Critical Success Factors for Financial Services SMEs in South Africa

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ABSTRACT

South Africa is increasingly reliant on financial services to obtain access to finance to drive SME growth, improve financial inclusivity and foster social transformation. The South African government has recognized the role of Small Medium Enterprises (SMEs) as such, one of the key objectives of the government has been to prioritize Enterprise Supply Development (ESD) to drive the advancement of small businesses in targeted sectors. However, the money invested by corporates in ESD hasn’t generated the required outcomes. This is exacerbated by the gap in the market for credible Small to Medium Enterprises (SME) within the formal sector.

SME growth rate experienced in the economy is shrinking and the failure rate remains high. The fact that success factors for SMEs depend upon and vary with the industry and country they operate in, it is essential to identify success factors driving SME growth within a specific industry and geographical context in order to improve the success rate and sustainability of SMEs across vertical sectors and industries. The financial services industry is at the heart of the economy and the biggest contributor to the economy, yet, not much is known about success factors driving SME growth in the financial services sector. The Financial Services Sector contributes immensely in facilitating access to finance in our economy. Due to the complexity and sophistication of the financial services, SME’s in this market remain significantly underrepresented.

The purpose of this research is to investigate perceived success factors that SMEs owners/managers in financial services deem as critical to their business success. Through the ranking of the mean factors deemed to impact on SME business success, an understanding of what financial services industry factors were deemed critical was found. The research was conducted using a quantitative methodology. A survey in the form of a questionnaire was designed based on the conceptual framework. Primary data was collected from owners and management of SMEs in Financial Services. A sample size of 111 businesses was collected from financial services firms operating mainly in Gauteng and the Western Cape.
The benefit of this research will contribute to the existing knowledge on factors driving SME growth. The results of this research should provide insight into financial services factors that influence SME growth to improve the representation of SMEs in this sector, thereby assisting government, investors, business incubators and entrepreneurs in sustaining these businesses. Given the role of financial services, this will intern improve the sustainability of SMEs across vertical sectors and industries.

The research finds that finance and resources, management skill, industry specific experience, products & services, Marketing & Distribution, access to business networks and market structure to be critical success factors of SMEs in financial services. Findings suggest that management skill and industry specific experience are critical success factors for SMEs in this sector. SMEs that had more financial services experience felt that they had a better chance of succeeding than those with lower track record. Lack of business support in this sector is also revealed with SMEs highlighting the need for financial, business development and marketing support.

Keywords: critical success factors, SMEs, financial services sector, enterprise supplier development
DECLARATION

I, Snowy Musundwa, declare that this research article is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Business Administration in the Graduate School of Business Administration, University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

___________________________________________

Signed at ..............................................................

On the ........................................ day of ......................... 20.....
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1. INTRODUCTION

1.1 Background

South Africa is becoming more reliant on the financial services sector to drive economic growth, however, SMEs in the financial services sector remain significantly underrepresented with only 4% of start-up businesses being in finance, while 2% are in retail (Seed Academy, 2016). Financial Services contributes immensely to the fundamental role of facilitating access to finance and is considered the backbone of the South African economy. Being the biggest contributor to our economy, Financial Services products enable businesses to start up, expand, increase efficiencies and compete in local and international markets (Sutton & Jenkins, 2007). This sector makes up 22% of the Gross Domestic Product (GDP) and is the largest sector with assets that make up three times of the South African GDP (StatsSA, 2017). The Small Enterprise Development Agency finds in their report that there are only 12% of SMEs operating within the finance and business services sectors, while there are only 34% of these SMEs that are black owned (SEDA, 2016).

There is limited literature investigating the success of SMEs in the Financial Services Sector and none looking at South African SMEs in Financial Services Sector (Ramukumba, 2014). The recognition of success factors that contribute to SME growth and development has been emphasised in studies from both the developed and developing world (Dix & Mathews, 2017; Lampadarious et al., 2016; Naidu, 2017) however, there is limited literature that examines critical success factors at an industry level in South Africa (Mukumba, 2014; Ngek, 2014; Olawale & Garwe, 2010). Business literature emphasises on the role and importance of SMEs in driving employment and economic growth (Quartey et al., 2017; Maksimov et al., 2017; Ayandibu & Houghton, 2017; Booyens, 2011), with considerable amount of literature focusing attention on challenges and success factors of SMEs at an overall industry level (Dix & Mathews, 2017; Chittithaworn et al., 2011; Cant & Wiid, 2013; Olawale & Garwe, 2010; Abor, 2010). Yet there is no consensus from literature of what measure to utilize for success factors (Galawe, 2016; Zhou, 2016; Rose et. al, 2006) and no single accepted model to
incorporate all aspects of small business success with little attention given to critical success factors at an industry level (Lampadorios et al., 2016). This study assumes the conceptual framework adopted by Lampadorios et al. (2016) whom have classified success factors in terms of Entrepreneurial Factors, Enterprise Factors and Business Environment factors.

The purpose of this research is to contribute to the theoretical understanding of critical success factors that contribute to the growth of SMEs in Financial Services Sector. Because success factors for SMEs depend upon and vary with the industry and country they operate in, it is important to understand the specific success factor drivers to improve the success rate of SMEs in specific sectors. Lampadorious et al. (2016) argues that while there’s a wide range of success factors, one success factor might be important in one industry or country and might not be necessarily be the same or of equal importance in another sector or country. It is central to the prosperity of the South African economy to understand which success factors are considered as critical in Financial Services to address the significantly low representation of SMEs in Financial Services.

Against a backdrop of the fundamental role of financials services in facilitating borrowing and savings and the role of SMEs in driving economic development, the substantial growth premium that can result from investing in SMEs in Financial Services should matter deeply to policymakers, corporates, government and ESD practitioners. The paper contributes towards the integration of SMEs success factor theories and provides guidelines in terms of business support required in this sector to improve the success rate of SMEs in this industry. The findings of this research provide insight to small enterprises, investors and government on how business in the financial services industry can sustain themselves, invariably improving access to financial services and driving job creation.

1.2 Problem Statement

This study will focus on utilising a more comprehensive conceptual framework on critical success factors (CSF) model, that comprises of entrepreneurial,
enterprise and environmental factors in an attempt to identify which of the success factors are critical to the growth of financial services SMEs.

There is a wide range of success factors that contribute to the success of SMEs and these vary based on business environment, specifically industry and country the businesses operate in. South African research focusing on SME challenges and success factors have not focused on SMEs at an industry level. Not much is known about success factors influencing Financial Services SMEs in South Africa given the limited literature on SMEs specializing in Financial Services. The research problem derives from the fact that critical success factors depend upon and vary with the industry and country they operate in. The problem statement is to investigate success factors deemed critical by SMEs in the Financial Services Sector. The subproblem is to assess which of the critical success factors has a stronger effect on Financial Services SME success.

The research objectives can be summarized as follows:

- To identify business environment factors that are critical for business growth and success of Financial Services SMEs;
- To identify the entrepreneurial factors that are critical for business growth and success of Financial Services SMEs;
- To identify enterprise factors that are critical for business growth and success of Financial Services SMEs.

1.3 Significance of this Study

Given that the government has prioritized small business enterprises not much is known about success factors required by SMEs at an industry level. Financial Services is a complex and sophisticated sector and a major contributor to the SA economy. The breadth of knowledge required to operate in this sector is correlated to the technical sophistication of the modern financial services (Archer, 2008). The financial services industry is dominated by a high regulatory environment, high market and product concentration, as well as technological innovation to drive costs down leading to threat of substitutes, we are likely to see
some consolidation of small firms either by larger firms or by them exiting (World Economic Forum, 2015).

The benefit of this research will contribute to the existing knowledge on success factors that are critical to SME success and sought to explore success factors unique to the financial services sector. Understanding industry specific success factors can help improve the success rate of SMEs in this sector. This study can further provide insight to small enterprises, investors and government on how business in the formal sector can sustain themselves, invariably improving access to financial services and driving job creation.

1.4 Shortcomings of the Study

A reliable source of official data on SMEs is a challenge for undertaking research on impact evaluation. There is no centralized database of SMEs specializing in the Financial Services sector. Studies conducted with the aim of reviewing the impact of SME programmes found that real impact of SMEs cannot be determined due to the weak state of official data (Rogerson, 2004).

Currently there is no index to measure the number of SMEs in financial services and to track their growth. There is however, the SME Growth Index Fund conducted by South Africa’s Small Business Project (SBP) research company which measures the employment generation and growth potential of over 500 SMEs operating within manufacturing, tourism and the business services sectors (SBP, 2015)

1.5 Definitions of Terms Used in the Study

1.5.1 Small, Medium and Micro-Enterprises (SMEs)

The National Small Business of South Africa of 1996, as amended in 2003, describes an SME as “a separate and distinct entity including cooperative enterprises and non-governmental organizations managed by one owner or more, including its branches or subsidiaries if any is predominantly carried out in any sector or sub-sector of the economy mentioned in the schedule of size
standards and can be classified as a SME by satisfying the criteria mentioned in
the schedule of size standards” (Government Gazette of the Republic of South
Africa, 2003, pg 4). The schedule of size standards defines SMEs in the form of
number of employees and company annual turnover which varies for different
sectors.

SMEs are defined based on the sector, number of employees, total gross asset
value, and turnover in South Africa. Businesses are said to qualify as SMEs if
they have no more than 200 employees and have a turnover that does not exceed
R50 million per annum. These two parameters are the main criteria used to
decide whether a business is an SME or not (South Africa Government, n.d.).

2. LITERATURE REVIEW

2.1 Introduction

This chapter presents literature that is relevant to the research problem. The
literature review covers the South African Financial Services Sector market
structure, outlines the importance of this sector within the broader economy and
then provides literature review on SME critical success factors. This review will
attempt in determining critical success factors affecting business success of
SMEs based on the literature review, broken down into entrepreneurial factors,

2.2 The Role of Financial Services Sector in an economy

The financial services sector has institutional capability, reputation and expertise
to have significant direct impact on expanding economic opportunity. The
financial services sector is the largest in the world in terms of earnings, thus it
contributes significantly to the growth of the global economy (Scholtens, 2006).
Sutton & Jenkins (2007) argue that the financial services sector could change the
way markets operate their influence on shaping policy framework. Access to
finance and financial services affects the productivity of capital by making funds
available to develop projects. The same access also, influences the overall
performance of the economic activity by facilitating payments and ultimately the
cost of trade. From a macro perspective, financial intermediaries affect the amount of savings and investments, while from a microeconomic perspective, intermediaries offer risk management to consumer and business (Scholtens, 2006).

Jalilian & Kirkpatrick (2002) examined the linkages between financial development, economic growth and poverty reduction. They found that the development of the financial sector contributes to poverty alleviation and ensures that the poor benefit from financial development and growth. They further claim that finance does not only follow growth but that finance seems to be a leading factor to economic growth. Therefore, financial services direct the economy and fosters social transformation. Beck et al. (2009) contend that while the most important tasks of the financial sector is to provide savings, payments, and risk management products, it has a positive impact also towards poor households in that they can directly access formal financial services. The importance of this factor being to provide financial inclusivity.

The financial services sector can improve access to finance for small businesses. There is a huge gap in terms of access to finance for small businesses. Given the active role of financial intermediaries such as Private Equity and Venture Capitalists in their investee companies, Diamond & Rajan (2001) argue that, these financial intermediaries can provide financing to young businesses that otherwise would have not obtained funding from external funds. Lee & Wahal (2004) agrees that these financial intermediaries are pivotal in growing businesses by facilitating the creation of public companies. The financial services sector also fosters productivity and efficiencies through technological advances (World Economic Forum, 2015).

