

THE IMPACT OF ENTREPRENEURIAL SKILLS ON THE VIABILITY AND LONG-TERM SURVIVAL OF SMALL BUSINESSES: A CASE OF THE CITY OF TSHWANE, SOUTH AFRICA

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ABSTRACT

Small businesses operating in the City of Tshwane are characterized by shortage of entrepreneurial skills. The purpose of the study was to highlight the impact of shortage of entrepreneurial skills on the long-term survival and economic viability of small, micro and medium-sized enterprises (SMMEs) that operate in and around the City of Tshwane in Gauteng Province, South Africa. The research was based on a 5-year follow-up study (2007 to 2012) of a random sample of 349 small and medium-sized business enterprises that operate in and around the City of Tshwane in South Africa. Data was gathered from each of the businesses on socioeconomic factors that are known to affect the long-term survival of small, micro and medium-sized businesses. The objective of the study was to identify and quantify key predictors of viability and long term survival. The design of the study was descriptive and longitudinal. Econometric methods such as panel data analysis, Kaplan-Meier survival probability curves, life tables, and logit regression analysis were used for data analyses. Hazard ratios estimated from the Cox Proportional Hazards Model were used as an econometric measure of effect. The study found that 188 of the 349 businesses that took part in the study (54%) were not viable. Based on hazard ratios estimated from the Cox Proportional Hazards Model, the long-term survival and viability of SMMEs was significantly and adversely affected by lack of entrepreneurial skills, lack of supervisory support to newly established businesses, and inability of operators running newly established businesses to acquire relevant vocational skills.

Keywords: SMMEs, Entrepreneurial skills, Vocational skills, Panel data analysis, Odds ratio, Hazard ratio.