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The Determinants of Longevity of Micro Enterprises in South Africa

Olawale Fatoki

Department of Business Management, Turfloop Campus, University of Limpopo, Limpopo Province, South Africa
Telephone: 00927 015 268 3897, E-mail: Olawale.fatoki@ul.ac.za

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ABSTRACT This study investigated the determinants of longevity of micro enterprises in South Africa. This study is significant because of the high failure rate of micro enterprises in South Africa. Three hundreds questionnaires were distributed in a survey using convenience sampling and 121 questionnaires returned. Data analysis included descriptive statistics and the principal component analysis. The results indicated six factors that can contribute to the longevity of micro enterprises. These are the entrepreneur's personal characteristics, customer satisfaction, management knowhow, finance and resources, strategy and networking. Recommendations to ensure the longevity of micro enterprises are suggested.

INTRODUCTION

According to the World Bank (2008) some of the major development challenges facing South Africa are high levels of poverty, income inequality and unemployment. The government of South Africa agrees that solving these three development challenges is a primary objective. Pahad (2008) points out that "*South Africa's social-economic goals are clear; reduce inequalities, reduce wealth and asset gaps between rich and poor, halve unemployment by 2014 and meet the Millennium Development Goals. One of the ways of meeting the challenges is ensuring the development of the SMME sector*". Rogerson (2008) points out that growing and successful SMMEs are viewed as offering a critical contribution to the policy goals of poverty alleviation, employment creation and promotion of economic growth in South Africa. Micro, very small and small enterprises contribute between 27- 34% of the Gross Domestic Product and 72% of all jobs in South Africa (Department of Trade and Industry 2003, 2008).

According to the Parliament of the Republic of South Africa (1995), a micro enterprise is a business with (1) total full-time equivalent of paid employee of less than 5 (2) total annual turnover of less than R150,000 and (3) total gross asset value (fixed property excluded) of less than R100,000. The South African Revenue Service (2011) defines a micro enterprise as a business with annual turnover below one million rand. Munoz (2010) points out that micro enterprises comprise the smallest end (by size) of the small business sector and constitute the vast majority of the small business sector in both developed and developing countries. Emerging and developing economies have a large number of microfirms and some large firms, but far fewer growth-oriented small and Medium Enterprises (SMEs) compared to developed economies (Harvard University Entrepreneurial Finance Laboratory 2013). Micro-enterprises add value to a country's economy by creating jobs, enhancing income, strengthening purchasing power, lowering costs and adding business convenience. In South Africa, micro-enterprise activity (especially in retail trade) is the most pervasive entrepreneurial activity in the informal sector of Africa (Rolfe et al. 2010).

According to Brink et al. (2003) and Ligthelm (2011), 75% of new small medium and micro enterprises (SMMEs) created in South Africa fail within the first two years of operation. This suggests that despite the high failure rates of SMMEs in South Africa, about 25% of these enterprises survive and become established firms. In addition, because the creation rate of new SMEs is very low in South Africa, it is of primary importance to improve the survival rate of the few SMEs that are created. De Kok et al. (2011) point out that in terms of job creation, enterprise birth and death play a very important role. The stock of SMMEs in a country is affected by births and deaths. According to the Global Entrepreneurship Monitor (GEM) (2011) total early-stage entrepreneurial activity (TEA) shows that South Africa's rate in 2011 (9.1%) has remained constant (8.9% in 2010). South Africa's TEA rate however, far below the average of comparable economies around the world. In addition, South Africa's established business ownership rate of 2.3% is substantially lower than the average of 7.2% for all participating efficiency-driven countries. This implies that South Africa suffers from two major problems when it comes to SMMEs: Low creation rate and high failure rate.

The implication of the twin problems for economic growth, employment and poverty reduction in South Africa is dire. GEM (2011) adds that it is also important to acknowledge the crucial role played by established businesses in a country's economic development. Businesses that have survived the early stages provide essential opportunities for employment as well as a resource of knowledge and experience that can benefit early-stage entrepreneurs. Thus, the creation and sustainability of SMMEs are vital to the economic prosperity of South Africa. Sha (2006) notes that given this high failure rate, it becomes vital to research the factors that are required to enable the SMMEs to survive and grow. Thus, this study seeks to investigate empirically the factors that help surviving micro enterprises to overcome the "failure curse" and stay in business for a long time.