2.3 The Role of SMEs in the Financial Services Sector

SMEs are important for job creation in South Africa (Ramukumba, 2014), reducing poverty (Maksimov et al., 2017) and driving local economic development (Ayandibu & Houghton, 2017). Local financial institutions provide thousands of jobs that require skilled workers, improving the number of formal SMEs. Guiso et al (2001) contend that the growth expected from Microfinance, SME finance and
small financial institutions can bring millions of people into the formal financial sector for the first time. They find that local small financial institutions enhance the probability for entrepreneurship, are favourable to market entry, increases competition and promote growth of firms. In their later publication, they argue that local financial development matters now more than ever before, as large firms are becoming less concerned about the local financial system, due to globalisation (Guiso et. al, 2004).

Sutton & Jenkins (2007) emphasise the role smaller local financial institutions play in becoming a significant source of innovation in business models targeting low income markets. They argue that smaller local financial institutions foster diversification through their development of new and unsaturated sectors of the economy. This is supported by the Banking Association of South Africa (2014) whom advocate for innovative and technology-based small and medium enterprises, as they can provide a platform for local, regional and international growth.

2.4 Financial Services Sector: The South African Context

The South African financial Services sector is now the biggest sector in terms of contribution of assets to GDP. The size of the South African financial services, labelled finance, insurance, real estate and business services contributes 22% to GDP and continues to expand having doubled its contribution since 1960 from 10% of GDP to over 20% in 2016 (DTI, 2017). The financial services sector makes up 3,9% of formal employment, contributes over 350 000 jobs and 15% of corporate income tax (AIFMRM, 2014). Its financial structure is sound and sophisticated, having a large, liquid and well-regulated JSE Securities Exchange (JSE) that manages more than R 8 trillion of assets (DTI, 2017). The JSE is the 19th largest stock exchange in the world in 2015.

According to Absip (2017) the Financial Services Sector is dominated by large corporates due to the rigid market structure and unfavourable regulatory environment. The African Institute of Financial Markets and Risk Management find that the Financial services systems are increasing in sophistication as products and regulatory reporting requirements become more complicated and
ranks highly amongst the largest in the world in terms of earnings (AIFMRM, 2014). This is supported by the World Economic Forum’s Global Competitiveness Report that ranks South Africa’s Financial Services sector very highly, ranking 44 out of 137 countries in terms of financial market development (World Economic Forum, 2016).

According to AIFMRM (2014) the breadth of knowledge required to operate in this sector is correlated to the technical sophistication of the modern financial services. Mathematical skills are a basic requirement of the majority of roles in financial services companies. Experience from the sector is a foundational requirement, with specific product knowledge within the relevant sub-sector (Archer, 2008). The demand for specialist mathematical, quantitative and investment expertise far exceeds the supply (AIFMRM, 2014).

Functionally, the financial services sector may be categorised into three primary sub-sectors (FSB Report, 2014):

- Banking and Credit Services (Banks, Mutual Banks, Credit Unions, Microfinance institutions, etc.);
- Insurance (Long-term and Short-term Insurers covering a variety of perils);
- and Investment and Related Services (Exchanges, Security Broking companies, Asset Managers, etc.)
The SA banking sector has been ranked 3rd out of 148 countries in the 2013/14 World Economic Forum Global Competitiveness Survey. (Banking Association South Africa, 2014) The Banking Sector currently employs 177,173 people as at 2015. (Banking Association South Africa, 2016). There are over 84 financial institutions in South Africa, with the ‘big 5’ banks (ABSA, FirstRand, Standard Bank, Investec and Nedbank) accounting for over 90% of SA’s total banking assets, while majority are micro-finance institutions (Stokvels, registered and unregistered lenders/credit providers). (ABSIP, 2017; Banking Association South Africa, 2014)

According to INSETA (n.d.) the insurance sector employs skilled and highly skilled employees, representing a workforce of over 100,000 (excluding people employed in micro-enterprises and informal businesses). The total assets is estimated at R2,567 trillion. According the Financial Services Board 2015 report, there are 163 registered Insurers, classified as 73 Long-term Insurers and 90 Short-term Insurers. (ABSIP, 2017) The ‘top 5’ long term insurance players (Old Mutual plc, Sanlam Ltd, MMI Holdings Ltd, Liberty Holdings Ltd and Discovery Holdings Ltd) account for 67% of the total assets of the industry, while top 5 of

<table>
<thead>
<tr>
<th>Sub-Sector</th>
<th>Measure of market</th>
<th>Assets of Sector</th>
<th>Number of participants</th>
</tr>
</thead>
<tbody>
<tr>
<td>Banks &amp; Capital Markets</td>
<td>Total assets</td>
<td>R4,87 trillion</td>
<td>55</td>
</tr>
<tr>
<td>Insurance</td>
<td>Total assets</td>
<td>R2,58 trillion</td>
<td>73</td>
</tr>
<tr>
<td>Long term Insurers</td>
<td>Total premiums</td>
<td>R0,12 trillion</td>
<td>90</td>
</tr>
<tr>
<td>Short term Insurers</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Investment/Asset Management</td>
<td>Assets under management</td>
<td>R8,9 trillion</td>
<td>130 (126 independent)</td>
</tr>
<tr>
<td></td>
<td>- Institutional</td>
<td>R5 trillion</td>
<td></td>
</tr>
<tr>
<td></td>
<td>- Retail</td>
<td>R2 trillion</td>
<td></td>
</tr>
<tr>
<td>Stock Broking</td>
<td>Total value traded on JSE</td>
<td>R11 785 trillion</td>
<td>55</td>
</tr>
<tr>
<td>Private Equity</td>
<td>Funds under management</td>
<td>R165 billion</td>
<td>55</td>
</tr>
</tbody>
</table>

Source: National Treasury, March 2017
the short term insurance players (Santam, Hollard Insurance, Guardrisk, Mutual & Federal and Outsurance) account for 50% of the total gross premiums written of the industry, the remaining 50% of the industry is highly fragmented.

The size of the asset management industry stands at R8,9 trillion in 2016 and is made up of two sectors: retail and institutional sector, the institutional sector being the largest accounts for about R5, 014 trillion. A study done by RMI Investment Managers (2016) providing industry wide survey on boutiques finds that there are over 126 independent asset managers whom manage 47% of the total assets however, there is a large concentration of asset managers, with the ‘top 10’ asset managers managing 76% of the total market share and include life companies.

This highlights the high market concentration structures that SMEs in that sector are faced with, displaying an oligopoly structure. Oligopoly is defined as a market structure in which a small number of firms has the large majority of market share. As depicted in the literature covered, South African financial services sector is highly regulated and sophisticated in nature requiring a high level of specialized skill to operate in that environment. In such a market, there are high barriers to new entrants that creates economies of scale benefits for large institutions.

2.5 Low Representation of South African SMEs in Financial Services

The Small Enterprise Development Agency (2016) survey provides statistical overview of SMEs in South Africa subsequent to the financial crisis highlighting key issues from the latest literature on SMEs. The Survey finds that SMEs operating in the finance and business services sector are formal, more educated with higher income generation, producing the 3rd biggest turnover versus other sectors. The survey highlights that SME representation overall remains low, with a significantly lower participation in formal sector, amounting to only 667 433 formal SMEs out of a total of 2 251 821 SMEs in South Africa.

The report finds that there are only 12% of SMEs operating within the finance and business services sectors, while there are only 34% of these SMEs that are black owned. There is limited literature on SMEs specializing in Financial Services in South Africa. It is estimated that the failure rate of SMEs in South Africa is
between 70% and 80% (Brink et al., 2003; Cant & Wiid, 2013). South Africa lags behind the developed countries with regards to SME contribution to GDP. In some developed countries, SMEs contribute up to 90% of the GDP (Booyens, 2011). The contribution of SMEs to GDP in South Africa has dropped from 50% to 36% due to the low economic growth environment and high structural unemployment (Global Entrepreneurship Monitor, 2016).

2.5 Business Success Measures

Small business success can be measured by financial and non-financial criteria although the former has been given most attention in the literature. There is no consensus of what measure to utilize for success factors (Galawe, 2016; Zhou, 2016; Rose et al., 2006). For businesses to be deemed successful, financial measurements require increases in profit or turnover and/or increased numbers of employees (Walker & Brown, 2004). Most implicit in these measures is an assumption of growth that presupposes all small business owners want or need to grow their businesses.

Given the use of success measures employed in previous literature, this study employs both financial and non-financial measure to measure business success factors. This method is considered appropriate as the study focuses on factors that influence SME growth, placing emphasis on growth as a sustainability aspect. Financial measures can be measured in terms of Return on Investment, profitability or growth. This measure is widely used in business, reflected in the financial statements and is deemed an “objective” measure (Zhou, 2016). Growth is measured in terms of annual turnover and number of employees. Non-financial measure utilized in this study are measured in terms of years of operation.

2.6 Success Factors: Theoretical Framework

There has been no consistent theoretical framework establishing critical success factors in SMEs (Dix & Mathews, 2017; Cartam & Saebel, 2011; Simpson et al., 2004; Bullen and Rockart, 1986). Studies focusing on developing and underdeveloped markets focusing on success factors found various factors
influencing SME business success (Chittithaworn et al., 2011; Islam et al., 2011; Rose et al., 2008) The studies find that SME success is dependent on several factors that need to work simultaneously in order for the business to become successful.

Most studies investigating success factors agree that there is no consistent definition of what constitutes critical success factors (Gosch & Kwan, 1996). This study assumes the conceptual framework adopted by Lampadarios et al. (2016) whom have classified success factors in terms of Entrepreneurial Factors, Enterprise Factors and Business Environment factors as depicted in the figure 2 below. This model distinguishes a number of internal and external factors and is derived from empirically validated PESTEL model. It separates internal factors into Entrepreneurial Factors and Enterprise Factors, while considering external factors as Business Environment factors. According to Lampadarios et al. (2016), whom investigated critical success factors for SMEs in the UK Chemical Distribution Industry, this is the most extensive up-to-date framework establishing critical success factors based on literature. Lampadarious et al. (2016) defines Critical Success Factors according to Rockart (1979) definition as “Areas in which results, if they are satisfactory, will ensure successful competitive performance for the organisation”. Utilising existing business literature of Amoros (2011); Chawla et al. (2010); Lussier (2010); Dobbs & Hamilton (2007), he establishes the following critical success framework that categorises critical success factors into Entrepreneurial, Enterprise and Business Environment factors, as depicted in Figure 1 below:
Entrepreneurship studies in South Africa have explored various framework for exploring success factors contributing to SMEs performance (Naidu, 2017). South African literature looking at critical success factors for SMEs has not focused on industry specific research and there hasn’t been South African studies that utilised the Lampadarios et al. (2016) framework. Previous studies focused on identifying internal and external environmental factors influencing business success as well as overcoming SMEs challenges through critical success factors (Olawale & Garwe, 2010; Ramukumba, 2014). A similar study investigating internal and external factors of SMEs focused on SMEs in the Johannesburg region, while the other looked at performance of SMEs in Kwazulu-Natal, both were not industry specific (Zhou, 2016; Sitharam & Hoque, 2016). A recent South African study utilised surveys to investigate internal and external risk factors in establishing the success factors of SMEs (Galawe, 2017).

Entrepreneurship characteristics mostly identified by different sources were found to be Management Competence (Zhou, 2016; Ramukumba, 2014; Olawale &
Garwe, 2010) and Managerial Skill (Zhou, 2016; Sitharam & Hoque, 2016; Ramukumba, 2014). The Enterprise Factors that were found to be common by South African studies influencing SME success were found to be Finance and Business Networks (Galawe, 2017; Makina et al., 2015; Olawale & Garwe, 2010; Mutezo, 2009). The common success factors mostly found by South African studies that could be bucketed under business environment factors influencing SME success were found to be Economic Conditions, Infrastructure and Competition (Sitharam & Hoque, 2016; Olawale & Garwe, 2010).

