manufacturing output in India and similarly in Indonesia the overall contribution of SMEs was 99.985% in 2007. SMEs in Thailand are increasingly recognised for their role in job creation, with an estimated 93.8% of the operational corporates dominated by the SMEs (Chuthamas, et al., 2010). According to International Finance Corporation, SMEs in the MENA countries contribute up to 45% of employment and generate 33% of the overall GDP (Saleem, 2013).

2.6. Importance of SMEs in Sub-Saharan Africa

In Ghana, 92% of registered businesses are SMEs and contribute over 90% of the annual GDP (Asare, 2014). In Nigeria, the Enterprise Baseline Survey 2012 revealed that SMEs contribute nearly half of Nigerian GDP and accounts for over 25% of employment in the country (Elebeke, 2012). 95% of the total oil export revenue is accrued from the SME sector (Aigoboduwa & Oisamoje, 2013).

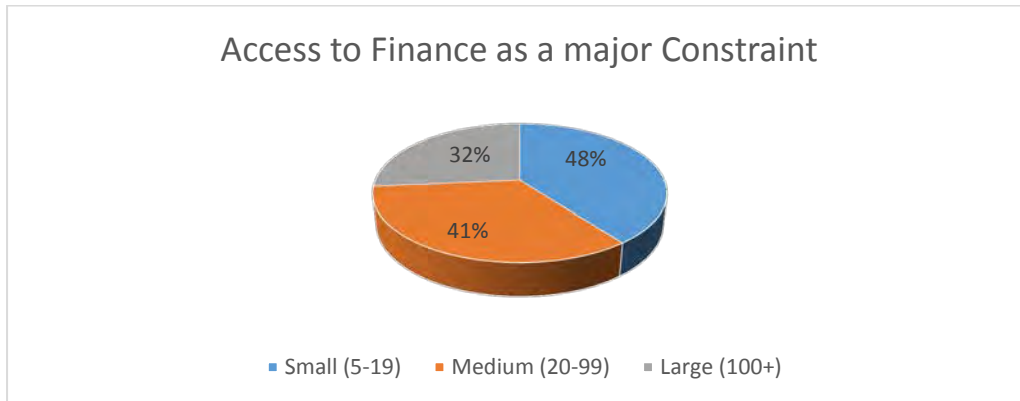


Figure 2.4: Access to Finance in Ghana

Source: World Bank, 2013

From the foregoing, it can be argued that SMEs play a crucial role or potential roles in wealth creation, economic development, job creation, innovation and export growth, skills development and socio-economic transformation including addressing the emancipation of the previously disadvantaged into the main stream economy (Saleem, 2013).

The importance of SMEs in the regional economies of Africa homogenously follows the established pattern practised by emerging economies. For instance, Zimbabwe with an ailing economy that is contracting by 50% per year, company closure rate of 60% and a formal unemployment rate of 80%; heavily relies on SMEs as an engine and vehicle for economic development and national development, with the latter contributing more than 50% of the GDP (Zindiye, et al., 2012). Similarly, 90% of Kenyan enterprises are SMEs that provide employment to over 6% of the total employed population (Katua, 2014). Such an observation, enhances the argument that emphasises on the importance of SMEs in employment creation, economic growth, innovation, poverty alleviation and addressing economic inequalities in the emerging markets.

Hence, the development of SMEs in sub-Saharan Africa is acknowledged as a key condition for promoting equitable and sustainable economic development, especially after considering that SMEs play a crucial role in stimulating growth, generating employment and contributing to poverty alleviation (African Development Bank, 2015). SMEs represent over 90 percent of private business in the continent and contribute to more than 50 per cent of the employment and of GDP in most African countries (African Development Bank, 2015).

2.7. Importance of SMEs in South Africa

The SME sector in South Africa is multi-sectorial and divided into three sectors, namely primary, secondary and tertiary sectors of the economy. It is estimated that 91% of all formal businesses are SME's that provide 60% employment while contributing 34% to the national GDP (The Banking Association of South Africa, 2015).

The economic blue print of South Africa, the NDP has set targets that include 90% employment by 2030 and at least 5.4% economic growth in the next 15 years. The significance of SMEs are recognised in the attainment of these goals. The NDP identified SMEs as pivotal to driving this 2030 developmental goals (SBP, 2014). In pursuance to the latter, the South African government set up various initiatives that have culminated in the creation of the Ministry of Small Business Development.

Paradoxically, SMEs in South Africa face stiff challenges in the competitive economic environment, which results in only 10% of the operating SMEs to create employment opportunities for more than 50 people. However, these challenges do not emanate from the air, but from government taxes and regulatory frameworks and especially red tape and cost of compliance (Habberton & Notcutt, 2015).

In this environment, most SMEs in South Africa in general fail to survive beyond forty two (42) months with an estimated failure rate at around 80 per (Olawale & Garwe, 2010). A Comparative study conducted in EU found out that the failure rate of SMEs is much lower than that of developing countries and of the 1.37 million small companies that existed in 2008, only 1.35 million remained in 2012 (European Commission, 2012). The membership of South Africa to the BRICS can benefit SMEs immensely as such platforms are the bedrock of fostering diversification in new and unsaturated markets while those SMEs in innovation and technology can provide a springboard for international growth in the BRICSA economies.

The membership equally presents global challenges from competing SMEs from member countries like Brazil, India and China.

2.8. Obstacles to SMEs Growth in multi-sectors

SMEs encounter increasing competitive pressure instigated by globalization, technology, legislation and the relaxation of trade barriers (Smit & Watkins, 2012). Rapidly emerging technology has remained a threat to the survival of SMEs because of the way it expands markets while infiltrating other areas dominated by SMEs. However, some SMEs tend to benefit from the opportunities presented by the expanded market. Nevertheless, according to Smit and Watkins (2012) expanded markets also increase competition thereby exposing SMEs to larger conglomerates with adequate capital and extended human resources of large corporations.

2.8.1. Obstacles to SMEs Growth in Developed Economies

The OECD (2009) recognized that access to finance was the major challenge facing SMEs in the forum's European member countries. In addition, the global economic crises compounded the challenges of SMEs as markets were depressed thereby contributing to the global reduction in consumption trends (OECD, 2009). Such a phenomenon, exposed SMEs thereby making them vulnerable to the global financial crisis as their operational functionality is dependent on domestic markets and bank lending (Stallings & Tran, 2015). The continued decline of credit flows to SMEs was mainly attributed to the euro zone macro-economic environment, the global financial slow down, insufficient collateral or guarantees and high interest rates (Stallings & Tran, 2015).

EU governments have implemented initiatives in form of public or Government-Based or Market-based initiatives as mitigating measures to help fund innovative firms and SMEs by providing affordable loans or guarantees (Kaya, 2014). However there has been higher success rate of SMEs in Europe (Olawale & Garwe, 2010) which is indicative of the progress made in addressing viability factors as opposed to developing countries.

2.8.2. Obstacles to SMEs Growth in Emerging Economies and Sub-Saharan Africa

Li (2012) contends that, despite the significant contribution by SMEs in China, the key challenges affecting SMEs among others, include lack of finance, language barriers, business culture and human resources (Goh & Sullivan, 2010). In Pakistan the major constraints on

SMEs are, lack of finance, low human resource capabilities, technological capabilities, poor management competencies, deficiencies in marketing strategies, low efforts on research and development, lack of innovative technology and lack of co-operation (Public-Private Partnerships) (Hussain, et al., 2012). The role of corporate governance is equally crucial for the success of SMEs because it establishes rules and procedures that are key to auditing the business' operational systems and prohibits abuse of authority whilst ensuring integrity of financial statements (Pandya, 2012).

Chuthamas, et al., (2011) found that the success of an SME in Thailand was significantly determined by the characteristic of the SME, customers and markets, way of doing business and cooperation, resources and finance, and external environment. Ironically, the failure of most SMEs is hinged on the on the character and soul of the business. In both SMEs and Large Enterprises, key characteristics of these business segments in general are what defines the heart and soul of the business itself. These key characteristics encompass ownership, business location, organizational structure, number of business units and information technology (The Open Group, 2015).

Some literature on SMEs identifies these key characteristics as contributory factors to the success or failure of small businesses. Table 2.2 below identifies the business characteristics that are crucial for success.

Table 2.2: Some Business Characteristics and Contrasts

Business Characteristic	Small-Medium Enterprise (SME)	Large Enterprise (LE)
Holding Pattern	Usually privately held (even family owned at times)	Usually public limited company, with defined shareholding patterns
Location	Restricted to a limited geography (typically within a country)	Typically, a multi-national presence
Organization Structure	Flat and small	Large, hierarchical, and matrix

Business Units	Limited or no separate business units. Support functions, mostly integrated with each other	Multiple business units or LOBs according to business domains. Supported by individual support divisions or business enablers
Information Technology Requirements	Dependence on IT is low and is treated as an enabler. Business might not suffer hugely even if IT is unavailable for an elongated time period	Dependence on IT is huge, which is viewed as a key business driver. Business impacts are huge in absence of IT

Source: The Open Group

The SME characteristics generally identify the business structure of ownership, operations, hierarchy, departments and location. The composition of the SME characteristic has implications to its viability due to such variables like decision-making, skills and resources.

Approximately 50 percent of SMEs in the Sub-Saharan Africa identified access to finance as a major obstacle to their business activities (Griffith-Jones, et al., 2013). A study on SME investment in Ghana found out that one of the biggest constraints in developing countries, is finance which tends to constraint the operations of SMEs (Atogenzoya, et al., 2014). The irony is that with collateral security, SMEs are able to access working or investment capital from financial institution.

Similarly a study of SMEs in the construction sector of Mbombela - Nelspruit advanced that the lack of managerial and planning skills, financial skills and lack of work opportunities occupied the top echelon of the challenges affecting black owned SMEs in South Africa (Aligbavboa & Thwala, 2014). Small and Medium Enterprises in South Africa generally face a number of challenges such as the following,

Crime and corruption; inappropriate technology and low production capacity (includes access to electricity); Lack of management skills and in adequate skilled labour; Finance and obtaining credit; Access to markets and developing relationships with customers; Recognition by large companies and government bureaucracy; Knowledge and support for the role that they play in economic development; Regulatory compliance

It is important to note that literature available demonstrates the varying degrees of each of these factors vary from one sector to the other.

2.9. Security Industry of South Africa

The Security industry in South Africa is divided into two main categories namely the Private Security Sector, which is regulated by the Private Security Industry Regulation Act, 2001 (Act 56 of 2001) and the Public Security Sector which comprises of South African Police Services, National Intelligence Agency, SA National Defence Force and Metropolitan Police Services (Taljaard, 2008). The private security sector and the public security sector complement each other in the discharge of their mandates and duties. For instance, the public security sectors draw their mandate from the parent ministry or municipality whereas the private security draws its mandate from the client. The private security services providers are defined in chapter one (1) of the Private Security Industry Regulation Act (Act 56 of 2001) as “any person who renders a security service to another for remuneration, reward, fee or benefit and includes such a person who is not registered as required in terms of this Act”.

The registration of a security service provider is accorded to “any natural person applying for registration in terms of section 21 (1) of the Security Act subject to fulfilling prescribed conditions which *inter alia* are;

Citizenship or permanent residence in South Africa; Legal age of majority (18 years and above); compliance with the relevant training requirements prescribed for registration as a security service provider; no prior record of improper conduct within a period of 5 years, or guilty of an offence specified within a period of 10 years; submission of a clearance certificate , together with such other information as the Authority may reasonably require, if the applicant is a former member of any official military, security, police or intelligence force or service in South Africa or elsewhere; mental soundness; not employed in the Public Service and Payment of relevant application fee.

According to the Private Security Industry Regulation Act, 2001 (Act 56 of 2001), a security service is defined as provision of one or more services. The categories of security services are indicated in figure 2.1 below.



Figure 2.1: Categories of services in the security industry.

In its 2013-2014 report, PSIRA attributed this reduction in number of active security businesses to the intensified compliance inspections that they have been embarked from 2011. The net effect of intensified compliance inspections highly contributed towards the viability challenges of SMEs in the security sector. There is a great probability that most businesses that fail compliance inspections fall in the SME category.

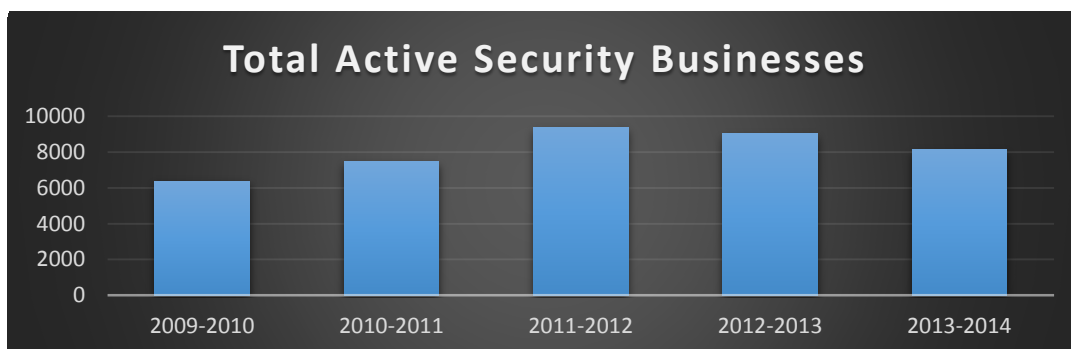


Figure 2.2: Active Security Businesses

Source: Author Compilation from PSIRA Reports

Incidentally, according to Employment Conditions Commission (2012), the security industries in South Africa's main challenges were as follows:

- the increased PSIRA annual fees which had been increased by 40 percent payable in advance annually
- Regulatory challenges where PSIRA did not have the capacity to articulate and implement the regulations.
- Unregistered companies and non-compliance that resulted in stiff competition and because of non-compliant, unregistered companies could afford to under-cut their competitors thereby creating price wars.
- Foreign immigrants as security personnel have been utilized extensively by the unregistered companies to provide security services.

An analysis of the report clearly exposes deep rooted challenges that can contribute to the high failure rate (Thwala & Mofokeng, 2012) of Small and Medium Enterprises companies in the private security industry especially on the backdrop of high regulation by different government bodies and imposition of such levies as Private Security Industry Regulatory Authority fees, Compensation for Occupational Injuries and Diseases Act levies, Unemployment Insurance Fund, Taxation, Minimum wages per ministerial directive through Sectorial determination 6 and Provident Fund contributions. All these levies increases the cost of operating a security company, which may not be affordable to Small and Medium Enterprises.

The government of South Africa has proffered mentorship and support to ensure the survival of SMEs, with recently providing an allocation of over R3.5 billion (The National Treasury, 2015) in the budget. In its economic development blue print, the NDP 2030, the government of South Africa identified SMEs as the crucial conduit for achieving a developmental state by 2030 (National Planning Commission, 2013), yet the effective use of a broad range of economic and social insights in developing the proper infrastructure remain absent. Despite the availability of literature on the viability of SMEs, there is a dearth of literature concerning the assessment of factors that influence the viability of the SME private security sector of South Africa.

2.10. Obstacles to SMEs Growth in the Private Security Sector of South Africa

The factors that affect the viability of the emerging SMEs can be categorized into Internal and External factors.

