EXPLORING FAST MOVING CONSUMER GOODS (FMCG) SMALL, MEDIUM AND MICRO ENTERPRISES (SMME) MANUFACTURERS NEED FOR INNOVATION TO ACHIEVE GROWTH IN KWAZULU-NATAL

By

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DECLARATION

This work has not been previously accepted in substance for any Masters Degree and is not being concurrently submitted in candidature for any other Masters Degree.

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Date……

This submission is the result of my own independent work/investigation, except where otherwise stated. Other sources are acknowledged giving explicit references. A bibliography is appended.

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DEDICATION

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ABSTRACT

This study explores South African Fast Moving Consumer Goods (FMCG) SMME manufacturers' need for innovation to achieve growth in KwaZulu-Natal (KZN). South Africa suffers from a high rate of unemployment, with an official unemployment rate estimate of 24.7% (Statistics South Africa, 2013). This high rate of unemployment in South Africa is partly attributed to the failure rate of SMMEs, which is between seventy and eighty percent. Small enterprises encounter greater barriers than medium-sized and large enterprises in accessing finance for innovation, commercializing new ideas and expanding their businesses.

The study was exploratory and quantitative in nature. Questionnaires and interviews were used to gather data. The questionnaires were distributed personally and with the help of a research assistant to the business sites of the respondents. The respondents comprise 120 FMCG SMME manufacturers in KZN, who were selected by means of a non-probability sampling method.

The results obtained identified a number of factors influencing innovation for FMCG SMME manufacturers to achieve growth. The influencing factors include a lack of financial skill and knowledge; high cost or complex procedures to register or defend patents; a lack of information on the part of employers on how to satisfy consumers' interest; a lack of technological know-how and human capital problems; difficulty in accessing finance for research and development; government laws and regulations; new entrant threats and protocols; and a lack of product brand name.

Keywords: Fast Moving Consumer Goods (FMCG); Small, Micro and Medium Enterprises (SMMEs); Manufacturing; Innovation; and Growth.

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CHAPTER 1: OVERVIEW OF THE STUDY

1.1 Introduction

The features that result in low innovation in South African Fast Moving Consumer Goods (FMCG) SMMEs manufacturers are investigated in this study. The targeted population for this study comprises manufacturing SMMEs in the FMCG industry located in the KwaZulu-Natal (KZN) province. In this chapter, the background to the research will be examined, resulting in the formulation of the problem statement. The aims and objectives of the study will be extensively elucidated, the scope and delimitations of the study will be presented and the limitations imposed on the study by the researcher, will be elaborated. A brief summary of the research methodology, together with study validity and reliability will be discussed fully covered more in the research methodology chapter, as well as the ethical issues, definition of key terms and the structure of the dissertation.

1.2 Background to the research

SMMEs are the key basis of fiscal intensification in developed and developing countries similarly (Mwarari 2013: 99). These entities play an essential function in the establishment of jobs, the mitigation of lack and in generally enabling the economy. Micro-Enterprises (a division of the extensive small, medium and micro enterprises(SMME) are anticipated to be a significant medium in dealing with the problems of employment creation, sustainable economic intensification, impartial allocation of income and the general motivation of trade and industry improvement in South Africa. However, regardless of the afore-mentioned contributions of micro-enterprises to the retail sector in South Africa, these sectors experience shortfalls at a hugely unsuccessful pace (Olawale, 2014: 125).

Nieman and Nieuwenhuizen (2009: 35) acknowledge difficulties encountered by SMMEs in South Africa as a lack of training and education; restricted contact to monetary resources; inaccessibility of markets; inefficiency of sustenance organizations; inaccessibility of suitable expertise; and deprivation of contact with supplementary resources, like human resources. Joshua and Peter (2010: 218) also acknowledge that SMME growth is significantly confined by a number of factors such as deficiency of access to suitable expertise; restricted contact with

global markets; the existence of laws, regulations and rules that hamper the improvement of the sector; frail institutional ability; inefficient administration skills and training; and funding.

1.3 Problem Statement

The Department of Trade and Industry (2012) revealed the soaring extent of the inability for small, medium and micro enterprises (SMMEs) to develop in South Africa. The reason for this stems from factors such as inefficient administrative proficiencies; deprivation of help from government; lack of training and inadequate access to proper technology (Nkonde2012: 6). Statistics South Africa's First Quarterly Report (2012) states that entrepreneurship in the informal sector in South Africa is dormant and in diverse areas, is deteriorating. Informal sector recruitment remains unstable, with three consecutive quarterly reductions experienced since the third quarter of 2011.

The questions addressed in this study are:

- What are the factors that influence the level of innovation in Fast Moving Consumer Goods (FMCG) manufacturing SMMEs?
- What can Fast Moving Consumer Goods (FMCG) SMME manufacturers do to be more innovative in their industry?
- What can be done to improve innovation in Fast Moving Consumer Goods (FMCG) SMME manufacturers?

1.4 Objectives of the study

The general objective of this research are to explore the level of innovation in South African Fast Moving Consumer Goods (FMCG) manufacturing SMMEs; examine factors that influence innovation in the industry by investigating the strategies in use, taking cognizance of KwaZulu-Natal (KZN) FMCG SMME manufacturers; and discover the reasons for low innovation in the industry.

In support of the major objectives, the following fundamental objectives are also addressed:

- To identify critical factors influencing the innovation of Fast Moving Consumer Goods (FMCG) SMME manufacturers to achieve growth;

- To examine the extent to which these factors influence the effectiveness of SMME manufacturers innovation strategies; and
- To design a new strategic approach to overcome innovation problems in Fast Moving Consumer Goods (FMCG) SMME manufacturers.

1.5 The Scope and Delimitations of the Study

The study was carried out in selected areas of the province of KwaZulu-Natal (Pietermaritzburg, Pinetown, Umbilo and Umgeni). It focused on FMCG manufacturers SMMEs. This study will be restricted to FMCG manufacturing SMMEs in KwaZulu-Natal. It will not take cognizance of other provinces in South Africa, because it will not be practicable for the researcher to carry out the study in all FMCG manufacturing SMME sectors located in South Africa owing to time limitations, costs and the incapacity of one researcher to review and get definite results.

1.6 Limitations of the Study

Although the research was cautiously organized, the study had a small number of limitations. A lack of time and reluctance of the respondents to complete questionnaires generated difficulties in finding a representative sample. This study is centred only on accessible FMCG manufacturing SMME businesses and will not consider proposals for new business. One month was allocated to the field work in order to give researcher and the research assistant sufficient time to explain the purpose of the surveys in more detail to the target population. These actions generate motivation to respondents to participate.

1.7 Methodology

The methodology covers the population; sample; nature of the research; validity and reliability of the study; sampling method; data collection instrument; recruiting process; data collection method; administration of the instruments; and data analysis.

1.7.1 Population

The target population of this study is SMMEs in the FMCG manufacturing sector. It will comprise 120 respondents taken from 3000 FMCG manufacturing SMMEs operating in

KwaZulu-Natal (Statistics South Africa Report, 2009). Sekaran and Bougie (2013: 269) propose the following rules of thumb for determining sample size:

(1) Sample sizes larger than 30 and less than 500 are appropriate for most research.
(2) Where samples are to be broken into sub-samples (males/females, Juniors/seniors etc) a minimum sample size of 30 for each category is necessary.
(3) In multivariate research (including multiple regression analyses), the sample size should be several times (preferably ten times or more) as large as the number of variables in the study.
(4) For simple experimental research with tight experimental controls (matched pairs etc), successful research is possible with samples as small as 10 to 20 in size.

Therefore with regards to the above, the researcher chose 30 samples in each region of Pietermaritzburg, Pinetown and Umbilo and Umgeni. The researcher arrived at 120 respondents by (30 samples eachx4 regions selected) which are 120 respondents.

1.7.2 Sample

The sample of this study comprises 120 FMCG manufacturing SMMEs drawn from a total population of 3 000 FMCG manufacturing SMMEs established within the KwaZulu-Natal Province (Statistics South Africa, 2009). The researcher used a judgmental sampling. In this type of sampling, 120 FMCG from total of 3000 FMCGs were chosen to be part of the sample, with a specific purpose in the mind of the researcher. Certain areas were selected by the researcher and these areas include Pietermaritzburg, Pinetown and Umbilo and Umgeni. The reason why researcher chooses this method of sampling is due to lack of the companies' lists with their different locations, available for the population, thereby making it impossible for the researcher to observe the larger population. Even though the report (South Africa Report, 2009) indicates this population of 3000 FMCG SMMEs, some of these SMMEs do not fall under the selected areas/places that the researcher selected. The researcher will select some FMCG Manufacturing SMMEs from the region and the results of the selection will be generalized. It is estimated that there are about 3 000 FMCG manufacturing SMMEs in the KZN province as a whole (Statistic South Africa Report, 2009).Also, it will not be practicable for the researcher to contact the whole KZN population. Moreover, a smaller number of respondents will be approached to make it

easier and convenient for the researcher, with the aid of research assistant, to distribute the questionnaires and relate with the respondents. The same applies to conducting interviews with respondents (Sampling in qualitative research, 2009). Eight interview questions will be administered to the respondents.