2.7.1 Entrepreneurial Factors

There is no consensus on the definition of Entrepreneurial competencies (Rezaei-Zadeh et al., 2017). Entrepreneurial competencies has been defined in this study as a combination of three elements (Rezaei-Zadeh et al. 2017, p.3): personal attributes/traits, that is, a distinguishing quality or feature regarded as a characteristic or inherent part of someone; skills/abilities, that is, the ability and expertise to do something well; knowledge/experience, including, facts, information, and talent acquired through education; practical contact with and observation of facts/events; the theoretical or practical understanding of a subject.

Around the world, entrepreneurial competence has been found to be an essential factor for a successful start-up and a pre-requisite for sustainable business success (Rose et al. 2006; Chittithaworn et al., 2011). Key entrepreneurial competences found to have a positive relation with business success have been found to be within competency areas within operations, finance, marketing and human resources (Rose et al. 2006).

The ability to grow a business relies on many factors. One such key factor is the management’s competence, skills and experience (Brière et al., 2014). Soriano & Castrogiovanni (2012) found positive relations between SME success (firm performance) and the level of education, skills, experience and prior knowledge of the management team.
Mamabolo et al. (2017) investigated the entrepreneurship management skills required by SMEs in an emerging economy such as South Africa. They commence by providing a distinction between management competency and management skill. They define management competency as ‘the ability to perform in a manner that satisfies or surpasses the set performance criteria as a result of the combination or integration of knowledge, skills and other personality characteristics’. Management skills is defined in the context of the tasks performed. They conclude by identifying the following categories of skills required by entrepreneurs in order for them to succeed. They are financial management, human resource management, start-up, social and interpersonal, leadership, personality, marketing, technical and business management skills. Unger et al. (2011) agrees that management skills and task related knowledge is found to improve efficiency, having a positive impact on the success of the SME than formal education. Soriano & Castrogiovanni (2012) further contends that industry-specific knowledge is positively correlated to both profitability and productivity of SMEs acquired by CEO/owner prior to starting up the firm.

2.7.2 Enterprise Factors

The common enterprise factors that is found to impact business success for SMEs in South Africa is found to be financial resources. Access to finance remains one of the main growth constraints to SMEs (Beck & Demirguc-Kunt, 2006; Rogerson, 2008; Herrington et al., 2009). Olawale & Garwe (2010) investigate the obstacles to the growth of new SMEs in South Africa and agree that the most important obstacle is financial which he argues to be largely an internal factor. According to Global Entrepreneurship Monitor (GEM) other additional pertinent reasons for lack of access to finance were the inability to produce an acceptable business plan, poor market research and the absence of a viable business idea, and lack of access to vibrant markets (SEDA, 2016).

Mutezo (2009) found that there is a high failure rate for small business mainly due to lack of access to finance to start-up and to fund expansion. Pretorius & Shaw (2004) evaluates the application and decisioning making process of four South African commercial banks in financing new business ventures and found that
banks provide finance to business ventures that are creditworthy but with high failure rate as opposed to assisting business ventures with good business plans and potential but lacking in collateral.

Galawe (2017) investigated the endogenous and exogenous risk factors in the success of South African SMEs found that financial capital is by far the most influential predictor of financial performance. Makina et al. (2015) utilized data from the FinScope Small Business Survey South Africa (2010) covering 5,667 small businesses to estimate the effect of access to credit on firm size. The study found that formal finance fosters the growth of SMEs and enables them to graduate into large firms. In their later publication they conclude that access to formal credit by SMEs has a positive relationship with firm size as measured by the number of employees (FinMark Trust, 2017).

Watson et al (1998) finds that finance and marketing are particular problems for small business owner-managers. They emphasize that finance was more a problem for those who had ceased trading, while marketing/selling the product or service and dealing with the competition were more problematic for those still trading. Cooper & Bretani (1991) examine industry specific success factors by looking at 56 successful and 50 failed products of industrial financial services industry and find that quality of execution of marketing activities, quality of execution of product launch, quality of execution of technical activities are strongly associated with success rate. SMEs will likely benefit by applying innovative marketing, emphasizing quality, and differentiating their offerings through product specialization (Knight, 2000).

2.7.3 Business Environmental Factors

Economic Conditions, Infrastructure and Competition have been found to be the most common environmental factors affecting business success (Sitharam & Hoque, 2016; Olawale & Garwe, 2010). As there hasn’t been studies looking at SMEs in Financial Services Sector, not much is known about how the Legal and Regulatory Framework are impacting SMEs in this sector. Former empirical research investigating factors affecting business success of SMEs using both surveys and case studies from an environmental point of view, found that
business support is a critical success factor. As far as back 1991, Financial support, Access to market and Marketing support have been found to be the top three business support requirements stated by entrepreneurs to grow their business (Watson et al., 1998; Cooper and Bretani, 1991). Rogerson (2001) agrees and finds access to markets to be the most important success factor for small enterprise growth. Most recent empirical research supports this and finds that clients was the number one top challenge that entrepreneurs face in their business (Seed Capital Survey, 2017).

Previous studies looking at the impact of government programmes and development on SMEs found that access to markets is the most critical impediment to business growth (Rogerson, 2001; Beck & Demirguc-Kunt, 2006). As such, majority of studies looking at success factors have recommended for more government and business support programmes to help drive SMEs success rate by providing access to networks, supply chain and distribution. (Zhou, 2017; Galawe, 2017; Ramukumba, 2014; Watson et al., 1998; Cooper & Bretani, 1991).

As such, there’s new research in South Africa focusing on the impact of Enterprise Supply Development and its impact (Discala, 2015; Impact Amplifier & NYU Center for Global Affairs, 2013; Ryan, 2012)

2.7.3.1 Business Support - Why ESD is relevant?

Enterprise and Supplier Development is a global socio-economic tool designed to achieve positive social and/or environmental impact through impact investing by facilitating the growth of SMEs (Center for Global Affairs, 2013). ESD is a global concept that has proven to stimulate economies, diversify supply chains and create jobs by supporting and stimulating the growth of SMEs (Discala, 2015). As such, ESD can be seen as a form of business support programme.

ESD can be utilised to improve access to funding for SMEs. ESD can help SMEs with deal flow by providing access to markets and networks that further reduces risk as large firms provide stable markets and capacity-building support. There are also benefits to large firms such as enabling them to get to know their markets better, by accessing non-traditional networks while leveraging distribution networks (Sutton & Jenkins, 2007).
ESD can be utilized to develop supplier development. Measured enterprises in South Africa are now required to spend 2% of their net profit after tax annually on supplier development and a further 1% of the net profit after tax on enterprise development and sector specific programmes. (Edge Growth, n.d.) Edge Growth, n.d. argue that corporates should view their ESD spending as a company’s strategic decision as enterprises that seek to strengthen their own business and competitiveness against a competitor who may have weaker suppliers, could strategically align and integrate their business strategy with an ESD strategy.

There’s been extensive research covered by South African authors measuring the nature, the role and the contribution of ESD and SME’s in creating employment and driving economic growth (Ryan, 2012; Discala, 2015). ESD Performance has been found to vary. Some authors found that while the main reason stated by corporates in implementing ESD Funds is to develop SME and drive employment creation, others found that the main reason was aligned to national economic transformation agenda, however, there was no incentive for corporates to achieve a significant impact (Ryan, 2012; Discala, 2015). Despite the growth in funding being facilitated by ESD programmes, access to funding remains a problem for small enterprises, in particular a problem for empowerment groups in South Africa (Muteza, 2009). Impact Amplifier & NYU Center for Global Affairs (2013) finds three main challenges that are hampering the transformative potential of enterprise development being: the business skills deficiencies of small entrepreneurs; the gap between the objectives of enterprise development and their application; and the lack of measurement frameworks. Seed Capital (2017) published a survey on the Real Estate of Entrepreneurship in South Africa by analyzing 15 ESD programmes and found that about 80% of the businesses being developed through the ESD programs are not being used as those company’s suppliers even though there is an agreement that these businesses can deliver. They argue that ESD performance was largely correlated with a corporates approach to BBBEE compliance versus value add. Ryan (2012) agrees and finds that the structure of most ESD Funds was largely correlated with the BEE legislative requirements.
The ESD report done by Impact Amplifier & NYU Center for Global Affairs (2013) identify that there is a critical need for business development services (BDS) to ensure sustainability of the supported enterprises. They find that due to time constraints and lack of inhouse enterprise development skill, most corporates have not implemented BDS-centred Enterprise Development strategies. The lack of growth reflected on SMEs have resulted in many studies calling for a new framework to help SME’s grow (Finscope, 2010) with many authors calling for a holistic approach to supporting SME’s (Galawe, 2017).
3. RESEARCH METHODOLOGY

3.1 Introduction

The objective of this chapter is to describe the overall methodology employed to address the propositions stipulated in the previous chapter. The choice of methodology then informed the research design and research instrument which in turn describe the data analysis procedure carried out and the statistical techniques employed. Lastly, this chapter describes the points of validity and reliability taken into consideration as part of the research to relay the accuracy of the results.

The research problem aims to identify the critical success factors that SMEs in Financial services perceive to affect their business success. The research is aimed at providing a solution to the following hypotheses which were derived from the theoretical framework.

Hypothesis statement:

H1: The success and growth of SMEs operating in the Financial Services Sector is positively influenced by (2) entrepreneurial factors, namely: (j) Management Skill (k) Industry Experience to influence their business success and growth.

H2: The success and growth of SMEs operating in the Financial Services Sector is positively influenced by (4) business environment factors, namely: (l) Finance and Resource, (m) Marketing & Distribution, (n) Product & Service (o) Business Support to influence their business success and growth.

H3: The success and growth of SMEs operating in the Financial Services Sector is positively influenced by (9) business environment factors, namely: (a) Economic Environment, (b) Market Structure, (c) Legislative Environment, (d) Regulatory Environment (e) Competition (f) Government Support (g) Collaboration with industry stakeholders (h) Access to Skilled Mentors and Coaches (i) Access to Business Networks.
3.2 Research Philosophy and Methodology

A research philosophy is a belief about the way in which data about a phenomenon should be gathered, analysed and used. The research philosophy adopted was positivism. Positivism relies on the hypothetico-deductive scientific method. The method involves systematic observation and description of phenomena contextualized within a model or theory, the presentation of hypotheses, the execution of tightly controlled experimental study, the use of inferential statistics to test hypotheses, and, finally, the interpretation of the statistical results in light of the original theory. (Ponterotto, 2005, p128)

Positivism as a research paradigm allows for generalisation, thus, the theory can be generalized at a larger degree. The advantage of this approach is its objectivity when analysing and interpreting data, validity and reliability can also be improved through careful sampling (Bryman, 2017). This research methodology follows a quantitative approach. Quantitative Research is empirical, using numeric and quantifiable data to prove or disprove a hypothesis, as such future predictions can be made. Generally speaking, quantitative methods focus on the strict quantification of observations (data) and on careful control of empirical variables (Ponterotto, 2005).