2.11. Key Internal Factors

Internal factors are usually determined by the local operational functional environment within the enterprise. Olawale and Garwe (2010) described internal factors as those factors within the firm's environment for which it has control of such as finance, managerial skills, business location, networking and cost of production and investment into Information Technology. However, these factors do not operate separate and apart from the other but they function as a totality of instances.

2.11.1. Management Competencies

Olawale and Garwe (2010) defined managerial competencies as sets of knowledge, skills, behavior and attitudes that contribute to personal effectiveness. Most SMEs are owner managed hence it is imperative for the owner to have an entrepreneurial mindset (Neneh & van Zyl, 2012), which is best described in this study "as a way of thinking about business and its opportunities in a way that captures uncertainty". The study argues that without the entrepreneurial mindset, the prospect of an entrepreneur's success is very low proffering a conclusive high failure rate.

Key to these functions is working capital management which is a critical management function that requires appropriate accounting skills for one to be able to ensure that the current assets are sufficient enough to cover the current liabilities or short term obligations (Adediran, et al., 2012). Most SMEs are confronted with cash flow challenges, which often results in curtailing their ability to deliver on their mandates. Due to poor collection methods SMEs will end up having millions tied up in accounts receivable but no cash to pay creditors and staff is a sure-fire way to destruction (Merchant Factors, 2013).

Some SMEs who have done business with reputable debtors like the government have been resorting to factoring as a means to bridge the working capital gap. It estimated that over 25 billion rand a year of turnover is factored by South African businesses (Merchant Factors, 2013). According to Merchant Factors cash flow challenges emanate from a broad spectrum of business transactions but most commonly in SMEs it is often caused by bad debts, buying too much stock, increases operational costs, rapid growth, poor collection methods and low profits. The success to any organization depends on the managerial competencies of its owners in the following areas of human resources, financial, strategy and business planning, marketing and operations management. Nene and van Zyl (2012) further contend that a

combination of the fore mentioned business practices enhances the performance of an SME to achieving optimal performance.

2.11.3. Location and Networking

The location of an SME in the security industry impacts on market potential and growth opportunities as its proximity to customers is key to dispatching a timeous response to customer needs (Olawale & Garwe, 2010). Therefore, an SME in the security industry should be appropriately located to best serve its customers. Olawale and Garwe (2010) argue that nnetworking in the security industry by SMEs compliments location and is crucial for entrepreneurs to tap resources in the external environment, reduce information asymmetry (creditor/supplier relationships) together with SME's legitimacy and existence.

Another reason that affects the viability of SME's is the lack of access of viable supporting infrastructure such as buildings, roads, electricity that are very pertinent in ensuring viability of the production process. Olawale and Garwe (2010) have argued that electricity supply in South Africa does not meet demand thus contributing to load shedding that affect the turn over and productivity of SMEs. Therefore, the geographic location has its "implications for access to markets and other resources like finance, skilled labor, subcontractors, infrastructure, distribution and transport logistics and other facilities" (Abor & Quartey, 2010). Therefore, security services' efficiency is judged by the effectiveness of its operations and response time to any emergency situation.

2.11.4. Investment in Technology and Cost of production

The introduction of technology in SMEs is a positive development as it lowers the cost of doing business and achieving profitable sales. Information technology has been widely used to expand markets for SMEs and improve communication among their stakeholders. Studies found out that investment in technology is important for SMEs as technology plays a crucial role in the development of SMEs (Olawale & Garwe, 2010). In addition, it has been argued e-commerce enables SMEs to "interact with customers, reach new customers and improves the quality of information with the most tangible positives of e-commerce being to lower costs" (Mbatha, 2013). Most SMEs are reluctant to implement cost efficient systems that are mostly technology based to improve their efficiency and hence bring down cost of production. Operational processes like JIT have been successfully implemented at large corporations like Toyota and have resulted in cost reductions. In the service industry, Lean Management has been introduced with success in addressing "the quality, cost and delivery of a company's

business processes by using an integrated set of principles, methods and tools” (Damrath, 2012:66). It is of utmost importance that SMEs upgrade their technology to meet the demands of operating in a technology-obsessed world.

2.12. External Factors

Globalization has created conditions that influence the operational viability of SMEs in South Africa. Therefore, the success of SMEs highly depends on the capabilities of the management team to construct policies and strategies that enable it to remain competitive whilst mitigating the adverse effects of external factors outside the reach of management control. These factors in general include globalization and competition, legal, technological advancement, economic and political environment.

2.12.1 Access to Working Capital Finance

SMEs require financial resources for the start-up expansion of initiatives, which more often than not are financed through the owner’s equity or external sources like financial institutions. Olawale and Garwe (2010:730) argued that the “lack of access or availability of finance can be a constraint on the business growth” with access to finance being a major problem for South African entrepreneurs. The success of an SME is dependent on the ability of the owner to raise the necessary capital required to start-up the business but more so importantly to fund any operational capacity (Olawale & Garwe, 2010). Surveys conducted found out that in South Africa, only 2 per cent of SMEs were able to access finance with 75% of application for credit to banks being rejected (Olawale & Garwe, 2010). Arguably, one can suggest that without necessary finance structure, SMEs will continue to be dodged by viability challenges leading to failure. In a study on SME constraints, 74% of participants ranked lack of finance as a major challenge to growth of their businesses (Ackhar & Vuvor, 2011). Ackah and Vuvor (2011:22) found that in most developing countries, “lending to small businesses and entrepreneurs remain limited because financial intermediaries are apprehensive about supplying credit to businesses due to their high risks, small portfolios, and high transaction costs”. However, there is no research that investigates the impact of how financing has affected the SMEs in the Private Security Industry in Durban.

2.12.2 Legal and Regulatory Mechanisms

A labyrinth of legal regulations and institutional structures that determine the productivity levels of SME's more often than not affect the viability of SMEs. For instance, The Department of Trade & Industry estimates that it takes longer (176 days) in South Africa and there are 18 procedures involved in dealing with licensing issues. Meanwhile, the absence of antitrust legislation favours larger firms, while the lack of protection for property rights limits SMEs' access to foreign technologies (Abor & Quartey, 2010). Furthermore it has been noted that unpredictable government policies coupled with increased corrupt activities, high taxation rates, all continue to pose great threat, not only to the sustainability of SMEs but also to the viability of the economy at large (Nyang'ori, 2010). For example, Olawale and Garwe (2010) argue that SME's lack bargaining power and influence to resist unofficial payments, with the World Bank estimating that 70% of SME's in South Africa perceive corruption as a major impediment to their viability. However, the challenges faced by SMEs can be viewed from a more philosophical level, where the law is a creation of the bourgeoisie, and supports the interests of the ruling class not the SMEs. It ought to be investigated if this scenario represents the case within the security industry as no research has been conducted on it.

2.12.3 Globalization and Competition

Globalization has meant that SMEs operate within an internationalized context, thus exposing them to external competition. SMEs are thus expected to operate within the same economic environment, which regulates major conglomerates, a situation which poses a serious threat to their viability. What makes the situation of SMEs more complicated is the fact that although there is the Competition Act in place (Werkmans Attorneys, 2015), this antitrust legislation is not sufficient to advance the needs of the SMEs in the onslaught of globalization, which in turn supports the operational functionality of larger international firms. What compounds the situation of SMEs is the fact that they have limited international marketing experience, poor quality control and product standardization, and little access to international partners continue to impede SMEs' expansion into international markets (Smit & Watkins, 2012). They also lack the necessary information about foreign markets. In addition the success of SMEs is more often than not determined by the macro economy as whole, therefore becoming a major down turn for SMEs (Smit & Watkins, 2012).

2.12.4 Access to Credit Lines

Prior research has revealed that the development of SMEs is always constrained by the limited by lack of financial resources to meet a variety of operational and investment needs (Nyang'ori, 2010). Most micro-enterprises, entrepreneurs from previously disadvantaged communities or any other group with limited collateral or weak credit histories, access to credit is more restricted (National Credit Regulator, 2011: 87). The resultant discrimination is not as a result of the weaknesses that are within the financial industry. The reason for such an obtrusive scenario is by virtue of certain structural features of the sector, such as banks' ownership of settlement systems and the barriers to entry into the banking sector as well as certain business practices (e.g. the lack of an uniform disclosure regime of fees and charges in terms of a basic banking package) may constitute obstacles to a competitive and consumer-friendly market (National Credit Regulator, 2011). This obviously also impacts upon the "nature and quantum of financial services being provided, as well as the cost at which financial services are being provided" (Smit & Watkins, 2012:6328).

The legislation governing commercial security is complex and outdated and does not support efficient secured finance arrangements in the commercial context (National Credit Regulator, 2011). Requirements such as identifying a product and a market, acquiring any necessary property rights or licenses, and keeping proper records are all in some sense more fundamental to running a small enterprise than is finance (Abor & Quartey, 2010). A large portion of the SME sector does not have access to adequate and appropriate forms of credit and equity, or indeed to financial services more generally (Abor & Quartey, 2010).

2.13. SME Support in South Africa

The current support initiatives that are meant to foster SME growth in South Africa are articulated in the National Development Plan 2030. Through these initiatives, the SA government seeks to enhance the development and growth of SMEs in a multi-pronged approach that focuses on preferential procurement and BEE codes, Tax incentives for entrepreneurs and big business who work with SME and providing grants and soft loans to SMEs (Khan, 2014). Of course, the challenges of meeting requirements to access such initiatives is a process that seeks continuous improvement. These initiatives are both Public and Private Sector initiatives. The Public sector initiatives are taken by the government to support the SME sectors. The private sector in turn has also introduced initiatives that mostly are around compliance with government legal frameworks, especially the BBBEE

framework. Various institutions and legal frameworks have been introduced to mitigate SMEs from survival challenges that threaten their viability. The following institutions, among many other were established successively over the years to assist Small and Medium Enterprises in South Africa, subject to minimal requirements.

Table 2.3: SA SME Support Initiatives

Name of Institution	Services Offered
Small Enterprise Development Agency (SEDA)	<ul style="list-style-type: none"> ▪ Information, advice and referrals ▪ Tender information and advice ▪ Training ▪ Import and export training ▪ Trade information ▪ Company audits and assessments ▪ Technical support ▪ Business coaching and mentoring ▪ Market access and business linkages ▪ Co-operative enterprise development
Khula Enterprise Finance	<p>Provides access to finance through:</p> <ul style="list-style-type: none"> ▪ Khula Credit Guarantee Scheme – provide guarantee products to banks. ▪ Other institutions and NGOs, referred to as Retail Finance Intermediaries (RFIs) which borrow from Khula to make loans to SMMEs ▪ Khula-Start: access to micro credit in rural areas
Business Partners Limited	<ul style="list-style-type: none"> ▪ Business Finance ▪ Property Finance ▪ Venture Finance
Umsobomvu Youth Fund	<ul style="list-style-type: none"> ▪ Enterprise funding. ▪ Micro-finance. ▪ Business development services
Land Bank	<ul style="list-style-type: none"> ▪ Agricultural Finance to SMEs and large companies
Small Enterprises Finance Agency (SEFA)	<ul style="list-style-type: none"> ▪ Bridging finance ▪ Term Loans

	<ul style="list-style-type: none"> ▪ Structured Finance ▪ Co-operative financing
Department of Trade & Industry	<ul style="list-style-type: none"> ▪ BBBEE ▪ Mobilisation of funding for SMMEs
National Economic Empowerment Fund	<ul style="list-style-type: none"> ▪ Funding for black economic empowerment ventures for both SMEs and large companies
Provincial SMME Desks	<ul style="list-style-type: none"> ▪ Keeping database of SMMEs in the province ▪ Developing SME oriented procurement and subcontracting policies for provincial government ▪ Targeted support programmes for Historically Disadvantaged Individuals, Women, Youth etc
Industry Charters	<ul style="list-style-type: none"> ▪ To monitor and implement agreed empowerment targets
Enterprise Development	<ul style="list-style-type: none"> ▪ To support and develop SMEs in return of recognition of BBBEE contribution[Public-Private Initiative]

Source: Author Compilation

Despite the availability of all these support initiatives, both public and private the SMEs continue to fail due to a myriad or multiplicity of factors which this study aims to explore and positively identify. The many studies that have been conducted concerning the importance of SME's in the development agenda of national economies. For instance in South Africa, SME's "contribute 56 per cent of private sector employment and 36 per cent to the Gross Domestic Product (GDP) (Olawale & Garwe, 2010). Most empirical literature concurs on factors that influence the viability of SMEs but most importantly these factors seem to be following the pattern as laid out in different growth stages with each challenge being systematically identifiable in the SME growth models.

2.14. Summary

There are a multiplicity of factors that contribute to the non-viability of the SME's industry, which range from non-access to finance and credit lines, inappropriate managerial skills, inhibitive regulatory framework and globalization among others. These factors have been examined in the broader sense of the business life cycle without being examined from the private security industry perspective. The applicability of these factors to the security industry may likely present a different scenario or results. The following chapter is a discussion of the research methodology for this study.

CHAPTER 3

RESEARCH METHODOLOGY

3.1 Introduction

The general question and purpose of the study is identification of the viability factors affecting SMEs in the private security industry. This research was undertaken to produce knowledge on the viability of SMEs in the private security industry cognizant of the fact that this will contribute towards the body of knowledge in this field. Therefore this chapter outlines the research design, the data collection strategies and the rationale for the research tools utilized in the study.

3.2 Participants and Location of the Study

Post 1994, South Africa has witnessed a growth in numbers of black owned SMEs throughout the nine provinces presumably as previously disadvantaged individuals seek to capitalize on opportunities which otherwise were not open to them before. Johannesburg as the economic hub of South Africa, has higher concentration of SMEs than any other economic zone. KwaZulu Natal has been the largest province population wise until recently when Gauteng surpassed the numbers to 12 million people (Statistics South Africa, 2015).

The majority of the SMEs are owner managed. With this in mind, Owners of the SMEs in the private security industry operating in Durban Metropolitan area were invited to participate. Therefore, private security companies operating in Durban formed the population for this study.

The location of the study is Durban, which is the second largest economic hub of South Africa (Baxter, 2009) after Johannesburg; situate in the province of KwaZulu-Natal whose economy contributes on average, 15.8% (2012) of the country's GDP (Trade & Investment KwaZulu Natal, 2015). Equally so, Durban is a port city providing a gateway to inland South Africa and regional countries specifically Zimbabwe, Zambia, DRC and Botswana.

3.4 Research Approach

The study employed mixed methods paradigm. The researcher chose to utilize the following two research approaches.

3.4.1. Inductive Approach

In inductive approach begins with specific observations and measures, after which patterns and irregularities are detected in order to formulate some tentative hypotheses that we can explore, and finally end up developing some general conclusions or theories. Inductive approach is associated with a qualitative study.

3.4.2. Deductive Approach

Deductive reasoning works from the more general, in this case the SME multi-sector to the more specific, the Private Security SMEs. This approach usually begins with a hypothesis on the research topic. The hypotheses are narrowed down and addressed by observations collected which enables testing of these hypotheses.

The researcher chose both approaches because the study is both qualitative and quantitative study. The purpose of the study is to identify the factors that affect the viability of SMEs in the private security industry, hence using both inductive and deductive is best suited to either test hypothesis, explore an emerging area within the discipline or answer the specific research questions.

