

Internal Factors Affecting the Successful Growth and Survival of Small and Micro Agri-business Firms in Alice Communal Area

Progress Hove¹ and Chikungwa Tarisai²

¹*Vaal University of Technology, Department of Logistics, Private Bag X021, Vanderbijlpark 1900, South Africa*
E-mail: ¹<proggyhove@gmail.com>

²*University of Fort Hare, Industrial Psychological Department, P. Bag X1314, Alice, 5700, South Africa*
E-mail: ²<tariechik@gmail.com>

KEYWORDS Small and Micro Enterprises (SMEs). Agribusiness. Strategy . Production Skills. Financial Management Skills. Revenue

ABSTRACT This paper employed the quantitative method in data collection and analysis in order to ensure reliability and generalisability of the results. Ultimately, all the quantitative data were coded into Epi info software for graphs and descriptive statistics. According to the findings, the most significant internal factors that impact on the growth and survival of small and micro agribusiness firms in Alice communal area are: business plan, marketing strategy, mission/vision, SWOT analysis and finance. The study eventually recommended strategies and policies to small and micro agribusiness firms in Alice communal area to positively improve their growth and survival. The results of the study will be significant to policy makers (that is government and quasi-government agencies), SMEs and other researchers.

INTRODUCTION

Throughout the world, governments have acknowledged the impact of small and micro enterprises (SMEs) on job creation, improvement of people's standards of living and hence an overall impact on the economy. The definition of SMEs is complex with authors using the SME's gross asset value, the number of employees and total revenue as indicators to help define the term SME (Nieman 2006). In South Africa the working definition of an SME is derived from the National Small Business Act of 1996. An SME is thus defined as any enterprise, whether or not incorporated or registered under law, which consist mainly of persons carrying on small business concerns in any economic sector, or which has been established for the purpose of promoting the interests of small business concerns (National Small Business Act 1996). Indeed, SMEs often form the backbone of national economies and moreover, SMEs have

increased in importance recently (McCartan-Quinn and Carson 2003). SMEs and the development of SME sectors in national economies is an important element of political and public policy life. Thus, the ways these SMEs firms perform and manage their activities justify a detailed investigation.

As of past, the South African government did not render adequate support to SMEs, instead more support has been received by larger firms than by SMEs. Nevertheless, this has changed since 1990, as the government initiated some SME support measures with the aim of developing and promoting SMEs (Mbonyane 2006). In South Africa, currently there are many SME support programmes that provide backing to SMEs and these include among others, the comprehensive agricultural support programme initiated by the national department of agriculture and the farmers support programme initiated by the Development Bank of South Africa (Baloyi 2010).

Despite the existence of many SME support programmes that provide backing to SMEs, SMEs in the country continue to weaken (not all SMEs are experiencing positive growth) (Baloyi 2010). SMEs in South Africa, which represent 98% of the South Africa's total number of firms, continue to experience high failure rate (Mphahlwa 2006; Mbonyane 2006). About 75% of the new SMEs that are started

Address for correspondence:
Progress Hove
Department of Logistics
Vaal University of Technology
Private Bag X021
Vanderbijlpark
South Africa
Cell number: +27785468168
Fax: +27865605885
E-mail: proggyhove@gmail.com

eventually fail to become established firms (Fatoki and Garwe 2010). More so, there are other SMEs that have stagnated at the survivalist stage (Bidzakin 2009). This raises questions on whether the SME owner/managers have the adequate and requisite skills, competences and capacity to manage the SMEs in a manner that enhances growth and survival or not. There is therefore a need for a study that provides a rigorous and systematic analysis concerning the process of management of local SMEs.

Although literature exists regarding the process of management of SMEs, the key issue of concern is that it has concentrated mainly in the European and American areas. Specifically, there is little published data on those SMEs with growth potential and on which the future development of many of the regions within South Africa will be based. It turns therefore to be important to conduct an investigation into the internal factors affecting the successful growth and survival of SMEs. This forms the rationale for establishing a framework of the unique success factors that are consistent in the success of SMEs. Once these unique success factors are determined, they should be promoted for the benefit of new entrants in the market place. This being the case, there is, therefore, a great need for new upcoming businesses to display the same toughness and skill so as to survive in this global world of business. SMEs should apply these success factors so as to be able to survive and grow in this economically challenging world.

The research focus on this paper is on the Agribusiness SMEs which have survived their first three years and who have moved into the growth phase of their venture life cycle. Agribusiness is a sector in which most of the rural SMEs operate in and includes all participants in a commodity vertical structure, from suppliers, farmers, assemblers, processors and distributors to ultimate domestic and international consumers (Bidzakin 2009). The agribusiness SMEs are of importance to the South African economy because they enhance economic growth, help accelerate development and are a business solution to rural poverty. In light of the contributions and importance of the agribusiness SMEs in the economic development, it is therefore imperative to identify the key internal factors that are consistent in the successful growth and survival of agribusiness SMEs. Such a study will be invaluable in creating a

framework that can be presented to start-ups in order to minimise the difficulties that they might experience due to lack of management skills in managing their businesses.