3.3 Research Design

The research sought to explore critical success factors for SMEs in the Financial Services Sector. A survey strategy was considered most appropriate research design for this study. The rationale was that in a quantitative cross sectional research study, defined as "the study of a particular topic at a particular time, i.e. a snapshot" (Saunders & Lewis, 2012), the researcher is able to quantify the extent to which the success factors under consideration are critical to SMEs business survival and how these factors are interlinked. Additionally, the design allowed for the pre-setting of questions to which the respondents had to respond to. Structured questionnaires are appropriate for a large number of participants in descriptive research (Saunders & Lewis, 2012). Descriptive surveys are concerned with particular characteristics of a specific population and are predominantly used to gather information about what people
do or think. In terms of this research this strategy proved the most useful to determine how the SME owners rate the importance of entrepreneurial, enterprise and business environmental success factors, to their business success. Therefore, this was a perception study. Similar studies investigating success factors of SMEs utilized this methodology as they found it suitable for entrepreneurial or management studies (Ramukumba, 2014). The research did not seek to show inference or causality hence it is a descriptive, formative study seeking to show relationships. The intentions of this study was to form the basis for future research that could show causality between the critical factors for SME survival and the measure of success.

The research design chosen allowed for quantifiable numerical data to be collected thus allowing tests of statistical significance to be conducted to answer the research questions. Quantitative research may be divided into two general categories: experimental and nonexperimental. (Belli, 2009) Non-experimental research designs include descriptive research, historical and correlation designs (Cook & Cook, 2008). This is a non-experimental research as the variable under study in the current research does in fact not lend itself to manipulation and the aim of the research is to identify critical success factors of SMEs in Financial Services.

3.4 Research Population and Sampling Method

3.4.1 Research Population

The population is defined as a collection of all the observations of a random variable under study and about which one is trying to draw conclusions in practice (Bernard & Bernard, 2012). A researcher may be faced with a situation in which a population may be virtually impossible to access for research (Faugier & Sargeant 1997). There is no complete set of data on SMEs in Financial Services. The research population consisted of South African Boutique Asset Managers, Stockbroking, insurance, auditors, advisory services and FinTeck entrepreneurs running a combination of tech and financial services business. Most of these businesses predominantly operate in Gauteng and Western Cape, which is a fair
representation of the geographical demographic nature of South African Financial Services Sector. As all these businesses, were registered businesses, the stated number of SMEs is just an estimate which excludes some of the SMEs which are not registered and cannot be accounted for.

3.4.2 Sampling

A sample is a set of individuals selected from a population and intended to represent the population under study (Saunders & Lewis, 2012). Sampling is a process of selecting research participants. Samples are drawn because it would be impractical to investigate all members of a target population (Bernard & Bernard, 2012).

Judgemental sampling was used to determine the sample, a purposive non-probability sampling technique. The judgemental sampling method is described as a method whereby the researcher selects sample members based on knowledge or professional judgement. The researcher, a specialist in Financial Services, utilised her networks and consulted with various research institute specialising in the Financial Services sectors whom gather data to access the complete list of SMEs specialising in those sub-sectors, these included Multi-Managers, Enterprise Supply Development Practitioners, Small business Agencies and Associations. Most organisations had part of the list or possessed lists of SMMEs which due to privacy laws, were not accessible. Judgemental sampling technique is employed as the desired population for the study is uncommon and very difficult to locate and employ due to lack of data of SMEs in Financial Services.

The researcher targets a particular group of people whose background expertise relates to the objective of the study (Kothari, 2004). There are two limitations generally associated with judgemental sampling method, both affects bias and reliability. In this research, in order to avoid issues of reliability, the selected sample members were chosen with certainty. Sample members were selected based on a specific criterion, being the business had to be registered, the business should have no more than 200 employees, must have a turnover less than R50million and should have financial records. (DTI, 2008). The sample had
to be representative of the financial services sector and include businesses in each subsector. A sample member should be owners of SMEs such as CEO’s or Executive Management. This would ensure that the selected sample would have a high probability of acceptable levels of owner management theories when answering a web-based survey with questions related to factors affecting success in business. This in turn increases the probability of receiving quality data (Makridakis, 1996). Sample size for when conducting purposive non-probability sampling is generally unclear (Kothari, 2004). For this study, the sample size was 111 registered financial services SMEs.

3.5 Survey Design

Literature review reflected in chapter 2 along with expert interviews operating as business incubators within the financial services sector was utilized to formulate a structured online self-administered questionnaire and designed to address the hypothesis of the research. The questionnaire was designed specifically for this study and structured according to constructs as defined in the Literature Review. The questionnaire had three sections. The first part comprised of demographic and profile information of the participants, the second part was intended to score factors of business success and challenges. The third part was intended to identify perceived business support requirements and the last section participants were asked to score the importance of ESD and its impact. The questionnaire for each section was designed as follows:

**Section A: Demographic Information**

This section used close-ended questions to obtain more specific set of result that would provide information such as specialty of the business, region, gender, age of business, ethic and education. The questions in this section were in a multiple-choice format which allowed participants to choose one or more alternatives in some instances. The rationale behind these demographic questions is that it would be easier to code, interpret and compare. This would provide insights into differences between demographic groups or correlation between success factors related to a firm’s year of operation.
Section B: Success factors perceived by SMEs in Financial Services

To determine success factors, the respondents were asked to rank statements on contextual condition related to each success factor faced by the respondents. Five-point liker scale anchored by extremely important and not at all important, were applied to measure the perceived successes factors and strongly agree and strongly disagree to measure the perceived factors to business impediments and business support required. The Five-point linker scale will allow us to measure how SMEs in Financial Services perceive factors affecting their business success.

Section C: ESD

The research also wanted to obtain what type of support the SMEs in Financial Services Sector has been receiving from ESD Funds and its impact. The questionnaire for this section was multi-choice and five point liker scale to determine the impact ESD was having in the sector and to identify the ESD business support required that the participants feel are important in driving business success.

3.6 Data Collection

For purposes of this research, a descriptive online survey was conducted to determine if the characteristics of the target population or phenomenon being studied was correct (Altinay & Paraskevas, 2008). The advantages of utilising an online survey include: it is considered the most commonly used method of data collection, cost and administratively effective thus allowing the study to reach more entrepreneurs whom would be difficult to reach through another channel, reaching them all at once. The disadvantages of online survey were considered, mainly being concerns around access and sampling.

In this study, the researcher utilized Survey-based and multiple source data. The researcher sought help for SME email contacts from businesses specializing in research in those sectors. To cover the asset management sector, data was obtained from RMI Investment Managers boutique asset management industry
Survey conducted in 2016, covering South African asset management boutiques in their study, while the Stockbroking Sector, a list was obtained from Sharetraking, a leader in Stock market Education. Sectors which were more niche and harder to get, data was obtained from AlphaCode, which is a club for next generation fintech entrepreneurs. The AlphaCode base is predominantly business owners running a combination of tech and financial services business. 60% of the more mature businesses are based in Western Cape Town and the rest in Johannesburg where mostly are find first-time entrepreneurs with a corporate background. In order, not to exclude SMEs that are not affiliated to any of the identified business organisations, this study utilised platforms like LinkedIn and Facebook to get more participants. This action was taken to minimise the bias against individual businesses with no affiliation.

The data was representative of SMEs in South Africa specializing in the Financial Services Sector because the represented all sub-sectors, based on their physical businesses addresses, where all located in Johannesburg and Cape Town, which are two provinces where Financial Services firms are mostly based in South Africa. The survey was directed to all Financial Services subsectors however the response rate was highly skewed to Asset Management firms and other.

3.7 Data analysis and interpretation

The survey monkey software allowed for the automatic data capturing and statistical programs such as Microsoft Excel and IBM SPSS statistics was used to analyse the questionnaire responses (IBM SPSS, 2016). Firstly, data was downloaded from the survey monkey software and organized in an excel format and imported into SPSS. Descriptive statistics, means, standard deviations and variances were used as part of the data analysis to provide simple summaries about the respondents and research constructs. These methods allowed the researcher to capture and collate the data and process all statistical information correctly to ensure validity and reliability.

In determining critical factors that drive business success factors of SMEs specializing in Financial Services Sector, the perceived success factors for Financial Services SMEs were measured using a five-point Likert scale where a
rating of 5 was strongly agree, 4 was agree, 3 was neutral, 2 was disagree and 1 was strongly disagree. The rating provided an inference of what constituted the critical factors as perceived by the SMEs. A higher rating was inferred the factor being critical for SME survival and a lower rating inferred the factor not being critical for SME survival. Linkert scale questions were converted from text to numerical data as the factor analysis statistical tests required ordinal or scale data. Ordinal is a type of categorical data with a rank order (Saunders & Lewis, 2012).

A series of one-sample t-tests was done to determine critical success factors. Due to the ordinal nature of the data, a Spearman correlation was conducted to determine if any multilinearity exists. The study utilizes correlation research to determine success factors related to SME growth. Correlational research examines the degree to which two or more variables are associated or related (Creswell & Creswell, 2005). However, just because two variables are related does not necessarily mean that one caused the other, as such, this research is not designed to establish evidence-based practices. Kruskal-Wallis one-way analysis of variance statistical test was applied as data was collected on an ordinal scale and this non-parametric test is the most appropriate when there is a random selection of 40 independence in the samples (Kothari, 2004).

3.8 Reliability and Validity

Reliability relates to the consistency or dependability of a measure while validity relates to whether it is measuring what we intend it to measure and represents the overarching quality of the measure. (Kothari, 2004). A pre-test was conducted on respondents who were not an element of this study to evaluate the appropriateness of this questionnaire in terms of any errors, the length of the questionnaire, the relevance and clarity of the questions.

3.9 Ethical Considerations

Application for ethical clearance to conduct the study was applied for and approved by the University. When collecting data using questionnaires, there are
ethical issues that need to be observed by the researcher. The researcher obtained consent from the participants as well as accurately explained the purpose of the research and the rationale behind it. A cover letter confirming their consent was requested from each respondent and confidentiality of the participants guaranteed.

4. RESULTS

4.1 Introduction

In this chapter the results obtained from the data collected will be provided. The following analysis will be provided:

- Kolmogorov-Smirnov testing for normality
- Descriptive statistics providing insight and detail description of the sample
- A test of the reliability using the Cronbach alpha for the Likert scale items
- Descriptive statistics per questionnaire and frequency analysis
- A series of one-sample t-tests to answer Hypothesis H1, H2, H3

4.2 Descriptive Statistics of the Sample

A total of 45 respondents completed the questionnaire from a distribution of 110 surveys. The low response rate of 40% is similar with business management studies that show a low participation rate of entrepreneurs, specifically SMEs.