Objective of the Study

The failure rate of micro enterprises is very high in South Africa. The objective of the study is to investigate empirically the determinants of longevity of micro enterprises in South Africa. Understanding the factors associated with longevity can help to improve the survival rate of micro enterprises. The survival of micro enterprises can help to reduce the high level of unemployment, poverty, income inequality and crime in South Africa. It is of significance that policy-makers and managers of micro enterprises especially new ones understand the factors that are associated with business longevity.

Literature Review

Definition of Longevity

William and Jones (2009) describe business longevity as the duration (age) of the business, that is, time elapsed since the firm started operation. According to Lee et al. (2005) in the research literature on entrepreneurship and organisation, business longevity is discussed with in the concept of business survival, success and performance. Business longevity can be used synonymously with business survival. In order for a business to remain solvent, it has to sustain itself. Longevity can be interpreted as a measure of success (Lubinski et al. 2011). Business longevity is associated with a firm's life cycle. For a business to be in existence for a long time, it must have passed through the initial stages of the firm's life cycle. Business longevity is a measure of organization's ability to sustain its continuity (Montuori 2000; Bianchi and Winch 2012). An alternative definition of business success is longevity. The longer one can survive and prevent involuntary exit, the more successful one is (Van Praag 2003)

Theories of Organisational Life Cycle

Griener (1972) provides one of the earliest theoretical foundations for a firm's life cycle. Griener argues that the management of a firm should be interested in some critical development questions such as, where has the organisation been? Where is it now? And what do the answers to these questions mean for where it is going? The most obvious and essential dimension for any model of development is the life span of the organisation. Griener identifies five phases and crises for the organisation. (1) Creativity- the birth stage of the organisation followed by a crisis of leadership (2) Direction: survival and sustained growth followed by a crisis of autonomy (3) delegation: growth from decentralised organisation structure followed by the crisis of control (4) coordination: the use of formal system followed by a crisis of red tape (5) collaboration: internal collaboration to overcome red tape followed by a crisis of psychological saturation of employees. Adizes (1979) categorises ten life cycle stages for a firm: courtship, infancy, go-go, adolescence, prime, stability, aristocracy, recrimination, bureaucracy and death. Churchill and Lewis (1983) analyse five stages of small enterprise growth: start-up stage, survival stage, successful stage, take-off stage and mature stage. Other researchers such as Quinn and Cameron (1983) identify four stages of business life cycle (an entrepreneurial stage, a collectivity stage, a formalisation and control stage and a structure elaboration and adaption stage. Scott and Bruce (1987) identified five phases in the firm's life cycle (inception, survival, growth, expansion, and maturity). A venture is considered new if it has not yet reached a phase in its development where it could be considered a mature business. The precise moment in time in which a new venture becomes a mature business has not yet been determined. However, the idea of business maturation could be equated with a firm that has fully completed the transition out of the earliest stages of the life cycle (Grunhagen and Mittelstaedt 2002:190). In South Africa, according to Maas and Herrington (2006) a new SME is one that has existed for less than forty two months. After that period, the SME is considered an established firm.

The Determinants of Business Longevity

According to Bosma et al. (2000), the determinants of successful and hence longevity of entrepreneurship can be investigated from two ways. Those that stem from the classical views, as well as some other determinants proposed in literature. Classical economists such as Cantillon, Say and Marshall all linked entrepreneurial success to certain factors. Cantillon and Say point out that the entrepreneur is a risk-taker. He "insures" workers by buying their products (or their labour services) for resale before consumers have indicated how much they are willing to pay for them. The distinguishing feature of the entrepreneurial task as compared to the other types of agents is its risk-bearing nature, which yields uncertain and non-contractually arranged incomes (Schumpeter 1965; van Praag 1999; Casson 2013).