3.4.3. Research Strategy

The study is an exploratory one that attempts to explore and explain while producing knowledge about the factors that influence the viability of private security SMEs in Durban. There is a deficiency in literature of SMEs in the private security industry in South Africa which is was the motivation of the design frame. Hence there is existence of a gap as far as studies on viability of SMEs in the private security sector of South Africa. Exploratory studies can be conducted where not much is known about the research problem (Sekaran & Bougie, 2013) but most importantly some facts are known about SMEs in general hence this exploratory study requires more information pertaining to the private security sector in order to develop a viable theoretical framework (Sekaran & Bougie, 2013).

The research produced knowledge that addresses the grey areas that exist while expanding the field of knowledge concerning the viability factors with special focus on the private security industry in Durban. Studies conducted earlier have generalized the viability factors, henceforth is hoped that by specifically focusing on the private security sector, the study will provide on the homogeneity of these factors while identifying the perking order of the factors.

The research design is a blueprint for the collection, measurement and analysis of data based on research questions (Sekaran & Bougie, 2013) and basically outlines the structure of the research. The study will gather data through questionnaires, which by design provide for closed and open ended questions. It is of importance to note that the researcher understands the alternative research methodologies and techniques, their characteristic, their advantages and disadvantages in order to be able to choose the best approach for the study. In order to understand these approaches, the researcher considered the three framework elements namely: the strategy of inquiry, the data collection and analysis strategy, and the research methods as they are framed differently by each approach (Creswell, 2003). According to Creswell (2003) the two major approaches used worldwide, Qualitative and quantitative have been re-examined giving birth to the mixed method research.

3.4.4. Quantitative Approach

Quantitative approach involves the testing of theories through the examination of variables which are measured typically on instruments so that numbered data can be analyzed through statistical procedures (Creswell, 2003). Quantitative data is often agreed to be more objective than qualitative data. Creswell (2003) describes the quantitative approach as one in which the researcher primarily uses post-positivist claims for developing knowledge, employs strategies of enquiry such as surveys and collects data on pre-determined instruments that yield statistical data. The instruments are mostly questionnaires with closed end questions which are reduced to numbers and frequencies, using the numerical data to understand theory.

By its own name, the approach collects quantities of data, which are then reduced to numbers and frequencies from which findings are made using statistical techniques. According to Creswell (2003) the researcher tests theory by specifying a narrow hypotheses and then use the data collected to support or reject the hypotheses.

3.4.5. Qualitative Approach

Qualitative research is aimed at gaining a deep understanding of a specific organization or event, rather than surface description of a large sample of a population (Brikci & Green, 2007). It analyses words, pictures and objects to gain an understanding and aims to provide an explicit rendering of the structure, order, and broad patterns found among a group of participants (Creswell, 2003). The researcher will make knowledge claims based primarily on constructivist perspectives and it uses strategies of enquiry such as narratives, ethnographies, grounded theories and case studies (Creswell, 2003).

3.4.6. Mixed Method approach

The mixed method research methodology integrates both quantitative and qualitative enquiry strategies, with the researcher being able to address the shortfalls of either approach. The data collection method involves close-ended measures and open ended observations. The approach bases knowledge claim on pragmatic grounds like being problem centered (Creswell, 2003). According to Creswell (2003) the core assumption of this approach is that the combinations of qualitative and quantitative approaches provide a complete and comprehensive understanding of the research problem than either of them alone.

Based on the research problem of the study, the focus of the quantitative study is to test the theory that SMEs face homogeneous viability factors that threaten their very own survival. The factors identified from empirical studies will be used as variables in the quantitative enquiry. However, in order for the researcher to attain a better understanding of the nature of the viability factors within the private security industry, the qualitative focus of the questionnaire will provide desired information to further understand and identify other factors that may be sector homogenous thereby enabling the researcher to make informed recommendations applicable to the private security sector.

Numerous studies have been conducted across the globe but this study, which focuses on a specific sector, will employ both quantitative and qualitative methods, as the researcher would want to benefit from the best of both approaches while exploring the viability phenomenon.

3.5 Study Population and Sampling

Sekaran & Bougie (2013:244) define sampling as a “process of selecting a sufficient number of the right elements from the population, so that the study of a sample and an understanding of its properties or characteristics make it possible for the generalizations of such properties or characteristics to the population elements”. Sampling consists of mainly two broad categories, namely probability and non-probability. In probability sampling elements there is a non-zero chance or probability of selection whereas in non-probability sampling elements have an unknown or predetermined chance of selection as subjects (Sekaran & Bougie, 2013).

The sampling frame of this study was based on a database of all SME security companies operating in Durban, extracted from the PSIRA. Registered physical addresses were to be used to identify the target population. The assumptions were that PSIRA would readily provide a list of SME companies in Durban. However, the researcher faced the challenge of lack of cooperation from PSIRA as they argued that they were not in a position to provide the requested information (PSIRA personal communication 8 April 2015). Further efforts were made telephonically to get a database from the Department Small Business development, the Department of Labour KwaZulu Natal, Durban Chamber of Commerce and Ethekewini Municipality, Small Business Division who all referred the researcher to PSIRA as they had a database of all security companies regardless of the typologies. In the absence of the cooperation of the regulatory authorities, the researcher constructed a database based on a random online search of private security companies in Durban.

The following qualifying criteria was applied to develop a database of private security SMEs in Durban:

- That the participating company must meet the definitions of an SME as defined by the National Small Business Act of South Africa, 1996 (Act 102 of 1996).
- The Company must have its Head Quarters in Durban metropolitan area.
- The SME must be registered with the Private Security Industry regulatory Authority.
- That the SME has more than one employee or has had employees before.

The selection process to meet the above criteria was done and 50 SMEs were identified as the study population. The study had added value through the inclusion of 4 interviewee

participants from whom the customer and regulatory perspectives on the viability of SMEs was solicited.

3.6 Data Collection Strategies

The data collection process involved the gathering and measuring of information on variables of interest, in an established systematic fashion that enables one to answer the stated research questions, test hypotheses, and evaluate outcomes. There is a positive correlation between accuracy, and appropriateness of data collection method and integrity of any research. According to Sekaran & Bougie (2013) data can be collected using primary sources, which comprise of first hand data collected by the researcher or secondary sources which refers to data that was not collected by researcher but was obtained from existing sources like publications, internet or company reports. Sekaran & Bougie (2013) further state that primary data is obtainable most commonly through interviews, observations and questionnaires.

In mixed methods, the popular data collection strategies are concurrent, sequential and transformative.

- **Sequential strategy** is where the researcher seeks to elaborate on the findings of one method with another (Creswell, 2003).
- **Concurrent strategy** is, according to Creswell (2003) where the researcher collects both qualitative and quantitative data at the same time in order to offer a comprehensive analysis of the research problem.
- **Transformative Strategy** is where the researcher shapes within a transformative theoretical framework (Creswell, 2003).

The study will employ both quantitative and qualitative data collection methods. The design of the questionnaire is such that the data will be collected at the same time, hence a concurrent design collection method will be used in this study. Interviews will be done to obtain the customer and regulatory perspective.

3.6.1. Advantages of Questionnaires

Questionnaires are a cost effective way of obtaining data from a large audience. They can be mailed electronically or personally administered thereby ensuring quick delivery

inexpensively. Since the study is using both personal and electronic administration, the response rate is highly likely to be prompt. Personally administered and electronic questionnaires will ensure a wider, cheaper and faster distribution of the questionnaires.

3.6.2. Disadvantages of Questionnaires

Questionnaires have their own challenges in that they are perceived by respondents to be time consuming which leads to a low response rate. In the event that the respondents requires clarity, questionnaires are rigid in that aspect. The success of questionnaires is also dependent on the respondent's computer literacy, willingness to participate and comprehension of the subject matter under review.

3.7. Construction of the Instrument

The research instruments for this study are divided into two, namely literature study and questionnaires. The literature review enabled the researcher to develop an understanding of the theoretical framework as well review findings on the topic from the empirical existing literature. Furthermore, the review enabled the researcher to explore the research problems in relation to similar studies done throughout the world.

However, there are several types of validity tests applied to examine the correctness of measures and they fall under three broad headings namely content validity, criterion validity and construct validity (Sekaran & Bougie, 2013). During the construction of the research instrument, the researcher relied on content validity. The design of these questionnaires is such that they are not researcher-completed but respondent-completed. By virtue, that the research applied a mixed method approach, the questionnaire was designed to include closed and open ended questions, thereby producing a structured and unstructured questionnaire. The questionnaires were divided into three parts. The first part is an invitational introductory explanation to the participant. Section A of the questionnaires is about demographics and section B is about the viability factors and section B contained open ended questions to extract qualitative data from the participants. This approach corresponds to Sekaran & Bougie (2013:226) who argue that:

Content validity ensures that the measure includes an adequate and representative set of items that tap the concept. The more the scale items represent the domain or

universe of the concept being measured, the greater the content validity. To put it differently, content validity is a function of how well the dimensions and elements of a concept have been delineated.

Therefore, the research instruments were designed to capture the widest possible range of data. Fifty questionnaires were distributed to gather information from the participants.

3.8. Recruitment of Study Participants

Participants to the study were drawn from active SMEs in the private security industry sector operating in Durban. The quantitative aspect of the research sought respondents from stakeholders in the private security industry who have a contributory effect on the viability of the private security industry. Due to time constraints, the researcher could not include the financial services sector as a key stakeholder but rather relevant information on all other stakeholders was obtained from desktop review.

In recruiting the participants a strict criteria based on the following was applied:

- That the participating company must meet the definitions of an SME as defined by the National Small Business Act of South Africa, 1996 (Act 102 of 1996).
- The Company must have its Head Quarters in Durban metropolitan area.
- The SME must be registered with the Private Security Industry regulatory Authority.
- That the SME has more than one employee or has had employees before

The recruitment of participants was conducted based on the ethical guidelines of the institution.

3.9. Pretesting and Validation

Pretesting involves the use of a small number of respondents to test on the appropriateness of the questions and their comprehension thereof (Sekaran & Bougie, 2013). Pretesting will help the researcher rectify any inadequacies and help reduce bias.

Validation of the instrument, is a process where the questionnaire is tested for validity to assess the correctness of measure. These tests can be grouped into three categories, namely content validity, criterion related validity and construct validity (Sekaran & Bougie, 2013).

The researcher confronted challenges that among others included lack of cooperation from policy and regulatory authorities, change of mind by some respondents who had initially expressed willingness to participate in the research. The challenges faced and mitigation taken are detailed in the risk and mitigation table in the conclusion chapter.

Therefore, the researcher could not conduct a pilot study due to the challenges enunciated. However, due diligence was undertaken in the design of the questionnaire and conducting of in-depth interviews to ensure that administration of data gathering would reflect results that are valid and reliable. Sekaran & Bougie (2013:228) argue, “The reliability of measure is an indication of the stability and consistency with which the instrument measures the concept and help to assess the goodness of a measure”.

3.10. Administration of Questionnaire

According to Sekaran & Bougie (2013) the choice of questionnaire administration is crucial to the overall success of the study. It is of importance that the chosen medium will ensure that the targeted participant will receive and is capable to participate and return, possibly through the same medium. Questionnaires can be administered personally, mailed to or emailed to respondents (Sekaran & Bougie, 2013). A researcher has to understand the implication of the medium chosen for questionnaire administration. The following table explores the advantages and disadvantages of different methods of administration.

Table 3.1: Pros and Cons of mode of questionnaire administration.

Mode of Data Collection	Advantages	Disadvantages
Personally Administered Questionnaires	<ul style="list-style-type: none"> ▪ Establish rapport & motivation with respondent ▪ Doubts are clarified ▪ Higher rate of response ensured ▪ Anonymity of respondent is high 	<ul style="list-style-type: none"> ▪ Time consuming and costly ▪ Clarifications and explanations may cause biasness.
	<ul style="list-style-type: none"> ▪ Wider geographical area 	<ul style="list-style-type: none"> ▪ Response rate very

Mailed Questionnaires	<p>covered</p> <ul style="list-style-type: none"> ▪ Anonymity of respondent high ▪ Respondents have convenience in taking more time to complete 	<p>low</p> <ul style="list-style-type: none"> ▪ Cannot clarify questions ▪ Takes longer and need follow up for responses
Electronic/Email Questionnaires	<ul style="list-style-type: none"> ▪ Easy and cost effective ▪ Global access ▪ Fast delivery ▪ Respondents have convenience in taking more time to complete 	<ul style="list-style-type: none"> ▪ Computer literacy and access a must ▪ Respondent's willingness to complete survey a must

Source: Research Methods for Business by Umah Sekaran and Roger Bougies, (2013)

The study used the personal administration mode for questionnaires as it was expected that it would address the time constraints, need to motivate for a 100 per cent response rate and ensure that all doubts will be clarified without compromising the independence of the participant. In line with the sample size, $n=50$, 50 questionnaire were initially physically and secondly electronically distributed to potential respondents.

However, due to the limitations identified in last chapter, 15 questionnaires were successfully completed and returned. This represents 30 percent of the sample ($n=50$).

3.11. Analysis of Data

The research adopted a mixed method approach that consequently led to the application of two main data analysis procedures namely, thematic interpretation for qualitative data and statistical interpretation for quantitative data.

For the qualitative data, the following steps were undertaken; transcription, thematic processing, thematic interpretation of results and drawing of conclusions. These steps undertaken concur with the observation that qualitative data analysis has numerous approaches and definitive series of steps in analyzing data (Stokes & Wilson, 2010).

Quantitative data analysis was undertaken to process the questionnaires through a Statistical Package for the Social Science (SPSS), which is:

A data management and analysis program designed to do statistical data analysis, including descriptive statistics such as plots, frequency, charts and list, as well as sophisticated inferential and multivariate statistical procedures like analysis of variance(ANOVA), factor analysis, cluster analysis and categorical data analysis (Sekaran & Bougie , 2013:332).

Cross-tabulation tests between gender, qualification and age were performed by the researcher for which the results were measured against the variables. The two approaches were used jointly to analyze data and draw conclusions on the factors affecting the viability of SMEs in the private security industry in Durban.

3.12. Ethical Concerns

According to Israel & Hay (2006), ethical issues arise out of concerns of personal disclosures, authenticity and credibility of the research. Furthermore, researchers need to protect participants, develop trust with them, promote integrity of research and guard against impropriety that might reflect on their organizations (Israel & Hay, 2006).

3.12.1 Ethical Approval

Ethical approval was obtained from the University of KwaZulu Natal's Ethics committee per protocol reference number HSS/0466/025M.

3.12.2. Ethical Issues on Data Collection and Analysis

The Informed Consent form was issued to all participants who were selected using the SME and location of participants qualifying criteria, a sample obtained from the PSIRA database. The consent form guaranteed the confidentiality and anonymity to the participant and of their records. Included in the informed consent form were the following:

- Identification of the Researcher
- Identification of UKZN Graduate School of Business & Leadership as the sponsor
- An indication of how participants were selected
- Identification of purpose of research and benefit to the participant
- Guarantee of confidentiality and anonymity to the participant
- Assurance of the participant's right to withdraw at any time
- Identification of names of persons to contact if questions arise.

The researcher is active in the private security industry and therefore ethical issues around the conflict of interest and confidentiality emerged and these were disclosed to participants. Furthermore, respondents were guaranteed of protection of their information and that the researcher would not use the acquired information as business intelligence since the research was an academic one hence.

The researcher used coding on all quantitative data collected. Pseudonyms were used for qualitative data to protect identities. The participants were SME owners hence ethical procedures during data collection involved gaining their agreement as gatekeepers to participate.