1.7.3 Nature of the Research

An exploratory study was carried out comprising a quantitative practical study using questionnaires. A Personal distribution of the questionnaires to the respondents' business sites created a climate for joint understanding, put respondents at ease and encouraged commitment.

1.7.4 Validity of the Study

A specialist statistician scrutinized the measuring instrument to guarantee the validity of the questions. Furthermore, the validity of this study was tested by a pre-test with five (5) FMCG manufacturing SMMEs from each of the chosen areas. The length of the questionnaire was also taken into consideration. The following questions concerning the study were asked in order to ascertain the validity:

- Does the research actually assess the entrepreneurial economic conditions; institutional; financial; infrastructural and social-cultural environments; entrepreneurial characteristics; innovation capabilities activities; and their expansion in local and under-developed areas in South Africa?
- Do the research measuring instruments agree with the research objectives?

1.7.5 Reliability of the Study

Variables resulting from test instruments are confirmed to be dependable simply once they offer strong, as well as unswerving revert on recurring administration of the test. The length of the questionnaire will also be considered as a long questionnaire could result in people being reluctant to participate in the study.

1.7.6 Sampling Method

For the purpose of this study, the non-probability method of sampling was used to evaluate the data. The researcher chose this method of sampling owing to the absence of a company's list

with different locations accessible for the population, thus making it impracticable for the researcher to survey the larger population. Some FMCG manufacturing SMMEs were selected from the province and the outcome of the selection was generalized.

1.7.7 Data Collection Instrument

A total of 120 questionnaires comprising largely closed-ended questions were employed. The semi-structured interview was also used. A fully trained research assistant was employed to distribute and collect the questionnaires.

1.7.8 Recruiting Process and Data Collection Method

The data collection method is crucial as the collection method of questionnaires will be used to gather information. The researcher also conducted interviews at the selected FMCG manufacturing SMME industries to collect more information.

1.7.9 Administration of the Instrument

The measuring instrument used was a questionnaire comprising mainly closed-ended questions. Literature was used as the source of information to formulate the questionnaire. The questionnaire was administered by the researcher herself and the intent and content of the questionnaire was expatiated entirely to the trained assistant, in order to have precision on the questions by the respondents as and when it is required.

1.7.10 Data Analysis

Statistical Package for Social Sciences (SPSS) version 23.0 statistical program was used to evaluate quantitative data. Once data processing had been done (examination of completed questionnaires and checking for omitted information), the data was keyed into the computer according to question codes and analyzed via the SPSS. A multiple regression analysis was also applied. The following types of analyses were used:

- The first type of analysis looked at the frequencies. For instance, the number of times a certain response was made and also to check the coding of the data;

- Variables were scrutinized: Variables that are very significant were recognized on the dependent variables of the research; and
- Bivariate analyses, as well as inferential statistics were used in the form of cross-tabulations to test the relationship of the variables. Data was presented by means of Pie-Charts, Histograms and Bar Charts.
- Qualitative data was evaluated using Atlas t_1.

1.8 Ethical Considerations

In order to protect the rights of human subjects and meet the standards of any scientific enquiry, there are certain ethical issues that should be considered when conducting a survey. The study required the participation of human respondents; specifically from the FMCG manufacturing SMMEs in KwaZulu-Natal.

Blumberg, Cooper and Schindler (2008: 156) point out that when data is gathered in a survey, an observation, an experiment or interview, the respondent must be safeguarded. Voluntary participation of the respondents was considered, the respondents' right to privacy and direct permission were obtained and the right to withdraw from the study at any time without compulsion was also assured.

1.9Structure of the Dissertation

The dissertation is arranged as follows:

Chapter One: Overview of the study

The rationale of this chapter is to provide an outline of the study. Chapter one commences with a background to the study, followed by the research problem. The aims and objectives of the study are also specified; along with a framework of the scope and delimitations, and the limitations of the study, the methodology, research problem, ethical issues and the intention of the researcher to solve the problem is also described.

Chapter Two: Literature Review

Chapter two covers part one of the literature reviews, which provides a summary of preceding research on innovation in Fast Moving Consumer Goods (FMCG) SMMEs manufacturers. It offers the literature relevant to the purposes of the study from academia and scholars. The chapter begins by providing information regarding the factors that influence innovation in Fast Moving Consumer Goods (FMCG) SMME manufacturers.

Chapter Three: Research Design and Methodology

The focus in this chapter is on the methodology that was engaged in the study, through the determination of the research design, population, sample, method of data collection and reliability and validity of the research study.

Chapter Four: Data Presentation and Results

All the data collected from the survey results were assembled and appraised using SPSS version 23.0. The intention for using SPSS is to discover the answers to the research questions. After an introductory report on the results, the researcher will make known the problem(s) and will create a new literature review associated with the findings. The researcher will also postulate on the limitations of the study.

Chapter Five: Conclusion and Recommendation

Chapter five induces interpretations with the aid of the study results, literature review and interviews, using the main results of the primary research. This chapter also reviews the whole study. All the restrictions faced in the process of carrying out the research are also elaborated. Furthermore, recommendations for future research and suggestions for businesses are made.

1.10 Conclusion

This chapter provided a summary of the background to the research, the problem statement, research objectives, scope and delimitations, limitations, methodology, ethical issues and definitions of the key concepts. A plan of the chapters was also presented. The following chapter will cover the literature review. This will elucidate the motive for which the research is conducted.

CHAPTER 2: LITERATURE REVIEW ON THE NEED FOR INNOVATION IN SOUTH AFRICAN FAST MOVING CONSUMER GOODS (FMCG) SMMEs MANUFACTURERS' TO ACHIEVE GROWTH IN KWAZULU-NATAL.

2.1 Introductions

The small industry segment, in which small and micro businesses belong, is the most important aspect of several countries' economic intensification. Petite enterprises contribute significantly towards Private Gross Domestic Product (GDP) and provide job opportunities for the individuals. Small businesses are responsible for a fair number of employment opportunities and these enterprises' significance to manufacturing and employment formation project that their survival, accomplishment and development are very important to the fiscal growth and development of any economy (Chow and Dunkelberg 2011: 214). Small enterprises, otherwise known as petty businesses, have a very significant task to perform in achieving success in the South African nation in terms of job formation, revenue accumulation and productivity enlargement (uThungulu District Municipality 2010: 4). Chow and Dunkelberg (2011:215) explain further that SMMEs are frequently the medium through which communities with low income achieve entrance into profitable opportunity in addition to redressing the financial challenge. However, South Africa has constantly been rated badly in the Global Entrepreneurship Monitor (GEM) review in conditions of industrial action (John and Martine 2011: 47). John and Martine (2011: 47) concluded that, it is obvious that South Africa is not producing a suitable industrial economy and that this must be dealt with in order to generate employment, develop enterprises, boost innovation in SMME manufacturing and refresh society.

South Africa has been deprived of growth due to the soaring pace or trends caused by unemployment, added to a certified redundancy pace approximation ranging around 24.7% (Statistics South Africa, 2013). Soaring joblessness in South Africa is ascribed to the breakdown pace of SMMEs, which is between 70% and 80% (Van Scheers 2010: 221). Mini-Enterprises (a component of the vast small, medium and micro enterprise sector (SMMEs) are likely to become a significant medium capable of tackling the lack of capability to create employment; durable fiscal enlargement; and fair allocation of revenue, along with a general motivation of fiscal growth in South Africa. However, regardless of the highlighted assistance of micro-

entrepreneurs operating within the trade sector in South Africa, these enterprises experience a soaring unsuccessful pace (Olawale 2014: 125). Small enterprises face larger difficulties than medium-sized and big enterprises in obtaining funding to be used in the invention of new ideas and technologies, commercializing innovative thoughts and growing the enterprise (Irma 2011: 69).

Statistics South Africa (2010) posits that South Africa has contributed to the maximum unemployment rate recorded globally, which was 25.3 percent in the third quarter of 2010. This soaring unemployment rate was ascribed to a quite small informal sector caused by assertion that South Africans require entrepreneurial strength (John and Martine 2011: 48). The notion of small, medium and micro enterprises (SMMEs) was formed and put into action by the South African government with the expectation of developing the financial system of South Africa, a falling redundancy pace and eradicating lack (Bruwer and Andre 2010: 3550). However in contrast, it is apparent that the sustainability of these entities are at an all-time low, due to the unproductive use of accounting resources through the fast moving consumer goods (FMCG) retail SMMEs which has resulted in vital business decisions being made which make them ineffective.

This section focuses on expatiating research investigation connected through the need for innovation in South African Fast Moving Consumer Goods (FMCG) SMME manufacturers to achieve growth in KwaZulu-Natal. In order to carry out this review, four major keywords were selected and examined and the entire dissertation is based on them. They are Manufacturing, Small, Micro and Medium Enterprises (SMMEs), Fast Moving Consumer Goods (FMCG) and Innovation.