Contemporary scholars on entrepreneurship have also linked success to entrepreneurial orientation (EO). Van Geenhuizen et al. (2008) note that risk-taking, autonomy, innovativeness, proactiveness, and competitive aggressiveness as a set of behaviours that reflect EO. Other entrepreneurship researchers such as Covin and Lumpkin (2011) hold that EO is a process through which individuals in an established firm pursue entrepreneurial opportunities to innovate without regard to the level and nature of currently available resources. Van Geenhuizen et al. (2008) note that EO has emerged as a possible antidote to the problems facing businesses that wish to achieve a sustained competitive advantage. Aktan and Bulut (2008) find that EO activities in firms have resulted in diversified products and markets, as well as being instrumental to producing impressive financial results. In addition, EO is positively linked to intangible outcomes, like knowledge, skill development, and job satisfaction. Awang et al. (2010) point out that the ability of a firm to stay competitive is directly related to a firm's intensity to take calculated risks. Fairoz et al. (2010) and Hung and Chiang (2010) point out that innovation in the firm of new products, services and processes can lead to sustainable competitive advantage. Allah and Nakhaie (2011) point out that successful entrepreneurship is associated with risk-taking which involves the identification of the new opportunities and resources mobilization. It results in introducing a new product or service to society.

Olakitan and Ayobami (2011) however find that locus of control and risk-taking behaviour do not collectively predict or determine entrepreneurial success. According to Lanstrom (1998), there are the psychological theories of entrepreneurship of which the unit of analysis is the individual. These theories link personal traits such as risk-taking, innovativeness and tolerance of ambiguity to entrepreneurship and entrepreneurial success. Some of the characteristics or behaviours associated with entrepreneurs are that they are opportunity driven, optimistic, emotionally resilience high mental energy and hard work (Simpeh 2011). McClelland's (1961) need for achievement theory emphasises that points out that entrepreneurs have a higher need for achievement. Entrepreneurs are driven by this need to achieve and excel. This need is influenced by internal drive for action (intrinsic motivation), and the pressure exerted by the expectations of others (extrinsic motivation) (Makhbul and Hasun 2011).

Koiranen (2002) defines values as moral principles, standards, ethical and behavioural norms. Business values are explicit or implicit conceptions of the desirable in business. As shared beliefs, these desired end-states underlie the attitudinal and behavioural processes of those involved in business. Aronoff and Ward (2000) point out that that values lay the bedrock for corporate culture and provide a template for decision making). The top values are honesty, credibility, obeying the law, quality, and industriousness, which are all modes of good ethical conduct. The values of yielding good economic return to owners, willingness to grow, and to get social recognition all scored surprisingly low. The adjectives best describing the characteristics of a successful business are: committed, responsible, fair, hardworking, and successful. Tapies and Fernandez (2012) find that values are a key element in managing a business and in business longevity. Quality, honesty and hard work are values that contribute significantly to business longevity. This suggests that entrepreneurial orientation and the personal traits of the owners of micro enterprises can positively impact on the survival and longevity of SMMEs.

According to Say (1803) an entrepreneur is an economic agent who unites or coordinates all means of production- land of one, the labour of another and the capital of yet another and thus produces a product. An entrepreneur is a supervisor and an administrator. Entrepreneurs need a combination of moral qualities, judgement, perseverance and knowledge of the world and business. This suggests that managerial competency and values are critical to the success and longevity of a business. Contemporary researchers also associate managerial competency with firm success and longevity. Lefebvre and Lefebvre (2002) report that innovative capabilities of the management team (for example, ability to undertake research and development, knowledge intensity and unique know-how) are strongly associated with export performance and firm growth. Martin and Staines (2008) find that lack of managerial experience, skills and personal qualities as well as other factors such as adverse economic conditions, poorly thought out business plans and resource starvation are found as the main reasons why new firms fail. Lyles et al. (2004) report that relative profits tend to be high when an entrepreneur has more education and experience in the line of business. Other empirical studies such as Smallbone and Welter (2001), Hisrich and Drnovsek (2002), Bosma et al. (2004) and Homiga et al. (2010) find that managerial competencies as measured by education, managerial experience, start-up experience and knowledge of the industry positively impact on the performance of new SMEs. Thus managerial competency can positively impact on business longevity. Education seems to provide the knowledge base and analytical and problem-solving skills to more effectively deal with the demands of entrepreneurship. Intellectual capital is critical to management process and can create sustained competitive advantage. Being knowledgeable can help an entrepreneur to be innovative.