3.12.3. Ethical Concerns on Data Interpretation

The research was conducted objectively and with no misrepresentation to ensure credibility and quality of the project as a whole. The researcher debriefed with the participants to provide an accurate account of information. A proactive approach not to engage in practices that constitute scientific misconduct, such as potentially suppressing, falsifying or inventing findings to meet the researcher's needs was undertaken by the researcher.

3.13. Summary

The purpose of a business research is to solicit a better understanding of the phenomenon under investigation with the view to provide insight and possible solutions to specific challenges affecting businesses. The chapter discussed in detail the research methodology that informed the study. The research was exploratory and adopted a mixed method approach that was informed by both qualitative and quantitative techniques. In the following chapter, the researcher will present the research results or findings.

CHAPTER 4

PRESENTATION OF RESULTS

4.1. Introduction

The aim and objective of this study is to identify the factors that influence on the viability of SMEs in the private security industry in Durban. Sub-objectives addresses the research questions on the packing order of the viability factors, the life span of SMEs in the industry as well as suggesting interventions to improve the viability of the SMEs in the industry. This chapter presents the results or findings of the study.

4.2. Response Rate

Fifty questionnaires were hand delivered to potential respondents extracted from the database compiled from online search engine of security companies operating in Durban. Follow up telephone call reminders and physical visits to respondents' premises were conducted but yielded no interest to participate in the survey. The researcher managed to collect 15 completed questionnaires of which 2 number were not fully completed giving a 30% response rate. This low response rate is attributable to the following:

- Unwillingness by SME owners to participate
- Concerns of confidentiality by SME owners
- SME owners were concerned with availing information to a competitor (researcher is active in the same industry)
- The refusal by the regulatory authority (PSIRA) to provide with a database of SMEs in Durban

As outlined in the previous chapter, the research process employed and the design of research instruments used were in conformity to the mixed method requirements. The questionnaires had open-ended questions and interviews were purposefully sampled from selected informants. The object of interviews was meant to acquire an in-depth contribution from three perspectives that enabled the researcher to validate the results obtained from the research participants. It was felt that the viability of SMEs can best be explained from three perspectives; the SME owner perspective (the private security operator), the customer

perspective as a consumer of the security services and the regulatory perspective given the compliance requirements which the security services operator must satisfy to ensure continued operations. Hence, brief structured questions were used for the interviews with the regulators and the customers. The following discussion presents the research findings from both the qualitative (interviews) and the quantitative (questionnaires).

4.3. Qualitative Results

A sample of four participants was purposively selected, guided by the need to acquire a customer and regulatory perspective which from the literature review was deemed crucial in the success or failure of SMEs. The selection criteria informed by the above phenomenon provided greater insight. The contributory effect of the two stakeholders in the private security industry namely the regulatory authorities (PSIRA and Labour Department) and the customers, was phenomenal. As enunciated in the previous chapter, the qualitative research methodology focused on the emerging themes from the interviews conducted and patterns that emerged were related to the main objectives of the study.

The central steps in qualitative data analysis are *inter alia*: coding data by reducing it into meaningful segments, combining these segments into broader categories or themes and then displaying the data by use of charts, graphs and tables (Creswell, 2009). From the data obtained, themes were identified and categorized to be fused into the results of the quantitative part of the research. Three identical questions were posed to Managers at the regulatory authorities and the table below shows the data as extracted from the interviews which has now been tabulated and coded accordingly for graphic or frequency tables' presentation.

4.3.1. Regulatory Perspective: Labour Department

The following themes in Table 4.1 were deducted from interview results of a department of labour official.

Table 4.1: Themes from Labour Department

QUESTION	EMERGING THEMES/RESPONSE	CATEGORY
<p>What is your perception on the factors affecting the viability of SMEs in the private security industry?</p>	<p>High number of Labour disputes is recorded mostly related to underpayment of wages and unfair dismissal of security officers</p> <p>Non-payment of wages and consumptive nature of SME owners where they opt to spend on non-productive functions e.g. flashy vehicles instead of investment – emergence of tenderpreneurship.</p>	<p>Poor human resources procedures (HR)</p> <p>Legal and policy issues (legal) regarding minimum wages (HR)</p> <p>Lack of financial prudence (FM), skills which also speaks to deficiency in financial management competencies.</p>
<p>Are there any support initiatives on SMEs to help mitigate the factors mentioned in Q1?</p>	<p>Labour department at times holds <i>imbizos</i> on the functions of labour department and labour laws. Most SMEs do not attend or if they do, they do not raise their grievances.</p> <p>The department of Labour does not have any further support programs but they are aware of Department of trade and industry (DTI)</p>	<p>Lack of creativity in SMEs towards establishment of an Association that would represent them at such platforms including collective bargaining (ES).</p>
<p>What do you think may need to be done to improve on</p>	<p>Department of Labour needs to continue holding <i>imbizos</i> or</p>	<p>Lack of knowledge on labour laws (HR) governing</p>

viability of SMEs in the industry?	stakeholder meetings to educate and share information with SMEs	minimum wages per sectorial determination 6 (Legal).
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The themes from this table can be summarized as follows:

Legal & compliance (Legal) - 2 Human Resource management (HR) - 3
 Financial Management (FM) - 1 Entrepreneurial Skills (ES) - 1

4.3.2. Regulatory Perspective: Psira

The following themes in Table 4.2 were deducted from interview results of PSIRA officials

Table 4.2.: Themes from PSIRA

QUESTION	EMERGING THEMES/RESPONSE	CATEGORY
What is your perception on the factors affecting the viability of SMEs in the private security industry?	SMEs act as if they are not aware of the compliance and regulatory requirement of PSIRA.	Lack of knowledge on legal and compliance requirements (Legal)
	PSIRA is not doing enough to create an enabling and supportive environment for SME growth and development	SMEs lack coordination skills to hold PSIRA accountable to its clients (SMEs included)
	Existence of unregistered operators creates price wars and compromises on service quality	Ineffective regulation of the industry by PSIRA (Legal)
	PSIRA is not devolved to some outlying areas thereby creating information deficiency and	Location & Infrastructure (LI)

	service to clientele Competition is rife and race dynamic are quite evident in security contracts in Durban.	Competition (CO)
Are there any support initiatives on SMEs to help mitigate the factors mentioned in Q1?	Respondent declined to speak on behalf of PSIRA	Regulation of industry and policy framework (Legal)
What do think may need to be done to improve on viability of SMEs in the industry?	Allow the SMEs to pay levies monthly to improve their cash flows	Financial Management (FM)

The interview produced recurring themes as follows:

Legal & Compliance (legal) - 3 Financial Management (FM) - 1
Location & Infrastructure (LI) - 1 Competition (CO) - 1

4.3.3. Customer Perspective 1

The following perspectives were deducted from interview with a customer in the construction industry who utilizes security at their construction sites.

Table 4.3. : Themes from Customer

QUESTION	EMERGING THEMES/RESPONSE	CATEGORY
What is your perception	SMEs do not have capacity to provide good service to corporate world	Management competencies – Quality management systems (OPS)
	SMES do not meet compliance with COIDA, PSIRA &	Lack of Compliance (Legal)

<p>of SMEs in the private security industry and why?</p>	<p>Occupational Health Safety Act</p> <p>Most SMEs do not have Risk Management Cover (Insurance for Loss)</p> <p>SMEs security staff is not well trained and well managed.</p>	<p>Financial Capacity to purchase insurance policies (OPS & FM)</p> <p>Lack of Training & development (HR), Lack of operational plan (OPS).</p>
<p>Would you prefer procuring security services from SMEs or Large companies and why?</p>	<p>Yes for complying with BBBEE charter (construction industry charter & enterprise development charter)</p> <p>SMEs are cheaper compared to large companies</p> <p>Large companies are expensive but they provide better service</p>	<p>Pricing (FM)</p> <p>Competition (CO)</p>
<p>What do you think affects the viability of SMEs in security industry? Explain more.</p>	<p>Poor service leading to termination of contracts</p> <p>Poor training of guards</p> <p>Unviable rates paid by customers</p> <p>Competition from established companies</p>	<p>Management competencies – Human Resource Management (HR)</p> <p>Financial Management – poor pricing methods (FM)</p> <p>Competition (CO)</p>
<p>What do you think may need to be done to improve viability of SMEs in the private security industry?</p>	<p>Corporate world must increase spending on Enterprise development to help nature SMEs.</p> <p>SMEs need to be taught on</p>	<p>Skills development & transfer (HR)</p> <p>Skills Development (HR)</p>

	tendering processes to avoid unviable rates	
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The following frequencies were coded:

Legal & Compliance	–	1	Human resources (HR)	–	4
Competition (CO)	-	2	Operational Plan (OPS)	-	3
Financial Management (FM)	-	3			

4.3.4. Customer Perspective 2

Interview with a consumer of security services produced the following themes:

Table 4.4: Themes from Customer

QUESTION	EMERGING THEMES/RESPONSE	CATEGORY
What is your perception of SMEs in the private security industry and why?	They are not able to give credit terms than their larger counterparts	Lack of Access to Finance (AF)
	SMEs cannot provide reputable service	Operational Management (OPS)
	SMEs underpay security personnel.	Lack of Human Resource Plan (HR) & Minimum wages violation (Legal)
	SMEs are not innovative hence do not add value to us.	Lack of Entrepreneurial Skills (ES)
Would you prefer procuring security services from SMEs or	Kept business with SMEs due to cost benefit on cheaper rates and relationship developed over the years.	Pricing structure (FM) and Entrepreneurial Skills (ES)

Large companies and why?	SME owners offer a personalized service and are accessible compared to big companies	Service excellence (OPS)
What do you think affects the viability of SMEs in security industry? Explain more.	Operational costs caused by high minimum wages and rising input costs Low rates charged by SMEs Lack of financial capital to invest in technology Late Payment for services by clients	Unviable rates (FM) Lack of working capital (FM) Lack of capital (AF) Cash flow challenges (FM)
What do you think may need to be done to improve viability of SMEs in the private security industry?	SMEs must invest in training and technology and product innovation. SMEs must diversify in terms of clients	Lack of finance (FM), poor training of guards (HR) and technological innovation (ES) Pricing policy (FM)

The following frequencies were recorded:

Access to Finance (AF)	-	2	Financial Management (FM)	-	6
Entrepreneurial Skills (ES)	-	3	Human resources (HR)	-	2
Operational plan (OPS)	-	2	Legal & Compliance (legal)	-	1

4.3.5. Summary Findings

Thematic deductions made from the interview can be best summarized in the following table 4.5 (hereunder) which shows the number of times a variable has been themed in the interview that involved regulators and customers.

Table 4.5 Thematic Frequency of Variables

Variable	Frequency
Access to Finance (any funding that can be secured e.g. Bank Loan, Overdraft etc) (AF)	5
Financial Management Competencies (FM)	11
Entrepreneurial Skills (ES)	4
Human Resource Management Competencies (HR)	9
Operational Management Competencies (OPS)	5
Legal and Compliance frameworks (Legal)	4
Competition (CO)	2

Evidence from table 4.5 show that the interviewees, despite coming from different stakeholder communities have a common agreement on some of the viability factors that affect the private security industry in Durban. Figure 4.1 below graphically presents the table 4.5 results.

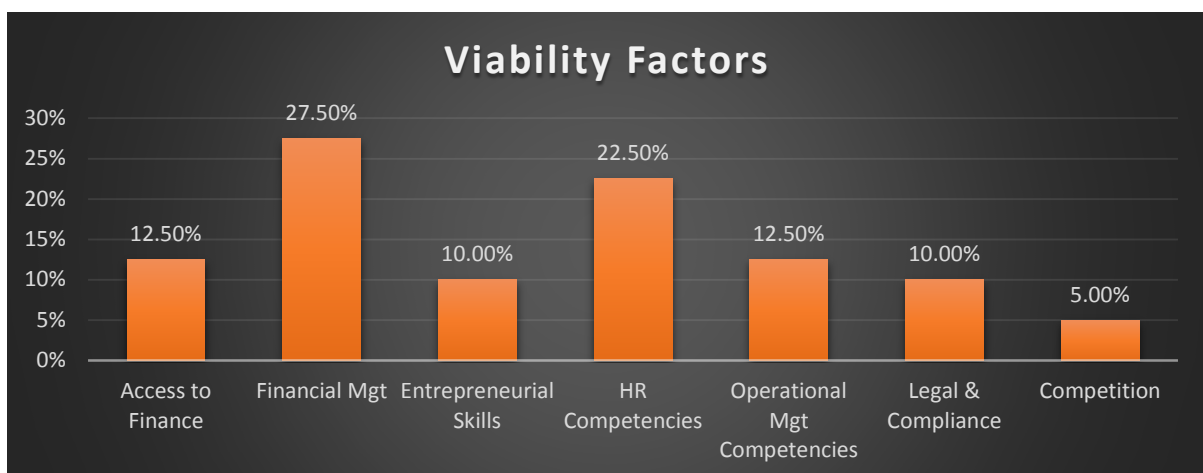


Figure 4.1: Viability Factors

4.4. Quantitative Results

This section presents the results of questionnaires captured.

4.4.1. Biographical details

Questions one to six captured the biographical details of the participants who among others included SME owners and the particulars of their companies as well. The questions defined the gender, age, qualifications of owners, size of company and company longevity in business.

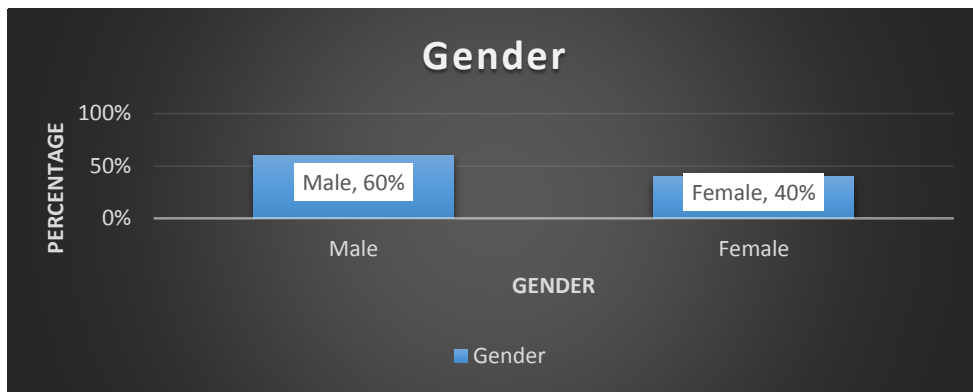


Figure 4.2: Gender

Results showed that 60 percent of participants were male against 40 percent women.

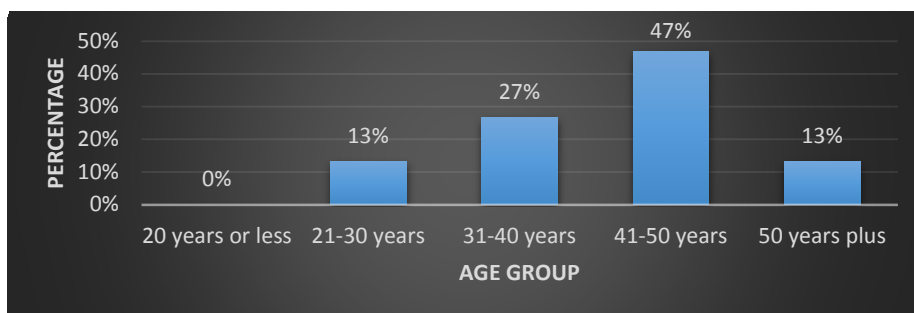


Figure 4.3: Age Group

Figure 4.3 above shows that older people in the 41-50 age group constituted the majority of participants of the study at 46.7 per cent.