2.2 Definition of SMMEs

The South African SMME economy has been vigorously sponsored since 1995 when the South Africa government industrialized a small business sponsorship approach to accomplish the following goals:

- Fiscal improvement and growth;
- Scarcity mitigation;

- Profit relocation;
- Job establishment;
- Financial support of formerly destitute residents;
- Equal rights of economic involvement;
- Substitution of the present oligopolistic display of the nation with one that gives room for increasing points of rivalry (Ntsika 1999: 11). The South Africa National Small Business Act 102 of 1996 elaborates five descriptions of enterprises in South Africa. It describes the number of the workforce (the main/frequent approach to description) for every venture that ranges into the group and is united alongside the yearly revenue groupings and the total resources, apart from permanent possessions. The descriptions aimed at the numerous enterprises. Descriptions are prearranged as follows:

2.2.1 Enterprise Descriptions (The South Africa National Small Business Act 102 of 1996)

- Survivalist enterprises: The profits produced are smaller than the least revenue regulation or the insufficiency limit. This description is described as pre-entrepreneurial, and it comprises road-side sellers, dealers and small-scale farmers. (In practice, survivalist enterprises are often described as an element of micro-enterprises).
- Micro-enterprises: The income is less than the VAT registration maximum value (that is, R150 000 for each year). These enterprises typically are frequently short of procedures in aspects of listing. They comprise, for example, spaza shops, minibus taxis and family businesses. They recruit no more than five employees.
- Very small enterprises: These are ventures that recruit less than 10 paid people, apart from mining, electricity, manufacturing and construction sectors, in which the number is 20 employees. These ventures function in the reserved market and have admittance to expertise.
- Small enterprises: The higher limit is 50 workers. Small enterprises are normally more familiar than very small enterprises and display added complex business acumen.
- Medium enterprises: The highest number of workers is 100 or 200 for the mining, electricity, manufacturing and construction sectors. These enterprises are repeatedly characterized by the devolution of authority to a further administrative level.

Table 1: Classification of SMMEs according to the National Small Business Act 102 of 1996

Sector or Subsectors in accordance with the Standard Industrial Classification	**Size or Class**	**Total full-time equivalent of paid employees less than:**	**Total annual turnover less than: (R'000)**	**Total Gross Asset Value (Fixed property excluded) less than: (R'000)**
Agriculture	Medium	100	R4,000,000	R4, 000, 000
	Small	50	R2, 000,000	R2,000, 000
	Very Small	10	R400, 000	R400,000
	Micro	5	R150, 000	R100,000
Mining and Quarrying	Medium	200	R30, 000,000	R18, 000,000
	Small	50	R7, 500,000	R4, 500,000
	Very Small	20	R3, 000,000	R1, 800,000
	Micro	5	R150, 000	R100, 000
Manufacturing	Medium	200	R40, 000,000	R15, 000,000
	Small	50	R10, 000,000	R3, 750,000
	Very Small	20	R4, 000,000	R1, 500,000
	Micro	5	R150, 000	R100, 000
Electricity, Gas	Medium	200	R40, 000,000	R15, 000,000

and Water	Small	50	R10, 000,000	R3, 750,000
	Very Small	20	R4, 000,000	R150, 000
	Micro	5	R150, 000	R100, 000
Construction	Medium	200	R20, 000,000	R4, 000,000
	Small	50	R5, 000,000	R1, 000,000
	Very Small	20	R2, 000,000	R400, 000
	Micro	5	R150, 000	R100, 000
Retail and Motor Trade and Repair Services	Medium	100	R30, 000, 000	R5, 000, 000
	Small	50	R15, 000, 000	R2, 500, 000
	Very Small	10	R3, 000, 000	R500, 000
	Micro	5	R150, 000	R100,000
Wholesale Trade, Commercial Agents and Allied Services	Medium	100	R50, 000, 000	R8, 000, 000
	Small	50	R25, 000, 000	R4, 000, 000
	Very Small	10	R5, 000, 000	R500, 000
	Micro	5	R150, 000	R100, 000
Catering, Accommodation and other Trade	Medium	100	R10, 000, 000	R2, 000, 000
	Small	50	R5, 000, 000	R1, 000, 000
	Very Small	10	R1, 000, 000	R200, 000
	Micro	5	R150, 000	R100, 000

Transport, Storage and Communications	Medium Small Very Small Micro	100 50 10 5	R20, 000, 000 R10, 000, 000 R2, 000, 000 R150, 000	R5, 000, 000 R2, 500, 000 R500, 000 R100, 000
Finance and Business Services	Medium Small Very Small Micro	100 50 10 5	R20, 000, 000 R10, 000, 000 R2, 000, 000 R150, 000	R4, 000, 000 R2, 000, 000 R500, 000 R100, 000
Community, Social and Personal Services	Medium Small Very Small Micro	100 50 10 5	R10, 000, 000 R5, 000, 000 R1, 000, 000 R150, 000	R5, 000, 000 R2, 500, 000 R500, 000 R100, 000

Source: Schedule to the National Small Business Act of 1996 as revised by the National Small Business Amendment Act 26 of 2003

Table 2: SMME categorization within the manufacturing industry (Extracted from The Small Business Act of 1996: 20)

Size/ Class	Employees (less than)	Annual Sales limit (R million)	Gross Assets (Excluding Fixed Property (R million)
Medium	100	40, 000, 000	15, 000, 000

Small	50	10, 000, 000	3, 700, 000
Very Small	10	4, 000, 000	1, 500, 000
Micro	5	150, 000	10, 000

Source: Small Business Act (RSA, 1996: 20).

Table 3: Defining four-size classes of manufacturing SMMEs by numbers of employees

Size Class	Micro	Very Small	Small	Medium
No. of Employees	0-4	5-19	20-49	50-200

Source: National Small Business Act (RSA, 1996: 20).

2.2.2 Contribution of SMMEs to South African Economic development

SMMEs are the major basis that determines trade and industry expansion in industrial and emergent countries evenly (Mwarari 2013: 99). Mwarari (2013: 99) further explains that in the United States, for instance, SMEs are believed to supply 67percent of job opportunity and 61percentindustrializedsegment productivity. In South Africa, an anticipated number of 3,830,511 small, medium and micro enterprises (SMMEs) are presently in operation (Bruwer 2012: 5383). These entities make a very important contribution to establishing employment, the mitigation of scarcity, as well as the general enhancement of the economy. Despite the problems encountered by SMMEs in South Africa, literature reveals some of the input and significance of SMMEs to the economy. It is debatable that most of the commercial action occurs in SMMEs (Chimucheka 2013: 784). SMMEs from 97percent of all enterprises in South Africa generate 35percent of the gross domestic product (GDP) (Nieman and Nieuwenhuizen 2009: 3).

Presently, the small enterprise segment has gained recognition as being the strength of all nations (Agupusi 2007: 2).Furthermore, strong financial systems assist new business start-ups. Gries and Naude (2008: 1) stress that there is a certainty in the result of the economy coupled with a huge

small, micro and medium-sized enterprises (SMMEs) segment and has encouraged both industrial and less industrial countries to intentionally positioned strategies intended to enlarge the new businesses' progress and development of the SMME segment. According to Chandra, Moorty, Nganwu, Rajaratnam and Schaefer (2001: 12), the presence of a massive SMME sector is a source of employment formation and scarcity suppression, which happens to be one of the basic instruments of growth.

Entrepreneurship is a landmark on the path towards economic growth and makes an enormous contribution towards the value and future hopes of a sector, economy or even a country (Domingo and Kun-Huang 2013: 1964). They explain further that entrepreneurship is as vital in Small and Medium-sized Enterprises (SMEs) and restricted markets instituted within big companies, and national and intercontinental markets, and is as much a key consideration for public companies as for private organizations. The encouragement of private enterprise and small industry enlargement was realized by the South African Government in 1994 as a medium of achieving extensive developmental goals in the country. The broad developmental goals in the country, as highlighted by Nieman and Nieuwenhuizen (2009: 276), are:

- Job or employment establishment;
- Scarcity improvement;
- Fairness and participation;
- Social stability; and
- Fiscal growth and development.

Chimucheka (2013: 785) points to other benefits of the SMME segment as strengthening weak society; competing with emergent companies with the likely reimbursement of cost by the wholesalers, as well as a wider support and preference in favour of the customer. Du Toit, Erasmus and Strydom (2009: 50) state that SMMEs compete with large enterprises and progress the nature of the viable background resulting in superior products and services being offered to the nation. SMMEs are also in opposition to each other which is advantageous to consumers in terms of superiority and cost (Chimucheka 2013: 788). Chimucheka (2013: 788) stresses further that a number of functions can be carried out more professionally and successfully by SMMEs than bigger enterprises, which conclusively connotes that SMMEs

can give more to the establishment of bigger organizations. It is therefore apparent that SMMEs could achieve the allocation and delivery functions of larger firms, such as wholesale and retail ventures and carry out an important function for bigger enterprises by supplying its products to consumers (Du Toit, Erasmus and Strydom 2009: 51).