The significance paper is to provide answers to and explore further so as to shed some light on problems experienced by SMEs in the Agribusiness sector. The results will help the potential and current SME practitioners in the Agribusiness sector not to repeat the same mistakes that have led to failure in the past. The hope is that this approach will reduce the high failure rate of SMEs and will result in their success. Lastly, this paper will in turn serve as a baseline for future studies.

Theoretical Background

The Generic Stages of Agribusiness SME Growth

Based on the analysis of the secondary sources and especially the inputs of the Greiner's model, the Churchill and Lewis model and the Nieman and Nieuwenhuizen 2009's model, generic growth stages to guide the study of agribusiness small and micro firms in Alice communal area and identify the key internal factors affecting their growth, has been constructed. This model (Fig. 1), comprise of 4 critical stages of the supporting models and these are, survival/abort, growth/decline, maturity/rejuvenation and decline.

• Stage 1: Survival/ Abort Stage

This stage has duration of 0-3years as in the Churchill and Lewis growth model's start up stage. According to the Greiner's model (1972) this stage is referred to as the development/abort stage. The Greiner's model (1972) describes this stage as a stage in which agribusiness SMEs begin operation and are developed to viability or are aborted at an early stage. According to Shafeek (2009) the thrust in this stage is to get enough customers so as to make the business economically viable and this requires the owner/manager to have good marketing skills. In addition, Burns and Dewhurst (1996) state that in this stage the agribusiness SME owner/managers need to focus on solvency with the task of monitoring cash flow and meeting break-even as being of prime importance (sound financial

management skills). This view is also supported by Churchill and Lewis (1983) who suggest as a primary strategy that the owner/manager attempts to keep the business solvent long enough for the customer base to be expanded. Important to note in this stage is that the owner/manager still does everything in addition to direct supervision of staff (Churchill and Lewis 1983). As the name of the stage suggests (survival), the primary strategy is simply to stay alive.

Shafeek (2009) also suggest that the margins that were initially projected are indeed achieved and that the owner/manager must focus on developing the products unique selling proposition based on the initial reaction from the customers (a combination of sound operations and marketing skills). Therefore, the internal factors that are consistent with the agribusiness SMEs' survival at this stage are: the personal characteristics of the agribusiness SME owner/manager (gender, educational qualifications and previous experience), access to finance, access to technology, availability of a sound business plan to give direction to the agribusiness SME owner/manager and help access funds, good marketing, human resources management and operations management skills.

• Stage 2: Growth/ Decline

This stage has duration of 4-6 years as in the Churchill and Lewis growth model's growth stage. According to Shafeek (2009) this stage is referred to as the high growth stage, rapid growth stage or take-off stage of the organizational life cycle. In this stage, the rate of growth accelerates and resources are under major pressure. Growth is quite often so fast that the owner/manager cannot keep up with it and at the same time competition may become stronger (Nieman and Nieuwenhuizen 2009). Shafeek (2009) in support, state that during this stage, if managed properly by the agribusiness SME owner/manager, the firm will face a period of rapid growth in sales as the product is accepted and adopted by a growing number of consumers. He further stresses that the SME owner/manager must not only manage the increase in sales but also the resultant problems of an increasingly complex organisational structure.

The growth stage is believed by most researchers to be the most dangerous stage in the life cycle of the new SMEs regardless of the sector of operation. This is so because it is when

most business failures occur, mostly due to the pressure on resources, hence it is referred to as "Growth/ Decline stage" (Nieman and Nieuwenhuizen 2009). Therefore, it is during this stage that the agribusiness SME owner/manager must take heed by keeping a close eye on new entries into the market to avoid pre-mature decline. More important to note is the need for the agribusiness SME owner/manager to adopt more control systems along with the recruitment of more skilled staff in preparation for this increase in growth in this stage (Shafeek 2009).

More so, it is during the growth stage that the feeling of losing control emerges in the agribusiness SME owner/manager as a result of the delegation of authority from the survival stage. With the firm growing as well as the introduction of control systems, there is a need to coordinate the systems more effectively which ought to result in the efficient allocation of the firm's limited resources (Shafeek 2009). Burns and Dewhurst (1996) and Churchill and Lewis (1983) suggest that the owner/manager must now manage the allocation of the limited resources as well as engage in strategic planning to cope with the expansion and the resultant drain on the agribusiness SME's cash flow. Thus, if the owner/manager only concentrates on the increase in sales while failing to manage the resultant constraints/ problems (overtrading), this will lead to pre-mature decline (firm failure). The internal constraints/ factors that are consistent with the growth/ failure of the agribusiness SME at this stage are: the finance management skills, human resources management skills, marketing skills, operations management skills, use of technology and an updated business plan that serves as an internal benchmark for the organisation's performance.