In addition, managerial competency is one of the key criteria for commercial banks to grant a loan (Nguyen and Ramachandran 2006). From the bankers' point of view, the lack of management competency of SMMEs decreases their legitimacy. Pretorius and Shaw (2004) and Atieno (2009) observe that access to external finance is needed to reduce the impact of cash flow problems for new SMEs. Financing is needed for new firms to start and expand operations, develop new products, invest in new staff or production facilities. Thus access to bank and trade credit can be vital to the longevity of micro enterprises.

Dahl and Sorenson (2007) note that location also impacts on the market potential and growth opportunities of enterprises. Geographical proximity to either critical buyers or suppliers produces a form of enhanced environmental scanning that enables new firms to more easily identify and exploit growth opportunities in the market. Geographical location has implications for access to markets and other resources such as finance, skilled labour and infrastructure. Gilbert (2008) points out that the geographical area where the firm is launched has implications for its access to markets and resources. Firms located in metropolitan areas may therefore have higher chances of success than those located in rural areas. William and Jones (2009) find that the location of the firm is a significant factor that influences longevity. Firms in rural areas are expected to have a longer life than firms in urban areas. This could possibly be reasoned that in urban areas, the level of competition is very intense. On the other hand, in rural areas, competition is less intense due mainly to the lower concentration of businesses in these areas.

In addition, networking (social capital) can impact on firm longevity. Coulthard and Loos (2007) describe networking in a small firm context as an activity in which entrepreneurially oriented SME owners build and manage personal relationships with particular individuals in their surroundings. In general, networking includes the exchange of affect (liking, friendship), information, benefit and influence. Entrepreneurial firms may use networking to exploit opportunities Okten and Osili (2004) find that networking has an influence on the growth of an SME, especially through contacts with other entrepreneurs. Shane and Cable (2002) agree that networking can be used to reduce information asymmetry in creditor/debtor relationships. Social obligations between connected parties, and information transfer through social relationships, influence venture finance decisions. Shane and Cable (2002) argue that social ties interject expectations of trust and reciprocity into the economic exchange that, in turn, activate a cooperative logic of exchange. Ngoc et al. (2009) point out that in the absence of effective market institutions; networks play an important role in spreading knowledge about a firm's existence and its practices, the character as well as the capacity of small entrepreneurs. Networking can also help SMEs to access other kinds of debt finance apart from bank loans and trade credit.

RESEARCH METHODOLOGY

The survey was conducted in the Johannesburg Central Business District in Gauteng province, South Africa. The empirical approach consists of data collection through the use of self-administered questionnaire in a survey. Because of the difficulty in obtaining the population of micro-enterprises in the study area, convenience sampling and the snowball sampling methods were used. According to Cooper and Schindler (2003), convenience sampling is a non-probability sampling technique where subjects are selected because of their convenient accessibility and proximity to the researcher. Snowball sampling method is a non-probability sampling technique where existing study subjects recruit future subjects from among their acquaintances. As the sample builds up enough data is gathered to be useful for research. According to the Parliament of the Republic of South Africa (1995), a micro- enterprise is a business with (1) total full-time equivalent of paid employee of less than 5 (2) total annual turnover of less than R150,000 and (3) total gross asset value (fixed property excluded) of less than R100,000. The number of employees was used to measure a micro enterprise.

According to Williams and Jones (2009), the age of the firm that is, time elapsed since the firm started operation can be used to measure longevity. Enterprises that are in business longer, will likely be those that have adapted to marketplace changes, and are more likely to be financially stable (Bates 1990; Runyan and Huddleston 2006). These are important criteria in studying business longevity. The business should have been in existence long enough to, and must, have hurdled major turbulence before it can be considered as having survived (Santiago 2000). According to Chandler (2009) the longer a firm exists and the bigger it is, the more it signals that it can weather tough economic conditions. Furthermore, by staying in business, a firm can signal that it does not adopt opportunistic behaviour. Gorgievski et al. (2011) define longevity as having to continue in business for an indefinite period. Longevity is related to the survival and continuity of an enterprise and is one of the measures of firm success (other are profit, growth, innovation and social and environmental performance). Bosma et al. (2000, 2004) used profit, generated employment and longevity (survival time) as measures of success. According to Maas and Herrington (2006), in South Africa, once an enterprise has successfully existed for more than 42 months, it becomes an established firm and no longer a new enterprise.