In this section the frequency analysis was conducted to determine the centrality of the data. Where applicable the mean and standard deviation was required. Figure 2 below represents the area of specialty within Financial Services represented by the sample. Most cited subsector in financial services were enterprises in Asset Management (42.55%), Banking (10.63%) and Other (25.53%). Other subsectors had less than 10% of respondents.
Table 4 below presents the characteristics of the businesses with regards, size of business in terms of turnover, number of years in operation, industry experience and BBBEE ownership level. The results indicate that 60% of respondents were business owners, the rest were executive management (CEO/MD). Majority of the respondents where male (82%) versus female (17%). With regards to formal qualification, the industry is dominated by Masters Degrees (42%) followed by Honours degrees (40%). Over 49% the founders and executive management within these businesses have over 10 years of financial services industry experience. This is indicative of the highly skilled sophisticated nature of the financial services sector as represented by Figure 3 below.
Figure 3: Prior knowledge and industry experience

Approximately 53% of businesses had an annual turnover of less than R 5 million, 21.28% had between R10 million and R25 million, while 11.11% had an annual turnover between R25 million and R50 million. Majority of the business (21 respondents) had less than five employees. Half of the business had a BBBEE level status of one, whilst 12.20% were non-compliant contributors, reflecting that most of the business were black owned businesses.
**Table 2: Characteristics of the Businesses**

<table>
<thead>
<tr>
<th>Table 3: Characteristics of the Businesses</th>
<th>Percentage</th>
<th>Frequency</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Position</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Owner/Founder</td>
<td>60.00%</td>
<td>27</td>
</tr>
<tr>
<td>Executive Management</td>
<td>28.67%</td>
<td>12</td>
</tr>
<tr>
<td>CEO/MD</td>
<td>13.33%</td>
<td>6</td>
</tr>
<tr>
<td><strong>Gender</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Male</td>
<td>82.22%</td>
<td>37</td>
</tr>
<tr>
<td>Female</td>
<td>17.78%</td>
<td>8</td>
</tr>
<tr>
<td><strong>Qualification</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Matric/Grade 12 or less</td>
<td>0.00%</td>
<td>0</td>
</tr>
<tr>
<td>Certificate/Diploma/Degree</td>
<td>17.78%</td>
<td>8</td>
</tr>
<tr>
<td>Honors Degree</td>
<td>40.00%</td>
<td>18</td>
</tr>
<tr>
<td>Masters Degree</td>
<td>42.22%</td>
<td>19</td>
</tr>
<tr>
<td>Doctorate</td>
<td>0.00%</td>
<td>0</td>
</tr>
<tr>
<td><strong>Financial Services Experience</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than one year</td>
<td>4.44%</td>
<td>2</td>
</tr>
<tr>
<td>Less than 3 years</td>
<td>8.89%</td>
<td>4</td>
</tr>
<tr>
<td>Less than 5 years</td>
<td>15.56%</td>
<td>7</td>
</tr>
<tr>
<td>Less than 10 years</td>
<td>22.22%</td>
<td>10</td>
</tr>
<tr>
<td>Over 10 years</td>
<td>48.89%</td>
<td>22</td>
</tr>
<tr>
<td><strong>Average Turnover</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Turnover less than R 5 million</td>
<td>53.33%</td>
<td>24</td>
</tr>
<tr>
<td>Turnover more than R5 million but less than R10 million</td>
<td>15.56%</td>
<td>7</td>
</tr>
<tr>
<td>Turnover more than R10 million but less than R25 million</td>
<td>20.00%</td>
<td>9</td>
</tr>
<tr>
<td>Turnover more than R25 million but less than R50 million</td>
<td>11.11%</td>
<td>5</td>
</tr>
<tr>
<td><strong>Number of people employed</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Less than 5 employees</td>
<td>42.22%</td>
<td>19</td>
</tr>
<tr>
<td>Between 6 and 10 employees</td>
<td>28.89%</td>
<td>13</td>
</tr>
<tr>
<td>Between 11 and 50 employees</td>
<td>26.67%</td>
<td>12</td>
</tr>
<tr>
<td>Over 50 employees</td>
<td>2.22%</td>
<td>1</td>
</tr>
<tr>
<td><strong>BBBEE Level Status</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Level one contributor</td>
<td>51.22%</td>
<td>21</td>
</tr>
<tr>
<td>Level two contributor</td>
<td>21.95%</td>
<td>9</td>
</tr>
<tr>
<td>Level three contributor</td>
<td>2.44%</td>
<td>1</td>
</tr>
<tr>
<td>Level four contributor</td>
<td>12.20%</td>
<td>5</td>
</tr>
<tr>
<td>Level five contributor</td>
<td>0.00%</td>
<td>0</td>
</tr>
<tr>
<td>Non-compliant contributor</td>
<td>12.20%</td>
<td>5</td>
</tr>
</tbody>
</table>
Figure 4 below demonstrates the number of years the businesses had been operating according to the number of years the business had been in existence. There was a balanced mixture of different stages of the business lifecycles. Most of the businesses had been operating for less than 3 years (40%) reflecting that most businesses were in the start-up phase. About 33% of the businesses have been operating for more than 5 years reflecting those businesses in the growth phase.

**Figure 4**: Years of business operation

4.3 Testing the reliability of the survey instrument

To test for reliability and internal consistency of the success factors, the Cronbach alpha for the Likert scale items was calculated to measure the questions in the survey instrument. The survey instrument was deemed satisfactory as all the values for the Cronbach alpha for each survey question was above 0.60. Cronbach alphas of greater than 0.60 in exploratory studies are the most acceptable cut-off values measuring the level of reliability as satisfactory.
4.4 Descriptive Statistics

Literature detailed the entrepreneurial, enterprise and business environmental factors that have an impact on SME business success and growth. In this section, frequency analysis was conducted to determine the centrality of the data. Where applicable the mean and standard deviation was required.

On a five point Likert scale, with a rating of five (5) being "extremely important", four (4) being "very important", three (3) being "moderately important", two (2) being "somewhat important" and one (1) being "not at all important", respondents were asked to rate statements regarding critical factors affecting business success. Participants were also asked to identify the most important entrepreneurial, enterprise and business environment factor, introducing a further element of factorization to support the selection of the most important critical success factors.

In order to justify the use of non-parametric testing for ordinal data collected, Table 10 annexure A provides the Kolmogorov-Smirnov test. The table reflects a non-significant result, with a Sig. Value 0.00, indicating normality, as such the distribution of scores was not normal, justifying the use of non-parametric testing.

4.4.1 Descriptive Statistics: Business Environment Factors

Figure 5 below provides descriptive statistics that shows the ranking of the business environment factors ranked in terms of importance. The results indicate that 46,67% of respondents ranked access to business networks extremely important factor, while 37,21% of respondents ranked marketing structure as extremely important. Only 24% ranked legislative environment as extremely important. The results infer that most of these business environmental factors are seen as important as far as SMEs opinions are concerned. In all business environmental factors, less than 2% of the SME owners viewed them as not important or not important at all with very few of them seen as neutral.
In order to identify critical factors, t-tests summary were utilized to provide the mean and standard deviation. A higher mean rating implied that the factor was deemed critical for business success. The mean scores for each environment, entrepreneurial and enterprise factor were calculated to determine which of the factors had the highest mean scoring. The mean scores of all success factors are presented Table 5 in a descending order that provides the one-sample t-tests of critical factors. Table 5 below provides the t-test summary that provides the mean, standard deviation, degrees of freedom and p-values for all success factor. This infers that factors deemed critical are factors that had a mean score above 4. Those with a mean score below 4 were not deemed very critical.

To determine critical business environment success factors, the one-sample t-tests revealed, as provided in Table 4, revealed that access to social and business networks had the highest business environment factor ($M=4.19$, $SD=0.73$), followed by market structure ($M=4.19$, $SD=0.73$) As such, these were deemed the most critical business environment factors. Access to skilled mentors and coaches ($M=3.39$, $SD=1.26$) and legislative environment ($M=3.6$, $SD=1.19$) had the lowest mean suggesting that these factors were deemed not critical success factor in driving business success for financial services SMEs.
Table 3: Mean score for critical success factors items - Business Environment Factors

<table>
<thead>
<tr>
<th>Business Environment Factors</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Analysis N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Access to Business Networks</td>
<td>4.17</td>
<td>1.022</td>
<td>45</td>
</tr>
<tr>
<td>Market Structure</td>
<td>4.15</td>
<td>.736</td>
<td>45</td>
</tr>
<tr>
<td>Regulatory Environment</td>
<td>4.08</td>
<td>.764</td>
<td>45</td>
</tr>
<tr>
<td>Economic environment</td>
<td>4.05</td>
<td>.959</td>
<td>45</td>
</tr>
<tr>
<td>Competition</td>
<td>4.05</td>
<td>.846</td>
<td>45</td>
</tr>
<tr>
<td>Collaboration with Industry Stakeholders</td>
<td>4.02</td>
<td>.908</td>
<td>45</td>
</tr>
<tr>
<td>Access to Business Support programs (financial and non-financial)</td>
<td>3.76</td>
<td>1.200</td>
<td>45</td>
</tr>
<tr>
<td>Government support</td>
<td>3.71</td>
<td>1.188</td>
<td>45</td>
</tr>
<tr>
<td>Legislative environment (BEE/Tax Laws/Labor Laws)</td>
<td>3.58</td>
<td>1.196</td>
<td>45</td>
</tr>
<tr>
<td>Access to Skilled Mentors and Coaches</td>
<td>3.44</td>
<td>1.205</td>
<td>45</td>
</tr>
</tbody>
</table>

4.4.2 Descriptive Statistics: Entrepreneurial Factors

Figure 6 below provides descriptive statistics that shows entrepreneurial factors focusing on the ranking of management skill. The results reveal that all six different management skills below were viewed as very important and extremely important. Sales and Marketing was ranked as most important with a frequency rate of 64.4%, followed by Industry specific knowledge with a frequency rate of 55.56%. Risk Management and Compliance was ranked the least important management skill with a frequency rate of 42%.
In terms of determining the critical success factor items under entrepreneurial factors, Table 5 reveals that Financial Services SMEs deem Sales and Marketing Skills ($M=4.58$, $SD=0.657$), followed by Industry knowledge/experience ($M=4.44$, $SD=0.725$), third in place is leadership skills ($M=4.38$, $SD=0.747$) all the entrepreneurial factors related to management skill are deemed critical as they had a mean score above 4.
Table 4: Mean score for critical success factors items: Entrepreneurial Factors

<table>
<thead>
<tr>
<th>Item</th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Analysis N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sales and Marketing skill</td>
<td>4.58</td>
<td>.657</td>
<td>45</td>
</tr>
<tr>
<td>Industry specific knowledge skill</td>
<td>4.44</td>
<td>.725</td>
<td>45</td>
</tr>
<tr>
<td>Business management skill</td>
<td>4.40</td>
<td>.654</td>
<td>45</td>
</tr>
<tr>
<td>Leadership Strategy skill</td>
<td>4.38</td>
<td>.747</td>
<td>45</td>
</tr>
<tr>
<td>Financial Management skill</td>
<td>4.33</td>
<td>.674</td>
<td>45</td>
</tr>
<tr>
<td>Risk Management and Compliance skill</td>
<td>4.22</td>
<td>.795</td>
<td>45</td>
</tr>
</tbody>
</table>

4.4.3 Descriptive Statistics: Enterprise Factors

These factors were referred to as 'internal factors' affecting business growth and success in the questionnaire. Figure 7 below pertains to question 14 of the questionnaire. The most critical factors as far as its importance to the success of SMEs as inferred by the results was Finance & Resources (60%), Product and Service (53%) and Marketing & Distribution (48.8%)
Based on the mean ranking as per Table 5 below of the results revealed that financial services SMEs ranked Finance & Resource (M=4.19, SD=0.73) as the most important enterprise factor followed by the Product and Service (M=4.42, SD=0.81), while Marketing & Distribution ranked third (M=4.31, SD=0.949). All Enterprise Success factors were deemed critical as they all had a mean above 4.

Table 5: Mean score for critical success factors items: Enterprise Factors

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Analysis N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance and Resources</td>
<td>4.48</td>
<td>.927</td>
<td>45</td>
</tr>
<tr>
<td>Management Skill and Industry Experience</td>
<td>4.48</td>
<td>.762</td>
<td>45</td>
</tr>
<tr>
<td>Differentiated Product &amp; Services</td>
<td>4.43</td>
<td>.818</td>
<td>45</td>
</tr>
<tr>
<td>Marketing &amp; Distribution</td>
<td>4.30</td>
<td>.954</td>
<td>45</td>
</tr>
<tr>
<td>Business Support</td>
<td>4.00</td>
<td>.747</td>
<td>45</td>
</tr>
</tbody>
</table>

To provide specific industry insight into enterprise factors deemed critical, in-depth questions on each of these factors was further investigated. Table 6 and Table 7 provides mean score for critical success factors items for Differentiated Product & Services and Marketing.
The results indicate that for the differentiated product and service factors that had the highest mean score is the quality of the service provided (M=4.44, SD=0.785), while the highest mean score based on the Marketing & Distribution factors is providing high quality client experience (M=4.52, SD=0.82). The lowest mean score based on the product and service factors is the price of the product (M=3.76, SD=0.957), while the lowest mean score relating to Marketing & Distribution factors is product promotion (M=4.52, SD=0.82).