• Stage 3: Maturity/ Rejuvenation

This stage has a period of 6-9 years. The maturity stage is a stage characterised by stability which comes after the rapid growth and expansion of the business in the previous stage together with the increase in competition (Churchill and Lewis 1983). The role of the owner/manager changes during this stage and must be re-directed from one that focuses on growth to ensuring that the company consolidates its position in the market place and looks strategically to the future rather than complacently reaping the fruits derived from past suc-

cesses. More so, this stage is the one that will either drive the firm onward to a higher level of profitability or censure it to decline and failure. This responsibility is highly dependent on the actions of the owner/manager (Shafeek 2009).

The high growth experienced by the business will eventually begin to slow down due largely to the increase in the number of competitors attracted to the market. Nieman and Nieuwenhuizen (2009) identified market saturation as the major cause for the slowing down the growth which requires the firm to pursue other product positions in order to sustain the growth or rejuvenate growth. It is believed that innovation is critical at this stage to reduce the impact of failure and enhance re-growth (rejuvenation), capitalizing on the abundant resources especially financial resources (Kuratko and Hodgetts 1995).

One of the potential pitfalls identified by Greiner (1972) is an increase in ‘red tape’ due to abundance of control and coordinating systems implemented during the earlier stages. Greiner (1972) believes that their proliferation exceeds their utility in that procedures may take precedence over problem solving and innovative behaviour if allowed. A solution to this problem is to narrow the gap through collaboration between the owner/manager and lower levels of management which may have been caused by the proliferation of red tape. Dodge and Robbins (1992) see the need for innovative behaviour to be exhibited by the owner/manager as a basis on which to build the future viability of the business. While the life cycle concept provides valuable information on how a firm develops and evolves through the various stages of development, it is necessary to be aware of some of the limitations imposed upon it.

• Stage 4: Decline

This is the fifth and final stage of the venture life cycle. Models such as the Scott and Bruce model in (Shafeek 2009); indicate that firm failure may occur a number of times during the stages. Decline may occur during the growth stage or after the maturity stage, when the owner manager fails to adopt strategies that favour re-growth in the maturity stage.

Shafeek (2009) cited four limitations of venture life cycle models. Firstly, while implied by the models, not all firms move sequentially through all stages due to business failure. It is

accepted that not all firms progress sequentially through all stages but not all models expect it to, either implicitly or otherwise. Models such as the Scott and Bruce model indicate that firm failure may occur a number of times during the stages (Shafeek 2009). Also, the Eggers and Leahy (1995) model depicts the firm moving forward and regressing, omitting some stages entirely.

Secondly, the firm’s management style maybe more advanced than the firm’s organisational structure, which means they are not moving in parallel as suggested by the models. Greiner (1972) admits that this could potentially be a problem if the owner/manager attempted to institute an inappropriate organisational structure, for example, an over-use of controls when the emphasis ought to be on creativity. This problem is with the owner/manager more than with the models themselves. The owner/manager might not even realise the stage the firm is going through or even consciously think what they ought to be doing. By using the organisational life cycle models as a guide, the appropriate managerial style might emerge as a solution to the problem.

Key Internal Factors

Internal constraints/factors are those constraints that affect the agribusiness SME owner/manger’s ability to operate efficiently, despite any innate potential in the owner/manager (Baloyi 2010). According to Stokes and Wilson (2006) internal factors are the personal attributes, skills and competencies of the individual owner/manager which are crucial to how well the business faces up to the inevitable crises that arise. Important to note about these constraints is the fact that they are controllable by the owner/manager. As earlier identified in the generic stages of the growth and survival of Agribusiness SMEs, the factors include: lack of capital, personal characteristics, marketing, financial management, strategy, human resource, operations, access and use of information technology and the availability of a sound business plan. The discussion on each of these follows below:

• *Human Resources Management*

The competence of the agribusiness SME owner/manager is the ultimate determinant of

survival or failure. The root cause of either agribusiness SME failure or poor performance is almost invariably a lack of management attention to strategic issues such as human resources management. Moreover, the early founder of the agribusiness SME's personal competence in selecting the right business and running it will be crucial, as the firm is likely to be indistinguishable from the owner. Therefore, as the business develops, growth can be rapidly partial due to unwillingness or inability to draw others to help with the management of the agribusiness SME (Pasanen 2006). In addition, the management of people (human resources management) is particularly important as it includes not only the personnel issues of dealing with employees, but also of managing people outside of the organisation who are also critical to its success, such as key customers, suppliers, banks and investors (Stokes and Wilson 2006).

There is an over-reliance on the single owner/manager of most small and micro agribusiness firms and reluctance to move away from this managerial tendency on the part of the agribusiness SME owner/manager. As a result, this translates into poor human resources practices where no new qualified staff is hired or authority and responsibility delegated to other employees (Nieman 2006).