Following the measure of longevity by Santiago (2000) and Runyan and Huddleston (2006), this study used ten years to measure longevity and focused on enterprises that have been in existence for ten years or more. These are enterprises that have been in existence long enough to have hurdled major turbulence and have survived. The questionnaire was divided into two sections: (1) biographical questions (2) questions related to longevity. A combination of dichotomous and Likert scale questions were used for the survey. Likert scale questions were used to measure the importance of variables perceived by the owners of micro enterprises as responsible for the longevity of their business. Likert scale questions range from "1 not at all important" "2 slightly important" "3 important" "4" very important and "5 extremely important. Questions were developed through a thorough review of the literature on longevity, survival and small business. Data was collected with the assistance of three trained field agents. Statistical analysis included descriptive statistics and the principal component analysis. According to Leech et al. (2005) the principal components analysis is a data reduction technique used to reduce a large number of variables to a smaller set of underlying factors that summarize the essential information contained in the variables. The decision about which principal components to retain depends on the percentage of the variance accounted for the variable, the absolute variance accounted for by each principal component and whether the component can be meaningfully interpreted. Principal components with Eigen values greater than one are usually retained. A pilot study was conducted on the survey instrument used in this research with 30 owners of micro-enterprises in order to ensure face and content validity. The pilot study led to some modifications to the questionnaire. Owners were assured of confidentiality with regard to the data collected. Micro-enterprises focused upon are those with formal trading places

RESULTS AND DISCUSSION

300 questionnaires were distributed and 121 returned. The response rate was 40.3%. Table 1 depicts the biographical information of the respondents. Table 1 depicts the biographical information of the respondents. Most of the respondents are males, operating for between 10 and 15 years, in the retail sector and have matric or post- matric qualifications.

Table 1: Biographical information

Biographical question	*Frequency*
Status of the Business	
Sole proprietorship	93
partnership	19
Close corporation	8
Company	2
Gender	
Male	83
Female	38
Level of Education	
Below matric	11
Matric	32
Post matric	78
Sector	
Retail	72
Service	46
Manufacturing	3
Age of the Business	
10-15 years	53
16-20 years	49
21-25 years	17
Above 25 years	2
No. of Employees	
No employee	0
1 employee	11
2 employees	16
3 employees	52
4 employees	43

Table 2 shows that the most important determinant of the longevity of micro enterprises is hard work and dedication with a mean of 4.95, followed by the quality of good or services with a mean of 4.93. In additions, items such as strong relationship with customers, meeting employee needs, previous work experience and honesty and trust are important determinants of longevity. Furthermore, access to external financial capital in the form of bank credit and trade credit are important to the longevity of micro enterprises. On the other side of the spectrum, strong relationship with local community, started with a business plan, support from government and the need for power are items with weak levels of importance with respect to the longevity of micro enterprises. Burns (2001), Kuratko and Hodgetts (2004) and Richbell et al. (2006) show that having a business plan is one of the important factors in business success, however a majority of small business do not start with business plans.

Table 2: Determinants of longevity

	Mean	*Standard deviation*
Hard work and dedication	4.95	0.233
Quality of goods, services	4.93	0.118
Strong relationship with customers	4.90	0.531
Meeting the needs of employees	4.64	0.717
Previous work experience	4.56	0.616
Honesty and trust	4.55	0.377
Access to bank credit	4.24	0.242
Access to trade credit	4.20	0.628
Strong relationship with suppliers	4.20	0.817
Willingness to take risk	4.17	0.213
thriftiness	4.15	0.684
innovation	4.07	0.622
General management skills	4.07	0.634
Proactiveness	4.01	0.531
education	3.88	0.619
Being flexible	3.76	0.731
Setting goal and vision	3.72	0.727
Use of technology (computer, internet)	3.64	0.626
Support from family and friends	3.59	0.717
Need for achievement	3.52	0.622
Location of the business	3.47	0.193
Recognition of opportunity in the market when I started	3.25	0.731
Strong relationship with local community	2.42	0.649
Support from government	1.88	0.659
Need for power	1.76	0.793

The principal component analysis was used to reduce the large number of variables to a smaller set of underlying factors that summarize the essential information contained in the variables. Table 3 shows the results of the principal component analysis. Six factors with Eigen values greater than one account for 75.419% of the total variance. According to the rules of the principal component analysis, only factors with Eigen values greater than one should be retained. Factor one is labelled entrepreneur's personal characteristics. The factor has an Eigen value of 18.34 and a percentage of variance of 41.725%. The factor consists of six items. The results show that hard work, honesty and trust, thriftiness factors that can impact on the longevity of micro enterprises. These are related to the personal values of the entrepreneur and can impact on the survival and longevity of micro enterprises. The results are consistent with studies on values and performance of SMEs such as Morris et al. (2002) and Tapies and Fernandes (2012). In addition, the willingness to take risk and innovation are part of part of the owners' entrepreneurial orientation. An entrepreneurial strategy making process referred to as entrepreneurial orientation (EO) is said to exist for firms that engages in product or market innovations, undertakes risky ventures and is said to come up with proactive innovations beating competitors to the punch. Van Geenhuizen et al. (2008) note that EO has emerged as a possible antidote to the problems facing businesses that wish to achieve a sustained competitive advantage. Awang et al. (2010) point out that the ability of a firm to stay competitive is directly related to a firm's intensity to take calculated risks. Fairoz et al. (2010) and Hung and Chiang (2010) point out that innovation in the firm of new products, services and processes or in a combination can lead to sustainable competitive advantage. Faud and Bohari (2011) used the work ethics (hardwork), the pursuit of excellence, mastery and dominance to measure the need for achievement and found a positive relationship between need of achievement and performance of SMEs. This is consistent with the findings of Raunch and Frese (2000) and Ryan et al. (2011).

Factor two is labelled as customer satisfaction and consists of two items. Quality goods and services and maintaining a good relationship with customers are important for customer satisfaction. Good quality of goods and services are essential for customer retention. The findings are consistent with that of Hudson et al. (2001) and Spillan and Parnell (2006) that customer satisfaction positively impacts on firm success.

Table 3: Rotated component matrix

Factors	*1*	*2*	*3*	*4*	*5*	*6*
Hard work and dedication	0.874					
Honesty and trust	0.711					
Willingness to take risk	0.686					
thriftiness	0.649					
innovation	0.601					
Need for achievement	0.573					
Proactiveness						
Quality of goods and services		0.779				
Strong relationship with customers		0.617				
Location						
Previous work experience			0.751			
Management skills			0.675			
Good employees			0.627			
Location of the business			0.599			
Education			0.586			
Use of technology			0.539			
Access to bank credit				0.723		
Access to trade credit				0.675		
Support from family and friends				0.651		
Opportunity recognition					0.697	
Setting goals and vision					0.602	
Being flexible					0.571	
Meeting the needs of employees						0.686
Strong relationship with suppliers						0.651
Strong relationship with local community						0.482
Eigen values	18.34	11.27	9.53	5.88	4.32	2.17
% of variance	41.725	15.207	5.782	4.801	4.151	3.753
Cronbach's alpha	0.739	0.752	0.801	0.716	0.812	0.701

Item loading of less than 0.300 removed

The third factor is titled management knowhow and consists of six items. Managerial competencies as measured by education, managerial experience, start-up experience and knowledge of the industry positively impact on the performance of SMEs. Education seems to provide the knowledge base and analytical and problem-solving skills to more effectively deal with the demands of entrepreneurship. Intellectual capital is critical to management process and can create sustained competitive advantage. Being knowledgeable can help an entrepreneur to be innovative. Management knowhow such as financial management skills can also help a micro enterprise to obtain credit facilities from commercial banks (Dickson et al. 2008; Homiga et al. 2010).