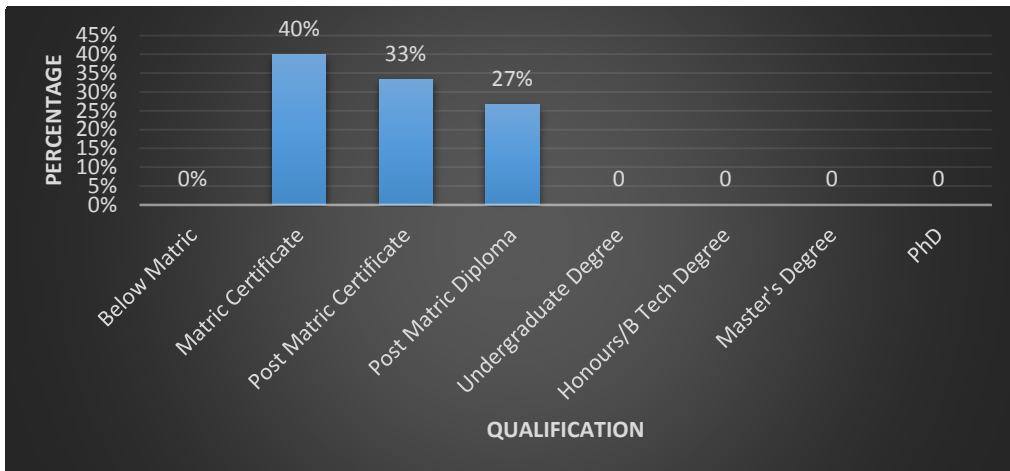


Figure 4.4: Highest Qualification

The study revealed that no participants had studied beyond a post matric diploma or had acquired a first degree.

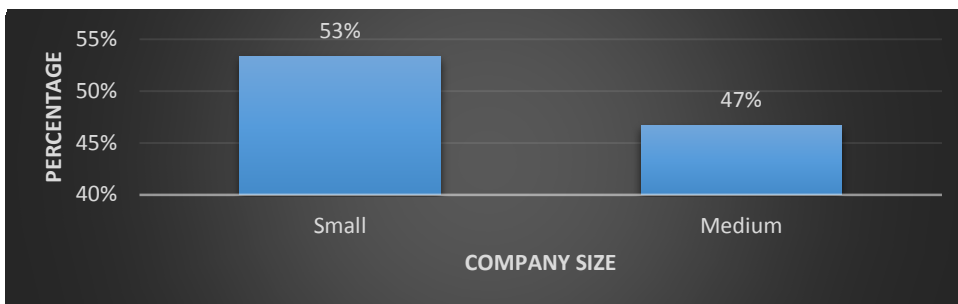


Figure 4.5: Company Classification by Size

Figure 4.5 shows that 53.3% of the population respondents fell into the Small business definition.

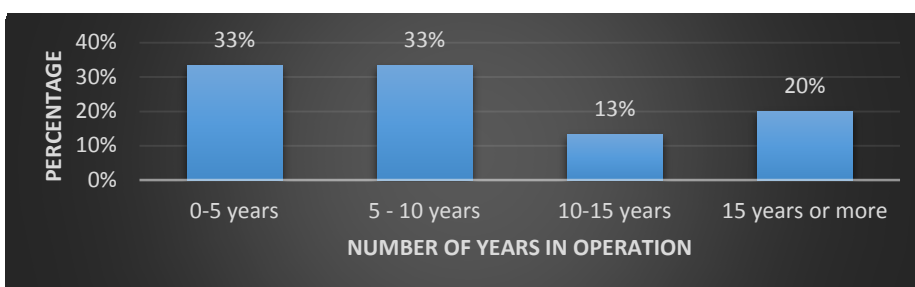


Figure 4.6: Company Longevity

Figure 4.6 responds to one of the objectives of the study, to identify the life span of SMEs.

4.4.2. Access to Finance

Table 4.6: Access to Finance Responses.

Viability Factor	Not Affected	Little Extent	Moderate Extent	Great Extent	Extreme Extent	Missing Data	Total
Bank Loan	26.7%	13.3%	13.3%	26.7%	20.0%	0.0%	100%
Bank Overdraft	33.3%	13.3%	20.0%	26.7%	6.7%	0.0%	100%
Collateral Security	13.3%	13.3%	20.0%	33.3%	20.0%	0.0%	100%
Supplier Credit Lines	13.3%	6.7%	13.3%	13.3%	33.3%	20.0%	100%
Govt Financial Support	46.7%	6.7%	6.7%	26.7%	13.3%	0.0%	100%

A closer analysis of the access to finance factors or variables produced the following results in Figure 4.7

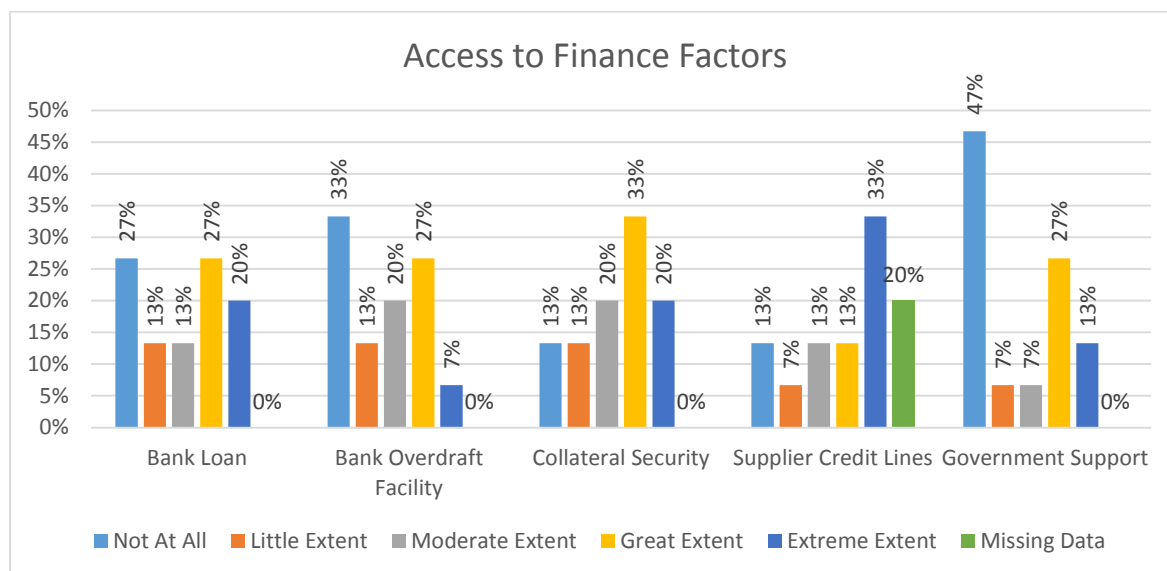


Figure 4.7: Comparative analysis of access to finance factors

Table 4.6 and Figure 4.7 are summations of all responses received on access to finance viability factors. The results further showed that 46.7% of the respondents were not affected by the Government Financial Support. 20% of the respondents failed to complete the Supplier

Credit Lines section; however, 33.3% of the same respondents felt that supplier credit lines were extremely important.

4.4.3. Management Competencies

Illustrated in figure 4.8 is the analysis of whether or not the participants possessed the selected management competencies. All participants indicated that they had operational, contingency and execution plans.

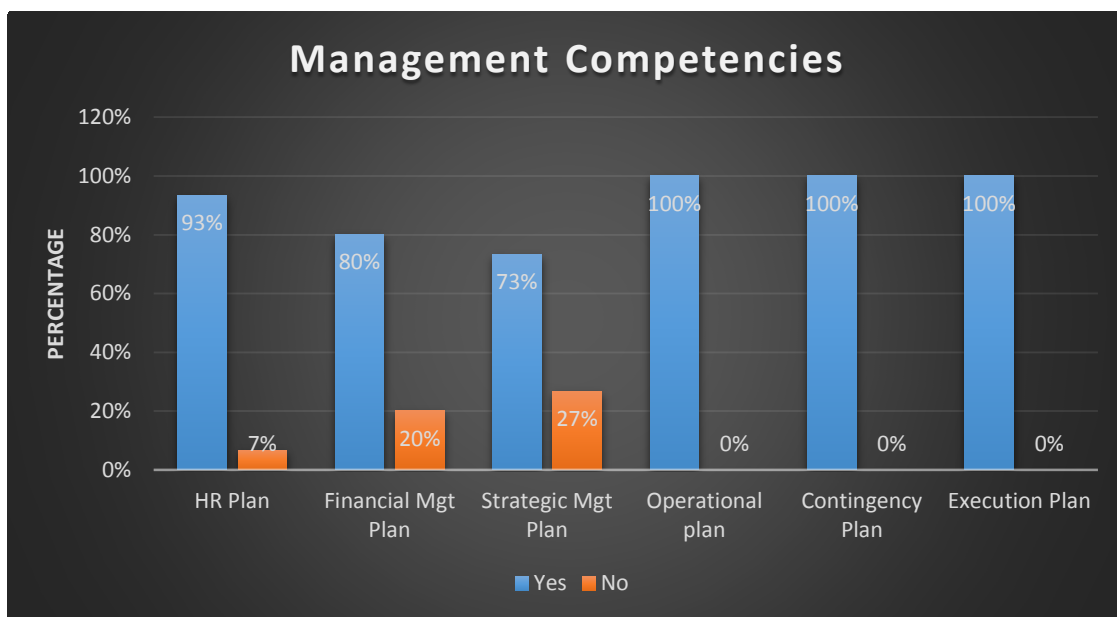


Figure 4.8: Management Competencies Comparative analysis

4.4.4. Infrastructure (location & networking)

The study revealed that most respondents had the infrastructure needed to operate a security company. 40% of the respondents confirmed that their business location negatively affected their operations with most citing distance between offices & sites and also cost of running those far away sites especially petrol and vehicle wear and tear.

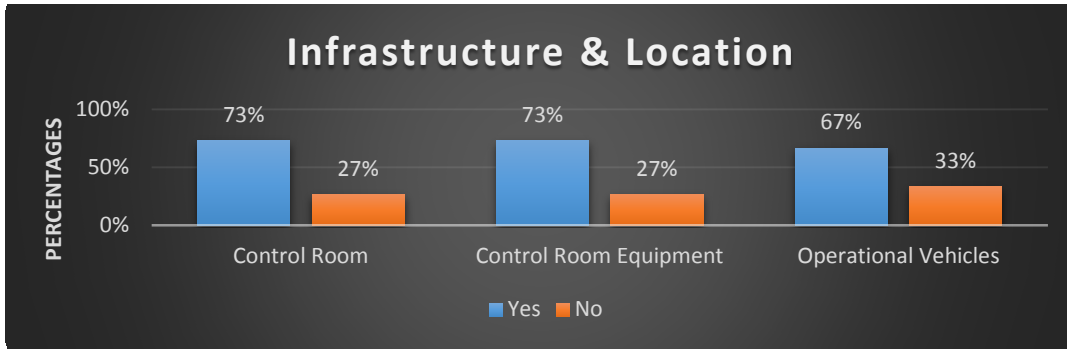


Figure 4.8: Infrastructure

4.4.5. Technology

Most of the security companies responded that they used the basic technology in their business operations. However, the study also revealed that SMEs are lagging behind latest communication technology like PTT radios and IP cameras, which have a positive impact on the quality of service.

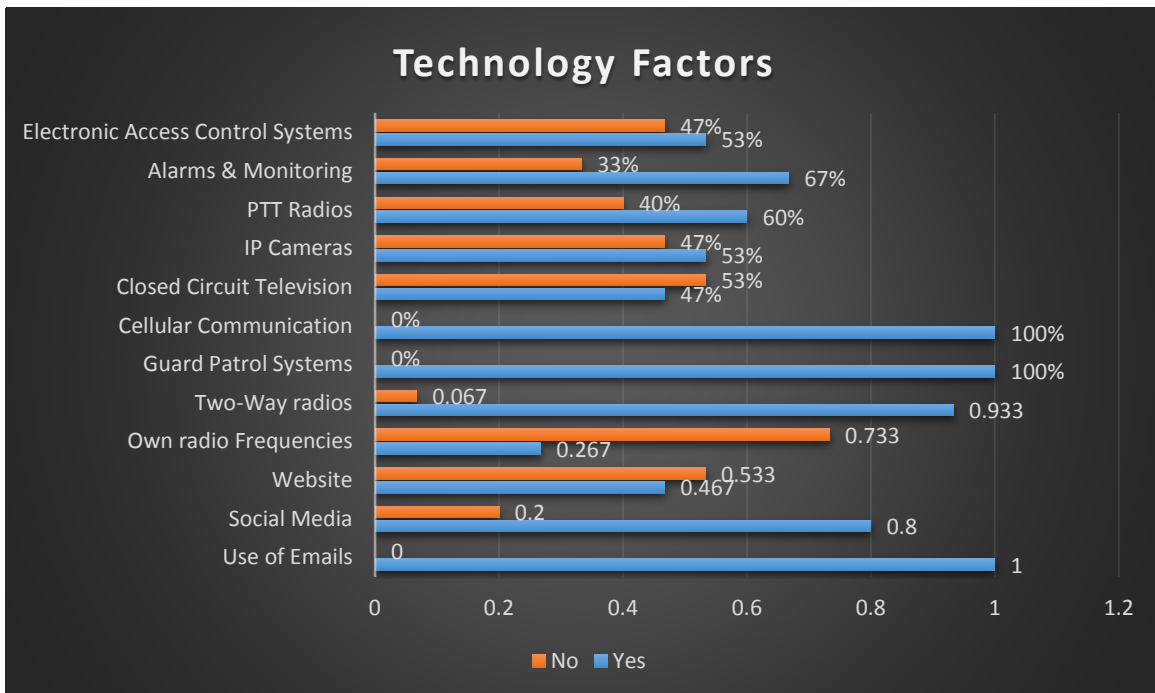


Figure 4.9: Technology Factors

4.4.6. Legal & regulatory mechanisms

The study revealed that most participants believed that PSIRA and COIDA do not add value to their operations.

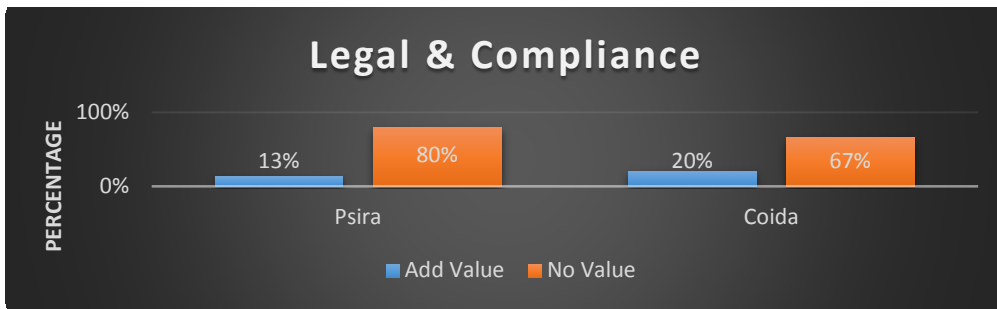


Figure 4.10: Perception of PSIRA & Coida Fees

The questions were whether non-compliance with the regulators will negatively affect the business. The majority of respondents echoed that non-compliance does affect the business viability and ultimately survival.