Table 6: Mean score for critical success factors items: Differentiated Product & Services

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Analysis N</th>
</tr>
</thead>
<tbody>
<tr>
<td>The quality of the service provided</td>
<td>4.44</td>
<td>.785</td>
<td>45</td>
</tr>
<tr>
<td>The performance of the product</td>
<td>4.29</td>
<td>.991</td>
<td>45</td>
</tr>
<tr>
<td>Quality of the product</td>
<td>4.27</td>
<td>.837</td>
<td>45</td>
</tr>
<tr>
<td>Execution of marketing activities in selling product/service</td>
<td>4.16</td>
<td>.767</td>
<td>45</td>
</tr>
<tr>
<td>The price of the product</td>
<td>3.76</td>
<td>.957</td>
<td>45</td>
</tr>
</tbody>
</table>
Table 7: Mean score for critical success factors items: Marketing and Distribution

<table>
<thead>
<tr>
<th></th>
<th>Mean</th>
<th>Std. Deviation</th>
<th>Analysis N</th>
</tr>
</thead>
<tbody>
<tr>
<td>Providing high quality client experience</td>
<td>4.51</td>
<td>.827</td>
<td>43</td>
</tr>
<tr>
<td>Attracting new prospect/lead generation</td>
<td>4.28</td>
<td>.908</td>
<td>43</td>
</tr>
<tr>
<td>Expanding distribution channels</td>
<td>4.21</td>
<td>1.013</td>
<td>43</td>
</tr>
<tr>
<td>Brand promotion</td>
<td>3.81</td>
<td>1.029</td>
<td>43</td>
</tr>
<tr>
<td>Industry and thought leadership promotion</td>
<td>3.77</td>
<td>.895</td>
<td>43</td>
</tr>
<tr>
<td>Product Promotion</td>
<td>3.74</td>
<td>1.026</td>
<td>43</td>
</tr>
</tbody>
</table>

4.4.4 Descriptive Statistics: Enterprise Supply Development

Figure 8 and 9 below pertains to question 21 and question 24 of the questionnaire and provides descriptive statistics on ESD. The results indicate that 22% of Financial Services SMEs are being developed through an ESD program, while 33% percentage of Financial Services SMEs perceive ESD to be beneficial to their business growth and success.

Figure 9: Number of financial services SMEs whom perceive ESD to be beneficial

Figure 8: Number of financial services SMEs whom perceive ESD to be beneficial
Figure 10 below, provides descriptive statistics on the type of ESD support provided to financial services SMEs through an ESD program. The results suggest that 54.55% of financial services SMEs are not receiving ESD support. 18.18% of Financial Services SMEs are being developed through an incubation program, while 22.73% are receiving business development support through the ESD program provided. The results infer that most of financial services SMEs are not obtaining any support through an ESD programme. The results also imply that ESD programs mostly provide are business development support (22.73%), infrastructure support (20.45) and mentoring and coaching support (20.45).

**Figure 10:** Type of ESD Support provided through an ESD programme

Figure 11 below provides descriptive statistics on the top three ESD support required by financial services SMEs that they perceive can improve the growth and success of their business. The results indicate that Financial Support (71.11%), Business Development Support (68.89%) and Marketing support (40%) are the top three business support required by financial services SMEs.
4.5 Results pertaining to Hypothesis

Hypothesis H1, H2, H3 was tested using series of one-samples $t$-test. Table 8 below presents the result of the one-sample $t$-test which provides the observed $t$-value ("$t$" column), the degrees of freedom ("df"), and the statistical significance ($p$-value) ("Sig. (2-tailed)"). In support, the mean and standard deviation are also provided.

From the statistical analysis as provided under Table 8 below, it can be concluded that the population means are statistically significantly different for all critical success factors that had a $p < 0.05$. However, the test was statistically insignificant for critical success factors where $p > 0.05$.

Based on the one-sample $t$-test mean rank, standard deviations, $t$ value and the frequency analysis provided in Table 4 below, hypothesis 1a (Economic Environment), 1b (Market Structure), 1d (Regulatory Environment), 1e (Competition), 1f (Collaboration with Industry Stakeholders), 1g (Access to Business Networks), 2a (Management Skill), and (Industry experience), 3a: (Finance and Resource), 3b (Marketing & Distribution), 3c (Product & Service) were accepted; meaning that these factors were critical in the success of SMEs in the financial services industry.

All the remaining hypothesis 1i (Legislative Environment), 1j (Access to Skilled Mentors and Coaches), 1h (Government Support), were not accepted;
meaning that these factors were considered non-critical for SMES success in the financial services sector.

The most important factors affecting SMEs in financial services are *Finance and Resources*. Having access to finance, overcoming funding obstacles, and having the ability to raise capital to fund the development and expansion of the business is seen as critical in the success of small business in financial services sector.

**Table 8:** Critical success factors analyses

<table>
<thead>
<tr>
<th>No.</th>
<th>Hypothesis</th>
<th>Critical Success Factor</th>
<th>N</th>
<th>Mean (Std. Deviation)</th>
<th>t</th>
<th>df</th>
<th>p-value</th>
<th>Decision</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>3a</td>
<td>Finance and Resources</td>
<td>45</td>
<td>4.467 (0.919)</td>
<td>7.052</td>
<td>44</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>2</td>
<td>2a</td>
<td>Management Skill and Industry experience/knowledge</td>
<td>45</td>
<td>4.489 (0.757)</td>
<td>8.758</td>
<td>44</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>3</td>
<td>3c</td>
<td>Product and Services</td>
<td>45</td>
<td>4.422 (0.812)</td>
<td>7.623</td>
<td>44</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>4</td>
<td>3b</td>
<td>Marketing and Distribution</td>
<td>45</td>
<td>4.311 (0.949)</td>
<td>5.732</td>
<td>44</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>5</td>
<td>1a</td>
<td>Access to social, business and networks</td>
<td>44</td>
<td>4.114 (1.104)</td>
<td>3.686</td>
<td>43</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>6</td>
<td>1b</td>
<td>Market Structure (market characteristics example high barriers to entry)</td>
<td>43</td>
<td>4.186 (0.732)</td>
<td>6.145</td>
<td>42</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>7</td>
<td>1c</td>
<td>Regulatory environment (compliance, regulatory restrictions, bureaucracy)</td>
<td>65</td>
<td>4.089 (0.763)</td>
<td>5.175</td>
<td>44</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>8</td>
<td>1d</td>
<td>Economic environment</td>
<td>42</td>
<td>4.048 (0.936)</td>
<td>3.792</td>
<td>41</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>9</td>
<td>1e</td>
<td>Competition</td>
<td>45</td>
<td>4.111 (0.832)</td>
<td>4.528</td>
<td>44</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>10</td>
<td>1f</td>
<td>Collaboration with industry stakeholders</td>
<td>43</td>
<td>4.000 (0.951)</td>
<td>3.447</td>
<td>42</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>11</td>
<td>1g</td>
<td>Business Support</td>
<td>44</td>
<td>4.000 (0.747)</td>
<td>4.439</td>
<td>43</td>
<td>0.000</td>
<td>Supported</td>
</tr>
<tr>
<td>12</td>
<td>1h</td>
<td>Government support</td>
<td>44</td>
<td>3.536 (1.259)</td>
<td>0.190</td>
<td>0.718</td>
<td>43</td>
<td>0.476</td>
</tr>
<tr>
<td>13</td>
<td>1i</td>
<td>Legislative environment (BEE/Tax Laws/Labor Laws)</td>
<td>45</td>
<td>3.600 (1.195)</td>
<td>0.178</td>
<td>0.562</td>
<td>44</td>
<td>0.577</td>
</tr>
<tr>
<td>14</td>
<td>1j</td>
<td>Access to skilled mentors and coaches</td>
<td>45</td>
<td>3.386 (1.262)</td>
<td>-0.398</td>
<td>43</td>
<td>0.553</td>
<td>Not Supported</td>
</tr>
</tbody>
</table>

It has been established in the entrepreneurship and small business literature that the main growth constraint to SMEs is access to finance (Beck & Demirguc-Kunt, 2006, Herrington et al., 2009). Similar results have been drawn from the South African literature focusing on SME success and challenges reported under literature review in this paper. Multicollinearity can also result from the repetition
of the same kind of variable. The Spearman rank-order correlation coefficient to test the relationship between the variables was used. It is used as a nonparametric measure of the strength and direction of association that exists between two variables measured on at least an ordinal scale. The following Spearman’s rho table provides correlation matrix analysis to test if the critical success factors are correlated to each other.

All summated scores were statistically significantly correlated to each other at significance level of 0.05 (p-values less than 0.05) as shown in Table 9 below. One can see that there are moderate correlations amongst the critical factors, as the correlation coefficient is adequately different from zero, suggesting that most of these factors are somewhat correlated or interlinked with each other. Further, there are no negative correlations amongst the success factors. There is a moderate to strong correlation between Management Skill and Product & Services and between Marketing & Distribution and product and service, with for both at a correlation coefficient of above 0.6, suggesting that the two are closely related. However, in the context of Financial Services, skill is more related to the quality of investment solutions or product provided by the financial services provider. This is common as promotion has been seen to positively influence sales.

**Table 9: Spearman rho correlation matrix analysis**

<table>
<thead>
<tr>
<th>Spearman Correlation</th>
<th>BE</th>
<th>BS</th>
<th>MS</th>
<th>MC</th>
<th>AM</th>
<th>PS</th>
<th>MD</th>
<th>FR</th>
<th>ESD</th>
<th>BE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Business Environment</td>
<td>Correlation</td>
<td>1.00</td>
<td>.373</td>
<td>.543</td>
<td>.424</td>
<td>.355</td>
<td>.106</td>
<td>.490</td>
<td>.390</td>
<td>.451</td>
</tr>
<tr>
<td>Sig (2-tailed)</td>
<td></td>
<td>.012</td>
<td>.000</td>
<td>.004</td>
<td>.017</td>
<td>.199</td>
<td>.001</td>
<td>.019</td>
<td>.002</td>
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</tr>
<tr>
<td>Business Support</td>
<td>Correlation</td>
<td>.486</td>
<td>.215</td>
<td>.476</td>
<td>.234</td>
<td>.317</td>
<td>.480</td>
<td>.474</td>
<td>.373</td>
<td></td>
</tr>
<tr>
<td>Sig (2-tailed)</td>
<td></td>
<td>.011</td>
<td>.150</td>
<td>.001</td>
<td>.121</td>
<td>.034</td>
<td>.005</td>
<td>.001</td>
<td>.012</td>
<td></td>
</tr>
<tr>
<td>Management Skill</td>
<td>Correlation</td>
<td>1.000</td>
<td>.570</td>
<td>.398</td>
<td>.421</td>
<td>.512</td>
<td>.396</td>
<td>.500</td>
<td>.543</td>
<td></td>
</tr>
<tr>
<td>Sig (2-tailed)</td>
<td></td>
<td>.000</td>
<td>.007</td>
<td>.004</td>
<td>.000</td>
<td>.008</td>
<td>.000</td>
<td>.000</td>
<td>.000</td>
<td></td>
</tr>
<tr>
<td>Management Competence</td>
<td>Correlation</td>
<td>1.000</td>
<td>.191</td>
<td>.639</td>
<td>.471</td>
<td>.309</td>
<td>.451</td>
<td>.424</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Sig (2-tailed)</td>
<td></td>
<td>.209</td>
<td>.000</td>
<td>.000</td>
<td>.039</td>
<td>.002</td>
<td>.004</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Access to Market</td>
<td>Correlation</td>
<td>1.000</td>
<td>.246</td>
<td>.226</td>
<td>.611</td>
<td>.458</td>
<td>.355</td>
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<td></td>
<td></td>
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<tr>
<td>Sig (2-tailed)</td>
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<td>.103</td>
<td>.048</td>
<td>.009</td>
<td>.002</td>
<td>.187</td>
<td>.017</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Product &amp; Service</td>
<td>Correlation</td>
<td>1.000</td>
<td>.671</td>
<td>.319</td>
<td>.370</td>
<td>.196</td>
<td></td>
<td></td>
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<td>.186</td>
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<td></td>
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<td></td>
</tr>
<tr>
<td>Marketing &amp; Distribution</td>
<td>Correlation</td>
<td>1.000</td>
<td>.259</td>
<td>.602</td>
<td>.498</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Sig (2-tailed)</td>
<td></td>
<td>.098</td>
<td>.000</td>
<td>.001</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Finance and Resource</td>
<td>Correlation</td>
<td>1.000</td>
<td>.367</td>
<td>.380</td>
<td>.198</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td>Sig (2-tailed)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>ESD</td>
<td>Correlation</td>
<td>1.000</td>
<td>.451</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
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<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