The fourth factor is labelled as finance and resources and consists of three items. Resource poverty is one of the causes of failure for small business. Various challenges and impediments prevent the creation of new SMEs as well as cause the high failure rates of new SMEs in South Africa. One of these is the non-availability of formal sector financing. According to Maas and Herrington (2006) and Herrington et al. (2009) access to finance is a major problem for the South African entrepreneur. Lack of financial support is the second most reported contributor to low new firm creation and failure, after education and training, in South Africa. Access to external finance is needed to reduce the impact of cash flow problems for new SMEs. Financing is needed for firms to start and expand operations, develop new products, invest in new staff or production facilities. SMMEs without access to credit are more vulnerable to external shocks. The availability of finance for investment in positive net present value projects is vital to the sustainability and viability of new SMEs. A vast majority of new SMEs depend on internal finance (contribution from the owners, family and friends). Internal finance is often in adequate for SMEs to survive and grow. Therefore, access to external finance can contribute to business longevity. In addition, a good relationship with suppliers can help to improve access to trade credit. Support from family and friends is a type of entrepreneurial network that can aid resource acquisition. This is consistent with the findings of Sirec and Bradac (2009) and Zhang (2010).

The fifth factor is labelled strategy and consists of three items. These are opportunity recognition, setting goals and vision and being flexible. Opportunity recognition is part of innovative entrepreneurial strategy. Opportunity recognition is a fundamental element of most definitions of entrepreneurship. Covin and Slevin (2002) believe that the recognition and exploitation of opportunity is a central characteristic of entrepreneurial behaviour and success. Ireland et al. (2009) note that opportunity recognition is a vision-directed, organization-wide reliance on entrepreneurial behaviour. Opportunity recognition purposefully and continuously rejuvenates the organization and shapes the scope of its operations. According to Grant (2003), a key component of strategic planning includes an understanding of the firm's vision. In addition, a flexible strategy helps an organisation to achieve its goals (Hatch and Zweig 2001). Empirical studies such as Sarason and Tegarden (2003), Falshaw et al. (2006) and Efendioglu and Karabulut (2010) find that strategic planning positively impacts on firm performance. This suggests that strategic planning can be a determinant of firm longevity.

Factor six is labelled as networking. Networking includes both internal and external networks. According to Sawyerr et al. (2003), increased internal networking positively impacts on firm performance. Thus the way an organisation treats its employees can impact on business longevity. According to Okten and Osili (2004) and Coulthard and Loos (2007) firms may use networking to exploit opportunities and this can positively impact on firm survival.

CONCLUSION

This study investigated empirically the determinants of longevity of micro enterprises in South Africa. Business longevity is critical to the reduction of high levels of unemployment, poverty, income inequality and crime in South Africa. The results indicated six factors that can contribute to the longevity of micro enterprises. These are the entrepreneur's personal characteristics, customer satisfaction, management knowhow, finance and resources, strategy and networking.

RECOMMENDATIONS

The most important determinants of the longevity of a micro enterprise is the entrepreneur. Therefore to ensure business longevity, the entrepreneur must be hard working and dedicated. According to Thomas Edison (an inventor) "genius is 1% inspiration and 99% perspiration". Entrepreneurs have to take the responsibility for the success of their enterprises by developing themselves and attending training on general/strategic management, customer relationship management, employee management and financial management. They can attend training programs and short courses organised by universities on financial management for nonfinancial managers and training programs organised by government agencies such as the Small Enterprise Development Agency (SEDA). since micro-enterprises are the most dominant business in South Africa, organisations responsible for SMMEs in South Africa such as SEDA should have well trained field agents to visit and train micro-enterprises on a regular basis on managerial skills. Studies have shown that most small entrepreneurs are not aware of government efforts designed to help them. Awareness should be improved for government agencies that help small businesses obtain finance through sustained advertisement in print and electronic media.

AREAS FOR FURTHER RESEARCH

There are some factors in the external environment such as a good macro-economic environment and crime that can impact on the longevity of micro enterprises. Further studies can focus on external environmental factors that can affect the longevity of micro enterprises. In addition, further studies can investigate the impact entrepreneurial characteristics such as gender and the level of education and firm characteristics such as industry and the legal status on the longevity of micro enterprises.

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