• *Marketing*

According Shafeek (2009) marketing is the one and only functional area that links the products or services of a business to its customers. He adds on to say, it is vitally important to ensure that this function is properly performed. To have a good chance of survival, a small or micro agribusiness firm needs to answer the basic strategic questions: "what markets are we targeting, with what products?" A common weakness in the (agribusiness) SME owner/managers lies in their failure to understand key marketing issues (Stokes and Wilson, 2006). Stokes and Wilson (2006) are of the belief that product or service concepts and standards often reflect only the perceptions of the owner, which may not be mirrored in the market place. He adds on to say, minor fluctuations in markets can topple a newly established small/micro (agribusiness) firms, particularly where it is reliant on a small number of customers.

• *Lack of Capital*

According to Fatoki and Garwe (2010), the lack of capital seems to be the primary reason for business failure and is considered to be the greatest problem facing agribusiness small and micro business owners. This was supported by Shafeek (2009) where he said; from a business viewpoint without adequate financing, the business will be unable to maintain and acquire facilities, attract and retain capable staff, produce and market a product, or do any of the other things necessary to run a successful operation. Stokes and Wilson (2006) also add on to say that financial difficulties of SMEs (agribusiness) arise, either because of an inability to raise sufficient funds to properly capitalise the business, or a mismanagement of the funds that do exist or a combination of both. He further explains that, access to external funds may be difficult to achieve for new or young, small and micro agribusinesses with no track record, especially for owners without personal assets to offer as security. Stokes and Wilson (2006) go on to stress that many new owner managers, having received funds, misuse them; small businesses are notorious for their lack of proper financial controls and information.

• *Financial Management*

According to Nieman and Nieuwenhuizen (2009), financial management must be regarded as one of the most important aspects of business. Therefore, financial information available to the agribusiness SME owner/manager must be detailed; detached from their personal accounts; regardless of whether their financial information was derived from a cashbook, bank statement, double entry bookkeeping, monthly or quarterly management accounts, and whether their financial system was computerised or not.

Small and micro agribusiness SME owners with the expectation to use sophisticated financial information would be coupled with a greater probability of their firms' survival. However, the availability of financial information is not an indication of the uses to which it is put (Shafeek 2009). Hall (1995) realised that those owner/managers who collected financial information mainly to assist in the running of the business were more likely to survive than those limiting its use to assisting in their negotiations with external businesses. More so, the frequency with

which the information is collected and the person who collects the information are of essence. Thus, the more frequently information is gathered and the more the financial information collection is left to an expert such as an accountant, the better. The management of cash flow and surpluses, specifically, has a key impact on the survival of the small and micro agribusiness firms. Therefore, the larger the amount of surplus cash ploughed back into the business, in place of taking it as compensation by the owner, the better the chances of survival (Nieman 2006).

• *Strategy*

According to Shafeek (2009) all firms undertake strategy whether or not they would use the term to describe what they were doing. The small and micro agribusiness firms need to decide on their operating hours, location, product lines, etc. all of which are strategic decisions. Thus, the key to business success lies in the decisions of the agribusiness SME owner/manager who identifies opportunities, develops strategies, assembles resources and takes initiative (Bidzakin 2009). More so, the ability of the small/ micro agribusiness firm owner/manager to formulate and communicate his or her long term view (vision) to their employees is vitally important. Strategy is all about the essence of understanding the business environment. Therefore, the awareness of the impact of the strategy elements on small and micro agribusiness firms is critical for these firms' continued existence given that they have limited resources and cannot absorb the implications of making mistakes (Shafeek 2009). Hall (1995) found that formal strategic planning is not common among SMEs (agribusiness). Moreover, for some owner/managers formal planning is of help if only because there is comfort that something is being done (Clover and Darroch 2005).

• *Operations*

Most small and micro agribusiness firms fail due to a lot of technical inefficiencies involved in their production/ operations. A small/micro agribusiness firm is said to be technically efficient when it produces as much output as possible with a given amount of inputs or produces a given output with the minimum possible quan-

tity of inputs. Thus, the more a small/ micro agribusiness firm strive towards the maximum possible level of outputs obtainable from a given set of inputs in its operations, given a range of alternative technologies available, the higher the chances of the firm's survival and growth (Bidzakin 2009).

• *Personal Characteristics*

The personal characteristics of the agribusiness SME owner/manager are positively correlated with the probability of the agribusiness SME's survival and growth. These include the agribusiness SME owner/manager's level of education, gender, and previous management/ professional experience (Shafeek 2009). The level of education and the attendance of management training courses is an important aspect in terms of small and micro agribusiness firm survival. According to Clover and Darroch (2005) education is thought to increase intrinsic motivation and energizer behaviours, and the more enterprise education an individual receives, the greater the possibility of the (agribusiness) SME's success. Guzman (2004) cited in Clover and Darroch (2005) identifies 'energizer' behaviours as behaviours that are considered to be essential in 'good' entrepreneurs (agribusiness SME owners) as the ambition or capacity to grow; the capacity to innovate; collaborating with other businesses and individuals in order to promote higher firm growth; and behaviours such as planning, budgeting, and training employees, that derive from a 'venture-some spirit' which should inspire any decision the agribusiness SME owner makes to ensure business survival and growth.