*Correlation is significant at the 0.05 level (2-tailed).
**Correlation is significant at the 0.01 level (2-tailed).
5. Discussion of Results

This study investigated factors critical to the success of SMEs in the Financial Services sector and explored the influence of enterprise supply development (ESD) programmes in this sector. This is the first study to provide an industry perspective of factors deemed critical by Financial Services SMEs to their business success.

The study establishes eleven success factors deemed critical by Financial Services SMEs: namely: Finance and Resource, Management Skill, Industry experience, Product and Service, Marketing & Distribution, Access to Business Networks, Market Structure, Regulatory Environment, Economic Environment, Competition, Collaboration with Industry Stakeholders. This is the main contribution of this study, as presented in Figure 12 below, that provides factors considered critical for SMEs in the specific industry.

**Figure 12:** Critical Success Factors (CSFs) for SMEs in Financial Services in South Africa

The study found critical success factor underpinning entrepreneurial factors for SMEs in Financial Services to be Management skill and industry specific
knowledge. This finding confirms the argument that managerial skills and industry specific experience/knowledge are essential factors for a successful start-up and prerequisite for sustainable business success in the financial services sector. Most studies investigating challenges and success factors found Finance and Resources to be critical factor, however, this study highlights that for the Financial Services Industry, Management Skill and Industry specific knowledge to be the most critical. A similar study in South Africa, looking at critical success factors found Industry specific knowledge by owner before business inception to be a critical success factor, in line with these findings (Zhou, 2016). These findings are also in line with research on entrepreneurship management skills required by SMEs in emerging economy (Mamabolo et al., 2017; Brière et al., 2014; Rezaei-Zadeh et al., 2017) This research however, finds key entrepreneurial management skills found to have a positive relation with business success in the financial services industry is sales and marketing skills and finance and resource management skills. The level of qualification is a necessary but not a sufficient condition for business success as the breadth of knowledge required to operate in this sector is correlated to the technical sophistication of the sector. The study concludes that industry specific knowledge and experience is predecessor of business success, as such, management skill and financial services experience is a source of competitive advantage for SMEs in financial services.

Financial Services is a service business and competition is not primarily driven by price alone. Inevitably, Product and Services does influence the success of business as clients appoint service providers not only based on the price of the products that they provide but on the service. The findings of this research identified that price of product or service is not a critical success factor, however the quality of the product or service was a key differentiating factor. The most critical success factors from an enterprise perspective were: quality of Product and Service, Finance and Resource, Marketing & Distribution. This is accordance with Duska (1997) that argues that primary purpose of any business must be first and foremost to produce quality products and services to make profit. SMEs in financial services sector need to focus on providing quality products and
invest in customer relationship management solutions. Excellent service and value add products are a recipe for success.

Marketing & Distribution and Product and Service were identified as enterprise factors critical to business success, were found to be strongly correlated to each other. The correlation between marketing strategy and product proliferation has been found to affect a firm’s performance (Pakhunwanich et al., 2018). Generally, it is accepted that strong brands achieve better market positions (Naidoo & Abratt, 2018). It is interesting that SMEs in financial services sector did not perceive product and brand promotion as critical success factors. Conversely, marketing and promotion of products and services have been found to be particular problems for small business owner-managers (Watson, et al., 1998). The quality of execution of marketing activities and quality of execution of product launch has been found to be strongly associated with success rate (Bretani, 1991). SMEs in financial services need to invest in the promotion of their company by investing in marketing strategies and not rely only on direct customer relationships. The most important enterprise factors found to affect business success from a Product & Services point of view is client experience and the quality of product provided. Artificial Intelligence (AI) is a key trend driving changes in this industry. SMEs in financial services will need to focus on differentiating their product through innovation and their service by investing in client management relationship systems. In the end, price will not only be a key differentiation factor, but client service and experience will be a key factor driving market growth.

Financial Services is a highly regulated sophisticated sector. The most important business environment factors were access to business networks, market structure, regulatory environment and economic environment. As expected, it is common practice that all financial services providers (FSP) are licensed to provide advice or intermediary services and ensure compliance with the relevant regulatory requirements for their operating license not to be suspended by the Financial Services Board. Due to the financial crisis, we have seen increased regulation. South Africa has adopted the UK Retail Distribution Review (RDR) that provides for greater transparency in terms of the advisory model as well as
Treating Customers Fairly (TCF) principles that enables investors to demand greater transparency and discloser. With the increased regulatory requirements, the cost of servicing clients will continue to increase, thus further regulatory challenges are seen as critical in success of small business in this industry. This is in line with previous research about the impact of regulation in the financial services sector (EY, 2017).

The impact of the global financial crisis has demonstrated how equity markets have particularly affected by macro-economic factors. Given the investment and risk adverse nature of this market, the economic environment will certainly impact the business environment as people need to save, invest or insure in order to protect and grow their wealth. Some of the studies analysed in this paper reported empirically about the positive relationship between economic environment and business success, even outside an entrepreneurship business success context.

The legislative environment (Tax/BEE/labour laws) is seen as an additional layer in an overly regulated environment, as such, this was deemed not critical success factor by small business owners in this sector. With the market structure of the financial services sector dominated by big firms, access to business networks for SMEs was found to be the most critical success factor from a business environment perspective. The results support research by most studies focusing on SMEs that found that lack of access to markets is the most critical impediment to business growth (Rogerson, 2001; Berry et al., 2002, Beck & Demirguc-Kunt, 2006; Rogerson, 2008). The study concludes that access to social and business networks for small business in financial services and the nature of the financial services market structure is of paramount importance to business success.

The study finds there is a significant lack of ESD support in the financial services sector as a form of developmental programme. The results infer that most of financial services SMEs are not obtaining any support through an ESD program. For practice, these findings imply that many corporates opt not to provide support to SMEs in financial services. The results conclude that the top three business support required by SMEs in financial services are: financial support, business development and marketing support.
In line with the findings of this study, most of the studies that empirically support the positive role of business support programmes for the development of small to medium enterprises also give empirical evidence that the most support required is financial support, business development and marketing support. (FinMark Trust, 2015; Impact Amplifier & NYU Center for Global Affairs, 2013) This finding can be attributed to the fact that the biggest challenge faced by SMEs is access to market, as such, business development support is deemed critical. The lack of growth in Financial Services SMEs can be attributable to the lack of business support provided in this sector. ESD Funds need to focus on providing more holistic support to SMEs in the financial services sector. Integrated enterprise and supplier development, by investing in financial services SMEs across the value has been found to sustain businesses and increase business performance. It is therefore critical that we increase the number of financial services businesses in order to address the lack of access to finance and play a role in bridging the gap of access to finance. This in turn, will foster the growth of SMEs in all sectors, drive economic growth, and improve employment.

6. Concluding Remarks

The results of this empirical study confirm many of the findings of other researchers in the same field, especially concerning the heterogeneity of success factors for SMEs and their underlying composites of “internal” and “external” success factors influencing business success. However, this study has taken our understanding of the issues concerning industry specific success factors of SMEs in the Financial Services Sector. Furthermore, one notes that the study reveals that industry specific knowledge, financial services experience and the quality of service are critical success factors dependent on the financial services sector. The study also reveals that environmental (external) success factors are more prevalent factors influencing SME success in the financial services sector than ‘internal’ factors.

This study will make further contribution on understanding industry specific critical success factors as they are central to business success in those respective industries. In order to overcome the environmental challenges faced by Financial
Services SMEs, Business incubators, Government and financial institutions may utilize this study to develop business support programs that provide business development, finance and marketing support as these are the areas financial services SMEs perceive as relevant to their needs and success of their business.

7. Further Research

To further support and expand on the findings of this study, additional research should be conducted for focused investigation on a wider range of different businesses within the financial services sector and compare any difference in perception of critical factors based on demographics (i.e. financial services experience, level of qualification, race and gender).

A qualitative research study might also provide more insight on the personality characteristics and yield distinctive results as the methodology would allow an experienced researcher to ask probing questions which might yield unambiguous results.
REFERENCES:


Edge Growth. (n.d.). Enterprise and Supplier Development is now the most significant element on the scorecard. Accessed from Edge Growth: Available from: http://www.edgegrowth.com/


National Treasury (March, 2017). Transforming the financial sector to make it serve SA better and be Transformative: Presentation to the Standing Committee on Finance & Portfolio Committee on Trade and Industry.


ANNEXURES A: Kolmogorov-Smirnov test

Table 10: Kolmogorov-Smirnov test

<table>
<thead>
<tr>
<th>How important do you perceive ESB as a business support program that can contribute to the growth of your business?</th>
<th>Kolmogorov-Smirnov</th>
<th>df</th>
<th>Sig</th>
<th>Shapiro-Wilk</th>
</tr>
</thead>
<tbody>
<tr>
<td>Statistic</td>
<td>.224</td>
<td>42</td>
<td>.000</td>
<td>.852</td>
</tr>
</tbody>
</table>

a. Lilliefors Significance Correction
## Critical factors affecting business success of Financial Services SMEs

**Welcome Page**

**Dear Participant**

I am a student at Wits Business School enrolled for my Masters in Business Administration (MBA). I would like to request you to share your experiences as a Financial Services Small to Medium enterprise (SME) owner in South Africa. This will form part of my MBA research project titled: Critical factors affecting business success of Financial Services SMEs.

This questionnaire will gather data pertaining to this study and will give further insight into internal and external factors that SMEs in Financial services perceive to affect their business success; and to explore the influence of ESD programmes in providing support to improve the success rate of SMEs.

Completion of the questionnaire would take 15 minutes of your time; and participation in this research project is completely voluntary.

All information provided through your participation in this study will be kept confidential. Furthermore you will not be identified in the thesis or in any report on this research. There are no known or anticipated risks to participation in this study.

Thank you in advance for your co-operation in my research.