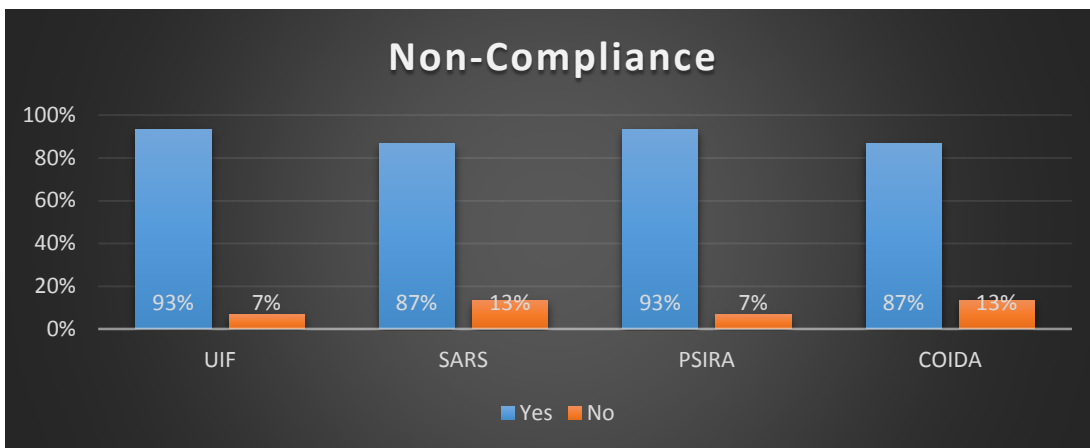


Figure 4.11: Non-compliance

The study ascertained that unregistered security operators, gazetted minimum wages and customer unwillingness to pay PSIRA rate all had an extreme impact on the viability of SMEs in the private security industry 86.7% of the respondents were not satisfied and believed the regulatory bodies, PSIRA and Department of Labour were not putting enough effort to protect their businesses from unregistered operators.

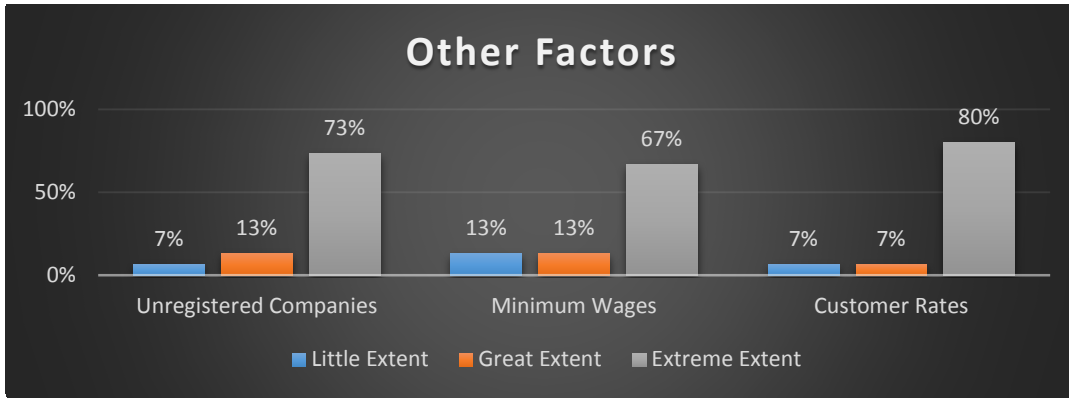


Figure 4.12: Other Factors

4.4.6. Globalisation & competition

Asked if they were aware of existence of large competitors in their areas, 80 per cent of the respondents identified them.

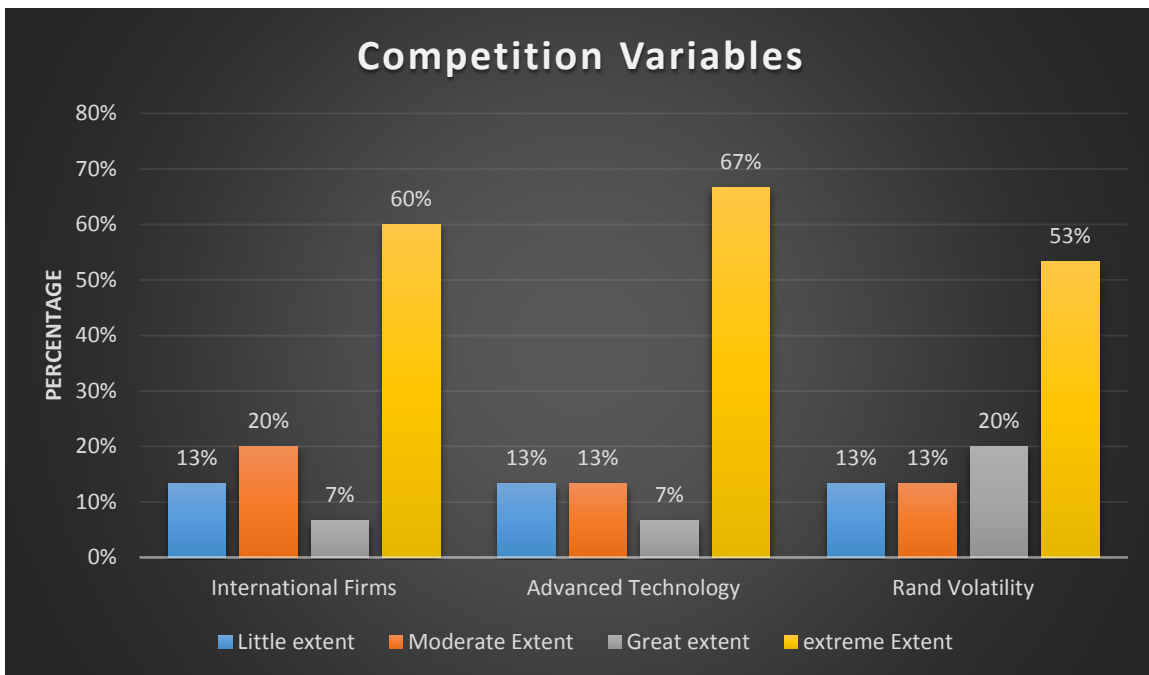


Figure 4.13: Competition Factors

Over 60% of the respondents believed that they faced extreme completion from International firms which have better technology. 53.3% stated that the rand volatility extremely affected their business operations.

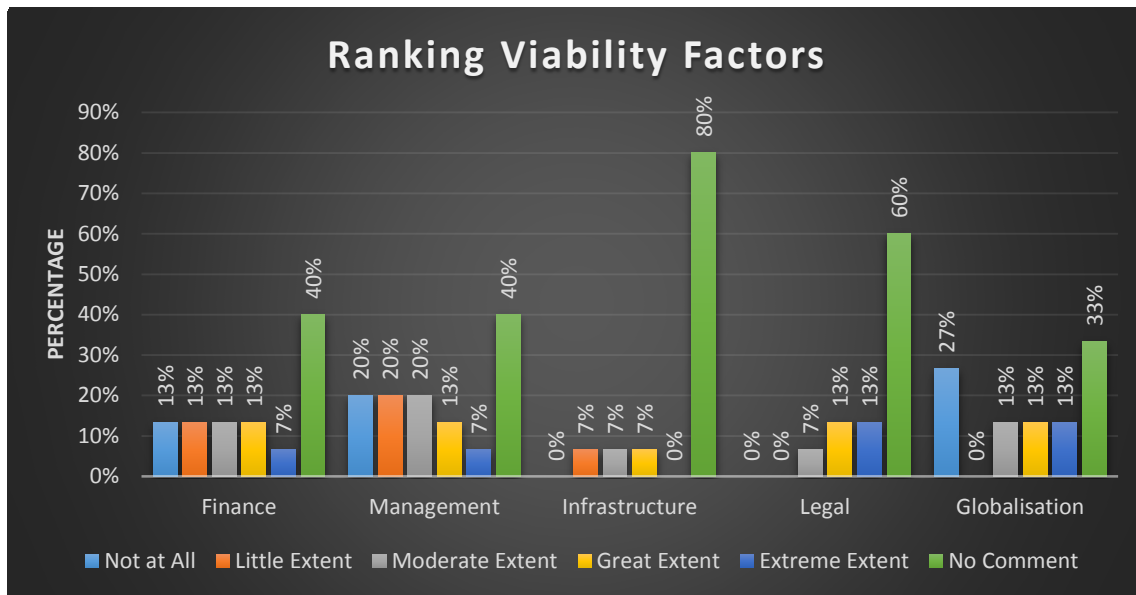


Figure 4.14: Ranking of Viability Factors

In response to objective three, respondents were asked to rank the viability in order of importance to their businesses. Respondents seemed to have difficulties on this question and the researcher had to disregard all inappropriate responses in terms of the question framing. The last objective was to solicit for some intervention methods from the SME owners. An open ended question was posed to respondents. Themes that emerged included the following:

- lack of government support
- Bureaucracy
- Corruption in tendering system and lack of fairness in government awarding system
- The PSIRA act must be repealed to hold customers liable for underpayment for services based on gazetted minimum wages
- Compliance with regulators should be incentivised to encourage more compliance
- COIDA should be reviewed downwards while PSIRA should be paid monthly not in advance
- Seminars should be conducted to guide SMEs
- Pricing structure should be market driven and not current gazette
- Labour laws need to be repealed to give right to employers to hire and fire
- Bonus payments to guards should be based on performance and not mandatory

4.5. Summary

This chapter discussed the results of the study through assessing the responses of the respondents *vis a vis* the established thematic areas as developed. The next chapter shall discuss the results of this study through an assessment of whether it addressed the objectives of the research. The next chapter shall furthermore rank the factors that affect the viability of SMEs in the security industry in pecking order.

CHAPTER 5

DISCUSSION OF RESULTS

5.1. Introduction

The previous chapter presented results of both qualitative and quantitative research. This chapter provides a detailed discussion of the research findings. In discussing the research findings the qualitative discussion precedes quantitative one so as to analyze the contributions based composition of the respondents who represent different stakeholder groups. The findings of this study shall be analyzed *vis a vis* the objectives of the study and the problem statement.

5.2 Objective 1: To identify Factors that influence the viability of SMEs in the private security industry in Durban.

Olawale & Garwe (2010) classified viability factors into external and internal factors. The primary objective of the study was to establish the reasons behind high failure rate of SMEs in South Africa and with particular focus to the private security industry. During the interviews, respondents from the regulatory and customer sector concurred with existing literature on the major factors that influence the viability of SMEs in general as also applicable to the private security industry in Durban. However, thematic deductions identified that entrepreneurial skills also play a key role in the success or failure of a business.

The qualitative study identified that internal factors that affect the viability of SMEs in the private security industry in Durban weighed more than the external factors. These internal factors are personal attributes, skills and competencies possessed by the owner or manager which are crucial to how well the business circumvents challenges that confront the SME (Stokes & Wilson, 2010).

The qualitative results were themed to produce frequencies with which these internal factors were themed and their recurrence in the interviews. From the results, a pecking order of the viability factors was developed based on the recurrence of each theme during the interview.

Furthermore, the questionnaire was designed in a way that enabled the respondents to identify the viability factors extracted from existing literature. Financial management competencies were identified as the most pressing, as such a theme recurred at a rate of 27.5% from the responses that were given. A comparative analysis of access to finance factors from the quantitative study is distinguishable from financial management competencies in that most respondents identified bank loans (20%), Collateral security (20%) and Supplier Credit lines (33.33%) as extremely important to the viability of their businesses.

Hough et al, (2011) identified financial management competency as a key enterprise resource that creates sustainable competitive advantages for the business. Therefore, SMEs in the private security industry need to enhance their financial management skills. Whereas access to finance factors are also key to success of SMEs, most private security companies believe that they can remain viable and sustain their operations without assistance from financial institutions. Therefore, most SMEs in the private security industry are hardly affected by the access to finance factors as illustrated in Table 4.6.

5.3. Objective 2: To identify the life span of SMEs in the Private Security Industry

Several scholars highlighted that over 80% of SMEs fail to survive beyond 42 months because of viability challenges (Smit & Watkins, 2012) (Nyang'ori, 2010) (National Credit Regulator, 2011). In addition, the business life cycle model stipulates that every SME passes through different stages of development, whereof the SME has to craft appropriate strategies to mitigate or eradicate the challenges presented at every stage (Churchill & Lewis, 1983).

The trend line clearly follows the findings of previous literature on the growth models. However, the trend line does not necessarily follow the findings of “SMEs failing to survive beyond 42 months” (Abor & Quartey, 2010). Furthermore, these results dismiss the general notion of SME survival longevity on the strength of a high number of businesses survived beyond the 42 months mantra. These results create the need for further research to investigate of this phenomenon in other SME sectors in South Africa

The findings of the study highlight that 33% of the respondents operating their SMEs for a period of 10 years. Interestingly, the number of businesses in operation for a period between 10-15 years dropped drastically to 13.3%. However, 20% of the respondent companies have

operated for more than 15 years. In terms of the business cycle theory, the results inform that the respondent SMEs in the security industry are with stage four (maturing/rejuvenation) of development. Hough et al, (2011), argue that maturing industries have only two routes or options to take, that is it either becomes creative and innovative or it remains in the current position, a steadfast way for company closure.

The results of this study attest that as the SMEs evolve through different stages in the business life cycle, entrepreneurship becomes a key success factor in defining the survival or failure of the enterprise. With 33.3% of the respondent businesses surviving beyond 42 months, the study disproves the assertions postulated by Smit & Watkins (2012), Nyang'ori (2010), National Credit Regulator (2011) who argued that 80% of SMEs in general fail after a period of three and a half years. Hence, the generalizations about the failure rate as propounded in the literature are inapplicable to SMEs in the private security industry. The likely explanation behind such assertion is that the security industry is complex in that the conditions of business survival are heavily depended on the running contracts. Therefore, the application of a homogenous blanket assessment of the viability factors that influence SMEs is not only misleading but also it misrepresents the true factors that affect SMEs. However, one can argue that if the SME loses a contract, the latter is highly likely to fail or struggle. Nevertheless, it should be noted that when the contract is withdrawn, the running costs are simultaneously reduced which is indicative of the continued existence of the company on paper without physical activities.

5.4. Objective 3: To establish the pecking (ranking) order of viability factors

The primary objective of this investigation was to identify the ranking order of the viability factors in the private security industry. Chapter two, discussed at length the viability factors and further identified these factors as having two major thrusts, of being externally or internally driven. The differences of these two thrusts lies in the factors being internal if they are caused or controlled within the organization or external if they are factors that the company has no control of. Cumulatively, these factors present a multiplicity of challenges to SMEs and therefore ranking them in their order of influence will assist SMEs with an opportunity to prioritize intervention measures in addressing such challenges.

In their responses, the majority of the respondents did not rank these factors according to their influence. However, 12.5% of the respondents ranked access to finance and management as extremely important for the success of the business. This poor response is attributable to the phrasing of the question, which many respondents seemed to have challenges understanding.