SMMEs are obviously seen as a vehicle of growth in any nation (Anneline 2009: 41). SMMEs are the preliminary point of growth in economies towards industrialization (Mukole 2010: 2291). Mukole (2010: 2291) also stresses that SMMEs play an important part in the transformation of agriculture-led economies to manufacturing economies supplying the basic means intended for philanthropic undertakings that are capable of creating a sustainable supply of income and improve growth progression. In today's aggressive and varying trade location, it is not sufficient to have only the practical knowledge of how to initiate a business enterprise (Mahadea and Pillay 2008: 431). Mahadea and Pillay (2008: 431) explain that the skills required for starting a business are different from those required in running it to a flourishing market growing phase, pointing out that an industrialist who productively initiates an enterprise might not essentially be an excellent administrator. This is considered to be a serious constraint to business expansion in South Africa.

There is extensive agreement that an energetic SMME industry is a major motivating instrument that propels the growth of a market environment (Mathew 2009: 118-119). Mathew (2009: 118-119) further explains that SMMEs motivate classified entrepreneurs with private entrepreneurial expertise; are simple and could adjust rapidly in the direction to varying customer expectations and delivery situations; job creation; assist in expanding monetary movement; and offer an important role to export and employment. Moss (2007: 223), states that if nations, significantly ones found within Africa, are to come out of scarcity and joblessness and to formulate extra flourishing expectations, those nations will require good numbers of SMMEs and larger enterprises. The sponsorship of small, medium and micro enterprises (SMMEs) is the priority hub of South Africa and in numerous nations (Mahadea and Pillay 2008: 431).

Table 4: List of government programmes that support SMME development in SA (Urban-Econs 2008: 34).

Government Sector	Services &Programmes provided
Department of Trade and Industry (DTI)	SMME expansion is a centred focus area for the department of trade and industry, and development funding institutions; SEDA; Regulatory Institutions, Expertise, Innovations and Standards Institutions and Programmes. The DTI's planned goals for SMME growth consist of the following: • growing the involvement of SMMEs in the domestic budget; • reducing the pace of business failure in these enterprises; • Maximizing employment formation; and • Growing effectiveness and sponsoring expansion by sectorial training. DTI has a sequence of packages that maintain SMME expansion, comprising monetary support, credit threat allocation, skill motivations and financial business support services (BSS), amongst others.
Department of Provincial and Local Government (DPLG)	The DPLG is accountable in supporting LED among metropolises in South Africa that comprise SMME growth; for this reason, the LED deposit and Public Plan Fund were

	introduced, in the midst of substitutes, to permit Local Governments to start and aid LED activities in their various regions.
Department of Communication (DOC)	The DOCs obligation to SMME improvement concentrates on ICT services and facilities to the public through small businesses and procurement packages. Present ideas comprise the “Bridging the Digital Device” portion, which is concentrated on dispensing under-serviced area licenses for SMMEs and co-operatives.
Department of Environmental Affairs and Tourism (DEAT)	The DEAT has established Tourism Business Development Projects and Programmes. The duty of tourism industry evolution is to carry out tourism, tourism growth design, skill support and small business support and expansion.
Department of Labour (DOL)	The DOL has advanced the Skills Support Programme (SSP) to support growing and innovative businesses with expertise growth and training expenses. It is related to innovative or developing businesses suitable for the DTI’s Small and Medium Enterprises Development Programme (SMEDP), offering appropriate drilling programmes.
Department of Art and Culture (DAC)	The DAC supports the expansion of maintain able municipal skills and expertise tasks through ventures in Culture Programme;

	SMME growth in innovative industries such as Theatre, TV and Film, as well as its Arts Education and Training Programme.
Department of Mineral and Energy (DME)	The DME's Small-Scale Mining Programme offers production funding and guidance to SMMEs in the Mining sector, while the Minerals Beneficiation Programme also vigorously encourages SMME growth in Minerals Beneficiation.
Department of Agriculture (DOA)	The DOA offers monetary and non-monetary support to small and developing farmers, Farming Enterprises and Farming Co-Operatives through its AgriBEE agenda, comprehensive Agricultural Support Programme and the Land Bank.
Department of Science and Technology (DST)	The DST associates with the DTI in supporting and applying scientific innovations in prevailing South Africa industries as well as emergent innovative SMMEs in order to exploit the commercial advantage of new expertise. Basic programme include the GODISA Programme, Technology Parts, and Centre of Excellence Programme.

Source: Urban-Econs (2008: 34).

2.3 Theoretical Framework on Manufacturing SMMEs

Small, Micro and Medium sized enterprises (SMMEs) are undeniably essential to sustaining strong economic growth. However to maintain their performance in the long term is a big

problem (Aylin, Patrizia, Paola and Umit 2013:28). SMMEs consist of a very diverse group, of business owners at various levels of skill, assets, complexity and expansion orientation (Aripov and Hokyun 2014: 70). Aripov and Hokyun (2014: 28) explain further that several countries have diverse definitions for SMMEs in the manufacturing and service sector and may exempt firms from particular industries or from firms that have shareholdings by parent companies. In this study, the theory of manufacturing SMMEs' framework is used to indicate any class of configuration or method that collaborates innovation and growth in the FMCG SMME manufacturing sector. In order to survive in today's competitive business environment, manufacturing firms, especially small, micro, and medium enterprises (SMMEs), are required to join efforts and to collaborate and share the needed knowledge, capabilities, capital and vital mass to grow innovative businesses and deliver higher quality and multifaceted products (Carneiro, Cunha, Fereira and Shamsuzzoha 2013: 61).A manufacturing strategy method has to do with both administrative and executive problems such as membership, contact, project supervision and point of entry (Malin, Kristina and Mats 2014: 5).

A debate on existing policies on small businesses in South Africa is important in order to comprehend whether they are enabling or not (Ngcobo and Sukdeo 2015: 507). Ngcobo and Sukdeo (2015: 507) explain further that opinions on the definition of the term SMME differ amongst scholars and nations across the world. The generally agreed upon theory is that they are either formal or informal enterprises of diverse sizes that are established with the intention of creating means of livelihood, while providing certain services in society. The most frequent definition of SMMEs in Europe is the quantitative definition provided by the European Commission (2005) which contains number of employees, revenue and/or balance sheet. Recently, the European Commission also included independence in its definition by considering independence as not more than 25 per cent of the company that should be owned by another company.

The South African National Small Business Act No. 102 of 1996particularlydescribes a small business as a separate and distinct business entity, including co-operative enterprises and non-governmental establishments, controlled by a sole proprietor or more which, including its branches or subsidiaries, if any, is principally carried on in any sector or subsector of the economy. Furthermore, the Act (Act No 102 of 1996) divides SMMEs into five categories:

Survivalist enterprises, micro enterprises, very small enterprises, small enterprise and medium enterprises: In explaining and classifying the various enterprises, the Act facilitates apparent performance and control of state support and motivation, where accessible, to relevant enterprises. However, Burns (2007: 9) warns that SMMEs should not be seen as scaled-down editions of large enterprises. This is essential to distinguish because the way in which small enterprises carry out their businesses differs extensively from bigger establishments.

2.3.1 The importance of SMMEs in the world economic perspective

According to Al Berry, Magali, Rashad, Anna, Bala and Dirk (2002: 1), SMMEs cover a very wide range of firms, from recognized long-established family businesses recruiting over a hundred people (medium-sized enterprises), down to the survivalist self-employed from the poorest layers of the population (informal micro-enterprises), while the upper end of the range is equivalent to the small, micro and medium sized enterprise (SMME) population of developed countries. Statistics show that significant majority of SMMEs are concentrated on the very lowest end. Al Berry, et al. (2002:4) explains further that those SMMEs have some economic tasks to complete. They contribute to a country's national product by either manufacturing goods of value, or through the provision of value, or through the provision of services to both customers and/or other ventures. This also encompasses the provision of products, and to a slight extent, services to foreign clients, thereby adding to overall export performance.

According to Small, Micro and Medium Enterprises (SMMEs) India's Act of 2006, SMMEs are classified into two classes: Manufacturing and Service enterprises. The enterprises engaged in the manufacturing or in the production of goods are defined in terms of investment in plant and machinery:

*A small scale industry is defined on the basis of a limit of the value of investment in plant and machinery, which is more than 25 lakh rupees and does not exceed ten crore rupees.

* A medium scale industry is defined on the basis of the value of investment in plant and machinery which is more than five crore rupees but does not exceed ten crore rupees.

According to White- book 2009-2010 (The Business World 2010), in Malaysia, small enterprises have earnings between rupees two lakh fifty thousand to one million and medium enterprises

have earnings between one million and twenty five million. On average, employee strength for SMMEs ranges from fifty employees to one hundred and fifty employees. Furthermore, in China, small enterprises are defined as those that employ fifty to a hundred people, and medium enterprises employ one hundred to a hundred and fifty people (Priya, Samapti and Shiva 2013: 5). In the United Kingdom (UK), a small enterprise as a unit has a turnover of £5.6 million, and employs around 50 people. A medium- sized enterprise has a turnover of £22.8m and has 250 employees.

