CONFERENCE PROCEEDINGS OF THE INTERNATIONAL CONFERENCE ON BUSINESS RESILIENCE, CONTINUITY AND REGENERATION

BRCR2025

Flourishing in the VUCA World Building Business and Financial Market Resilience

UNIVERSITY OF KWAZULU-NATAL
INYUVESI YAKWAZULU-NATALI

BRU BUSINESS RESCUE UNIT

INSPIRING GREATNESS

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Preface

It is with great pleasure that we present the Proceedings of the 3rd International Conference on Business Resilience, Continuity and Regeneration (BRCR), held from 17 - 20 June 2025 at the Garden Court Marine Parade Hotel in Durban, South Africa. Hosted by the Business Rescue Unit (BRU) within the newly established School of Commerce at the University of KwaZulu-Natal, this conference brought together an inspiring assembly of scholars, practitioners, policymakers, and industry leaders committed to advancing knowledge in business resilience and financial market stability.

The theme for this year's conference, "Flourishing in the VUCA World: Building Business and Financial Market Resilience," could not have been more timely. As highlighted throughout the programme, the global landscape continues to be shaped by volatility, uncertainty, complexity, and ambiguity. These dynamics pose both challenges and opportunities for organisations, financial markets, and governments. The papers presented in this volume speak directly to these realities, offering robust theoretical insights, empirical evidence, and practical strategies for navigating a rapidly shifting environment.

Across keynote sessions, plenaries, and extensive parallel presentations over the conference days, participants engaged with topics ranging from financial market contagion, digital transformation, artificial intelligence, sustainability, governance, entrepreneurship, and public-sector resilience. The diversity and depth of contributions underscore the multidisciplinary importance of resilience research, reflecting the evolving needs of modern economies and societies.

We had more than 145 presentations from delegates from various countries around the globe. All submissions were blind peer-reviewed by a pool of scientific committee members and reviewers from different countries.

We extend our sincere appreciation to our esteemed keynote speakers, session chairs, and presenters for their thought-provoking contributions. We are equally grateful to our valued sponsors - the National Research Foundation (NRF), the Insurance Sector Education and Training Authority (INSETA), and the KwaZulu-Natal Tourism and Film Authority (KZNTFA) - whose support made this gathering possible.

These proceedings represent not only the academic outputs of the conference but also the collaborative spirit and shared commitment of the BRCR community to shaping more adaptive, innovative, and sustainable futures. It is our hope that readers, whether academics or practitioners, will find in these pages meaningful insights and valuable inspiration for continued research, policy development, and organisational practice.

We congratulate all contributors and thank everyone who played a role in making the 2025 BRCR Conference a remarkable success.

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Professor Paul-Francois Muzindutsi

Professor Bomi Nomlala

Conference Proceedings

3rd International Conference on Business Resilience, Continuity and Regeneration

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DHET Conference Compliance Letter
(for South Africa Authors)

To whom it may concern:

The International Conference on Business Resilience, Continuity and Regeneration (2025 BRCR Conference) was hosted by the Business Rescue Unit, School of Commerce, University of KwaZulu-Natal, in Durban from 17 - 20 June 2025. This Conference Proceedings aims to disseminate original research and new developments in the areas of management sciences under the theme *Flourishing in the VUCA World Building Business and Financial Market Resilience*. Submitted full papers were subjected to a double-blind peer-reviewing process before acceptance for presentation at the conference and subsequent publication in the Conference Proceedings. Each paper was reviewed by at least two subject specialists selected for their expert knowledge in the areas. The related Conference Proceedings' International Standard Serial Number (ISSN) is 2959-9563 (Online). More than 70% of contributions published in this Conference Proceedings emanate from multiple institutions. The conference has an organising committee (see Pg. v), and a scientific committee that plays the role of the editorial board (see Pg. vi - viii), with a considerable majority of members beyond a single institution and single country. Consequently, the scientific committee reflects expertise in the management sciences field.

Sincerely,

Signatures

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Table of contents

RESPONSIBLE INVESTMENT AND ECOLOGICAL FOOTPRINT IN EMERGING MARKETS: EFFECT OF RULE OF LAW AND REGULATORY QUALITY

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Abstract

This study investigates the impact of responsible investment (RI) on ecological footprint in a panel of fifteen emerging markets and examines whether the rule of law and regulatory quality moderate the relationship. The panel autoregressive distributed lag (ARDL) and causality tests are employed to analyze secondary data from 2010 to 2022. The findings indicate that responsible investment substantially lowers the Ecological footprints in the long-run period, and factors of governance like the rule of law and the quality of regulations are essential variables that moderate the sustainability outcomes. Nonetheless, the short-run effects are not the same in all countries, which means that domestic institutional frameworks are important. The research concludes that responsible investment is a viable tool of ecological footprint sustainability in emerging markets, provided that there is a strong system of governance. It suggests that policymakers should enhance the quality of institutions so as to maximize the environmental benefits of responsible investments and also encourages investors to consider the quality of governance in decision-making. It is recommended that further studies be conducted to examine more aspects on governance and indicators on sustainability in developing economies.

Keywords: *responsible investment, emerging markets, rule of law, regulatory quality.*

Introduction

Background to the study

The growth of international financial and economic operations has been mostly at the cost of environmental sustainability. Environmental sustainability is further challenged by increasing pressures, such as deforestation, pollution, resource depletion, and greenhouse gas emissions caused by the corporate initiative, global supply chains, and product consumption (Kayani et al., 2024). Such emissions are also a major cause of climate change and growth in ecological footprint especially in emerging markets where the fast pace of development is sustained by investment and usage of resources. Ecological footprint is the measurement unit that indicates the consumption of natural resources as per the level of waste absorption and regeneration by the Earth (Raven & Wackernagel, 2020).

The increase in national and individual resource consumption, careless use practices, and unregulated corporate greenhouse gas emissions all play a role in environmental degradation (Zhou et al., 2024). The principles of sustainable development face rising opposition as they require present-day needs to be satisfied without harming future generations. Entities must act promptly on both their macro and micro levels as current trends demonstrate the global community's inability to reach this goal (Addai et al., 2023). Moreover, Ecological footprints in emerging economies can only be reduced through corporate management of GHG emissions, as well as extensive consumption novelty (Vardar et al., 2023). Sustainable development necessitates modifications in both individual consumption patterns and corporate operational practices to reduce per-capita environmental impact. International organizations have recently strengthened global sustainability reporting frameworks. The latest reports issued by the United Nations Global Compact (2024) and the Global Reporting Initiative (2024) include the Sustainable Development Goals (SDGs) in the corporate reporting systems. In the same vein, the Task Force on Climate-related Financial Disclosures (2024) finished its task and published the last status report. Moreover, the latest report by the Carbon Disclosure Project (2024) has also been released and has emphasized the advances in global environmental transparency and disclosure.

Despite the involvement in global sustainability efforts being mostly voluntary, including the Global Reporting Initiative (GRI), the Carbon Disclosure Project (CDP), and the Task Force on Climate-related Financial Disclosures (TCFD), recent advances in policy in different countries have added compulsory disclosure components in the environment and social reporting (OECD, 2024). Most of the firms therefore still participate voluntarily, but some are now mandated by national sustainability frameworks that are in tandem with these international standards. Companies use GRI sustainability reporting guidelines to display their ESG consequences (Sisaye, 2021). The CDP monitors and assesses corporate environmental performance through their carbon emissions tracking and climate change planning evaluation system. Identical to the CDP the TCFD develops criteria which helps businesses showcase their financial risks stemming from climate change. The frameworks prove ineffective at creating meaningful change when there are no implementable rules since they face regulatory gaps along with greenwashing and temporal financial incentives and no corporate oversight for GHG emissions reporting (Sisaye, 2021).

Emerging markets, which includes Brazil, Russia, India, China, and South Africa (BRICS), as well as others like Mexico and Egypt make up a large percentage of the world economy as it encompasses more than 25% of world GDP and almost 40 percent of the world population (World Bank, 2023). Such nations are described by a high pace of industrialisation, a quick increase in investment flows, and an escalating utilisation of energy, all of which favour the development of strain on the environment and carbon emissions (IEA, 2023). Although emerging markets have improved in their embrace of environmental, social, and governance (ESG) standards, there still exist significant disparities in quality control, the methods of enforcement, and reporting roles (Zhou & Wang, 2022).

The increased attention to responsible investment (RI) in these markets is a possibility to connect capital flows with sustainability objectives, where the performance of RI strategy is usually affected by institutional conditions like a rule of law and the power of environmental governance (Singh & Dube, 2022). This research article is an analysis of the impacts of responsible investment (RI) activities to Ecological footprint in emerging markets. It also investigates how much the rule of law and regulatory quality matter to this relation and these factors help to understand the specific challenge of governance and sustainability of the emerging economies. Relative to its research goals, the study seeks to explore how responsible investment has influenced the environment and the importance of institutional structures in generating sustainability impacts. Therefore, the broader emerging market offers a special setting through which it would be possible to explore how investment-driven sustainability initiatives relate to self-regulatory frameworks and governance systems in determining Ecological footprint impacts.

Statement of the problem

Climate change represents a critical policy challenge confronting governments worldwide, with particularly severe consequences for vulnerable populations in developing regions. Climate change disproportionately affects vulnerable communities through declining agricultural productivity, increased frequency of extreme weather events, heightened health risks, and forced migration. This deterioration is driven by declining agricultural productivity attributable to droughts and other extreme weather that affects the agriculture and increase in agricultural and sanitation supply due to various changes in precipitation patterns. In particular, this is increasing health risks that are linked to heat such as heat related illness and diseases, and increase for vulnerable groups. Moreover, individuals with less resources are unable to undertake adaptation as they have become economically disparate. Climate-induced disasters forced people to migrate forcing the disruption of lives and economies. In addition, ecosystems which are essential to livelihoods are being destroyed in losing biodiversity. These impacts are then confirmed to support this need for climate action (IPCC, 2022).

The use of sustainable investing is rapidly growing globally, and especially in fast developing economies where economic growth is often at the detriment of environmental sustainability. Although the number of these responsible investment practices is on the rise, the economies continue to suffer from significant environmental degradation (Nathaniel & Khan, 2020). Such role of institutional factors questions to what extent responsible investment is effective in reducing Ecological footprint in the first place. Poor regulation, weak and inconsistent governance structures, and poor rule of law can affect how responsible investment will give life to tangible environmental benefits (de Castro, 2020).

The global efforts towards sustainability are hampered by the growing environmental deterioration accelerated by the fast development of industries in emergent economies. Emerging economies are not only major contributors of global greenhouse gases (GHGs) emissions but also a major contributor to Ecological footprint environmental degradation. To give a few examples, China and India are amongst the highest GHG emitters in the world, Brazil and Russia make significant contributions to deforestation and energy-related emissions (IEA, 2023; World Bank, 2022). Emerging economies stock exchanges have started to launch responsible investment indices as a response to these environmental issues to help drive ESG responsible corporate conduct. In 2015, the Johannesburg Stock Exchange in South Africa, introduced the FTSE/JSE Responsible Investment Index (FTSE Russell, 2020) and the Corporate Sustainability Index (ISE) in Brazil assessment of listed companies concerning their ESG performance (Borges et al., 2020). In the same vein, the Indian stock exchange launched NIFTY100 ESG Sector Leaders Index in 2018, China Stock Exchange came up with Green Securities Index Series and Moscow Exchange introduced ESG indices as a way of encouraging green investment (NSE India, 2023; SSE, 2022; Moscow Exchange, 2021). Nevertheless, the practical influence of these indicators on Ecological footprint results is not an area that is deeply researched. This paper fills this gap, as it tries to examine the effect of responsible investment indices on environmental performance using the moderating effects of the rule of law and regulatory quality.

Also, it is necessary to examine whether institutional quality, in particular the rule of law and the regulatory quality, moderate the relationship in this case. Studies have shown that a strong governance structure supports the benefits from a better environmental sustainability (Nathaniel & Khan, 2020). The lack of effectiveness of responsible investment initiatives in promoting sustainable outcomes in some emerging economies is due to weak enforcement mechanisms and corruption (de Castro, 2020). Therefore, this study will investigate the relationship between responsible investment, existing regulatory frameworks, and environmental outcomes to establish whether these investments are achievements worthy of long-term sustainability in emerging markets.

Research Aim and Objectives

The primary objective of the research is to examine the effects of responsible investment on Ecological footprint in emerging markets especially by determining the role of the rule of law enforcement and the regulatory quality.

Specifically, the study aims to:

I. Analyse the impact of the responsive investment practices (RI) on the Ecological footprint in emerging markets.

II. Analyse how the combination of rule of law and the quality of regulation influences the relationship between the responsible investment (RI) and Ecological footprint in emerging markets.

Research Questions

The aim of this study is to investigate the interrelation of responsible investment with Ecological footprint in emergent markets taking the view of rule of law and regulatory quality. It seeks to evaluate whether institutional factors can moderate the effect of RI on environment outcome

I. How does responsible investment (RI) affect Ecological footprint in emerging markets?

II. What influence does the rule of law and regulatory quality have on the RI and Ecological footprint relationship in emerging markets?

Justification and significance of the study

High rates of industrialization in the emerging markets still pose massive environmental destruction that is raising serious concerns about sustainability. In this regard, responsible investment (RI) has become a popular mechanism of channeling the capital into more sustainable and ecological footprint mindful businesses. Although the majority of the studies carried out regarding RI have been on developed economies, there has been an increased necessity to find out its efficiency in emerging economies. The countries have issues that involve complex sustainability concerns, characterized by large emission of greenhouse gases, ineffective enforcement of laws and regulations, and inconsistent ESG reporting standards. This study contributes to filling this gap as it investigates the role of governance factors, namely, the rule of law and regulatory quality, in the correlation between RI and environmental impact. Stakeholders gain through the results of this study. Financial institutions and investors will have some information that will guide them in making informed investment choices towards a sustainable investment. Policy makers will be in a better position to come up with effective regulatory frameworks which will increase the effectiveness of RI mechanisms. The results help academics and researchers enhance their theories of sustainable finance and governance of emerging economies. Also, global entities like UNPRI, World Bank, and UNEP-FI can use the results to influence the world sustainability agenda and promote irresponsible investing in emerging markets.

Literature Review

Introduction

This chapter aims to critically examine existing literature on responsible investment and its role in addressing Ecological footprint, with a particular emphasis on the influence of governance mechanisms such as rule of law and regulatory quality for emerging markets. The review will explore key theoretical frameworks, including supply-leading and demand-following theories, to provide a conceptual foundation for understanding investment behaviour in emerging markets. It will assist in assessing the extent of prior research, identify prevailing trends and limitations, and highlight gaps, especially in studies that try to understand how environmental degradation can be minimised. Ultimately, the chapter seeks to establish the relevance and necessity of the current study by situating it within the broader academic discourse and identifying areas where further investigation is warranted.

Theoretical Framework

The research about responsible investment effects on emerging market Ecological footprint relies on the supply-leading hypothesis and demand following hypothesis. Both these theories demonstrate how financial development combined with responsible investment initiatives to create enlarged economic development coupled with sustainable environmental outcomes through active involvement in financial structure creation for green projects

Supply-leading hypothesis

Under the supply-leading hypothesis, financial development through responsible investments creates growth and sustainability because financial structures become actively designed to support sustainable development. As Said and Hammam (2024) argue that financial development in developing countries can still be designed to cater for country growth while aligning with responsible investment goals. The proactively expanding financial activity sets in place conditions which support enduring economic development activities and minimizes dependence on harmful industrial production. Ponce (2023) explains that financial development leads to either better or worse Ecological footprints based on regulatory standards combined with economic circumstances. Moreover, the environmental outcome of FDI inflows together with globalization depends on both the quality of investments and the strength of implemented policies. Tran (2024) argues that Indonesian Ecological footprints expand through globalization whereas Kayani (2024) explains adverse investment shocks inflict worse environmental effects than beneficial shocks do. Environmental sustainability flourishes through green finance and ESG investment together with financial regulatory mechanisms under supply-leading hypotheses

Demand-following hypothesis

On the other hand, under the demand-following hypothesis, financial development together with investment activities follow economic growth and institutional changes leading to higher requirements for sustainable development through responsible investment (Meniago et al., 2025). Emerging markets are seemingly using the ESG framework to address environmental degradation, implement green like regulations, and promote responsible investment. For example, research has shown that as an economy grows that results in an increase in the focus of responsible investment. Which leads financial allocation systems to adopt responsible capital distribution practices (Kölbel et al., 2020). But, the implementation of financial development leads to separate environmental effects because poor regions face environmental deterioration from inadequate oversight. However, developed countries utilize financial tools to advance sustainability (Ponce, 2023). Moreover, globalization together with FDI results in various types of environmental effects. Positive globalization changes increase

Ecological footprints while negative globalisation decreases Ecological footprint (Tran, 2024). On its own, the FDI effect on the environment depends on the direction of the shock. For instance, a negative investment shock creates a greater Ecological footprint damage than the positive movements (Kayani, 2024). Therefore, environmentally friendly financial systems lead to an increase in the demand of investments as regulations have the support of firms which will ensure that investments follow sustainable development targets.

General studies

Most studies have focused on North Africa, South or Southeast Asia, and G7 countries to study the lowering or increasing of Ecological footprint. Using panel data analysis, researchers (Amin, Song and Khan, 2021; Zhang et al., 2024; Nuta et al., 2024) found that trade liberalization, financial modernisation and financial inclusion increases Ecological footprint. Notably, closer inspection revealed that financial development coupled with FDI lowers Ecological footprints. Murshed et al. (2021) using time-series analysis, noted that foreign investment in Bangladesh increased renewable power generation which decreased Ecological footprint as investments targeted projects for clean energy. Trans et al. (2024) using ARDL and NARDL, found that FDI also lowered Ecological footprint in Indonesia. On the other hand, a study by Zhang et al. (2024) using panel data analysis, noted that although FDI improved quality of life across 131 countries, developing countries became pollution havens because industrial nations dumped destructive operations on developing countries. The findings highlight that the influence of FDI over countries is not the same and varies by region and model estimation applied.

Furthermore, research demonstrates financial sector advancement together with sustainable financial policies and green credit approaches serve as major elements for protecting the environment. Ahmed and Chen (2018) using panel cointegration in analysing Southeast Asia found that green finance and strong institutional quality decreases Ecological footprint. In Latin America, Silver and Torren (2018) using cross sectional ARDL, found that corporate investment together with rule of law decreased Ecological footprint because companies became environmentally responsible. Such research findings illustrate that sustainable investment possesses two-way effects because by promoting environmentally friendly systems, markets need comprehensive policy measures comprising green finance programs along with robust environmental rules and incentives that boost investments in clean energy in order to obtain sustainable outcomes.

Other researchers highlighted that urbanisation is a key factor of Ecological footprint. Musah et al (2020) using Panel Cointegration and Pesaran attest to this theory by analysing 16 West African countries. Findings from the study suggest urbanisation increases carbon emission levels. Similarly, Ponce et al. (2023) using both ARDL and Granger causality tests for 100 countries found that urbanisation resulted in the increased Ecological footprint but found an opposite conclusion for developed nations. Xia and Liu (2024) noted in their research, using MMQR estimation method, that urbanization had an insignificant effect on Ecological footprint for the G7 countries and that fintech together with stringent Ecological footprint policies improved Ecological footprint balances.

On the other hand, Johnson et al. (2024) in the research, finds that high regulatory quality and rule of law significantly improve FDI inflows by ensuring investor confidence and sustainable business practices based on regression analysis and structural equation modelling (SEM) techniques. In addition, Garcia et al. (2024) focusing on the United States, European Union, China, Brazil, India, and Australia, applied statistical modelling and Bayesian model averaging found that macroprudential policies can reduce environmental degradation by influencing sustainable financing and resource allocation. Kumar and Singh (2022) investigated top Asian economies (China, South Korea, Japan, India, and Singapore) .

found that rule of law and green innovation are positively linked to environmental quality, while rapid economic growth without regulations exacerbates environmental issues. Alone, these elements do not positively affect Ecological footprint balances of regions or countries rather environmentally friendly policies play a crucial role in providing guidance and steering responsible investments.

Empirical studies from emerging markets

There is a large amount of research that already exists on the nexuses between carbon emissions (cause of Ecological footprint deficit) with renewable energy, economic growth and urbanization. But a few focus on emerging markets. A few studies that exist such as Qamruzzam (2022) using countries that were located in the Southeast Asia region found that energy efficiency, environmental innovation, institutional quality, and FDI collectively reduced Ecological footprint when supported by strong governance and sustainable policies. Amin, Song and Khan (2021) based on 4 countries from South Asia (Pakistan, India, Bangladesh, and Nepal) found that financial inclusion and modernization lead to an increase in carbon emission. Furthermore, Tran, Le, and Shahbaz (2024) found that FDI and globalization increased Ecological footprint in Indonesia using ARDL and NARDL estimation techniques. Ahmed and Zhao (2023) found that trade liberalization without sustainable measures worsens Ecological footprint impact in China, Pakistan, Kazakhstan, Russia, Malaysia, Turkey. According to the reviewed articles, Wang and Zhang (2018) using panel data analysis and GMM to study the role of regulatory quality and responsible investment in emerging markets to reduce Ecological footprint, is one of the limited articles found that considers such elements in emerging markets. The study found that responsible investment is more effective when accompanied by a strong regulatory environment.

Gap in the empirical studies

Environmental sustainability and responsible investment have gained prominence in global development discourse, existing empirical studies have largely focused on traditional determinants of Ecological footprint such as urbanization, economic growth, trade openness, and technological advancement. However, there remains a significant gap in understanding how institutional factors such as rule of law and regulatory quality, affect responsible investment and its environmental outcomes. Moreover, much of the current literature is concentrated on developed nations, with limited empirical research dedicated to emerging markets such as the MENA, South America, and African countries or regional studies with emerging markets. When narrowing the scope to include governance indicators like rule of law and regulatory quality, the number of studies becomes even scarcer across emerging markets. This study aims to address this gap by examining the relationship between responsible investment, Ecological footprint, and governance quality within emerging markets. Thereby contributing to a more nuanced understanding of sustainability in diverse institutional contexts.

Research Methods and Data Collection

Introduction

The paper takes into consideration, the implication of the responsible investment on Ecological footprints and moderating role of the rule of law and quality of the regulations thereof in emerging markets. This chapter is split into eight sections. The initial part outlines the conceptualization of the research on responsible investment, Ecological footprint and institutional quality in emerging markets. The second section determines the sources of information and variables utilized during the research. The third section illustrates the methodology which involves the panel regression analysis. The rest of the paper discusses model specification, data analysis plans, ethics, and, lastly, how the analysis process can be applied to justify the aims of the study.

Choice of Methodology - Approach, Design and Philosophy

This study adopts a quantitative research approach because of the relevant objectives and data numerical data coding, and requires statistical modeling, and visualization (Brunsdon, 2015). This follows similar existing literature (such as Oteng-Abayie et al., 2022; Hasan et al., 2024; Murshed et al., 2021) that used quantitative research approaches. Furthermore, the study employs descriptive research design to understand the characteristics of rule of law and regulatory quality, responsible investments and environmental sustainability data. The design is useful to understand the anomalies, trends, and movements that might exist in the data (Oteng-Abayie et al., 2022). Further, the study adopts a cause-and-effect research approach to examine the relationship between the rule of law, regulatory quality, responsible investment, and environmental sustainability. Moreover, the research adopts a positivist approach in order to shed more light into the evaluation of the impacts of rule of law and regulatory quality on the interactions between responsible investment and environmental sustainability in the emerging markets based on the BRICS bloc. The paradigm is used when conducting research using quantitative research methods since this paradigm focuses on objective measurement, hypothesis testing, and statistical analysis to identify patterns and correlations within the data (Creswell & Creswell, 2018).

Data Collection Method

This study examines the effect of responsible investment on Ecological footprint considering the moderating effects of rule of law and regulatory quality in emerging markets. The data for the variables covers the period starting in 2010 to 2022. A period where ESG indices became popular for the BRICS nations (Ur Rehman et al., 2021). Therefore, the sample size for this study comprises fifteen countries over 13 years. The research is therefore conducted against emerging markets and the data gathered is only limited by the availability of data for certain countries. The study used total Ecological footprint for each country as a proxy for Ecological footprint (the dependent variable). The data was collected from the Global Ecological Footprint (2025). In addition, moderating variables consist of the 6 governance index variables. These variables take into account how policies and strictness of government shapes the attitude of responsible investments. Furthermore, the independent variable, which is responsible investment, is measured by the returns of ESG indices of each stock market. The ESG index is based on the annual returns for the indices. Moreover, other variables include foreign direct investment (FDI), trade openness (TO), and renewable electricity (RE) which are control variables. The data for these variables is taken from World Bank Development Indicators (2025).

Table 1: Description of variables

Variable type	Variable and Notation	Unit of measurement	Data source
Dependent	Carbon Emissions (CO2)	Global hectares	Global Footprint Network
Moderator	Rule of law (Rol)/ Regulatory quality (Rq)	Standardised by a score between -2.5 to +2.5	World Bank Worldwide Governance Indicators (WGI)
Independent	Responsible investments (RI)	Percentage of returns of ESG indices	IRESS, Bloomberg Terminal
Control	Trade openness (TO)	Ratio [(exports + imports)/GDP]	World Bank World Development Indicators (WDI)
	Foreign Direct Investments (FDI)	Percentage of GDP	World Bank WDI
	Renewable Electricity (RE)	Percentage of Total electricity	World Bank WDI

The use of secondary is justified because of its use in historical studies, accessibilities, and reliability. Although the study uses unbalanced panel data, the Panel ARDL modelling is still supported because there are only a few missing. And is also supported by the inclusion of control variables that have complete data.

Model Specification and Variable Description

The model used to achieve the objective of the study is adapted from existing literature on sustainable finance, governance, and environmental economics, ensuring theoretical coherence and empirical relevance (Pesaran et al., 1999; Sam et al., 2020). The long-run dynamics for the Panel ARDL the first model and the secondary model are:

1. $EF_t = \alpha_t + \beta_1 RI_t + \beta_2 GI_t + \beta_3 RE_t + \beta_4 LGDP_t + \varepsilon_t$
2. $EF_t = \alpha_t + \beta_1 RI_t + \beta_2 RE_t + \beta_3 LGDP_t + \beta_4 (RI\ X\ ROL)_t + \beta_5 (RI\ X\ RQ)_t$

Where CE_t is Carbon emission, RL_t is Responsible investment indices, RL_t is Rule of law, RQ_t is Regulatory quality, RE_t is Trade openness, RE_t is Renewable electricity, ε_t is Foreign direct investment, ε_t is Country-specific fixed effects, ε_t is Error term

Short-run Dynamics Panel ARDL

$$\Delta EF_t = \phi_i \left(EF_{t-1} - \emptyset_1 RI_{t-1} - \emptyset_2 TO_{t-1} - \emptyset_3 RE_{t-1} - \emptyset_4 FDI_{t-1} - \emptyset_5 RI_{t-1} \times RL_{t-1} - \emptyset_6 RI_{t-1} \times RQ_{t-1}\right) + \sum_{j=1}^{p} \gamma \Delta CE_{t-j} + \sum_{j=0}^{q} \gamma_{2j} \Delta RI_{t-j} + \cdots + \mu_t$$

Where Φ is Error correction term (speed of adjustment), θ is Long-run coefficient, γ is Short-run coefficient, μ is Error term.

Data Analysis Strategies

The study uses the Panel ARDL model to study the link between responsible investment and ecological footprint which is moderated by rule of law and regulatory quality. The first model is controlled by governance index (GI) and renewable energy (RE) and GDP (LGDP). The second model is controlled by RE, LGDP, RIROL (responsible investment moderated by rule of law) RIRQ (responsible investment moderated by regulatory quality). Both models capture short-run functions and long-run equilibrium relationships. Analysis will be conducted in a logical sequence that conforms to the research objectives allowing for substantive evidence-testing and translation of cross-directional relations.

The study begins by executing panel unit root tests on all variables contained in the database. Two types of unit root tests are utilized to establish the integration levels of each variable: Levin-Lin-Chu (LLC) and Im-Pesaran-Shin (IPS) Augmented Dickey-Fuller test, Phillips- Perron test. It is crucial to use this process because it helps prevent false regression results by determining the stationary nature of variables between level [I(0)] and first difference [I(1)]. The integration properties apply to the majority of macroeconomic panel variables. The proper determination of integration order must happen before starting the subsequent panel cointegration analysis (Baltagi, 2021).

After undertaking the process of stationarity, panel cointegration testing is carried out to examine whether the long-run equilibrium relationship continues to exist among the important variables. Testing the robustness using various cointegration tests such as the Pedroni (1999, 2004) residual cointegration test, Kao (1999) test, and also the Fisher combined Johansen test of cointegration (John, 1995). Usage of multiple tests addresses various assumptions and enhances the confidence of identification of cointegrating relationships. With cointegration outcomes, errors correction or autoregressive distributed lag (ARDL) panel model results will be justified in further steps (Pedroni, 1999, 2004; Kao, 1999; Johansen, 1995).

In the event that cointegration is obtained, the Panel Autoregressive Distributed Lag (Panel ARDL) model will be used to determine the dynamic (long-run and short-run) relationships. Panel ARDL is efficient when panels have mixed variables integrated of orders I(0) and I(1) and permits cross-country terms of the slope coefficient being the heterogeneous slope. The model allows the addition of interaction terms to evaluate moderating effects, like rule of law and regulatory quality on the influence of responsible investment on the environmental quality (Pesaran & Smith, 1995; Pesaran et al., 1999).

In search of directionality and possible feedback between responsible investment and Ecological footprint, Dumitrescu-Hurlin panel Granger causality test will be run (Dumitrescu & Hurlin, 2012). This test has the ability of accommodating heteroscedastic panels and determining the extent to which changes in one variable are always preceded by changes in the other. The examination will explain whether the responsible investment contributes to environmental quality gains, whether or not environmental change affects responsible investment conduct, or whether there is a two-way relationship between them (Ponce, 2023). Causality is required in evaluation of the dynamic relationships of sustainable finance.

To make the results of the regression valid, some diagnostic tests will be undertaken to check econometric problems that may arise:

- Multicollinearity among the independent variables would be determined through Variance Inflation Factor (VIF) (O Brien, 2007); variables in excess of the threshold VIF would be checked to verify any redundancy.
- Fixed effects residuals will be tested using the Modified Wald test of heteroskedasticity

(Greene, 2000), wherein the use of standard error is rendered robust (Greene, 2000).

- Autocorrelation will also be identified with help of the Wooldridge test of serial correlation in panel data (Wooldridge, 2002). Where I will adjust it with clustered robust standard errors.
- The Pesaran CD test will be used to test whether there is cross-sectional dependence; substantial dependence will result in the application of the Driscoll-Kraay standard errors that is not sensitive to heteroskedasticity, the serial correlation, and cross-section dependence (Driscoll & Kraay, 1998).
- Jarque-Bera will test the normal distribution of residuals (Jarque & Bera, 1987) that are essential assumptions to make inferences.

Data Analysis and Interpretation

Introduction

The chapter is the presentation of the empirical outcome of the study undertaken on the effect of responsible investment on the Ecological footprint degradation in emerging markets and the mode of influence of institutional quality. The key research question is whether responsible investment (RI) can help to lessen Ecological footprints when institutional considerations such as rule of law and quality of regulations are included. The research hypothesis is the interactive relationship between responsible investment and institutional structures and Ecological footprint sustainability. The chapter starts with descriptive statistics and preliminary diagnostic analyses, such as unit root and correlation analysis. It is then succeeded by the primary estimation outcomes based on the autoregressive distributed lag (ARDL) model indicating the impact that each independent variable had on the Ecological footprint and the strength of the associations. The final part of the chapter sees the discussion of the results summarizing the findings and connecting them to the theoretical frameworks and known empirical literature reviewed in the previous chapters.

Descriptive statistics

In this part we provide descriptive statistics of the variables involved in the analysis of the effects of responsible investment (RI), institutional quality (ROL and RQ), and economic factors (FDI, GDP, RE) on the Ecological footprint (Ecological footprint) in fifteen countries of emerging markets. Table 2 displays that the mean Ecological footprint is about 5.640E+08 units with a median of 7.915E+07 units meaning that there are a lot of environmental challenges. The standard deviation of 1.210E + 9 indicates that there is a considerable amount of heterogeneity in EF with the values between 1.210E + 08 and 5.280E +09 units. Likewise, there is dispersion in FDI and GDP as it represents economic diversity in the sample.

The ROL (-0.004) and RQ (0.027) mean of the institutional variables indicate varied institutional settings. RI is considered to be an independent variable. The high values of skewness of RI (0.432) and Ecological footprint (3.001), and the high value of Kurtosis (4.349 and 10.393) are indicative of outliers and the fat-tailed distributions that are characteristic of heterogeneous country data (Zhang et al., 2024). The GDP and RE also have right skew and high kurtosis meaning that the data should be handled carefully.

Jarque-Bera tests show that most variables (Ecological footprint, RI, FDI, GDP, RE) have non-normality with their p-values close to zero except ROL (p=0.125) and RQ (p=0.002) that tend to be normal. These departures from normality justify (1) logarithmic transformations for highly skewed variables (GDP, Ecological footprint) to stabilize variance, and (2) use of robust standard error estimation techniques (Driscoll-Kraay) in subsequent regression analysis to ensure valid inference despite non-normal distributions. According to these findings, classical regression assumptions can be broken and hence log transformations or robust estimations are advised (Gujarati and Porter, 2009).

Generally, the descriptive statistics indicate that there is big variation in both economic and institutional variables and therefore there is need to consider the data distribution properties in order to make valid inferences about the relationship between RI, institutional quality, and Ecological footprint. The given approach utilizes the best practices (Nathaniel & Khan, 2020; Vardar, Demireli, & Yuksel, 2023).

Table 2: Descriptive Statistics

Statistic	Ecological footprintIC	RI	ROL	RQ	FDI	GDP	RE
Mean	5.64E+08	0.038	-0.004	0.027	2.519	16431.12	15.475
Median	791542103	0.003	-0.089	-0.111	2.118	9744.97	8.873
Maximum	5.28E+09	0.593	1.348	1.536	11.909	104874	87.193
Minimum	1.21E+08	-0.440	-1.196	-1.141	-2.089	1297.229	0.323
Std. Dev.	1.21E+09	0.152	0.569	0.647	2.284	20897.12	20.483
Skewness	3.001	0.431	0.316	0.895	1.493	2.659	2.390
Kurtosis	10.392	4.349	2.671	3.221	6.692	10.456	6.673
Jarque-Bera	741.733	19.254	4.159	13.624	165.965	629.118	225.613
Probability	0	0.000	0.125	0.002	0	0	0
Sum	1.02E+11	6.524	-0.719	4.863	453.589	2957682	2785.576
Sum Sq. Dev.	2.60E+20	4.021	55.969	53.613	933.052	7.25E+10	77691.64
Observations	180	180	180	180	180	180	

Source: Authors (2025)

Preliminary tests

Table 3 provides the outcome of the correlation analysis, and the results reveal that there is a strong correlation between the governance variables of the World Governance Indicators (WGI), except the Voice and Accountability (VA). Principal Component Analysis (PCA) was used in order to mitigate multicollinearity between these variables and create the Governance Index (GI). The first major variable in the analysis describes 69.8 percent of the total variance and describes the information shared by the variables of the WGI.

All the governance indicators except VA have high correlations with the GI. Voice and Accountability exhibits significantly a lower level of correlations with the other five WGI indicators, indicating that it represents a different facet of governance and in particular in the context of emerging markets.

Table 3: Correlation Analysis

GI	1.000						
CC	0.961	1.000					
GE	0.896	0.838	1.000				
PV	0.825	0.753	0.847	1.000			
ROL	0.953	0.946	0.801	0.748	1.000		
RQ	0.910	0.824	0.801	0.668	0.838	1.000	
VA	0.205	0.189	0.067	0.033	0.174	0.241	1.000
	GI	**CC**	**GE**	**PV**	**ROL**	**RQ**	**VA**

Source: Authors (2025)

Table 4: Eigenvalues

Eigenvalues: (Sum = 6, Average = 1)

Number	Value	Difference	Proportion	Cumulative Value	Cumulative Proportion
1	4.190	3.186	0.698	4.190	0.698
2	1.003	0.622	0.167	5.193	0.866
3	0.381	0.176	0.064	5.574	0.929
4	0.205	0.033	0.034	5.779	0.963

Source: Authors (2025)

The results of the stationarity test based on four tests were obtained as presented in Table 5: Levin, Lin and Chu, Im, Pesaran and Shin, Augmented Dickey Fuller (ADF) and Phillips-Perron (PP) using constant and trend specification. The results indicate that Responsible Investment (RI) and Foreign Direct Investment (FDI) are stationary at levels, integrated of order zero, I(0), and Ecological Footprint, Rule of Law (ROL), Regulatory Quality (RQ), Gross Domestic Product (GDP), and Renewable Energy (RE) become stationary only after first differencing, integrated of order one, I(1). Considering the combination of I(0) and I(1) variables, Auto-Regressive Distributed Lag (ARDL) model is suitable because it deals with mixed integration orders without any prior cointegration tests (Wooldridge, 2016). The ARDL model also reduces the chances of spurious regressions that are common in non-stationary series (Pesaran & Shin,1999).

Descriptive statistics indicate a problem of skewness and heteroscedasticity, especially of such macro-economic variables like GDP and Ecological Footprint. In order to counter them, natural logarithmic transformations are used on these variables. Precisely, the two variables GDP and Ecological Footprint are converted to In(GDP) and ln(Ecological Footprint) respectively, which stabilizes the variance and standardizes the shape of distributions respectively. Such change also enables the interpretation of regression coefficients as elasticities to provide percentage change in the dependent variable in response to a one percent change in the independent variable (Gujarati & Porter, 2009; Wooldridge, 2016). It is also common to implement logarithmic transformations on economic data as well as environmental data in empirical environmental economics due to skewness and high variation of this kind of data (Nathaniel & Khan, 2020).

The analyses and transformation techniques described in the first part of the paper approve the appropriateness of the selected variables to the ARDL framework in order to investigate the influence of responsible investment and institutional quality on the Ecological footprint in emerging economies. The method aligns with the current sustainability finance and environmental governance studies, which enhances the validity and reliability of the later findings (Vardar, Demireli, & Yuksel, 2023).

Table 5: Unit Root test

Variables	Mode	Levin, Lin & Chu test		Im, Pesaran, Shin test		Augmented Dickey-Fuller test		Phillips- Perron test		Decision
		Level I(0)	First Difference(1)	Level I(0)	First Difference(1)	Level I(0)	First Difference(1)	Level I(0)	First Difference(1)	I(0)/ I(1)
Ecological Footprint	Constant	0.52	0.04**	0.73	0.01**	0.88	0.00**	0.03**	0.00**	I(1)
	Trend & constant	0.38**	0.00**	0.86	0.15**	0.72	0.03**	0.00**	0.00**	I(1)
RI	Constant	0.00**	0.99	0.00**	0.00**	0.00**	0.00**	0.00**	0.00**	I(0)
	Trend & constant	0.01**	1	0.02**	0.01**	0.03**	0.00**	0.00**	0.00**	I(0)
ROL	Constant	0.11**	0.00**	0.71	0.03**	0.72	0.02**	0.81	0.00**	I(1)
	Trend & constant	0.03**	0.00**	0.71	0.37**	0.53	0.22**	0.61	0.00**	I(1)
RQ	Constant	0.18**	0.00**	0.8	0.00**	0.71	0.00**	0.76	0.00**	I(1)
	Trend & constant	0.02**	0.00**	0.69	0.48**	0.72	0.38**	0.05**	0.00**	I(1)
FDI	Constant	0.00**	0.00**	0.01**	0.00**	0.01**	0.00**	0.00**	0.00**	I(0)
	Trend & constant	0.00**	0.00**	0.20**	0.07**	0.14**	0.01**	0.00**	0.00**	I(0)
GDP	Constant	0.02**	0.00**	0.14**	0.00**	0.19**	0.00**	0.27**	0.00**	I(0)
	Trend & Constant	0.00**	0.00**	0.69	0.11	0.96	0.02**	0.79	0.00**	I(1)
RE	Constant	0.03**	0.00**	0.81	0.01**	0.42**	0.00**	0.99	0.00**	I(1)
	Trend & constant	0.00**	0.00**	0.67	0.25**	0.31**	0.03**	0.03**	0.00**	I(1)

Source: Authors (2025)

Methods and Materials

Panel Autoregressive Distributed Lag Analysis (PMG) Test

The findings of the research, using the panel ARDL (PMG) analysis is presented in Table 6. The results indicate that the selected independent variables have varying long-run relationships with the dependent variable. The relationship is influenced by the change in control variables (from GI to RIROL and RIRQ) for the different models used to test for the effects in the long-run. In brief, for Model 1, the Governance Index (GI) shows no significant long-run effect, while the effects of rule of law on responsible investment (RIROL) and regulatory quality on responsible investment (RIRQ) for Model 2 demonstrate strong and statistically significant relationships.

Table 6: PMG Test

	Model 1			Model 2		
	Coefficient	T-Stats	Prob.	Coefficient	T-stats	Prob.
Long-run equation						
RI	-15.216	-31.196	0.000	-15.430	6.018	0.000
GI	0.0161	0.281	0.780			
RE	-0.064	-8.015	0.000	0.002	0.540	0.591
LGDP	1.510	7.537	0.000	0.059	0.860	0.393
RIROL				0.759	7.958	0.000
RIRQ				-0.574	-7.479	0.000
Short-run equation						
COINTEQ01	-0.962	-6.452	0.000	-1.061	-3.012	0.004
D(RI)	17.276	0.281	0.000	133.121	1.0138	0.314
D(GI)	-1.218	-0.413	0.681			
D(RE)	106.793	0.997	0.321	159.231	1.304	0.197
D(LGDP)	13.466	0.965	0.337	15.187	1.156	0.252
D(RIROL)				-1.684	-0.769	0.444
D(RIRQ)				2.187	1.318	0.192

Sources: Authors (2025)

Furthermore, Table 6 illustrates that the error correction terms have at least a causal relationship in a particular direction. For the first model, the error correction term as a coefficient is -0.9623. This implies that 96% of the shock or disequilibrium experienced for the first model for the previous year is corrected to equilibrium in the present year. While for the second model, the ECT is -1.0607. For the second model, the long-run correction takes more than 1-year to be stabilised. The results showcase a long-run sensitivity of the influence of long-run governance dynamics that exist in the causality of at least one direction.

Dumitrescu-Hurlin Panel Causality Test

In addition to the panel ARDL, the study also included the use of Dumitrescu-Hurlin panel causality test. The use of this test is aimed at analyzing the potential causal relationship between the variables. The Table 7 represents the results that came from applying the Dumitrescu-Hurlin panel causality test. As an overview, there is a strong indication of unidirectional causality for both the rule of law on responsible investment (RIROL) and regulatory quality on responsible (RIRQ) against Ecological footprint (EFM). However, the reverse relationship from EFM to RIRQ and RIROL are statistically insignificant (more than 5%). Implying that Ecological footprint does not homogeneously influence governance reforms.

Table 7: Dumitrescu-Hurlin

Null Hypothesis	W-stat	Zbar-Stat	Prob
RI does not homogeneously cause EFM	12.0125	14.6793	0.0000
EFM does not homogeneously cause RI	1.27700	-0.17013	0.8649
RIROL does not homogeneously Cause EFM	10.2799	12.2827	0.0000
EFM does not homogeneously Cause RIROL	1.1798	-0.39009	0.6965
RIRQ does not homogeneously Cause EFM	3.94026	3.51371	0.0004
EFM does not homogeneously Cause RIRQ	0.94385	-0.63094	0.5281
RE does not homogeneously Cause EFM	2.05531	0.90644	0.3647
EFM does not homogeneously Cause RE	2.42393	1.41631	0.1567
LGDP does not homogeneously Cause EFM	2.39788	1.38028	0.1675
EFM does not homogeneously Cause LGDP	1.30512	-0.13123	0.8956
RIROL does not homogeneously Cause RI	0.19875	-1.76161	0.0781
RI does not homogeneously Cause RIROL	0.25975	-1.66689	0.0955
RIRQ does not homogeneously Cause RI	0.20819	-1.74695	0.0806
RI does not homogeneously Cause RIRQ	0.44142	-1.38483	0.1661
RI does not homogeneously Cause RE	0.93441	-0.61938	0.5357
RE does not homogeneously Cause RI	1.02368	-0.48079	0.6307
LGDP does not homogeneously Cause RI	1.34188	0.01327	0.9894
RI does not homogeneously Cause LGDP	1.41887	0.13281	0.8943
RIRQ does not homogeneously Cause RIROL	0.19164	-1.77265	0.0763
RIROL does not homogeneously Cause RIRQ	0.41540	-1.42522	0.1541
RE does not homogeneously Cause RIROL	1.10758	-0.35051	0.7260
RIROL does not homogeneously Cause RE	1.50768	0.27070	0.7866
LGDP does not homogeneously Cause RIROL	1.23920	-0.14616	0.8838
RIROL does not homogeneously Cause LGDP	1.35825	0.03868	0.9691
RE does not homogeneously Cause RIRQ	1.42961	0.14949	0.8812
RIRQ does not homogeneously Cause RE	1.03442	-0.46410	0.6426
LGDP does not homogeneously Cause RIRQ	2.82503	2.31608	0.0206
RIRQ does not homogeneously Cause LGDP	1.47885	0.22593	0.8213
LGDP does not homogeneously Cause RE	1.36627	0.05114	0.9592
RE does not homogeneously Cause LGDP	1.19320	-0.21758	0.8278

Sources: Authors (2025)

Furthermore, Table 8 as depicted below, presents the short-run coefficients of responsible investment (RI) on the Ecological footprint across countries. For the study, the countries that were examined focused on emerging markets which are namely Brazil (BRA), China (CHN), India (IND), Russia Federation (RUS), South Africa (ZAF), Mexico (MEX), Bahrain (BHR), Egypt (EGY), Lebanon (LBN), Kuwait (KWT), Morocco (MAR), Oman (OMN), Qatar (QAT), Tunisia (TUN) and Chile (CHL).

Table 8: Cross-section short-run coefficient

Country	Model 1	Model 2
BRAZIL	-0.394506 (0.2262)	-0.182288 (0.0905)
CHINA	-0.346826 (0.0096)	-0.239924 (0.0492)
INDIA	-0.571804 (0.0007)	-1.113966 (0.0011)
RUSSIA	-1.124854 (0.0000)	-0.516018 (0.0015)
SOUTH AFRICA	-1.175345 (0.0002)	-0.708437 (0.0035)
MEXICO	-1.810180 (0.0011)	-0.0866856 (0.0005)
BRAHAIN	-1.586045 (0.0001)	-1.017730 (0.0000)
EGYPT	-0.879458 (0.0033)	0.011801 (0.9388)
LEBANON	-0.472301 (0.0001)	-0.575547 (0.0000)
KUWAIT	-0.000126 (0.9911)	-0.147617 (0.0754)
MOROCCO	-0.715307 (0.0002)	-0.559504 (0.0002)
OMAN	-0.906041 (0.0033)	-0.389399 (0.0724)
QATAR	-0.883280 (0.0092)	-5.273727 (0.0091)
TUNISA	-1.638754 (0.0000)	-1.452967 (0.0001)
CHILE	-1.930724 (0.0000)	-2878989 (0.0000)

Sources: Authors (2025)

Discussion of Findings

The initial research question was the impact of responsible investment (RI) on the ecological footprint in the emerging markets. Long-run outcomes of the Panel ARDL (PMG) estimation (Table 6) shows that RI has a big negative coefficient ($b = -15.216$, $p < 0.01$), which proves that the increase of the ecological footprints is decreased by the increase of the levels of responsible investment with time. This observation supports the fact that sustainable financial flows help in improving the environment by shifting the capital towards activities that are low-carbon and environmentally efficient.

This finding has implications on the concept of elasticity as a 1 percent rise in responsible investment returns translates into the 1 percent decline in ecological footprint, and it shows that RI is potentially a long-term sustainability tool. Such findings correspond to the results of Nathaniel and Khan (2020) and Vardar et al. (2023), who conclude that financial development on the basis of the sustainability principle supports ecological stability.

The second research question was used to determine whether there is a moderating effect of rule of law (ROL) and regulatory quality (RQ) on the relationship between RI and ecological footprint.

Both RIxROL and RIxRQ interaction terms were statistically significant (Table 6) with RIxROL having positive moderating effect (b=0.759, p=0.001) and RIxRQ having a negative moderating effect (b= -0.574, p=0.01). These findings ensure that the quality of institutions is a meaningful factor that moderates the RI-environmental outcomes relationship. Particularly, the positive environmental impacts of responsible investment are enhanced by strong rule of law and reduced or intermittent regulation. This is in line with the results of Wang and Zhang (2018) and Atta and Sharifi (2024) who highlight that efficient institutional enforcement and regulatory frameworks play a big role in achieving sustainability advantages of investment projects.

Table 8 of cross-sectional short-run coefficients indicates that there is a lot of variation across the fifteen countries under analysis. As an example, the negative short-run coefficients of India, South Africa, and Tunisia were strong, which means that responsible investment is successfully transmitted to environmental enhancement. On the other hand, Kuwait and Egypt showed poor or significant short-run relations, which implied institutional or structural restraints to the usefulness of RI. According to these results, the domestic settings, such as enforcement capacity, transparency, and the quality of governance, play, to a large extent, the role of fast-tracking the RI to produce tangible ecological results. This heterogeneity echoes the argument of de Castro (2020) that corruption and weak institutions tend to experience undermining of sustainability initiatives in the emerging economies.

The findings give empirical evidence to the supply-leading hypothesis and the demand-following hypothesis. Following the supposition of the supply-leading hypothesis, the strong long-run impact of RI on the ecological footprint proves that the financial growth that is directed to sustainable projects may result in a better environmental performance (Said & Hammam, 2024). The results will add to the existing body of literature, which correlates financial development, governance, and environmental sustainability (Nathaniel & Khan, 2020; Lin et al., 2022; Nuță et al., 2024). It is a more detailed sense of how the strength of institutions dictates the rate and sustainability of the results of such an endeavor that is offered by the inclusion of governance moderators.

Table 9: Hypothesis Testing Results

Hypothesis	Statement	Result	Decision
H1	Responsible investment (RI) has a significant effect on the ecological footprint in emerging markets.	Significant negative long-run effect of RI on Ecological footprint ($p < 0.01$); heterogeneous short-run effects across countries.	Accepted
H2	Institutional quality (rule of law and regulatory quality) moderates the relationship between RI and Ecological footprint.	Interaction terms (RIROL and RIRQ) statistically significant, confirming governance moderating role.	Accepted

Sources: Authors (2025)

Conclusion and Recommendations

Summary of Findings

The aim of the study was to investigate the impacts of responsible investment (RI) on Ecological footprints in the emerging markets with specific focus on the mediating impacts of rule of law (ROL) and regulatory quality (RQ). The data were analyzed with the help of the dataset of fifteen emerging economies, which exhibited significant heterogeneity in their environmental effects, the proportion of responsible investment, and institutional frameworks. The descriptive statistics have shown the various nature of these economies and revealed that many of the variables are highly non-normal, which necessitated data transformations and the use of strong estimation techniques to ensure robustness of the results. Initial tests assured that it is a combination of I(0) and I(1) variables that is why the ARDL approach is the most suitable method. Correlations analysis indicated that there was a high level of interdependence between the variables of governance, and that is why composite governance index was used.

The estimation outputs indicated that responsible investment had a great impact of reducing Ecological footprint in the long term indicating that sustainable financial flows make the environment better. Nevertheless, the short-run impacts were different in different countries, which highlights the influence of home country factors on the outcomes. Besides, the interactions between the RI and the governance indicators proved that institutional quality is a critical moderating factor that defines the effectiveness of responsible investment in facilitating sustainability. These were corroborated by the Dumitrescu-Hurlin causality tests that indicated the directional relationships of the governance factors and Ecological footprint. All in all, these findings give solid grounds to believe that in as far as responsible investment can help in achieving Ecological footprint sustainability, the same effect is greatly boosted when it is supplemented with good institutional frameworks.

Conclusions

This study yields several significant conclusions regarding the relationship between responsible investment, institutional quality, and Ecological footprint sustainability in emerging markets. To begin with, responsible investment is a good mechanism of minimizing ecological footprints in emerging markets. The negative and statistically significant coefficients of the long-run ARDL models demonstrate strong evidence that RI is a contributing factor to sustainability by channeling capital flows into environmentally friendly projects. Second, the quality of institutions is a significant factor that defines the success of responsible investment. The strong interaction effects between RI and both rule of law and regulatory quality indicate that governance reinforces the positive environmental impacts of investment. Third, the short-run outcomes in different countries vary, proving that not every emerging economy is going to enjoy the benefits of RI.

Recommendations

There are some policy implications, investment implications and research implications of this study.

For policymakers:

Since the interaction term responsible investment and the rule of law (RIxROL) showed positive and significant coefficients ($b = 0.759$, $p < 0.001$) and the moderating effect of regulatory quality (RIxRQ) was also significant in the long run, it is important that policymakers in the emerging markets focus on the roles of strengthening the rule of law and the quality of regulation. These governance factors were found to increase the environmental benefits of responsible investment as found in Table 6 (PMG results). Consequently, governments ought to enhance enforcement tools, institute anti-corruption models, and support clear regulatory practices that will help to conduct effective ESG implementation.

Thus, the cross-country short-run analysis (Table 8) showed that those countries, like Kuwait and Egypt, had weaker or insignificant environmental payoffs of responsible investment, which is related, in large part, to institutional weaknesses. It is especially these countries that would most gain out of institutional reforms designed to open the sustainability potential of responsible investment.

For investors:

The results show that the long-run impacts of responsible investment are important and adverse on Ecological footprint (Table 6), which proves that responsible investment has its contribution to the outcomes of sustainability. Investors are thus advised to consider institutional quality considerations, that is, rule of law and regulatory strength in their decision making to establish markets where they are more likely to achieve tangible environmental benefits when investing in ESG investments. The stock exchanges should also increase responsible investment indices so that they can increasingly direct capital flows to the companies whose ESGs are verifiable.

For researchers:

The results of the study prove that institutional quality is a very important moderator of RI effectiveness. The scope of analysis in the future should be to add other dimensions of governance, like corruption control, political stability and to also utilize the use of sector specific analyses (e.g. finance, manufacturing or energy). This would increase knowledge on how governance structures pass on the responsible investment to the environmental outcomes.

Limitations and future research direction

This research has a number of limitations regarding the data, methodology and scope that have to be taken into account when analyzing the results. To begin with, there are some inherent problems associated with the utilization of secondary data including the possibility of measurement error and the possibility of discrepancies in the data quality of 15 emerging markets analyzed. The panel data in its own right is skewed by the absence of observations on some country-year combinations, which may have implications on the strength of estimates. In addition, the use of the ecological footprint as the indicator of the environment is limiting to the analysis because it fails to reflect other significant aspects of environmental sustainability like the biodiversity or the pollution levels. The data 2010-2022 might not also be a full representation of the latest trends and fast changing processes in the ESG investing and responsible investment practices, which have acquired a great momentum in recent times.

Concerning the methodology, although they carry out causality tests, they still have the endogeneity issues of simultaneity that may happen between institutional quality indicators and investment flows and therefore the findings can be biased. A rise to the country level data aggregation eliminates the heterogeneity between firms, concealing differences in the responsible investment performance at a more specific level. Also, the application of a composite index of governance, though effective in the general measurement of the quality of institutions, might obscure the varying impacts of separate governance indicators, including rule of law and regulatory quality.

In terms of the scope of the study, the 15 emerging markets that it performs limit the extrapolation of the study results to the wider group of emerging economies which can vary in terms of institutional environment and market forces. The omission of other significant institutional variables such as political stability and corruption control, as independent variables, restricts a more subtle perception of the governance factors. Also, there might be a lack of attention to the sector-specific effects, which might be missed in the picture, yet such responsible investment effects can differ among industries, which can be a significant aspect of future research.

These restrictions suggest that the findings of the study ought to be taken with caution particularly when making generalizations outside the sample and time. These limitations can be overcome by future studies by using more up-to-date and all-embracive information, such as several indicators of the environment and governance. The use of firm level information and an analysis of sector variation would provide more comprehensive information about heterogeneous impacts. Also, broadening the scope of institutional variables and using superior econometric techniques to address the issue of endogeneity would further enhance the insight on the relationship between responsible investments and governance on ecological sustainability in the new markets.

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UNDERSTANDING MARKETING MIX IN SPORT MARKETING WITHIN PROFESSIONAL SPORT TEAMS IN SOUTH AFRICA: A LITERATURE REVIEW

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Abstract

Purpose: The purpose of this article is to understand the application of sport marketing in South Africa.

Design/methodology/approach: Literature reviewed to identify elements of sport marketing.

Findings: The literature review resulted in sport marketing mix with six elements namely: *product, price, place, promotions, services, and sponsorship*.

Originality: This study expands the concept of sport marketing applicable to professional sport teams. This is the first study providing a detailed application of sport marketing to south African professional sport teams.

Keywords: *Marketing, Marketing mix, Sport marketing, Sport marketing mix and South Africa*

Introduction

Sport marketing is the application of marketing principles to sport products and non-sport products (Sareshkeh *et al.*, 2016). This refers to sport marketing and marketing through sport. Sport marketing is the process of meeting the needs and wants of sport customers for example, the marketing of sport product includes athletic shoes, field equipment such as balls, etc. while meeting consumer needs by collaborating with sport associations is referred to as 'marketing through sport' (Smith & Stewart, 2015). This is commonly known as 'sponsorship'. For example, many companies that have nothing to do with sport are successful because of sport marketing. For companies such as Shell, Coca-Cola, Emirates, and Vodafone, sponsoring sport organisations is an important part of their marketing strategies (Ameri & Bashiri, 2010). These companies earn multi-millions in net profit at the end of their respective financial years. Both sport products and non-related sport products can be marketed using marketing mix elements. To be more successful in the sport industry, companies should market their products by applying sport marketing mix elements. Only a few researchers in academic circles have studied the concept of sport marketing (Matic *et al.*, 2019). Likewise, there is no published research that has been conducted in South Africa to address the application of the sport marketing mix.

As of right now, no South African study has been published that thoroughly examines the literature on the marketing mix that is all of its components in relation to professional sports clubs. Although a number of studies have looked at specific aspects of the marketing mix, such as sports league promotion strategies (Smith, 2018), football clubs' sponsorship practices (Mkhize & Peters, 2020), or match ticket prices (Ngcobo, 2019), these have been narrowly focused and have not used a systematic literature review methodology or synthesised evidence across all mix components. There were no studies that combined the terms "sport marketing," "marketing mix," "professional sport team," and "South Africa" in a search of Scopus, SAJP, and other South African academic databases. Therefore, this study aims to close the gap in the literature by addressing the application of sport marketing mix elements in South Africa.

Literature Review

Defining 'marketing'

Marketing is the philosophy of a business, and includes the way of thinking about a business from the perspective of consumers or potential consumers (Easey, 2009). Marketing is defined as the process whereby companies create value and build stronger relationships with customers (Kotler & Armstrong, 2014; American Association, 2017). This process includes activities such advertising and selling. As marketing activities, advertising and sales are done in order to satisfy consumers' needs by transferring goods and services from a company to consumers (Klopper *et al*., 2006; Botha & Musengi, 2012). This needs the proper communication of the marketing mix, which would allow the marketer to communicate and deliver value to the customer in line with its business objectives (Cunningham, 2018).

Elements of the marketing mix

The general marketing mix comprised *product, price, place,* and *promotions* (Keegan & Green, 2017). Thereafter, the marketing mix was adjusted to include three additional Ps, *people, process, and physical evidence*. Thus the marketing mix is now popularly known as having seven elements (Figure 1).

Figure 1: Marketing mix (Keegan & Green, 2017; Cunningham, 2018)

Product

Products are the actual offering made by a business to consumers, and come in the form of goods or services (Nasution *et al.*, 2020) that are produced for the target market to meet their needs and wants. A ‘product’ is defined something that can be offered to the customers to purchase for their consumption and to satisfy their needs and wants (Khan, 2014). For example, a product could be a smartphone bought by a customer to make phone calls (needs) or to play games (wants). Acording to Khan (2014), a marketer should build an actual product around the core product, and then build an augmented product around the core and actual products. ‘Core product’ here refers to the benefits that customers receive when they purchase a product; ‘actual product’ refers to the quality, design, brand name, packaging, and other features that are combined in order to deliver core benefits to the customer; and ‘augmented product’ means the benefits added to the core and actual products, such as guarantees, after-sales service, installation, etc.

Products are normally connected only with the physical (tangible) item, but in many cases they include intangible elements (services) (Cunningham, 2018). For example, a person visiting a financial adviser will receive advice from the adviser; that is called service. It is important for a business to offer something that is in demand in the market. According to Do and Vu (2020), a business must determine what customers need and want, offer exactly that product with the appropriate quality to meet customer expectations and then market the product and its related service in relation to its features, quality, and benefits (Khan, 2014). Therefore, customers are expected to pay the price when purchasing goods or services.

Price

‘Price’ refers to the amount of money paid by customers for a product or service, and for the right to own or use a product or to use the service (Išoraitė, 2020). ‘Price’ is also defined as the exchange of monetary value between customers and a business for customers’ ownership of goods and use of services. The dimensions of pricing include the initial price, discounts, allowances, payment terms, and credit terms (Do & Vu, 2020). Customers are more likely to purchase product or services with the highest value rather than the highest price (Pandey, 2020). Saputri and Sari (2019) emphasise that delivering greater value to customers will lead to higher profits for the business.

Price is the only element that generates profit for a business within the marketing mix (Khan, 2014). The pricing strategies selected by most businesses are based on market prices, competitors’ prices, costs, or the market segment. According to Išoraitė (2020), pricing is a very complex process that requires a lot of information and cost analysis to determine the cost of a product or service, as in setting a price, you first need to identify all of the factors influencing pricing, such as production costs, the cost of human resources, production goods, and travel costs. Sudari *et al.* (2019) advise that, besides offering a competitive price, a business must match the price with the quality of the products, as the price can influence customer satisfaction and customer loyalty. Satisfied and loyal customers are willing to travel almost anywhere for such a product.

Place

‘Place’ refers to where a business or its economic activities are carried out (Putra *et al.*, 2020; Widardi *et al.*, 2019). ‘Place’ is defined as a set of interdependent businesses that are involved in the process of making a product available for consumption by consumers (Do & Vu, 2020). Putra *et al.* (2020) highlight that businesses must be in a place that is close to customers and is easy for them to access the business product. In the marketing mix, ‘place’ is the activity of delivering products to the consumers, which also helps the consumers to access or find the products (Sudari, 2019). Customers visit certain type of shops, such as supermarkets or specialised stores, in different locations, such as within the home country or internationally. These customers are informed about products through different promotional methods that different businesses use.

Promotions

'Promotions' are activities that are created on a common theme and are designed to promote a product (Rahtz et al., 2020). 'Promotion' is defined a method using many activities that are designed to increase product awareness and to persuade customers to buy the product. This includes sales promotions, advertising, personal selling, public relations, and direct marketing, and helps to make potential customers aware of the many choices available to them regarding products and services (Khan, 2020). Sales promotions are about creating incentives to improve sales to customers, such as discounts or free samples. Advertising does not involve a one-on-one presentation of goods or services, but includes things such as television advertisements. Personal selling is the type of promotion in which a business representative arranges to meet customers personally to sell a product. Public relations refers to an unpaid message about a business or product that is presented through indirect communication.

Promotion activities are used to communicate and persuade the target market to buy a business' products (Singh, 2012). Sudari *et al.* (2019) highlight that attractive promotions can encourage consumers to buy and consume the products often. Therefore businesses need to ensure that skilled employees run promotions.

People

'People' refers to employees who require training, selection, and persuasion to improve client satisfaction over that of competitors (Pandey *et al.*, 2020). Employees are individuals employed by a business involved in delivering products to customers – for example, human resources officers and marketers. A business' success relies heavily on the people who are employed. Correspondingly, the employees of a business can make an immense difference to customer satisfaction through their attitudes and behaviours of empathy, competence, responsiveness, initiative, problem-solving abilities, and good intentions (Seputri & Sari, 2018). Therefore, they are fully involved in the process of delivering products to customers.

Process

'Process' refers to all the actual procedures, mechanisms, and activity flows through which a product is delivered. It is the starting and finishing point of preparing the product. Process indicators include procedures, policies, mechanisation, direction of activities, and so on (Nasution *et al.*, 2020). Process also includes how businesses meet the demands of their customers, ranging from consumers' orders to their finally receiving what they requested (Wadardi *et al.*, 2019). Do and Vu (2020) emphasise that good behaviour on the part of those delivering the product is important to customer satisfaction. Products bought by customers can be delivered in various settings, such retail stores or banks. This is the physical evidence – the final marketing mix element.

Physical evidence

'Physical evidence' refers to the environment in which a product is offered to customers in person. Physical evidence can be in tangible or intangible. The tangible components of physical evidence are called the servicescape, and include the physical layout of a facility and the appearance of the staff in uniform. The physical appearance of the business includes the arrangement of the buildings, both interior and interior and the lighting system (Wadardi, 2019). The appearance of a product/service that is offered relates to the packaging in which is presented to attract customers (Nasution *et al.*, 2020). The intangible layout includes anything that consumers can experience, such as background music in a restaurant or accommodation in a hotel.

The sport industry has attracted more individuals' attention because of the entertainment it provides. This can be described as 'sportainment', a combination of sport and entertainment (Ratten, 2016; Goldman & Johns, 2009). Sport has the ability to bring a larger number of people together in one place (Duggan, 2013). As a result, marketers have applied the marketing concept to sport.

Sport marketing

Sport marketing has been recognised and has received more attention because of the high involvement of consumers (Ratten, 2016). According to Bee and Buhle (2006), sport fans are often deeply committed to their sport teams, leading to more ticket purchases, continuous game attendance, and buying of team-related products (team merchandise). In order to be successful in the sport industry, marketers need to understand the concept of sport marketing better.

Defining 'sport marketing'.

The concept of sport marketing originates from marketing principles (Fetchko *et al.,* 2013). Smith (2008) emphasises that, in order to be successful in sport marketing, it is necessary to understand marketing principles as well as the larger sport environment. Sport marketing is defined as a social and managerial process by which sport managers seek to obtain what the sporting organisation needs and wants by creating and exchanging products and values with others (Shilbury *et al*., 2014). Fetchko *et al.* (2013) have defined 'sport marketing' as the use of marketing to create, communicate, deliver, and exchange sport experiences that have value for customers, clients, partners, and society at large, while Fullerton and merz (2008) has defined 'sport marketing' as strategies designed to influence potential buyers of sport products, or otherwise have a positive impact on the sale of non-sport-related products. Thus sport marketing is defined as meeting and satisfying consumer demand by providing sport products or services (Blakey, 2011).

The term 'sport marketing' is applied to sport products (goods and services) and to non-sport-related products (Smith, 2008; Sareshkeh *et al*., 2016). For example, sport-related product include athletic shoes, energy drinks, balls, and any other equipment used on the field, while non-sport-related products include any products linked to a sport team or event in order to gain recognition. Examples include the products of Sony, Coca-Cola, and Hyundai, which have nothing to do with sport. Fullerton and merz (2010) points out that sport marketing comprises all activities that are designed to meet sport consumer needs and wants through the exchange process. The process of sport marketing includes developing and implementing activities related to the production, pricing, distribution, promotion, and publicising of sport products (Schwarz & Hunter, 2008). The goal of sport marketing is to use the marketing mix to meet consumer needs while generating income (Kaser & Oelkers, 2016). Therefore sport marketers must develop the right product, at the right price, at the right place, and promote it (Mihai, 2013).

History and background of sport marketing

Sport marketing was invented when marketers recognised the financial potential of the sporting industry (Kaser & Oelkers, 2016). The first evidence of sport marketing was in the United States of America in the 1870s, in the form of baseball cards that were sold with cigarettes to introduce the baseball players of that time (Idugboe, 2016; Budati & Bansal, 2013). These 'tobacco cards' had the picture of a star baseball player, and were placed inside cigarette packs in order to increase sales and develop brand loyalty in consumers (Budati & Bansal**,** 2013). For example, a former baseball star, Honus Wagner, was used by the American Tobacco Company by attaching his picture to the front of the cards inside cigarette packs, and an advertisement was placed on the back of the card to promote the company's product. Figure 2 shows tobacco cards that display the image of Honus Wagner.

This is a T206 card from 1909–1911, with an advertisement for Piedmont cigarettes on the reverse side.

Figure 2: Example of baseball player trading cards: Honus Wagner (Doyle, 2016)

In early 1905, the Louisville Sluggers featured Honus Wagner's autograph on their baseball bats (Bruton, 2010). According to Doyle (2016), Honus Wagner was only the first of many professional athletes to endorse products for companies. As a popular athlete, Wagner was in great demand, and appeared in many advertisements for products such as Coca-Cola soft drinks, Gillette razor blades, and cigars (Doyle, 2016. These strategies were used by marketers to increase the sales of non-sport-related products such as tobacco and sport-related products such as baseballs bats.

In 1912, Fenway Park opened in Boston, USA, and immediately allowed companies to display their brands names in the stadium (Carruthers, 2014). Goodyear, a tyre manufacturer, designed their first iconic blimp (a small airship balloon) to advertise their brand at stadiums from 1925 onwards (Carruthers, 2014). In 1934, the General Mills Company included athletes' images on its boxes to increase the sales of Wheaties cereals (Doyle, 2016). Jesse Owens (an American track and field athlete) was given a free pair of Adidas shoes during the 1936 Berlin Olympics in order to advertise the Adidas brand (Ferrand & McCarthy, 2009). The first televised broadcast of a major league baseball game was made in 1939 (Idugboe, 2016), and advertisements during sport events increased as a result of the introduction of sport television broadcasts. Carruthers (2014) states that TV commercials during major sport games in 1939 were the most watched advertisements at that time.

In 1953, Anheuser Busch, owner of the Budweiser Beer Company, wanted to name a stadium the 'Budweiser Stadium', but that was prevented by the Women's Christian Temperature Union (WCTU), which was against any promotion of alcohol (Blocker, 2003). Consequently Anheuser Busch bought the naming rights from Sportsman's Park and renamed it 'Busch Stadium' in 1954. Shortly after the name change, Anheuser Busch rolled out 'Busch Bavarian beer' to take advantage of this advertising opportunity (Trex, 2008). In 1964, a distributor of fitness running shoes, Blue Ribbon Sports, sponsored numerous athletes with trainers (running shoes). Blue Ribbon Sports was rebranded as Nike in 1972 and continued to supply their shoes to athletes as endorsements (Carruthers, 2014).

During 1979, the ESPN channel – "All sport, all the time" – was launched as a major broadcaster of functions related to sport worldwide (Carruthers, 2014). Thereafter there was the introduction of huge screens installed in stadiums. Mitsubishi was the first company to install a big screen in 1980, followed by The Mets in 1982 and Sony in 1985 (Papastergiadis, 2016; Carruthers, 2014). Figure 3 shows one of the Mitsubishi screens that were introduced into stadiums to show scores, highlights, and advertisements during the event.

Figure 3: Example of the first massive screens installed in stadiums by Mitsubishi (Davis, 2018)

Modern sport marketing

Modern sport marketing has gained impetus in the last 70 years, influenced by the increase in media broadcasts through television coverage and the boom in social media usage (Thakkar, 2014). Television coverage and social media played have a key role in modern sport marketing. Shultz *et al*. (2015) state that sporting events today are more televised than ever before. The media cover the most popular events, such as the FIFA World Cup, the Rugby World Cup, and the Cricket World Cup (Shazi, 2018).

Apart from these big three sporting codes, American football – specifically, the Super Bowl – has attracted the attention of marketers around the world because of its popularity in the USA. According to Deninger (2012), the Super Bowl has the largest number of spectators that an advertiser can reach at any time on American television. During the 2008 Super Bowl, businesses spent almost $3 million each for a 30-second advertisement (Kaser & Oelkers, 2008), and that amount has increased in recent times to $5 million (Statista, 2018). In 2015, the Super Bowl had 114.4 million spectators, and it remains one of the most impressive advertising spaces (Levy, 2016; Statista, 2018). This is a good investment, as advertisements placed during the event are a huge chat point afterwards (The Telegraph, 2018).

In South Africa 12 television channels on DSTV are dedicated to delivering sport events to supporters (Anon., 2017). The DSTV channels cover both local and global sport events. SABC Sport is another company that provides sport-related programmes, mostly covering local soccer, cricket, and rugby. Occasionally it covers special events, such as the FIFA World Cup and the Olympic Games. According to Smart (2007), the growth of global sport coverage on television has provided many businesses with a compellingly influential platform on which to achieve a global profile for their brands. Televising sport events has attracted the interest of marketers to reach a very specific target audience. Companies also use social media as an additional platform to market their brands.

Gadiraju (2016) emphasises that sport teams take advantage of social media to reach their fans. Social media are used by all professional teams globally as a tool to engage with their supporters (Parganas, 2015). The most popular social media include Facebook, Twitter, YouTube, and Instagram. On these platforms, supporters discuss issues related to team success and star players (Parganas, 2015), and sport consumers share everything on Twitter, Facebook, and Instagram (Curcio, 2016). For example, fans retweet the signing of a new star player to a team, the glory of winning a championship, or dissatisfaction with a coach or referee. These interactions between fans assist marketers to promote their brands through the social media that are used by a sport team (Mohammadkazemi, 2015; Curcio, 2016).

Social media have played an influential role in sport marketing (Bradley, 2013; Curcio, 2016). By engaging supporters via social media sites, sport marketers can open new communication channels with their audience as a commercial opportunity, resulting in increased brand affinity and brand loyalty (Cave & Miller, 2015). The combination of television and social media in sport marketing provides an advantage, as it allows marketers to reach a global target market through sport (Emirates, 2016). In addition, sport marketers can use a marking mix to reach their target markets. The aim of this study is to understand and apply the elements of marketing mix in sport marketing in South Africa. Thus the next section presents a detailed discussion of all the elements of the sport marketing mix in South Africa.

Methodology

The current study synthesised previous research on sport marketing in professional sports teams using a systematic literature review (SLR) methodology. The SLR technique was chosen because it makes it possible to find, assess, and synthesise pertinent literature in an organised, clear, and repeatable manner (Snyder, 2019). In order to ensure that both historical and contemporary viewpoints on professional sport marketing tactics were taken into account, the study concentrated on peer-reviewed journal articles, conference proceedings, and authoritative sport marketing reports produced between 2010 and 2024.

A comprehensive search was conducted across major academic databases, such as Scopus, Web of Science, EBSCOhost, and Google Scholar, were thoroughly searched. To refine findings, Boolean operators (AND, OR) were used to combine keywords such "sport marketing," "professional sport teams," "fan engagement," "sponsorship," "branding," "sport marketing mix," "marketing," and "digital marketing in sports" (Xiao & Watson, 2019). In order to guarantee both historical and modern viewpoints, only research released between 2010 and 2024 was taken into account.

Criteria for Inclusion and Exclusion:

The following were the requirements for inclusion:

1. Articles from respectable conference proceedings or peer-reviewed publications.

2. Research concentrating on professional teams in any sport.

3. Books that look at branding, marketing mix, sport marketing, sport marketing mix, sponsorship, fan interaction, marketing tactics, or digital marketing in sports situations.

4. English-language publications from 2010 to 2024.

The following were the exclusion criteria:

1. Non-scholarly reporting, editorials, or opinion articles.

2. Research that only looks at community or amateur sports teams.

3. Articles that are not available in full text.

Results

Elements of the sport marketing mix

The traditional marketing mix can be defined as the combination of marketing decisions that are designed to encourage consumers to buy companies' products or services (Strydom, 2011). This is commonly referred to as 'the four Ps': price, place, promotions, and product (Smith, 2008; Strydom, 2011). The marketing mix in sport includes two additional elements: service and sponsorship (Shilbury *et al*., 2014). This results in four Ps and two S's in the sport marketing mix. Figure 4 shows the sport marketing mix elements.

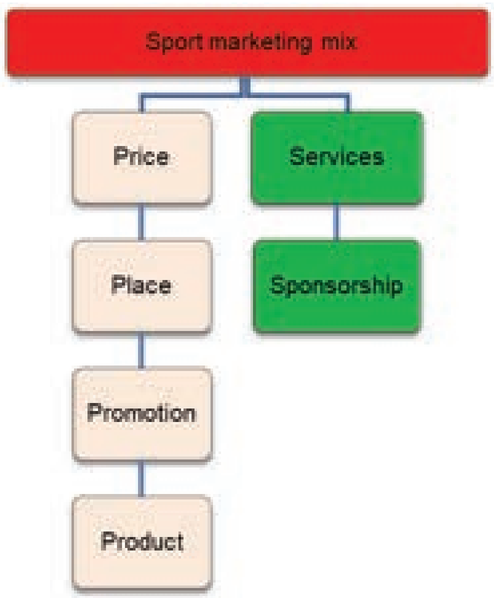

Figure 4: Sport marketing mix (Smith, 2008)

Price

'Price' is defined as the amount of money charged to the consumer for buying a product or service (Strydom, 2011). In the sport industry, 'price' refers to the cost that consumers must pay to receive a product (Smith, 2008). Sport products include clothing brands and sport equipment, while sport services include access to sport venues, in which consumers pay for the right of admission by buying tickets. Sport marketers must charge prices based on the market environment, reducing prices during a recession or increasing them as a team's performance keeps on improving, producing winning results (Mihai, 2013). However, strongly devoted fans would consider buying seasonal tickets, which generates a constant stream of income for sport teams (Smith, 2008; Buhler & Nufer, 2013). Sport teams can generate even more income by charging higher prices for tickets bought on the day of the match (Fullerton& Merz, 2010; Da Silva & La Casas, 2017). Thus it is the responsibility of the sport marketers to ensure that the price of the product and the service reflect consumer value (Mihai, 2013).

Product

A 'product' is anything tangible that businesses offer the market to satisfy consumers' needs and wants (Klopper *et al*., 2006). In the sport industry, sport products are known as 'tangible goods' (Buhler & Nufer, 2013). Sport merchandise such as soccer jerseys and beverages branded with teams' logos are classified as physical sport products (Ratten, 2016). Such products may be sold to sport fans for the purpose of casual wear and for participation in sport activities during a game (Fullerton & merz, 2010). For example, during games, South African soccer fans carry vuvuzelas and wear makarapas (helmets) branded with the name of their favourite PSL team (Mofokeng & Bevan-Dye, 2014). All of the above-mentioned products contribute to the sport teams' income. Thus sport teams' managers should be able to produce products that are relevant to the fans, and make them available at the right place.

Place

'Place' is the point of distribution, ensuring that the product is available when consumers want to buy it (Bernts & Petzer, 2011). 'Place' refers to the geographical location where a product can be obtained, such as a stadium (Kim & Shin, 2008). Another term for 'place' is 'distribution' (Mihai, 2013), in which sport marketers analyse and select available distribution methods to deliver products to the right place and to the target market. Thus 'place' is where consumers access sport products (Smith, 2008). Sport teams sell match tickets to the customers for admission to stadiums (Schwarz & Hunter, 2008). According to Smith (2008), stadiums are designed to replicate the character of the host city. These designs influence consumers' experience of a match, event, or show, such as comfortable seating and clear scoreboards, and so they are more likely to be satisfied (Smith, 2008; Fernandes & Neves, 2014). Sport teams are usually based in a specific region or city, and identify a certain stadium as their home ground. It is a very special experience for fans to attend a match of their favourite team at its home ground stadium (Britton, 2006).

An additional form of distribution channel for sport products is media channels. According to Hoye *et al*. (2018), radio, television, and the internet can be regarded as part of sport distribution channels. Radio distribution takes the form of describing the match action in order to create a picture in the fans' minds (Kaser & Oelkers, 2008). Television distribution provides free visual pictures from local media channels, or subscriptions to private media channels (Swayne & Dodds, 2011). For example, major global events, such as soccer, rugby, or cricket world cup tournaments, can be accessed via television channels. Similarly, South African sport supporters can make use of media such as DSTV and the SABC (both TV and radio) to follow sport matches (Mabasa, 2011). The most recent form of distribution is the internet, via which supporters have access from anywhere in the world to sport teams' videos, fixtures, results, and live matches. Fans can also view sport match highlights online on YouTube (Klein, 2018).

Promotion

'Promotion' refers to all activities that are designed to communicate the qualities of the product as a strategy to influence customers' behaviour (Kotler & Armstrong, 2014). Jordaan (2011) stresses that promotion includes all the ways of communicating the existence and benefits of a product to its target market. In the same way, promotion in sport covers a wide range of activities that are designed to attract attention, increase interest, encourage awareness, and motivate consumers to buy sport products (Kim & Shin, 2008). These activities are also known as the elements of sport promotion, including advertising and promotions (Mihai, 2013). For example, the South African rugby team launched a promotional campaign by wrapping the team bus and the playing field with the theme #LoveRugby, to encourage supporter engagement (News24, 2016). The players also dressed in bright yellow shirts that had #LoveRugby printed on them, and visited local townships, restaurants, rugby clubs, and gyms (News24, 2016).

According to Smith (2008), promotions are aimed to encourage sport supporters to interact with the sport brand. Similarly, sport teams often use promotions as a tool to nurture relationships with sport team supporters, thus leading to higher game attendance figures (Fullerton & Merz, 2008). And sport teams use promotions to encourage sport supporters to buy sport products as a way to generate more sales (Mihai, 2013). Seasonal ticket sales also contribute by generating extra income for a sport team. Thus sport marketers need to develop good promotional strategies for their sport products in order to win greater customer attention.

Services

Strydom (2011) explains that a 'service' is an intangible offer – one that that cannot be seen or touched – to a customer. Rao (2011) defines 'service' as an intangible offer in the form of activities performed by businesses or individuals for the purpose of creating value for consumers. According to Parkhouse (2005), the aim of services as part of a sport marketing mix is to target consumers as spectators (fans or supporters). As spectators, consumers experience sport services in the form of entertainment through live or televised matches (Smith, 2008). These entertainment services are produced in the form of a match between two teams. The sport team sometimes organises live performances by musicians during halftime at games. In return, these consumers pay money for the service provided, such as watching the match live or remotely via television (Mihai, 2013; Smith, 2008). Likewise, PSL teams generate more income in the form of entertaining soccer matches. Dubihlela *et al*. (2009) argue that the entertainment element strongly motivates soccer fans to attend PSL games.

Sponsorship

'Sponsorship' is defined as financial assistance for sport, the arts, or any other activity when the business is not involved in its core activities (. Meenaghan (1991) formally defines the term 'sponsorship' as an investment in the form of cash that, in return, results in exploiting the commercial potential associated with those activities. Several authors (Ngan *et al*., 2011; Trenberth & Hassan, 2012) agree and have used the definition of Meenaghan (1991).

Sponsorship is very important for sport teams as a form of financial assistance. According to Da Silva and Las Casas (2017), money received from sponsors is also regarded as income for a sport team.

Chadwick and Hamil (2010) emphasise that a sport team must be successful in order to obtain good sponsorship deals. According to Smith (2008), sport teams receive income from sponsorship deals for the purpose of covering operating expenses such as administration and travelling costs. In addition, sport teams can afford to buy and retain star players for longer in a team through sponsorships.

A major part of sponsorship investment goes to sport entities such as events, athletes, leagues, and teams (Desbordes & Richelieu, 2012). Sport sponsorship has increased dramatically, and has attracted many large companies such as Coca-Cola, Shell, Emirates, and Vodacom as part of their marketing strategies (Smith & Stewart, 2015). Sport sponsorship entails obtaining the rights to be affiliated with a sport entity in order to obtain benefits from those associations (Hall *et al*., 2010). Smith (2008) explains sport sponsorship as support that is offered to a league, sport teams, and individual athletes by a separate company. For example, Absa was the main sponsor of the PSL and the Currie Cup, while Vodacom is the main sponsor of the SuperRugby series, of two PSL teams, Kaizer Chiefs and Orlando Pirates, and of one Currie Cup team, the Blue Bulls. These sponsorship deals are beneficial to both the sponsor and the sponsee. Successful teams such as Kaizer Chiefs and Orlando Pirates have attracted more lucrative sponsorship deals than competing teams (Times, 2015; Chadwick & Hamil, 2010). Well-branded sport teams can secure better sponsorship deals, while sponsors increase their brand awareness.

Future research

This study represents the first systematic literature review in South Africa focusing on the marketing mix within professional sport teams, providing a foundational understanding of existing knowledge and gaps in this domain. Given the novelty of this work, several avenues for future research emerge.

First, there is a need for empirical studies to develop sport marketing mix conceptual framework and validate the findings of the developed model within the South African context. Quantitative research employing survey methods or structural equation modelling could investigate the relative impact of marketing mix elements product, price, place, and promotion on fan engagement, brand loyalty, and financial performance of professional sport teams. Similarly, qualitative studies such as interviews with sport marketers, club managers, and fans could provide deeper insights into contextual factors influencing marketing mix decisions.

Second, comparative studies between South African professional sport teams and those in other emerging markets may reveal differences and similarities in marketing strategies, offering opportunities for cross-cultural learning. This would be particularly relevant given the increasing globalisation of sport and the growing role of digital marketing in fan engagement and sponsorship activation.

Third, future research should explore digital transformation in sport marketing, such as the integration of social media, mobile applications, and data analytics within the marketing mix. As professional sport teams increasingly adopt technology-driven solutions, understanding how these innovations reshape traditional marketing strategies will be critical.

Finally, researchers could extend this work by developing theoretical frameworks specific to sport marketing in Africa. Given that this study did not adopt a specific theoretical lens, future research could draw upon theories such as the Relationship Marketing Theory, Service-Dominant Logic, or the Brand Equity Framework to build conceptual models linking marketing mix strategies to sport business outcomes.

By addressing these areas, future research can build upon this study's limitations, contributing to both academic scholarship and practical advancements in sport marketing in South Africa and beyond.

Conclusion and managerial implications

The traditional marketing mix has been used for a very long time. Some elements of the marketing mix were borrowed to market the sport industry; thus, the sport marketing mix was formed. The concept of sport marketing has been around for a long time. This is another tool that is available for general marketers and sport marketers to reach their target markets. The concept of sport marketing has been applied by many businesses to promote and expose their brands to targeted consumers worldwide. This can be proved by the greater media coverage through which sporting events are televised globally. Similarly, sport media coverage is trending worldwide, and makes the task of marketers easier as their brands are introduced to international markets. Thus, sport marketing plays a vital role as a link between consumers and marketers.

General marketers can market through sport associations because many consumers pay a great deal of attention to sport. This form of marketing includes all related and non-related sport products. The importance of sport marketing has been noticed by the management of professional sport teams. Likewise, companies involved in both sport and non-sport goods have also invested in sport marketing. Due to tough competition in the sport industry, the management of professional sport has used sport marketing to differentiate their sport teams as a brand that is different from other sport teams. By doing this, the sport team can attract a good sponsorship deal from successful companies. In return, the sponsoring company will increase its brand awareness among the target market.

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THE EFFECT OF ARTIFICIAL INTELLIGENCE ON EMPLOYEE RETENTION IN STATE-OWNED ENTERPRISES

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Abstract

The study examined the adoption of Artificial Intelligence (AI) in employee retention focusing on public sector organisations. In modern years, the inclusion of artificial intelligence in organisations has significantly increased, hence the need to assess its adoption in Human Resource Management functions (HRM) of public enterprises. In achieving the study objective, the paper used a review of the literature covering studies published between 2019 and 2025 and examined the effects of AI on employee retention. The research involved an extensive search in the Scopus, Taylor and Francis, and Google Scholar databases using keywords such as Artificial Intelligence, state-owned enterprise, and employee retention. The study revealed that AI improves internal communication, employee empowerment, employee development and employee engagement. Furthermore, AI reduces employee turnover in organisations. These findings highlight the role of AI in retaining employees which provides organisational competitiveness. Still, human resource practitioners should consider the suitability of AI technologies to the needs of the organisation and its people for effectiveness. The study further provides recommendations and future research direction.

Keywords: *artificial intelligence; human resource management; employee retention; employee motivation; state-owned enterprises.*

Introduction

Artificial intelligence (AI) can take various forms viz service robots, mobile applications, and big data application algorithms (Pereira et al. (2023). Regardless of the multiple forms, a common thread of argument is that AI is increasingly transforming jobs in different sectors of the economy (Paluch et al., 2021). The ongoing debate among academics and professionals regarding the role of AI in organizations underscores the need to integrate new research findings to advance the field. For instance, despite its widespread recognition as a significant driver of innovation, some perceive AI as a potential threat to human employment (Huang and Rust 2018). Previous research focused on the negative side of AI, including areas concerning job displacement (Wulff & Finnestrand, 2023), insecurity (Malik et al., 2023) and turnover (Pan & Froese, 2023). Attention directed towards exploring the potential positive impacts of AI, such as employee satisfaction, remains relatively unexplored (Ding, 2022; Tan, et al., 2023). This discrepancy in research is particularly striking considering that the main objective of AI implementation is to boost organisational efficiency and productivity. As such, a vital research gap worth addressing is to examine how AI enhances employee satisfaction in an organisation, thereby improving employee retention in public enterprises. Accordingly, this study aims to achieve the research objective of examining the role of AI in improving employee retention in state-owned enterprises. Wang et al, (2024) provided that the Chinese government has attached importance to the advancement and application of AI in improving the country's competitiveness. SOEs play a leading role in circulating and appreciating the country's will on the strategies (Wong, 2018; Lundvall, Rikap 2022). Bailey (2016) argued that organisations are morally obligated to create a work environment that fosters meaningful work. However, the adoption of AI has caused many routine tasks to be automated, creating space for employees to focus on work that aims to achieve organisational goals. This has the potential to empower employees and engage in creativity, critical thinking, and problem-solving which create organisational competitiveness (Albrecht et al., 2021).

Theoretical background

Davis et al. (1992) argue that people's intentions to use computer applications in an organisation are influenced mostly by their perception of how computers are useful to improve their work performance. Additionally, the degree of pleasure they have in using the computers influence their perception. Davis applied motivational theory to study the adoption and use of information technology. The main principle of the Motivation Model is that there are extrinsic and intrinsic motivations that shape the behaviour of the user (Sharma and Mishra, 2014). Extrinsic motivation can be classified as controlled motivation and integrated motivation (Ryan & Deci, 2020). It is defined as the perception that users want to perform an activity; because it is perceived to be instrumental in achieving valued outcomes that are distinct from the activity itself, viz improved job performance, pay, or promotions (Davis et al., 1992). Examples of extrinsic motivation are perceived usefulness, perceived ease of use, and subjective norm. Conversely, if performing an activity leads to pleasure and results in individual satisfaction, such behaviour can be regarded as intrinsic motivation (Vallerand, 1997). Intrinsic motivation is a psychological aspect that suggests that individuals engage in certain behaviours or activities because they find them personally interesting or satisfying (Ryan & Deci, 2020). Users want to perform an activity for no apparent reinforcement other than the process of performing the activity per se (Davis et al., 1992). An example of intrinsic motivation is the extent of enjoyment that a person derives from playing with computer applications (Davis et al., 1992; Venkatesh, 2000).

As a result of the above articulations, the research question formulated for this review study is: what are the effects of AI on employee retention in State-Owned Enterprises?

Literature review

Davenport and Ronanki (2018) stated that organisations need to consider AI in business operations instead of just technology ones. AI is found in three different types such as process automation, which deals with the automation of virtual and physical tasks which involve back-office work and robots. The second type is cognitive insight, which focuses on analyses of big data and lastly, cognitive engagement, which is about customer and employee engagement by making use of natural language processing chatbots, intelligent agents, and machine learning. However, many companies often use cognitive engagement with their employees rather than customers (Davenport and Ronanki 2018). Regardless of the usefulness of AI, Ravi et al., (2017) highlighted digital challenges, which include security, governance and privacy.

State-owned enterprises experience many barriers to organisational innovation that include, but are not limited to bureaucracy, administrative burdens, inadequate incentives to promote innovation, cultural resistance to change and short-term financial focus (Moussa, McMurray, & Muenjohn, 2018). The public sector as bureaucratic organisations are constantly viewed as being inefficient and inflexible (Campbell, 2018). State-owned enterprises in Russia do not show much progress in adopting AI and big data analytics for productivity and efficiency improvement. Dominant market positions and access to state money stifle innovations in many Russian SOEs, resulting in low labour productivity and creating a hostile environment for the adoption of new technologies (Abramov et al., 2017; Sanghi & Yusuf, 2018). It is also noted that the SOEs in Vietnam are expected to be inefficient compared to other private firms, even though they are not necessarily subject to hard budget constraints (Minor et al., 2018). Studies on Chinese SOEs emphasise that the SOEs are fundamental to socio-political and economic stability and that most of their SOEs have issues of inertia, huge headcount, debts, and waste, challenges common in other states' SOEs. As much as affected by local regulation, the globalisation strategy has put pressure on the SOEs to be more transparent and responsible in their operations, as demanded by international trading regulations (Li & Belal, 2018). The SOEs in high-technology industries such as nuclear power generation, telecoms, banking, construction, etc., are reported to be expanding globally. However, many face multiple challenges, which include a shortage of skilled resources, social policies, politics and regulations (Malope et al., 2021).

Previous studies

Zytnik (2024) noted, some cutting-edge companies are leveraging AI to listen to the voice of their employees through analyzing comments posted on internal communication platforms. When operating at full capacity, AI-driven listening tools will prove invaluable in promptly pinpointing areas of concern or discontent that employees are actively discussing. The real-time feedback loop will also enable organizations to streamline their communication strategies and respond swiftly to emerging issues, fostering a more engaged and satisfied workforce (Yue et al, 2024).

A study by Lin and He (2025) focuses on how AI links with employee's work behavior. The study revealed that AI usage promotes employees' service innovative behavior and inhibits service sabotage behavior by enhancing personal resources. Empowering individuals with resources facilitate service innovative behavior. The study also revealed that AI may also trigger resource depletion, thereby limiting service innovative behavior and increasing service sabotage behavior.

In their study Pandya and Wang (2024) focuses on AI's emerging role in Human Resource Development and career development. The study revealed that while AI technology helps streamline career development processes in organizations, it can also disrupt a workplace by causing job insecurity. Secondly, with the unintended consequences, integrating AI into organizational practices can backfire, leading employees to explore alternate careers. The study also revealed that with increasing applications of AI, humans are now expected to trust technology-based output, even when such output contradicts their own knowledge and experience.

Prentice et al (2020) explored how AI and Emotional Intelligence (EI) influences employee retention. Although it has a significant effect on employee performance, AI is not related to employee retention in this study. The effects are less weighted compared to those exerted by EI. Furthermore, AI has a negative moderation effect on employee job efficiency and customer satisfaction. This finding indicates that AI becomes a buffer in employee performance.

A study by Li et al (2019) focuses on how employees' awareness of AI impact turnover intentions.

The study revealed that the implementation of AI can enhance employees' perceptions of organizational support and reduce turnover intentions. The perception of being valued and recognized through AI-mediated feedback may fulfil employees' self-enhancement needs, subsequently reducing their inclination to leave the organization.

Florea and Croitoru (2025) explores the impact of AI on leadership-based organizational communication and employee performance. The study revealed that informing, receiving, and accepting messages, along with reaction-provoking, had strong positive effects on performance, while feedback and persuasion showed moderate impacts. These results emphasize the transformative role of AI in communication processes, optimizing message flow and positively influencing employee behavior.

Research Methodology

This paper used Secondary Document Analysis (SDA) approach to answer the underlying arguments. According to Amoah et al, (2021) SDA seems to be an easy research technique yet a brilliant foundation for drawing appropriate literature from a given pool of wider coverage areas. This method permitted the study to gather useful data, and inferences can be drawn. This approach widens an understanding of the effect of AI on employee retention in state-owned enterprises.

Table 1. Article Inclusion and Exclusion Criteria

Criteria	Inclusion	Exclusion
Publication date	Articles published from the year 2019 to 2025.	Articles that included Artificial Intelligence and employee retention, and any topic not related to employee retention before the year 2019.
Article type	Original research papers and reviews.	Unpublished dissertations and thesis.
Language	English publications	Any other language publications.
Articles relevance	Articles relating to: Artificial Intelligence and employee retention.	Articles not relevant to the research topic for this study.

Source: Authors

The criteria for which articles were included in the literature review, as well as those excluded, are shown in Table 1. Publications were retrieved from scientific databases such as Scopus, Taylor and Francis, Google Scholar and Science Direct. In doing so, relevant keywords such as 'Artificial Intelligence', 'state-owned enterprises', and 'employee retention' were used. The study identified future research directions on major issues that relate to the use of Artificial Intelligence in state-owned enterprises for competitive advantage.

Findings and discussion

Table 2: AI capabilities linked to employee retention

AI role/ capability	How AI retain employees
Internal communication	Promptly pinpoints areas of concern that employees are actively discussing.
Innovative behavior	Empowering employees with resources facilitate service innovative behavior.
Employee training	Helps to streamline career development processes in organizations.
Reduces turnover intentions	Enhance employees' perceptions of organizational support and reduce turnover intentions.
Employee support & engagement	Improves support and engagement, making work enjoyable for employees.

Source: Authors

Value creation through digital technologies relies on users' trust in those technologies (Hoff and Bashir, 2015). Consequently, if employees do not trust these technologies, organizations that are undergoing digital transformations will struggle to execute their digital strategy (Barrane et al., 2020). Digital strategy pertains to an 'organizational strategy formulated and executed by leveraging digital resources to create differential value'. Employees play a detrimental role in implementing the strategy successfully as leveraging digital resources depends on their trust in emerging technologies and their ability to integrate digital resources into their work routines (Witcher & Chau, 2010). As a result, it is vital for organizations to understand the factors affecting employees in digital technologies to execute their digital strategy effectively (Shamim et al, 2023).

Existing research primarily examines the economic impacts of AI application on firms, with numerous studies indicating that AI can boost corporate productivity. For instance, Yang (2022) demonstrated that AI effectively enhances total factor productivity. Jaiswal, Arun, and Varma (2022) argued that AI significantly improves employee efficiency through human-machine collaboration, particularly for employees skilled in data analysis, digitization, complex cognition, decision-making and continuous learning, thereby boosting overall productivity (Liu et al 2025).

Internal communication

Open and clearly directed communication ensures team alignment and mobilizes resources toward desired objectives (Ciulei, 2023). Collaboration between different departments and teams is essential to facilitate change and implement new strategies. This contributes to the creation of a unified organizational culture and motivates employees to achieve goals and improves employee retention. Building an organizational culture centered on open communication among other factors forms the foundation of the organization's success and sustainability in a perpetually changing world (Lazariuc, 2022). Practitioners and professionals in various industries implementing AI systems, especially in communication and collaboration (Dwivedi, 2021). A study by Qosidah & Susilo, (2024) highlight how AI-driven business communication improves employee engagement and efficiency, further underscoring the transformative role of AI.

Employee engagement and support

From the above factor, digital transformation significantly enhances information transparency (Chen et al., 2024), which in turn improves internal communication within enterprises, making it easier for employees to express their opinions. Chatbots help HR departments concentrate on strategic projects and engage workers. As firms embrace digital transformation, AI will undoubtedly play a more significant role in employee engagement, creating new chances to connect and encourage employees (Roberts et al 2020). Systems theory emphasizes that organizational elements are in a dynamic state of flux (Berk, Stanton, & Zechner, 2010), and digital transformation alters the traditional structure of organizations. The disruptive restructuring of organizational frameworks, shifting from a traditional hierarchical model to a flatter structure, reduces the distance between management and employees. This restructuring facilitates more efficient internal communication (Riemke-Gurzki, 2017), enabling faster and more accurate information flow at all levels. As a result, employees' ideas are more effectively communicated to management, leading to improved employee engagement.

Innovative behaviour

When resources are abundant and consistently available, employees may invest in innovation and service improvement, proactively fostering a positive resource cycle (Lin 2024). Resource adequacy also buffers employees against work pressure. This also empowers employees by increasing their responsibilities and providing more opportunities for decision-making, allowing them to advocate more effectively for their interests (Koch and Windsperger, 2017; Usai et al., 2021). Digital transformation drives companies to optimize production processes, reduce costs, and improve resource efficiency. As a result, it allows companies to allocate more resources across various areas, including increased investment in employees, enhanced employee welfare, and, consequently, improved employee treatment which in turn leads to employee retention (Jiang et al., 2022). AI empowers organisations and employees by granting human autonomy (Maragno et al 2022).

Employee training and development

AI has facilitated the automation of career development programmes, making it more accessible for employees to acquire knowledge, skills and abilities relevant to their career progression (Brougham & Haar, 2017; Pathak & Solanki, 2021). Thus, enterprise digital transformation improves skill development and supports long-term growth within firms which helps to retain employees in organisations. The success of digital transformation relies on talent (Jiang et al., 2022), and companies need to establish incentive mechanisms to attract, develop, and retain skilled employees, thereby driving the success of the digital transformation process. On the other hand, AI has instilled fear and uncertainty among employees who are now concerned about being replaced by automation (Birhane 2021; Brougham & Haar, 2017).

Reduce turnover intentions

Employees are known to respond to high levels of organizational support with high levels of organizational commitment and psychological attachment, obligation and loyalty (Brougham & Haar, 2017). Thus, AI technologies affect work satisfaction, productivity and attrition. Chatbots and virtual assistants positively impact work satisfaction, efficiency, and employee turnover. This highlights the significant impact that AI tools may have on employee retention. AI improved staff retention by reducing turnover from 15% to 10%. Thus, AI technologies improve support and engagement, making work more enjoyable and minimizing turnover. Reducing turnover intentions helps retain experienced staff and lowers recruiting and training expenses (Roberts et al 2020).

Conclusion, limitations and future research

The purpose of the study was to highlight the role of Artificial Intelligence in improving employee retention in organisations. The literature provides that SOEs are facing unique challenges in their journey of digitalization, viz managing legacy systems, regulatory restrictions, and cultural resistance to change. The study revealed the importance of employee innovative behaviour which has a bearing on employee retention. This can be affected by the lack of digital resources in SOEs. Thus, overcoming these hindrances is important for SOEs to fully implement internal AI technologies and achieve organisational competitiveness. Furthermore, effective channelling of resources is of paramount importance for facilitation of career development. The study revealed that the success of digital transformation relies on talent, hence a need for SOEs to create incentive mechanisms that directly attract and develop employees on AI technologies. AI is also being applied to internal listening, and companies are leveraging AI to listen to their employees' voices by analyzing comments that are posted on internal organisational communication platforms. Furthermore, digital transformation improves information transparency which enhances internal communication within enterprises, making it easier for employees to express their opinions. This quickly addresses areas of employee concern or discontent for employee retention. This assist SOEs to minimise challenges of bureaucratic structures that hinders the quick flow of grievances to the company executives. Finally, AI reduces turnover intentions through the use of chatbots and virtual assistants. Reducing turnover intentions helps SOEs to retain experienced employees and lowers the hiring of new employees which normally takes time due to elements of bureaucracy. The study limitation is that the research is based on literature, hence the empirical test is required. Future studies can perform a qualitative or quantitative research on the opportunities and challenges of AI in state-owned enterprises. Other studies can further investigate the effectiveness of government initiatives in promoting digitalisation in state-owned enterprises.

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IMPACT OF THE EMERGENCE OF FOREIGN-OWNED SMALL BUSINESSES ON THE SOUTH AFRICAN TOWNSHIP ECONOMY OF MPUMALANGA: A CASE OF CHIEF ALBERT LUTHULI MUNICIPALITY.

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Abstract

The subject of foreign-owned small businesses has gained traction among scholars worldwide. Countries and international organisations have highlighted developing and promoting small businesses as areas requiring dedicated effort to improve national economies. The tension between local and foreign small businesses in South Africa necessitated further research, specifically in the Chief Albert Luthuli Municipality. This research investigates the impact of the emergence of foreign-owned small businesses on the economy of the Mpumalanga townships. The study uses a mixed-methods research design. The population includes current foreign-owned and South African small businesses, former foreign-owned and South African small enterprises and municipal officials. Convenience sampling was utilised for the quantitative aspect, with a sample size of 262. Purposive sampling was employed for the qualitative component, involving 10 former South African officials,10 former foreign officials, and 6 municipal officials.

The study found that the emergence of foreign-owned small businesses in the Chief Albert Luthuli Municipality positively impacted the local economy; relationships exist between small businesses, and collaboration and networking can be achieved among them. However, the local economy has not improved significantly; foreign-owned small businesses engage in illegal dealings, competition is unhealthy, and the inadequate business environment and infrastructure contribute to potential business failures. There is also an insufficient government role in supporting small businesses.

KEYWORDS: *foreign-owned, small businesses, competition, business practices, impact, economy, government, by-laws, municipality, compliance.*

Introduction

Musara and Nieuwenhuizen (2021) pointed out that foreign-owned small and medium businesses make essential contributions in developed nations. There is an emphasis on the importance of small businesses in driving countries' economic growth and development (Luiz, 2002). For decades, governments and international organisations have focused on developing and promoting small businesses to improve their national economies globally (OECD, 2017).

In African and developing economies, small businesses' contribution to employment creation and economic development must be understood and driven to provide more positive effects, as in developed countries (Organisation for Economic Co-operation and Development, 2017). In the case of South Africa, small businesses have been recognised by the government as a significant driver and provider of economic growth (Sahlai, Zogli, Lawa and Dlamini,2020).

South Africa's townships date back to the 1950s, through the implementation of the Group Areas Act of 1950 by the apartheid government (South African Cities Network, 2009). Jürgens, Donaldson, Rule and Bahr (2013) described townships as underdeveloped, usually urban, residential areas that, during Apartheid, were reserved for Blacks, Indians and Coloureds.

Moos and Sambo (2018) contributed that South Africa's townships are remnants of South Africa's apartheid regime. During the apartheid era, townships operated from the second economy, in which traders were subjected to trade restrictions on products that would be sold legally (Cant and Rabie, 2018). South Africa's African townships represent a part of the outside of a town or city that has historically been used to uphold racially separated living arrangements (Moghayed, Mehmood, Michell and Ekpo,2023).

The concept of township economy is prevalent in the South African context, with some authors classifying it as the second economy (Cant and Rabie, 2018). The township economy is classified as an informal economy or as part of small, medium, and micro enterprises (Mukwarami and Tengeh, 2017). Development Network Africa (2015) describes the township economy as including economic activities occurring within or connected to a suburb or city in South Africa.

Statistics South Africa (2021) defined an informal sector as production units in an economy that are not listed with a tax authority or a licensing authority and are difficult to monitor and standardise, while the informal economy encompasses work in the informal sector and informal employment that is not legal.

Ginsburg, Collinson, Gómez-Olivé, Gross, Harawa, Lurie, Mukondwa, Pheiffer, Tollman Wang and White (2021) pointed out that there is limited data on levels of internal migration in Africa, with South Africa and Zambia presenting higher levels of internal migration among countries in SADC. The report differentiates between internal and international migration, and for this research, both categories will be included. South Africa's peaceful transition from apartheid to democracy led to an influx of African migrants seeking economic, social, and political opportunities.

The end of apartheid and the peaceful transition to a democratic South Africa introduced a new phenomenon. Small Enterprise Development Agency (2016) pointed out that before 1994, the South African government enforced very strict, security-oriented migration policies. Democracy in South Africa in 1994 presented new patterns of migration in the region that have emerged.

Research Problem

The impact of foreign small businesses in South African townships is currently not thoroughly researched and understood as a new phenomenon in Mpumalanga Province and more specifically in the Chief Albert Luthuli Municipality . Select USA (2020) pointed out that foreign-owned small businesses sustained over five million jobs, declining sales and declining labour productivity in the United States of America. Musara and Nieuwenhuizen (2021) pointed out that considering the understanding of foreign-owned small businesses is significant for their growth, promotion and expansion of South Africa's small business sector.

Gastrow and Amit (2013points out the importance of arriving at conclusive findings of the exact scope of impact imposed by migrant traders in the local township economy. Gastrow (2018) noted that South African small businesses cannot compete. Local authorities declare foreign-owned small businesses destructive to local economies and impede job creation however, many South Africans benefit from the rental income generated by leasing their shops (Gastrow ,2018). South Africans benefit from the rental income derived from letting their shops.

The study investigates the possibility of foreign-owned small businesses sharing their trading secrets with South African small businesses' as proposed by the former Minister of the Department of Small Business Development, in Ndweni (2015). This study further examines the role that local authorities can play in enabling and enhancing cooperation and creating an enabling environment for small businesses to thrive.

Research Questions

1. What is the impact of the emergence of foreign small business owners on the South African township economy of Mpumalanga Province?
2. How is the competitiveness of foreign-owned small business against South African small businesses?
3. What trade practices are dominant in the small businesses sector?
4. What role can the Chief Albert Luthuli municipality play in fostering positive collaboration between local small businesses and foreign small businesses?

Aim and Objectives of the Study

Primary Aim of the Study

This research aims to explore the impact of foreign-owned small businesses in South African townships in Mpumalanga Province.

Secondary Objectives

1. To determine the impact of the emergence of foreign-owned small businesses on the South African township economy of Mpumalanga Province.
2. To understand the level of competitiveness between foreign-owned small businesses and their local counterparts.
3. To establish trade practices that are dominant in the sector.
4. To propose the role that authority can play in fostering positive collaboration between local small businesses and foreign-owned small businesses.

Literature review

This part covers the different definitions of small businesses, South African small businesses in the country's economy, challenges of small businesses, international perspective on small businesses and foreign-owned small businesses.

Small Business Definition(S)

Mcintyre (2020) defined a small business as one with a range from 250 to a maximum of 1,500 employees, recognising that the number of workers may vary across different industries. The Small Enterprise Development Agency (2016) confirmed that small, medium, and micro enterprises are also called small businesses.

The Small Business Act defines a small enterprise as a distinct commercial entity with its divisions or subsidiaries, including cooperative enterprises, managed by one owner or primarily operating in any sector or subsector of the economy (National Small Business Act 102 of 1996). Berisha and Pula (2015) widely utilised the concept of small and medium enterprises (SMEs). These researchers concluded that the available literature shows significant differences in defining SMEs, and there is no single, universally accepted definition for them.

South African Small Businesses in the Country's Economy

The International Finance Corporation (2018) pointed out that the contribution of SMMEs to economic growth and employment creation in South Africa remains low. Lekhanya (2015) stated that SMEs serve as a mechanism for job creation, contributing to income and output. The official unemployment rate in Q3 of 2024 is 32.1%; thus, small businesses must strive to reduce this unemployment rate (Statistics South Africa, 2024).

Challenges Facing Small Businesses

Complicated Support Structure

Maye (2014) revealed that the current assistance provided by the South African government is not easy to understand or navigate. This issue arises because the institutions aimed at assisting small businesses are located in different departments. The Small Enterprise Financing Agency (SEFA) is part of the Department of Economic Development, while SEDA falls under the Department of Trade and Industry. Lekhanya (2015) urged the South African government to have a clear understanding of related theories that can support the survival and growth of small businesses.

Access to Finance and Credit

Lekhanya (2015) concluded that the lack of financial support contributes to the challenges faced by small businesses in South Africa. The International Finance Corporation (2018) contextualized funding into transactional banking, start-up capital, working capital, and long-term capital. They noted that the percentage of bank loans allocated to small businesses in South Africa is relatively low. Maye (2014) emphasised that without adequate funding, the likelihood of small businesses succeeding diminishes.

Labour Laws

Rigid labour laws lead to high labour costs, which stem from labour regulations intended to benefit workers (SEDA, 2016). Maye (2014) asserted that a prevalent argument in South Africa is that these comprehensive labour laws hinder business expansion and job creation. The country has multiple labour legislations that deter entrepreneurship by limiting access to crucial resources (Moos and Sambo, 2018).

Entrepreneurial Education

The International Finance Corporation (2018) noted that access to entrepreneurial skills is a vital driver of small business development, and without these skills, businesses struggle to remain sustainable. Lekhanya (2015) reported that the failure of small businesses in South Africa can be attributed to a shortage of entrepreneurial education and training. Skill shortages are recognised as constraints to the development and growth of small businesses (SEDA, 2016). Having an entrepreneurial family background or influence significantly impacts entrepreneurial intentions. The issue of lacking entrepreneurial education as a barrier to success and growth is also supported by Moos and Sambo (2018).

Infrastructure and Access to Markets

A key constraint to the growth of small businesses is inadequate access to the physical infrastructure necessary for conducting business (SEDA, 2016). The International Finance Corporation (2018) indicated that small businesses require good infrastructure and access to markets to thrive. They revealed that these businesses typically have smaller distribution networks, fewer established brands, and poor marketing strategies.

International Perspective on Small Businesses

The Organisation for Economic Co-operation and Development (2017) recognised that SMEs are crucial for promoting inclusive globalisation and growth. The report lamented that, globally, particularly among OECD countries, governments face challenges related to slow growth, weak trade and investment, and persistently high inequality. This environment presents opportunities for small businesses worldwide.

The Organisation for Economic Co-operation and Development (2017) underscored the importance of SMEs as key players in the economy and the broader business ecosystem; however, SME policies are notably complex.

Fjose, Grünfeld, and Green (2010) contested the prevailing notion that Sub-Saharan Africa is the world's most challenging region in terms of ease of doing business. Mauritius ranks 17th, significantly above the OECD average, while South Africa holds the 34th position, better than countries like Portugal, Spain, and Luxembourg. SelectUSA (2020) revealed that small businesses account for 99 percent of businesses in the United States and provide nearly 50 percent of the country's labour force.

Foreign-owned small businesses

Bogoevska (2017) revealed that in the 2011 census, more than 68% of immigrants came from SADC countries, other parts of the continent, and various regions worldwide. They arrive in South Africa to engage in its burgeoning economy as an emerging destination. Bogoevska (2017) points out that the influx of foreigners into South Africa is driven by civil wars and political crises in their home countries.

Statistics South Africa (2015) indicated that democracy opened new opportunities for international migration. The number of migrants from neighbouring SADC countries, other African nations, and the rest of the world has increased. Yota and Tengeh (2013) observed that the number of foreign small businesses nearly doubled between 1993 and 2002 and almost tripled between 2003 and 2007, with a significant rise beginning in 2004.

Ngota, Rajkaran, and Mang'unyi (2019) revealed that foreign-owned small businesses exhibit remarkable entrepreneurial propensity and that they substantially contribute to job creation, innovation, and skills transfer. Gastrow (2018) noted that foreign small businesses represent a form of economic flexibility and prosperity that remains out of reach for most ordinary people in townships.

Research Methods

The study employed mixed methods approach. An explanatory sequential design was used to clarify the results obtained from the quantitative instrument (closed-ended questions), followed by a qualitative data collection phase using structured interviews, Creswell (2013).

Population

The population includes current foreign-owned and South African small businesses, former foreign-owned and South African small businesses and municipal officials. This population encompasses the areas of Tjakastad, Nhlazatshe, Elukwatini, Emanzana, Carolina, and Dundonald within the Chief Albert Luthuli Municipality.

Sampling

Convenience sampling was utilised for the quantitative was recommended, as participants were selected based on their representativeness of the population (Salkind, 2014), with a sample size of 262. Purposive sampling was employed for the qualitative component, these officials constituted a central part of the sample, as they dealt with small businesses both local and foreign-owned.

The sample is comprising 10 former South African small business owners, 10 former foreign officials, and 6 municipal officials from the Local Economic Development unit of CALM.A typical qualitative study, a researcher usually dealt with a few individuals or a few cases. A larger qualitative sample size would make the number of cases unmanageable and cause superficial perspectives(Creswell,2012). The researcher utilised BMI Calculator to determine the sample size for the quantitative segment of the population. The estimated population was 6719 small businesses as per the Gert Sibande district development model of 2020; the calculated sample size was 262.

Data collection and analysis

The primary sources of data included South African small business owners, foreign small business owners, former South African small business owners, former foreign-owned small business owners, and officials from the Chief Albert Luthuli Municipality (CALM). Primary data was collected through questionnaires for both local and foreign-owned small businesses. The semi-structured interviews were conducted separately: one set for former small business owners and another for municipal officials.

Quantitative data were analysed using descriptive statistics (Kenton, 2019). The results were evaluated using Statistical Package Software (SPSS) as per Creswell (2012). The Likert scale was instrumental in the researcher's ability to present data via SPSS. The researcher employed ATLAS.ti software to analyse qualitative data (Creswell, 2012).

Findings

Presentation of Quantitative Findings

The results are organised into six sections according to the questionnaire. Section A addresses demographic information, Section B discusses the impact of the emergence of foreign-owned small businesses, Section C covers the level of competitiveness, Section D reviews trade practices, Section E explores regulatory authorities, and Section F evaluates overall business performance. The study utilised Statistical Software Packages v28 and ATLAS.ti to present the findings in tabular and discussion formats.

Demographic Information

This section presents results related to participants' nationality, gender, age distribution, type of business, and years in business, as detailed below.

a) Nationality of Participants.

The results indicate that 113 of the respondents were South African small businesses, while 37 were foreign business owners. The proportion of South African small business respondents was the highest, accounting for 75%, with foreign-owned small businesses representing 25%. Table 1 below displays the nationalities of the participants.

Table 1: Nationality of the Participants

Composition of Nationalism	SA	Foreign	Total and Percentage portion
Nationality	113	37	150
% of respondents	75%	25%	100%

b) Gender of the Participants

Question 3 in Section A of the questionnaire aimed to establish the participants' gender. The results revealed that 60% of the participants were female and 40% were male. Table 2 below indicates the gender distribution among the participants.

Table 2: Gender of the participants

Gender	Number	Percentage Portion
Male	60	40%
Female	90	60%
Other	0	0%
Total	150	100%

c) Age Distribution of Participants

The results in the table below show that the number of respondents aged 18–30 years was the highest at 88 (59%), followed by those aged 31-40 years at 51 (34%), those aged 41-50 years at 8 (5%), and those aged 51-59 years at 3 (2%), which was the lowest. Table 3 below illustrates the age distribution of the participants.

Table 3: Age distribution of the participants

Age	Number	Percentage Portion
18-30	88	59%
31-40	51	34%
41-50	8	5%
51-59	3	2%
Total	150	100%

d) Years in Business

The results in Table 4 below indicate that 35 (23%) of the respondents owned businesses for less than a year, the highest category; followed by 76 (51%) respondents who owned businesses for 1-3 years, 31 (21%) who owned businesses for 3-8 years, and 8 (5%) who owned businesses for over 8 years.

Table 4: Years in business

Years in business	Number	Percentage Portion
Less than a Year	35	23%
1-3 Years	76	51%
3-8 Years	31	21%
Over 8 Years	8	5%
Total	150	100%

e) Type of Business

The results in Table 5 below show that the number of respondents owning Spaza shops and fast-food establishments was highest, each at 36 (24%), followed by those owning tavern/bottle stores at 8 (5.3%). The number of respondents owning hardware stores was 6 (4%), and the number of those owning service businesses was 29 (19.3%) (unspecified) scored the lowest, at 35 (23,3%). Table 5 below indicates the type of business.

Table 5: Type of business

Business Type	Number	Percentage Portion
Spaza	36	24%
Fast Food	36	24%
Tavern/Bottle Store	8	5,3%
Hardware	6	4%
Service	29	19,3%
Other	35	23,3%
Total	150	100

Impact of emergence of foreign-owned small businesses

A 5-point Likert scale was employed to assess the impact of emergence. This section focused on five sub-questions directed at the participants. The first sub-question inquired whether the emergence of foreign-owned businesses in the CALM has had a positive impact. The second sub-question explored whether there is any relationship between foreign-owned and South African small businesses.

The third sub-question asked if collaboration and networking can be fostered among foreign-owned and South African small businesses. The fourth sub-question inquired whether the local economy has improved due to the emergence of foreign-owned small businesses. The fifth and final sub-question asked the participants whether the emergence of foreign-owned small businesses has stimulated business activities.

Table 6: Impact of Emergence

Likert options	Sub-questions				
	Emergence of Foreign-owned businesses	Form of Relationship	Collaboration and Networking	Local Economy	Stimulation of business activities
Strongly Disagree	20	19	13	21	9

Disagree	40	47	43	43	45
Undecided	16	18	15	18	18
Agree	55	54	61	51	62
Strong Agree	18	12	15	12	11
Total	149	150	147	145	145

Table 6 summarizes the results collected from the five sub-questions on the impact of emergence. For the first sub-question, 20 participants strongly disagreed, 40 disagreed, 16 were undecided, 55 agreed, and 18 strongly agreed. This indicates that participants generally felt the emergence of foreign-owned small businesses positively affected the small business sector, with 55 agreeing and 18 strongly agreeing, resulting in 73 participants in favour out of 150 total participants. This translates to 49% of the participants agreeing.

Table 7: Descriptive statistics on the impact of emergence

	N	Minimum	Maximum	Mean	Std. Deviation
Strong Disagree	5	9.00	21.00	16.4000	5.17687
Disagree	5	40.00	47.00	43.6000	2.60768
Undecided	5	15.00	18.00	17.0000	1.41421
Agree	5	51.00	62.00	56.6000	4.72229
Strong Agree	5	11.00	18.00	13.6000	2.88097
Valid N (listwise)	5				

Table 7 above presents the results calculated from the collected data. The data are drawn from 150 respondents out of a sample size of 262 potential participants. Likert scale options of Strongly Disagree, Disagree, Undecided, Agree, and Strongly Agree are shown in which computations are made.

For Disagree, the minimum score was 40, and the maximum score was 47, with an average (mean) of 43,6000 and a standard deviation of 2,60768. The standard deviation of 2,60768 means that respondents did not vary much from the central tendency of Disagreeing, with no extremes.

The Agree option in Table 7 has a minimum score of 51 and a maximum score of 62, an average (mean) of 56,6000, and a standard deviation of 4,72229. This indicates that with 4,72229 as a standard deviation, there are no extremes in terms of agreements from the participants. This is the highest in Table 7, so generally, there is agreement about the impact of emergence, with no extremes in terms of the tendency of answers provided.

Level of competitiveness

The first sub-question asked the participants if good competition is needed among small businesses within the Chief Albert Luthuli Municipality. The second sub-question asked whether competition is healthy between foreign-owned and South African-owned small businesses. The third sub-question asked whether the business environment and infrastructure provide much-needed amenities for health competition.

The fourth sub-question asked if the participants believed that foreign-owned small businesses outcompete their South African counterparts. The fifth and last sub-question asked the participants whether healthy competition among small businesses can promote and stimulate business activities within the Chief Albert Luthuli Municipality and its economy.

Table 8: Competitiveness levels

Likert options	Sub-questions				
	Level of competition	Healthy competition	Environment and Infrastructure	Out competition	Competition to stimulate business activities
Strong Disagree	10	37	15	10	9
Disagree	21	58	49	25	9
Undecided	4	15	24	20	9
Agree	72	29	50	69	76
Strong Agree	39	11	9	21	45
Total	146	150	147	145	14

Table 9: Descriptive statistics on the competitiveness level

	N	Minimum	Maximum	Mean	Std. Deviation
Strong Disagree	5	6.00	37.00	15.6000	12.38144
Disagree	5	9.00	58.00	32.4000	20.39117
Undecided	5	4.00	24.00	14.4000	8.08084
Agree	5	29.00	76.00	59.2000	19.61377
Strong Agree	5	9.00	45.00	25.0000	16.30951
Valid N (listwise)	5				

These data are drawn from 150 respondents out of a sample size of 262 potential Participants. This section of the questionnaire had 5 sub-questions through which respondents answered. Table 9 shows the minimum score, maximum score, mean and standard deviation per Likert scale option. For Disagree, the minimum score was 9, and the maximum score was 58, with an average (mean) score of 32,4000 and a standard deviation of 20,39117. The standard deviation of 20,39117 means that respondents did vary considerably from the central tendency of Disagreeing in this case, there were extremes.

The Agree option in Table 9 has a minimum score of 29 and a maximum score of 76, with an average (mean) of 56,6000 and a standard deviation of 59,2000. This indicates that with 19,61377 as a standard deviation, there are extremes in terms of agreements from the participants (foreign-owned and SA small businesses).

Trade practices

This section of the questionnaire consisted of seven sub-questions that were asked during the data collection stage. The first sub-question asked whether participants' business practices allowed them to generate enough profit.

The second sub-question asked whether there is a good relationship between foreign-owned and South African small businesses. The third sub-question asked whether the participants attributed their business survival to their main capabilities. The fourth sub-question asked whether the participants attributed their business success/survival to their entrepreneurial education.

The fifth sub-question asked the participants whether they agreed that reasonable and affordable pricing attracted more customers to their businesses. The sixth sub-question asked participants whether a good business location drove the degree of customer flow into the business. The seventh sub-question asked participants whether the kind of relationship built with customers has a direct effect on business success.

Table 10: Trade practices

Likert	Sub-questions						
	Business Practices	Good Relationship	Capabilities	Entrepreneurial education	Pricing	Business Location	Customer relationship
Strong Disagree	3	19	5	3	6	3	6
Disagree	20	61	12	9	6	11	6
Undecided	19	21	21	8	5	4	4
Agree	83	39	94	100	68	82	74
Strong Agree	24	9	15	27	54	48	58
Total	149	149	147	147	139	148	148

Table 11: Descriptive statistics on trade practices

	N	Minimum	Maximum	Mean	Std. Deviation
Strong Disagree	7	3.00	19.00	6.4286	5.71131
Disagree	7	6.00	61.00	19.2857	20.14708
Undecided	7	4.00	21.00	11.7143	8.19988
Agree	7	39.00	100.00	77.1429	20.05350
Strong Agree	7	9.00	58.00	33.5714	19.60321
Valid N (listwise)	7				

These data are drawn from 150 respondents out of a sample size of 262 potential participants. Table 11 above represents the results calculated from the collected data. For Disagree, the minimum score was 6, and the maximum score was 61, with an average (mean) of 19,2857 and a standard deviation of 20,14708. The standard deviation of 20,14708 means that there is high variability from the central tendency of Disagreeing; in this case, there were extremes.

The Agree option in Table 11 has a minimum score of 39 and a maximum score of 100, an average (mean) of 77,1429 and a standard deviation of 20,05350. This indicates that with 20,05350 as a standard deviation, there are extremes in terms of agreements from the participants (foreign-owned and SA small businesses).

Table 11 shows that the participants generally agreed about the effects of trade practices among foreign-owned and South African small businesses, with extreme trends in the answers provided. This is reflected by the higher standard deviation of 20,05350. The sample size contributes to the extremists' responses, and a larger sample size reduces the standard deviation, thereby reducing the number of extremists.

Regulatory authorities

This section of the questionnaire contained four sub-questions that were probed during the data collection stage. The first sub-question asked participants about whether the infrastructure provided by the government can result in small businesses. The second sub-question asked participants if the National and Provincial Governments were doing enough to support small businesses.

The third sub-question asked participants whether the Chief Albert Luthuli Municipality provided enough support to stimulate small businesses within CALM. The fourth sub-question asked participants whether municipal by-laws are assisting in promoting business compliance among small businesses within CALM.

Table 12: Regulatory authorities

Likert options	Sub-questions			
	Infrastructure Provision	National and Provincial government	Municipality	Municipal By-Laws
Strong Disagree	11	36	30	23
Disagree	26	58	58	45
Undecided	21	16	12	32
Agree	59	29	37	40
Strong Agree	33	9	9	6
Total	150	148	146	146

Table 13: Descriptive statistics on regulatory authorities

	N	Minimum	Maximum	Mean	Std. Deviation
Strong Disagree	4	11.00	36.00	25.0000	10.73934
Disagree	4	26.00	58.00	46.7500	15.12999
Undecided	4	12.00	32.00	20.2500	8.65544
Agree	4	29.00	59.00	41.2500	12.71154
Strong Agree	4	6.00	33.00	14.2500	12.57975
Valid N (listwise)	4				

These data are drawn from 150 respondents out of a sample size of 262 potential participants. Disagree has a minimum score of 26 and a maximum score of 58, with a mean of 46,7500 and a standard deviation of 15. 12999. The standard deviation was 15. 12999 means that there is high variability from the central tendency of Disagreeing; in this case, there were extremes. The data are clustered away from the mean.

The Agree option in Table 13 has a minimum score of 29 and a maximum score of 59, an average of 41,2500 and a standard deviation of 12,71154. This indicates that with 12,71154 as a standard deviation, there are extremes in terms of agreement from the participants. Table 13 shows that participants disagreed with the sufficiency of the role that authorities play in stimulating and promoting small business success in CALM. The sample size contributes to the extremists' responses, and a larger sample size reduces the standard deviation, thereby reducing the number of extremists.

Overall business performance

The results in the table below show that 12 (8%) of the respondents who categorised their business as performing poorly were the lowest, followed by 120 (79%) who categorised their business as performing well, and 17 (11%) who categorised their business as performing. This percentage was not 100%, as 3 respondents did not respond to this question.

Table 14: Overall business performance

Overall Performance	Number	Percentage Portion
Poor	12	8%
Good	120	79%
Exceptional	17	11%
Total	**147**	**98%**

Table 15: Case processing summary (Strong Disagree and Disagree)

		N	%
Cases	Valid	21	85,7
	Excluded	3	12,5
	Total	24	100,0

Table 15 shows that 21 valid sub-questions were asked on the strongly disagree and disagree Likert scale options. The validity rate of these sub-questions is 87.5%, and the 3 exclusions are related to subheadings from sections B to E. Validity of the data is achieved.

Table 16: Reliability statistics: Cronbach's (Strong Disagree and Disagree)

Cronbach's Alpha	Cronbach's Alpha Based on Standardised Items	No of Items
0,829	0,919	2

The data in Table 16 tested the reliability and validity of the data on the Likert scale options of Strong Disagree and Disagree. Note that the number of items represents Strong Disagree and Disagree. Both 0,829 and 0,919 are acceptable results, as they are above the range of 0.70 to 0.95 identified by Tavakol and Dennick (2011).

Table 17: Item statistics: strongly disagree and disagree

	Mean	Standard Deviation	N
Strong Disagree	14,52	10,448	21
Disagree	32,95	19,505	21

Table 17 above relates to the two Likert scale options (Strong Disagree and Disagree). The Strong Disagree option achieved a mean of 14,52 with a standard deviation of 10,448, and 21 sub-questions were tested on this Likert scale option. The participants' responses in this regard were widely spread from the mean for the 21 questions tested. The disagree option achieved a mean of 32,95, with a standard deviation of 19,505.

Table 18: Case processing summary (agree and strong agree)

		N	%
Cases	Valid	21	85,7
	Excluded	3	12,5
	Total	24	100,0

Table 18 shows that 21 valid sub-questions were asked on the Agree and Strong Agree Likert scale options. The validity rate of these sub-questions is 87.5%, and the 3 exclusions are related to subheadings, so the validity of the data is achieved.

Table 19: Reliability Statistics-Cronbach's (agree and strong agree)

Cronbach's Alpha	Cronbach's Alpha Based on Standardised Items	No of Items
0,719	0,728	2

Note that the number of items represents Agree and Strong Agree. These are both acceptable results, as they are both above the range of 0.70 to 0.95 as identified by Tavakol and Dennick (2011).

Table 20: Item statistics: strong disagree and disagree

	Mean	Standard Deviation	N
Agree	61,14	20,028	21
Strong Agree	23,10	16,474	21

Table 20 relates to the two Likert scale options (agree and strongy agree). The agree option achieved a mean of 61,14, with a standard deviation of 20,028 and 21 sub-questions were tested on this Likert scale option. The strong Agree option achieved a mean of 23,10, with a standard deviation of 16,474, and 21 sub-questions were tested on this option. This means that the participants' answers, concerning strongly agree were widely spread around the 21 sub-questions.

Inferential analysis: t-test

The research under T-Test conducted one-sample statistics, one-sample tests. This information is illustrated and written below.

One-Sample Statistics

Table 21 below summarises the data's statistics, including the mean, standard deviation and standard error, where N represents the number of sub-questions the participants answered per questionnaire.

SD represents Strong Disagree, SA represents Strong Agree, D represents Disagree, U represents Undecided and A represents Agree.

The mean and standard deviation for each Likert scale option now include 21 sub-questions of the questionnaire. Table 21 below shows that Undecided as a Likert scale option had a reasonable standard deviation of 7,429 variations from the average of (15,24). This signifies that participants' responses are not further stretched from the average and that this is coupled with the lowest standard error mean of 1,621. The Disagree option had a standard deviation of 19,505, and the Agree option had 20,028. This shows dispersed answers from the average disagree and agree options, respectively.

Table 21: One-sample statistics

	N	Mean	Std. Deviation	Std. Error Mean
SA	21	23,10	16,474	3,595
SD	21	14,52	10,448	2,280
D	21	32,95	19,505	4,256
U	21	15,24	7,429	1,621
A	21	61,14	20,028	4,371

One-Sample Test

Table 22 below shows how close the mean is to the research prediction. Let us take Strong Agree, where the prediction will be represented as *t*=6,424; hence, the mean will be 23,095-6,424=16,671 & 23,095+6,424=29,519, which falls within the lower bound of 15,60 and upper bound of 30,59. Therefore, the mean is within the prediction calculated above for both the upper and lower bounds at the 95% confidence level.

Table 22: One-sample test

	Test Value = 0						
			Significance			95% Confidence Interval of the Difference	
	t	df	One-Sided p	Two-Sided p	Mean Difference	Lower	Upper
SD	6,370	20	<,001	<,001	14,524	9,77	19,28
D	7,742	20	<,001	<,001	32,952	24,07	41,83
U	9,400	20	<,001	<,001	15,238	11,86	18,62
A	13,990	20	<,001	<,001	61,143	52,03	70,26
SA	6,424	20	<,001	<,001	23,095	15,60	30,59

Qualitative research findings

The first part addresses the LED Unit officials of CALM. The officials responded to eleven interview questions. The semi structured-interview questions focused on the CALM vision of SMMEs, the mandate of the CALM for SMMEs, supplementary services provided by the CALM to SMMEs, by-laws for SMMEs, the regulation of local and foreign-owned businesses, encounters facing the small businesses in CALM, relationships between locals and foreign-owned individuals, plans to foster collaboration, the maintenance of accurate records of small businesses, the contribution of SMMEs to the municipal economy, the contribution of SMMEs to the municipal economy and the adequacy of the government's role.

The second part contains findings from semi-structured interviews with former small businesses, which are arranged into two parts. Part A addresses the demographic information of former small business owners and two questions are addressed in this part. Part B addresses eight interview questions testing causes of business failure, inter-business relationships, methods of ordering, impact of South Africa's labour laws on staffing, entrepreneurial education, advice to current and prospective small businesses, perceptions of support from the Chief Albert Luthuli municipality and expectations of the role of government institutions.

Findings from Municipal Officials

This segment outlines the results of the data collected through interviews and analysed employing ATLAS.ti. The findings below are arranged according to subject and explanation.

Chief Albert Luthuli Municipality's vision towards SMMEs

The question asked about the vision of the CALM towards SMMEs in its areas of jurisdiction. Participant A expressed, 'Our *vision as a municipality through LED section for local SMMEs is to see them improving in their business and offer them support*'. Participant B added by stating that, '*our vision is very clear, we want to equip the small businesses in CALM in terms of employment, in terms of compliance, and in terms of job opportunities because the small businesses are a way of creating job opportunities within the jurisdiction of the municipality*'. These responses from the officials have expressed two categories or themes underpinning the vision: facilitating financial support and creating an enabling business environment.

The mandate of the Local Economic Development unit of Chief Albert Luthuli Municipality towards SMMEs

The LED unit deals with regulating SMMEs. Participant A held, '*Our mandate is solely creating an enabling environment. We are trying to reduce the red tape and all the bureaucracy that they are always facing'*, increasing funding opportunities and promoting a conducive business environment. Participant B believed, '*Our main mandate as LED is to make sure that we profile all the SMMEs'*.

Supplementary services offered by the municipality

The LED officials were asked if they rendered any complementary services except basic services to local small businesses in the area; Participant A responded by saying, **'***Yes, we do support through our coffers. We profile them, then check their needs'*. The LED unit is responsible for ensuring compliance and identifying the needs of small businesses, which is achieved through monitoring.

By-laws for SMMEs in Chief Albert Luthuli Municipality

The researcher asked whether the Municipality has by-laws that promote and control small businesses. Two contradicting answers were provided by the officials: Participant A stated, *'Yes, as a municipality, we do have a by-law. This by-law was tabled, adopted by the council, and gazetted by the Mpumalanga Provincial Government'*. Interestingly, Participant B also shared the same response in that, '*Yes, we do have the by-laws, but we are still waiting for the council's approval so that we can issue them to the people'*. The officials agree on the existence of the by-laws but contradict each other regarding the council's approval of the by-law.

Regulating Local and foreign-owned small businesses

The by-laws guide the LED unit of CALM and must be applied. Participant A noted that '*regulating local small businesses is easier, as locals have all the documentation'*.

Regulating foreign-owned businesses is complicated. Participant B mentioned, '*one of the challenges we face is that there is no specific by-law that restricts us*'. This presents a challenge for the Municipality, as the documentation of these businesses and their owners must be monitored closely.

Challenges Facing Small Businesses in CALM

The challenges faced by small businesses include competition from foreign nationals. Participant A pointed out, '*one example of competition is where you find that they are running the same businesses in one area*'. Participant B added, '*Recently, we have observed concerning our brothers from other countries that they are engaging in the same businesses as locals, along with lower prices set by foreign nationals and an influx of foreign-owned businesses'*.

Relationship between locals and foreign owned

The officials from the LED unit of CALM expressed contradicting perspectives in that foreign nationals use the business to cover illicit dealings in drugs. Participant A responded by saying foreign nationals '*come here to open their business, but they don't sell what is displayed only, but drugs'*.

Participant B contrarily, indicated that there is a good relationship '*Well, the relationship is good since most owners of those buildings are South Africans'*. One admission by the officials is that, as much as the relationships among small businesses are not good, some positive results are generated by these foreign-owned small businesses, such as rental income from these rentals.

Municipality's plan to foster collaboration

The officials expressed the complexity of the relationship between small businesses. Participant A expressed that '*Currently, we don't have a plan as a municipality for collaboration, as it involves several stakeholders'* of building and fostering this collaboration.

This is due to several stakeholders who need to be brought in. Participant B said, '*We plan to implement by-laws because if you don't have the by-laws, you can't do anything*'. Some areas under which the small businesses operate within CALM are still within the jurisdiction of traditional councils or tribal authorities.

Maintaining accurate records of small businesses

The unit and the municipality are finding it complicated to keep accurate records, but this process is easy in urban locations such as Carolina and Elukwatini towns. Participant A said, *'But I can't guarantee that everyone is part of that information because there is a new business that is opening'.* However, in areas under the authority of tribal councils, this is complicated, as the target moves out and daily openings.

There are various structures and profiling efforts by the municipality in an attempt to keep track of records. Participant B indicated that "*last year we conducted a program of profiling all businesses in the CALM"*.

Contribution of small businesses to the municipal economy

The small business sector within the CALM is too informal to measure: Participant A indicated that '*it is very significant, but it's very difficult because some of the businesspeople don't bank their money'*.

The influence of small businesses on the municipal economy is very important; however, there is no statistical support: Participant B contributed '*It means there is something that is happening although we don't have the statistics specific*'.

Adequacy of government's role

The officials expressed that the government is doing something to support small businesses. Participant A expressed that they '*cannot say the national government, provincial government or the municipality is not playing its role in supporting small businesses'*. A regulatory framework is established, hence the government plays some roles at different levels, municipal business by-laws, participant B said '*we share similar sentiments with them, they are correct. We as official might think we are playing a certain role, but to them it's very minimal'* and regulatory support is provided. Participant B further stated that *'Lack of information reflects as no support emphasising the need to improve information dissemination'*.

Findings from Former Small Business Owners

This segment outlines the results of the data collected employing semi-structured interviews and analysed using Atlas.ti. A total of ten questions were directed to former small businesses. The findings below are arranged into tables and explanations.

Table 23: Information of participants by country of origin

Country of origin			
South Africa	eSwatini	Zimbabwe	Botswana
06	03	02	01
Total number of participants			**12**

Table 23 depicts the spread of participants in terms of their country of origin. Six participants were from South Africa, followed by three participants from eSwatini, two participants from Zimbabwe and, finally, 01 participant from Botswana. The total number of former small business owners who participated in this interview was 12.

Table 24: Information of participants by area

Participants by Area					
Nhlazatshe	Tjakastad	Elukwatini	Emanzana	Carolina	Dundonald
01	01	02	01	01	06
Total number of participants by area					**12**

Table 4.24 depicts the spread of participants in terms of areas identified under the CALM. One participant is based in Nhlazatshe, 1 participant is based in Tjakastad, 2 participants are based in Elukwatini, 1 participant is based in Emanzana, 1 participant is based in Carolina, and 6 participants are based in Dundonald.

Causes of business failure

Former small business owners identified as causes of business closure or failure, '*Flooding by other competitors; hostility by locals; Indians and Pakistanis had networks, so their orders were brought straight from Johannesburg and sell their products cheaper'*.

Former small business owners also identified '*burglaries by thugs who target mainly our foreign-owned tuck shops; Poor leadership or management decisions'*. The challenges of crime affect both foreign-owned and South African small businesses.

> Insufficient funding and poor financial management, not enough capital, poor infrastructure, my team did not have the business knowledge and I had no proper marketing strategy. Not

> enough capital, poor infrastructure, my team did not have the business knowledge and I had no proper marketing strategy.

Closure is attributed to two factors: external factors and internal factors. External factors include competition, crime, and the physical environment. The internal factors include little business knowledge by former small business owners, inadequate capital and poor or bad business practices.

Inter-business relationships

Two views are expressed by former small businesses: one being strong collaborative relationships, '*Yes, we had a strong relationship whereby we were helping one another to build a strong bond'* and the second being no relationship, '*No, there was no relationship with other small businesses'*.

Strong collaborative relationships include collaboration, honesty and respect, building a network against Indians, referrals, sharing ideas, and owner-to-owner and professional relationships.

Method of Ordering Stock

The answers from these former business owners were in two main categories: direct stocking '*directly from the suppliers'* and *indirect stocking, especially Indians and Pakistanis, had networks'*.

The majority of former small businesses were ordering directly from manufacturers, suppliers, and wholesalers, and the challenge that comes with direct stocking included high transport costs, whereas benefits included easy exchanges, order accuracy and price comparison.

Perceived impact of South Africa's labour laws on staffing

Labour laws promote peace and development, ensure that employees' rights are observed, resolve conflicts, promote affirmative action, promote appropriate treatment of workers, manage workplace relations, protect employers and employees and offer training and development.

> The negative effects are that the '*labour laws are insensitive to the reality that small businesses are confronted with, the provisions are not followed in a real sense, counterproductive, count down numbers of employees, small businesses are failed by law and impact on profitability'*.

Impact of Entrepreneurial Education

Former small businesses canvassed two perspectives: entrepreneurial education will help create or develop successful entrepreneurs *'It's easier if you are educated because you have a lot of skills on how to manage business and plan future goals of your business',* and entrepreneurial education limitations '*It is difficult to educate upcoming because it is the survival of the fittest'*.

Entrepreneurial education can benefit small businesses, including by improving skills; promoting independence; marketing; accounting; communication; problem-solving; mentoring; no rules among small businesses; sharing best practices, skills and qualities for the future; stiff competition; and taming with business failure. The research observed that the benefits of entrepreneurial education outweigh the negatives.

Advice for current and prospective businesses

Several pointers were drawn from former small businesses as the main reference for the advice. According to these former small businesses, current small businesses must be optimistic and seek growth: '*You must persevere, persistent always'*, excel in stakeholder management and have sound business management practices.

By being optimistic, current small businesses must have a futuristic mind-set '*Patience is needed because profits don't come in bulk'* and be persistent and self-developed. To excel in stakeholder management, small businesses must collaborate with others and be law-abiding.

Control costs, diversification, financial management, focus on customers, innovation, keeping financial records, market research, offering quality, perseverance, retaining customers, right associations, seeking low-interest financing, self-improvement, taking calculated risks, training and development, using experts, awards, business permits, capacitation and capital.

Support from Chief Albert Luthuli municipality

Two contrasting submissions by former small businesses occurred during the interviews: one was that the municipality never supported some small businesses '*No, never received support from the municipalities'*.

The second submission is CALM is supporting small businesses within its jurisdiction: '*Yes, Chief Albert Luthuli Municipality did give us permission to work in the form of operating licence and land to build on'*. So the respondents in this question had differing views on the support provided by CALM.

Small business owners' expectations

CALM and other financial institutions must support small businesses through business awareness campaigns, enact feasible by-laws, capital for local entrepreneurs, community business forums, competitions, conducive business environments, digital transformation and innovation, employ competent people and equipment and facilitate access to finance.

Analysis of findings relative to relevant studies.

Notably, Ngota *et al.* (2019) alluded to foreign-owned small businesses' outstanding entrepreneurial propensity and how their businesses meaningfully contribute to employment creation, innovation and skills transfer. Globally, the emphasis is on the importance of small businesses in driving countries' economic growth and development (Pedraza,2021).

A study by Bolarinwa, Simatele and Kapingura (2024) confirmed a performance break between South African and foreign-owned small businesses in South Africa, a finding common in Gastrow (2018). The findings from LED officials of the Chief Albert Luthuli Municipality, through interviews, exposed that migrants' small businesses use business to cover illegitimate dealings in drugs, and the municipality finds it difficult to measure small businesses' contribution to the municipal economy, as it is too informal to measure.

These findings by the LED officials of CALM are consistent with the government's illegalisation of African migrants as "illegal immigrants" and "drug traffickers", especially by the South African Police Service and the Department of Home Affairs, as contained in Matsinhe (2011).

Gastrow (2018) revealed that foreign-owned small businesses and other small businesses are seen negatively, according to LED officials from the Chief Albert Luthuli Municipality, as shared by SAPS and DHA. They are believed to cause economic harm, unlawful activities, rising rates of business robbery, and crime. A different view is presented by Pasensie (2020), who argues that legislation targeting and restricting foreign-owned small businesses is not the solution.

Despite the assertions and convictions made by members of SAPS, DHA officials, and LED officials, it is not definitive to assign harm or illicit dealings to foreign-owned small businesses. Small businesses should be regulated through specific by-laws and regulations. This research agrees with Pasensie (2020), who observed that the municipality and government need to improve record-keeping, accurately measure small businesses' contribution to the CALM economy, and develop an inclusive policy and legislative framework.

Malga (2021) noted that there is competition between South African small businesses and foreign-owned businesses. The research revealed that participants (current small businesses) agreed that there is a need for good competition, disagreed that there is healthy competition between South Africa's small businesses and foreign-owned small businesses, and disagreed that the business environment and infrastructure provide much-needed amenities for healthy competition.

They agreed that foreign-owned small businesses outcompete their South African counterparts, as captured by Pasensie (2020). They also agreed that healthy competition among small businesses can promote and stimulate business activities with the Chief Albert Luthuli Municipality.

For officials from the LED unit with CALM cement, the competitive strategy of foreign-owned small businesses is that of lower prices, flooding the market. This finding suggests that foreign-owned small businesses have the upper hand compared with South African small businesses, a point shared by Pasensie (2020) that local small businesses cannot respond to competition. Research by Piper and Yu (2016) revealed that foreign-owned small businesses offer a better experience with price variations, as captured by LED officials and current small businesses.

The findings from former small businesses revealed that competition can cause business failure for businesses that cannot keep up, and some businesses apply stiff competition using networks. The competitors had exclusive networks, and this is the case for some exclusive foreign-owned small businesses identified by LED officials from the municipality. These discoveries are consistent with Malgas (2021), foreign-owned small businesses seem to deal with trials contrary to local traders in relation to business networks and professional cooperation.

A study by Pasensie (2020) revealed that South African small businesses would apply anti-competitive behaviour by intimidating foreign-owned small businesses with violence and demanding that they close shops, an element not expressed by Piper and Yu (2016). The common factor is that foreign-owned small businesses outcompete their South African counterparts.

To support this statement, the Sustainable Livelihoods Foundation (2012) established that foreign-owned small businesses have a foreign ownership structure through shareholding agreements that permit a larger start-up investment than the average investment by locals, a shared sentiment with Liedeman *et al*. (2013). This research proposes that South African small businesses need to create an equal business network from manufacturing, distribution and points of sale; the government and municipality must bring and facilitate such networking and collaboration.

Charman *et al.* (2012) reported that the prevailing small business model changed greatly as a result of foreign-owned small businesses' introduction of a more entrepreneurial business model based on price competitiveness. These foreign-owned small businesses can do this via cooperative ownership, buying and distribution practices; hence, they can oust the survivalist practices of South Africans.

The study revealed that the current small businesses' (participants') business practices allowed them to generate profit. It disagreed that there is a good relationship between foreign-owned small businesses and South African small businesses; however, Musara and Nieuwenhuizen (2021) held a different position in that successful foreign-owned small businesses, through working together with communities, become parties to the communities in which they operate, hence bringing about trust and mutually beneficial relationships.

Small businesses' survival is attributed to their main capabilities, and their survival or success is due to entrepreneurial education. Reasonable and affordable pricing attracts more customers to businesses, good business locations drive the degree to which customers flow into businesses, and relationship building with customers has a direct effect on business success. Basardien *et al*. (2014) noted that business practices are a major factor differentiating local and foreign-owned small businesses because of the cultural differences and experiences of the individuals involved.

LED officials from the municipality have pointed out two contradicting perspectives, one being that there is a good relationship among small businesses and the other being that foreign small businesses use the business to cover their illegal dealings. These questions concern the business practices used by foreign-owned small businesses, as explained by Basardien *et al*. (2014).

Previous interviews revealed that inter-business relationships among these small businesses involve strong collaborative relationships and no relationships; these relationships occurred mainly as some businesses operated exclusive networks. To support these, the methods of ordering stock were different from those of suppliers, wholesalers, and direct and through a network. McKenzie and Woodruff (2015) underscored that businesses are distinguished by their business practices.

The evidence in a study by Bolarinwa *et al.* (2024) suggests that business models by foreign-owned small businesses may give them an advantage over locally owned businesses, a finding made by former small businesses and Charman *et al.* (2012). This study agrees with Bolarinwa *et al.* (2024*)* and Charman *et al. (*2012), who reported that the trade practices/business practices of foreign-owned small businesses are above those of South African businesses and that there is a need for entrepreneurial education for South African small businesses.

Mahajan (2014) reported that the government and private sector must encourage small businesses to become sustainable and encourage communities to start cooperatives. This study revealed that current small businesses agree that the infrastructure provided by the government can result in small business success.

Mahajan (2014) noted that one of the most important contributions of the government is that it must offer training programs that are currently ineffective, refocusing business internships to provide youth with the kind of experience that seems necessary for starting successful small businesses and hence increasing the employment of others.

Current small businesses disagree that the national and provincial governments are doing enough to support small businesses; the reason for this disagreement is better explained by Mahajan (2014) in that the government, as a regulatory authority, has processes that are often misaligned, hence making compliance by small businesses difficult. Musara and Nieuwenhuizen (2021) posit that policies such as BEE policies and preferential protection policies enacted by the South African government are understood as discriminatory towards foreign-owned small businesses.

Current small businesses disagree that the Chief Albert Luthuli Municipality provides enough support to stimulate small business success and disagree that municipal by-laws are assisting in promoting business compliance among small businesses within the Chief Albert Luthuli Municipality. Charman (2017) concludes by succinctly explaining that municipalities must play a critical role in liberalising the spaces and places where small businesses can and should be allowed to sell as well as creating a more favourable business environment, which is what the CALM has shortcomings in fully implementing.

LED officials, as the regulatory body of small businesses, are tasked with regulating SMMEs, increasing funding opportunities, promoting a conducive business environment, registering and renewing business permits, profiling small businesses and monitoring these small businesses. To ensure this, the municipality is finalising by-laws, awaiting council approval. In addition to regulating this sector, the municipality must apply the law and regulate local businesses and foreign-owned small businesses, which are complicated.

LED officials must provide financial and nonfinancial support and a regulatory framework. These are difficult to achieve, as there is still a lack of information, the municipality is not doing enough, business space is privately owned, and it is difficult to strictly enforce the law over space. The officials submitted that the municipality's hands are tied due to a lack of capacity; more needs to be done, and the government plays a role. Yota and Tengeh (2013) highlighted the arrival of migrants from Africa to South Africa as a result of a stable political atmosphere.

Conclusions and Recommendations

The impact of the emergence of foreign-owned small businesses is positive; however, the local economy has not improved. The authorities are questioning the business practices of foreign-owned small businesses. Foreign-owned small businesses have a competitive advantage, yet the nature of competition is neither healthy nor constructive.
Business practices are the main drivers of small businesses' success, along with location, entrepreneurial education, and essential capabilities, all of which create complex relationships among these small businesses.

Government agencies are not providing sufficient support to small businesses; municipal by-laws are ineffective, and there is a lack of capacity within the municipality to assist small businesses in its jurisdiction.
There is a need to improve the capacity to monitor, regulate, and stimulate small businesses. Traditional councils should be empowered with zoning regulations for small businesses. A database of small businesses within the jurisdiction should be built to document their contributions to the local economy. Additionally, establishing a research unit focused on small businesses, in collaboration with CALM, is essential.

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RECONCEPTUALISING EXTERNAL RISKS IN CONSTRUCTION: A THEORETICAL EXPLORATION OF THEIR IMPACT ON PROJECT PERFORMANCE IN THE MANGAUNG METROPOLITAN AREA

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Abstract

The construction industry plays a critical role in infrastructure development, economic growth, and job creation. However, construction projects are increasingly vulnerable to external risks, including economic instability, regulatory changes, and environmental challenges, which significantly impact project performance in terms of time, cost, and scope. In the Mangaung Metropolitan area, where infrastructure development is crucial, these external risks pose significant threats to project success. Methodologically, this paper adopts a conceptual approach, drawing on established theories namely Triple Constraint Theory, Risk Management Theories, and Contingency Theory and synthesising existing literature to build analytical insights into the relationship between external risks and project performance. Economic risks, such as inflation and material cost fluctuations, contribute to budget overruns and financial constraints, making it difficult for contractors to maintain cost stability. Regulatory risks, including policy shifts, compliance requirements, and legal barriers, introduce delays, additional costs, and scope modifications, complicating project execution. Environmental risks, particularly climate change, extreme weather, and natural disasters, disrupt construction schedules and material supply chains, further escalating project costs. This study argues that traditional risk management frameworks often focus on internal risks while neglecting the dynamic and unpredictable nature of external risks. As a result, adaptive and resilience-based approaches are necessary for project managers to mitigate these uncertainties effectively. By conceptualising the interconnections between external risks and project performance, this paper offers theoretical and practical insights for improving risk management strategies in construction. Future research should focus on empirical validation of these theoretical arguments, integrating quantitative risk models and case studies to refine adaptive strategies for mitigating external uncertainties in the construction industry.

Keywords: *External Risks, Construction Project Performance, Risk Management, Triple Constraint Theory, Adaptive Project Management*

Introduction

The construction industry plays a vital role in economic development by driving infrastructure growth, creating employment opportunities, and supporting various sectors. However, the successful completion of construction projects is often threatened by numerous risks, particularly external risks that are beyond the control of project managers and stakeholders (Zhang et al., 2020). External risks, including economic fluctuations, regulatory changes, environmental challenges, and socio-political instability, can significantly impact project performance by causing delays, cost overruns, and deviations from the original project scope (Mishra et al., 2018). Given the complexity and unpredictability of these risks, construction projects in developing regions, such as the Mangaung Metropolitan area, are especially vulnerable. The ability to manage these risks effectively is essential for ensuring project success, yet existing research primarily focuses on general risk management strategies without adequately addressing the specific impact of external risks on project performance in this context (Ogunlana et al., 2002). Project performance is typically evaluated based on the triple constraint model, which considers time, cost, and scope as key indicators of project success (Grey, and Atkinson, 2024). External risks, however, disrupt these performance indicators in various ways. Economic risks, such as inflation and currency depreciation, contribute to increased material costs and financial strain on contractors, leading to budget overruns ((Rashid & Zubair, 2019). Regulatory risks, including changes in construction laws, labour policies, and government approvals, often result in project delays and legal complications. Environmental risks, such as extreme weather conditions and climate change-related disruptions, can halt construction activities, affecting project timelines and resource allocation. Despite the significance of these challenges, there remains a gap in research focusing on *how external risks shape project performance within the Mangaung Metropolitan area, where infrastructure projects are crucial for economic revitalisation and urban development.*

This paper aims to provide a conceptual exploration of the impact of external risks on construction project performance, with a specific focus on the Mangaung Metropolitan area. By drawing upon theoretical frameworks such as the triple constraint theory, risk management theories, and contingency theory, this study seeks to establish a structured understanding of the interplay between external risks and project success factors (Kerzner, 2017). Unlike empirical studies that rely on data collection and statistical analysis, this conceptual paper develops an argument grounded in existing literature and theoretical discussions, offering insights into the nature of external risks and their broader implications for construction project management. The study also aims to highlight practical strategies that project managers can employ to mitigate external risks, thereby enhancing the resilience and efficiency of construction projects in dynamic environments (Hillson, 2007). By focusing on this issue, the paper contributes to the ongoing discourse on risk management in the construction sector, particularly in developing economies where external uncertainties pose significant threats to project sustainability. The findings will offer theoretical and managerial implications, advocating for proactive risk mitigation strategies and adaptive project management approaches. The subsequent sections will explore the theoretical foundations of risk management, discuss the different categories of external risks, and provide a structured conceptual analysis of how these risks influence construction project performance.

Methodology

This study adopts a conceptual and theoretical research design rather than an empirical one, with the aim of developing an analytical understanding of how external risks influence construction project performance in the Mangaung Metropolitan area. The formation of the study relied on a structured narrative review of existing literature. A narrative review was considered appropriate as it allows for the integration of diverse theoretical perspectives and empirical findings to build conceptual clarity and extend existing frameworks (Baumeister & Leary, 1997; Snyder, 2019). This approach made it possible to examine how theories such as the Triple Constraint Theory, Risk Management Theories, and Contingency Theory can be applied to external risks in construction projects.

The review process involved identifying peer-reviewed journal articles, books, and relevant industry reports on project management and construction risk, with a focus on works addressing economic, regulatory, and environmental risks. Conceptual synthesis was then employed to integrate these insights with the chosen theoretical models, mapping how external risks interact with project performance indicators such as time, cost, and scope. Finally, analytical reasoning was used to construct conceptual linkages between theory and practice. Rather than testing hypotheses using empirical data, the study employed theory-driven argumentation to explain how external risks disrupt construction projects and to highlight the need for resilience-based management approaches.

This narrative review method aligns with established approaches in conceptual research, where the purpose is to clarify ideas, extend theoretical foundations, and generate propositions to guide future empirical investigations (Snyder, 2019).

Theoretical Framework

A strong theoretical foundation is essential for understanding how external risks influence project performance in the construction industry. This section explores three key theories that provide insight into the relationship between external risks and project success: Triple Constraint Theory, Risk Management Theories, and Contingency Theory in Project Management. These theories collectively explain how external risks disrupt construction projects, the methods for identifying and mitigating such risks, and the adaptive strategies that firms employ to maintain project stability despite external uncertainties.

Triple Constraint Theory (Time, Cost, Scope)

The Triple Constraint Theory, also known as the Project Management Triangle, is a fundamental framework in project management that evaluates project performance based on three interdependent factors: time, cost, and scope (Smith et al., 2022). This theory asserts that any change to one constraint invariably impacts the other two, necessitating trade-offs to maintain project equilibrium. In the context of construction projects, external risks pose significant challenges to these three constraints, often leading to project delays, budget overruns, or scope modifications (Jones & Wong, 2023). Time-related risks stem from external factors such as regulatory changes, unfavourable weather conditions, supply chain disruptions, and labour strikes (Lee, 2022). For example, delays in obtaining government approvals or sudden changes in building regulations can extend project timelines, leading to cost increases and resource allocation challenges. Similarly, environmental factors such as extreme weather conditions, flooding, or temperature fluctuations can halt construction activities, causing significant setbacks in project completion schedules (Nguyen, 2022. Cost-related risks arise from economic fluctuations, inflation, and material shortages, all of which affect project budgets (Kumar & Sharma, 2022. A sudden increase in the price of raw materials, such as cement, steel, or fuel, can significantly raise construction costs, placing financial strain on contractors and developers (Patel et al., 2023). Additionally, currency depreciation and market instability can lead to higher procurement expenses, making it difficult to adhere to initial budget estimates. When such cost increases occur, project managers are often forced to revise financial plans, cut costs in other areas, or seek additional funding, all of which can impact project feasibility (Fernandes et al., 2023). Scope-related risks emerge when external factors necessitate changes to project specifications (Taylor et al., 2023). Government policy shifts, urban planning regulations, or unforeseen environmental concerns may force project stakeholders to revise designs, modify construction plans, or reduce project scale. Such alterations often lead to additional financial and operational burdens, requiring project managers to reassess resource allocation and project feasibility (Wilson, 2022. By applying Triple Constraint Theory, this study conceptualises how external risks simultaneously disrupt project timeframes, budgets, and deliverables, reinforcing the need for comprehensive risk management strategies to ensure project stability.

Risk Management Theories

Risk management theories provide a structured approach to identifying, assessing, and mitigating external risks in construction projects. These theories focus on developing frameworks to minimise uncertainty and enhance decision-making in volatile project environments. Three key models Risk Breakdown Structure (RBS), Risk Matrix, and the Risk Management Process Model are particularly relevant in analysing external risks in the construction sector (Garcia & Liu, 2023). The Risk Breakdown Structure (RBS) is a hierarchical framework that categorises risks into different levels, allowing project managers to systematically identify and classify external threats (Singh, 2022). In construction, RBS typically segments risks into economic, regulatory, environmental, technological, and social risks, providing a clear structure for assessing their impact (Khan & Hasan, 2023. By mapping external risks through RBS, construction firms can anticipate potential challenges and develop targeted mitigation strategies (Irfan et al., 2023. The Risk Matrix Model is another widely used tool in project risk management. This model evaluates risks based on two dimensions: likelihood and impact (Carson et al., 2022). By plotting external risks on a risk matrix, project managers can prioritise high impact risks (such as economic downturns or sudden regulatory changes) and allocate resources accordingly to mitigate their effects. This approach ensures that decision-makers focus on the most critical threats while maintaining flexibility to adjust strategies as needed (Brown, 2023). The Risk Management Process Model consists of four key stages: risk identification, risk assessment, risk response planning, and risk monitoring (Green et al., 2022). This model underscores the importance of proactive risk management by encouraging project teams to continuously evaluate external risks and implement adaptive mitigation measures. For instance, in response to potential economic fluctuations, a construction firm may establish financial reserves or negotiate fixed-price contracts to protect against inflation-related cost increases. Similarly, in anticipation of regulatory changes, firms may engage with policymakers or legal experts to ensure compliance and minimise disruption (Nash & Blanchard, 2023). By integrating Risk Management Theories, this study conceptualises how external risks can be systematically anticipated, assessed, and mitigated, ensuring that construction projects remain resilient despite external uncertainties.

Contingency Theory in Project Management

The Contingency Theory in Project Management posits that there is no universal approach to managing risks, as project success depends on the ability to adapt strategies based on situational factors (Allen, 2022). This theory is particularly relevant in construction, where external risks are highly unpredictable and require flexible management approaches (Stewart & Droz, 2023). Construction firms operating in dynamic environments such as the Mangaung Metropolitan area must adopt contingency planning to effectively respond to external uncertainties. For example, firms facing regulatory risks due to government policy changes may establish legal compliance teams to monitor legislative updates and ensure projects remain within legal frameworks. Similarly, companies dealing with environmental risks may develop contingency plans, such as implementing weather-resistant construction techniques or adjusting project schedules to accommodate seasonal variations. Contingency theory also highlights the importance of organisational agility, enabling firms to make real-time adjustments in response to unforeseen external disruptions (Foster, 2023. This adaptability is particularly crucial in managing supply chain risks, where global market shifts, trade restrictions, or logistical disruptions can affect the availability of construction materials (Nelson et al., 2022). By leveraging contingency strategies such as diversifying suppliers, maintaining inventory reserves, or renegotiating procurement contracts, construction firms can enhance resilience against supply chain volatility (Reed, 2023). Furthermore, contingency theory supports the customisation of risk management approaches based on project size, location, and complexity. While larger construction projects may require comprehensive risk management frameworks and multi-level contingency plans, smaller projects may benefit from leaner, more adaptive strategies that focus on rapid decision-making and resource flexibility. This variation reinforces the need for a situational approach to external risk management, ensuring that project managers tailor mitigation strategies based on specific project conditions. By applying Contingency Theory, this study highlights how construction firms adapt to external risks through flexible decision-making, contingency planning, and organisational agility, ensuring that projects remain viable despite unpredictable external factors (Baker et al., 2022).

Theoretical frameworks provide a foundation for understanding how external risks influence construction project performance and the strategies available for mitigating their effects. Triple Constraint Theory explains how external risks disrupt time, cost, and scope, requiring strategic trade-offs to maintain project equilibrium. Risk Management Theories offer structured approaches for identifying, assessing, and mitigating risks, ensuring that construction firms can anticipate and respond effectively to uncertainties. Contingency Theory highlights the importance of adaptability and situational decision-making, enabling firms to develop tailored risk management strategies based on project-specific conditions. Collectively, these theories offer a comprehensive conceptual foundation for analysing the impact of external risks on construction project performance, particularly within dynamic and high-risk environments such as the Mangaung Metropolitan area.

Conceptual Analysis: External Risks and Project Performance

External risks refer to uncontrollable factors originating from outside the organisation or project environment that influence project performance (Mohamed & Azzaz, 2022). Unlike internal risks, which can be managed through organisational adjustments, external risks are highly unpredictable and require proactive strategic planning to mitigate their impact (Khan et al., 2023). In the construction sector, these risks are particularly concerning as they affect project timelines, budgets, and deliverables, ultimately determining project success or failure (Smith, 2022). External risks can be classified into five key categories: economic risks, regulatory risks, environmental risks, social risks, and technological risks (Fernandes et al., 2022). Economic risks stem from macroeconomic factors such as inflation, currency fluctuations, interest rate changes, and market instability (Cheng & Gupta, 2022). These risks can lead to material cost increases, budget overruns, and financial constraints that hinder project completion (Liu, 2023. Regulatory risks arise from government policies, legal requirements, and compliance standards, which can introduce delays, increased costs, or project modifications (Taylor & Wilson, 2022). Environmental risks include climate change, extreme weather conditions, and natural disasters, all of which can significantly disrupt construction schedules, resource allocation, and site conditions (Nguyen, 2022). Social risks relate to community resistance, labour strikes, or demographic shifts, which can affect project feasibility and workforce availability (Baker & Mason, 2023). Lastly, technological risks emerge from rapid advancements, outdated equipment, cyber threats, and technical failures, leading to delays and inefficiencies (Garcia et al., 2022).

Figure 1: External Risks and Project Performance Diagram of Study Selection

Relationship Between External Risks and Project Performance

Project performance is primarily measured by the triple constraint model, which evaluates time, cost, and scope as key indicators of success (Smith et al., 2022). External risks directly affect these performance factors, often requiring adjustments, contingency planning, and additional resources to mitigate their impact (Jones & Wong, 2023). Time delays are among the most significant consequences of external risks. For instance, unpredictable weather conditions, sudden regulatory changes, or supply chain disruptions can cause unplanned project extensions (Lee, 2022). In many cases, delays lead to cost escalations, as additional funds are required to maintain labour, materials, and site operations beyond the original project timeline. Furthermore, when external risks force changes to project scope, they introduce uncertainty in deliverables, increase stakeholder conflicts, and necessitate contract renegotiations (Nguyen, 2022). The construction industry is highly capital-intensive, meaning that financial stability is crucial for maintaining project viability (Kumar & Sharma, 2022). Economic downturns, inflation, and fluctuating material prices put significant pressure on project budgets. For example, an unexpected rise in the price of steel or cement can inflate construction costs beyond initial estimates, forcing contractors to either absorb the loss or renegotiate contract terms (Patel et al., 2023). Such economic risks create budget overruns, affecting overall financial planning and potentially leading to project abandonment or delays (Fernandes et al., 2023). Changes in government regulations and policies can also impose unexpected scope modifications, compliance costs, and approval delays (Taylor et al., 2023). A construction firm may be required to redesign plans, obtain new permits, or implement additional environmental safeguards, leading to increased costs and extended timelines. Similarly, social factors such as community protests or labour strikes can introduce workforce shortages and operational disruptions, further affecting project timelines and budgets (Wilson, 2022). By examining the influence of external risks on project time, cost, and scope, this conceptual analysis highlights the critical need for adaptive risk management strategies in construction projects, particularly in volatile environments such as the Mangaung Metropolitan area.

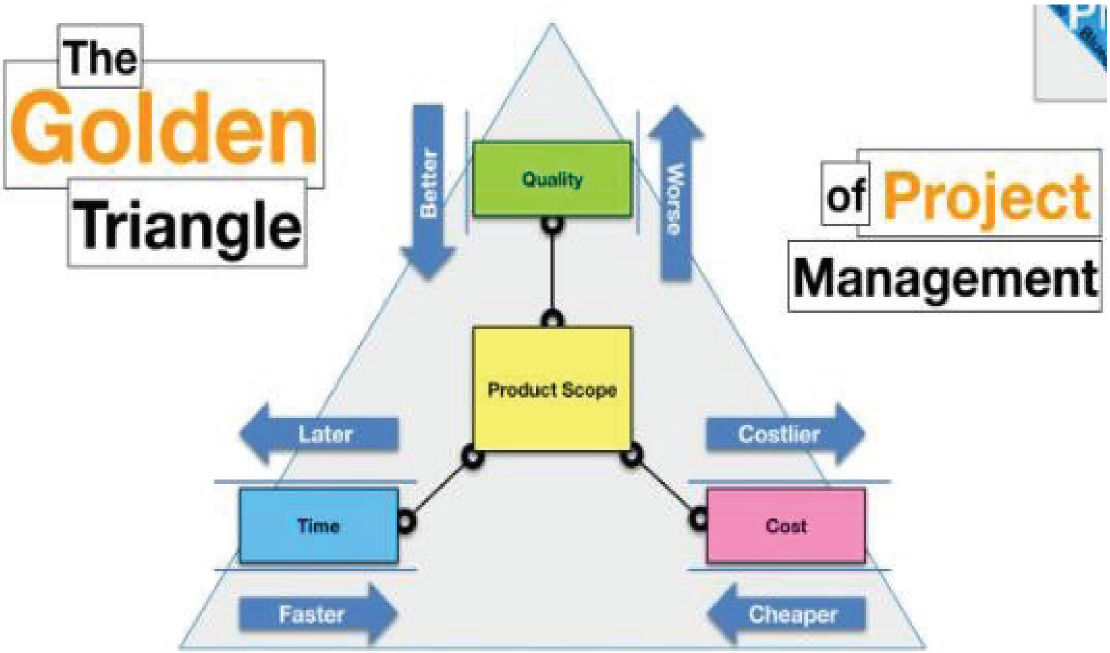

Figure 2: triple constraint model/Diagram of Study Selection

Theoretical Discussion and Examples

Economic Risks: Inflation and Material Cost Fluctuations

Economic risks pose a significant challenge to construction projects, particularly in regions like the Mangaung Metropolitan area, where market volatility and macroeconomic instability can disrupt project execution (Moore, 2022). Inflation is one of the most pressing concerns, as it erodes purchasing power, leading to escalating costs for raw materials, labour, and construction equipment (Garcia & Liu, 2023). Given that many construction projects extend over several years, prolonged inflationary pressures can result in budget overruns, financial strain, and difficulties in maintaining cash flow stability (Irfan et al., 2023). Contractors often find themselves struggling to balance rising expenses with fixed contract agreements, creating financial uncertainty that threatens project viability (Carson et al., 2022). One of the most immediate effects of inflation is the increase in material costs, particularly for key construction inputs such as cement, steel, and fuel (Brown, 2023). For example, a sharp rise in steel prices due to global supply chain disruptions or local market shortages may significantly inflate procurement expenses. Contractors may attempt to mitigate these costs by renegotiating contracts, passing price increases onto clients, or cutting costs elsewhere, but such measures are often insufficient to offset substantial price surges (Brown, 2023). Furthermore, currency depreciation exacerbates these financial pressures, especially for projects reliant on imported materials and equipment (Khan & Hasan, 2023). Exchange rate volatility can lead to unpredictable cost variations, making it difficult for project managers to plan and allocate resources effectively (Kumar & Sharma, 2022).

To manage these economic risks, construction firms frequently adopt cost-escalation clauses in contracts, allowing them to adjust pricing based on inflation trends (Nguyen, 2022). Some companies engage in bulk purchasing of materials to secure prices before further market fluctuations occur, while others establish long-term supply agreements with vendors to ensure price stability. However, these strategies have inherent limitations, as they rely on accurate economic forecasting and strong financial reserves (Reed, 2023). In unpredictable economic climates, where market crashes, interest rate hikes, or reduced investor confidence can suddenly alter project feasibility, even the most well-planned mitigation strategies may fail to protect against financial disruptions (Wilson, 2022). Ultimately, economic risks remain a major determinant of construction project performance, influencing cost structures, contract negotiations, and overall financial sustainability. Without effective risk management frameworks tailored to address inflationary pressures and currency fluctuations, construction firms operating in uncertain economic conditions will continue to face challenges in maintaining budget control, securing funding, and ensuring timely project completion.

Regulatory Risks: Policy Changes and Legal Barriers

Regulatory risks present a significant challenge to construction projects, particularly in dynamic environments such as the Mangaung Metropolitan area, where shifting policies and bureaucratic processes can severely disrupt project timelines, budgets, and compliance efforts (Harrison, 2022).

Government authorities frequently revise environmental regulations, labour laws, building codes, and zoning requirements, compelling construction firms to continuously adapt to new legal mandates (Foster, 2023. These regulatory adjustments often introduce unexpected financial burdens and procedural delays, making project execution increasingly complex. For example, the introduction of stricter environmental policies midway through a project may necessitate design modifications, additional environmental impact assessments, or the adoption of alternative construction materials (Taylor et al., 2023). Such requirements not only escalate project costs but also extend completion timelines, placing contractors under immense financial and operational pressure. Similarly, amendments to labour laws, such as increased minimum wages, enhanced worker safety requirements, or mandatory employee benefits, directly affect operational costs and workforce management strategies (Brown, 2023). These legal changes force construction firms to reassess contract structures and wage allocations, impacting overall project feasibility.

Beyond direct policy changes, bureaucratic inefficiencies in permit approvals and land-use regulations also contribute to regulatory risks (Irfan et al., 2023). Construction projects often face delays due to slow approval processes, inconsistent policy enforcement, and political interference, leading to uncertainty and financial strain on developers. In extreme cases, policy reversals, land disputes, or sudden government interventions may result in project cancellations, causing severe financial losses and contractual liabilities for stakeholders (Garcia & Liu, 2023). To mitigate regulatory risks, construction firms employ strategies such as stakeholder engagement, early legal compliance assessments, and proactive government negotiations (Moore, 2022). However, these approaches require substantial financial and administrative resources and do not always guarantee project stability— especially in regions where regulatory frameworks are unpredictable or subject to frequent political influence. As a result, construction managers must adopt flexible risk management strategies, ensuring that regulatory disruptions are anticipated and integrated into contingency planning and project decision-making processes.

Environmental Risks and Their Impact on Construction Project Performance

Environmental risks, particularly climate change, extreme weather events, and natural disasters, pose significant challenges to construction projects, affecting time, cost, and scope (Patel et al., 2023). These risks are increasingly shaping project planning and execution, especially in regions vulnerable to climatic variability. The unpredictability of heavy rainfall, heatwaves, storms, and flooding can disrupt construction schedules, damage materials, and lead to unforeseen cost escalations (Kumar &

Sharma, 2022). Excessive rainfall, for instance, can flood excavation sites, weaken foundations, and create hazardous working conditions, ultimately delaying project progress and increasing repair costs (Chen et al., 2023). Similarly, extreme heatwaves reduce worker productivity, affect the efficiency of construction machinery, and degrade material quality, making it difficult to meet deadlines and maintain construction integrity (Nguyen, 2022). With global temperatures rising and climate patterns becoming more erratic, adaptive construction techniques—such as using weather-resistant materials, climate resilient infrastructure, and flexible scheduling—are becoming essential for project sustainability.

Beyond these operational disruptions, natural disasters such as earthquakes, hurricanes, and wildfires pose even greater threats, with the potential to destroy infrastructure, disrupt supply chains, and create long-term financial instability (Jones & Wong, 2023). In some cases, these catastrophic events prompt regulatory changes, compelling governments to enforce stricter building codes and environmental compliance measures (Lee, 2022). While such policies enhance disaster resilience, they also increase compliance costs for construction firms, forcing them to reallocate resources, redesign project plans, or invest in additional risk mitigation strategies (Taylor et al., 2023). To address these environmental risks, project managers are increasingly integrating early warning systems, weather-adaptive construction designs, and climate-responsive risk management strategies (Harrison, 2022). However, implementing these solutions requires advanced forecasting models, significant financial investment, and stronger regulatory support, which are not always feasible for every project. In regions like the Mangaung Metropolitan area, where infrastructure development is critical for economic growth, balancing cost efficiency with environmental resilience remains a pressing challenge.

This conceptual analysis underscores the profound impact of external risks economic, regulatory, and environmental on construction project performance. Economic risks, such as inflation and material cost fluctuations, introduce financial instability, often resulting in budget overruns. Regulatory risks, including policy changes, legal barriers, and bureaucratic inefficiencies, create delays and scope modifications that affect project execution (Garcia & Liu, 2023). Environmental risks, driven by climate change and extreme weather conditions, disrupt construction timelines, escalate costs, and necessitate adaptive construction approaches (Patel et al., 2023). Understanding these risks is crucial for developing proactive risk management strategies that enhance construction project resilience. By applying insights from risk management and contingency theories, this study reinforces the need for adaptive project management frameworks, sustainable construction practices, and strategic planning approaches to mitigate the long-term impact of external uncertainties on project performance.

Conceptual Findings

This review and theoretical synthesis highlight three core findings. First, economic risks, such as inflation and material cost fluctuations, undermine financial stability and frequently result in budget overruns. Second, regulatory risks, including shifting policies, compliance requirements, and bureaucratic inefficiencies, introduce delays, escalate costs, and often force scope modifications. Third, environmental risks, particularly climate change and extreme weather events, disrupt project schedules and supply chains, creating significant cost pressures. Collectively, these insights demonstrate that external risks are not isolated disruptions but interconnected forces that simultaneously affect time, cost, and scope. The study therefore advances the argument that resilience-based and adaptive project management approaches are essential to sustaining construction project performance in volatile environments.

Implications for Theory

This conceptual analysis deepens the understanding of external risks in project management by expanding theoretical discussions on risk identification, assessment, and mitigation within the construction industry (Kumar & Sharma, 2022). By integrating Triple Constraint Theory, Risk Management Theories, and Contingency Theory, this study advances the theoretical foundation for evaluating how economic, regulatory, and environmental risks influence time, cost, and scope in construction projects. Traditional risk management frameworks often prioritise internal project risks, such as resource allocation, labour productivity, and stakeholder coordination (Wilson, 2022). However, this analysis highlights the complex and dynamic nature of external risks, demonstrating their interconnected impact on project performance and the need for more adaptive theoretical models.

From a Triple Constraint Theory perspective, this study refines existing knowledge by illustrating how external risks create multidimensional trade-offs, where delays, cost overruns, and scope changes are interdependent consequences rather than isolated effects (Jones & Wong, 2023). For instance, economic risks such as inflation and currency fluctuations do not merely affect project budgets but also force scope reductions and extended timelines due to financial instability (Lee, 2022). Similarly, regulatory risks introduce legal and procedural delays, which cascade into contract renegotiations and scope adjustments, thereby disrupting cost and time projections. By conceptualising external risks as crosscutting constraints, this study extends Triple Constraint Theory to account for external volatility, reinforcing the need for project managers to adopt dynamic risk-balancing mechanisms.

Furthermore, the study contributes to Risk Management Theories by highlighting the limitations of static risk assessment models in addressing unpredictable external uncertainties (Irfan et al., 2023). Traditional risk matrices and probability-impact models often assume linear cause-and-effect relationships, whereas external risks in construction projects are often non-linear, context-dependent, and influenced by global economic and environmental shifts. This study suggests that risk management frameworks should incorporate real-time risk monitoring, scenario-based forecasting, and probabilistic modelling to enhance decision-making in dynamic environments (Brown, 2023). Additionally, the integration of environmental risks into risk management discussions emphasises the importance of climate adaptation strategies and sustainability-driven risk mitigation, areas that have been underexplored in traditional risk assessment models.

The Contingency Theory perspective in this analysis further advances project management theory by illustrating how external risks necessitate flexible and context-specific management strategies (Moore, 2022). Unlike internal risks, which can be mitigated through structured project planning, external risks demand adaptive decision-making, resilience-based project design, and decentralised risk governance (Kumar & Sharma, 2022). For instance, projects operating in politically unstable regions may require contingency strategies such as adaptive contract structures, multi-stakeholder collaborations, and crisis response mechanisms (Foster, 2023). Similarly, construction firms facing extreme weather conditions may need to implement weather-responsive scheduling, modular construction techniques, and diversified supply chain models. This study therefore enhances Contingency Theory's applicability in construction risk management, advocating for more fluid, context-driven approaches to external risk mitigation.

By expanding the theoretical discourse on external risks in project management, this study provides a framework for integrating economic, regulatory, and environmental uncertainties into mainstream project risk theories. It underscores the need for a paradigm shift from reactive risk management to proactive, resilience-based project planning, ensuring that construction firms can effectively navigate volatile, high-risk environments. Future theoretical developments should focus on quantitative modelling of external risk interactions, integrating artificial intelligence in risk forecasting, and enhancing interdisciplinary approaches to construction risk research, thereby bridging the gap between theoretical risk frameworks and real-world project challenges.

Implications for Practice

The findings of this conceptual analysis provide critical insights for project managers in the Mangaung Metropolitan area, where external risks economic, regulatory, and environmental pose significant challenges to construction project performance (Wilson, 2022). To strengthen risk mitigation strategies, project managers must adopt a proactive, adaptive, and resilience-based approach that enhances their ability to manage uncertainties and sustain project success. One of the key recommendations is for project managers to implement financial risk hedging strategies to mitigate the impact of economic risks, particularly inflation, currency fluctuations, and material cost volatility (Patel et al., 2023). Given the frequent price escalations in construction materials such as cement, steel, and fuel, managers should consider fixed-price contracts with suppliers, bulk purchasing agreements, and inflation-adjusted cost projections to prevent budget overruns. Additionally, engaging in long-term partnerships with local suppliers can reduce dependency on volatile international markets, ensuring more predictable pricing and supply chain stability.

To address regulatory risks, project managers must enhance compliance monitoring and stakeholder engagement to navigate evolving policy changes, permit delays, and legal barriers (Moore, 2022). Strengthening relationships with municipal authorities, urban planners, and regulatory bodies will facilitate early access to legislative updates and reduce the likelihood of project disruptions due to unforeseen policy shifts (Brown, 2023). Additionally, integrating legal expertise into project teams can improve contractual risk management, ensuring that projects remain aligned with evolving construction laws and labour regulations (Irfan et al., 2023). Environmental risks, particularly climate change, extreme weather events, and natural disasters, require climate-adaptive construction strategies (Chen et al., 2023). Project managers in Mangaung must prioritise weather-responsive scheduling, flood resistant construction techniques, and sustainable material choices to mitigate climate-related disruptions. The implementation of early warning systems and real-time weather monitoring will allow for better project planning and risk anticipation, reducing the likelihood of site shutdowns due to extreme rainfall, heatwaves, or storm-related damage (Taylor et al., 2023). Additionally, adopting modular and prefabricated construction methods can improve project flexibility and reduce exposure to adverse environmental conditions (Garcia & Liu, 2023).

Project managers should also enhance risk management capacity through digital transformation and predictive analytics. The use of data-driven risk assessment tools, artificial intelligence for forecasting external risks, and cloud-based project management platforms can enable real-time decision-making and scenario analysis (Kumar & Sharma, 2022). By leveraging technology, managers can gain a more comprehensive view of risk exposure, allowing them to implement mitigation strategies before risks escalate into major disruptions (Foster, 2023). Finally, fostering a culture of risk resilience within project teams is essential for improving adaptive capacity. Regular risk assessment workshops, contingency planning exercises, and cross-sector collaboration will ensure that construction teams are equipped to respond effectively to external shocks. Encouraging flexible decision-making structures will allow project managers to adjust strategies dynamically, ensuring that risks do not compromise overall project objectives (Jones & Wong, 2023).

By implementing these recommendations, construction project managers in Mangaung can develop a more resilient, proactive, and forward-thinking approach to external risk management. Strengthening financial foresight, regulatory preparedness, environmental adaptability, and digital integration will not only enhance project stability but also contribute to long-term sustainability and growth in the local construction sector.

Conclusion

This study has provided a conceptual analysis of how external risks economic, regulatory, and environmental affect construction project performance, with a particular focus on the Mangaung Metropolitan area. The findings drawn from the theoretical synthesis highlight three key insights. First, economic risks such as inflation, currency fluctuations, and material cost increases create financial instability that frequently results in budget overruns and funding challenges. Second, regulatory risks, including policy changes, legal barriers, and bureaucratic inefficiencies, generate compliance complexities, project delays, and scope modifications that hinder smooth project execution. Third, environmental risks driven by climate change and extreme weather events disrupt project schedules, escalate costs, and necessitate the adoption of climate-adaptive construction practices. Taken together, these findings demonstrate that external risks are interrelated and cut across the core dimensions of project performance time, cost, and scope thereby reinforcing the limitations of traditional, internally focused risk management frameworks. By applying Triple Constraint Theory, Risk Management Theories, and Contingency Theory, the study extends theoretical understanding by showing that external risks function as cross-cutting constraints requiring adaptive and resilience-based approaches. Conceptually, the paper therefore contributes to project management discourse by clarifying how external risks reshape established theories of performance and risk. From a practical perspective, it underscores the need for project managers to strengthen financial foresight, regulatory compliance, and environmental adaptability to sustain project success in volatile environments. While these findings are theoretical, they provide a foundation for future empirical research. Subsequent studies should focus on testing these propositions through case studies, quantitative risk modelling, and industry-specific investigations, thereby bridging the gap between conceptual insights and real-world application.

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ENHANCING RISK MANAGEMENT FOR EFFECTIVE PUBLIC SECTOR PROJECT DELIVERY IN SOUTH AFRICA

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Abstract

Risk management is a critical component of successful project execution, particularly in the South African public sector, where projects often face challenges such as budget overruns, delays, regulatory hurdles, and political influences. Effective risk management practices can enhance project efficiency, minimize financial losses, and ensure sustainable public service delivery. This study explores the role of risk management in South African public sector projects, focusing on key risks such as financial instability, corruption, inadequate planning, and stakeholder conflicts. The research assesses the effectiveness of current risk management frameworks, including risk identification, assessment, mitigation, and monitoring strategies implemented in public infrastructure and social development projects. Using a desktop research methodology, this study examines secondary data from academic literature, policy documents, government publications, project audit records, and case studies of significant public sector initiatives in South Africa. The study offers insights into best practices and gaps in current risk management techniques by examining established risk management frameworks and documented project failures or successes. The findings will emphasize the need for improved risk governance, enhanced regulatory compliance, and stronger public-private collaboration to mitigate risks effectively. Additionally, the study will propose the adoption of digital risk assessment tools, transparent procurement practices, and capacity-building initiatives to improve risk management in South African public sector projects. By strengthening risk management frameworks, public sector projects can achieve better efficiency, accountability, and long-term sustainability.

Keywords: *Risk Management, Public Sector Projects, Project Governance, South Africa, Financial Oversight.*

Introduction

The South African public sector faces numerous challenges in delivering infrastructure and social development projects effectively. Among the most pressing of these challenges are budget overruns, delays, political interference, corruption, and inadequate planning (Rasebotsa, Agumba, Adebowale, Edwards and Posillico, 2024). These issues not only impact project timelines and budgets but also compromise the quality and sustainability of service delivery to citizens (Zweni, 2022). As a developing country, South Africa relies heavily on the success of public projects to drive economic growth, reduce inequality, and improve the quality of life for its people (National Planning Commission, 2012; Makgamatha and Moikanyane, 2024).

In this context, risk management becomes a critical element of project success (Rasebotsa *et al.,* 2024). It is a systematic process of identifying, analyzing, and responding to project risks to minimize their impact and maximize opportunities (Project Management Institute (PMI), 2021). In the public sector, where accountability, transparency, and resource optimization are paramount, effective risk management contributes to informed decision-making and better project outcomes (Nel, 2019; Hofisi, 2022; Hussain, Shahzad, Appolloni and Xuetong, 2023).

However, despite the existence of various guidelines and frameworks for public sector project management in South Africa, many projects still fail to meet their intended objectives. The public sector risk management framework, which was released by the National Treasury in 2010, serves as the basis for the majority of the guidelines used by South African public-sector entities to manage risk (Whittle and Nel-Sanders, 2022). Although it lays out the fundamentals of risk identification, assessment, and monitoring, this framework has not been significantly updated to take into account the dynamic and complex risk environment that public projects currently confront, and it is still mostly compliance-oriented. Consequently, a number of problems such as static, outdated guidelines, limited empirical evidence, neglect of context-specific challenges and insufficient attention to new technologies and partnerships lead to a gap that this study aims to fill.

This paper aims to explore the role and impact of risk management in improving project delivery in the South African public sector. It identifies the major risks affecting project outcomes, examines the effectiveness of current risk management frameworks, and offers recommendations for strengthening these systems. The study also draws attention to the importance of embedding risk management practices throughout the project lifecycle from planning and procurement to execution and closure to achieve long-term project success. Inadequate risk management is a major contributing factor (Amoah and Pretorius, 2020). There is a need to understand how risk management can be enhanced to support successful project delivery, reduce waste, and ensure public accountability.

Objectives of the Study

- To identify key risks facing public sector projects in South Africa
- To evaluate existing risk management frameworks and practices
- To highlight best practices and areas for improvement
- To recommend strategies for strengthening risk management in the public sector

Methodology

This investigation used a qualitative desktop research methodology to examine risk management practices within public sector projects in South Africa. The desktop approach was selected for its effectiveness in synthesizing extant knowledge, policy frameworks, and empirical evidence derived from previously conducted research studies, thereby obviating the necessity for primary data collection. The research is informed by a diverse number of secondary data sources, which encompass the following:

- Scholarly articles from academic journals pertinent to public sector project management and risk frameworks;
- Policy documents and regulatory frameworks issued by the South African government;

- Project audit reports compiled by the Auditor-General of South Africa;
- Reports produced by public oversight organizations such as Corruption Watch and;
- Case studies published by reputable entities like the United Nations Development Programme (UNDP) and the World Bank

The literature was chosen through purposive sampling, specifically prioritizing sources published between 2017 and 2024 to ensure relevance and timeliness. Critical search terms comprised: "risk management in public projects," "South African infrastructure delivery," "project governance," and "public procurement risks." Data was subjected to thematic analysis. Principal themes identified encompassed governance structures, institutional capacity, stakeholder engagement, technological instruments, and implementation deficiencies. Thematic coding facilitated the researcher in delineating patterns, underscoring best practices, and identifying systemic vulnerabilities in risk governance.

Literature Review

Risk Management Principles and Frameworks

Risk management involves the systematic application of management policies, procedures, and practices to the tasks of identifying, analyzing, assessing, responding, monitoring, controlling and reviewing risk (PMI, 2021). The ISO 31000 standard and PMI's PMBOK guide offer comprehensive frameworks used worldwide, including South Africa (Hutchins, 2018). These frameworks provide a structured approach to managing project uncertainty and have been widely adopted in the public sector, although with varying degrees of effectiveness (Agede, Grobbelaar and Fanta, 2024). Frameworks like the PMBOK Guide and PRINCE2 offer structured models for managing project risks through processes such as risk identification, qualitative and quantitative risk analysis, risk response planning, and continuous monitoring and control (Pomaza-Ponomarenko, Kryvova, Hordieiev, Hanzyuk and Halunko, 2023). These processes are intended to be iterative and adaptable across different project environments. Effective implementation of these frameworks requires organizational maturity, strong leadership, and institutional support.

ISO 31000 is the globally recognized standard that provides principles and generic guidelines for risk management applicable to any public or private organization (Hutchins, 2018). Key principles include integration into organizational processes, structured and comprehensive approaches, customization, inclusivity, and dynamic responsiveness (ISO, 2018). In the South African context, risk management frameworks include a number of methods that are specific to each sector, such as e-commerce, governmental institutions, and municipalities (Whittle and Nel-Sanders, 2022, Mbunye, 2025). These frameworks are meant to find, evaluate, and reduce risks in order to improve decision-making and service delivery. One example can be drawn from the Department of Public Service and Administration (DPSA) which mandates the use of formal risk management strategies in all public sector projects (Mbunye, 2025). Despite this, risk management is often perceived as a box-ticking compliance exercise rather than a strategic enabler of successful project delivery (Pomaza-Ponomarenko *et al.*, 2023).

Research by Whittle and Nel-Sanders, (2022) highlights that South African institutions often lack the skilled personnel and integrated systems required for dynamic risk management. Furthermore, challenges such as political interference, poor interdepartmental coordination, and resource constraints undermine the implementation of these globally recommended practices (Pomaza-Ponomarenko *et al.*, 2023). To enhance public sector resilience and project efficiency, it is essential to embed these frameworks holistically across departments, ensuring they are aligned with strategic goals and supported by appropriate training, leadership commitment, and digital infrastructure.

Challenges in the South African Public Sector

Risk management in the South African public sector has a lot of problems, especially in national government departments and municipalities. These problems are caused by bad procedures, a lack of resources, and a poor integration of risk management into planning (Mokhele, Ncube and Kunguma, 2024). Research highlights several barriers to effective risk management in South African public projects. These include insufficient technical capacity, inadequate training, and a compliance-driven approach to risk rather than strategic integration (Phaladi, 2024). Moreover, issues such as political interference and corruption further hinder the institutionalization of risk practices (Bawole and Adjei-Bamfo, 2020, Whittle and Nel-Sanders, 2022).

The public sector project environment in South Africa is full of structural, institutional, and political problems that make it hard to put good risk management into practice. The absence of professional skills and technological capability is one of the biggest obstacles. Project management teams in many government agencies are underfunded and unskilled in contemporary risk management techniques. (Govender and Sacks, 2022; Tuychiyevich and Yigitaliyevich, 2025). The pervasiveness of corruption and poor management, particularly in procurement procedures, is another significant issue (World Bank, 2023). In public projects, irregular tendering, bribery, and non-compliance with procurement procedures are common, weakening risk mitigation efforts and eroding public trust (World Bank, 2021; Corruption Watch, 2022). As Bawole and Adjei-Bamfo (2020) points out, the problem is made worse by poor implementation of financial rules.

The other critical issues such as leadership changes, shifting political priorities, and unclear mandates contribute to the unpredictability of project execution (Najeeb, 2024). Risk registers frequently fail to account for these risks, which might result in unforeseen delays or budget reallocations. Departments' capacity to exchange information and coordinate risk responses is hampered by fragmented planning procedures and poor interdepartmental collaboration. Munzhedzi (2021) emphasizes that when national, provincial, and local authorities are not in agreement, it results in redundant work and unmanageable hazards in large-scale infrastructure projects. Additionally, unresolved social and environmental issues arise from low stakeholder participation in the early stages of a project. Vorgers (2020) contends that excluding communities and impacted groups from project design and planning phases frequently results in opposition, legal action, and harm to one's reputation, risks that are seldom taken into consideration at an early stage.

It is necessary for public sector projects to implement systemic changes in order to address these issues. These adjustments include providing the project personnel with additional training, enhancing governance, and ensuring that inclusive risk management methodologies are utilized throughout the entirety of the project lifetime

Sectoral Risk Trends

Sector-specific risks vary across infrastructure, housing, education, and healthcare projects (Makgamatha and Moikanyane KK, 2024). Financial instability is a major risk across sectors due to irregular budget cycles and underfunding. Social development projects often face stakeholder engagement challenges, while infrastructure initiatives deal with technical and regulatory uncertainties (Walker, Vaz Serra and Love, 2022; Dithebe, Thwala, Aigbavboa, Edwards, Hayhow and Talebi, 2023).

Risk profiles differ significantly across various public sector domains in South Africa, influenced by the nature, complexity, and political sensitivity of the projects. Understanding these sector-specific risk trends is crucial for developing targeted mitigation strategies. In the infrastructure and transport sectors, projects such as roads, bridges, and public transit systems face high risks related to cost overruns, contractor non-performance, and delays due to regulatory approvals or environmental assessments (Al-Mhdawi, O'connor, Qazi, Rahimian and Dacre, 2025). According to Govender and Sacks (2022), many infrastructure projects are stalled due to unclear land acquisition processes, lack of contractor vetting, and inadequate contingency planning.

The housing and human settlements sector is particularly vulnerable to socio-political risks, including community resistance, misallocation of housing units, and corruption in beneficiary selection (Makgamatha and Moikanyane, 2024). The Eastern Cape RDP housing project serves as a case study of how political patronage and mismanaged procurement can undermine risk planning and service delivery (Auditor-General SA, 2021). In the healthcare sector, public hospital renovations and expansions are often delayed by bureaucratic inefficiencies, poor contract management, and supply chain disruptions (Khatleli, 2020, Brooks, 2023). Furthermore, healthcare projects have been affected by shifting national priorities and emergency reallocation of funds, especially during crises like the COVID-19 pandemic.

Poor infrastructure planning, insufficient stakeholder participation, and a dearth of monitoring frameworks for school infrastructure projects are hazards facing the education sector (Twum-Darko, Ncede and Tengeh, 2023). According to assessments from the Department of Basic Education and independent monitoring organizations between 2020 and 2023, these risks might result in unfinished projects and resource waste (Rasebotsa *et al*., 2024). In addition to technical issues with infrastructure design and implementation, water and sanitation projects are vulnerable to environmental and climatic hazards, especially in areas that are prone to drought. Due to inadequate environmental risk predictions and disjointed intergovernmental cooperation, projects intended to increase water security have frequently experienced implementation delays (UNDP, 2021).

International Best Practices

International best practices in risk management provide valuable insights for improving public sector project delivery in South Africa. Countries with mature governance systems and well-established project management cultures have demonstrated the effectiveness of proactive, integrated, and technologically enabled risk strategies (Winch, Maytorena-Sanchez, Maytorena and Sergeeva, 2022; Al-Mhdawi *et al*., 2025). These practices are shown to reduce project delays and cost overruns significantly and are increasingly considered in South African reforms. The UK, Australia, Singapore, and Canada are a few nations that provide excellent risk management techniques that South Africa might adopt.

United Kingdom

The early identification of risks and the continuous evaluation of risks throughout the duration of the project are deemed essential, as asserted by the National Audit Office (NAO) of 2022 in the United Kingdom. To evaluate the feasibility of projects at various stages, governmental entities in the UK utilize gateway review protocols alongside systematic risk registers. The exchange of information across departments enhances these assessments, thereby fostering consistency and transparency in the management of risks. (National Audit Office, 2022).

Australia

Under the Infrastructure Australia agency, Australia has put in place extensive frameworks that promote risk-adjusted planning, especially for major infrastructure projects. Quantitative risk assessments utilizing probabilistic modelling approaches are often used in Australian public projects, supporting more precise cost prediction and schedule forecasts (Infrastructure Australia, 2021). Maintaining integrity and accountability is further aided by independent monitoring and routine audits.

Singapore

Digitalization is essential to risk management in Singapore. The government tracks risk exposure, resource allocations, and contractor performance using integrated project management systems with real-time dashboards (Sundsgaard, Monaco, Vilaplana, Bergaentzlé, Hansen and Yang, 2023). Faster decision-making and more agility in reacting to new threats are made possible by these instruments. Furthermore, capacity-building is a top priority for Singapore's public sector, which ensures that all project staff receive thorough training and certification in risk management (Sundsgaard *et al.,* 2023).

Canada

Canada is an excellent example of how crucial it is to include stakeholders in project risk planning. To make sure local viewpoints are included in planning and mitigation efforts, social risk assessments and community impact assessments are often conducted. This participative method encourages co-ownership among stakeholders and lessens implementation opposition (Olu-Omotayo, 2022; Eyieyien, Idemudia, Paul and Ijomah, 2024).

Critical success elements including institutional maturity, proactive stakeholder involvement, investment in digital infrastructure, and robust regulatory frameworks are highlighted in these worldwide instances. The performance of public sector projects may be enhanced and risk resilience strengthened in South Africa by modifying these methods to reflect local conditions, such as capacity limitations and political dynamics.

Key Risks in Public Sector Projects

In South Africa, public sector projects are subject to a wide range of hazards that differ in kind and intensity but always have an impact on project outcomes including budget, schedule, quality, and stakeholder satisfaction. It is crucial to comprehend and classify these risks in order to create mitigation methods that are tailored to the particular scenario.

- Financial Instability: Inaccurate cost estimation, fund release delays, and mismatched budgeting cycles are the main causes of budget overruns and financing shortages. Cash flow forecasting is difficult for many public organizations, and they frequently depend on conditional funds that might be postponed or diverted, which increases uncertainty (Bawole and Adjei-Bamfo, 2020).
- Corruption and Fraud: In procurement procedures, corruption, bid rigging, and collusion are pervasive problems. Inflated prices, irregular contractor appointments, and tampering with the tendering process waste resources and jeopardize project completion (World Bank, 2021; Corruption Watch, 2022).
- Poor Planning and Design: Common technical hazards include inadequate feasibility studies, poor project scoping, and inadequate planning. These are frequently made worse by a lack of skilled workers and inadequate institutional project management capabilities (Walker, et al., 2022).

- Human Resource and Capacity Risk: Reliance on consultants, significant employee turnover, and a lack of qualified workers cause interruptions in project continuity. Limitations in capacity impair institutional memory and risk forecasting, which impacts long-term project planning and supervision (World Bank, 2021).
- Stakeholder Conflicts: Key socio-political risks include mismatch with local demands, lack of early consultation, and resistance from impacted groups. These frequently turn into demonstrations or legal action, which delays projects and raises expenses (Dithebe, et al., 2023)
- Regulatory and Political Risks: High levels of political risk are a result of conflicting policy directions, frequent changes in political leadership, and insufficient regulatory supervision. Government priorities can cause projects to be halted or redirected, and projects that are not properly aligned with legal frameworks (such as the Public Finance Management Act (PFMA) and Municipal Finance Management Act (MFMA)) run the danger of not complying with the law (Najeeb, 2024; Mabunye, 2025).
- Environmental and Climate Risks: Infrastructure and resource-based projects are increasingly at risk from environmental compliance issues, unforeseen environmental effects, and climate unpredictability. Climate-adaptive project design and proactive risk assessment are necessary in response to droughts, floods, and environmental deterioration (UNDP, 2021).

Table 1: Risks and Strategies in Public Sector

Risk Type	Potential Impact	Mitigation Strategy
Financial Instability	Cost overruns, funding shortfalls	Improve budgeting and financial forecasting
Corruption and Fraud	Resource misallocation, reputational damage	Transparent procurement, regular audits
Poor Planning and Design	Delays, scope creep, structural issues	Conduct feasibility studies, strengthen oversight
Human Resource and Capacity Risks	Discontinuity, poor project oversight, dependency on external experts	Training programmes, talent retention policies, permanent project staff
Stakeholder Conflicts	Project delays, litigation	Early engagement, formal communication channels
Regulatory/Political Risks	Project halts, increased costs	Policy alignment, scenario planning
Environmental and Climate Risks	Infrastructure damage, project cancellations, legal penalties	Climate risk integration, EIAs, adaptive infrastructure designs

Source: Author

Figure 1: Risk Management Process Cycle

Source: Author

This visual highlight the iterative nature of effective risk management and how each step feeds into ongoing project refinement.

Risk identification is the first step in the process that involves identifying risks early in the project planning phase that might potentially affect the project objectives. Since one cannot manage what they do not understand, it is crucial to guarantee that everyone is aware of the dangers. The second step in the process is **risk assessment** which involves checking the potential impact and likelihood of the identified risk-taking place. The two elements of the risk that are not explicitly stated in the risk description serve as the foundation for the analysis. That includes impact and probability. **Risk mitigation** is the next step that follows which includes coming up with a response strategy to the risks. To successfully address the identified risk, the project team can employ four general strategies: risk acceptance strategy, mitigation, transfer, and avoidance. Once a strategy has been developed, then **risk monitoring and control** should take place for tracking the identified risk and checking for emerging risks. This step's objective is to confirm that the chosen strategies and planned, in-depth response were really successfully implemented and producing the desired results. The last step of the process emphasises on **risk** review that attempts to evaluate the risk management process's overall impact on the project (Burke, 2010; PMI, 2021).

Assessment of Current Risk Management Practices

While frameworks exist and the public sector seem to assume that their risk management framework is effective, their implementation is inconsistent (Rasebotsa *et al.,* 2024). Many government departments lack the technical capacity or resources to apply risk management effectively (Mbunye, 2025). Risk registers are often outdated or incomplete, and there is minimal monitoring or follow-up. Additionally, risk is frequently treated as a compliance issue rather than an integral part of project strategy (Phaladi, 2024). In many instances, risk identification is only conducted at the initiation phase and not regularly updated throughout the project lifecycle (Nel, 2019). This leads to a static view of risks, failing to capture emerging threats or changes in the project environment. Furthermore, limited interdepartmental coordination restricts the ability to develop a holistic view of risks, especially in multi-sectoral projects (Hofisi, 2022).

The effectiveness of risk mitigation strategies is also undermined by the lack of real-time data and performance monitoring tools (Tuychiyevich and Yigitaliyevich, 2025). Projects often operate without dynamic dashboards or digital systems to track risk exposure, response status, or residual risks (TechUK, 2022; Brooks, 2023). Without these tools, decision-makers are left with outdated or anecdotal evidence to inform corrective actions. Another major weakness is the insufficient involvement of senior leadership in risk oversight. Risk registers and assessments are often managed at the operational level with minimal executive input, resulting in a gap between strategic objectives and risk responses (McCaul and Ntuli, 2011). Bridging this gap requires strengthening governance structures and embedding risk thinking into high-level decision-making forums.

Lastly, there is limited public disclosure and community participation in risk planning, which hampers accountability and stakeholder trust. Given the socio-political nature of many public projects, community-related risks should be identified and addressed transparently to avoid backlash or implementation delays (UNDP, 2021; African Union Commission, 2023). The Rea Vaya BRT case illustrates how proactive stakeholder engagement and continuous dialogue with affected communities can mitigate resistance and align interests.

Best Practices and Lessons from Case Studies

Case Study: Department of Human Settlements – RDP Housing Project in the Eastern Cape

The RDP Housing Project in the Eastern Cape provides an example of how poor risk management leads to project delays and substandard housing. An Auditor-General report in 2021 highlighted that inadequate planning, unqualified contractors, and a lack of community engagement resulted in stalled construction and protests. The absence of early risk identification and mitigation frameworks played a major role in project failure (Auditor-General SA, 2021).

Case Study: Gauteng Department of Roads and Transport – Rea Vaya Bus Rapid Transit (BRT) System

The Rea Vaya BRT system in Johannesburg represents a successful case of risk-informed project execution. The project integrated stakeholder engagement mechanisms, regular risk reviews, and digital tracking tools. As a result, the project overcame initial resistance from taxi associations and met its major milestones within revised budgets and timelines (McCaul and Ntuli, 2011).

Case Study: Western Cape Government – Cape Town Drought Resilience Projects

In response to the 2017 drought, the City of Cape Town implemented a series of water resilience infrastructure projects. A strong risk management framework allowed the city to identify vulnerabilities early, implement water-saving technologies, and diversify water sources. The city's proactive approach, including public-private partnerships, is widely seen as a model for climate risk management in public infrastructure (UNDP, 2021).

Recommendations

To enhance risk management practices in South African public sector projects, the following strategic recommendations are proposed:

Strengthen Governance Structures: A well-defined governance structure is essential to integrate risk management into the core functions of public sector institutions. Establishing dedicated risk management units or offices within government departments can institutionalise the function, ensure accountability, and maintain consistency across projects. These units should report directly to senior management to facilitate better alignment with strategic goals and decision-making. Governance frameworks must include clear roles, responsibilities, and escalation procedures for dealing with significant risks.

Build Technical and Managerial Capacity: Many risk management deficiencies stem from a lack of skilled personnel and training. Therefore, investing in continuous professional development for project managers and risk officers is critical. Training programmes should cover risk identification, analysis tools, scenario planning, and stakeholder negotiation. In addition, appointing certified risk management professionals and adopting mentorship structures can enhance institutional competence.

Adopt Digital Risk Management Tools: The integration of technology in managing project risks improves real-time monitoring, data collection, and decision-making. Implementing digital platforms such as risk dashboards, cloud-based collaboration tools, and predictive analytics can support proactive responses to emerging risks. Lessons from successful projects, such as the Cape Town Drought Resilience initiative, demonstrate the value of data-driven approaches in forecasting and managing complex risks.

Improve Transparency and Procurement Integrity: Corruption and irregular procurement processes remain major obstacles in public project delivery. Strengthening transparency mechanisms such as public tender portals, e-procurement systems, and third-party audits can enhance credibility and reduce financial and reputational risks. In line with World Bank recommendations, embedding anti-corruption policies within project risk registers ensures they are addressed systematically rather than reactively (World Bank, 2021).

Promote Inclusive Stakeholder Engagement: Stakeholders, including communities, local businesses, and civil society organisations, play a vital role in identifying context-specific risks and offering practical insights. Early and sustained engagement builds trust, improves social legitimacy, and helps mitigate resistance during implementation. Participatory risk workshops and regular stakeholder forums should be embedded in the project lifecycle, particularly for infrastructure and social development projects with high public visibility.

Institutionalise Risk Reviews and Learning Mechanisms: To foster continuous improvement, public institutions should implement structured risk reviews at each project milestone. These reviews must be documented, evaluated, and used to update organisational knowledge repositories. Creating a national risk knowledge platform for public sector projects could allow cross-institutional learning and standardise best practices.

Conclusion

Through a comprehensive examination of contemporary risk management methodologies and their application, alongside a thorough analysis of recent public project case studies and an identification of risks pertinent to South Africa, this research addressed the deficiencies in application of risk management. It synthesizes the principles delineated in ISO 31000:2018, such as the necessity for inclusive stakeholder engagement, a dynamic and iterative risk assessment framework, and a reliance on data-informed decision-making, in conjunction with insights derived from recent challenges faced by the South African public sector. The findings underscore the inadequacy of traditional compliance-oriented strategies and advocate for the development of modernized, contextually relevant frameworks that emphasize governance, transparency, the utilization of digital technologies, and the facilitation of cross-sectoral collaboration (Tuychiyevich and Yigitaliyevich, 2025). Risk management is not merely a procedural requirement but a strategic function that enhances the success and sustainability of public sector projects. Strengthening frameworks, investing in capacity, and leveraging technology are key to achieving improved outcomes. By embedding risk management into every phase of the project lifecycle, South African public sector projects can become more efficient, transparent, and resilient. The aim is to shift risk management from a compliance-driven obligation to a strategic, proactive function that enhances project delivery, accountability, and public confidence.

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STRATEGIES TO SUPPORT SMALL, MEDIUM, AND MICRO ENTERPRISES TO SURVIVE LOAD SHEDDING IN KWAZULU-NATAL, SOUTH AFRICA

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Abstract

Load shedding continues to pose serious challenges for small, medium, and micro enterprises (SMMEs) in South Africa, particularly those lacking the financial resources to invest in backup energy solutions. These disruptions result in reduced productivity, income losses, and, in severe cases, business closures, making it harder for small businesses to remain stable, grow, and contribute to long-term economic development. It is therefore crucial to explore the support mechanisms available to SMMEs during load shedding. This paper is structured around two main objectives: (1) to determine the strategies and initiatives in place to help SMMEs cope with power outages, and (2) to investigate the financial assistance provided by both the public and private sectors to alleviate the impact of load shedding on these businesses. Through semi-structured interviews conducted with four groups of participants: two representatives from financial institutions, two government agencies, two industry experts, and four SMME owners, the study identified several key findings. Initiatives such as information sharing and networking, capacity building and skills training, as well as stakeholder engagement and collaboration have shown some success. However, their overall impact remains limited, as these initiatives often fail to address real-time operational challenges particularly in rural areas. In terms of financial support, both the public and private sectors have introduced affordable and flexible financing options, along with specialized energy funds tailored for SMMEs. Despite these efforts, the uptake of these financial products has been relatively low. The findings demonstrate that while support systems for SMMEs exist, their success depends on developing trust-based, context-specific strategies that address both financial and operational realities of small businesses during load shedding.

Key words: *SMMEs, Load shedding, Government, KwaZulu-Natal*

Introduction

In South Africa, the acronym SMME stands for Small, Medium, and Micro Enterprises and is commonly used to refer to all small businesses (Sitharam & Hoque, 2016). These enterprises are often described as the backbone of the South African economy due to their significant contributions to employment, innovation, and economic growth (Mundhree & Beharry-Ramraj, 2022). The importance of SMMEs is emphasized by the data from the Department of Trade and Industry (2022), which reveals that SMMEs account for approximately 98% of all active businesses in South Africa, contribute over 39% to the country's Gross Domestic Product (GDP), and employ around 60% of the formal labor force. Despite these significant contributions, however, the high failure rate among South African small businesses remains a pressing concern.

Decades after the introduction of support mechanisms aimed at strengthening small businesses, South Africa still records one of the highest SMME failure rates globally. Studies indicate that as many as 70-80% of South African SMMEs fail within their first five years of operation (Fatoki, 2014; Ndlovu, 2019), suggesting that many of the structural barriers that undermine their growth remain unresolved. A growing body of literature (Ingle, 2017; Smith, 2020; Lin et al., 2022) consistently highlights a complex mix of internal and external factors that continue to undermine the growth and sustainability of these businesses.

Internally, these enterprises often struggle with poor financial management, limited access to credit, and operational inefficiencies that weaken their ability to grow (Moya et al., 2019). These internal vulnerabilities are further compounded by external pressures, ranging from economic uncertainty, political instability, and regulatory burdens, which collectively create an ecosystem in which small businesses struggle to survive, let alone thrive (Smith, 2020). More recently, Ndjama (2024) highlights that even with continued public and private sector support, these structural challenges remain largely unresolved, raising fundamental questions about the effectiveness of interventions implemented under South Africa's democratic governance framework.

In recent years, however, one external challenge has grown into one of the biggest threats to the SMME survival: load shedding. What began in 2007 as occasional, planned power outages has evolved into a frequent and unpredictable obstacle that disrupts daily business operations. For small businesses, every hour without electricity means more than just the lights going off; it means machines stop working, orders get cancelled, and valuable stock going to waste (Mundhree & Beharry-Ramraj, 2022). The World Bank Group (2023) highlights that the financial toll of load shedding has exceeded R1.2 trillion, which is approximately one-quarter of the nation's GDP. This impact surpasses the budgets allocated to critical sectors such as police services, courts, prisons, and science and innovation. Each day of blackouts drains more than R4 billion from the economy, and small enterprises are among the hardest hit (Nedbank & TEA, 2023).

These frequent power interruptions compel businesses to cut back on operating hours, resulting in increased costs and reduced profitability. The South African Property Owners Association (SAPOA, 2023) further highlights the extent of this crisis. Their survey shows that 61.18 percent of small businesses experience daily load shedding, with 84.71 percent facing outages lasting between 2 to 4 hours. These frequent interruptions not only reduce productivity, but also force businesses to spend significant amounts on alternative power sources to keep running. The survey highlights that 55.36 percent of businesses incur monthly costs between R100,000 and R500,000 to sustain operations during power outages, while 21.43 percent spend between R500,000 and R1 million. A smaller yet significant percentage (14.29 percent) face even higher costs, ranging from R1 million to R5 million, further straining their financial viability.

Despite the extensive literature on the economic impact of load shedding in South Africa, most studies treat SMMEs as a homogenous group at the national level. This broad approach overlooks the fact that small businesses operate in diverse provincial contexts, each with unique economic structures, infrastructure capacities, and policy environments. In the case of KwaZulu-Natal, there is a lack of empirical research examining how SMMEs in this province are specifically supported during periods of load shedding, and whether such support is adequate, accessible, and effective. This absence of region-specific evidence creates a significant blind spot for policymakers, business support organizations, and private sector actors. Without understanding the nature and effectiveness of current interventions in KwaZulu-Natal, stakeholders risk relying on generic, national-level policies that may fail to address local realities. By directly addressing these gaps, this study seeks to explore and critically assess the support mechanisms available to SMMEs in KwaZulu-Natal during load shedding, focusing on both the implemented initiatives and the provision of financial assistance. In doing so, it aims to provide actionable, context-specific insights to strengthen resilience, improve policy responses, and safeguard the province's small business sector in the face of persistent energy instability.

Literature Review

Electricity represents more than a mere convenience for small businesses; it is a fundamental resource essential to their daily operations, ensuring that work progresses smoothly, inventories remain stocked, and customers are adequately served (Olajuyin & Mago, 2022). The frequent interruptions caused by load shedding, therefore, have immediate and extensive consequences. The Resource Dependence Theory (RDT) provides a useful framework for understanding this vulnerability; every business, no matter how skilled its management, relies on critical resources it does not fully control, and electricity is one of the most important. When such resources become unreliable, small businesses are left exposed, forced to spend more just to keep their doors open (Makasi, 2023).

A real-world example from Umar and Kunda-Wamuwi (2019) illustrates this clearly. In Kalingalinga, Zambia, a woman running a bar faced the challenge of keeping drinks cold during load shedding. She bought ten packs of dry ice daily, each costing ZMW 27 (USD 2.60), and also paid for generator fuel. However, the costs were so high that she could not run the generator both day and night. She had to choose; run it at night to protect evening sales, or during the day to attract customers. She chose night-time use, but this meant fewer customers during the day because there was no music or lighting to create a welcoming atmosphere. Yet, a deeper issue emerged; while she effectively managed her internal resources (fuel and electricity), she overlooked her external dependency on public infrastructure, particularly street lighting. The absence of street lighting at night due to load shedding created safety concerns, prompting customers to leave earlier and reducing her night-time sales as well. This example shows that even careful management of internal resources is not enough when external dependencies, like public infrastructure fail. This highlights why RDT is important; it shows that SMMEs' survival depends on managing not only their own resources, but also navigating risks from the broader interconnected environment.

Following RDT, Information Asymmetry Theory offers a critical lens for understanding why SMMEs struggle to access much-needed external support, particularly during disruptive events like load shedding. As Lean and Tucker (2001) explain, when one party in a transaction holds more or better information than the other, it creates an imbalance that can prevent fair and effective outcomes. In the context of SMMEs, this imbalance exists on both sides; financial institutions often withhold essential details about funding conditions, while many SMMEs fail to provide clear and comprehensive information about their needs and capacities. Mbekeni (2009) highlights how such imbalances weaken trust and access. Understanding this dynamic helps explain why many SMMEs struggle to secure support during energy disruptions, and highlights the need for more inclusive and transparent communication strategies.

Agency Theory complements these insights by focusing on the relationship between the small businesses (principals) and the institutions that are supposed to support them (agents), such as government bodies and financial institutions (Jensen & Meckling, 1976). The theory reveals that agents do not always act fully in the best interests of principals. Instead, decisions around funding and support may be influenced by political agendas, profit motives, or systemic biases (Mbekeni, 2009; du Venage, 2020; Mabunda, 2021). This misalignment results in many deserving SMMEs being overlooked or excluded from assistance programs. By applying Agency Theory, this study unpacks how such institutional challenges distort fair resource distribution, and offers pathways toward more equitable and transparent support systems. Together, these three theoretical perspectives highlight that SMMEs operate in a complex environment full of resource risks, communication gaps, and institutional challenges, all of which threaten their survival during times like load shedding.

Building on the theoretical insights, the conceptual framework (see Figure 1) provides a clear visual representation of how key factors interact to shape support for SMMEs during load shedding. It draws on existing literature to illustrate the relationships between public awareness, networking, stakeholder collaboration, and the regulatory environment, highlighting how these elements influence targeted government and private sector interventions. While not empirically tested here, this framework offers a valuable perspective on the pathways through which support initiatives can enhance SMME resilience, with location playing a significant moderating role.

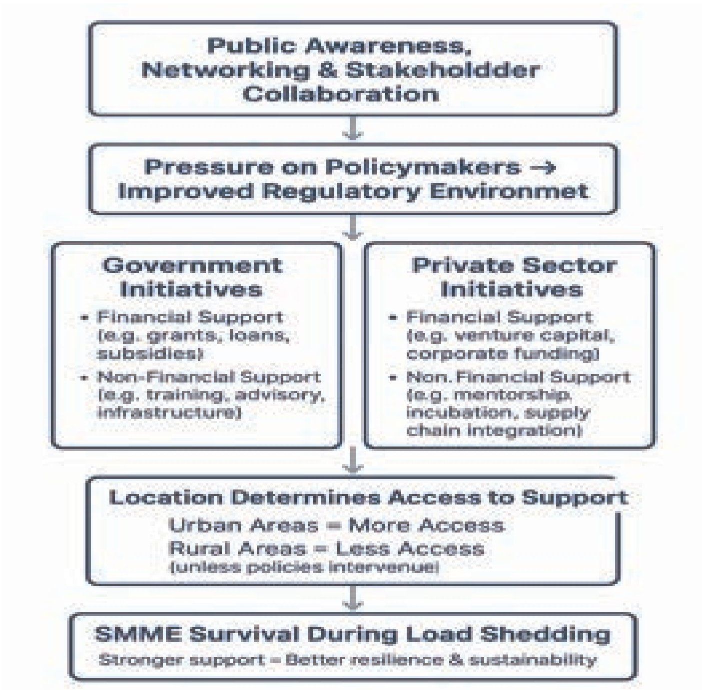

Figure 1: Relationship between variables

As illustrated in figure 1 above, the literature consistently points to public awareness, networking, and stakeholder collaboration as critical drivers that catalyze change by informing and pressuring policymakers and industry leaders to refine regulations and design targeted support initiatives. This pressure prompts refinement of the regulatory environment, enabling the development of targeted initiatives and strategies by both government and private sectors to address the specific challenges

SMMEs face during power outages (Ngcobo & Sukdeo, 2015; Ali Qalati, 2020; Weaven et al., 2021; Shava, 2024). Through this framework, government and private sector interventions, both financial and non-financial are better aligned to the actual needs of SMMEs, enabling these enterprises to better withstand energy disruptions (Debelia, 2018; Mallett, Wapshott & Vorley, 2019; Uzougbo, Ikegwu & Adewusi, 2024). These combined efforts, as the framework shows, directly contribute to enhancing the resilience and survival of SMMEs during load shedding. However, the framework also acknowledges that systemic challenges such as bureaucratic inefficiencies may delay or weaken the impact of these initiatives (Nieuwenhuizen, 2019; Kelly et al., 2021; Zulu, Ngwenya & Zondi, 2023). Importantly, location plays a moderating role; urban SMMEs, with greater access to infrastructure and resources, generally experience better outcomes compared to their rural counterparts who face more significant barriers. Moreover, it highlights the moderating effect of location; small businesses in urban areas with better access to infrastructure and resources, tend to benefit more from these support systems than those in rural regions who face greater obstacles (Beckmann, Garkisch & Zeyen, 2023).

Empirical evidence from global, African, and South African contexts reinforces and enriches this theoretical and conceptual insights. Although direct research on load shedding is limited, lessons can be drawn from global crisis responses. During the COVID-19 pandemic, developed countries such as Australia, the UK, and the US implemented urgent financial support measures including wage subsidies, grants, and loans to sustain small business continuity during systemic shocks (ATO, 2021; Browning, 2022). Emerging economies such as India and China have leveraged financial support alongside digital platforms, flexible loan mechanisms, and innovative repayment schemes, demonstrating that interventions are most effective when timely, coordinated, and closely aligned with the realities of business operations (Su et al., 2022). These cases emphasize the critical role of sustained government and private sector engagement in safeguarding small businesses during systemic shocks, offering compelling lessons for designing load-shedding interventions in South Africa, particularly in KwaZulu-Natal.

Across Africa, load shedding has evolved from a temporary challenge into a defining feature of daily life for many. In countries such as Nigeria (Moyo, 2012; Akuru & Okoro, 2014; Nurudeen, Nafiu & Jibo, 2018; Oladeji & Fasogbon, 2023), Ghana (Fiawoo, 2016; Cissokho, 2019; Sosi & Atitianti, 2021; Abeberese, 2022), Zambia (Charity & Simon, 2023), Kenya (Ndegwa, 2022), and Tanzania (Lwesya, Mwakalobo & Mbukwa, 2021), prolonged and unpredictable power outages have left small and micro enterprises in a continual state of struggle. These realities represent people waking up each day uncertain whether they can open their businesses, operate their machinery, or meet their customers' needs. While private sector solutions exist, they often benefit only those who already have resources, leaving informal traders and township businesses at a disadvantage.

Government efforts, where present, are often slowed by bureaucracy or underfunding, meaning the very businesses most affected frequently receive little or no support. To cope, small business owners try different strategies; some cut staff, others shorten working hours, reduce services, or invest in costly generators while others absorb the pain in silence. These are not signs of resilience; they are signs of quiet desperation. Moreover, while solar power projects and donor-funded interventions have brought some relief in parts of East and West Africa, the deeper truth remains; they provide only temporary relief and rarely address the underlying vulnerabilities that leave small businesses exposed during power crises (Cissokho, 2019). The pattern that emerges is clear; governments is trying but failing to do enough, private sector is stepping in but only selectively, and entrepreneurs are caught in the middle, fighting to stay operational while the power keeps going out.

In South Africa, SMMEs face persistent challenges during load shedding due to fragmented and often ineffective support. For instance, Mabunda et al. (2023) report that over 60 percent of small businesses in Limpopo suffered significant revenue losses and retrenchments, yet received no direct financial relief. Financial interventions may improve turnover in some areas, but they have limited impact on employment (Molo, 2019), while non-financial programs are constrained by inefficiencies, low awareness, and lack of credibility. Energy-specific solutions such as solar adoption remain largely inaccessible due to high costs, unclear policies, and bureaucratic delays (Mkhwebane & Ntuli, 2019; Mashamaite, 2024). This fragmented support, coupled with systemic barriers, leaves SMMEs, particularly those in townships and rural areas highly vulnerable to operational disruption and financial instability. These findings reveal a critical gap; despite widespread recognition of their economic significance, there is a striking absence of coordinated, timely, and accessible public and private sector interventions. It is precisely within this gap that the current study situates itself, investigating both financial and non-financial strategies to enhance resilience and survival of SMMEs in KwaZulu-Natal during load-shedding events.

Methodology

The study can be regarded as exploratory and qualitative in nature with both literature and empirical components. The qualitative analysis was based on an interpretative philosophy that sought to reveal the meaningful and symbolic content of the qualitative data. The approach aims to explore the experiences and views of research participants, emphasizing the meaning behind their actions within a specific social context and ensuring all voices are acknowledged and valued (Mvunabandi, 2022). The research focused on SMMEs located in Durban and Pietermaritzburg within the broader context of KwaZulu-Natal. The study targeted key stakeholders directly involved in supporting SMMEs during load shedding including: government officials, financial institution representatives, SMME owners, and industry experts. Using purposive sampling, ten participants were strategically selected from these groups to provide relevant insights. The final sample comprised four SMME owners, two financial institution representatives, two government officials, and two industry experts, drawn from both cities. This small, but carefully chosen sample enabled deep engagement and extraction of rich and meaningful insights relevant to the research objectives (Blose, 2018).

While smaller sample sizes in qualitative research are sometimes viewed as a limitation, the emphasis is placed on the richness and depth of insights rather than generalizability. Scholars like Creswell (1998) recommend 20-30 participants, while Morse (2000) argues that fewer may suffice for in-depth exploration. Despite these differing guidelines, the choice of a sample size of ten participants in this study was justified by the principle of thematic saturation; when no new themes emerged from additional interviews, indicating that the data collected was sufficient to answer the research questions. This aligns with Guest et al. (2006), who found that 92 percent of themes typically emerge within the first 12 interviews. Beginning data collection with a pilot study further enhanced the likelihood of reaching saturation quickly, as preliminary themes emerged early on and were refined through subsequent interviews.

In respect of the data collection techniques, the study used semi-structured interviews to collect primary data from four distinct participant groups. For both virtual and in-person interviews, the researcher used MS Teams to record the discussions, adhering to the ethical guidelines by first seeking the participants' consent and ensuring they were comfortable with the approach. Due to the large volume of interview data, the researcher manually reviewed and edited the MS Teams transcripts to correct inaccuracies and ensure they accurately reflected participants' responses. Given the extensive data, the researcher used the AI tool, ChatGPT (GPT-5), in a very careful and selective way to help find mistakes in the data that might have been missed during a manual review. For example, ChatGPT helped spot errors like “low shedding” being mistakenly written instead of “load shedding”, or “some cities” being confused with “subsidies.” Recognizing the potential limitations of the AI tool, the researcher approached its use with care, ensuring that ethical standards were never compromised. To further safeguard the integrity of participants’ voices, the researcher attended university workshops on best practices for AI, ensuring that the tool’s application aligned with the highest standards of accuracy.

To capture meaningful data, the researcher crafted a carefully tailored interview guide, customized for each participant group. This approach not only minimized bias, but also encouraged genuine thoughtful responses. Interviews lasted between 45 and 60 minutes and included advance sharing of questions to help participants prepare. The pilot study, which involved one participant from each stakeholder group (excluded from the main study), was crucial for refining the interview guide, enhancing question clarity, and confirming the feasibility of reaching thematic saturation.

To maintain data quality and ensure the validity of the study, the Guba Trustworthiness Model (Guba & Lincoln, 1989) was applied, using its four key criteria: credibility, transferability, dependability, and confirmability, with practical guidance from Nowell et al. (2017). The researcher employed thematic analysis to examine the transcribed interview data, following the steps outlined by Braun and Clarke (2006), Nowell et al. (2017), and Castleberry, and Nolen (2018). NVivo version 15 was used to organize and analyze the data, helping to manage the complexity of the information. The analysis focused on two key areas; manifest content (what was explicitly said) and latent content (the deeper meanings behind the words). The process started by creating initial codes from the interview transcripts based on ideas that naturally emerged. These codes were then grouped into broader categories, which were refined over time until they formed the final themes.

While NVivo played an important role in organizing and structuring the data, the responsibility for interpreting it and developing themes rested with the researcher. In this way, NVivo and similar tools are instruments that merely facilitate the research journey; the true essence lies in the researcher’s ability to interpret, connect, and draw meaningful conclusions. These tools may support the process, but they cannot replace the human touch that turns raw data into rich and meaningful insights; an art that only the researcher can master. As such, themes were systematically developed and refined, ensuring each stakeholder group’s voice was meaningfully represented and aligned with the research questions.

Ethical considerations were strictly observed throughout the study. More specifically, participants’ confidentiality was safeguarded, and they were fully informed about the research purpose. Ethical approval for this study was rigorously obtained from the Humanities and Social Sciences Research Ethics Committee (HSSREC), ensuring full adherence to established ethical guidelines (Coetzee & Els, 2016). Complementing this, a gatekeeper letter was granted by the eThekwini Municipality, officially authorizing the researcher to engage with key government officials and conduct the study within the municipality’s jurisdiction. This dual authorization process not only guaranteed full compliance with ethical and institutional guidelines, but also reinforced the study’s commitment to transparency, accountability, and respect for local governance structures.

Results

This chapter presents the findings on how SMMEs in KwaZulu-Natal navigate the disruptions of load shedding and the extent to which support mechanisms ease this burden. The analysis is structured around two focus areas; first, the strategies and initiatives designed to help small businesses cope with power disruptions; and second, the financial assistance provided by both public and private institutions to ease their impact. Insights are drawn from four participant groups: financial institutions, government officials, industry experts, and SMME owners, whose perspectives collectively reveal how businesses experience, interpret, and respond to power disruptions. The discussion unfolds through key themes and sub-themes that highlight the strategies, barriers, and outcomes shaping small business survival during load shedding.

What specific initiatives and measures have been implemented to support Small, Medium, and Micro Enterprises (SMMEs) in KwaZulu-Natal, South Africa, during periods of load shedding?

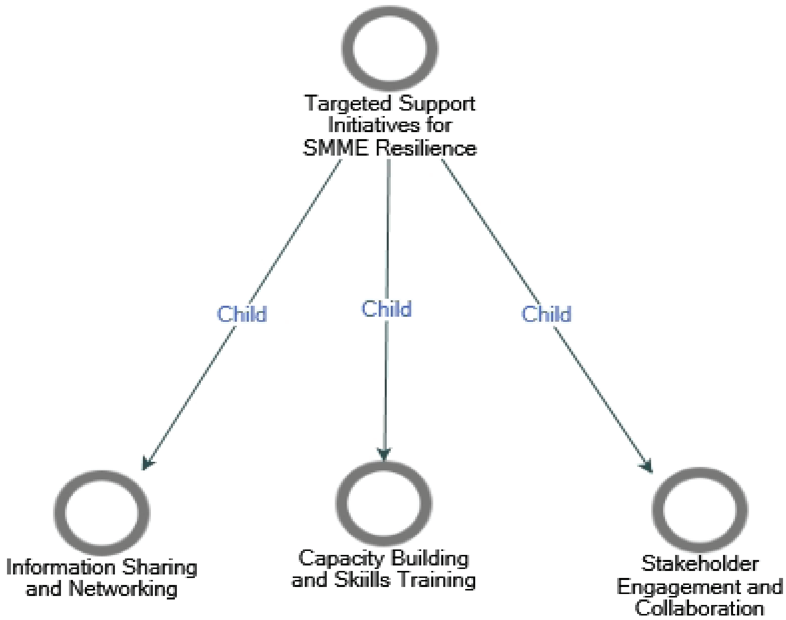

Figure 2: Theme and Sub-themes on Initiatives and support for SMMEs during load shedding

Source: Developed using NVivo 15

Information sharing and networking

Information dissemination emerged as a central non-financial support strategy adopted by both government agencies and financial institutions to assist SMMEs in KwaZulu-Natal during load shedding. Across both sectors, low participation in these programs was a consistent concern, particularly among businesses in townships and rural areas; the very spaces most in need of intervention. Government agencies reported adopting hybrid outreach models that combine digital platforms (e.g., Facebook, Twitter) with in-person engagements such as municipal briefings and community sessions. This marks a deliberate shift from Information and Communication Technology (ICT)-based decentralization efforts which often excluded less digitally connected businesses. The overall aim of such initiatives is to improve inclusivity and broaden geographic reach (Beckmann et al., 2023; Malau, 2025).

Similarly, financial institutions have extended their outreach efforts beyond traditional client bases, conducting physical visits to over 40 township and rural locations to promote financing options and energy resilience solutions. These initiatives are complemented by targeted digital tools, such as mobile apps and online platforms, as well as the use of mainstream media like radio and TV, ensuring no stone is left unturned in the pursuit of awareness. What sets this initiative apart is its deliberate effort to include even non-clients, ensuring that all small businesses, regardless of their banking status, have access to critical support. This reflects a more immediate and inclusive approach than many government-led initiatives, which, as noted by Memka and Lekhanya (2017), and Malau (2025), often face challenges with uneven service distribution.

While knowledge-sharing and networking initiatives are widely acknowledged as valuable, the voices of SMME owners and industry experts cast doubt on their real-world effectiveness. Both groups see their potential for helping businesses navigate load shedding, yet they consistently point to critical gaps: insufficient actionable financial relief, weak structural frameworks, and above all, poor timing. Institutions often believe their systems work; however, recipients, particularly SMME owners that are part of this study, tell a different story. For many, critical information arrives only after losses have already been incurred. One owner recalled missing key deadlines due to unanticipated power cuts, describing the support received afterward as "helpful in theory, but not in reality." This directly challenges Rogerson's (2018) optimism view that information dissemination is a critical area of improvement for SMMEs, reinforcing Malau's (2025) critique that without timely and context-specific delivery, information dissemination risks becoming a hollow exercise.

A positive aspect was noted by some SMME owners, acknowledging that government and financial institutions have made valuable efforts to engage with them during critical periods. For example, an agribusiness owner reported that attending sessions on energy solutions and financial support enabled her to adapt her business model to better cope with load shedding. However, both SMME owners and industry experts agree that such support needs to be more frequent and consistent to effectively prevent crises from escalating.

A recurring recommendation from industry experts is the strengthening of public-private partnerships (PPPs), which they view as essential for pooling resources and fostering strategic collaborations. One example is the Durban Business Fair, where the same agribusiness owner gained clients, formed partnerships, and accessed mentorship; demonstrating how inclusive platforms can translate into measurable resilience.

Overall, while government and financial institutions have introduced information-sharing and networking initiatives to help SMMEs navigate load shedding, participants across groups agreed these measures are often undermined by delayed delivery, limited actionable guidance, and weak institutional frameworks. Inclusive outreach and collaborative platforms particularly for township and rural enterprises show potential, but their success depends on delivery that is timely, targeted, and reinforced by tangible support. The evidence is that resilience cannot be built through knowledge transfer alone; it requires proactive, well-resourced, and context-sensitive interventions that convert good intentions into sustained operational stability for vulnerable businesses.

Capacity building and skills training

All four participant groups emphasized the importance of training and educational initiatives in supporting SMMEs during load shedding, highlighting a shared recognition of the need for practical skills and knowledge development. From the government side, one respondent for example, reported providing training in areas such as bookkeeping and financial management to help SMMEs maintain financial control and business continuity during disruptions like load shedding. However, when viewed against the realities on the ground, a striking gap emerges; while these courses help improve financial literacy, they do little to address the immediate operational challenges of load shedding such as interrupted production, energy-dependent processes, or adopting alternative power solutions. In other words, SMMEs are being equipped with the knowledge to manage their books, but not the technical and adaptive skills to survive the very crisis these programs claim to mitigate. This contrast reveals that, despite good intentions, existing government training initiatives risk being symbolic rather than transformative. As such, aligning educational efforts with the specific challenges of energy insecurity such as integrating energy resilience strategies into the curriculum, could significantly enhance their relevance and effectiveness (Schoeman, Van Wyk, and Blaauw, 2024).

Financial institutions complement these efforts with investor education seminars, mentorship, business development coaching, and financial literacy programs available to all SMMEs in KwaZulu-Natal, regardless of banking affiliation. While literature shows that such training enhance managerial competencies which are foundational for sound decision-making, operational efficiency, and creditworthiness (Global Entrepreneurial Monitor, 2010; Derbyshire, 2016), their impact is limited without practical, hands-on skills tailored to the realities of load shedding, leaving a gap between knowledge provision and real operational resilience. This view is reinforced by an industry expert, whom in her experience in consulting, emphasized that long-term impact is more likely when SMMEs are equipped with adaptive skills and innovation-driven strategies, transforming non-financial support from theory into actionable, resilience-building outcomes.

The SMME participants, as direct recipients of support initiatives during load shedding, provided mixed feedback on the effectiveness of training programs. About half found programs on financial literacy and business development useful, noting increased confidence and practical skills, while the other half highlighted gaps in relevance and accessibility. The dissatisfied group stressed that these programs did not address immediate operational challenges such as production losses and energy disruptions, a concern especially pronounced among rural businesses facing low literacy and limited access to tailored support. This feedback emphasizes a critical disconnect; while government and financial institutions emphasize capacity building and skills development; the direct beneficiaries reveal that without context-specific and practical interventions, training alone cannot build true resilience against load shedding.

The findings powerfully confirm that SMMEs survive load shedding not by relying solely on external support, but by building real, practical internal strength, exactly what Resource Dependency Theory (RDT) predicts. When training fails to address their immediate, industry-specific needs, businesses remain trapped in dependence, vulnerable to every power cut. At the same time, Information Asymmetry Theory reveals the hidden barrier: without tailored financial literacy, SMMEs cannot bridge the trust gap with funders, locking them out of critical resources. These insights make one thing clear; capacity-building programs must move beyond theory and deliver targeted, hands-on skills that empower SMMEs to stand independently and command access to support. Anything less leaves them exposed, struggling, and ultimately, at risk.

Stakeholder engagement and collaboration

Participants across all four groups consistently identified collaboration with stakeholders as the most decisive mechanism for supporting SMMEs during load shedding. Financial institutions, in particular, have moved beyond their traditional lending role by introducing direct, relationship-based initiatives. One institution, for example, assigned a dedicated relationship banker to oversee and support SMMEs, ensuring these businesses receive personalized assistance during crises like load shedding. These bankers maintain close contact with SMMEs, providing tailored guidance, offering timely solutions, and connecting them to available financial and operational support mechanisms. This approach directly reflects the core principles of Stakeholder Theory, which emphasizes that organizations must focus on understanding and addressing the needs of all stakeholders. In this case, the financial institution views SMMEs as critical stakeholders, whose survival and growth are integral to the institution's broader success. The theory suggests that organizations thrive when they prioritize the well-being of their stakeholders (Susnienė and Vanagas, 2006; Nair, 2020). Moreover, it also emphasizes a recognition that financial capital alone is insufficient; survival require partnerships that connect entrepreneurs to knowledge, skills, and adaptive strategies (Beck, Demirgüç-Kunt, and Martinez-Peria, 2008, Ali Qalati et al, 2020; Shava, 2024).

Collaboration has also taken shape through institutional partnerships with external stakeholders. For example, one financial institution reported partnering with the Chamber of Commerce and Industry to deliver awareness campaigns and informational resources that help SMMEs navigate operational challenges during power outages. At a practical level, the same institution has facilitated technical support by helping SMMEs adopt alternative energy systems such as solar panels and generators. Importantly, SMMEs accredited to provide these installations were also integrated into the institution's supplier database, simultaneously ensuring that small businesses receive energy solutions and that other SMMEs gain new growth and supply-chain opportunities.

In another case, a financial institution described its collaboration with the Department of Trade, Industry, and Competition (DTIC) and the Department of Energy in establishing an Alternative Energy Fund. While the fund itself provides financial assistance for energy investments, the respondent emphasized its wider value; it creates linkages between SMMEs and energy solution providers, ensuring that funding is paired with practical implementation support. These insights reflect a growing trend where financial institutions adopt a more developmental and facilitative role, aligning with the conceptual framework's emphasis on stakeholder collaboration and infrastructure support as critical components for SMME resilience during load shedding.

The findings from government respondents highlight a deliberate and regionally responsive approach to supporting SMMEs in KwaZulu-Natal during load shedding. Central to this strategy is the use of Public-Private Partnerships (PPPs), often formalised through Memorandum of Understanding (MOUs), which enable township-based enterprises to access non-financial resources such as training, compliance support, and business development expertise. Government has also streamlined access to critical services through a one-stop shop model, where SMMEs receive assistance with regulatory compliance, verification of ownership, and operational readiness, ensuring that businesses remain both functional and legally sound during disruptions.

Complementing these measures, strategic collaborations with agencies such as the Industrial Development Corporation (IDC) and the Clean Energy Fund have facilitated access to alternative energy solutions, allowing SMMEs to sustain operations despite unstable electricity supply. What emerges strongly from the KwaZulu-Natal context is a government role that is more adaptive and effective compared to other provinces often criticised for inefficiency (Molo, 2019). However, these interventions reveal a sharp spatial divide. Township-based businesses, supported by better infrastructure and institutional presence, benefit more directly, while rural SMMEs remain excluded due to weak infrastructure and geographic isolation. This exclusion not only reinforces structural inequalities, but also validates the study's conceptual framework, which emphasises location as a critical moderator in the success of support measures. Thus, while government initiatives are commendable in strengthening township-based resilience, the findings emphasize the urgent need for spatially inclusive policies to ensure that all SMMEs (urban or rural) can access the resources necessary for survival and growth in the face of load shedding.

When discussing this with SMME owners, a more personal and emotional perspective emerged. Unlike formalized support structures, their strategies were anchored in informal peer networks and a strong ethic of self-reliance. For example, one bakery owner shared how, during load shedding, he and his peers formed an informal network where they supported each other by sharing resources. This collaborative spirit was born out of the understanding that no external entity would come to their rescue, so they had no choice but to act as a collective to survive. The owner's reflection emphasized a sense of community and resilience, showing how the bakery owner, along with his peers, pulled together to find solutions. This sense of self-reliance was reinforced by another owner, who emphasized that most of his businesses are managed by women. He instilled in his team the mindset that the business is their own, that it is their livelihood, and in his absence, they must take initiatives. This ownership mentality extended to their response to load shedding, as the threat of losing their source of income motivated collaboration not as a mere formality, but as a necessary action to ensure their survival. For these SMMEs, the solution was not just about ticking boxes for collaboration, but about understanding the stakes their businesses' survival depended on it. This experience highlights the gap between the formal structures of support, such as PPPs, and the informal, community-based approaches that many SMMEs are relying on in times of crisis. It also emphasizes the importance of strengthening and making formal collaborations more relevant and impactful for businesses on the ground.

In summary, support for SMMEs in KwaZulu-Natal during load shedding is shaped by a blend of financial, government, and community-driven actions. Financial institutions offer personalized guidance and practical energy solutions, government programs provide partnerships and compliance support, while SMME owners rely on informal networks and mutual support. The key lessons are clear; collaboration is essential, location shapes access to support, and grassroots resilience drives survival when formal systems fall short. Together, these findings show that real SMME resilience emerges when formal initiatives and community ingenuity work hand in hand, offering a roadmap for sustaining small businesses through crises

What financial assistance has been provided by both the public and private sectors to SMMEs in KZN to help them cope with power outages?

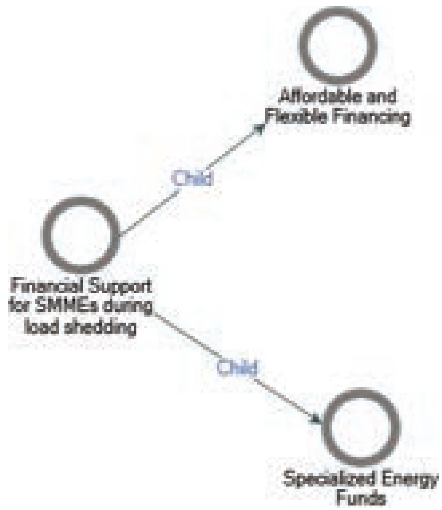

Figure 3: Financial support for SMMEs during load shedding

Source: Developed using NVivo 15

Affordable and flexible financing

While non-financial support plays a critical role in helping SMMEs navigate load shedding, access to financial assistance remains a persistent challenge. The findings reveal a stark reality; three of the four SMME owners reported that they had not accessed any financial support from either the public or private sector during load shedding despite the pressing need. This widespread exclusion points to a systemic failure in reaching the very businesses these mechanisms are meant to empower, reinforcing existing literature that identifies access to finance as a longstanding structural constraint for SMMEs

(Beck & Demirguc-Kunt, 2006; Osano & Languitone, 2016; Quartey et al., 2017; Ramalho et al., 2018). Among the cases in this study, one small business owner in the baking sector stands out. While most struggled during periods of intense load shedding, this owner was able to secure extended overdraft facilities, flexible credit terms, and leniency from suppliers.

What set him apart was his proactive approach; by reaching out directly to his bank, suppliers, and landlords, he communicated the challenges his business faced and worked with them to find solutions. The respondent emphasized that this support was only possible because he took the initiative to ask, stressing, “If you don’t ask, you don’t get.” This proactive engagement was supported by his established trust and credibility with financial institutions, built through a strong track record and consistent profitability. His experience illustrates that access to financial support is not merely about its availability; it depends critically on trust, credibility, and strategic communication. As Thakor and Merton (2024) theorize, trust and trustworthiness are essential for successful borrowing, particularly in contexts where enforcement mechanisms are limited.

The baker’s experience in securing financial support during load shedding illustrates how RDT, Agency Theory, and Information Asymmetry Theory intersect in practice. RDT explains the bakery’s reliance on external actors: banks, suppliers, and landlords to access critical resources needed for survival during power disruptions. However, obtaining this support required more than need; it demanded trust and alignment of interests, as outlined in Agency Theory. The baker, as the agent, proactively reassured principals (banks and suppliers) of his reliability through transparent communication and a proven track record, thereby mitigating concerns about potential default. In doing so, he also addressed the information gaps described by Information Asymmetry Theory, enabling lenders to distinguish his situation from typical high-risk borrowers. By bridging these gaps and demonstrating credibility, the baker strengthened stakeholder confidence, revealing that trust, transparency, and strategic engagement are key to unlocking financial support in uncertain contexts. This experience emphasizes that financial mechanisms alone are insufficient; the ability to convert opportunities into support relies on managerial skill, trust-based relationships, and strategic action, offering a compelling lesson for SMMEs navigating crises. This case reinforces the findings of Martin and Staines (2008) within the context of crisis management, showing that even when financial resources are available, insufficient managerial skills can prevent SMMEs from accessing critical support, thereby increasing their vulnerability to operational disruptions. It also extends Makasi’s (2023) argument by demonstrating that financial resources alone are insufficient without the managerial competencies required to access and apply them effectively.

Respondents from private sector financial institutions in KZN, described a variety of flexible financial measures designed to help SMMEs navigate the challenges of load shedding. One respondent explained that their institution offers a 12-month repayment holiday, giving businesses the breathing space needed to stabilize operations before resuming loan repayments. Another respondent highlighted their commitment to flexible repayment structures, with extended loan terms of up to 84 months (7 years) to keep monthly instalments affordable. Additionally, these institutions have lowered interest rates, with one offering a flat 2 percent rate, significantly below the commercial bank rate, making credit more accessible to struggling businesses.

Beyond traditional financing, financial institutions are increasingly embedding energy resilience into their support strategies; an important shift in response to the ongoing power crisis affecting small businesses. One institution, for instance, has launched an innovative renewable energy program that provides solar panels at discounted prices, helping businesses keep their doors open during load shedding. In a bid to ease financial strain, they also offer affordable access to generators and grant facilities, allowing businesses to adopt power solutions without accumulating additional debt. A standout feature of this initiative is the 50 percent discount on alternative energy products, making them much more accessible to small businesses that would otherwise be priced out. What makes this approach even more inclusive is that it not limited to existing clients; it is marketed broadly to ensure inclusivity, allowing even non-clients to benefit from these critical interventions.

Another respondent shared a different but equally meaningful approach. While also offering discounted energy solutions, this institution places its focus on township and rural businesses, where power disruptions tend to have a more devastating effect. Unlike the first institution, they do not promote generators, citing sustainability challenges linked to fuel dependency and operational costs. Instead, their strategy centres on subsidized solar panels, inverters, and battery storage systems, designed to offer consistent relief without the burden of recurring expenses. This divergence highlights that while financial institutions share a common goal of supporting energy resilience, their approaches differ based on their target markets and cost considerations.

Government respondents also pointed to initiatives such as the Clean Energy Fund, developed through collaboration with agencies like the IDC. With repayment terms of up to 15 years, this fund is specifically tailored to help SMMEs invest in energy-efficient solutions without adding unsustainable financial pressure.

Overall, the findings show that helping SMMEs survive load shedding is not just about making funds available, but about how that support is designed and used. Survival depends on business owners having the skills and credibility to manage funds wisely, while financial institutions and government are becoming more flexible and creative in the help they offer. From repayment holidays and reduced interest rates to affordable solar and backup energy solutions, support is shifting from short-term relief to building lasting resilience. What stands out most is that real progress happens when financing goes hand in hand with trust, strong leadership, and practical solutions that meet the hard realities small businesses face every day.

Specialized energy funds

Specialized energy funds have emerged as an important lifeline for small businesses in KwaZulu-Natal facing the ongoing challenges of load shedding. The Alternative Energy Fund, launched with an initial allocation of R100 million, provides loans of up to R5 million at a flat 2 percent interest rate, enabling SMMEs to invest in renewable energy solutions such as solar panels, inverters, and battery systems. A respondent from the financial institutions group emphasized that this support transforms what was once a crippling vulnerability into an opportunity for operational resilience. This initiative directly addresses the financing challenges identified by Zhang and Sun (2017), who emphasized that SMMEs often struggle to secure funds through traditional channels due to their size, risk profile, and resource constraints.

In addition to the Alternative Energy Fund, the institution has rolled out initiatives like the Furniture Manufacturing Fund and the Manufacturing Competitiveness Enhancement Program, showing a clear commitment to supporting SMMEs through challenging times. However, the respondent highlighted persistent barriers that limit the impact of these programs. Many businesses, particularly in rural and township shopping centres, are unable to install solar panels due to restictions imposed by landlords. Others adopt solar energy solutions temporarily during load shedding but revert to Eskom when power stabilizes, creating a back-and-forth pattern in energy use. This behavior, largely beyond the control of business owners, constrains the effectiveness of financial support and slows progress toward a resilient, energy-efficient ecosystem. It also helps explain the low uptake of alternative energy funding despite its availability.

From a theoretical perspective, this situation aligns with RDT, as it illustrates how business owners rely on external actors (landlords) for access to critical infrastructure, such as solar panels. It also reflects the agency problem, where conflicting interests between landlords (agents) and business owners (principals) create tensions. Landlords may impose restrictions on small business tenants to install solar panels in order to protect their property interests and preserve the long-term value of the asset. This show that even well-designed financial initiatives may fail if external dependencies and conflicting interests are not managed, emphasizing that simply providing funding is not enough without addressing structural and relational constraints. It also reinforces the study's conceptual framework, showing how the regulatory environment moderates outcomes by shaping the feasibility of implementing energy solutions amid legal and property-related barriers.

Government-led interventions in KwaZulu-Natal have complemented private sector efforts by providing targeted financial support to SMMEs affected by load shedding. Programs such as SEDA's "Asset Assist" and the "Powering the Economy" initiative offer significant grants, including R500 million in general support and R200 million specifically for township businesses. Collaborations like the Green Energy Efficiency Fund (GEEF), established with SEDA and the IDC, provide loans of up to R50 million to promote sustainable energy solutions. Additionally, the Township and Rural Entrepreneurship Program (TREP) offers financial backing of up to R1 million, ensuring that marginalized regions are supported. These measures demonstrate a coordinated strategy that not only addresses immediate financial barriers but also fosters long-term resilience, linking funding, resource access, and sustainability to help small businesses navigate ongoing power disruptions.

Overall, the findings reveal that supporting SMMEs during load shedding in KwaZulu-Natal requires more than providing funds; it requires interventions that are practical, accessible, and closely aligned with the realities these businesses face. Even the most well-designed financial programs will fall short if structural constraints such as regulatory or property-related barriers or entrenched operational habits, like reverting to Eskom, prevent effective use of support. True resilience emerges when funding, practical implementation, and strategic engagement by business owners come together, enabling SMMEs to turn financial resources into sustainable solutions for navigating ongoing power disruptions.

Conclusion

In conclusion, this study shows that the survival and resilience of SMMEs in KwaZulu-Natal during load shedding is not achieved by funding or advice alone, but through a combination of practical support, internal capacity, and strong collaborative networks. While information sharing, training, and public-private partnerships provide important formal guidance, their impact is limited unless delivered on time, made actionable, and reinforced with tangible support. On the ground, informal networks and community-driven initiatives play a critical role, as business owners exchange ideas, share resources, and develop practical solutions to everyday challenges. Financial support such as flexible financing options and specialized energy funds is most effective when business owners actively engage with funders, communicate their needs clearly, and demonstrate trustworthiness and competence. Access to funding alone is not enough; SMMEs succeed when they use these resources wisely, apply strong management skills, make strategic decisions, and build trusted relationships with funders.

Recommendations

This study recommends a comprehensive, practical, and forward-thinking approach to supporting SMMEs in KwaZulu-Natal during load shedding. Building on lessons from both formal initiatives and grassroots networks, support programs should be timely, clearly communicated, and tailored to industry-specific needs, with simplified application processes and targeted financial literacy training, particularly for rural and township enterprises to improve uptake. Public-Private Partnerships and community collaborations should provide flexible funding, low-interest loans, and practical energy solutions, such as solar systems and backup power, supported by technical guidance, incentives (e.g., tax benefits and subsidies), and regulatory reforms that promote renewable energy adoption. Initiatives must be proactive and directly helpful, addressing operational needs before crises occur rather than reacting after load shedding exposes vulnerabilities. Entrepreneurs should be encouraged to actively engage funders, demonstrate reliability, and communicate needs transparently to maximize access. Finally, all programs should include monitoring and evaluation mechanisms to ensure they remain relevant, effective, and responsive to evolving challenges in a rapidly changing environment.

Limitations

While this study provides meaningful insights into the support structures available to SMMEs navigating load shedding in KwaZulu-Natal, it is important to recognize its contextual limitations. Conducted in only two urban centres (Durban and Pietermaritzburg), the findings offer a focused yet geographically narrow perspective that cannot fully reflect the diversity of experiences across South Africa. Future research should therefore aim to broaden the geographical scope by including a wider range of cities and rural areas across the country to capture regional differences in access to and experiences with support mechanisms. Expanding the sample size would also allow for deeper comparisons between sectors and stakeholder groups. Furthermore, there is a need for focused investigations into the long-term effectiveness of specific support interventions in fostering SMME resilience during periods of load shedding and other systemic disruptions.

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THE IMPACT OF LOCAL ECONOMIC DEVELOPMENT INTERVENTIONS ON SMALL, MEDIUM AND MICRO ENTERPRISES IN SOUTH AFRICA

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Abstract

This study aimed to evaluate the extent and effectiveness of direct support provided by the Ekurhuleni Metropolitan Municipality (EMM) to Small, Medium and Micro Enterprises (SMMEs), with a particular focus on the level of satisfaction of the entrepreneurs regarding each of these services. The research focused on Local Economic Development (LED) initiatives, examining core support mechanisms deemed critical to SMME support. These included entrepreneurship training, financial literacy and business finance training, sales and marketing development, coaching and mentoring, access to incubation facilities, funding opportunities, and integration into supply chains. A quantitative research design was employed, applying a cross-sectional survey administered to a sample of 117 SMME owners operating within the Ekurhuleni Metropolitan Municipality. Descriptive statistical analysis revealed that most support services received mean scores approximating 3.0, indicating neutral perceptions among respondents, neither affirming strong satisfaction nor expressing significant dissatisfaction. Notably, access to funding emerged as the most deficient area, with a mean score of 2.43, suggesting widespread concern regarding the adequacy and accessibility of financial support mechanisms. In contrast, coaching and mentoring received the highest rating (mean score of 3.03), indicating relatively greater effectiveness and perceived value among the support services assessed. These findings highlight the need for targeted policy interventions that reinforce successful components, such as coaching and mentoring, while addressing critical gaps in funding access and market integration. For policymakers and programme designers, the results offer actionable insights for enhancing the strategic alignment and impact of LED initiatives aimed at strengthening the SMME sector within the Ekurhuleni region.

Keywords: *Local economic development, SMMEs, Ekurhuleni Metropolitan Municipality*

Introduction and Background

Over the past several decades, the development and growth of small businesses have been widely recognised as fundamental drivers of economic growth at both the micro- and macroeconomic levels. Small businesses are frequently described as the backbone of the economy, playing a critical role in poverty alleviation and serving as a key source of employment, particularly in an era marked by widespread corporate downsizing on a global scale (Masutha & Rogerson, 2014; Kelley, Brush, Greene, Herrington & Kew, 2015; Jones & Sakong, 2020; Neumann, 2021; Ramsuraj, 2023; Munyo & Veiga, 2024). In the South African context, the small business sector has, since approximately 1990, been increasingly viewed as a central mechanism for driving economic development (Musara, 2020). Furthermore, the significance of small businesses has been consistently highlighted on global platforms and within local economic development (LED) forums (Mbonyane & Ladzani, 2011), reinforcing their importance in contemporary economic discourse. LED initiatives support the growth, sustainability, and empowerment of SMMEs, which are recognised as critical drivers of economic development and poverty alleviation (Enaifoghe & Vezi-Magigaba,2023).

In South Africa's developmental landscape, there has been a notable acceleration in the growth of small, medium, and micro enterprises (SMMEs), highlighted by significant initiatives such as the establishment of the Department of Small Business Development (DSBD) in 2014 (Masutha & Rogerson, 2014). An analysis of the country's annual budget allocations since the advent of democratic governance reveals a substantial increase in funding for the promotion of small businesses. Fiscal allocations rose from around R100 million during the 1990s to over R1 billion dedicated to Enterprise Development and Entrepreneurship in the 2015 national budget (National Treasury, 2016). In light of the post-1994 Black Economic Empowerment (BEE) policy, it is logical for the government to prioritize support for businesses run by previously disadvantaged South Africans.

Despite the above support, the disappointing success rate of small businesses is well-documented and raises significant concerns. The Small Enterprise Development Agency estimates that as many as 80% of small businesses fail within their first year of operation (Masutha & Rogerson, 2014; National Treasury, 2016; Schutte, 2019). This issue is particularly pressing in the South African context, where the deliberate marginalization of Black South Africans from the mainstream economy prior to the end of apartheid in 1994 has lasting repercussions. The historical exclusion of black individuals from entrepreneurial ventures manifests today in various forms of small business challenges. This study aimed to assess whether the developmental support provided by the EMM had a meaningful impact on SMMEs within the municipal area.

Research Background and Research Problem

The South African government, under its current leadership, has notably surpassed its predecessors in the number of government-led and government-supported initiatives aimed at the development of SMMEs, as well as in the overall financial investment in the SMME sector. For example, beyond the total budget allocated to Small Business Promotion and Development during the 1998/99 period (National Treasury, 2016), the development of SMMEs remains a top priority in South Africa. In his 2015 State of the Nation Address, former President Jacob Zuma introduced a nine-point action plan that focused on the most pressing issues on the government's agenda (The Presidency, 2015). This plan aimed to "ignite growth and create jobs," with a strong emphasis on the development of SMMEs, which is described as a means of "unlocking the potential of SMMEs, cooperatives, townships, and rural enterprises" (The Presidency, 2015:4).

Ekurhuleni ranks as the fourth-largest municipality in South Africa in terms of population, with a total of 3,847,990 residents, which marks an increase of 669,520 individuals since the 2011 population census (City of Ekurhuleni Annual Report, 2020). The Integrated Development Plan (IDP) and budget reviews for 2018/2019 to 2020/2021 highlight that a primary focus area for the EMM is to "Re-industrialise – To achieve job-creating economic growth." This objective includes creating a conducive environment to promote such growth (City of Ekurhuleni IDP Review, 2016:19, 105; 2018; 2019; 2021; 2025). One of the interventions identified in the review plan is to "enhance LED through

Seed Funding (Grant in Aid)" (City of Ekurhuleni Integrated Development Plan 2017/2018:222), with 'SMME support and development' identified as one of the ten priority areas.

From a small business perspective, sufficient evidence exists to demonstrate that SMMEs do not thrive in South Africa's economic environment. In the case of the EMM, and in line with the national agenda, a marked budgetary increase in SMME development can be seen over time (Ekurhuleni Metropolitan Municipality, 2018). However, the problem of SMME failure is a persistent phenomenon and is ubiquitous across South Africa, including the Ekurhuleni Metro and particularly among previously disadvantaged individuals. Thus, even with the increase in spending for SMME development, the EMM has limited published information pertaining to the number of SMMEs developed under their stewardship.

Aim of Study

The aim of the paper was to examine the impact of direct SMME support provided by the EMM and to ascertain whether the support has been a critical success factor in SMME longevity.

The main research question:

- What is the impact of the Local Economic Development (LED) interventions implemented by the Ekurhuleni Metropolitan Municipality (EMM) on Small, Medium, and Micro Enter prises (SMMEs)?

The secondary question:

- Which elements of governmental LED support are most instrumental to SMME growth and development?

Significance of the Study

Currently, the available literature regarding LED in South Africa is very wide-ranging and focuses either on a national overview of LED or, in the case studies available, on municipalities other than the EMM. Where specific EMM-focused studies are available, these instead focus on general LED interventions within the Metro. They do not focus on what the Metro is proactively doing to support local SMMEs, nor do they deliberate extensively on its efforts to provide an enabling environment, fostering the growth of sustainable SMMEs. Information pertaining to this is made available by the EMM in numerous reports, such as the IDP, Growth and Development Strategy (GDS) 2055, Annual Report, etc., and is presumably a non-exhaustive account of the initiatives implemented by the EMM, i.e., the Metro is unlikely to provide details of unsuccessful or failed programmes or list the details of every initiative implemented.

The paper is, therefore, an essential addition to the pool of existing literature currently available on SMME development and dynamics, especially as it pertains to the fourth-largest municipality in South Africa.

Literature review

An overview of the Local Economic Development (LED) approach in South Africa

The developmental mandate of the South African government for its municipalities is deeply embedded in national policy and planning frameworks, which emphasize the creation of enabling environments for inclusive economic and social development (Department of Provincial and Local Government (DPLG), 2006:7). Central to this vision is the National Development Plan (NDP), which calls for a capable and proactive state that can tackle entrenched structural inequalities through coordinated action across national, provincial, and local spheres (National Planning Commission (NPC), 2013). To realize this vision, the NDP highlights the importance of strengthening intergovernmental relations and aligning municipal responsibilities with institutional capacity, particularly by allowing rural municipalities to focus on priority areas rather than being overburdened with broad mandates NPC, 2013).

In this framework, the role of national and provincial governments becomes one of strategic support, providing clear policy guidance and sufficient funding, while local government is tasked with translating these developmental goals into practical outcomes through LED initiatives. The Integrated Development Plan (IDP) process is central to this local implementation, guiding municipalities in identifying and responding to their unique developmental needs. Crucially, the sustainability of LED programmes depends not only on institutional capacity and funding but also on active community participation and local ownership. The perspective above aligns with the critique offered by Cunningham and Meyer-Stamer (2005), who argue for a shift away from traditional, micro-level LED approaches focused narrowly on sector-specific business development. Instead, the authors advocate for a "business-oriented LED" strategy that addresses broader systemic barriers such as bureaucratic red tape, and fosters strategic partnerships with local stakeholders to unlock developmental potential at the macro and meta levels (Cunningham & Meyer-Stamer, 2005:13). Together, these insights reinforce the need for a dynamic and context-sensitive approach to LED, one that empowers municipalities while integrating support from higher spheres of government.

Challenges faced by Small Medium Micro Enterprises (SMMEs).

SMMEs consistently experience disproportionately high failure rates and comparatively lower levels of performance (Bvuma & Marnewick, 2020). A range of interrelated factors has been identified as contributing to these challenges. Firstly, a lack of ICT training limits SMMEs' ability to leverage digital technologies to enhance operational efficiency and market reach (Marnewick, 2014). Furthermore, deficiencies in entrepreneurial leadership skills constrain owners' capacity to make strategic decisions and innovate (Moos & Sambo, 2018). Financial constraints, including limited access to funding and inadequate financial management, remain persistent barriers to growth and sustainability (Umiaduma, 2024; 38 Myeko & Iwu,2019; Moos & Sambo, 2018). This situation is further exacerbated by a widespread lack of financial education, which undermines entrepreneurs' ability to plan, budget, and invest effectively (Mhlongo & Dayay, 2023).

In addition to financial and skills-related challenges, infrastructure constraints such as unreliable utilities, poor transport networks, and inadequate business facilities severely limit operational capacity (Moos & Sambo, 2018). A general shortage of formal training opportunities further weakens the human capital base of many SMMEs while limited access to up-to-date technology restricts innovation and competitiveness (Mhlongo & Dayay, 2023). Compounding these structural and resource-based issues are external threats such as crime and corruption, which not only erode business confidence but also increase operational risks and costs (Myeko & Iwu, 2019). Collectively, these factors illustrate the complex, systemic environment within which SMMEs operate and highlight the need for targeted interventions to support their development and long-term sustainability.

Key Development Areas for Entrepreneurs

In addressing the challenges faced by entrepreneurs, this research identifies five critical areas of development that are essential for enhancing entrepreneurial performance, sustainability, and growth. These areas include: entrepreneurship training, business finance training, sales and marketing training, coaching and mentoring, and access to incubation facilities. They represent a holistic framework for capacity building. Together, they form a strategic foundation for enabling small business owners to respond effectively to both internal business demands and external market dynamics.

Entrepreneurship training serves as a cornerstone for equipping aspiring and existing entrepreneurs with the necessary skills, knowledge, and competencies required to navigate the complex and competitive business landscape (Galvão, Marques, Ferreira & Braga, 2020; McKenzie, Woodruff, Bjorvatn, Bruhn, Cai, Gonzalez-Uribe & Valdivia, 2021). According to Al-Awlaqi, Aamer, and Habtoor (2021), such training significantly enhances entrepreneurs' operational capabilities, enabling them to make informed decisions and manage their enterprises effectively. Moreover, empirical evidence suggests that individuals who undergo entrepreneurial training exhibit higher levels of business commitment and are more likely to sustain and grow their ventures (Meyer & Hamilton, 2020). Beyond technical competencies, entrepreneurship training fosters resilience, innovation, and strategic thinking, traits essential for long-term success and competitive advantage.

Financial literacy is an indispensable element of entrepreneurial development, as it directly influences business sustainability and growth (Baporikar & Akino, 2020). Cant, Wiid, and Hung (2015) underscore that entrepreneurs who possess financial acumen are better equipped to manage cash flow, evaluate investment opportunities, and make strategic financial decisions. As an intangible but vital resource, financial literacy strengthens the foundation of entrepreneurial ventures by promoting accountability, reducing risk, and supporting long-term financial planning. Thus, targeted training in business finance is essential to cultivating financially competent entrepreneurs capable of steering their businesses toward profitability and resilience.

The ability to effectively market and sell products or services is central to entrepreneurial success. Yet, many entrepreneurs lack essential sales and marketing skills (Makhitha, 2016). Proficiency in these areas enables entrepreneurs to understand market dynamics, craft compelling value propositions, and build strong customer relationships. Sales skills drive revenue generation, while marketing expertise facilitates strategic positioning, brand development, and market expansion. Without these competencies, entrepreneurs may face barriers in achieving market penetration and business sustainability. Investment in sales and marketing training is therefore critical for enhancing visibility, competitiveness, and long-term viability

Coaching and mentoring are pivotal for personal growth and leadership development among entrepreneurs. As Tsai and Barr (2021) observe, coaching contributes to enhanced self-awareness, emotional intelligence, and self-efficacy, all of which translate into improved work performance. Mentoring complements this by providing experience-based guidance, helping entrepreneurs to think beyond daily operations and adopt a strategic outlook. Schutte and Steyn (2015) further note that mentorship fosters optimism and goal orientation, which are crucial for envisioning business growth. While coaching often focuses on personalized development over time, mentoring offers more immediate, practical insights rooted in real-world experience (van Coller-Peter & Cronjé, 2020). Together, these interventions enhance entrepreneurial confidence, decision-making, and long-term planning capacity.

Access to business incubation facilities is another critical enabler of entrepreneurial success. Incubators provide structured support that includes coaching, mentorship, networking opportunities, and access to resources such as office space and administrative services. Research by Akpoviroro, et.al (2021) indicates that business incubation has a significant impact on human capital development and contributes to increased sales turnover among start-ups. Importantly, approximately 70% of start-ups that survive beyond their third year have participated in incubation programmes, underscoring their value in reducing early-stage business failure (Akpoviroro, et.al, 2021). Incubation thus plays a transformative role in scaling business ventures and improving entrepreneurial outcomes.

Research Design and Methodology

This section discusses the methodology used in this study. The section explains the population and sample framework that underpins the empirical foundation of the study. It outlines the specific group of individuals targeted for data collection, namely, owners of SMMEs operating within the Ekurhuleni Metropolitan Municipality, and further explains the criteria used to select participants, collect data, and analyse the data.

Research Design

A descriptive survey design was chosen as the most appropriate methodology for achieving the research objectives. Surveys are particularly effective in facilitating the collection of quantifiable data that enables researchers to describe trends, attitudes, and behaviours in a population and generalise findings from a representative sample (Fowler, 2009). Given the study's focus on assessing the impact of LED interventions among SMMEs in the Ekurhuleni Metropolitan Municipality, a survey approach was deemed suitable for gathering data from a relatively large and dispersed target population.

Research Paradigm: Post-positivist paradigm

This study is underpinned by a post-positivist paradigm, which, while grounded in the scientific rigor of traditional positivism, recognizes the limitations of asserting absolute truths in social research. Positivism, as articulated by Walliman (2001; 2019), is rooted in the belief that rational assertions can be scientifically verified or logically proven. In contrast, post-positivism acknowledges the complexity of human behaviour and the inherent uncertainty in social phenomena, thereby accepting that knowledge is imperfect and open to revision (Creswell, 2014).

Research Approach: Quantitative

This philosophical stance informed the selection of a quantitative research approach, specifically through a non-experimental, mono-method research design (Saunders & Tosey, 2013). The cross-sectional nature of the survey allowed data collection to be conducted at a single point in time, providing a snapshot of the current state of LED support and its perceived impact on entrepreneurs.

Data Collection

The primary instrument for data collection was a structured questionnaire, distributed predominantly via online platforms, with supplementary modes including hand-delivered copies and telephonic follow-ups to improve response rates. Questionnaires are widely recognised for their ease of administration, cost-effectiveness, and ability to minimise interviewer bias. They also offer convenience to respondents, who can complete them at their own pace. However, as Kothari (2004) cautions, questionnaires often suffer from low response rates and the risk that the actual respondent may not be the intended participant. The questionnaire utilised a Likert Scale format to measure respondents' perceptions and experiences regarding various LED interventions provided by the EMM. The key variables explored in the survey included: entrepreneurship training, business finance training, sales and marketing training, coaching and mentoring, access to incubation facilities, access to business funding, and supply chain opportunities. These variables were selected based on their strategic relevance to entrepreneurial development and their potential to enhance business performance, sustainability, and growth. Through this structured and philosophically aligned research design, the study aims to provide evidence-based insights into the effectiveness of municipal interventions in supporting SMMEs, thereby contributing to the broader discourse on LED in South Africa.

Population and Sample

The target population for this study comprised all SMMEs registered within the jurisdiction of the EMM at the time of the research. To access a representative portion of this population, the study employed a cluster sampling technique, which allowed for the systematic identification and engagement of SMMEs across distinct clusters of business activity within the EMM region. This method was facilitated through the researcher's strategic access to a network of business development organisations and practitioners, all of whom routinely interact with SMMEs and maintain updated databases containing business names and contact details of registered owners operating within Ekurhuleni.

To ensure the study's relevance to the policy and programme landscape of the EMM, the inclusion criteria specified that only those SMMEs formally registered with the Companies and Intellectual Property Commission (CIPC) and holding a verified business address within the EMM municipal boundary would be considered. This geographic requirement aligns with the EMM's own criteria for eligibility in accessing local government-led development assistance and LED programmes.

Given the variability in definitions of SMMEs across different sectors and policy frameworks, this study adopted a refined and context-sensitive definition. While definitions from sources such as the Wholesale and Retail Sector Report and the Amended B-BBEE Codes of Good Practice typically encompass medium-sized enterprises with annual turnovers ranging between R4.5 million and R50 million, this study intentionally excluded medium enterprises to focus on the challenges and needs of the most financially marginalised groups. By narrowing the scope in this way, the study remains aligned with its overarching objective: to evaluate the effectiveness of EMM's developmental interventions on the most vulnerable segment of the entrepreneurial ecosystem, those whose financial marginalisation places them at the heart of LED policy concerns.

Data analysis

The raw data collected through the questionnaire were systematically analysed using the Statistical Package for the Social Sciences (SPSS) software. A descriptive statistical analysis was conducted to summarize the central tendencies and dispersion of the dataset, including the mean scores, standard deviations, and range values for each variable under investigation. To facilitate interpretation, an initial composite table was presented to provide a holistic overview of all measured variables. Each variable also its own individual table, indicating the level of satisfaction in percentages. Due to insufficient space, the tables are attached as appendices. This structured approach enabled a clear and comprehensive understanding of the data distribution and informed subsequent inferential analyses

Validity and reliability

To assess the validity and reliability of the sample, both the Kaiser-Meyer-Olkin (KMO) Measure of Sampling Adequacy in Table 1, and Cronbach's Alpha in Table 2 were employed. These statistical tools are widely recognized in social science research for evaluating the robustness of survey instruments and the coherence of underlying constructs.

The Cronbach's Alpha coefficient is a key indicator of internal consistency, reflecting the extent to which items within a scale are correlated and thus measure the same latent construct (Gaur & Gaur, 2006). A higher alpha value denotes stronger reliability, with a threshold of 0.70 or above generally accepted as indicative of a reliable scale (Gaur & Gaur, 2006). In this study, the Cronbach's Alpha was calculated at 0.711, as presented in Table 5.16. This result suggests that the nine items included in the scale demonstrate acceptable internal consistency, making the instrument suitable for further analysis and interpretation. Complementing this, the KMO value was recorded at 0.601, which falls within the 'mediocre' range according to KMO classification (Yong & Pearce, 2013). While not exemplary, this value still meets the minimum threshold for proceeding with exploratory factor analysis, indicating that the sample size and item correlations are sufficiently adequate. Additionally, Bartlett's Test of Sphericity yielded a statistically significant result ($p < 0.001$), confirming that the correlation matrix is not an identity matrix and that factor analysis is appropriate.

Together, these metrics affirm that the data possesses moderate construct validity and acceptable reliability, supporting its use in examining the underlying dimensions of the research instrument. Further refinement of items or expansion of the sample may enhance these psychometric properties in future iterations. Together, these tests confirm the methodological appropriateness of factor analysis for this study. By applying this technique, the research was able to extract meaningful dimensions from the data, thereby enhancing the interpretive power of the findings and advancing the study's broader aim: to critically evaluate how effectively EMM's interventions address the developmental needs of small businesses. This forms a vital link in understanding the strategic alignment (or misalignment) between policy implementation and the lived realities of financially marginalised entrepreneurs in the EMM.

Table 1: KMO and Bartlett's Test

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.601
Bartlett's Test of Sphericity	Approx. Chi-Square	67.162
	df	21
	Sig.	.000

Source: By Researcher

Table 2.: Cronbach's Alpha

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.711	.714	19

Source: By Researcher

Findings and discussions

General Overview of Table 3

The table presents descriptive statistics reflecting respondents' perceptions of various Entrepreneurial Management and Mentorship (EMM) support services, with a sample size ranging from approximately 116 to 117 participants. The services assessed include different forms of training, coaching and mentoring, access to funding, incubation facilities, and supply chain opportunities. The statistical measures reported are the mean (average rating), median (middle score), mode (most frequently occurring score), and standard deviation (indicating variation in responses). In addition, the table provides the range, minimum, and maximum values to illustrate the spread of responses. The measurement scale used is a five-point Likert scale, where 1 represents strong disagreement and 5 represents strong agreement.

The Key Findings by Variable in Table 3

Table 3: EMM – Overall Descriptive Values

Statistics

		EMM Entrepreneurship Training	EMM Business Finance Training	EMM Sales and Marketing Training	EMM Coaching and Mentoring	EMM Access to business incubation facilities	EMM Access to business funding e.g. loans or grants	EMM Supply Chain opportunities (direct procurement)
N	Valid	116	116	116	116	116	117	117
	Missing	1	1	1	1	1	0	0
Mean		2.98	2.97	2.89	3.03	2.96	2.43	2.81
Median		3.00	3.00	3.00	3.00	3.00	2.00	3.00
Mode		3	3	2	2	2	3	3
Std. Deviation		1.351	1.315	1.317	1.233	1.367	1.132	1.137
Range		4	4	4	4	4	4	4
Minimum		1	1	1	1	1	1	1
Maximum		5	5	5	5	5	5	5

EMM Entrepreneurship Training

The results show that the mean score for entrepreneurship training is 2.98, which is approximately neutral, while the median and mode are both 3, further indicating a balanced midpoint in responses. The standard deviation of 1.351 suggests a moderate spread of opinions, reflecting that while some respondents rated the training positively, others expressed less favorable views. Overall, these results suggest that respondents hold a neutral perception of the effectiveness and availability of entrepreneurship training, with opinions somewhat divided.

EMM Business Finance Training

The findings for business finance training indicate a mean score of 2.97, with both the median and mode at 3, suggesting that respondents generally hold a neutral perception of this support service. The standard deviation of 1.315 reflects moderate variation in responses, pointing to mixed experiences among participants. Similar to entrepreneurship training, the results highlight that while some respondents may view business finance training as effective, others are less satisfied, resulting in an overall neutral evaluation.

EMM Sales and Marketing Training

For sales and marketing training, the mean score is 2.89, which falls slightly below neutral, while both the median and mode are 3, indicating that the central tendency of responses remains balanced. The standard deviation of 1.317 shows a moderate level of variation in participants' views. Compared to other training areas, perceptions of sales and marketing training appear slightly weaker, suggesting some level of dissatisfaction or a perceived lack of adequate support in this area.

EMM Coaching and Mentoring

The results for coaching and mentoring show a mean score of 3.03, the highest among all the interventions, with a median of 3.00 and a mode of 2. The standard deviation of 1.233 indicates slightly less variability in responses compared to other areas. While the overall average remains neutral, coaching and mentoring are viewed more positively than other forms of support. However, the mode of 2 suggests that many respondents rated it below neutral, pointing to a split between those who found the intervention beneficial and those who did not, resulting in a balanced but divided perception.

EMM Access to Business Incubation Facilities

The results for access to business incubation facilities indicate a mean score of 2.96, reflecting a neutral overall perception, with a median of 3.00 and a mode of 2. The standard deviation of 1.367 suggests relatively high variability in responses, showing that participants' views on this service differ considerably. While the average rating remains neutral, the mode of 2 reveals that many respondents rated access to incubation facilities below neutral, indicating that a significant portion of participants may perceive this support as limited or inadequate.

EMM Access to Business Funding (e.g., Loans or Grants)

Access to business funding, such as loans or grants, received the lowest rating among all the support services, with a mean score of 2.43, a median of 2.00, and a mode of 2. The standard deviation of 1.132 indicates moderate variability, but the central tendency clearly leans toward disagreement. These results show that respondents largely perceive access to funding as inadequate, with most expressing dissatisfaction regarding its availability and effectiveness. This finding highlights a critical weakness in the support system, as limited access to financial resources poses a significant barrier to entrepreneurial growth and sustainability.

EMM Supply Chain Opportunities (Direct Procurement)

The results for supply chain opportunities through direct procurement show a mean score of 2.81, which is slightly below neutral, with both the median and mode at 3. The standard deviation of 1.137 indicates moderate variability in responses. Overall, these findings suggest that respondents hold neutral to slightly negative perceptions of the procurement opportunities available, reflecting limited satisfaction with this form of support.

Discussions and Recommendations

Neutrality

The findings of this study show critical insights into the effectiveness and limitations of the EMM's business development support services for SMMEs. Overall, the results indicate that most support services are rated around a mean score of 3, reflecting neutral perceptions from respondents and showing neither strong endorsement nor outright rejection. This neutrality suggests that while the services are present, there is considerable room for improvement by the municipality.

Entrepreneurship Training, sales and marketing, and business finance,

Notably, the levels of satisfaction among entrepreneurs regarding core training areas, entrepreneurship, sales and marketing, and business finance, remain low, with only 35.1% of respondents expressing satisfaction. Furthermore, these training interventions demonstrated a weak correlation with the ability of business managers to contribute meaningfully to job creation, raising concerns about the overall impact of these initiatives. This is particularly disconcerting given the literature's emphasis on the importance of such support mechanisms for SMME sustainability (Dladla & Mutambara, 2018). These challenges are not unique to the EMM region but are reflective of broader national trends that hinder small business growth across South Africa (Chimucheka, 2013).

Financial Support and Coaching and mentoring

The weakest area identified is access to funding, which received the lowest mean score of 2.43, with most respondents disagreeing about its adequacy. As widely acknowledged in the literature, limited access to finance remains a persistent and universal constraint facing SMMEs (Chimucheka, 2013), impeding both survival and scalability.This lack of financial support represents a major barrier to entrepreneurial growth and has the potential to undermine the effectiveness of other interventions. On the other hand, coaching and mentoring emerged as the strongest area, with the highest mean score of 3.03, suggesting that it is relatively more effective compared to other support services. While often conflated, coaching and mentoring each offer unique benefits through tailored one-on-one guidance aimed at enhancing managerial and strategic capacity (Zilwa, 2020). These interventions are especially critical for SMMEs that typically lack institutional knowledge and experience. By facilitating problem-solving, strategic planning, and opportunity recognition, coaching and mentoring can significantly enhance the developmental trajectory of emerging businesses. Policymakers and program designers can therefore build on the relative success of coaching and mentoring while prioritizing improvements in funding access and market opportunities to create a more balanced and impactful support system.

Business incubation

Similarly, although business incubation is recognised for its integrative support services,networking, infrastructure, and advisory assistance, the uptake and satisfaction levels in the EMM context remain relatively low. Only 37.9% of participants expressed satisfaction with incubation support. Research by Masutha and Rogerson (2015) and Rens, Iwu, Tengeh & Esambe (2021) affirms the potential of incubation to bolster business resilience, especially in resource-constrained environments. Indeed, incubators can serve as vital ecosystems that mitigate early-stage failure and foster long-term sustainability (Lose & Khuzwayo, 2021).

Access to supply chain support

Another area of concern is the low satisfaction with access to supply chain opportunities, with only 28.2% (n=33) of respondents indicating satisfaction. In the current economic landscape, firms no longer compete as isolated entities but as part of interconnected supply chains. As Kot, Haque, and Baloch (2020) argue, success depends on a firm's ability to integrate effectively within these networks. For SMMEs, robust supply chain participation can facilitate procurement, sales, and delivery processes while reducing operational disruptions.

Recommendations

The study's findings lead to several strategic recommendations.

First, addressing the finance gap requires a collaborative effort between policymakers and financial institutions. By promoting inclusive financial policies and launching tailored funding schemes, stakeholders can enhance financial literacy and access to capital for SMMEs. Such interventions must be supplemented with continuous capacity-building efforts and robust financial management training.

Second, improved coaching and mentoring structures should be institutionalised within LED frameworks. By distinguishing between these two forms of support and professionalising their delivery, municipalities can ensure that entrepreneurs receive relevant and impactful guidance.

Third, the design and expansion of business incubation facilities must be prioritised, with an emphasis on inclusivity and accessibility. These facilities should support not only tech-based or high-growth ventures but also informal and micro-enterprises that dominate the South African entrepreneurial landscape.

Fourth, enhancing access to supply chains is imperative. Local governments should foster linkages between SMMEs and larger corporations through procurement policies, supplier development programmes, and digital platforms that facilitate matchmaking and visibility.

Lastly, the effective implementation of LED policy remains a work in progress. For this reason, municipalities must adopt multi-pronged, adaptive strategies that incorporate diverse local realities. Focus should be placed on sectoral development in areas such as manufacturing, creative industries, tourism, and crafts, particularly in regional clusters that can stimulate broader community empowerment and innovation.

In conclusion, while the EMM has taken notable steps to support SMMEs, significant gaps remain. Bridging these gaps requires strategic alignment between government departments, private sector stakeholders, and the communities they serve. A more nuanced and contextually grounded approach to LED will be vital in realising the developmental potential of SMMEs and catalysing inclusive economic growth.

Limitations of the study.

While this study offers valuable insights into LED support for SMMEs within the EMM, several limitations must be acknowledged. These limitations shape the scope of the findings and contextualise the applicability of the results.

Secondly, the sample size comprised a relatively small number of SMMEs. While this allowed for a more focused and manageable exploration of experiences and perceptions, it limits the representativeness of the findings. Notably, the study's respondent profile did not reflect the Economically Active Population (EAP) statistics for the Gauteng Province, indicating a gap in demographic coverage that future research could address.

Despite these constraints, the study lays a critical foundation for understanding the role of LED in enabling SMME development. It also reinforces the need for an integrated and inclusive approach to economic development, one that acknowledges localised challenges while contributing to the broader national agenda of fostering resilient, opportunity-rich environments for small businesses. Expanding the scope of future research to include a broader range of municipalities and a more demographically representative sample would enrich this understanding and support the development of more nuanced, context-responsive LED strategies.

Future Research and Concluding Remarks

Based on the key findings derived from this study, it is evident that while certain aspects are novel, there remains a lack of clarity among them. Consequently, the results are somewhat ambiguous and warrant further investigation. One notable observation is that LED is primarily confined to numerous small-scale projects, rather than being integrated into larger initiatives or directed toward addressing the fundamental structural challenges faced by small-town economies. Furthermore, in many cases, LED is perceived as unsustainable and largely dependent on continuous funding from higher levels of government. A more significant impact on local economies could be achieved if municipalities incorporated LED as a fundamental component of their service delivery and economic functionality. Future research could focus on the effects of privately managed Enterprise Development initiatives and how they compare to government programs in relation to the sustainability and growth of SMMEs, as these elements are crucial for meaningful job creation and overall economic success. Additionally, it may be beneficial to explore the LED support programs and initiatives of a broader array of municipal regions across South Africa, particularly in relation to promoting SMMEs, to identify the factors that are most likely to foster successful LED operations by consolidating ideas and practices that yield the desired outcomes.

Conclusion

This study examined the role of LED in supporting SMMEs within the EMM. The findings reveal that LED efforts are often fragmented, project-based, and not fully integrated into broader municipal strategies, limiting their impact on structural economic challenges. Additionally, many initiatives lack sustainability due to reliance on external funding and insufficient local ownership.

While the study's limited scope restricts generalisability, it highlights the need for further research into more integrated, sustainable, and scalable models of SMME support, particularly through comparisons between public and privately managed enterprise development programmes. For LED to truly drive inclusive economic growth, municipalities must embed it as a strategic function central to service delivery and local economic planning.

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Appendix 1: Results per variable

EMM Entrepreneurship Training

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Completely dissatisfied	19	16.2	16.4	16.4
	Somewhat dissatisfied	27	23.1	23.3	39.7
	Neither satisfied nor dissatisfied	29	24.8	25.0	64.7
	Somewhat satisfied	19	16.2	16.4	81.0
	Completely satisfied	22	18.8	19.0	100.0
	Total	116	99.1	100.0	
Missing	System	1	.9		
Total		117	100.0		

Table 4.3: EMM – Business Finance Training Descriptive Statistics

EMM Business Finance Training

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Completely dissatisfied	19	16.2	16.4	16.4
	Somewhat dissatisfied	24	20.5	20.7	37.1
	Neither satisfied nor dissatisfied	34	29.1	29.3	66.4
	Somewhat satisfied	19	16.2	16.4	82.8
	Completely satisfied	20	17.1	17.2	100.0
	Total	116	99.1	100.0	
Missing	System	1	.9		
Total		117	100.0		

Table 4.5: EMM – Sales and Marketing Training Descriptive Statistics

EMM Sales and Marketing Training

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Completely dissatisfied	21	17.9	18.1	18.1
	Somewhat dissatisfied	28	23.9	24.1	42.2
	Neither satisfied nor dissatisfied	26	22.2	22.4	64.7
	Somewhat satisfied	25	21.4	21.6	86.2
	Completely satisfied	16	13.7	13.8	100.0
	Total	116	99.1	100.0	
Missing	System	1	.9		
Total		117	100.0		

Table 4.6: EMM – Coaching and Mentoring Descriptive Statistics

EMM Coaching and Mentoring

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Completely dissatisfied	11	9.4	9.5	9.5
	Somewhat dissatisfied	35	29.9	30.2	39.7
	Neither satisfied nor dissatisfied	28	23.9	24.1	63.8
	Somewhat satisfied	24	20.5	20.7	84.5
	Completely satisfied	18	15.4	15.5	100.0
	Total	116	99.1	100.0	
Missing	System	1	.9		
Total		117	100.0		

Table 4.7: EMM – Access to Incubation Facilities Descriptive Statistics

EMM Access to business incubation facilities

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Completely dissatisfied	21	17.9	18.1	18.1
	Somewhat dissatisfied	27	23.1	23.3	41.4
	Neither satisfied nor dissatisfied	24	20.5	20.7	62.1
	Somewhat satisfied	24	20.5	20.7	82.8
	Completely satisfied	20	17.1	17.2	100.0
	Total	116	99.1	100.0	
Missing	System	1	.9		
Total		117	100.0		

Table 4.8: EMM – Access to Business Funding Descriptive Statistics

EMM Access to business funding e.g. loans or grants

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Completely dissatisfied	30	25.6	25.6	25.6
	Somewhat dissatisfied	31	26.5	26.5	52.1
	Neither satisfied nor dissatisfied	38	32.5	32.5	84.6
	Somewhat satisfied	12	10.3	10.3	94.9
	Completely satisfied	6	5.1	5.1	100.0
	Total	117	100.0	100.0	

Table 4.9. : EMM – Supply Chain Opportunities Descriptive Statistics

EMM Supply Chain opportunities (direct procurement)

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Completely dissatisfied	17	14.5	14.5	14.5
	Somewhat dissatisfied	29	24.8	24.8	39.3
	Neither satisfied nor dissatisfied	38	32.5	32.5	71.8
	Somewhat satisfied	25	21.4	21.4	93.2
	Completely satisfied	8	6.8	6.8	100.0
	Total	117	100.0	100.0	

AN EXAMINATION OF FACTORS CONTRIBUTING TO POOR STAFF PERFORMANCE IN A LOCAL GOVERNMENT LEGISLATURE IN JOHANNESBURG

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Abstract

Poor performance in local government can significantly affect service delivery, particularly in departments tasked with essential public functions. This study examines the systemic and structural factors that lead to poor performance in a local government legislative branch, emphasising employees' experiences and motivations.

The research utilised a qualitative case study approach, conducting open-ended individual interviews to investigate staff perceptions of their work environment, management methods, and organisational culture. Findings indicate multiple pressing problems that negatively influence performance: an unfavourable work environment, limited employee participation in decision-making, ineffective communication between staff and management, inadequate provision of tools and resources, lack of recognition for outstanding performance, and ineffective leadership. These difficulties cumulatively impede morale and productivity.

The study reveals a significant gap in the current literature, specifically the absence of qualitative research about staff performance in South Africa's local government, especially in the legislative and administrative sectors. Prior research has concentrated on national institutions and quantitative measures, neglecting the complex reality of provincial employees. This research enhances comprehension of how internal organisational dynamics influence performance in bureaucratic environments by recording employee viewpoints.

The study concluded that internal deficiencies—particularly ineffective leadership and discriminatory decision-making—are fundamental to poor performance. Employees hold significant insights regarding their positions, and their exclusion diminishes morale and efficacy. Anticipating employees to execute tasks without sufficient resources or assistance is inequitable and detrimental. The study recommends establishing a systematic rewards and promotions policy, formulating a transparent communication strategy inclusive of staff participation, and enhancing management skills to cultivate

a supportive and adequately resourced workplace.

Keywords: *Poor Performance, Staff Motivation, Leadership, Communication, organisational culture and conduciveness*

Investigating Poor Performance of Staff in a Local Government Legislature

Introduction

Performance in an organisation is the ability of an organisation to deliver on the objectives set by the organisation itself (Nikoloas, 2019:94 & Adewusi, Ewim, Kaggwa, & Uwaoma, C, 2023). Performance can refer to the organisation's overall achievement level and its various departments (Nel, Werner & Botha, 2014). Poor performance can be detrimental to the success of the organisation. Most organisations which underperform do not succeed in business. In the case of a sphere of government, not succeeding has dire effects on the people the government serves (Fourie et al., 2017). A failure of a department within the municipality can cause millions or even billions of rands in tax payers' money to be wasted. In most instances, government departments are not self-sufficient without a human element; hence, the human element must perform at an optimal level. When referring to the human element, we refer to staff. Therefore, poor staff performance gravely affects government departments because of staff's reliance within the government sector.

Following the implementation of the new governance model and administration within the City of Johannesburg Metropolitan Municipality (COJ) Legislature, there has been a significant decrease in staff performance (Mashaba, 2017). Chairpersons, as the Legislature's principal internal clients, have officially expressed concerns with the insufficient help provided by staff, especially concerning committee operations. The complaints indicate that staff are inadequately executing their duties, adversely impacting the performance of both Chairpersons and their committees. This issue is additionally evident in the compliance register, which indicates recurrent failures to adhere to deadlines for submitting reports, minutes, and other committee-related responsibilities (Mashaba, 2017). For instance, whereas minutes are anticipated within three business days, over fifty per cent of the staff frequently fail to meet this deadline. Staff members frequently exhibit poor performance during diverse committee operations, leading to an incapacity to deliver timely and high-quality outputs. This ongoing deficiency in performance not only hampers the operation of the committees but also adversely affects the Legislature as a whole (Mashaba, 2017).

Background and rationale

The COJ Council is split into three different Arms of Council, which are the

1) Executive Arm of Council (Executive)
2) Legislative Arm of Council (Legislature)
3) Judicial Arm of Council (Municipal Courts)

The role of the Legislature is to oversee the work of the Executive, provide public participation platforms for the public and create, review and adopt by-laws for the COJ (Maoni, 2013). In fulfilling these roles, the Legislature has been split into three directorates: Legislative and Oversight, Stakeholder Relations Management and Institutional Support Directorates. The Legislature and Oversight Directorate (LO) has been tasked with the functions of supporting the Legislature's Council and Committees through a team of committee and council support staff, who are allocated to provide administrative, logistical, secretariat and strategic support to the Legislature Council and its various

Committees. The core business of the Legislature resides in the support of Council and Committees (Maoni, 2013).

A failure to support the Council and Committees would result in the ultimate failure of the Legislature and the collapse of the COJ system. The council and its various committees are the platforms whereby all decisions and COJ business are discussed, approved, and handed over to the executive for implementation. A failure of the Legislature to properly function would prevent the Executive from performing, and ultimately, a failure of the whole COJ. Therefore, the Legislature and LO must function optimally, effectively, and efficiently so that the COJ can serve the public (Maoni, 2013).

On several occasions, LO and the Legislature have not performed specific tasks, resulting in the COJ failing to perform certain public services (Mashaba, 2017). Upon further investigation, it was discovered that the LO staff had a record of ongoing poor performance and a decline in performance (Mashaba, 2017).

Problem statement

Staff performance is pivotal to an organisation's capacity to achieve its goals and maintain operational success (Nikoloas, 2019; Nel, Werner & Botha, 2014). In the public sector, poor performance can result in significant repercussions, such as failures in service delivery and financial losses (Fourie et al., 2017). The City of Johannesburg Metropolitan Municipality (COJ) Legislature has experienced a decline in staff performance, especially within the Legislative and Oversight Directorate, which has hindered committee activities and undermined institutional effectiveness (Mashaba, 2017). Ongoing non-adherence to administrative deadlines and insufficient assistance to Chairpersons have elicited apprehensions regarding the Legislature's ability to execute its mandate (Maoni, 2013). This study examines the urgent need to fully understand and tackle the systemic and human resource difficulties impacting performance in municipal government.

Based on the above-mentioned problem statement, the following research question was formulated: What causes poor performance amongst the staff in the City of Johannesburg Metropolitan Municipality Legislature?

To guide the investigation and address the identified problem, the study outlines the following primary and secondary objectives:

- To investigate the effects of the lack of **staff motivation** on the poor performance in the Leg islature
- To determine the influence that a lack of l**eadership and communication** has on poor perfor mance in the Legislature
- To investigate the effects of **organisational culture** on the performance and attitudes of em ployees
- To define the effects of the lack of **conduciveness** in the organisation on the poor perfor mance in the Legislature

Literature review

The literature review examines various interconnected aspects that significantly impact staff performance in public sector organisations. Staff motivation is crucial, and universally acknowledged as a driver for productivity and engagement (Gede & Huluka, 2024).

Leadership and communication are essential elements that influence the organisational climate and dictate the efficacy of managerial methods. Organisational culture, comprising shared values, conventions, and behaviours, is crucial in cultivating employees' sense of belonging and accountability (Nandasinghe, 2020). The suitability of the work environment—characterised by resource availability, physical conditions, and psychological safety—directly influences employees' capacity to execute their responsibilities effectively. Collectively, these elements establish a fundamental paradigm for comprehending performance dynamics inside bureaucratic environments.

Staff Motivation

In further breaking down what constitutes staff motivation, it must be understood that it can be categorised into internal and external motivation. The main factors of internal motivation are encouragement and growth, and the main factors of external motivation are remuneration and company benefits.

"Motivating employees to perform to their maximum potential is the responsibility of an organisation. In today's economy, many companies no longer have the luxury of using money as a motivational tool" (Profile International, 2016). Further, Profile International emphasises that encouraging employees is possible through dialogue. Encouraging employees is essential to an organisation's dialogue to maintain high motivation levels.

"For employees who may not be as 'company-focused' as others, personal growth opportunities are more motivating than money" (Profile International, 2016). In an organisation, people also look out for what would benefit them as individuals; factors such as remuneration and company benefits play an important role in ensuring that people are favoured with materialistic benefits (Paulus, 2023). Remuneration might be the most significant factor in an organisation aiming to motivate its employees. "An effective remuneration, especially the compensation package, will result in attracting, retaining and motivating the employees" (Wilfred et al., 2014, p. 224).

Although the remuneration and salary component is the most significant factor of motivation in an organisation, the company benefits contribute to social security, health security and all other non-financial securities (Paulus, 2023) "Whether it is a good health plan, childcare, transportation, a fitness centre or free lunch on Fridays, benefits make people's lives easier and better. They feel appreciated and cared for, leading to increased loyalty and willingness to go the extra mile" (Biro, 2014). Findings from the study emphasised that company benefits appeared to be one of the primary ways of motivating an employee through indirect financial assistance.

Leadership and Communication

Leading the influence of others through motivating and communicating to inspire and work towards a specific objective within the organisation. (Hellriegel, 2012:9). Several factors are key towards successfully leading organisations to achieve their objectives.

- Leadership inspires people to work together to achieve a common objective (Hellriegel, 2012, p. 396).
- Trust refers to a situation where one person or party is willing to rely on another person or party in a specific situation (Hansen et al., 2011). Therefore, in a leadership context, trust is the employees' confidence in their leaders in certain situations.

The relay of information from one person or entity to another is communication. From a leadership perspective, communication is important from management to employees and vice versa (Hellriegel, 2012, pp. 440-450). Information refers to data, processed data or messages within a business. Information from a leader's perspective is important in communication within the organisation.

Organisational Culture

The values, beliefs, traditions, common understanding, laws and characteristics of a group can be called a culture. Similarly, organisations can develop certain cultures amongst their employees and organisation, which is known as an organisational culture (Hellriegel, 2012, pp. 505 - 516).

Conduciveness

A conducive work environment refers to the ability of the organisation to nurture, promote and sustain a stable work environment whereby employees can function according to the expectations of what is expected of them to deliver. A conducive work environment is essential for employees to feel satisfied and thus be more productive (performance-driven) and stimulated (Noah et al., 2012, pp. 36-43). Furthermore, the conduciveness of the work environment directly impacts the employees' productivity. The more conducive the work environment is, the better production and performance of the employees would be; the less conducive the organisation and environment are, the lower performance and productivity would therefore be (Noah et al., 2012). A conducive work environment consists of these fundamental factors:

- Transparency and Openness
- Work-Life Balance
- Training and Development Focus
- Recognition and Reward
- Team Spirit

Staff Motivation

A research article published in the International Journal of Advances in Management and Economics (IJAME) explains that staff motivation is the ability of an organisation to provide a sustainable reason for employees to provide services to the organisation, over and above other organisations offering similar packages to employees (Kiruja & Mukuru, 2018). The research article studies the effects of staff motivation on staff performance. The article proves that a positive relationship exists between staff motivation and performance. The various factors of staff motivation are explained as encouragement, growth, remuneration and company benefits. The article used closed-ended questionnaires in a specific industry, and the research findings showed that staff motivation factors influence employee performance (Kiruja & Mukuru, 2018).

Leadership and Communication

Leadership can be described as the influence which one person has over another person or a group of people (Asrar-ul-Haq & Kuchinke, 2016: 56). Three leadership styles are dominant in organisations today,

i. A Transformational Leader, who assists employees to achieve expectations
ii. A Transactional Leader, which rewards employees when they achieve an expectation
iii. A laissez-faire Leader, who avoids most confrontations and does not possess good leadership traits

The research study concluded that employees are most productive and perform the best when the organisation's leaders have transformational leadership qualities, which include a visionary leader, motivating through inspiring, charismatic, trust and respect (Asrar-ul-Haq and Kuchinke, 2016).

Communication refers to the contact within the organisation, between the organisation, employees and management (Raza et al, 2017). Communication in an organisation should be a two-way medium between people within the organisation. In a research article published in the International Journal of Business, Information and Management, a study was conducted to analyse the effects of communication on employee performance. The findings were that workplace communication was important to an organisation and effective communication positively impacts employee performance (Raza et al., 2017).

The Organisational Culture

Organisational culture is the mixture and convergence of values, beliefs and assumptions shared and followed by an individual or group of individuals within an organisation (Nazarian et al, 2017, p. 23). An analysis was done on the construction industry in Nigeria (Oyewobi et al., 2016). It was discovered that the lack of an effective organisational culture negatively impacts the projects and deliverables from the organisation, which indicates that the organisation is not optimally performing. Hence, the employees are not optimally performing.

Conduciveness

"A conducive work environment stimulates the creativity of workers, eradicates the problem of psychological pains of the workers, stress and ill health of workers; it ensures the well-being of employees, which invariably will enable them to exert themselves in their roles with all vigour that may translate to higher productivity. A conducive work environment gives employees a pleasurable experience and enables them to actualise their abilities and behaviour" (Taiwo, 2010, p. 301). Taiwo's findings further explain in the research paper on Nigeria's oil and gas industry that a conducive work environment should contain basic infrastructural facilities, job-related pressures, the relationship with management and co-workers, and the residential location of the workers and organisation (Taiwo, 2010).

After completing the literature review, a conceptual diagram was created to visually illustrate the relationships among the key variables identified in the study.

Adapted from (Asrar-ul-Haq & Kuchinke, 2016). (Paulus, 2023), (Nazarian et al, 2017:23) & (Taiwo, 2010).

Methodology

This study employs a qualitative research approach to examine the organisational and human resource elements that lead to poor staff performance within the City of Johannesburg Metropolitan Municipality (COJ) Legislature. Due to the intricate and context-dependent characteristics of performance issues—especially within the Legislative and Oversight Directorate—a qualitative case study design was considered suitable to document employees' experiences, views, and motivations. The study utilises open-ended, individual interviews to produce detailed data that accurately represent the complex realities of staff involvement and operational difficulties within a bureaucratic environment. This methodological choice corresponds with the study's aim to identify systemic challenges and provide practical solutions for enhancing performance.

Further details of how the study would be conducted are below:

a) **Research Design**
The study will be conducted on staff within the Joburg Legislature (population). As all the staff members come from various ethnicities and perform various functions, there would be a mix of ethnic groups from various locations around the City of Joburg. However, the bearing of the study is not based on ethnicity; it would not be relevant to select a sample which is ethnically proportionate to the population.
The study would be conducted on only one organisation and would also be done once within approximately 2 months (one period over a duration of 2 months). The study design appropriate for this research is a Case Study Design (using inductive methods).

b) **Site Selection, Population and Sample**
As the site for the Joburg Legislature is primarily based in Braamfontein, the Metro Centre Building would be the site used. The Legislature staff based in other regions are irrelevant, as the people providing the poor services to the Chairpersons are also based in the Braamfontein site.
As the population is the staff within the Joburg Legislature, the sample would be selected from the relevant staff members located at the site. It would also be in the best interest to select the specific staff members directly relevant to the problem being experienced; these are the staff who serve the Section 79 Chairpersons, the Joburg Legislature's Committee Coordinators and Researchers. Therefore, the sample would be selected from the population using a convenient, non-probability sampling method.

c) **Data Collection, Analysis and Sampling Technique**
The data extracted from the sample are the experiences and perceptions of the staff; therefore, it is necessary to hold individual open-ended interviews. This will enable the researcher to analyse various responses, transcribe and code the information for analysis. Once the data is collected and analysed, the responses would be captured per participant, then further broken down into the various categories as outlined below. One the data is captured, it will be coded and each code word used would be broken down into various positive or negative categories in order to determine which are the predominant factors hindering performance within the Joburg Legislature. The data will be captured into a Microsoft Excel Spreadsheet which will assist in identifying repeated words, phrases and analysing the repeated words. A report with findings and recommendations would be completed based on the data analysis. The report would also be made available to the participating organisation.

Participant Number	Catagorised Factor	Positive Words	Code	Negative Words	Code
1	Motivation	Studies	MTVSTD		
	Leadership and Communication	Decisive	LACDCV		
	Organisational Culture	Goal Driven	OCGD		
	Conduciveness	Independent Workspaces	CONDIW		

Example of the Data Collection/Analysis Method

Figure 2: Example of the possible data collection and analysis table

At the end of all of the interviews and data collection a count of the codes used will be done and various graphs will be created to compare the most common problems, themes identified. The findings will be determined from the analysis and a management report would be done, inclusive of the findings and possible recommendations.

Conceptualisation of methodology

Main Concept	Sub Concept	Practical Application
Paradigm and Nature of the Research	Interpretivism Approach	The research study is aimed at identifying and exploring the way a specific social phenomenon affects the natural and real world, which is identified as the organisation in question.
	Qualitative Study	The research study will acquire the perceptions and even the emotions and feeling of employees within an organisation. The vast range of perceptions, emotions and feelings cannot be quantified into several categories and therefore the study should be a qualitative study in nature.
Research Design	Link to the Nature of the Research	The area of research related to this study revolves around employee performance in an organisation. The organisation is local government related and can be classed as government sector. The research study homes in on social perceptions and views of employees.
	Link to the Real World application	Although there have been no quantitative studies performed on this specific problem, one of the references relates to the performance report of the department and municipality. This alludes that the problem statement as highlighted earlier has been to be real and ongoing problem in the organisation.
	Descriptive Research	The research study will also be focused on the description and identification of the problem. Probing into where the root cause of the problem originates from through the perceptions of the employees of the organisation. Therefore, the research study would be descriptive in nature, in identifying the problem.
	Case Study	The study will be conducted over a duration of two weeks, which should be considered a single point in time and not as a longitudinal study. There is only one organisation being researched and there are no comparative studies done on any other department or organisation. The study is qualitative and there is no need for any action research

<table>
<tr><th>Main Concept</th><th>Sub Concept</th><th>Practical Application</th></tr>
<tr><td rowspan="8">Data Collection</td><td>Site</td><td>Although the organisation has regions around the City of Joburg, the primary core department wherein the complaints are evolving from is the head office based in Braamfontein. This is the primary reason that this site was selected.</td></tr>
<tr><td>Population</td><td>The total population as mentioned earlier is the employees which fall under the Legislature which was counted on the 10th April 2019 as 343.</td></tr>
<tr><td>Sample</td><td>As the sample is based on the cost and time constraints of the research. The actual interviews will be able to accommodate one interview per day for a period of 12 days, which will equate to 12 interviews to be conducted, which equals to a sample fraction of 3.5% (12/343).</td></tr>
<tr><td>Sampling Framework</td><td>The sample framework will be based on the amount of people representing the Chairpersons Support Staff within the Legislature.

<table>
<tr><th></th><th>Actual Numbers</th><th>3.5% Sample</th></tr>
<tr><td>Total Population</td><td>363</td><td>12</td></tr>
<tr><td>Number of Managers (Senior and Junior) Supporting Chairpersons</td><td>29</td><td>1</td></tr>
<tr><td>Number of Staff (clerical and administrative) Supporting the Chairpersons</td><td>183</td><td>6</td></tr>
<tr><td>Number of Specialists Supporting the Chairpersons</td><td>143</td><td>5</td></tr>
</table></td></tr>
<tr><td>Sampling Technique</td><td>For the sake of ease and time constraints, the method which will be used to select the sample to be used is Convenient, Non-Probability Sample, wherein the most convenient people would be selected, based on the above sampling framework.</td></tr>
<tr><td>Interviews (One on One)</td><td>Interviews will be conducted in a conducive environment, i.e. in a quiet boardroom or office where noise and distraction will be minimal. The researcher has selected to do one on one interviews as there is a possibility that the interviewees might not want to discuss certain issues in the presence of colleagues from the same department. The interviewer (researcher) would take notes based on body language, observations and reactions of the interviewees. The interview would be recorded on a digital recorder. Each interview would take approximately an hour. The interview questions would be 12 questions in total, excluding that of the introduction questions (ethnographics).</td></tr>
<tr><td>Transcription</td><td>The interviews will be recorded and transcribed on a word for word basis.</td></tr>
<tr><td>Storage of Data</td><td>All recordings and transcripts will be saved on a cloud server which uses data encryption.</td></tr>
<tr><td rowspan="4">Data Analysis</td><td>Themes</td><td>The data and questions asked will be grouped into the specific themes as highlighted in the secondary questions, themes will be related to the research outputs of the literature review and would broadly fall under:

1. Staff Motivation
2. Leadership and Communication
3. Organisational Culture
4. Conduciveness</td></tr>
<tr><td>Keywords</td><td>Under each theme, the responses (as per transcripts) will be analysed and key words would be identified to highlight the problematic areas.</td></tr>
<tr><td>Analysis</td><td>These keywords would be analysed and / or grouped. Once the keywords are grouped together, the frequency and use of the keywords would be considered.</td></tr>
<tr><td>Findings</td><td>Conclusions would be written up when comparing the themes, keywords and groups of keywords together. Findings of the analysis would be written up. The findings would be checked to see if the responses to the research questions are adequate.</td></tr>
<tr><td rowspan="3">Report Back and Conclusion</td><td>Write up the Research Report</td><td>A Research report can be drawn up and concluded, which would include documenting each step of the process conducted.</td></tr>
<tr><td>Write up the Management Report</td><td>A Management report can be done to highlight the problems picked up and the possible recommendations for the organisation.</td></tr>
<tr><td>Offer Feedback to the organisation and / or participants</td><td>The researcher should inform the participating organisation that the research is concluded and the researcher should make the report available to the organisation if needed.</td></tr>
</table>

Figure 3: Detailed Study Design

Data Collection and Categorisation

Candidates were interviewed in a non-disruptive, conducive and non-stressful boardroom at the site. The researcher interviewed one candidate at a time, recording each interview and taking notes on body language and facial expression. Each candidate gave consent to recording and the interview, this was also recorded.

The researcher attempted to interview 12 (twelve) candidates, however, the researcher realised that the saturation point was reached on the 9th interview as the expressions, keywords and themes were continuously being repeated. The researcher therefore continued to transcribe and analyse the 9 (nine) samples of data which was collected.

Below is the questions as asked by the researcher to each candidate, these questions were read as is, although in some cases, the researcher had to explain certain elements and attempt to probe a for a bit more of information:

Candidate Number	Assigned number
Geographical Location	DEMOGRAPHIC QUESTION
Age Group	DEMOGRAPHIC QUESTION
Sex / Gender	DEMOGRAPHIC QUESTION
Please briefly tell me about your history in this organisation.	BUILDING A RAPPORT
Please tell me about the type of person you are.	BUILDING A RAPPORT
In my research, I have come across several pieces of evidence that the Legislature is performing very poorly in its functions and a huge contribution to this is lack of internal motivation (intangible) and external (tangible) motivation. Can you describe to me, what sort of factors would motivate you in the workplace?	FOCUS QUESTION
Leadership and Communication are key elements with regards to trust between sub-ordinate and manager. Can you please tell me how does the leadership and communication styles in your department affect the output of your work?	FOCUS QUESTION
Organisational Culture in an organisation is key to influencing individual employees of the organisation. Please can you tell me a little about the organisational culture in this organisation and how does it affect your ability to perform your duties?	FOCUS QUESTION
A conducive environment will enable employees to perform their duties with efficacy and proficiency. Can you explain, in your own words, how conducive is the environment in which you are working?	FOCUS QUESTION
It is key for an organisation to listen to the employees as the people doing the work can improve certain aspects of the organisation. If you can make two changes in the organisation, what two things would you change and why?	SUGGESTIVE QUESTIONS

Figure 4: Interview Questions

Data Analysis

Body Language and Facial Expressions

In summarizing the body language, there were no out of the ordinary reactions or expressions from any of the candidates, although it must be noted that:

- Candidate 1 was unable to meet at the site and an afterhours arrangement was made to meet at his home, he was somewhat distracted as he had to look after his children, and it seemed like his answers to the questions were not of his own personal experience and perceptions.
- Candidate 2 seemed very negative in her responses to the questions, not relating to the interview, but rather relating to the topic of motivation in the workplace.

Data Analysis of the Transcripts

The interviews were recorded and transcribed into a Microsoft Excel spreadsheet. The keywords themes (as per the literature review) were identified and accordingly categorised. The attached graph (Annexure A) is used to illustrate what was the overall outcome of the analysis.

Under the theme motivation, the most common key words indicate that the staff have got a problem with their performance due to the following issues:

- Growth Opportunities which include promotions.
- Rewards and recognition with regards to monetary compensation and non-monetary compen sation.
- The shortage of tools of trade and having a non-responsive management which "listens"

Under the theme Leadership and Communication, the most common key words indicate that the management and communication affects the staff performance because:

- There is very bad communication problem in the department from the management team to the junior employees.
- There is very little consultation and inclusion when management makes decisions which af fect the department and junior staff members. The top-down management and communica tion styles does affect the employees.
- The staff feel that the management of the department is very bad and there is poor manage ment being practiced in the department.

Under the theme of Organisational Culture, there was a general negative response from all the participants, in which:

- Some participants felt that the organisation "doesn't care" or was "lame".
- A cross cutting response was that the politicians were interfering with administration work and this was against the law and caused problems with employees.

Under the theme of Conduciveness, every candidate had responded negatively, stating that the environment is not conducive. This is very conclusive that the environment is not adequate for employees. The contributing factors to having this non-conducive environment is:

- Cleanliness and health issues and threats in the workplace.
- Working Relations with the management and other colleagues in senior positions.
- Resources and Tools of trade seem to be a major problem with enabling employees to per form their functions

The researcher had also asked for employee's opinions on improving the situation at the workplace, the responses to this question would be matched with the most common problems and added to the recommendations.

Findings

After reviewing and analysing the data, the researcher had analyses the keywords and excluded the themes so has to get a holistic view of the factors when they are not categorised in the various themes. The highest scoring keywords alluded to problems emanating from:

- The Communication and Poor Communication to and from management and the em ployees.
- Decision Making by the management team without consultation or involvement of the employees.
- The environment is not conducive enough for employees do perform their tasks as there is a lack of basic resources
- There does seem to be a problem with the management of the organisation as the em ployees do feel there is poor management and leadership which do not listen to the employees.

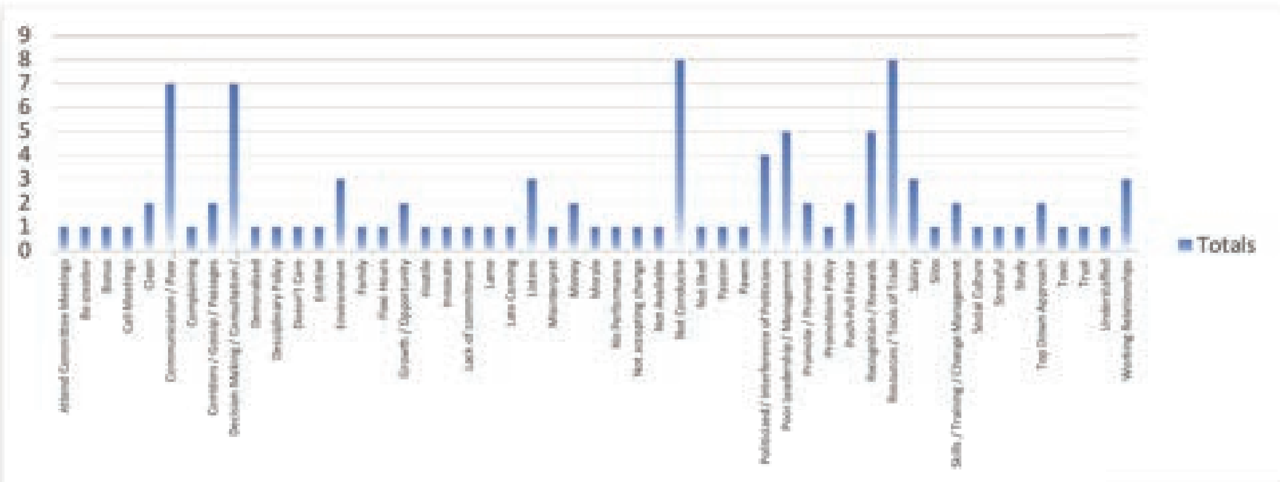

Figure 5: Keyword Analysis

When reviewing the keywords and themes the researcher compiled the below table of the findings of the research:

Theme	Finding
Staff Motivation	a) The employees are motivated by tangible and intangible recognition shown by management b) Growth in terms of career, salaries and promotions are the major factors motivating the employees.
Leadership and Communication	a) The department and management have very poor communication methods to employees and this impacts on the work they do b) Consultation and involvement when making decisions is a problem, as it seems the management do not consider employee opinions or employee opinions are not heard c) The top-down management styles of working are not favourable with the employees
Organisational Culture	a) The Management of the organisation seems to not care about the employees as stated that they “don’t care” and the flexi hour system was taken away.
Conduciveness	a) The organisation seems to not provide proper tools of trade for the employees. b) The interference of the politicians in administrative work is a problem and more-over it is a risk to the organisation as it is illegal, according to the employees. c) Something should be done about the cleanliness and hygiene in the organisation as employees feel it is a risk

Figure 6: Findings

Conclusion

After the research study has been concluded, the researcher has realised that the poor performance in the Legislature can be attributed to various reasons within the organisation. A lot of the focus is on the management of the organisation not being able to perform proper duties in the organisation, however, some minor issues were also picked up with regards to the organisational culture.

A significant issue requiring attention is the lack of employee involvement in key organizational decision-making processes. The involvement and inclusion in decisions which affect them is a critical element of performance as it is important to know that employees can be more knowledgeable than management on aspects relating to their own jobs.

The expectation of an employee to perform his or her own function without providing basic tools of trade is very unfair and the organisation should provide these resources.

If the organisation is not able to provide employees with the motivation, organisational culture, conducive environment, leadership and communication needed to perform their functions, the organisation itself would not be able to also perform as it is expected.

Recommendations

It is recommended that the organisation:

a) Develop a rewards, recognition and promotions policy in order to appreciate employees.
b) A communications strategy be developed in order for management and employees to effectively communicate with each other, this must include the involvement and inclusion of employees

when major decisions are taken, which affects the responsible employees.

c) The upskilling of management is essential as it would assist management in understanding how to build a conducive environment (resources, the importance of employees and cleanliness and hygiene in the workplace)

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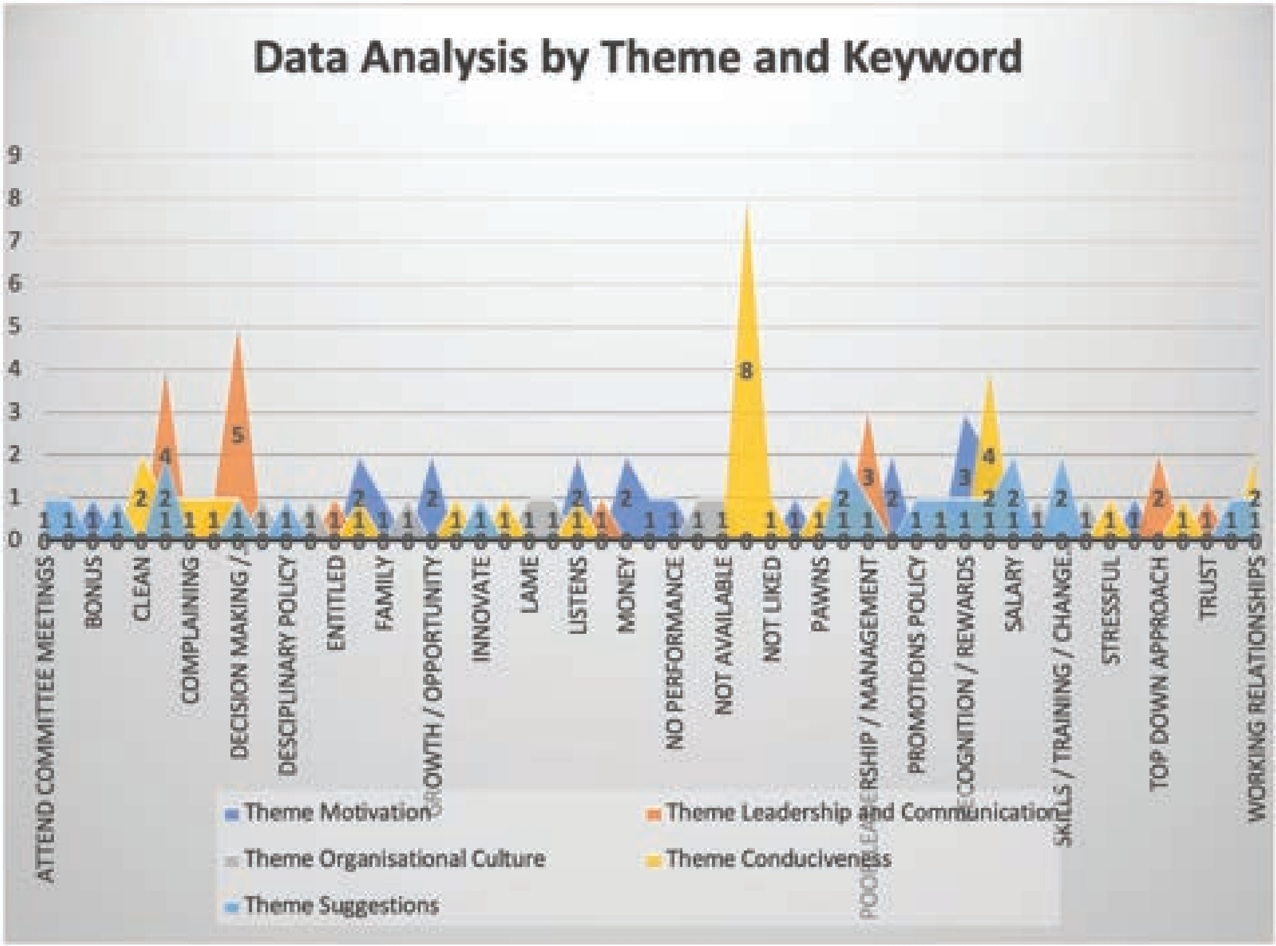
ANNEXURE A



THE IMPORTANCE OF ENTREPRENEURIAL SKILLS IN DIFFERENT AGE GROUPS IN SOUTH AFRICA: THE ROLE OF EDUCATION AND TRAINING

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Abstract

Entrepreneurship plays a vital role in economic development, and understanding the skills that contribute to entrepreneurial success is essential for fostering sustainable business growth. This paper therefore investigated the perception of entrepreneurs in two age categories (40 years and younger and 40 years and older), on selected entrepreneurial skills. The article presents quantitative, empirical data collected from 101 SME owners using survey questionnaires to determine the difference between the two age groups and their business experience. The findings revealed that all entrepreneurs, regardless of their age, perceived the entrepreneurial skills under investigation as important in their daily routine in successfully operating their businesses. These skills include Leadership, Creativity & Innovation, Networking & Trust, Time Management and Goal setting & Commitment. However, a considerable number of participants do not have confidence that training & education programmes might be helpful in terms of acquiring these skills. For this reason, it has been recommended that decision makers should have enough consultation sessions with end users before training material could be developed, to establish their needs concerning the methods and content delivered.

Key words: *Entrepreneurial skills, small business, age, South Africa.*

Introduction

Entrepreneurship play a vital role for the economic development of any country (Mbuya & Schachtebeck, 2016a, 2016b). The entrepreneurial activity among South African youth is often seen as low due to concerns about feasibility, which include challenges related to financial resources, regulatory complexities, and intense market competition. Though some young people display an enthusiastic attitude, they are more hesitant due to perceived risks and systemic barriers (Madondo & Tinonetsana, 2024). However, the issue of whether age is a factor in the success of entrepreneurs it is still a bone of contention. For instance, some of those who posit that age is not related to entrepreneurial success usually base their argument on the well know entrepreneurs around the world and various ages at which they launched their successful companies. For example: "Facebook (20), Microsoft

(20), Apple (21), Google (25), Twitter (30), Amazon (30), Tesla (34), Oracle (35), Netflix (37), Zynga (41), Walmart (44) and McDonald's (53)" (Deeb, 2015, p. 1). Conversely, there are those who say age might have little to do with success, but has a potential influence on entrepreneurship intention, and is pivotal in understanding entrepreneurial motivation and behaviour (Zali et al., 2018). That, intention increase with age (Kautonen et al., 2014) and older people are better motivated than young ones (Zali et al., 2018). Also, studies found that, with age, entrepreneurial opportunities increase (Vouchilas, 2016) and propensities increase in some studies (Fairlie et al., 2016) while they were found to be declining in others (Parker, 2009).

Thus, the relationship between age and entrepreneurship seems to be inconclusive (Zhang & Acs, 2018). However, new trends continue to emerge which call for further research in this area. In South Africa for instance, a considerable shift in age dynamics regarding entrepreneurial activity has nearly doubled from 7.5% in 2017 to 14.3% in 2019 in the age group 45-54 years, while it has decreased in the age brackets 35-44 years. It is not known yet, what caused the shift (Bowmaker-Falconer & Herrington, 2020). Though the increase is not sufficient (Herrington & Kew, 2018) to turn the tide of the South African economic situation, it is however worthy to be noted and investigated. Currently, every idea or initiative that appears to hold the potential to create a significant economic impact deserves our focused attention and consideration.

This paper therefore quantitatively investigates the perception of entrepreneurs in two age categories (40 years and younger and 40 years and older), on selected entrepreneurial skills. Five entrepreneurial skills were examined: leadership; creativity and innovation; networking & trust; time management and goal setting and goal commitment. These skills are discussed in detail in the literature review section.

Most studies that focussed on age and entrepreneurship mainly indicate that age and entrepreneurship could best be described when focus is given to particular aspects of entrepreneurship. For example, some studies investigated intention amongst different age groups (Gielnik et al., 2012; Paray & Kumar, 2020) others focussed on age and business performance and success (Gielnik et al., 2017); Haynes et al., 2011; Davis & Shaver, 2012) entrepreneurial propensity (Zhang & Acs, 2018), and other factors. None according to the knowledge of researchers explored perception of entrepreneurial skills by different age groups with specific focus on the South African context. Understanding and perception of important entrepreneurial skills is crucial for the success of entrepreneurs. Individuals who possess confidence in their ability to run a business and have the relevant skills are often potential entrepreneurs. Research indicates that they are four to six times more likely to actively engage in entrepreneurial activities. This highlights the importance of self-belief and skill development in fostering a vibrant entrepreneurial spirit.(Herrington & Kew, 2018).

The findings of this study will not only expand the body of literature that explored the relationship between age and perception of entrepreneurial skills but greatly benefit decision makers with regards to addressing relevant skills when launching entrepreneurial education and training. It is against this backdrop that the following research question is formulated:

Does age affect an entrepreneur's perception of entrepreneurial skills? **The primary objective** of this study is therefore to assess the extent to which age affects entrepreneurs' perception of entrepreneurial skills in Johannesburg

Secondary Objectives

To assess entrepreneurs' perceptions of leadership as a critical skill in business success.

To examine the importance placed on creativity & innovation by entrepreneurs in their daily business operations.

To explore how entrepreneurs perceive networking & trust in relation to building and sustaining their businesses.

To evaluate the role of time management skills among entrepreneurs across different age groups.

To analyze the significance of goal setting & commitment in driving entrepreneurial performance and sustainability.

Literature review

Entrepreneurial Competency Theory

Entrepreneurial Competency Theory, pioneered by Barbara Bird, provides a foundational lens through which the importance of entrepreneurial skills can be understood. Bird (2005) defines entrepreneurial competencies as "underlying characteristics such as generic and specific knowledge, motives, traits, self-images, social roles, and skills which result in venture birth, survival, and/or growth." These competencies are both innate, such as traits, attitudes, and self-concept, and acquired, including skills and knowledge developed through experience or formal learning (Muzychenko, 2004; Man, 2005).

This dual nature of competencies is particularly relevant when examining different age groups. Older entrepreneurs may rely more heavily on internalized traits and experiential learning, while younger entrepreneurs might be more receptive to acquiring competencies through structured education and training. Bird's framework categorizes competencies into three groups: Success Competencies, Threshold Competencies, and Theoretical and Speculative Competencies. Success Competencies are further divided into three hierarchical levels:

Level 1: Motives and Traits

Level 2: Social Roles and Self-Concept

Level 3: Skills:

Design specific products or services

Structure the business organization

Navigate the industry environment

Motivate organizational members

Establish and utilize networks

Engage in comprehensive and detailed planning

Monitor and oversee the work of others

Apply knowledge of finance and cash management

Understand engineering principles

Utilize accounting expertise

Implement marketing and sales strategies

Exhibit leadership abilities

Communicate effectively orally

Employ human relations skills (Bird, 2005, p. 53)

The current study largely taps into Level 3, focusing on observable and trainable skills such as leadership, creativity and innovation, networking and trust, time management, and goal setting. These competencies are directly linked to venture performance, influencing short-term outcomes like cash flow and stakeholder relationships, and long-term outcomes such as organizational value and labor stability (Bird, 2005). This framework is further substantiated by Lyons et al. (2020), Entrepreneurship Skill-building Framework (ESBF), which identified 30 skills that entrepreneurs require to be successful. Some of these skills are unpacked in the following section.

Age and entrepreneurship

Numerous studies claim the age of a business owner has a limited effect on business success (Gielnik et al., 2012; Zhang & Acs, 2018). However, other authors argue that the age of the entrepreneur is, in fact, important and determines the success of the business (Chowdhury et al., 2013; Davis & Shaver, 2012; Haynes et al., 2011; Leutner et al., 2014; Philip, 2010; Zali et al., 2018). For instance, De Gobbi (2014) maintains that people aged 15-24 have a lesser chance of being successful than their older counterparts, because, age comes with experience and learning through exposure (Bowmaker-Falconer & Herrington, 2020; Herrington & Kew, 2018). It is also notable that some researchers linked the age of the business owner to entrepreneurial intention. For instance, people between the ages of 25 and 34 have reportedly demonstrated a strong urge to start a business (Laguna, 2013; Paray & Kumar, 2020). This desire decreases as people become older (Davis & Shaver, 2012; Kautonen et al., 2014; Laguna, 2013).

In terms of entrepreneurial propensity, Zhang and Acs (2018)'s research discovered that all 4 generations: Traditionalists, Boomers, Gen-Xers, and Millennials [1]differ. The propensity of entrepreneurs "declines from ages 44 to 51 for Gen-Xers, but not for Boomers; this propensity also declines faster for Boomers than for Traditionalists from ages 63 to 70" (Zhang & Acs, 2018, p. 773).

Participation in entrepreneurial activities is one other factor that is influenced by age. Higher participation rates for those in their middle ages could be attributed to the fact that the skills of these individuals have been developed over time, through acquisition of knowledge through education, as well as through building their confidence through work experience. Therefore, one can argue that middle aged entrepreneurs have a better chance of success based on skills acquisition over the years than younger ones (Bowmaker-Falconer & Herrington, 2020; Herrington & Kew, 2018).

Entrepreneurial skills

It is necessary for individuals to possess certain skills and characteristics in order to act entrepreneurially

1 **Traditionalists (also known as the Silent Generation)** Born: 928–1945. Tend to value discipline, loyalty, and hard work. Often described as conservative, respectful of authority, and frugal. **Baby Boomers:** Born: 1946–1964**.** Known for optimism, ambition, and a strong work ethic. Often associated with the rise of suburbia and consumer culture. **Gen X (Generation X)** Born: 1965–1980**.** Often seen as independent, sceptical, and resourceful. Known for balancing work and life, and being the "middle child" between Boomers and Millennials. **Millennials (Generation Y)** Born: 1981–1996. Often described as tech-savvy, collaborative, and purpose-driven. Value experiences over possessions and seek meaningful work.

(Ferreira et al., 2017; Solesvik, 2019). Since this study is exploring the perception of certain entrepreneurial skills by different age groups, the following section discusses the entrepreneurial skills investigated in this paper, namely, leadership, creativity and innovation, networking and trust, time management, goal setting and commitment.

In order to succeed in entrepreneurship, these skills need to be defined, measured, and developed (Lyons et al., 2012; Lyons et al., 2020). Furthermore, a business owner's perception of entrepreneurial skills can impact not only his or her intention to start a business but also how successful the business will be (Herrington & Kew, 2018). Lyons et al. (2020, p. 115) present a comprehensive Entrepreneurship Skill-building Framework (ESBF) that encompasses four key skill dimensions representing the full spectrum of entrepreneurial activities. These dimensions include business management skills, which focus on the ability to manage the business structure; relationship management skills, which address the management of business processes; organizational process management, which involves handling the people both internal and external to the business; and transformational management skills, which pertain to managing the overall process of change necessary for innovation. These four broad categories are further divided into a detailed set of 30 skills, collectively referred to by the authors as the Readiness Inventory for Successful Entrepreneurship (RISE). Within this framework, certain skills have been highlighted and explored in more depth in the current section.

Leadership skills

There is evidence to suggest that leadership skills directly affect the performance of an organization (Paudel, 2019). Characteristics of good leaders include qualities such as "physical and mental soundness, open-mindedness, intelligence, self-confidence and the ability to maintain harmonious human relations" (Kayemuddin, 2012, p. 25). A company exists in an environment in which there is a great deal of turbulence and complexity. Therefore, for individuals to remain competitive in a dynamic environment, requires entrepreneurial leadership, which has been proposed as a specific form of leadership to embrace (Bagheri & Harrison, 2020; Harrison et al., 2018; Harrison et al., 2016). While leadership can generally be defined as the ability of a person or group to direct, influence and lead others, leadership in an entrepreneurial environment is not a position, but a process (Sandybayev, 2019). The entrepreneurial leader helps the company create conditions that allow it to generate its own order of matters rather than being managed and to respond creatively to external change (Sandybayev, 2019).

An organisation becomes successful if it is flexible in nurturing the leadership capabilities of its employees. Through various leadership training and programmes, employees' skills such as decision-making, communication, teamwork initiative and planning can be improved (Vohra et al., 2015, p. 16). Therefore, the ability to lead is a combination of social skills that can be learnt through training (Khalid et al., 2021).

Creativity and innovation skills

As a matter of fact, creativity and innovation are seen as essential skills for the 21st century, since both of them enhance human potential by bringing out positive aspects of individuals (Nakano & Wechsler, 2018). Both skills are essential for entrepreneurs to survive and flourish in an increasingly competitive world (Pretorius et al., 2005).

Though these concepts are often used interchangeably, they are in essence, different (Lyons et al., 2020). Creativity is the ability to generate original and imaginative ideas, while innovation is the process of implementing those ideas to create value. In essence, creativity sparks the concept, and innovation brings it to life through execution and impact (West & Richter, 2024). Innovation occurs when original solutions, products, or processes are introduced to improve the effectiveness or efficiency of a system. The method aims to solve management dilemmas by helping individuals and organizations find a solution (Al Qudah, 2018). Essentially, it consists of two factors: people who can develop innovative solutions to problems and resources (Juliana et al., 2021). The authors continue that although creativity is necessary for innovation, it is not always sufficient. The ability to generate continuous innovation has become a key success factor and a survival requirement in some industries. Creativity and innovation are critical factors in developing new ways to improve existing products or services in order to maximize profits. By doing this, entrepreneurs are also encouraged to think outside the box and find solutions outside the box. Through this opportunity, new, intriguing, financially rewarding, yet adaptable ideas can be sparked (Juliana et al., 2021).

Regardless of a company's market size, innovation is almost a requirement in today's global business environment. Companies and entrepreneurs who recognize this early get ahead of their competitors by bringing innovation in (Baykal, 2018).

Networking & trust skills

The concept of entrepreneurial networking is based on social network theory (Granovetter, 1973). As a form of social capital building, networking can have an important impact on an enterprise's success (Stam et al., 2014). Networking refers to "the ability to develop friendships and build strong, beneficial alliances and coalitions" (Sigmund et al., 2015, p. 266). Networking is an integral part of SMEs' operations and can happen for various reason, whether for acquiring information (Frazier & Niehm, 2004), resources (Reijonen 2021), customers (Freeman & Cavusgil, 2007), team formation (Aldrich & Kim, 2007), enhancing SMEs' possibilities to participate in public tender contests, or another business purpose (Reijonen et al, 2021; Lyons et al., 2020)

Through networking, entrepreneurs are able to increase their financial performance since they are able to build larger exchange networks with stronger relationships (Sigmund et al., 2015). Trust like any other skill can be learnt and is closely related to networking since building and leveraging of these relationships results from interpersonal exchanges and shared experiences that foster trust (Collins et al., 2008).

Businesses that are linked to one another have easier access to advice, resources, and problem-solving skills than competitors, customers, and suppliers. This will allow them to identify and seize opportunities, gather, share, and respond to market intelligence in less time and with fewer resources (Boso et al., 2013). As a result of these networks, information and costs can be shared, technology can be transferred, and competitiveness against powerful competitors can be increased (Barnir & Smith, 2002). Furthermore, SME entrepreneurs not only use networking to learn about international opportunities that could stimulate their interest in joining the international market they could also be enabled to compete worldwide by building relationships with larger organisations (Che Senik et al., 2011).

Time management, goal-setting and goal commitment skills

Entrepreneurial competencies such as time management and goal-setting are interrelated and contribute significantly towards sustainable entrepreneurship (Inyang & Enuoh, 2009). For a business to continuously evolve and achieve its goals and objectives (Brunswicker & Vanhaverbeke, 2015), the owner must manage time effectively (Inyang & Enuoh, 2009). Time management techniques are required, in order to effectively allocate time, resources and energy for realising the goal (Amirsardai 2020). According to Lucky and Minai (2011), an entrepreneur who is not effective in time management can hinder the performance of the business. This is because time management and business performance are positively related (Zarbakhsh et al., 2015). What makes the time management factor important is that it specifies which actions should be taken, in which order, to achieve the objectives of the business (Nyuur, 2015; Zarook et al., 2013).

On the other hand, goals are time sensitive and they can be defined as "what an individual is trying to accomplish" by Hechavarria et al. (2012, p. 686). Setting goals and priorities enables entrepreneurs to identify which aspects of business are important (Forsyth & Van Gelderen, 2005, p. 246). Businesses with clearly outlined goals and objectives perform well in the market (Smit & Watkins, 2012; Yahya et al., 2011), because specific goal setting improves performance and sustainability of new businesses (Hechavarria et al., 2012) and (Lang et al., 2021; Van Gelder et al., 2007).

Furthermore, it is one thing to set a goal, however, it takes commitment to achieve it. Goal-oriented individuals are less discouraged when they face difficulties, and instead improve their task strategies (Amirsardai, 2020). It is because of this ability to continue and persevere in the face of difficult situations that goal commitment moderates the relationship between difficulty and performance of goals (Seijts & Latham, 2011). Also, individuals who have high levels of commitment know what they would like to achieve and have the willingness to put time and effort and therefore, have higher chances of achieving their goals (Oettingen et al., 2009). Goal commitment influence entrepreneurial performance (Tasnim et al., 2014). Implementation intention and venture goal commitment are discussed as playing a fundamental role in translating intended goal-directed behaviour into actual behaviour (Amisrsatdai, 2020).

In conclusion, time management, goal-setting, and goal commitment are deeply interconnected competencies that play a pivotal role in enhancing entrepreneurial performance and ensuring business sustainability. Effective time management enables entrepreneurs to prioritize tasks and allocate resources efficiently while goal-setting provides a clear direction and measurable targets for business growth. Goal commitment, in turn, ensures perseverance and strategic adaptation in the face of challenges, thereby bridging the gap between intention and execution. However, despite the strong theoretical foundation, existing literature tends to treat these competencies in isolation, lacking integrated empirical studies that examine how they interact dynamically within different entrepreneurial contexts. Future research should explore how cultural, technological, and psychological factors influence the synergy between these skills and how they evolve across various stages of entrepreneurial development.

Research methodology

Based on the study's objective to explore entrepreneurs' perceptions of key entrepreneurial skills across two age categories, a quantitative research approach was most appropriate. This method enabled the researchers to systematically collect and analyze numerical data from a sample of 101 SME owners, allowing for objective comparisons between younger (40 years and under) and older (above 40 years) entrepreneurs. The use of survey questionnaires facilitated the measurement of perceptions regarding specific skills, Leadership, Creativity & Innovation, Networking & Trust, Time Management, and Goal Setting & Commitment providing structured responses that could be statistically analysed for trends and differences.

The study also adopted an exploratory research design, which is particularly suitable for investigating areas where limited prior research exists, such as age-based differences in entrepreneurial skill perception. This design allowed the researchers to uncover new insights into how entrepreneurs view the relevance of these skills in their daily operations and to identify unexpected findings, such as the scepticism toward training and education programmes. While the exploratory design helped surface these attitudes, it also revealed gaps in existing knowledge, particularly around the effectiveness of current training interventions and the nuanced needs of different age groups. Future research could build on these findings by employing mixed methods to explore why entrepreneurs doubt the value of formal training and how customized, consultative approaches might improve skill acquisition and business outcomes.

Population and sample

The population of this study included small and medium businesses in the Johannesburg CBD. The study only focused on small and micro enterprises (SMEs), that is, businesses with an annual turnover below R5 million and a minimum of one employee, which could include the owner-operator.

Data collection

The data collection instrument which was specifically designed by the researcher for the purpose of this project was a self-administered, structured questionnaire using closed questions consisting of 25 items. The format of the questionnaire was structured to collect data to be measured on an ordinal scale. Ordinal data allows variables to be ranked in order and thereby compared to other categories of variables (Denscombe, 1998). A Likert-type scale type of questions for respondents, for instance, to indicate a response on a five-point scale ranging from “Not at All Satisfied” to “Extremely Satisfied” (Vagias, 2006).

Distribution and collection of the survey questionnaire were conducted primarily via face-to-face manual distribution, with a small number of respondents replying via email. A total of 150 questionnaires were sent to SMME business owners in the catchment area, however, only 101 responses were received.

Reliability was enhanced by using a standard questionnaire format with questions structured in such a way that the same results would presumably be achieved consistently each time that the test is administered (Babbie, 2016).

Data analysis

The raw data obtained from the questionnaire was systematically analysed and computed using the Statistical Package for the Social Sciences (SPSS) software, a widely recognized tool for statistical analysis in social science research. The initial step involved conducting a descriptive analysis to summarize and describe the main features of the dataset. This included calculating central tendency measures such as means, which provide the average scores for both independent and dependent variables, as well as measures of variability including standard deviations and range scores, which indicate the spread and dispersion of the data. These descriptive statistics offered a foundational understanding of the sample characteristics and the distribution of responses across key variables.

To ensure the reliability and internal consistency of the questionnaire scales, Cronbach’s alpha coefficient was computed. This statistical test assesses how closely related a set of items are as a group, with higher alpha values indicating more reliable scales, typically values above 0.7 are considered acceptable. Calculating Cronbach’s alpha was crucial to validate that the items measuring constructs such as leadership, creativity, and time management consistently captured the intended dimensions of entrepreneurial skills.

Furthermore, the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy was used to evaluate the suitability of the dataset for factor analysis. The KMO statistic tests whether the partial correlations among variables are small, with values closer to 1 suggesting that factor analysis is appropriate. Alongside the KMO, Bartlett’s Test of Sphericity was likely conducted (though not mentioned) to confirm that correlations between variables were sufficiently large for meaningful factor extraction. These tests together helped confirm that the data met the necessary assumptions for further multivariate analysis, such as exploratory factor analysis, aimed at identifying underlying skill dimensions perceived by the entrepreneurs.

This robust combination of descriptive and reliability analyses, along with suitability tests for factor analysis, ensured that the study's findings were both statistically sound and meaningful in interpreting entrepreneurial skill perceptions across different age groups.

Reliability of the sample

Cronbach's alpha test in Table 1 is used to ensure the reliability of the sample through inter- correlation analysis of every pair of items in a sub-scale. This is done in order to measure to extent to which they correlate with each order. The sample is reliable if they are highly correlated (the scales must be above 0.75) (Tavakol & Dennick, 2011). All scales were higher than 0.75, therefore it can be argued that all the selected entrepreneurial skills demonstrated a high internal consistency according to Cronbach's alpha as depicted in Table 1 below.

Table 1: *Cronbach's Alpha*

Cronbach Alpha	Statistics
Leadership	0.824
Creativity & Innovation	0.859
Networking & trust	0.873
Goal-setting & commitment	0.855
Time management	0.855

Source: Author

The Kaiser-Meyer-Olkin test Table 2 was also performed to measure the adequacy of the sample and to check whether the researcher could proceed with factor analysis. A higher KMO means that a factor analysis of the variable was possible because a correlation between the pairs of variables could be explained by the other variables. A KMO ranging from 0.838 to 0.862 was obtained, which was above the required 0.75. The high KMO confirmed that the set of data was suitable for factor analysis.

Table 2: *Kaiser-Meyer-Olkin (KMO) Test*

KMO	**Statistics**
Leadership	0.862
Creativity & Innovation	0.851
Networking & Trust	0.862
Goal-setting & commitment	0.838
Time management	0.847

Source: By Author

Results and discussions

Section A: Biographical information

Table 3 presents the demographic characteristics of the respondents. The data reveal that the majority of SMEs in the sample were owned by males, with a significant portion of these businesses having operated for more than 16 years. Additionally, SME owners aged between 30 and 39 years constituted the largest age cohort within the sample. The overall age range of respondents spanned from 20 to 61 years. For analytical purposes, the respondents were categorized into two groups: those aged 40 years and younger, and those older than 40 years.

In the context of South Africa, entrepreneurial activity is most prominent among individuals aged 55 to 64, followed closely by those aged 25 to 34 and 35 to 44. Younger entrepreneurs, aged 18 to 24, represent a smaller proportion of the entrepreneurial population (Fotoyi, 2021). . Given these patterns, the age of 40 years was selected as the threshold to differentiate the groups in this study, reflecting an approximate average entrepreneurial age and aligning with demographic trends observed in the country.

Table 3: Demographics

Variables		Frequency
Gender	Female	37
	Male	64
Years of Experience	0 – 5	21.8
	6 – 10	34.7
	11 – 15	14.9
	16 +	28.7
Age	20 – 29	7
	30 – 39	31
	40 – 49	21
	50 – 59	18
	61+	17

Source: By Author

Objective: *To assess the extent to which age affects entrepreneurs' perception of entrepreneurial skills in Johannesburg.*

Based on the age distribution alone in Table 3, most entrepreneurs in the study fall within the 30–39 age group (31 respondents), followed by 40–49 (21), 50–59 (18), and 61+ (17). The youngest cohort, aged 20–29, is the least represented, with only 7 respondents. This suggests that entrepreneurial activity in this sample is most prevalent among individuals in their 30s and 40s, indicating a possible trend where people pursue entrepreneurship after gaining some life or professional experience. The relatively strong representation of those aged 50 and above (35 respondents combined) also highlights that entrepreneurship remains a viable and active pursuit well into later stages of life. The low number of younger entrepreneurs may reflect barriers such as limited capital, experience, or access to networks (Bowmaker-Falconer & Herrington, 2020; Herrington & Kew, 2018).

Section B: Statistics – Selected entrepreneurial skills

Table 4 below is organized according to five key entrepreneurial skills: leadership, creativity and innovation, networking and trust, time management, and goal setting and commitment. It presents a comparative analysis of perceptions regarding these skills between two age groups: entrepreneurs aged 40 and younger, and those over 40. This analysis draws on frequency (the number of respondents), mean scores (average perception ratings), and standard deviation (variability in responses). The overall mean scores for all these skills were notably high, reflecting a strong positive perception among both age groups. This suggests that entrepreneurs, regardless of whether they are 40 years or younger or older than 40, demonstrate a strong appreciation for the importance of these competencies in their business activities, but at varying levels. The implications of these variations have been analyzed below, linked to the objectives of this study.

Table 4: *Means of Entrepreneurial Skills*

	Entrepreneurial Skills	Frequency	Mean	Std. Deviation
Leadership	40 years and younger	46	4.13	.451
	Older than 40 years	53	3.92	.586
Creativity & Innovation	40 years and younger	46	3.86	.633
	Older than 40 years	53	3.63	.762
Networking & Trust	40 years and younger	46	3.86	.493
	Older than 40 years	53	3.73	.746
Time Management	40 years and younger	46	4.04	.465
	Older than 40 years	53	3.88	.691
Goal setting & Commitment	40 years and younger	46	4.04	.529
	Older than 40 years	53	4.00	.606

Source: By Author

Objective: *To assess entrepreneurs' perceptions of leadership as a critical skill in business success.*

Leadership was rated highest by younger entrepreneurs (mean = 4.13) compared to their older counterparts (mean = 3.92), indicating that younger individuals may place greater emphasis on leadership within their business practices. It is important to note that this research did not focus on any specific leadership style, instead, it examined leadership as a broad competency perceived by entrepreneurs. Incorporating insights from the literature on specific leadership styles is crucial, however, as it provides a deeper understanding of how different approaches, such as transformational, transactional, and supportive leadership, impact entrepreneurial motivation and effectiveness. Aristayudha (2024) highlights that these leadership styles significantly influence young people by enhancing their motivation, engagement, and productivity. Similarly, Bass and Riggio (2006) argue that transformational leadership is more prevalent among younger leaders, who tend to be more open to change and innovation, which aligns with the higher leadership ratings observed among younger entrepreneurs in this study. Including this literature helps contextualize the findings and suggests avenues for future research to explore how particular leadership styles shape entrepreneurial success across age groups. Since youth leadership is under-researched, according to Aristayudha (2024).

Objective: *To examine the importance placed on creativity & innovation by entrepreneurs in their daily business operations.*

Despite the acknowledged importance of creativity and innovation, the participants in this study expressed skepticism regarding the effectiveness of training and education programs in enhancing these skills. Notably, only 62 participants in table 5 below believed that such programs could improve creativity and innovation. However, existing literature demonstrates that entrepreneurship education not only positively influences the intention to start a business (Paray & Kumar, 2020) but is also linked to entrepreneurial innovation (Bowmaker-Falconer & Herrington, 2020; Gwija et al., 2014). This finding also contrasts with the assertions of Chaston and Scott (2012), who contend that training can stimulate the generation of innovative ideas and that entrepreneurs with substantial entrepreneurial education tend to exhibit stronger innovation capabilities. This divergence highlights the necessity for further research into the design and implementation of training programs that effectively cultivate creativity and innovation among entrepreneurs.

Table 5: The Skills of Goal Setting and Commitment - Level of Importance

5. The Skills of Goal Setting and Commitment - Level of Importance							
		Not at all important	Low importance	Neutral	Very Important	Extremely important	Total
The process of goal setting needs to be mastered by the entrepreneur							
	Count	0	1	12	57	31	101
	Row N %	.0%	1.0%	11.9%	56.4%	30.7%	100.0%
Goals must be comprehensively set covering time, cost, resources and outcome							
	Count	0	0	16	54	31	101
	Row N %	.0%	.0%	15.8%	53.5%	30.7%	100.0%
Goals must be measurable and consistent with specific deadlines							
	Count	0	2	12	53	34	101
	Row N %	.0%	2.0%	11.9%	52.5%	33.7%	100.0%
Goal-setting processes enable the entrepreneur to prioritise tasks							
	Count	0	2	10	62	26	100
	Row N %	.0%	2.0%	10.0%	62.0%	26.0%	100.0%
Entrepreneurs must be committed to the organisation's goals.							
	Count	0	1	18	50	31	100
	Row N %	.0%	1.0%	18.0%	50.0%	31.0%	100.0%
Strengths, weaknesses, opportunities and threats analysis should be performed before setting goals							
	Count	3	2	24	49	23	101
	Row N %	3.0%	2.0%	23.8%	48.5%	22.8%	100.0%
Training and education programmes can improve the ability of the entrepreneur to set clear goals							
	Count	9	12	18	41	21	101
	Row N %	8.9%	11.9%	17.8%	40.6%	20.8%	100.0%

Objective: *To explore how entrepreneurs perceive networking & trust in relation to building and sustaining their businesses.*

Networking & Trust followed a similar pattern (3.86 vs. 3.73), reflecting younger entrepreneurs' stronger valuation of relationship-building. Research by Jack (2010) emphasizes the importance of social capital and networking in entrepreneurship, particularly among younger entrepreneurs who actively leverage digital platforms and peer networks to build trust and expand influence. Boling et al. (2014) also highlighted the fact that networking is essential for small business development insofar as it enables small businesses to 'keep up' with their external environments.

Objectives: *To evaluate the role of time management skills among entrepreneurs across different age groups & to analyze the significance of goal setting & commitment in driving entrepreneurial performance and sustainability.*

Time Management and **Goal Setting & Commitment** were both rated above 4.00 by younger respondents, slightly higher than older entrepreneurs (3.88 and 4.00 respectively), suggesting a marginally stronger focus on productivity and perseverance among the younger group. Younger entrepreneurs may place greater emphasis on time efficiency due to the fast-paced nature of modern business environments. Effective time management is a hallmark of productive entrepreneurs, and younger individuals often adopt structured tools and apps to optimize their schedules (Alhasani & Orji,) 2025. Locke and Latham (2002) highlight that goal-setting theory is especially impactful when individuals are committed and motivated, traits often associated with younger entrepreneurs who are in the early, growth-oriented stages of their ventures. It is through effective time management that small business owners can always ensure customer satisfaction. In addition, small business owners of both groups emphasised the need of to have clear business goals and objectives in running their business on a daily basis. This is consistent with the findings of Van Scheers (2011), who investigated contributing factors to small and medium enterprises' (SMEs) failure in South Africa. Time management was regarded as key in operating a successful business. Furthermore, having a plan in place with clear objectives motivates employees and enhances business performance and growth (Harms et al., 2010; Wright et al., 2015).

Conclusions

This paper examined the impact of age and business experience on entrepreneurial skills. The South African economy is in desperate need of growth and lower levels of unemployment. Small business development plays an important role in addressing various socio-economic concerns such as poverty, equitable redistribution of wealth and job creation. The findings showed that small business owners of different age groups supported the need to have the selected entrepreneurial skills in order to operate efficiently, with the exception that training and development might not benefit them to attain these skills.

Based on the above results, the entrepreneurial landscape changes according to generations and Zhang and Acs (2018) demonstrated that different generations of entrepreneurs (Traditionalists, Boomers, Gen-Xers, and Millennials) have various preferences when it comes to how to learn. Therefore, the traditional entrepreneurship skills might be conceptualised differently across generations. It is also recommended that training methods should be aligned to dispensations. More so because various studies have showed the need for strong literacy skills to successfully operate a business. Considering the low literacy levels in South Africa, appropriate training programmes should be implemented in order to bridge this gap. Future research could focus on the type of skills and the method of delivery to gauge how they meet trainees' expectorations across generations. The study could also be extended to other cities to gain a broader perspective of small business owners' perceptions of the selected entrepreneurial skills.

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Author's contributions

1st author – Data curation, formal analysis, investigation, project administration, resources, software, visualization, discussion of results and writing and analysis of the manuscript, and final revision of the manuscript for submission.

2nd author – Conceptualization, methodology, project administration, supervision, validation, discussion of results, analysis of the manuscript, and final revision of the manuscript for submission.

Conflicts of Interest

The Authors are not aware of any conflict of interest in regard to this article.

Appendix

Results

1. The Skill of Leadership - Level of Importance

		Not at all important	Low importance	Neutral	Very Important	Extremely important	Total
Leaders must demonstrate competence in their work							
	Count	0	1	4	52	44	101
	Row N %	.0%	1.0%	4.0%	51.5%	43.6%	100.0%
Leadership skills improve with business experience							
	Count	1	5	18	57	20	101
	Row N %	1.0%	5.0%	17.8%	56.4%	19.8%	100.0%
Leaders must be effective in applying resources to support organisational programmes							
	Count	1	0	21	58	21	101
	Row N %	1.0%	.0%	20.8%	57.4%	20.8%	100.0%
Leaders must be able to sense the emotional undercurrents of their employees and demonstrate ability to respond to their requests and concerns							
	Count	0	4	26	41	29	100
	Row N %	.0%	4.0%	26.0%	41.0%	29.0%	100.0%
Leaders must know how to motivate people							
	Count	0	2	10	47	42	101
	Row N %	.0%	2.0%	9.9%	46.5%	41.6%	100.0%
Leaders must be flexible about making changes in the organisation in line with changing external conditions							

	Count	0	3	26	49	23	101
	Row N %	.0%	3.0%	25.7%	48.5%	22.8%	100.0%
Training and education programmes can improve leadership skills							
	Count	6	11	22	37	25	101
	Row N %	5.9%	10.9%	21.8%	36.6%	24.8%	100.0%

2. The Skill of Creativity and Innovation - Level of Importance							
		Not at all important	Low importance	Neutral	Very Important	Extremely important	Total
On-going innovation is a priority for the entrepreneur's success							
	Count	1	3	30	43	22	99
	Row N %	1.0%	3.0%	30.3%	43.4%	22.2%	100.0%
The process of implementing creative ideas must be mastered							
	Count	0	3	25	55	16	99
	Row N %	.0%	3.0%	25.3%	55.6%	16.2%	100.0%
Creativity and innovation lead to entrepreneurial success							
	Count	2	4	24	46	24	100
	Row N %	2.0%	4.0%	24.0%	46.0%	24.0%	100.0%
Creativity and innovation are mainly influenced by the entrepreneur's knowledge of the industry							
	Count	1	8	34	37	20	100
	Row N %	1.0%	8.0%	34.0%	37.0%	20.0%	100.0%
Lack of financial resources limit the ability of an entrepreneur to implement creative ideas							
	Count	5	9	15	47	25	101
	Row N %	5.0%	8.9%	14.9%	46.5%	24.8%	100.0%
The intellectual abilities of an entrepreneur constitute a strategic advantage that facilitates the implementation of creative and innovative ideas							
	Count	3	14	27	39	18	101
	Row N %	3.0%	13.9%	26.7%	38.6%	17.8%	100.0%
Training and education programmes improve creative and innovative thinking							
	Count	8	14	20	38	21	101
	Row N %	7.9%	13.9%	19.8%	37.6%	20.8%	100.0%

3. The Skills of Networking and Trust - Level of Importance							
		Not at all important	Low importance	Neutral	Very Important	Extremely important	Total
Networking in business leads to entrepreneurial venture success							
	Count	0	3	31	45	22	101
	Row N %	.0%	3.0%	30.7%	44.6%	21.8%	100.0%

Networking enables the sharing of knowledge and common challenges faced in business							
	Count	1	3	30	49	18	101
	Row N %	1.0%	3.0%	29.7%	48.5%	17.8%	100.0%
Networking enables the entrepreneur to reach a large number of customers in a short period of time							
	Count	3	6	26	46	20	101
	Row N %	3.0%	5.9%	25.7%	45.5%	19.8%	100.0%
Networking keeps entrepreneurs up to date							
	Count	1	3	22	50	25	101
	Row N %	1.0%	3.0%	21.8%	49.5%	24.8%	100.0%
Networking protects entrepreneurs against negative trends in the market							
	Count	4	6	39	39	13	101
	Row N %	4.0%	5.9%	38.6%	38.6%	12.9%	100.0%
Trust among entrepreneurs influences the decision to network							
	Count	1	4	30	49	17	101
	Row N %	1.0%	4.0%	29.7%	48.5%	16.8%	100.0%
Trust among entrepreneurs is built by years of collaboration in business							
	Count	1	4	20	54	21	100
	Row N %	1.0%	4.0%	20.0%	54.0%	21.0%	100.0%

4. The Skill of Time Management - Level of Importance							
		Not at all important	Low importance	Neutral	Very Important	Extremely important	Total
Time management forces the entrepreneur to become more creatively productive							
	Count	0	6	19	54	22	101
	Row N %	.0%	5.9%	18.8%	53.5%	21.8%	100.0%
Focused time management improves customer satisfaction							
	Count	1	1	19	53	27	101
	Row N %	1.0%	1.0%	18.8%	52.5%	26.7%	100.0%
Time management skills enable the entrepreneur to prioritise tasks and complete most important projects first							
	Count	0	1	6	57	37	101
	Row N %	.0%	1.0%	5.9%	56.4%	36.6%	100.0%
Time management processes are mastered through the "learning by doing" process							
	Count	0	2	29	52	18	101
	Row N %	.0%	2.0%	28.7%	51.5%	17.8%	100.0%
Effective time management improves job satisfaction							
	Count	2	3	21	50	24	100
	Row N %	2.0%	3.0%	21.0%	50.0%	24.0%	100.0%

Training and education programmes can improve the ability of the entrepreneur to use time more efficiently							
	Count	4	13	20	42	21	100
	Row N %	4.0%	13.0%	20.0%	42.0%	21.0%	100.0%

5. The Skills of Goal Setting and Commitment - Level of Importance							
		Not at all important	Low importance	Neutral	Very Important	Extremely important	Total
The process of goal setting needs to be mastered by the entrepreneur							
	Count	0	1	12	57	31	101
	Row N %	.0%	1.0%	11.9%	56.4%	30.7%	100.0%
Goals must be comprehensively set covering time, cost, resources, and outcome							
	Count	0	0	16	54	31	101
	Row N %	.0%	.0%	15.8%	53.5%	30.7%	100.0%
Goals must be measurable and consistent with specific deadlines							
	Count	0	2	12	53	34	101
	Row N %	.0%	2.0%	11.9%	52.5%	33.7%	100.0%
Goal-setting processes enable the entrepreneur to prioritise tasks							
	Count	0	2	10	62	26	100
	Row N %	.0%	2.0%	10.0%	62.0%	26.0%	100.0%
Entrepreneurs must be committed to the organisation's goals.							
	Count	0	1	18	50	31	100
	Row N %	.0%	1.0%	18.0%	50.0%	31.0%	100.0%
Strengths, weaknesses, opportunities, and threats analysis should be performed before setting goals							
	Count	3	2	24	49	23	101
	Row N %	3.0%	2.0%	23.8%	48.5%	22.8%	100.0%
Training and education programmes can improve the ability of the entrepreneur to set clear goals							
	Count	9	12	18	41	21	101
	Row N %	8.9%	11.9%	17.8%	40.6%	20.8%	100.0%

Survey

Section A – Background information

This section of the questionnaire refers to background or biographical information. Although we are aware of the sensitivity of the questions in this section, the information will allow us to compare groups of respondents. Once again, we assure you that your response will remain anonymous. Your co-operation is highly appreciated.

1. Gender

Male	1
Female	2

2. Age (in complete years)

3. Ethnicity

Black	1
White	2
Coloured	3
Indian or Asian	4

4. How would you describe your economic status?

Poor	1
Below-average	2
Average	3
Above average	4
Affluent	5

5. Your highest educational qualification?

Grade 11 or lower (std 9 or lower)	1
Grade 12 (Matric, std 10)	2
Post-Matric Diploma or certificate	3
Baccalaureate Degree(s)	4
Post- Graduate Degree(s)	5

6. How would you describe the area in which you are residing?

Urban	1
Rural	2

7. Size of your household, i.e. the number of people, including yourself, who live in your house/ dwelling for at least three months of the year.

Live alone	1
2	2
3	3
4	4
5 or 6	5
More than 6	6

Section B – Business Information

This section of the questionnaire provides background information regarding your business. It allows us to determine the historical status of your business in order to use this as a baseline against which your businesses growth, if any, can be measured.

8. Are you the owner or manager of a business based in Ekurhuleni?

Yes	1
No	2

9. Is your business registered with CIPC?

Yes	1
No	2

10. If yes, how is it registered

Private Company (Pty) Ltd	1
Closed Corporation (CC)	2
Non-Profit Organisation (NPO)	3
Co-Operative	4
Sole Proprietor	5

11. How long has the business been in operation?

0 - 1 year	1
1 - 2 years	2
2 - 3 years	3
3 - 5 years	4
More than 5 years	5

12. How many business partners or shareholders are there in your business other than yourself?

0	1
1	2
2	3
3	4
4	5
5	6
More than 5	7

13. How many full-time employees does the business have (do not include shareholders)?

0	1
1-2	2
3-4	3
5-6	4
7-8	5
9-10	6
More than 10	7

14. How many part-time, casual or temporary employees does the business have (do not include shareholders)?

0	1
1-2	2
3-4	3
5-6	4
7-8	5
9-10	6
More than 10	7

Section C – Business Development Support

This section of the questionnaire aims to determine whether your business has participated in business development support programmes and, if so, whether these programmes have helped to grow your business or not.

8. Has your business participated in any business development support programme offered by the Ekurhuleni Metropolitan Municipality?

Yes	1
No	2

9. If your previous answer was yes, how satisfied are you with the support received from the Ekurhuleni Metropolitan Municipality? Please indicate your answer using the following 5-point scale where1 = Completely dissatisfied

2 = Somewhat dissatisfied

3 = Neither satisfied nor dissatisfied

4 = Somewhat satisfied

5 = Completely satisfied

	Completely dissatisfied	Somewhat dissatisfied	Neither satisfied nor dissatisfied	Somewhat satisfied	Completely satisfied
Entrepreneurship Training	1	2	3	4	5
Business Finance Training	1	2	3	4	5
Sales and Marketing Training	1	2	3	4	5
Coaching and Mentoring	1	2	3	4	5
Access to business incubation facilities	1	2	3	4	5
Access to business funding e.g. loans or grants	1	2	3	4	5
Supply Chain opportunities(direct procurement)	1	2	3	4	5

10. How likely are you to employ someone in your business after receiving business development support from the Ekurhuleni Metropolitan Municipality?

Highly likely	1
Somewhat likely	2
Not sure	3
Somewhat unlikely	4
Highly unlikely	5
Not applicable	6

11. Has your business participated in any business development support programme offered through corporate Enterprise Development initiatives or other developmental agencies?

Yes	1
No	2

12. If your previous answer was yes, how satisfied are you with the support received from these initiatives? Please indicate your answer using the following 5-point scale where

1 = Completely dissatisfied

2 = Somewhat dissatisfied

3 = Neither satisfied nor dissatisfied

4 = Somewhat satisfied

5 = Completely satisfied

	Completely dissatisfied	Somewhat dissatisfied	Neither satisfied nor dissatisfied	Somewhat satisfied	Completely satisfied
Entrepreneurship Training	1	2	3	4	5
Business Finance Training	1	2	3	4	5
Sales and Marketing Training	1	2	3	4	5
Coaching and Mentoring	1	2	3	4	5
Access to business incubation facilities	1	2	3	4	5
Access to business funding e.g. loans or grants	1	2	3	4	5
Supply Chain opportunities (direct procurement)	1	2	3	4	5

13. How likely are you to employ someone in your business after receiving business development support from corporate Enterprise Development and other initiatives?

Highly likely	1
Somewhat likely	2
Not sure	3
Somewhat unlikely	4
Highly unlikely	5
Not applicable	6

Section D
This section aims to measure the growth aspects of your business.

21. Where do you primarily operate your business from? Please only choose one answer.

Home office	1
Rented business premises	2
Owned business premises	3
Other (please specify)	4

22. What was your business turnover/revenue/sales for the 2018 financial year (please indicate the total annual amount)?

R0 – R100 000	1
R100 001 – R300 000	2
R300 001 – R500 000	3
R500 001 – R1 000 000	4
More than R1 000 000	5

23. Do you expect your annual turnover amount indicated above to increase in this financial year?

Yes	1
No	2

24. Would you attend any future Business Development initiatives provided by the Ekurhuleni Metropolitan Municipality?

Yes	1
No	2

25. Would you attend any future Business Development initiatives provided by private entities in the form of Enterprise Development programmes?

Yes	1
No	2

Thank you for your co-operation in completing this questionnaire. Kindly return the questionnaire as specified in the cover letter.

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