5.4.1. Management Competencies

In assessing the viability factors of access to finance, management competencies, infrastructure, legal and globalization, the researcher concluded based on the results of the study that management competencies are considered the most pressing of all the factors. Hough et al, (2011) classifies management competencies, (especially human capital and financial resources) as key to success of the business.

The study also deductively analyzed management competencies in their singular forms and evaluated them as separate viability factors.

- **Financial Management Competencies (Ranked 1)**

Results from the research showed that financial management competencies stood out more than the rest of factors that affect the viability of SMEs in the private security industry. The themes that were arrived at included lack of financial prudence. One respondent from the regulatory authorities noted that SME owners are known to have deficiency in financial discipline where they spend and not save or invest. The study further revealed that poor cash flow management and credit facilities for their customers often resulted in little or lack of working capital management. One customer respondent lamented that they would rather keep their business with large corporates because they enjoyed credit terms. Incidentally, financial challenges were linked to issues of pricing regime and cash management policies of the SMEs. Porter (1985) argued that one of the strategic options for SMEs to create competitive advantages is the adoption of a Cost Leadership Strategy.

- **Human Resources Management Competencies (Ranked 2)**

Human resource management competences play a key role in determining the success or failure of a business. The study found that 22.5% of the challenges that affect SMEs were related to human resource management issues. Hence, “operationally, SHRM means tightly aligning traditional human resource management practices such as recruitment, selection,

training and development and rewards to a company's strategy" (Ijose, 2010:4). The study revealed that the highest numbers of disputes received at the department of labour were from the private security industry. This is despite PSIRA having reported an increase in their compliance inspections in KwaZulu Natal by 131% (PSIRA, 2014:18). Issues that featured prominently under human resource management competencies were lack of training of security officers, underpayment or non-payment of gazette minimum wages and general poor compliance with labour laws. Evidently, from the in-depth interviews, SMEs in the private security industry face mounting human resources challenges which has led to high labour turnover, labour disputes and general client dissatisfaction (Interview, Department of Labour, 2015).

Hough et al, (2011:113) states that a company resource is an attribute that enhances a company's competitiveness in the market place. Human resources is identified as a company's resource strength among others namely capital, technology, infrastructure, processes and systems(Hough J et al., 2011).

5.4.2. Access to Finance (Ranked 3)

The study ranked access to finance as the third factor that affects the viability of SMEs in the private security industry in Durban. Most SMEs rely on debt and equity finance (Mahembe E - National Credit Regulator, 2011) and the study identified non-payment of wages as a hamstring to SME operations which may be attributable to cash flow challenges or insufficient working capital. Furthermore, one respondent complained of the inability of SMEs to offer credit terms unlike their larger counterparts (Interview, Customer 1, 2015). This may result in SMEs losing contracts to established or big companies with sufficient working capital or access to financial credit lines. Previous studies conducted acknowledge the difficulty in which most SMEs fail to qualify for and access financing from the private and public financial institutions (National Credit Regulator, 2011) (Smit & Watkins, 2012).

Identified in the interviews was also the issue of SMEs failing to invest into training and technology, a factor that would have contributed to improved quality service. The lack of appropriately trained personnel could easily be addressed by the availability of finance from respective financial institutions or government institutions whose mandate is to provide small business with developmental training support or funding for skills development finance in

terms of the National Development Plan 2030. The quantitative results showed that most SMEs did not rely on external financing to run their operations.

5.4.3. Operational Management Competencies (Ranked 4)

The study identified that providing quality of service is key to the success and viability of SMEs in Durban. Customer respondents highlighted the need for SMEs to deliver an efficient service and emphasized that the lack of quality management systems in SMEs, was a major turn off. A key phrase that was developed from the study was “reputable service”. Larger companies have over the years embarked on total quality management systems by adopting ISO standards, balanced scorecards and lean management systems to create competitive advantages through service excellence. Total quality management is defined as “managing the entire organization so that it excels on all dimensions of products and services that are important to the customer (Jacobs F R and Chase R B, 2010). Existing literature reveals that customer satisfaction, reputation, and competitive advantage are positively related to firm performance (Saeidi, et al., 2015). According to Saeidi et al., (2014), customer satisfaction, reputation, and sustainable competitive advantage play key roles in the viability of SMEs. Therefore, there is a positive correlation between service excellence and SME viability.

The research results imply that SME security companies in Durban lack quality management systems to ensure delivery of a service that meets customer expectation, which in most cases leads to loss of business contracts and opportunities.

5.4.4. Entrepreneurial Skills (ranked 5)

Entrepreneurship can be defined as:

the professional application of knowledge, skills and competencies and/or of monetizing a new idea, by an individual or a set of people by launching a new enterprise or diversifying from an existing one (distinct from seeking self-employment as in a profession or trade), thus to pursue growth while generating wealth, employment and social good (Babu, et al., 2013).

Entrepreneurship has three approaches, the functional approach, economic actor approach and the conceptual approach. The conceptual approach is applicable to SME as an owner operates enterprise and actively manages the business.

One respondent from the regulatory stakeholder argued that most SMEs fail due to lack of entrepreneurial skills to navigate the business because various challenges in the business life cycle inhibit them to be creative and innovative because of the onslaught of global competition and technological advancement. Babu et al., (2013) further argued that creativity and innovation are at the heart of the spirit of enterprise. The study revealed that private security SMEs were not searching for further opportunities to existing security services through the creation of innovative solutions that are different from the ones in the security industry.

A portfolio of specialized entrepreneurial skills required to assist SMEs in Durban would among others include careful risk assessment and risk-taking, strategic thinking, self-confidence, networking, motivational and other skills (Deo, 2013). Therefore, the viability of SMEs in the private security industry is largely dependent on the entrepreneurial skills of the owner. The study confirms the importance of entrepreneurship in SMEs as backed by creativity and innovation.

5.4.5. Legal and Compliance framework (ranked 6)

Respondents acknowledged the implications and consequences of non-compliance with the legal and regulatory requirements. However, the study equally revealed that this variable was lowly ranked in contributing to the failure of SMEs in the private security industry. According to PSIRA report, (2014), authorities increased compliance inspections even though participants in this study were not convinced of PSIRA capacity to address the problem of unregistered operators who are often the root cause price wars and underpayment of wages. The legal theme constituted 4.1% of the total themes, which are indicative of the existence of illegal businesses or compliance test failures of SMEs in the private security industry. To corroborate this, PSIRA, (2014) reported that there was a general increase in non-compliance, unregistered businesses, and failure to pay annual fees, employment of unregistered employees and many other procedural issues.

However, customer respondents submitted that legal and compliance issues would not entirely affect the viability of SMEs in the security industry but are rather part a multiplicity factors that cumulatively lead to the high failure rate of SMEs.

5.4.7. Competition (Ranked 7)

The globalization era has brought about its own challenges to the viability of SMEs in South Africa. The rapid advancement in communication technology has been key in the accelerated development and intensification of contemporary globalization (Deo, 2013). In a globalizing village some entrepreneurial skills are needed to organize, leverage and manage resources in order to create new products, new venture and to enter new and unfamiliar markets (Deo, 2013).

However, the study found out that competition is the least contributing factor to the viability challenges of SMEs in the security industry. Customer 2 argued that the winning edge of SMEs in the private security industry resides in innovation and service creativity. Hough et al, (2011) argues that product differentiation is a turnaround strategy to inject new life in declining or maturing businesses. The most important realization for SMEs is to understand the stage of development within which the company is in, in the business cycle and conceive and implement applicable solutions to address these challenges.

The study further established that SMEs were well aware of the competition they face but this was not a pressing issue leading to high failure rate. 60% of the quantitative survey alluded to the existence of competition. Equally 66.7% of the respondents were aware of the challenges of globalization especially on the issue of technology and how because the latter and the former have dramatically changed the way business is conducted.

Similarly, SMEs must be cognizant of the fact that globalization, increased competitive pressure and rapid technological changes have brought the business world to a point mutual interaction and aggressive competition. The Small and Medium Enterprise (SMEs) are the hardest hit with exposure to new challenges as they attempt to globalize their operations and become competitive (Ocloo, et al., 2014).

5.4.8. Other Viability Factors

Regardless of the other factors that have been discussed, SMEs in the private security industry are affected by other external factors which shall be discussed hereunder.

- **Infrastructure**

The effectiveness of a SME security companies is largely determined by its infrastructure which among others include, control room, security equipment, and operational vehicles. It is the finding of this study that a positive relationship between management practices and infrastructure development are key in execution of SME operations. Over 70% of the respondents confirmed having the necessary infrastructure, control room, vehicles and equipment to execute a security service. Respondents also lamented the cost factor brought about by location of offices *vis a vis* the site due to high cost associated with supervision (petrol).

- **Technology**

The main purpose of security systems is protect assets, people and information (Rodgers, 2010). According to Rodgers (2010), effective security is achieved when security personnel perform the three Ds in security, detect, delay and deter. In order to efficiently discharge security services to the satisfaction of customers, technology is the cornerstone for quality service delivery. The study identified numerous variables ranging from communication technology to electronic security technology as being key to SME success.

In addition, the study revealed that most respondents were aware and made use of security technology in their operations. Cellphone technology, guard patrol systems and email technology were singled out as mediums of technology widely used by respondents with a 100 per cent rate.

However, during the compilation of respondents from the internet from the online directory, the researcher could struggled to identify the existing security SME is Durban, a signifier that SME security companies hardly use online resources to market and advertise. The study also found that most SMEs in the private security industry did not make use of social media as a marketing tool.

Categorized under electronic security aids are electronic access control systems, Alarms & monitoring, PTT Radios, IP cameras and CCTV (Rodgers, 2010). In comparison to traditional security equipment, most respondents do not utilize the latest technological aids in security, which the researcher assumes to be due to cost deterrent. Therefore, the use of technology can actually be used by SMEs to improve their service quality and delivery.

- **Legal Framework**

The security industry is a highly regulated industry haunted by poor regulatory supervision and unregistered operators, a task mandated upon the PSIRA and Department of Labour. The study found out that most respondents felt that PSIRA, (67%) and COIDA, (80%) do not add value to the security industry, therefore not justifying levies being paid. The study also revealed that compounding the failure rate of SMEs in the security industry, is the competition posed by unregistered security operators.

The respondents also believe that non-compliance with PSIRA and COIDA alone cannot lead to business failure. However, other factors like minimum wages regime and unwillingness by customers to pay PSIRA rates compounded will lead to failure of SMEs. With SMEs failure rate pegged at 80%, the findings on effect of these factors is consistent with the trends in the South African economy.

5.5. Summary

The chapter discussed the findings of the study at length making particular reference and alignment to the existing literature and business models. In the discussions, various theories on SME development and business growth models were related to the study findings. This culminated in interventions suggested by the respondents to improve on the viability and ultimately survival of SMEs in the private security industry. The next chapter concludes the study with recommendations, limitations of the study and crucially areas of future research.

CHAPTER 6

RECOMMENDATIONS AND CONCLUSIONS

6.1. Introduction

Post-Apartheid South Africa, presented its own challenges but most importantly hope for many previously disadvantaged individuals to enter into the main stream economy, which predominantly was the preserve of a few. The South African economy continues to face a myriad of challenges chiefly rising unemployment, unequal wealth distribution due to the legacy of apartheid and over indulgence on social grants to cushion the society of poverty. The opening up of economic space has resulted in an increase in SMEs across different sectors of the economy. Worryingly, SMEs are recording a high failure rate in South Africa. The study provided an insight into the depth of viability challenges within the SME sector of the Private Security Industry in Durban. Respondents who completed the questionnaires are business owners falling within the category of small businesses. Some respondents displayed no understanding of the questions pertaining to the security industry given the answers received. Encouragingly, the South African government has continued to play an oversight role and provider of opportunities and support initiatives through various programs like the BBBEE framework and Small business funding. However there is still a lot that can be done to boost viability of SMEs in the private security industry.

6.2. Has the Research Question been answered?

There is very little empirical studies focusing on the private security industry in South Africa despite the massive contribution to the economy. The researcher made use of available literature that focuses on generality of multi-sector SMEs.

6.2.1. The viability factors that affect the private security industry

The study confirmed the factors that affect the viability of SMEs in general as homogenous to the factors in the private security industry. However, a new factor emerged in form of Entrepreneurial Skills. The skill has a lot of importance attached to it because of the role it

plays in managing turbulent business waters which are not immune to the current global and regional crises.

6.2.2. What is the lifespan of SMEs in the private security industry in Durban?

A trend line was established which follows the Business Growth Models in that evidence from the results showed that SMEs in the private security industry survived beyond 42 months but however as they reach the maturity stage, a failure will result in business closure. As the business progressed into the next age group (10-15 years), creativity and innovation can be attributed to the successful rejuvenation or turn-around strategy of that business.

6.2.3. What are the key viability challenges for private security SMEs operating in Durban in their pecking order?

Interestingly, a pecking order arrived at revealed that the internal factors of the business plays a major role in success of the business compared to external factors. This is so because SME owners need to innovatively make decisions that repel the effects of external factors. The more SMEs realise that external factors cannot be wished away the better they become prepared to shield their operations from such factors.

6.2.4. What key interventions can be suggested to enhance the performance of SMEs in security industry?

The primary objective is to solicit for interventions that the SMEs in the private security industry deem to be appropriate to reverse the high failure rate as experienced in other sectors of the SME multi sectorial. The study had three stakeholders in the security operator's perspective, the customer perspective and the regulatory authority perspective. Result show that whilst the security operator's perspective emphasizes on need for more government interventions, the regulators and customers felt that the SMEs had a role to play in deciding the destiny of their companies.

The following suggestions were made to the regulators/government:

- Government intervention is considered paramount to the success of SMEs, hence respondents suggested that government should create an enabling environment to promote SMEs through strict contract management and fair competition.

- Government must enact a regulatory requirement to compel customers to pay minimum rates that will enable the security company to meet the minimum wage requirements.
- Government is urged to review the Compensation for injuries diseases act with view of reducing the rate payable. Most respondents expressed dissatisfaction at the multiple state deductions that included COIDA, UIF, SARS and Provident Fund, which is making it costly to operate a security services. Respondents also noted that these high fees are actually leading to fraudulent compliance.
- PSIRA should revert back to the old system where levies were paid monthly to improve the cash flow of security companies.
- The Government needs to look at PSIRA and SASSETA in terms of quality of training.
- The Government, through PSIRA and Labour Department should convene stakeholder meetings to guide and advise SMEs
- PSIRA inspections need to be thorough without fear or favour as this has often led to more unregistered operators providing security services.
- The Government should allow the markets to determine pricing structure not the current situation where the government through sectorial determination 6 enforces high minimum wages yet customers are not willing to abide by illustrative pricing. Most respondents felt that the current wage regime for security services is too high that it needs to be relaxed given that most consumers of security services are now opting for electronic security.
- The Government should consider SARS being the only collector of levies through merging UIF, Provident Fund and COIDA due to bureaucratic nightmares to get letters of good standing from COIDA.

SMEs should also play a role in order to remain viable in this cut throat industry. The following interventions were suggested from the client and regulators interviewed:

- SMEs need to invest in training and development of their staff to ensure delivery of a superior service.
- SMEs must establish an association that will represent them in their grievances to the regulators.

6.3. Benefits of this Research

Literature on the viability of SMEs has more frequently been focused on a multi-sectorial and generalized approach with no specific study focusing on the private security industry. There has been a reliance on literature from other sectors to make inferences on the private security industry. The findings of this study will help mitigate on viability factors for the specific industry.