2.3.2 Theoretical Framework on SMME Innovation Strategies

Innovation is the specific instrument of entrepreneurs, the means by which they exploit change as a chance for a different business or a different service. It is competent of being offered as a discipline, capable of being studied and capable of being practiced. Entrepreneurs need to explore intentionally for sources of innovation, the changes and their signs that point to opportunities for thriving innovation, and they need to know and to apply the ideology of successful innovation (Drucker 1985: 17). Innovation is a process rather than a sole incident and includes reasonably easy changes to existing products and services that call for time and resources if they are to be successfully carried out (Osward and Tilley 2003: 22). Starting from the numerous conceptual and empirical studies about innovation strategies, this study attempts to recommend a framework which shows various crucial innovation strategies, amongst which are Branding, Consumer Satisfaction, Advertisement and offering innovative products to consumers in FMCG manufacturing sector.

Small, Medium and Micro Enterprises (SMMEs) face tremendous challenges in their attempt to pursue technological innovation (Gnyawali and Byung-Jin 2009: 308). The emergence of the knowledge economy, intense global competition and considerable technological advancement has seen innovation become increasingly central to competitiveness, and as companies become increasingly focused on innovation, the performance hurdles for success have increased considerably (Lawson and Samson 2001: 378). Lawson and Samson (2001: 378) further state that innovation is the key mechanism for organizational growth and renewal. The adoption of innovation, less efficient technology and older ways of executing administrative and marketing

tasks are the main problems preventing SMMEs from achieving growth (Muhammed, Mohd and Halim 2012: 153).

Jorde and Teece (1990: 77) discussed the importance of collaborating with competitors for technological development. They suggested that the simultaneous innovation model (as opposed to the traditional serial model) recognizes the existence of tight linkages and feedback mechanisms which must operate quickly and efficiently, including links between firms. According to Gnyawali and Byung-Jim (2009: 311), innovation provides a foundation for understanding why competitors need to bring together each other's resources to pursue innovation. Rosenbusch, Brinckmann and Bausch (2011: 441) found that innovation has a positive effect on the performance of SMMEs. They further identify a number of factors that impact the innovation-performance relationship, deducing that fostering an innovation orientation has more positive effects on firms' performance than creating innovation process outcomes such as patents or innovative products or services.

Innovation is regarded as an instrument that propels economic development and is equally important for SMMEs as for large enterprises in all parts of the world (Muhammed, Mohd and Halim 2012: 153). Schumpeter (1934) is of the opinion that innovation is an opportunity for entrepreneurial firms to gain rents through the temporary establishments of a monopoly and considers continuous innovation activity as the key source of long-term entrepreneurial success. Resenbusch, Brinckmann and Bausch (2011: 444) purport that SMMEs pursuing an innovation strategy may benefit in several ways. They explained that many benefits attributable to innovation help SMMEs to successfully compete with well-established incumbents that can rely on a much larger resource base than their smaller counterparts and, by offering highly innovative products, small firms can avoid price competition.

Porter (1980) suggests that if innovating SMMEs manage to set high barriers preventing competitors from market entry, the companies' position in the industry is strengthened and the innovation can lead to persistent above-average returns. Porter (1980) further explains that the invention of innovative products, services, processes or business models, tailored to attractive niches, is an additional opportunity for SMMEs to stand out from competition. According to North and Smallbone (2000: 146), coming up with technological innovation is not sufficient, but

innovation that has to do with introducing new products (Product Innovation); managing employees and carrying everyday tasks (Managerial or Administrative innovation); looking for new customers; and seeking new ways to position and promote the products and services (Market and Marketing Innovations) are also equally important for superior performance in SMMEs.

2.3.3 The importance of innovation in the SMME manufacturing industry

The Small, Micro and Medium Enterprise (SMME) sector plays an important role in the fiscal growth and development of any economy. It adds to the goals of economic growth, economic empowerment, employment provision and poverty reduction in different ways (DTI, 2003). Small, micro and Medium Enterprises (SMMEs) in the manufacturing sector make a major contribution to economic development. However, most research into innovation management in the manufacturing sector has centred on large establishments (Mile 2010: 892). SMMEs in the manufacturing sector are also faced with bigger competition from cheaper manufactured products from countries such as China and India (Bessant and Tidd 2007: 89) and are consequently struggling to develop suitable strategies for competing with them.

Innovation is seen as a way by which innovative knowledge is transformed into economic growth (Alessandra, Klaciba and Christian 2013: 14). Alessandra, Klaciba and Christian (2013: 14) support the argument that more innovation brings more growth, which promotes higher levels of employment and job creation. Furthermore, Alessandra, Klaciba and Christian (2013: 14) confirm that innovation has a constructive effect on the rate of firm growth, and that innovation is of vital importance for high- growth firms. Sheshinski, Strom and Baumol (2007: 247) state that a major source of the growth sensation of the past two centuries is the surge of innovation. Hence, innovation has long been seen as the major factor for the survival, growth and development of small, micro and medium- sized enterprises (SMMEs).

As it is now commonly appreciated, in unstable market conditions, innovation is the elixir of life for establishments, regardless of their size or other attributes (Miika and Hannu 2010: 129). Miika and Hannu (2010: 129) further stress that growth; success and survival all depend on the capacity of firms to innovate on a frequent basis. However, innovation efforts in South African Fast Moving Consumer Goods (FMCG) Manufacturing SMMEs are unsuccessful due to factors

such as a lack of education and training; lack of finances and low investment in innovative research and development; and government restrictions (Chimucheka 2013: 793-796). These factors necessitate investigation by both academics and business professionals. Therefore, this research is being undertaken.

Observing all these innovation problems faced by South African FMCG Manufacturing SMMEs, the research will be conducted to investigate those factors responsible for low innovation in the industry and possibly suggest developing strategies to correct it. The research will contribute to the body of existing knowledge by applying the strategies of improving innovation in the Fast Moving Consumer Goods (FMCG) Manufacturing SMME sector in KwaZulu-Natal, in order to achieve growth.

2.3.4 Challenges faced by SMMEs in achieving innovation in South Africa

The soaring failure rate of SMMEs is high compared to large-scale business. In the United States of America, roughly 2 400 small businesses commence, while 2 100 shut down on a daily basis, and big enterprises are prone to continue and remain in business rather than small businesses (Baumback 1985: 17-18). In South Africa, the failure rate recorded for SMMEs are projected and estimated between 70% and 80%, with an associated cost ofR117 246, which makes SMME failure rate estimated to be in surplus of R68 million larger than a 4 year period (Van Eeden, Viviers and Venter 2002: 13). Hence, calls for all SMMEs to be more innovative in the products they offer to customers.

Investigations revealed that South African SMMEs add about 35% to the National Gross Domestic Product (NGDP) (Adeniran and Kelvin 2012: 4088). Adeniran and Kelvin (2012: 4088) argued further that SMMEs seem very important in the aspect of assistance in fiscal development; improvement of innovative goods; and scientific growth alongside competitive benefits which makes nearly all of these SMMEs face problems which includes variations in expertise, inventive goods and customers wants, in addition to the aspiration of staying elastic. Boysana and Watson (2011: 550) found that the dawdling expansion pace is accredited partially to deficiency in the support that small, medium and micro enterprises (SMMEs) obtain from financial sectors, along with their own internal challenges. Boysana and Watson (2011)

discovered that the major frequent challenges affecting industry expansion are deficiency of official information, a deficiency of results plus broadened information for enterprise acumen.

Atieno (2009: 33) posits that deficiencies in funding are the major barrier facing innovative enterprises in acquiring information. Most of the challenges to the achievement of a business entity are absence of motivation to venture into a business opportunity. Apprehension of not succeeding and humiliation stop investors with dreams from realizing and seeing them and venturing into a competitive stage (Fatoki and Lynety 2011: 163). Finscope (2010:5) posits that the SMME sector has a projected 5.6million small enterprises doing business in South Africa, offering 11.6 million job opportunities that adds up to 6 million jobs, apart from the small business proprietors themselves. However, SMMEs in South Africa encounter a number of difficulties, the most significant of which have been reported by a number of organizations comprising the Department of Trade and Industry (2012) to be:

- a deficiency in managerial skills;
- funding and procurement of credit;
- entrance to markets, as well as growing interaction with customers;
- suitable expertise and stumpy manufacturing capability;
- an excellent product; and
- Support for the part that they take part in economic development.

Maud and Marie De Beer (2013: 237) in their study, posited the internal and external preventive factors for micro and survivalist business, as being among others, poor development; lack of networking; inadequate business skill; condensed pricing information; administrative and enterprise know-how; and ineffectiveness with deficiency in the aspect of literacy, education and knowledge. Ramukumba (2014: 25) highlights that further difficulties encountered by SMMEs comprise access to funding; market entrance; expertise and connections; and a facilitating atmosphere, which is the main obstacle to growth. However, Olawale (2013: 133) indicated the factors that can add to the durability of micro enterprises as entrepreneurs' individual personality; customer satisfaction; management competence; funding and assets; strategy and networking.

Goldstuck (2008) also found that terrible debts have increased above to 31 % over the preceding years, with SMMEs having a depressing cash stream, and by 22% for SMMEs with an encouraging cash flow. Magali (2009: 8) points out that the dissimilarity is due to comparison with other bigger colleagues. SMMEs are unable able to keep the enterprises from awful over dues, that are capable of having a remarkable effect on their presentation. Anneline (2009: 44), in her study of public and private support for SMMEs, also points out the important aspects of support being recognized as right of entitlement to finance, business linkages, information distribution and competence edification. Lack of governmental capability needed to suitably sustain the growth of local SMMEs; evidence of properties and necessities for huge sums of funds; heavy tax and uprising instruction suppress progress and some of the problems that face SMMEs in Africa.