Please click the 'Next' button below to proceed.
### Section A

The following questions relate to the demographic information of your business

**1. What is your company's area of expertise within Financial Services?**
- [ ] Asset Management
- [ ] Banking (Payments/Lending)
- [ ] Insurance (Fintech/Shortterm/Longterm)
- [ ] Intermediary (Advisory)
- [ ] Stockbroking
- [ ] Auditing
- [ ] Savings and Investments
- [ ] Other

**2. What is your position in the business?**
- [ ] Owner/Founder
- [ ] Executive Management
- [ ] CEO/MD

**3. Female/Male owned business**
- [ ] Male
- [ ] Female

**4. What is your highest formal qualification?**
- [ ] Matric/Grade 12 or less
- [ ] Masters Degree
- [ ] Certificate/Diploma/Degree
- [ ] Doctorate
- [ ] Honors Degree

**5. How long has your business been operating?**
- [ ] Less than one year
- [ ] Less than 3 years
- [ ] Less than 5 years
- [ ] Less than 10 years
- [ ] Over 10 years

**6. What is the number of years of financial services experience that you have?**
- [ ] Less than one year
- [ ] Less than 10 years
- [ ] Less than 3 years
- [ ] Over 10 years
- [ ] Less than 5 years
7. What is your prior knowledge and industry specific experience?
- Less than one year
- Less than 3 years
- Less than 5 years
- Less than 10 years
- Over 10 years

8. What is the ethnic group of the business?
- Asian
- Colored
- Black
- White

9. Please provide a range of your annual turnover of your business?
- Turnover less than R150 000
- Turnover between R200 000 to R500 000
- Turnover between R2 million and R25 million
- Turnover between R25 million and R50 million

10. How many people are employed in your business?
- Less than 5 employees
- Between 6 and 10 employees
- Between 11 and 50 employees
- Over 50 employees
Section B

The following questions relate to internal and external factors affecting business success

* 11. Please rate the following in terms of importance: The following **external business environmental factors** are critical factors affecting the growth and success of your business?

<table>
<thead>
<tr>
<th>Economic environment</th>
<th>Not at all important</th>
<th>Somewhat important</th>
<th>Moderately important</th>
<th>Very important</th>
<th>Extremely important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market Structure</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>(market characteristics example high barriers to entry)</td>
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<tr>
<td>Legislative environment</td>
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<tr>
<td>(BEE/Tax Laws/Labor Laws)</td>
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<tr>
<td>Regulatory environment</td>
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<tr>
<td>(compliance, regulatory restrictions, bureaucracy)</td>
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<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Competition</td>
<td></td>
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</tr>
</tbody>
</table>

* 12. Please rate the following **external business environmental factors** as a success factors driving the growth of your business?

<table>
<thead>
<tr>
<th>Satisfactory government support</th>
<th>Not at all important</th>
<th>somewhat important</th>
<th>moderately important</th>
<th>very important</th>
<th>extremely important</th>
<th>N/A</th>
</tr>
</thead>
<tbody>
<tr>
<td>Collaboration with industry stakeholders</td>
<td></td>
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<tr>
<td>Access to skilled mentors and coaches</td>
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<tr>
<td>Access to social, business and networks</td>
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</tr>
<tr>
<td>Access to business support programs (financial and non-financial)</td>
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<tr>
<td>Other (please specify)</td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>

77
**13.** Please rate the following in terms of importance: The following internal factors are critical in contributing to your business growth and success?

<table>
<thead>
<tr>
<th></th>
<th>not at all important</th>
<th>somewhat important</th>
<th>moderately important</th>
<th>very important</th>
<th>Extremely important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Marketing and Distribution</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Finance and Resources</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Management Skill and Industry experience</td>
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<tr>
<td>Differentiated Product and Services</td>
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<td></td>
</tr>
<tr>
<td>Business Support</td>
<td></td>
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<td></td>
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</tr>
<tr>
<td>Management Competence and know how</td>
<td></td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Other (please specify)</td>
<td></td>
<td></td>
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</tbody>
</table>

**14.** The following management skills are critical to your business success and growth?

<table>
<thead>
<tr>
<th></th>
<th>not at all important</th>
<th>somewhat important</th>
<th>moderately important</th>
<th>very important</th>
<th>extremely important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical and industry specific knowledge</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Management</td>
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<td></td>
</tr>
<tr>
<td>Business management</td>
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</tr>
<tr>
<td>Sales and Marketing</td>
<td></td>
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<tr>
<td>Operational/Risk Management and compliance</td>
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<tr>
<td>Leadership Strategy</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
</tbody>
</table>
15. Please rate: The following factors are critical impediments to the growth and success of your business:

<table>
<thead>
<tr>
<th>Factor</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Lack of investment in human capital</td>
<td></td>
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<td></td>
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<tr>
<td>Lack of access to market</td>
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<tr>
<td>Lack of product differentiation</td>
<td></td>
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</tr>
<tr>
<td>Lack of capital (access to finance)</td>
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<td></td>
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<tr>
<td>Lack of technological capabilities</td>
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<td></td>
</tr>
<tr>
<td>Lack of quality service</td>
<td></td>
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</tr>
</tbody>
</table>

16. Please rate the following in terms of importance: The following product and services factors in driving the growth and success of your business:

<table>
<thead>
<tr>
<th>Factor</th>
<th>Not at all important</th>
<th>Slightly important</th>
<th>Moderately important</th>
<th>Very important</th>
<th>Extremely important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Quality of the product</td>
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<td></td>
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<tr>
<td>The price of the product</td>
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<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>The performance of the product</td>
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<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>The quality of the service provided</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Execution of marketing activities in selling product/service</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
17. How important are the following marketing and distribution internal factors in driving the growth and success of your business?

<table>
<thead>
<tr>
<th>Factor</th>
<th>Not at all important</th>
<th>Slightly important</th>
<th>Moderately important</th>
<th>Very important</th>
<th>Extremely important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brand promotion</td>
<td></td>
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<tr>
<td>Attracting new prospect/lead generation</td>
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<tr>
<td>Providing high quality client experience</td>
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<tr>
<td>Industry and thought leadership promotion</td>
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<td></td>
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<tr>
<td>Expanding distribution channels</td>
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<tr>
<td>Product Promotion</td>
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</tbody>
</table>

18. Your business requires the following skills training to help it grow?

<table>
<thead>
<tr>
<th>Training</th>
<th>Strongly disagree</th>
<th>Disagree</th>
<th>Neutral</th>
<th>Agree</th>
<th>Strongly agree</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical and industry specific knowledge</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Financial Management training</td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Marketing and Distribution skills training</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Operational/Compliance and Risk Management</td>
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</tr>
<tr>
<td>Training</td>
<td></td>
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</tr>
</tbody>
</table>

19. The following finance factors are critical factors in driving the growth of your business?

<table>
<thead>
<tr>
<th>Finance</th>
<th>Not at all important</th>
<th>Slightly important</th>
<th>Moderately important</th>
<th>Very important</th>
<th>Extremely important</th>
</tr>
</thead>
<tbody>
<tr>
<td>Finance for working capital</td>
<td></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Funding for expansion</td>
<td></td>
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<tr>
<td>Finance for human capital</td>
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<tr>
<td>Finance for Innovation and R &amp; D</td>
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<tr>
<td>Finance for technological capabilities</td>
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</tr>
<tr>
<td>* 20. Obstacles experienced in obtaining access to funding: Reasons provided for not obtaining funding? (Please choose, may insert more than one option)</td>
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<tr>
<td>---------------------------------------------------------------</td>
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<td></td>
</tr>
<tr>
<td>☐ Lack of collateral</td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>☐ Poor business plan</td>
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<tr>
<td>☐ Lack of track record/experience</td>
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<td></td>
</tr>
<tr>
<td>☐ Lack of industry specific knowledge and skill</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>☐ Lack of business idea</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>☐ Lack of finance networks</td>
<td></td>
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<td></td>
<td></td>
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<tr>
<td>☐ Other</td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>☐ None</td>
<td></td>
<td></td>
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<td></td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>* 21. What is the source of funding your business?</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ Personal Savings</td>
</tr>
<tr>
<td>☐ Government agency granting/funding</td>
</tr>
<tr>
<td>☐ Business loan from commercial bank</td>
</tr>
<tr>
<td>☐ Venture capital/angel investor</td>
</tr>
<tr>
<td>☐ strategic investor/Equity Funding/Private Equity Funding</td>
</tr>
<tr>
<td>☐ Business Partners</td>
</tr>
<tr>
<td>☐ Other</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>* 22. What type of finance challenges are you experiencing in growth your business?</th>
</tr>
</thead>
<tbody>
<tr>
<td>☐ Lack of finance for start up capital</td>
</tr>
<tr>
<td>☐ Lack of finance for working capital</td>
</tr>
<tr>
<td>☐ Lack of funds for expansion</td>
</tr>
<tr>
<td>☐ Lack of finance for innovation and R &amp; D</td>
</tr>
<tr>
<td>☐ Lack of raising/establishing funds/capital</td>
</tr>
<tr>
<td>☐ None</td>
</tr>
</tbody>
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<tr>
<th>* 23. How do you perceive equity funding as a success factor in being a viable funding option in driving the growth of your business?</th>
</tr>
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<tbody>
<tr>
<td>☐ Not at all important</td>
</tr>
<tr>
<td>☐ Somewhat important</td>
</tr>
<tr>
<td>☐ Moderately important</td>
</tr>
<tr>
<td>☐ Very important</td>
</tr>
<tr>
<td>☐ Extremely important</td>
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</tbody>
</table>
Enterprise and Supplier Development (ESD) is a government socio-economic tool designed to achieve positive social and/or environmental impact through impact investing by facilitating the growth of SMEs.

24. Is your business being developed through an ESD program?
- Yes
- No

25. Which of the following support does your ESD provide?
- Incubation program
- Infrastructure support
- Mentoring and coaching
- Business development services (access to markets, sales and marketing)
- Supplier development ( Preferential services, rates and terms)
- Specific business training programs
- None

26. Do you perceive ESD as a business support program that can contribute to the growth of your business?

<table>
<thead>
<tr>
<th>strongly disagree</th>
<th>disagree</th>
<th>neutral</th>
<th>agree</th>
<th>strongly agree</th>
</tr>
</thead>
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<td></td>
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</tr>
</tbody>
</table>

27. ESD has been beneficial to your business?
- Yes
- No

Yes/No (please specify)
28. List top three business support that you require, that can improve the growth and success of your business.

- Financial Support
- Business Development services (access to market)
- Infrastructure Support
- Marketing Support
- Skill Training Support
- Supplier backing and supplier promotion
- Strategic support, mentoring and coaching
- Other (please specify)


To Business Owners

Dear Sir/Madam

I am a student at Wits Business School enrolled for my Masters in Business Administration (MBA). I would like to request you to share your experiences as a Financial Services Small to Medium enterprise (SME) owner in South Africa. This will form part of my MBA research project titled: Critical factors affecting business success of Financial Services SMEs.

Given the low representation of SMEs in the financial services sector and the sophisticated nature of this sector, success factors unique to this sector is critical to help improve the success rate of SMEs operating in this sector. The objectives of my research can be summarized as follows:

- To investigate internal and external factors affecting business success of SMEs specializing in Financial Services
- To determine business support (BDS) (financial and non-financial) required to help SMEs in this sector grow.
- To obtain better insight on the role ESD programs are having on SMEs in this Sector

If you are willing to participate you can click on the link below which will take you to the questionnaire.

https://www.surveymonkey.com/r/5257C68

Completion of the questionnaire would take 15 minutes of your time; and participation in this research project is completely voluntary. All the data gathered from this survey will be treated as anonymous, no specific personal or company data will be disclosed but all information will be disclosed as aggregate figures. If you are willing and comfortable to participate and contribute, it will be appreciated if you could complete the questionnaire no later than 19 March 2018.

Please feel free to contact myself or my supervisor if you have any concerns or questions.
Thanking you in anticipation for your assistance

Yours sincerely

Snowy Masakale (MBA Student)

Wits Business School

University of Witwatersrand