Tied to education is the question of whether the agribusiness SME owner/manager had previous management/ professional experience in terms of having owned/ managed a business and whether or not the business had failed (Shafeek 2009). An entrepreneur (agribusiness SME owner)'s management/ professional experience is an essential means of acquiring abilities and attitudes, reinforcing motivations and improving energizer capacity. An increased management/ professional experience improves the quality of an entrepreneur (agribusiness SME owner), hence increasing the chances of the agribusiness SME's survival and growth (Clover and Darroch 2005).

• *Information Technology*

Technological innovation has long been a chief contributor to progress in agribusiness and will continue to influence the growth and survival of the agribusiness SMEs (Baloyi 2010). Small and micro agribusiness firms in developing countries like South Africa are poor and as such have no access to information technology. It is this lack of access to information technology that also bear a negative effect on the small and micro agribusiness firms' ability to survive and grow even in the Alice communal area (Baloyi 2010).

• *Business Plan*

According to Nieman and Nieuwenhuizen (2009) a business plan is a written presentation that carefully explains the business, its management team, its products/ services and its goals together with strategies for reaching goals. It is a living document that forms part of the formal planning done by firms, and serves as a tool for reducing the risk of venture failure, a benchmark for a firm's internal performance as well as a tool for accessing funds (Nieman and Nieuwenhuizen 2009). Small and micro agribusiness firms by nature avoid formal planning, and as such do not have proper business plans. This in turn makes them not to be able to assess the firm's internal performance, fail to access funds such as loans, and also be exposed to the higher risk of venture failure. A business plan as a living document needs to be constantly updated in order for it to increase the agribusiness SMEs' chances of growing and surviving in the market.

METHODOLOGY

This paper followed both a quantitative and qualitative research paradigm. As was applied in Shafeek (2009) a quantitative paradigm was appropriate on one hand, for the reason that the issues in this particular research have been studied by other researchers hence a substantial body of literature exists. On the other hand, qualitative research methods enabled the researcher to explore on the internal reasons or factors that impede the growth and survival of small and micro firms in Alice communal area were used in this study. As was employed in Pasanen (2006)'s study on SMEs failure, the researcher

used qualitative research in order to evaluate the experiences faced by the small and micro agribusiness owners in Alice communal area, their feelings, beliefs, attitudes and motivations regarding the internal factors affecting the growth and survival of their firms. A questionnaire was developed primarily, on the basis of previous works and consultation with field and academic experts. Minor modifications were made in order to suit the current research context/purpose and the opinions of experts.

Research Setting, Research Sample and Data Collection

The current paper investigated the internal factors affecting the successful growth and survival of small and micro agribusiness firms. The paper followed a quantitative research paradigm and employed a semi structured interviews which allows the use of questionnaires. The sample units of analysis were the small and micro agribusiness firm owners/managers, especially in Alice communal area. As in the case of Shafeek (2009) only those agribusiness firms that comply with the National Small Business Act definition of 1996, with a life span ranging from 3-7 years qualifying these firms to be in the growth phase of the venture life cycle as was advocated by Churchill and Lewis (1983) as well as Timmons (1999). The sample frame for this paper was made up of a list of names and contact details of small agribusinesses in Alice communal area obtained from the department of agriculture in Alice communal area (20 small firms), the Fort Hare community development cooperatives registrar (20 cooperatives) and the Nkonkobe Local municipality (100 vendors).

The representativeness of the sample was of great significance so that the results can be inferential throughout the population. The researcher thus saw it worthy to use the total targeted population of both small agribusiness firms (20) and cooperatives (20), as the samples, since the targeted populations were less than the statistically approved normal size of 30. However, non probability sampling, particularly the criterion and convenient sampling were employed on the agribusiness vendor population (100). Convenience sampling was used in order to cater for challenges such as not finding the vendors at their usual places of business at times. Using the raosoft sample size calculator, 40 vendors were selected. A total of 80 usable

questionnaires were retrieved for the final data analysis.

RESULTS

The research data gathered for this study was coded in short phrases to make it easier to enter into the analysing software, for further analysis. It was analysed using Epi info software. All open ended questions, that is the qualitative data were assigned to themes with numeric codes enabling them to be analysed with Epi info software. It must be emphasised that the context and content of the findings of this paper focused on the micro environment (i.e. internal factors). The research sample is described below.