The South African economy is characterized by little development, a price increases and a soaring rate of joblessness (Olawale 2011: 193). It was anticipated that the catastrophe level of SMMEs in South Africa is between 70 and 80percent. However, he concludes in his study that human, social capital and financial capital can increase the performance of SMMEs in South Africa. Smith and Watkins (2012: 6328) argue that poor administration expertise; education and training; enterprise-addicted challenges such as entrepreneurs incapability to recognize new prospect; lack of access to markets; and financial-based problems which includes interest rate fluctuations, remain some of the problems for SMME success in South Africa. Hornsby, Kuratko, Shephered and Bott (2009: 236-247) and McGee and Sawyer (2003: 385) also stress that owners/managers rely more on internal and remote information sources to deal with environmental uncertainty.

Zeleke (2013: 67) in his study of small businesses in Pretoria, established that the long-term survival and feasibility of small businesses were adversely damaged by a deficiency in entrepreneurial skills; a lack of managerial sustenance to newly established businesses; as well as the failure of newly founded businesses to attain appropriate professional expertise. Peters and Naicker's (2013: 53) study concluded that a lack of information is the major cause for the under-delivery of government support initiatives in SMME development. Smit and Watkins (2012: 6324) also concluded that there are increasing unsuccessful SMMEs in South Africa owing to

SMME owner-managers' inefficient knowledge relating to the problems their businesses encounter, with a crisis management approach set up ineffectively and inefficiently.

In their study, Clover and Darroch (2005: 238) classify factors that hamper business existence or longevity and expansion as inaccessibility to services; financial support challenges at the business invention; deficiency on the part of administrative competence in the venture; accessibility to good contracts; conformity expenses connected with VAT and Labour Legislation; payback pressure; absence of guarantee; and deficiency in institutional collaboration. Absence of asset or new-venture investment, and complexity in securing investment capital has been acknowledged by SMME owners in South Africa as a major problem for their business survival and expansion (Clover and Darroch, 2005: 241). According to William and Simon (2006:1), studies summarized by the United Nations Commission on Trade and Development continue to point out that small and medium enterprises (SMEs) in emergent countries are confronted with exacting difficulties with administrative expertise, Internet, branding, logistics, security and overseas rivalry.

Chimucheka and Rungai (2011: 5509) argue that the lack of financial administration understanding has an impact on the survival and growth of SMMEs. Regardless of the reality that the SMME sector in South Africa has benefitted from the Government, they still encounter problems (Chimucheka2013: 786). Nieman and Nieuwenhuizen (2009: 35) also acknowledged a number of obstacles that are encountered by SMMEs in South Africa. The obstacles comprise inefficient training and knowledge, restricted exposure to monetary assets, lack of entrance to markets, inefficiency of sustaining the organization, inaccessibility to suitable knowledge and limited exposure to other funds, like human resources. Human capital is essential for product and process innovations which ultimately lead to higher performance in the sector (Galunic and Anderson 2000: 2).

Every enterprise needs capital to kick off trading and to further fund expansion (Chimucheka 2013: 787). Prior labour skills, education levels, age of the proprietor and the expanse of business operations have an important impact on the productivity of the business (Norman 2012: 462). Wanigasekara and Surangi (2011: 1) detailed that the majority of researchers have established a strong connection between business knowledge, education and business success. In

accordance with the Investment Climate Survey (ICS) (2004: 12), funding was categorized amongst the first five limitations to trade improvement in Sub-Saharan Africa. This is partially due to monetary organizations seeing several small enterprises as high-risk investment with meagre guarantees (Mahadea and Pillay 2008: 433). Kubeka (2006: 19) also posits that being able to obtain funding is one of the major serious obstacles to the expansion of the informal segment. Fatoki and Odeyemi (2010: 2763) posit that scarcity of funding in particular exchange credit, is one of the critical reasons for the soaring failure rate of innovative SMMEs in South Africa, stating that administrative proficiency, the accessibility of company strategy, being identified with trade unions, prior connection, locality, company volume, insurance and incorporation are major factors for gaining the capacity to obtain trade loans by innovative SMMEs in South Africa.

Graduate Entrepreneurial Intention (GEI) in South Africa (Fatoki 2010: 87) cites the obstacles to the entrepreneurial goal as funds, expertise, support, threat, financial system and crime. Organization problems including bookkeeping, funding, employees and administrative problems have been stated as the main grounds for business breakdown for small businesses (John 2011: 159-160).John (2011) explains further that administrative knowledge frequently makes it hard for business owners to be successful and specified that limitations such as inadequate funding, poor administration, dishonesty, inadequate infrastructure, and poor accounting/bookkeeping are the key obstacles to small business growth in Africa. He pointed out additional factors that hamper small business growth in Africa as being shortfalls in the demand for product and services and a failure to use and obtain expertise.

Fatoki and Garwe (2010: 731) present proof to support the insufficiency monetary funds as the most reported contributor to unsuccessful SMMEs, after education and training. Chimucheka (2013: 788) further stresses that SMMEs frequently found it more complicated to obtain financial institution aids, because they are deficient of collateral security, bank mandated bank deposit or credit verification. Chimucheka (2013: 788) points out that poor arrangement of business strategy are an additional cause of the inability to obtain bank funds by SMMEs in South Africa. In order to carry on business, and achieve accomplishment, SMME proprietors and directors have to recognize the energetic part of the rivalry in their business and grow expertise and proficiencies to facilitate them with a competitive benefit. Chimucheka (2013: 787) stresses

that to recognize the market self-motivation, owners of SMMEs have to examine as well as recognize economical variations, mostly the degree of present as well as prospective competition.

SMMEs' lack of capability in aspects of marketing led to a drop in sales and this could be ascribed to business rivalries which also affected the innovation capability. Business rivalries are established by means of what Michael Porter classified as the Five Competitive Forces (Du Toit, Erasmus and Strydom 2009: 101). The major problems affecting SMMEs in South Africa comprise inefficient administrative know-how; funding; access to financial loans; access to markets; proper skill; inefficient manufacturing competence; acknowledgment via bigger businesses; low concentration; extensive systems of government procedures; and help for the responsibilities that small businesses can perform in profit progression (Mukole 2010: 2288). Lack of initiative and capability to embrace new technology is seen as the major cause of delays in the growth performance of SMMEs (Hassan, Khan and Saheed 1998). SMMEs that are financially constrained face difficulties of innovation (Muhammed, Mohd and Halim 2012: 155).

2.4 South African SMMEs' manufacturing industry capacity

Manufacturing is a segment of the market accountable for generating a broad series of merchandise varying from food and beverages to chemicals, textiles and diverse metal products (Stanislous2008: 6). Manufacturing is significant for the transformation of any country (Bashar 2012: 328). It comprises the major activities that separate the developed world from the developing one. The significance of manufacturing expansion as an instrument of economic growth and development cannot be under estimated (Victor 2011: 3). Literature indicates that SMMEs are the main service provider. They add to the country's GDP and they are a major engine for economic growth. SMME expansion is mainly inhibited by a number of features, such as deprivation of means to suitable skill; restricted entrance to global markets; the presence of laws; regulations and rules that obstruct the progression of the segment; frail organizational competence; and deficiency on the part of the organization, skills training and investment (Joshua and Peter 2010: 218).

The SMME manufacturing sector is moderately minute, expertise in this segment is restricted, and the segments' association with the larger market is inadequate (Theressa-Anne 2001: 4).

South African businesses are defined as being product-driven rather than marketing-or competition-oriented (Business Africa 1995: 8-9; DTI 1997, Small Business Project 1999). Theressa-Anne (2001: 5) explains further that firms overlook the significance of satisfying customer requests by concentrating on cost and supply problems. The South African manufacturing industry has also being dominated by defensive strategies, a frail competitive approach, poor levels of overseas investments, large number of mutually respectful small and medium-sized operators and soaring intensities of state ownership (Business Africa 1995: 9; Monitor Company 1995; KotzeandKotze1997), the totality of which has lessen the capability of South African manufacturing firms to compete efficiently.

Fatoki and Garwe (2010: 729) reached similar conclusions that the pace of SMME failure in South Africa is 75percent, which is amongst the maximum in the globe. They posited that this is attributable to five variables, with the most significant hindrance being financial, which is mainly a domestic factor. In terms of the aspect of manufacturing competitiveness, South Africa has been characterized as being unproductive and incompetent (Borris and Reggie 2012: 148). Borris and Reggie (2012: 148) proposed further that South African manufacturing sectors' operation skills are lacking and are frequently referred to as a major reason for lack of growth in small, medium and micro enterprises (SMMEs). Bola and Richard (2012: 245) also conclude in their study that the manufacturing industry in South Africa (with an explicit reference to the Plastic Manufacturing Industry in Eastern Cape) fails to develop due to a lack of entrepreneurial and business skills and training which they are yet to undergo.