The findings of this study are expected to assist in the following:

- SME owners in the private security industry by suggesting to them of interventions available to enhance the performance of their businesses.
- Private security Industry Regulatory Authority in their policy formulations or amendments of regulations that are used as industry compliance guidelines.
- The Department of Small Business in their policy formulations, disbursement of SME fund framework and overall training procedure manuals for SMEs.
- The bargaining councils to ensure they have an understanding of operational challenges faced in the industry when reviewing and setting minimum wages.

6.4. Recommendations to solve the business Problem

Informed by the findings of the study, the following recommendations are made:

- That the government considers granting Tax reliefs to SMEs that are not older than three years with stringent monitoring measures to ensure that the system is not abused.
- That the government considers reviewing the rate of COIDA to more structurally supportive levy regime. This review should examine the possibility of companies having a mandatory Professional Security Insurance.
- That the tender system with many government departments be reviewed to make it much more beneficial to SMEs and root out corruption. Many SME security companies do meet the requirements of doing business with government but most tenders are awarded to a coterie of same companies throughout South Africa.

- That stakeholder seminars be convened between the SME owners and the regulatory authorities to create a working framework on any challenges facing SMEs.
- That the government considers allowing the market to dictate on security services pricing and remuneration.
- That government repeals the PSIRA Act, (Act 56 of 2001) to compel customers to pay PSIRA illustrated rates.
- Large security companies whether black or white owned should be compelled to subcontract and nurture SMEs as a condition for getting a government tender.
- That SMEs should be exempted from paying tender documentation fees which can be as high as R1, 000 (Transnet tender, 2012).

6.5. Limitations of this Study

- The researcher encountered various challenges mostly driven by the confidentiality clauses on obtaining a credible sample frame from the private security Industry Regulatory Authority which then limited the researcher to obtaining the participants from online medium. Various employer bodies and government departments were explored, for example the Security Associations, Municipality database, provincial Government database, South African Revenue Services, Department of Labour, Bargaining Council for the Security Industry and Durban Chamber of Commerce.
- It was established that most Small Companies would not afford to register with industry associations due to high subscriptions and the government bodies who are the custodians of a credible database in particular Private Security Industry Regulatory Authority, Department of Labour, South African revenue Services, Department of Labour and departments could not provide the database due to confidentiality clauses.
- The researcher works in the private security industry and as such most participant were unwilling and some refused to participate as they expressed their unwillingness to reveal information they deemed confidential to a competitor. Most small and medium enterprises approached declined to participate.
- The response rate was small such that the results obtained may not justifiably be used as a representative sample to depict the challenges faced by private security SMEs in the whole of Durban.
- The research-sampling frame was earmarked to be obtained from PSIRA, Durban Chamber of Commerce or Labour Department, however PSIRA and Labour

maintained that the information was confidential hence not to be released to the researcher.

- The Durban chamber of Commerce was willing to assist but unfortunately it was felt that the sample would exclude the intended population as many SMEs were not in a position to pay the subscriptions to be a member.
- The researcher works in the same industry as the respondents hence potential respondents refused to participate arguing that they would be exposing trade secrets to a competitor. Only 15 out of 50 participants responded.

6.6. Future Studies

- The study focused on the SMEs in Durban area and the results cannot be representative of all SMEs in South Africa. Future studies can focus on the whole country. A larger population would be acceptably representative and would cover a wider geographical area.
- The research design in the current study could produce much acceptable results if it can be a qualitative study as this would improve the response rate. An analysis of the completed questionnaires indicated a worrying trend of the level of education and lack of industry qualifications for most SME owners. This contributed to the failure to comprehend the questions and resulted in out of theme responses that were invalid to the research. A quantitative research would therefore address the issue of failure to appropriately answer the questions being probed. According to Sekaran & Bougie (2013) the disadvantages of questionnaires include respondents' perception that they are time consuming and are dependent on the respondent's willingness to participate, computer literacy and comprehension of the subject matter under review. These challenges lead to low response and therefore enough motivation for a qualitative study.

6.7. Summary

The objective of this study sought to establish the viability factors, rank them and make recommendations based on the findings. The challenges that affect the viability of security SMEs in Durban among others include, management competencies, access to finance, highly restrictive legal infrastructure and entrepreneurial skills. The study further established that the

failure rate that is established by previous research on SME is diametrically opposed to the one in the security industry. There is therefore need to engage in further research activities that seeks to understand the cause why the conditions within the broader spectrum of SMEs are different from the ones in the security industry.

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13 May 2015

Mr Nhamoinesu Chikowore (213571752)
Graduate School of Business & Leadership
Westville Campus

Dear Mr Chikowore,

Protocol reference number: HSS/0466/015M

Project title: The viability of Small to Medium Enterprises in the Private Security Industry in Durban

Full Approval – Expedited Application

With regards to your application received on 05 May 2015. The documents submitted have been accepted by the Humanities & Social Sciences Research Ethics Committee and **FULL APPROVAL** for the protocol has been granted.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment/modification prior to its implementation. In case you have further queries, please quote the above reference number.

Please note: Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours faithfully

.....
Dr Shenuka Singh (Chair)

/ms

Cc Supervisor: Professor Stephen Migiro
Cc Academic Leader Research: Dr Muhammad Hoque
Cc School Administrator: Ms Zarina Bullyraj

Humanities & Social Sciences Research Ethics Committee

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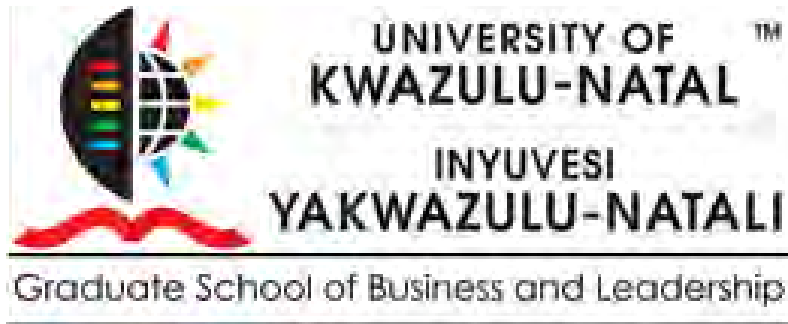
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Dear Respondent,

MBA Research Project

Researcher: Nhamoinesu Chikowore (+27 79 473 9764)

Email Address: nhamochikowore@gmail.com

Supervisor: Professor Stephen Migiro (+27 31 260 1615)

Email Address: tba

Research Office: Mrs Zarina Bullyraj (+27 31 260 1615)

Email Address: bullyraj@ukzn.ac.za

“The viability of Small to Medium Enterprises in the Private Security Industry in Durban”

QUESTIONNAIRE TO PARTICIPANTS

You are kindly asked to participate in this research study. You were selected as a possible participant in this study because your organisation is one of the key private security firms in Durban and we feel your organisation is better placed to provide relevant information that can be used to determine the viability challenges faced by SME Security Firms in Durban. The study is designed to determine assess and analyse the main factors influencing financial sustainability of local NGOs in Zimbabwe. The information and ratings you provide us will go a long way in helping us identify these viability factors. In this questionnaire, you are asked to indicate what is true for you, as there are no “right” or “wrong” answers to any question.

Should you volunteer to participate in this study, we would request to read and understand the survey questionnaire and complete and then hand it over to us. By completing this questionnaire you are also giving consent to participating in the survey.

While we don’t foresee any major risks arising from your participation in the study, all your responses will be treated confidentially and in the study report your responses will not be identified as coming specifically from you or attributed to your specific organisation. Your name or your organisation will not be identified as having given particular responses. **All your responses will be used for academic purposes only.**

Please, may you complete all sections and return the completed questionnaire to the researcher, Nhamo Chikowore. The questionnaire may approximately require **10-15** minutes to complete.

Thank you for participating.

SECTION A: Demographic Information

Control Information [Details of Participant]

Name: _____

Organisation: _____ Location: _____

Please mark with a × in the box with your response. Mark one box only.

1. How long has your company been in operations?

0 – 1 years	<input type="checkbox"/>	1 – 5 years	<input type="checkbox"/>
5 – 10 years	<input type="checkbox"/>	10 – 15 years	<input type="checkbox"/>
15 years or more	<input type="checkbox"/>		<input type="checkbox"/>

2. What is your age?

20 years and below	<input type="checkbox"/>	21 – 30 years	<input type="checkbox"/>
31 – 40 years	<input type="checkbox"/>	41 – 50 years	<input type="checkbox"/>
50 years or more	<input type="checkbox"/>		<input type="checkbox"/>

3. What is your gender?

Male	<input type="checkbox"/>	Female	<input type="checkbox"/>
------	--------------------------	--------	--------------------------

4. What is your highest qualification?

Below matric	<input type="checkbox"/>	Matric certificate	<input type="checkbox"/>
Post Matric Certificate	<input type="checkbox"/>	Post matric diploma	<input type="checkbox"/>
Undergraduate Degree	<input type="checkbox"/>	Honours/B tech Degree	<input type="checkbox"/>
Master's Degree	<input type="checkbox"/>	PhD	<input type="checkbox"/>

5. Have you completed a qualification in Security Studies? Yes/No.

If yes, name of qualification.....

6. In which category does your company fall (size)?

Type of entity	Number of Employees	Annual Turnover (Rm)	Total Assets excl. Fixed property
Small	1 - 50	Maximum R13m	Maximum R5m
Medium	51 - 200	Maximum R51m	Maximum 19m

SECTION B: Viability Factors

1. Access to Finance

To what extent do lack of the following access to finance factors determine the successful running of your business?

	Not at all	Little extent	Moderate extent	Great extent	Extreme extent
Bank Loan					
Bank Overdraft facility					
Collateral Security					
Supplier Credit Lines					
Government Financial Support e.g. SEDA, NEF etc					

2. Management Competencies

Do you have the following plans in your organization:

Human Resource Plan	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Financial Management Plan	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Strategic Management Plan	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Operational Plan	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Contingency Plan	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Execution Plan	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>

3. Infrastructure (Location & Networking)

3.1. Do you have the following adequate operational facilities:

Control Room (Manned by skilled personnel)	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
Control Room Equipment	Yes	<input type="checkbox"/>	No	<input type="checkbox"/>
		<input type="checkbox"/>		<input type="checkbox"/>

Operational & Response vehicles Yes No

3.2. Is business location negatively affecting your operational ability to service your clients? Yes No

If yes explain

4. Technology

Do you use the following technology in your business operations?

Emails for communication	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Website	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Social Media	Yes <input type="checkbox"/>	No <input type="checkbox"/>
Electronic security systems e.g. CCTV	Yes <input type="checkbox"/>	No <input type="checkbox"/>

5. Legal & Regulatory Mechanisms

5.1. Is your company registered with the following?

PSIRA	Yes <input type="checkbox"/>	No <input type="checkbox"/>
COIDA	Yes <input type="checkbox"/>	No <input type="checkbox"/>
UIF	Yes <input type="checkbox"/>	No <input type="checkbox"/>
SARS	Yes <input type="checkbox"/>	No <input type="checkbox"/>

5.2. Do you think non-compliance with the following will negatively affect your business viability?

PSIRA	Yes <input type="checkbox"/>	No <input type="checkbox"/>
COIDA	Yes <input type="checkbox"/>	No <input type="checkbox"/>
UIF	Yes <input type="checkbox"/>	No <input type="checkbox"/>
SARS	Yes <input type="checkbox"/>	No <input type="checkbox"/>

5.3. What is your perception of the fee structures levied by the following regulatory bodies?

PSIRA

COIDA

5.4. To what extent do the following factors negatively affect the successful running of your business?

	Not at all	Little extent	Moderate extent	Great extent	Extreme extent
Unregistered security operators					
Gazetted minimum wages					
Customer unwillingness to pay PSIRA rates					

5.5. Do you think regulatory bodies are putting enough effort to protect your business from unregistered security operators? Yes No

6. Globalization & Economic Trends

6.1. Are you aware of existence of any international companies operating in your industry? Yes No

6.2. To what extent do the following aspects of globalization and economic trends affect your viability?

	Not at all	Little extent	Moderate extent	Great extent	Extreme extent
Competition from International firms					
Advanced security technology					
Rand exchange rate volatility					

7. State any other viability factors not listed above.

8. Please, may you rank the viability factors in order of importance starting with the most to the least pressing:

9. What interventions do you think are necessary to improve the viability of Private Security SMEs:

End of the Questionnaire

Thank you for taking the time to complete the questionnaire.



Dear Respondent,

MBA Research Project

Researcher: Nhamoinesu Chikowore (+27 79 473 9764)

Email Address: nhamochikowore@gmail.com

Supervisor: Professor Stephen Migiro (+27 31 260 1615)

Email Address: stephen410@gmail.com

Research Office: Mrs Zarina Bullyraj (+27 31 260 1615)

Email Address: bullyraj@ukzn.ac.za

I, Nhamoinesu Chikowore, (Student Number: 213571752), an MBA student at the Graduate School of Business and Leadership, of the University of KwaZulu-Natal, and also working as an Operations Directors for Fasimba Protection Services cc t/a Security.Com, kindly invite you to participate in a research project entitled:

“The viability of Small to Medium Enterprises in the Private Security Industry in Durban”.

The Purpose of the Study: The aim of this study is to critically review and conclusively identify those factors that influence viability of private security SMEs in Durban. The study, by focusing solely on the SMEs in the private security industry, seeks to examine and define on whether the industry has different factors to those that were identified in prior generalised studies as obstacles to success of SMEs in general or contributory factors to high failure rate in South Africa.

This would be achieved by:

- Identifying factors that influence viability of SMEs in the Private Security Industry in Durban.
- Identifying the life span of SMEs in the Private Security Industry in Durban.
- Establishing a perking order of the factors that affect the viability SMEs in the Private Security Industry.
- Suggesting interventions that will enhance the performance of SMEs in Private Security Industry.

Through your participation I hope to answer the critical questions raised above. This research will assist the researcher in establishing factors that influence the viability of SMEs in the private security sector and enable to make informed recommendations to the interested parties especially the SME owners on interventions that will enhance their business performance.

Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequences. There would be no monetary gain emanating from participating in this research. Confidentiality and anonymity of records identifying you as a participant will be maintained by the Graduate School of Business and Leadership, University of KwaZulu-Natal.

If you have any questions or concerns about completing the questionnaire or about participating in this study, you may contact me or my supervisor, the details of which are listed above.

The survey should take about 10 – 15 minutes to complete. I hope you will take some of your precious time to complete.

Sincerely

Student/Researcher Signature:

Date:

This page is to be retained by the participant.



Dear Respondent,

MBA Research Project

Researcher: Nhamoinesu Chikowore (+27 79 473 9764)

Email Address: nhamochikowore@gmail.com

Supervisor: Professor Stephen Migiro (+27 31 260 1615)

Email Address: tba

Research Office: Mrs Zarina Bullyraj (+27 31 260 1615)

Email Address: bullyraj@ukzn.ac.za

Research Project Title:

“The viability of Small to Medium Enterprises in the Private Security Industry in Durban”.

CONSENT

I
(Full names of participant)

Working
(Full company name)

Hereby confirm that I fully understand the contents of this document and the nature of the research project and I consent fully to participating in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

SIGNATURE OF PARTICIPANT:

DATE: