

SKILLS NECESSARY TO GROW MICRO ENTREPRENEURS INTO SMALL BUSINESS ENTREPRENEURS

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Abstract

This article outlines a qualitative study that was undertaken to determine the necessary skills for growth of micro entrepreneurs to become small business entrepreneurs. Various interviews were conducted over time with micro entrepreneurs and small business entrepreneurs. The results of these interviews were analysed using the constant comparative method. Thirteen skills were identified as necessary for growth of micro entrepreneurs to become small business entrepreneurs. It was further concluded that micro entrepreneurs do not need to possess all thirteen skills, but must have as many of these skills as possible.

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Introduction

More than 80 per cent of all businesses in South Africa are described as small businesses. These small businesses are responsible for about 40 per cent of all economic activities in the country, and about 80 per cent of all new job opportunities are created in this sector. About 70 per cent of the working population are employed in small business (Van Aardt & Van Aardt, 1997: 1).

Although much has been written about the phenomenon of entrepreneurship and new business venture creation from economic and managerial perspectives, literature on the entrepreneurial skills necessary for growth of a business are scarce.

This article will focus on those skills that are necessary for micro entrepreneurs to become small business entrepreneurs. First some concepts will be clarified. Thereafter theory on skills will be analysed, the research methodology will be outlined, followed by the results of the empirical study. Conclusions will be drawn from the results and finally recommendations on how micro entrepreneurs should obtain or apply these skills in their businesses will be made.

2

Clarification of concepts

The definitions of micro businesses and small businesses as set out in the White Paper on National Strategy for the Development and Promotion of Small Business in South Africa (1995: 9) are used:

- *Micro businesses* are informal, have less than five employees, and very little assets;
- *Small businesses* are owner-managed, have more than five but less than fifty employees and less than R1 million in assets.

It is problematic to define the growth of a business because uncertainty exists about what growth comprises. Growth will be viewed according to the perspectives of Wickham (1998: 223):

- *financial growth* relating to increases in turnover, costs and investment needed to achieve the turnover, profits and assets;
- *strategic growth* relating to changes taking place in the way in which the organisation interacts with its environment by exploiting opportunities and assets to create sustainable competitive advantages;

- *structural growth* relating to the changes taking place in the way the business organises its internal systems with regard to managerial roles and responsibilities, reporting relationships, communication links and resource control systems;
- *organisational growth* relating to changes taking place in the organisation's processes, culture and attitudes as it grows and develops, regarding the entrepreneur's role and leadership role as the business moves from "small" to "large".

The word successful is very subjective. Wickham (1998: 93) states that a business is successful if it meets the aspirations of its stakeholders and is financially secure. A successful business for the purpose of this study will be defined as a business that has been in existence for more than three years, and that has grown in terms of increased turnover, profits, and in the number of people employed.

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Analysing the theory of the skills necessary for growth

Wickham (1998: 41) defines skills as knowledge that is demonstrated by action – an ability to perform in a certain way. Synonymous with skills are the words competencies or abilities. A literature search on skills, competencies or abilities revealed that skills can be classified in four categories. These four categories are:

3.1 Personal skills

Most literature on entrepreneurship (Evenden & Anderson, 1992; Pearson & Thomas, 1991; Van Aardt & Van Aardt, 1997; Vosloo, 1994) identifies the skills necessary for starting a business. A combination of the lists compiled by Van Aardt and Van Aardt (1997: 9) and Vosloo (1994: 38) include the following personal skills:

- good organisers;
- good problem-solving abilities;
- good communication skills;
- the ability to handle stress effectively;
- good leadership qualities;
- high degree of independent decision-making; and
- negotiation skills.

3.2 Technical skills

Most secondary sources define technical skills as the ability to use the tools, procedures and techniques of a specialised field (Hellriegel, Jackson, Slocum, Staude, Klopper, Louw & Oosthuizen, 2001: 34; Robbins & De Cenzo, 1998: 13; Smit & Cronje, 1997:19). According to Hodgetts and Kuratko (1989: 46) technical knowledge enables one to "understand how specific things work". The five categories identified by Hirschowitz, Slabbert, Clark and van der Walt (1989: 60) consists of the following broad, but interrelated categories:

- *product knowledge* or what the particular product could do and what it could be used for;
- *process knowledge* or how to manufacture the relevant product and all the steps that need to be taken to do so;
- *knowledge of the service* being offered and how to perform the tasks necessary to render the service;
- *knowledge of the market* and the type of firm or person who would actually need or who could find a use for the product or service; and
- *knowledge of methods of communication* to inform customers of the product or service.

3.3 Business operations skills

The following are comprehensive groups of basic business operations skills identified by Smart Force, the e-learning company (2002: 1) and Van Dyk, Nel, Loedolff and Haasbroek (2001: 452):

- *General business management* – for example, planning, budgeting, handling security and safety;

- *Record-keeping* – for example, stock and inventory control and bookkeeping;
- *Financial management* – for example, handling of credit, debt and repayments;
- *Interpersonal relations* – for example, handling employees; and
- *Customer relations* – for example, selling, and dealing with customers.

3.4 Management skills

Hatten (1997: 342) regards the managing of a small business as a complex job. According to Longenecker, Moore and Petty (2000: 167), the competence required in a management team depends on the type of business and the nature of its operations. Hatten (1997: 314) and Whetton and Cameron (1991: 8) identified various skills of an efficient and effective manager. Epstein and Rogers (2002: 183) describe the following ten competencies of a skilled manager:

- manages rewards by providing positive and constructive feedback, recognising achievement and rewarding good performance;
- communicates effectively by soliciting ideas and feedback, presenting a clear vision of the future and seeks to inform, educate and inspire;
- manages teams effectively by composing teams wisely and helping them to function smoothly and optimally;
- manages the environment by creating and maintaining an attractive, functional work space and encouraging healthy relationships;
- matches skills by identifying people's skills and assigning tasks appropriately;
- identifies people who thrive on challenges, and seeks to push them beyond their current limits;
- identifies skill levels and provides ongoing training to enhance a wide variety of skills;
- identifies conflicts and resolves them before they escalate;
- allocates resources in ways that people perceive as both generous and fair; and

- demonstrates high motivation by demonstrating energy, commitment and enthusiasm in their work.

Longenecker *et al.* (2000: 167) state that not all members of a management team need competence in all areas – the key is balance. If one member has expertise in finance, another should have an adequate marketing background. They further indicate that while personal compatibility and cooperation of team members are necessary for effective collaboration, a healthy situation exists when the qualifications of team members are diverse.

Nieman and Bennett (2002: 99) viewed the management skills in terms of:

- conceptual (including decision-making and problem-solving);
- technical (including administrative); and
- human (including communication).

Rue and Byars (1995: 9) agree with Nieman and Bennett (2002) and describe the above-mentioned skills in terms of the management process of planning, organising, leading and control. Rue and Byars (1995: 10) also indicate that a different mix of skills is used at different levels of management. Robbins and De Cenzo (1998: 10) add a fourth general skill to the abovementioned three general skills, namely political skill. Political skills are the ability to enhance one's position, build a power base, and establish the right connections. Political skills are part of power. Managers cannot meet their objectives without the help of other people over which they have no authority or power.

Robbins and De Cenzo (1998: 10) regard the following specific skills as affecting managerial effectiveness:

- controlling the organisation's environment and its resources;
- organising and coordinating;
- handling information;
- providing for growth and development;
- motivating employees and handling conflicts; and
- strategic problem-solving.

The above specific skills can all be classified in terms of the four management activities of planning, organising, leading and control. A literature survey conducted by Van der Wal (2001: 37) on the critical skills that managers need to perform their management tasks confirms the need for specific skills to execute the four management activities. All the above skills were used as a basis to compile interview schedules for the interviews and observations with micro- and small business entrepreneurs.

4

Research methodology

A qualitative research approach was used, as it was concerned with collecting and analysing information in as many forms as possible, and tended to be explorative (Blaxter, Hughes & Tight, 1997: 60). The sample was drawn from micro- and small business entrepreneurs, provided they meet all of the following criteria:

- geographical proximity – Port Elizabeth;
- foundation date of business venture from 1994 to 1997;
- entrepreneurs from previously disadvantaged groups;
- small businesses must have been successful, indicating that growth had taken place; and
- micro businesses must have had enough time for growth, but no growth had taken place.

The criteria were chosen for the following reasons:

- it was convenient as the researcher resides in Port Elizabeth;
- with the change of government in 1994, more opportunities have been created for entrepreneurs from previously disadvantaged groups to start a business;
- the lack of research on entrepreneurs from the disadvantaged groups; and
- as this study deals with growth of the business.

The main criterium for being included in the sample as a small business entrepreneur was

that small business entrepreneurs must have started out as micro entrepreneurs, who then progressed to being small business entrepreneurs. The micro entrepreneurs sample were mainly street vendors and the main requirements were that the business had less than two employees and were owner-managed. These micro entrepreneurs were identified based on convenience. The intention was to establish whether there were similarities and/or differences in the skills between micro entrepreneurs and small business entrepreneurs. Growth was viewed in terms of an increase in sales and number of employees.

The fieldwork was carried out from 26 January 2001 to 31 October 2002 and the sample was drawn from referrals of known persons and by snowball sampling, meaning one participant leading to another. This sampling method was chosen because one of the difficulties in this type of investigation was to ascertain the names of small business entrepreneurs that complied with all the criteria. Information on the background of the small business entrepreneurs could not be obtained from any database. It would have been time consuming and expensive to screen the small business entrepreneurs from databases to ensure they meet all the criteria.

In total, ten micro businesses and ten small businesses were included in the sample, representing a diversity of being in the services, retail- and manufacturing sector. The results were then analysed and thirteen skills were identified. A new sample of five micro entrepreneurs and five small business entrepreneurs (hereafter being referred to as the control group), were interviewed to verify the results of the thirteen identified skills, using once again snowball sampling. An attempt was made to include other types of businesses in this new sample. While all the participants varied in educational background, working experience, and training, they were playing an active role in daily management. Table 1 below shows a summary of how the sample was compiled, the requirements to be met, and the number of in-depth interviews conducted.

Table 1
Summary of sample compilation and in-depth interviews

Number of businesses interviewed	Sample size	Sample criteria	Number of in-depth interviews	Total number of interviews
Small business (10)	13	<ul style="list-style-type: none"> • Started as a micro entrepreneur and progressed to a small business entrepreneur • Foundation date of business from 1994 to 1997 • Growth must have taken place • More than 2 employees 	5	65
Micro (10)	12	<ul style="list-style-type: none"> • Business owner-managed • Less than 2 employees • No growth has taken place 	1	12
Control group (10)	10	<ul style="list-style-type: none"> • 5 Micro entrepreneurs • 5 Small business entrepreneurs 	1 1	5 5
Total number of interviews				87

As can be seen in Table 1, to start the study, the ten small businesses, consisting of 13 small business entrepreneurs, were firstly interviewed. The biographical interview method was used to obtain information during the first interview. The intention was to determine if growth has taken place. A life story grid was used to document information on the entrepreneur's life before inception of the business. This interview also gave an indication of the entrepreneur's skills before starting the business to determine whether or not entrepreneurial skills played a role in their becoming successful small business entrepreneurs.

Four more interviews per small business entrepreneur were conducted. In the second to fifth interviews the entrepreneurial skills leading to growth of the businesses were explored. The interviews focused on the following skills:

- second interview focused on personal skills;
- third interview on technical skills;
- fourth interview on business operations skills; and
- fifth interview on management skills.

All these individual interviews were conducted on the entrepreneurs' premises. The aim was to

gain insight into the thinking and doing processes of small business entrepreneurs during the growth phase. The micro entrepreneurs had to meet the same requirements as the small business entrepreneurs, with the exception that it had to be in business for some time without growing into a small business. Only one interview was necessary, as the micro-entrepreneurs did not possess many of the identified skills. Observations during the interviews and on-site experiences were also noted.

Each interview schedule was semi-structured, guided by a set of skills to be explored. Literature sources consulted beforehand give an idea of which skills to group together for each interview. The interviewing process usually started with introducing and explaining the set of skills to be investigated. Thereafter an opening question was asked to encourage conversation. The researcher did all the fieldwork, and made sure to find out if an issue was irrelevant, if during the interviews the participant failed to address an issue.

For more clarity on how the semi-structured interview schedule was used during the interviews, the following example describes how the actual interviews took place. For example, when investigating personal skills, the participant would be asked to describe a normal working day; this would give an indication of

how they manage their time. The participant would respond that the working day starts at 8:00 and often does not stop before 20:00 at night while highlighting all activities taking place during this time. The researcher took extensive field notes on the activities and then explored each of them. Central to each interview were incidents taking place during the interview. Some of the incidents could be summarised just through observation and some needed to be further explored. The researcher also linked some issues such as a need for working late with the impact it could have on the family life; this linked time management skills and stress management skills. The researcher explored how the participant suggests overcoming problems such as managing time or stress. Some of the responses then have led to the next question(s). For example, if a participant suggests that they could manage stress by taking their family on holiday one weekend each month, the researcher would then explore how it can be organised; this will then investigate decision-making skills or organising skills or even financial management skills.

To summarise the interviewing process: for each skill, the researcher explored how participants think they can acquire the skill, if they already possess the skill, how they have acquired it and how important the participant regards the skills for growing a business. The duration of the interviews varied from two to three hours, depending on the emerging data. An advantage of using the interview method was that responses obtained were of a high quality.

As can be seen from the above extract, despite using a semi-structured interview schedule, the interviews were mostly unstructured, non-directive and in-depth. Informal discussion was initiated and conducted in each interview, allowing the participants freedom of expression. Probing questions were asked so as to explore the meaning of some actions. The intention was to uncover the belief- and thinking structure of the participants. As the interview progressed, questions were generated and developed and participants were permitted to deviate from the questions. Important points lead to further discussion around these points. The researcher offered no opinions on issues raised by the interviewees.

The results of the skills necessary for growth were then compiled from the results of all the interviews with small business entrepreneurs and micro entrepreneurs. The four groups of skills of the small business entrepreneurs of the small business entrepreneurs and micro entrepreneurs were compared and analysed by writing up the raw data as cases. These cases were then analysed using conceptualisation to determine categories on the basis of themes, concepts or similar features. The constant comparison method was used to examine possible activity trends and the relationship among concepts.

This process entailed a three steps process by:

- comparing which skills the small business entrepreneurs acquired after starting their micro business;
- indicating which skills the small business entrepreneurs still do not possess, or just sometimes possess;
- indicating which skills the micro entrepreneurs do not possess.

The similarities between the findings of the three steps were then listed. The researcher then checked this list against those skills that the participants regarded as very important, irrespective whether they possessed the skill or not. It was also checked against the life story grid, which could give an indication whether education level, working experience or entrepreneurial background played a role in obtaining or lacking the skill(s). This process ensured that any other skills that may have been omitted were added. In conducting the analysis, a conscious effort was made to set aside rigid presuppositions about the theoretical framework so as to allow new skills to emerge from the data. As a result, it was found that self development-, computer-, risk management-, relationship management- and networking skills were all regarded as important, though the participants did not use the exact same terminology during the interviews. Hence these skills had to be included and further explored. Therefore, a semi-structured questionnaire was then compiled by using the thirteen identified skills as basis, to verify the results by

interviewing the control sample, as previously mentioned.

In order to ensure consistency in coding, an initial coding scheme was developed from the first few cases when analysing the field notes, notes made of observations and critical incidents. These codes were then utilised for comparisons and modifications until all cases had been analysed. Reliability was ensured through using an inter-coder reliability check. This means that the second author of this article reviewed the codes in order to improve the validity of interpretation of skills described. In event of a disagreement, the help of academic experts in that particular field were consulted.

5 Results

The skills were placed in specific categories to prevent replication as some skills could be classified in more than one category. It must be noted that although there were only ten small business cases there were 13 participants as one business had two members and another had three members. The ten micro business cases had twelve participants as two businesses had two members. The results reflect 13 small business participants and 12 micro business

participants. The results of the business operations and management skills reflect only 11 participants as one of the members of the one small business left the business and one of the small businesses went into liquidation.

The results of the life story grid revealed that all small business participants had a matric and higher education level, mostly previous working experience in their field of business and some degree of entrepreneurial background. They also all regard life-long learning as important, which indicates self-development. Three of the small business entrepreneurs had another business, which closed down due to liquidation, or the effect of crime. Other reasons might have also caused the closure of their business, but the participants either did not want to reveal it, or merely forgot the reason. Although the focus of this article is on the skills necessary for growth of micro businesses, the above information could impact the conclusions made on which skills indeed is necessary for growth of micro businesses.

5.1 Personal skills

Table 2 summarises the results of the investigation into the personal skills that small business participants possessed before starting the business, and those acquired after start-up.

Table 2
Results of the personal skills of small business participants

Personal skills	Before	After	Sometimes	Not at all
Stress Management	5	6	1	1
Good organiser	7	3	2	1
Persuasive approach	7	3	0	3
Problem-solving	9	3	0	1
Oral communication	8	3	1	1
Leadership abilities	8	3	0	2
Decision-making	10	2	0	1
Negotiation	5	5	1	2
Presentation	5	3	0	4*
Time management	4	5	0	4
Delegation	8	3	0	2
Team building	8	3	1	1

* Excluding one participant, a retailer who sells shoes and traditional clothing, who indicated she does not need this skill.

Most small business participants acquired stress management-, negotiation-, presentation-, and time management skills after start-up, or are still trying to acquire it. The skills were mostly acquired after start-up through experimental learning (six participants), while other participants indicated being self-reliant,

participating in workshops, completing an Industrial Psychology course and receiving assistance from friends and family. Table 3 summarises the results of the investigation into the personal skills that micro business participants possessed before starting the business, and those acquired after start-up.

Table 3
Results of the personal skills of micro business participants

Personal skills	Before	After	Sometimes	Not at all
Stress Management	0	0	0	12
Good organiser	5	0	1	6
Persuasive approach	0	0	0	12
Problem-solving	2	0	0	10
Oral communication	7	0	0	5
Leadership abilities	0	0	0	12
Decision-making	1	0	0	11
Negotiation	0	0	0	0
Presentation	2	0	0	10
Time management	0	0	0	12
Delegation	0	2	0	10
Team building	0	3	0	9

Micro business participants seemed to be able to organise, have oral communication skills, but few or no other personal skills could be observed. Their lack of negotiation skills could be attributed due to lack of a persuasive approach. Furthermore their lack of employees could be linked to the results of indicating little leadership abilities or delegation skills. Lack of education could contribute mostly to lack of problem solving skills or decision-making skills. The skills were mostly acquired through experimental learning. As can be seen in Table 3 most micro entrepreneurs do not at all have personal skills.

When comparing the results in Table 2 with the results in Table 3, it is clear that small business participants acquire more personal skills while running their businesses than micro entrepreneurs. This lack of acquiring personal skills by micro entrepreneurs can be a reason why they find it difficult to grow their micro businesses.

As skills such as being a good organiser, having a persuasive approach, being able to solve problems, leadership abilities, decision-making, delegation and team building can be regarded as management skills as well as personal skills, these results were included in

the management skills section. The remaining personal skills such as time management-, stress management-, negotiation- and presentation skills can be regarded as critical for growth. As can be seen in Table 3, most micro entrepreneurs did not possess these skills at all.

5.2 Technical skills

All small business- and micro business participants acquired product-, process-, service-, market- and communication knowledge prior to starting their businesses. Therefore one can argue that technical skills are needed for start-up of a business or rather is a precondition to starting any business. Lack of technical skills could thus be a reason for business failure, rather than assisting in growth, and therefore falls outside the scope of this article, which focuses on growth.

5.3 Business operations skills

Table 4 summarises the results of the investigation into the business operations skills that small business participants possessed before starting the business, and those acquired after start-up.

Table 4
Results of the business operations skills of small business participants

Business operations skills	Before	After	Sometimes	Not at all
General Business Management				
Planning	2	9	0	0
Budgeting	2	9	0	0
Handling security	2	9	0	0
Record-keeping				
Inventory control	5	4	0	2
Filing	5	4	0	2
Bookkeeping	5	4	0	2
Financial Management				
Extension of credit	5	4	1	1
Sources of finance	5	4	1	1
Interpersonal Relations				
Handling employees	10	1	0	0
Employee procedures	10	1	0	0
Customer Relations				
Dealing with customers	11	0	0	0
Listening	11	0	0	0
Understanding customer needs	11	0	0	0
Perception of customers	11	0	0	0

From Table 4 it is clear that small business participants did have business operations skills prior to start-up or have acquired the skills after start-up. Few or no participants have indicated that they only sometimes possess it or not at all. All small business participants regard all these five skills as important for growth. Most small business participants have acquired general management skills through experimental learning, while the minority have acquired it prior to start-up through owning a previous business, previous working experience and part-time studies. Most of the small business participants have indicated that they lack record-keeping skills, unless having previous bookkeeping experience, forcing them to use the services of a bookkeeper. More than half of

the small business participants have indicated that they are still lacking financial management skills. For the purpose of this study, interpersonal skills only relate to dealing with employees and having personnel procedures in place. More than half of the small business participants have indicated that their personality contributes to having interpersonal skills. Almost half the small business participants are committed to developing long-term customer relationships, which indicates relationship marketing skills.

Table 5 summarises the results of the investigation into the business operations skills that micro business participants possessed before starting the business, and those acquired after start-up.

Table 5
Results of the business operations skills of micro business participants

Business operations skills	Before	After	Sometimes	Not at all
General Business Management				
Planning	0	0	1	11
Budgeting	0	0	1	11
Handling security	0	0	0	12
Record-keeping				
Inventory control	0	0	0	12
Filing	0	0	0	12
Bookkeeping	0	0	0	12
Financial Management				
Extension of credit	0	0	0	12
Sources of finance	0	0	1	11
Interpersonal Relations				
Handling employees	0	2	0	10
Employee procedures	0	0	0	12
Customer Relations				
Dealing with customers	12	0	0	0
Listening	12	0	0	0
Understanding customer needs	12	0	0	0
Perception of customers	12	0	0	0

It is clear from Table 5 that micro business participants are lacking all business operations skills, except customer relations skills, which they quote as the reason why they are in business for a long time. Lack of record-keeping skills was evident amongst micro entrepreneurs as they do not issue or keep any documentation. As only two micro business participants have employees, little interpersonal skills could be observed. Again, it must be noted that most micro entrepreneurs have not acquired any of the skills during the existence of their businesses. Skills development is vital for growth as all small business entrepreneurs have developed skills whereas micro entrepreneurs did not.

The results of the management skills of small business entrepreneurs are outlined below.

5.4 Planning

The planning activities of most small business participants is on immediate issues such as planning the variety of products for sale, how much and when to order stock, daily travelling routes, financial and management activities and the planning of each project. Long-term

planning were mentioned by three participants and involved setting future goals such as expanding the business by offering a wider product variety or into international markets or broadening the market base by adding another target market. Almost all the micro business participants do not engage in any planning. Only one micro business participant indicated that she plans when and how much to buy. In summary, it seemed therefore that long-term planning is ignored in favour of daily, short-term planning. None of the micro business participants engage in long-term planning, but only focus on daily planning.

5.5 Organising

All small business participants execute the organise activity on a daily basis. They do not have an organisational chart for the business, but some could indicate the organisational structure. This could have been due to the fact that only two businesses had a middle management level. Work specialisation occurred in both the manufacturing businesses, in none of the retail businesses, and in all of the

service businesses. Two small businesses emphasized the importance of teamwork to accommodate the workload. Four micro business participants indicate organising stock and one micro business participant indicated work division, which could be classified as organising.

In summary, few small business participants had two management levels with a reporting structure in place and are mostly owner-managed. Work specialisation occurred only in the manufacturing and service concerns. Few small business participants focused on teamwork. The majority of micro entrepreneurs do not engage in any organising activities, except in displaying their products.

5.6 Leading

All small business participants play a leading role in their businesses. The participants described their leading activities mostly as leading or supervising and training employees or as delegation. Only three micro business participants indicated leadership abilities with regard to decision-making and supervision of employees.

In summary, leading by example is indicated by almost half of the small business participants. The lack of evidence of leadership skills amongst micro business participants could be attributed to the fact that all but three do not employ staff. These micro business participants displayed decision-making skills and minimal supervision skills. If the business has more than one owner, one seemed to be in charge. This could indicate leadership skills.

5.7 Control

All eleven small business participants use some form of control in their businesses. They control cost, the quality of raw materials and the final product, manufacturing activities at all times and ensuring that distributors and agents meet their targets. Two participants keep an eye on environmental changes. Three micro business participants indicated control of final products,

while one micro business participant indicated control over raw materials.

In summary, almost half of the small business participants indicated product quality control activities. Other controlling activities include cost control, keeping abreast with developments, solving customer complaints, supervising of staff and ensuring that targets are met. More than half of the micro business participants exercise no control over their business activities. The lack of management skills of micro entrepreneurs can also be deduced from Table 3, as previously mentioned.

Lack of management skills is evident amongst micro business participants, both from the above results and from the results of the personal skills. All small business participants regard management skills as important for business growth. Small business participants are executing to a certain degree the management activities of planning, organising, leading and control. They have indicated that management skills were mostly acquired after start-up through experimental learning or previous working experience. As some small business participants regard long-term planning as important, and in particular keeping abreast of future changes, it indicates that most small business participants lack risk management skills.

All small business participants regarded computer skills and communication skills as other important skills necessary for growth. When exploring why they regard communication skills as important they stated that they have to deal with suppliers, credit grantors, presentation of tenders, employees and most importantly customers daily. They further indicated the importance of obtaining a tender as it can give their business an instant boost in terms of growth in sales, size and most importantly profit. From this information the researcher deduced that they do not only need communication skills, but more so, networking skills, as whom you know could lead to being successful in tenders or increase your customer base.

6

Conclusions and recommendations

From the analysis of the results, thirteen skills were identified as important for business growth based on the fact that:

- small business entrepreneurs have mostly acquired the skills after start-up;
- micro entrepreneurs do not possess these skills;
- small business entrepreneurs regard the skills as contributing towards growing their businesses.

The results of the interviews with the five new micro business participants and five new small business participants (the control group) revealed that they all regarded the thirteen skills as important for growth of their business ventures.

The conclusions and recommendations on the actions needed to carry out these thirteen identified skills are outlined below.

6.1 Self-development skills

Micro business participants lack education and most do not even have a matric qualification. Although education in South Africa is regarded as important, many would-be entrepreneurs and micro entrepreneurs are not in a financial position to acquire a matric qualification. These micro entrepreneurs should have access to Adult Basic Education and Training, which are affordable, and focused more specifically on entrepreneurial training. The Department of Training and the Sector Education Training Authorities (SETAs) should design programmes focussing on acquiring business skills on different levels. Large businesses could sponsor these training programmes for micro entrepreneurs as part of their social responsibility, which could then make it more affordable. Strict entrance requirements could be set for those who apply for these training programmes to ensure that only serious micro entrepreneurs have access to the subsidised training.

Lifelong learning is necessary, as many micro entrepreneurs have either not been exposed to management principles, or their expertise is limited to one area only. Short courses could

supplement the entrepreneur's knowledge or bring it up to date. Knowledge should be updated regularly in terms of changes in the market, legislation, culture, fashions and other issues applicable to the business.

6.2 Networking skills

Most micro entrepreneurs do not know how to network or to communicate effectively. Some fear that sharing of information will lead to competition. A workshop on how to network effectively could assist the micro entrepreneur in overcoming this fear and also enhance networking skills. This workshop can give information about organisations, discussion groups, professional bodies and institutes that can contribute to running the business more efficiently and effectively. It can teach the micro entrepreneur that the first step is to identify what the person can do for the business or how the micro entrepreneur can assist the person. This will require good listening skills, which could be incorporated in this networking workshop, as much information can be obtained by just listening to conversations.

6.3 Relationship marketing skills

All participants regarded customer relation skills as important for their business. Small business participants indicated that relationship marketing is important for business growth because it is more costly to obtain new customers than to retain existing ones. Employee empowerment is important as they can assist building long-term relationships with customers, thereby increasing the customer base. Effective advertising and marketing material could be used to clearly communicate the advantages of doing business with the particular concern, thereby further increasing the customer base. Micro business participants must find alternative advertising ploys such as giving discount to a customer if bringing in another customer. Relationship marketing for micro business entrepreneurs could also take the form of a loyalty card, that after 10 purchases of a certain amount (R100 perhaps) the customer qualifies for purchases of R50.

6.4 Time management skills

The micro entrepreneur should learn to manage time. A record could be kept of how time is spent for about a week, then analyse how much time is spent on various functions link to a time-cost analysis. This could assist the entrepreneur on deciding on the most effective use of discretionary time for a week, as well as indicating whether time is being spent profitably. This could also indicate activities or duties that can either, be cut out, cut down or delegated. As the micro entrepreneurs' education level is low, this should take place at a workshop specifically focussing on action training and role-play.

6.5 Stress management skills

Most micro businesses are owner-managed without employees, and therefore illness could eventually lead to closure of the business. Being self-employed also adds stress to family life. Entrepreneurs could apply lifestyle management such as improving their diet, increasing exercise levels, learning new habits, cutting down on alcohol intake, and improving their appearance to reduce their stress levels. These actions have an added benefit in that it can result in increased self-confidence. Effective time management can also reduce stress levels.

6.6 Presentation skills

The micro entrepreneur usually has only one opportunity to prove the unique value of the products or services on offer, especially when dealing with tenders or outsourcing. The main aim with the presentation should be to establish a personal connection to promote a trusting environment or to establish credibility. Training in how to tender and how to do a presentation, if required, can increase presentation skills. Self-employment centres offer training in how to tender, but many micro entrepreneurs are unaware thereof, which could improve through advertising or publicity of the training workshops. A key issue in the workshop should be to show a micro entrepreneur how to convince the audience that they can benefit or profit from accepting their tender. Micro

entrepreneurs should be shown how to convey thoughts and concepts in a persuasive and compelling manner, without being "pushy" or overpowering. This will require one-to-one training.

6.7 Negotiation skills

Positive thinking in the negotiation process is important. Workshops on positive thinking, how to be assertive, on how to handle conflict and how to negotiate, could assist micro entrepreneurs in obtaining negotiation skills. Being assertive requires practice and could be linked to the need for conflict-handling skills. The starting point is that micro entrepreneurs should visualise the results they want in their work and personal life. Practising negotiation at home in their personal lives could increase their negotiation skills in business.

6.8 General business management skills

Most micro entrepreneurs do not have any knowledge on how to plan their stock levels whereas small business entrepreneurs had an idea of how to do it. The educational level of the small business entrepreneurs was mostly matric or higher, which equipped them with some knowledge on how to plan their stock levels. This starting point, by having been exposed to higher education, could contribute to the fact that they are applying experimental learning in their day-to-day running of the small business. To effectively manage stock the micro entrepreneur should have good supplier relationships and have at least two suppliers per item needed. Micro entrepreneurs should plan when, how much and which type of stock to buy. Their stock should have a high turnover rate to decrease carrying costs of stock. Keeping inventory records will prevent pilferage, keep inventory holdings to a minimum and track buying trends.

Budgeting is important, especially if the business has debt, as it enables the micro entrepreneur to determine what the turnover should be for the business to be profitable. Another important issue for micro entrepreneurs is to separate personal debt from

business debt. Training interventions on a one-to-one basis is necessary in how to plan stock levels and keep a simple inventory record and how to draw up a budget, as micro entrepreneurs' educational level is too low to cope under normal workshop conditions.