Within the South Africa manufacturing industry, processing capabilities are described as lacking and are usually pointed out as a major cause of lack of growth in small, medium and micro enterprises (SMMEs) (Urban and Naidoo 2010: 234). Urban and Naidoo (2010: 234) also reported that among the main grounds for a soaring business failure rate is the industrialist's deficiency of administrative capability, which ultimately wrecks the innovative company. Musara's (2012: 5786) study found that a lack of consistent supplier networks; a lack of funds and a lack of information of instantaneous financial gains are challenges militating against manufacturing SMMEs in South Africa. According to Hussain, Si, Xie and Wang (2010: 637), deficiency of firms' ability and government assistance for innovation is one of the major causes of poor business performances in SMMEs because they cannot afford to accommodate all costs

of technology adoption and innovation by themselves, which puts them in dire need of active support from government.

2.5 State of small, micro and medium enterprise (SMME) manufacturers in KwaZulu-Natal

Performances in the manufacturing sector are frequently seen as the foundation of a nation and a major propeller of expansion and growth (Naidoo and Urban 2010: 234). KwaZulu-Natal's manufacturing sector is the second biggest sector in the nation, after Gauteng province (http://www.kzntopbusiness.co.za/site/manufacturing). The manufacturing sector is equipped for export, with almost one third of South Africa's manufactured exports being manufactured in KwaZulu-Natal. SMMEs broad nature is important in KwaZulu-Natal's economic development rate and generates 20 percent of provincial jobs. The manufacturing sector is a major contributing economic sector in KwaZulu-Natal, generating 15% of provincial employment and contributing an average of 19, 2% to the GDPR between 2006 and 2010 (www.tikzn.co.za, 2012: 14). According to Statistics South Africa (2011), after Gauteng Province that contributed 40.6% to the entire manufacturing value added, KwaZulu-Natal was seen to be the second largest donor to the total manufacturing value added of 21.4%.

However, a number of the challenges facing SMME manufacturers in KZN in South Africa have an impact on their expansion and growth have to be conquered. It is established worldwide that the growth and expansion of SMMEs can act as a significant factor in employment establishment, social stability, and economic wellbeing (Ricardo, Garth and Eslymetal 2014: 1128). Therefore, the propagation of small enterprises in South Africa is encouraged as being favourable. Kwame (2010: 62), in his study of small clothing manufacturing enterprises (SCMEs) in Durban, concludes that the low level of networks and inter-firm collaboration amongst SCMEs in Durban and scheming for other factors, accounts for the moderately poor performance of the sector in the past decade or two.

The Small Enterprises Development Agency (2012: 3) conducted and found a study that the manufacturing sector encounters hindrances to access or restrictions connected to the soaring cost of inputs; deficiency in access to funding; constraints to suitable equipment and expertise; inadequate product differentiation; inadequate opportunities for training staff; scarcity of

technological skills; complexity of contending with big recognized manufacturers and foreign imports; poor quality and irregularity of sustaining infrastructure; and obscurity in securing industry-specific certification or documentation. Maud and Marie De Beer (2013: 237) argue that there are internal and external restrictive factors to micro and survivalist businesses. These are inclusive of poor planning; deficiency of networking; inadequate business know-how; poor pricing information; administrative and business knowledge incompetence; and lack of skill, education and training.

SMMEs have the potential to create more job opportunities in comparison to large companies and should therefore be supported in order to generate sustainable employment in South Africa (Um Jivah Market Research 2012: 12). The research posits further that if support and financial support for SMMEs can advance above with the appraisal of policies and resources related to the SMME sector in manufacturing, then more sustainable jobs will be created that will impact on job establishment, skills improvement and the enhancement of economic conditions in the sector. Bola and Richard (2012: 245), in a study of the Plastic Manufacturing Industry (PMI) in Eastern Cape, concluded that the accomplishment of this industry depends on the entrepreneurial and business skills. They also established the fact that the SMEs in this industry need training in these skills to thrive. Naidoo and Urban (2010: 234) posited that in the South African Manufacturing sector, operation skilfulness are testified as being lacking and are repeatedly pointed as a major reason for disappointment in small, medium and micro enterprises(SMMEs).

Van Aart, Van Aart, Bezuideenhout and Mumba (2008: 249) argued that many entrepreneurs have inadequate business administrative skills necessary to run a business, which makes them prone to failure. Small business owners misuse funds, and business assets are used to obtain private assets, which results in the business being undercapitalized. A lack of education and training also contribute to the low expansion rate of the SMME manufacturing sector in KwaZulu-Natal (Fatoki and Garwe 2010: 732). A large number of informal traders have not finished high school and have only completed Grade 8 or Grade 10 (Bamu and Theron 2012: 16). Statistics South Africa, in their Quarterly Labour Force Survey (2008: 6), concurs that the largest number of people in the informal economy has education lower than Matric. Hussain and Yaqub (2010: 25-26) concluded that financial resources are the most important barrier for small

businesses around the world. Likewise, Simrie, et al. (2011: 44) reported that opportunity to tap funding has been one of the topmost three barriers for small businesses.

Naidoo and Urban (2010: 234) posited that in the South African manufacturing sector, operation proficiency is lacking and is regularly quoted as the most important grounds for deficiency and lack of growth in small, medium and micro enterprises (SMMEs). Kumar and Bergstrom (2013:53,) in their study of the need for innovation in African manufacturing firm, concluded that the major issues disturbing the performance and configuration of Africa's private manufacturing sectors comprise the right to obtain finance; access to trade ventures; difficulty in tax structures; customs and trade regulations; fraud; accessibility to skilled expertise; labour policy; employee wellbeing; dependable electrical energy provision; cost of power; conveyancing costs; loss owing to transport (breakage, theft, interruption); physical infrastructure; capacity to possess land or premises; and physical misdemeanour.

Smit and Watkins (2012: 6328) concluded that the impediments to SMME success are many and diverse, including inbuilt organizational hindrances which comprise inefficient administrative skills and education and training; industry- related difficulties such as the entrepreneur's failure to recognize market demands; deprivation of entrance to market; and economy-based impediments such as interest rate instabilities. In addition to this, Boysana and Watson (2011: 550), in their study of SMMEs in South African townships, conclude that the dawdling developmental rate can be accredited partially to the lack of support that small, medium and micro enterprises receive from support institutions, and partly to their own internal weaknesses. The findings furthermore revealed that the most common causes impeding business growth are a lack of professional expertise, inefficient funding and a regular lack of trade insight. Fatoki and Odeyemi (2010: 2763), in their study of SMMEs in the Eastern Cape Province, discovered that scarcity of finance, particularly trade credit, is among the major grounds for the soaring malfunctioning rate of innovative SMMEs in South Africa.

Fatoki (2014: 27) states that the malfunctioning rate of new small enterprises is extremely high in South Africa because the absence of debt sponsoring from commercial banks and trade creditors is a major contributor to disappointment in SMMEs. A study revealed that South African SMMEs add about 35percent to the national gross domestic product (NGDP) (Adeniran

and Kelvin 2012: 4088). They stress further that SMMEs are important in adding value to economic development; the improvement of innovative products; industrial growth and competitive benefit. However, the majority of these SMMEs are faced with problems such as modification in skills, innovative goods, consumer desires and the aspiration to linger on being elastic. Boysana and Watson (2011: 550) found that the slow development pace can be accredited partially to inefficient funding that small, medium and micro enterprises obtain from financial institutions, and partially to enterprises' personal domestic flaws.

Boysana and Watson (2011: 551) further discovered that the main frequent basis militating against business development are being deficient in getting business understanding, inefficient financial support and a common inexperience of business insight. Atieno (2009: 33) also describe that inefficiency of funding is one of the main problems for the establishment of innovative enterprises. The major barrier to the growth of an enterprise is deficiency of readiness to take risk (Fatoki and Lynetty 2011: 163). They explain further that dread of failure and humiliations prevent people with ideas from discovering them and venturing into the competition stage.

2.6 State of innovation in South Africa

Innovation has a significant function to perform in considering the initiative of an innovative product, designing of the product, defining the process, formulating the policy and becoming accustomed to the technology. Innovation does not merely help the increase and expansion of the manufacturing sector, but also contributes a very important function in the economic strength of a nation. Tim, McCormick and Caroline (2012: 26) posited that innovation is vital, natural development is essential; and, without it, companies fail and countries loose out to competitors. William, Scott and Michael (2014: 91), in their hypothetical framework, describe innovation as any new product, service or production process that is extensively different from previous a product, service or production process architecture. Mahadea and Pillay (2008: 431) state that all businesses, despite their size, must innovate and accept fresh thoughts and performance to gratify the varying demands of the market in a universal environment. Outcomes of innovation include launching new products or services in innovative and accessible markets; improving innovative

organizational composition; competing in innovative ways; and by means of fresh production tasks and skill in resourceful ways to pull together consumer demands (Schumpeter 1942).

According to UNCTAD (2007: 6), innovation is classified into four broad types as follows:

(1) The initiation of a manufactured good or procedure to a country for the first time;
(2) Replication of the innovatory attempt;
(3) Productivity-enhancing gradual transformations and advancement to a product or production process; and
(4) Performance-enhancing marketing and organizational changes.