Sample Description

The sample profiles presented in Figure 1 showed that a majority of the vendors, that is 55%, only attained a primary level educational qualification while half of the co-operative owners, that is 50%, attained a secondary education qualification. No vendor or co-operative owner have a tertiary qualification. However, 30% of small firm owners have a tertiary qualification and 45% have post secondary qualification. Previous experience of an owner/manager is undoubtedly invaluable to the present business. An owner/manager with managerial and entrepreneurship experience is likely to have the necessary skills for the demands of the present business venture. 60% of the aggregate sample has no recognisable experience while 21.25% have only worked in a junior position. Businesses of these owner/managers suffer as they are novice to the business demands. Owner/managers with managerial experience and entrepreneurship experience are only 7.5% and 11.25% respectively.

From Table 1, most vendors run their businesses as sole traders which constitute 85%. The remaining 15% run businesses as a partnership. All the co-operatives run their businesses as a

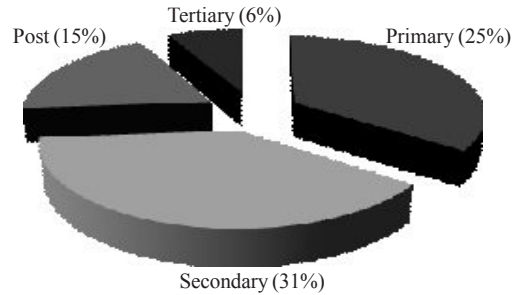


Fig. 1. Education qualifications

partnership. 15% and 10% of the small firms are run as sole traders and partnerships respectively. However, 75% of the small firms are run as close corporation (company). This shows that small firm owners prefer company ventures to sole traders and partnerships. Nonetheless, 46.25% of the total business ventures in Alice communal area are run as sole traders while 35% and 18.75% are run as partnership and close corporations accordingly. A majority of vendors and co-operatives, that is 75% and 55% accordingly, chose their forms of business because there are no formalities required to run such forms of businesses. The mode reason for firms choosing their forms of businesses is that they are easy to register. Other reasons chosen by respondents are that the business ensures limited liability, less cash is required for start up, enjoys joint liability and the business is easy to start (See Fig. 2). Table 2 shows that most vendors and co-operatives (82.5% and 45% respectively), were motivated to start their own businesses because they could not find work. However, a majority of small firm owner/managers were motivated by the independence associated with running own business.

Accuracy and Validity of Measurement

The reliability and validity of the measurement were measured by calculating, in excel, the Cronbach alpha coefficient. George, Mallery (2003) provides the following rules of thumb

Table 1: Forms of business

Form of business	Vendors		Co-operative		Small Firm		Aggregate	
	Frequency	%	Frequency	%	Frequency	%	Frequency	%
Sample size	40	50	20	25	20	25	80	100
Sole trader	34	85	0	0	3	15	37	46.25
Partnership	6	15	20	100	2	10	28	35
Close corporation	0	0	0	0	15	75	15	18.75

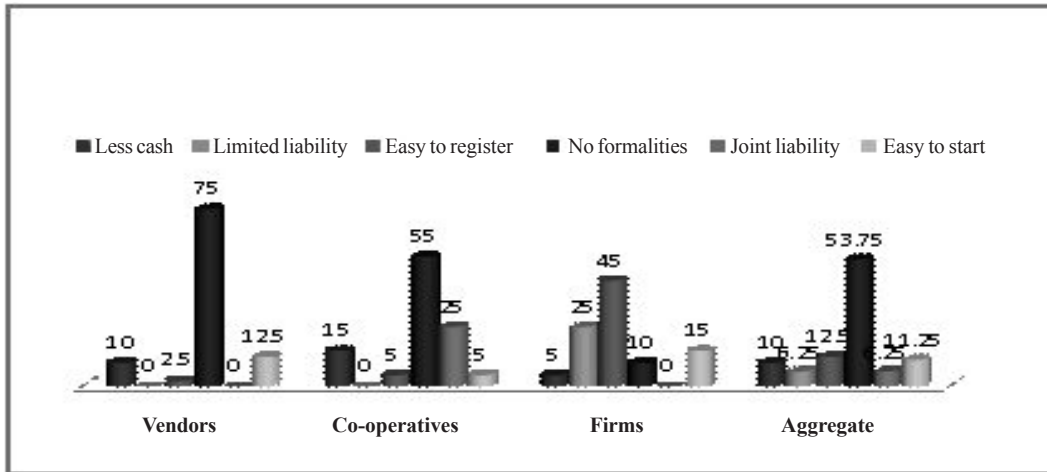


Fig. 2. Reasons for choosing the form of business

Table 2: Motivation of business

Reason	Frequency	Percentage
Financial reasons	11	13.75
Could not find work	45	56.25
Independence	17	21.25
Self-employment	7	8.75
	80	100

for the Cronbach alpha coefficients: greater than 0.8 = good; greater than 0.9 = excellent; greater than 0.7 = acceptable; greater than 0.6 = questionable; greater than 0.5 = poor; Less than 0.5 = unacceptable. The questionnaire developed for the purposes of this paper had a Cronbach alpha coefficient of 0.823 (Table 3). This shows that the instrument's Cronbach alpha coefficient is good and therefore the measurement is valid and reliable.

Table 3: Cronbach's coefficient alpha

Cronbach's Alpha	0.821540881
Split-Half (odd-even) Correlation	0.644185035
Spearman-Brown Prophecy	0.783591896
Mean for Test	2.571428571
Standard Deviation for Test	1.80136003
KR21	0.768867925
KR20	0.821540881

RESEARCH HYPOTHESES TESTING

Impact of Internal Factors on Growth Rate

Logistic regression was conducted to determine the relationships between all the independent variables (otherwise known as the internal

factors) on one hand and the growth rate on the other hand. Moreover, the extent of the impact of the internal factors on the successful growth of small firms was also analysed. In order to invalidate or confirm the hypothesis that there are some internal factors that are considered to be key for SMEs success in the Agribusiness sector in Alice communal area, the P values from the logistic regression were used to test the significance of all the independent variables. When the P value from the logistic regression is <0.05 it means the variable is significant (Pampel 2000). Data from the logistic regression showing the significance (or insignificance) of independent variables is shown in Table 4.

Table 4: Significance of independent variables

Factors	Codes	P	Status
Gender	GE	0.756	Ns
Education	ED	0.991	Ns
Experience	EX	0.256	Ns
Ownership	OW	0.592	Ns
Business plan	BP	0.003	Sig
SWOT analysis	SW	0.041	Sig
Mission / Vision	MV	0.040	Sig

Factors	Codes	P	Status
After sales service	AS	0.117	Ns
Marketing strategy	MS	0.011	Sig
Quality control	QC	0.289	Ns
Organogram	OR	0.810	Ns
Management style	MA	0.239	Ns
Information technology	IT	0.239	Ns
Training	TR	0.124	Ns
Staff appraisal	SA	0.498	Ns
Finance	FN	0.046	Sig

NOTE: Sig means significant, Ns means insignificant

Table 4 shows that 11 internal factors are insignificant. However, the 5 significant factors in the table validates hypothesis H_a , which says: there are some internal factors that are considered to be key for SMEs success in the Agribusiness sector in Alice communal area. Therefore H_0 , which posits that there are no internal factors that are considered to be key for SMEs success in the Agribusiness sector in Alice communal area, is rejected in favour of H_a at 5% significance level. The 5 significant factors show that there are some internal constraints/factors which are considered to be key for SME success in the Alice communal area Agribusiness sector.

Analysis of the Impact of the Internal Factors on Growth and Survival

The following internal factors are discarded from the impact analysis as they are insignificant, that is, their P values are greater than 0.05: gender of owner; educational qualifications of owner/manager; previous experience of owner/manager; ownership status(equity/debt ratio); after sales service; quality control; organogram; management style; use of computers; staff appraisal and training of management and staff.

The 5 significant internal factors (by using their codes) from Table 4 were used to come up with the following logistic regression model: $Y = a + b_1BP + b_2SW + b_3MS + b_4MS + b_5FN$ (Pesaran 2010)

In the model Y represents the growth/survival, a represents a constant while b_1, b_2, b_3, b_4, b_5 are regression coefficients. The regression coefficients determine the extent of the impact of the independent variables on Y . An independent variable with a regression coefficient of 0 has no impact on the adoption. Consequently, the more the regression coefficient exceeds 0, the greater the impact of the independent variable. A positive coefficient increases the probability of growth or survival while a negative coefficient decreases the probability of growth or survival. To determine the influence of the independent variables on the adoption, a comparison of the regression coefficients is made in Table 5.

As indicated in Table 5, all the significant internal factors have positive regression coefficients meaning they increase the growth rate or survival of small and micro agribusiness firms in Alice communal area. The factors are ranked

Table 5: Impact of internal factors on growth

Internal Factor	Regression coefficient	Z statistic	Ranking
BP	2.097	2.456	1
SW	1.214	2.386	4
MV	1.360	4.203	3
MS	1.852	2.898	2
FN	1.061	4.609	5

in terms of their impact or influence on growth rate or survival. The most important factor according to the rankings is business plan, followed by marketing strategy and then mission/vision. SWOT analysis and finance are the least important factors as they have the least impact on the growth and survival of agribusiness SMEs in Alice communal area. SWOT analysis and business plan to the knowledge of the researcher have not been reported anywhere as significant factors. Therefore the two factors are new findings. All the other factors had been confirmed in studies done elsewhere for example; Shafeek (2009) highlighted all these variables as significant. This, therefore, means that firm owners and policy makers must target these significant variables in the case of policy interventions.

DISCUSSION

This paper primarily sought to determine the internal factors affecting the successful growth and survival of small and micro agribusiness firms. The findings confirmed the revealed two new internal factors which are: SWOT analysis and the business plan as part of findings. The study puts the case of overcoming the constraints by encouraging the SME owners/managers to come up with probable strategies to drive growth and survival.