6.9 Record-keeping skills

All micro entrepreneurs should monitor their performance as this indicates success or failure. This could only be achieved if the entrepreneur keeps an accurate record of the business's financial performance. The lack of education of micro entrepreneurs could be linked to the lack of record-keeping skills. Basic accounting skills on a low level should be taught in a very practical manner to the micro entrepreneurs on a workshop basis. If a mentoring factor could be added, it would be more advantageous to the micro entrepreneurs, as they will need personal assistance in designing a modest accounting system adequate to meet their current needs. A follow-up workshop should be given to the micro entrepreneurs after having implemented the system for about three months. In the follow-up workshop the micro entrepreneur should be shown how to expand the system as the business grows. Once the business has grown enough to justify the costs of an outside accountant, this responsibility can be passed on.

6.10 Financial management skills

Effective financial management requires effective negotiations with suppliers, financial institutions and with the lessor if the business premises are rented. As micro entrepreneurs mostly do not rent premises, but either operate at the side of the road or using a section of their homes for the business, they never separate their personal debt from their business debt. The growth of a successful micro business should not be measured by sales alone, but also by profitability, which requires financial management skills. Good financial management requires an efficient record-keeping system. Therefore, after successful implementation of an efficient record-keeping system, the micro entrepreneur could then focus on attending training courses in financial

management. Financial management training normally requires a certain minimum education level, which will require taking accountancy up to matric level. Bringing in a partner with financial management skills can overcome this obstacle.

6.11 Computer skills

Computers can be an invaluable tool for the micro entrepreneur, if having the financial capacity, as it is a time-saving device, is useful for record-keeping and for bookkeeping. The computer can also be used to make presentations look professional and neat when using overhead projector slides or Power Point. The micro entrepreneur can also use the computer to communicate with customers via e-mails, thereby saving advertising fees. This way the customer can be constantly reminded about the business, and thereby long-term relationships can be built through relationship marketing. By having an e-mail address the business can look bigger and can compete better against bigger businesses. The computer can also assist the micro entrepreneur in getting business advice via the Internet. As most micro entrepreneurs and some small business entrepreneurs do not have the financial capacity to buy a computer, they could use people offering typing services or Internet cafes to a certain extent. The ideal would be if they could go to a one-stop shop that could offer all these services to micro entrepreneurs at a minimum fee. The fee structure could work on only paying when using the service, or an option could be given to pay a monthly fixed amount and then having access to these services at all times.

6.12 Management skills

At the inception of the micro business there would not be a need for an organisational structure as only the micro entrepreneur would be working in the business. As soon as is financially viable, the micro entrepreneur should increase staff levels, as the micro entrepreneur should not work in the business, but rather work on improving the business. Having staff in the business would require the need for an organisation structure. Only if the

micro entrepreneur has a proper reporting structure in place will the business operate at full efficiency, delivering a quality service.

When drawing up contingency plans, micro entrepreneurs should engage in scenario planning. This entails imagining that it has happened, then working out what one would have done in such a disastrous situation – so as to conquer or reduce fears, or reduce the severity of the effects of the catastrophe's occurrence. A mentor could assist the micro entrepreneur in scenario planning. If the micro entrepreneur obtains finance from sources such as Khula then they will allocate a mentor to assist the micro entrepreneur in drawing up of a business plan, which will incorporate some scenario planning. As most small business entrepreneurs had acquired management skills through experimental learning, mentoring seemed the best method.

Micro entrepreneurs should inspire their employees as inspired employees can increase profitability, improve staff morale, and therefore decrease staff turnover, or let the business becoming a market leader instead of being a market follower.

6.13 Risk management

A mentor could also assist the micro entrepreneur to apply risk management by carrying out a risk analysis through identifying environmental risks, workplace risks and market risks. It is crucial that if the micro entrepreneur has employees that they buy in, as their contribution in a crisis situation is of considerable value. To ensure growth, micro entrepreneurs should know what is going on in the environment by being open to information and sensitive to events and the feelings of people. Reading daily a newspaper and listening to the news could make them aware of the happenings in the environment.

As the job of an owner-manager is dealing daily with decision-making, the micro entrepreneur should be able to make decisions in a logical, optimising way by weighing the pros and cons in what is basically an uncertain or ambiguous situation. In the initial growth stages of the micro business, a mentor could assist or

attending an interactive risk management workshop.

In conclusion micro entrepreneurs do not need all of the thirteen identified skills, but a combination of some of them. Lack of some of these skills can be overcome by using experts in the field such as accountants and business consultants. It was indicated by the control group that the three most important skills for business growth are self development-, networking- and risk management skills. Although it might appear that these skills could also apply to medium-or large businesses in assisting them to grow, the order of importance could vary considerably as it appeared that many of these skills needs to be in place for small businesses to be able to grow into a medium size business, such as financial management and computer skills.

Although the convenience sample cannot claim to be globally representative, insight into which entrepreneurial skills are necessary for micro entrepreneurs to grow could be obtained. In studying the cases, the major changes undergone by participants became apparent, both in their way of thinking and with regard to their future plans.

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