The paper, therefore, encourages SME owners/managers to be innovative in matters concerning the strategic management of their firms. More importantly, the paper has far reaching effect on encouraging SME owner/managers to carry out proper SWOT analysis and own updated business plans. The business operating environments are turbulent therefore SMEs should continuously carry the analysis to be responsive to its environments to remain in business.

CONCLUSION

This paper gives a strong foundation to policy makers to come up with relevant policies. Criti-

cal internal variables highlighted in the paper help policy makers to come up with relevant and effective policies to improve the growth and survival of SMEs. By knowing the critical variables the policy makers can use their resources efficiently to target problematic areas to address the high failure rate of SMEs in the country. SME owner/managers must develop business plans as a guide for their operations. For the plans to be useful, the owner/manager must consult relevant personnel within the organisation. The plans must set clear challenging but attainable growth targets. However, before the comprehensive business plan is developed the owner/managers must do a SWOT analysis. In addition, the government through its agencies must organise provincial skills training workshops for SMEs. However, it is important for the government to create awareness for the skills training before launching the program. The awareness campaign must achieve the following: SMEs must appreciate the relevance of the training to their operations and induce attendance. The workshops ought to concentrate on strategic management, financial management and marketing management. The aim of the training is to equip the SMEs with necessary skills which are currently scarce among them.

REFERENCES

- Baloyi JK 2010. *An Analysis of Constraints Facing Smallholder Farmers in the Agribusiness Value Chain: A Case of Farmers in Limpopo Province*. Masters Thesis, Unpublished. University of Pretoria, Pretoria.
- Bidzakin KJ 2009. *Assessing Performance of Micro and Small Scale Agribusiness in Northern Ghana: Non-Financial and Stochastic Frontier Analysis*. Masters Thesis, Unpublished. College of Agriculture and Natural Resources, Ghana.
- Burns P, Dewhurst J 1996. Small Business. From <<http://www.business.iafrica.com>> (Retrieved 29 June 2010).
- Churchill NC, Lewis VL 1983. The five stages of small business growth. *Harvard Business Review*, 61: 30-50.
- Clover TA, Darroch MAG 2005. *Owners Perceptions of Factors that Constrain the Survival and Growth of Small, Medium and Micro Agribusinesses in KwaZulu-Natal, South Africa*. Masters Thesis, Unpublished. University of Kwazulu Natal, Kwazulu Natal.
- Dodge HR, Robbins JE 1992. An empirical investigation of the organisational life cycle model for small business development and survival. *Small Business Management*, 30: 27-38.
- Fatoki OO, Garwe D 2010. Obstacles to the growth of new SMEs in South Africa: A principal component analysis approach. *African Journal of Business Management*, 4: 729-738.
- Greiner LE 1972. Evolution and revolution as organisations grow. *Harvard Business Review*, 50: 37-47.
- Guzman J 2004. Towards a taxonomy of entrepreneurial theories. *International Small Business*, 12: 77-88.
- Hall G 1995. *Surviving and Prospering in the Small Firm Sector*. London: Routledge.
- Kuratko DF, Hodgetts RM 1995. *Entrepreneurship: A Contemporary Approach*. Orlando: The Dryden Press.
- Mbonyane BL 2006. *An Exploration of Factors that Lead to Failure of Small Businesses in the Kagiso Township*. College of Economics and Management, UNISA, South Africa.
- Mccartan-Quin D, Carson D 2003. Issues which impact upon marketing in the small firms. *Small Business Economics*, 21: 102-177.
- Mpahlwa M 2005. Integrated Strategy on the Promotion of Entrepreneurs and Small Enterprises. From <<http://www.dti.gov.za>> (Retrieved 15 May 2010).
- Nieman G 2006. *Small Business Management: A South African Approach*. Pretoria: Van Schaik Publishers.
- Nieman GH, Nieuwenhuizen C 2009. *Entrepreneurship: A South African Perspective*. Pretoria: Van Schaik Publishers.
- Pampel FC 2000. *Logistic Regression: A Primer*. Sage Quantitative Applications in the Social Sciences Series, No. 132. Thousand Oaks: Sage Publications.
- Pasanen M 2006. *SME Growth Strategies: A Comparison of Young and Long-lived Firms*. PhD Thesis, Unpublished. University of Kuopio, Kuopio.
- Pesaran MH 2010. Order Moving-Average Error. From <<http://www.jstor.org>> (Retrieved 2 December 2010).
- Shafeek Sha 2009. Enhancing the Strategy for Developing Small Growth Potential Firms in the Eastern Cape. From <<http://www.academicjournals.org/AJBM>> (Retrieved 22 September 2010).
- Stokes D, Wilson N 2006. *Small Business Management and Entrepreneurship*. South-Western Cengage Learning: DP Publications Ltd.
- Timmons J 1999. *New Venture Creation: Entrepreneurship for the 21st Century*. Boston: Irwin/McGraw-Hill.