Mytelka (2000: 18)defined innovation as an evolution by which firms carry out and execute the plan and production of goods and services which are new to them, whether or not they are new to their competitors (domestic or foreign).

George and David (2008: 81) identified the following ten obstacles to innovation:

(1) Expansion periods that are excessively long;
(2) Risk-averse customs;
(3) Restricted customer insight;
(4) Inadequate of management;
(5) Scarcity of appropriate talent;
(6) Lack of superior way to quantify innovation;
(7) Complexity in selecting accurate proposal;
(8) Unproductive marketing communications;
(9) Lack of good ideas; and
(10) Lack of access to new expertise.

Anahita, Jeniffer, Sally, et al. (2012: 302) also concluded that the nature or level of innovation refers to the originality or degree of originality of an innovation. Innovation is the hunt for, and unearthing, expansion, progression, acceptance and commercialization of, new processes, new products, and latest organizational structures and events (Marcin and Piotr 2014: 53). Innovation is largely perceived as an indispensable part of competitiveness, grounded in the organizational structures, processes, products and services within a firm (Gunday, Ulusoy,

KilicandAlpkan2011: 662).A large number of smaller businesses fail due to inefficiencies in non-financial areas, such as an inefficiency of prospecting or preparatory skills; inefficient proficiency in human resources; and inadequate administrative practices (Paul 2001: 4).

Edquists (2010: 15) illustrates innovation (in new products as well as processes) as something that occurs primarily in firms and results in the formation of "Structural Capital", which is information as well as skill owned by firms, other organizations, and individuals. Edquists posited further that innovativeness is one of the indispensable means of expanding tactics to penetrate latest markets; to enlarge the old market share; and to supply the company with a competitive circumference. Matthew, Gary and Sherry (2013: 2) point out that innovation is most frequently known through achievements that involve the invention or development of concrete "things" that engross mechanical, structural or scientific properties.

Irma (2011: 76) concludes that private enterprise and innovation match hand- in- hand and posits that South Africa is short of a vibrant industrial way of life which leads to escalating rates of business failure. Innovation can be regarded as an engine for motivating economic enlargement (Mohammed, Moh'd and Halim 2012: 153). Their study also shows that innovation measurement is equally important for the large enterprises as well as for small, micro and medium enterprises (SMMEs). Innovation is progressively more renowned as having an essential part to play to meet organizational success, performance and survival (Anahita, Jeniffer, Sally, et al., (2012: 300). Innovation is increasingly recognized as having a significant contribution to make to organizational success, performance and survival.

Wilson, Bing-Wen and Oluwole (2012: 1043) researched a manufacturing sector from the Western-Cape and discovered that the major factors include a lack of business management skills; having an understanding of leadership evolution; education and training; market and scientific know-how; entrepreneurial drive; and opposition to changes which remain the main determinants for leaders to administer innovation productively in SMMEs. Their study also provides a guideline to control employees to be creative and innovative in order to ensure the success of innovation within their organizations. Rosing, Frese and Bausch (2011:956) argue that there are positive interaction between leadership and innovation. In addition, Olawale and David

(2010: 729) concluded in their study that South African SMMEs have been unsuccessful due to a lack of business management skills.

Hopestone and Victor (2011: 11) concluded that Africa has performed unsuccessfully in the attainment, embracing, broadcasting and consumption of new and rising information in the past few years relative to other regions, which is accredited to the inadequate support on basics that are regarded to be the fundamentals of innovative economic activities such as savings in education, science and technology; as well as linkages between the government, enterprises and research institutions, mostly due to a lack of animated national learning and innovation systems amongst African countries. Ana and Filipia (2012: 22) researched international innovation comparisons and concluded that, in developed countries, impediments to innovation are the present economic environment; the restriction of financial resources; abridged risk-taking customs; the automatic performances; the schedule and smooth processes; managerial and human resources resistance to modification; the inefficiency of incentives and rewards for innovation; the soaring costs of new tools; processes; the small size of companies; and the owners support of management and risk taking.

Victor (2011: 4) argued that previously, in the 1970s, it was extensively argued that the depressing performance of the business sector has to a large extent been owing to the fact that many African firms have been mainly inactive skill learners that ordinarily focus on embracing regular operation of outwardly supplied technologies, particularly where the scientific effort developed is fundamentally intended for the assimilation of production capabilities. Victor (2011: 4) described that African countries have not built any important innovation capabilities. An appraisal of Africa's present situation reveals that primary education of many African countries has significantly extended in the last two decades, but its secondary and tertiary education levels, which are fundamental in promoting technical innovation, lag behind most of the international regions. He concluded that the funding of education, especially in science and technology (S&T), is basic in generating ideas that arouse or compel innovation, where African countries seem to be lagging behind. According to Irina, Maria de Mar and Andreea (2013: 1097), businesses of all ranges seek to innovate so as to achieve competitive reward, the outcome of which breeds profitable flow and dynamics that sustain labour and, additionally, the founding

of innovative companies, distressing the "National Innovation System". They further point out that innovation absolutely affects SMMEs' result in small and bigger technology industries.

Zawislak (2009: 70) also states that, to facilitate the operation of an enterprise, it depends on a set of co-ordinates as well as incorporated measures leaning towards the growth of innovative and enhanced goods and services. Rubalcaba (2010: 20) shows a more attentive method by examining the major disparity connecting product innovation and service innovation. It is essential to highlight that both experimental and hypothetical research validates the constructive connection linking managerial innovation and performance (Salim and Sulaiman 2011: 11). The innovation approach connotes a key propeller to the performance of SMMEs (Tervioski 2010: 813). Innovation practices are particularly significant for companies that are knowledge-intensive and high-tech centred. These are companies that use facts as their most important quality and resource in order to manufacture qualified, skilled goods or services (Maldonado, Dias and Varvakis 2009: 132).

Concurrently, SMMEs are faced with a sequence of limitations that may possibly obstruct them from implementing or accomplishing their innovative ideas (Kamalian 2011: 79). Irina, Maria de Mar and Andreea (2013: 1097-1098) state that online assessment planning at innovation stakeholders acknowledged the top five hindrances that obstruct SMMEs' innovation ability as:

(1) Inefficient monetary assets and right to funding;
(2) Scarcity in expertise and innovation administration;
(3) Inadequate consumption of community procurement to encourage innovation in SMMEs;
(4) Lack of expertise to administer IP; and
(5) Limitations in networking and collaboration with international parties (INNOVA Europe, 2011). Additional new studies have created awareness of the management aspect, which is a major function in commencing and supporting the innovation process (Aslan, Diken and Aslan 2011: 628).

Abereijo, Adegbite and Ilori (2009:82) state that the capability of any business to create thriving innovation rests in its potential to create fresh mixtures of information and technology from different supplies of industrial innovations accessible within the National Innovation System (NIS). The significance of innovation for the continued existence and

competitiveness of organizations is an indisputable fact. Innovation is essential to the pursuit of gainful and sustainable development, so organizations have to innovate to face the present recession and continue to exist (Ana and Filipa 2012: 1-2). Ana and Filipa (2012: 1-2) emphasise that innovation is necessary for improving production, growth and business sustainability. In their study of SMMEs in Portugal, they found that impediments to innovation comprised existing financial background; the restriction of financial capital; the concentrated risk-taking attitude; mechanical performances; regular and smooth processes, managerial and human resources opposition to modification; the lack of incentives and reward for innovation; the soaring cost of new tools and processes; the small number of companies; and owner's knowledge of managerial and risk taking.

Preez and Louw (2008: 5) posit that the originality procedure is encompassed of three major innovation procedures, which are:

(1) The understanding of the formation procedures from community or manufacturing research;
(2) The innovative product expansion procedure, which changes knowledge into an innovative product; and
(3) The product achievement within the market, which rests solely on the product's efficiency capabilities and the managerial proficiency of the firm to produce it at a realistic value and superiority and to exhibit it effectively in the market. However, they argue that this process is disrupted by domestic features of the firm (e.g business plan, managerial configuration, etc.), as well as by external factors in the National Innovation Environment (e.g. Policy, national infrastructure, etc.).

2.7 Factors Influencing Innovation in South African SMMEs Manufacturers

Manufacturing industries in Africa today find it very difficult to expand and innovate in contexts deficient of most of the essential institutional, infrastructural, scientific and monetary capabilities required for a more proficient, fair and flourishing incorporation into the universal economy (James 2007: 1754). According to UNCTAD's annual report, hindrances to the growth of SMMEs; apart from nation to nation and province to province, (normally detected) comprise:

(1) Administrative proficiency needed to strategize and productively execute an e-business approach (UNCTAD 2004: 54);
(2) Connectivity (superiority, rapidity, price) (UNCTAD 2004: 54);
(3) Branding (consumers have a preference for putting their belief in popular brands rather than taking the risk of trading with unidentified companies on the internet (UNCTAD 2004: 30);
(4) Logistical networks for the punctual and reliable dispatch of products (UNCTAD 2004: 30); and
(5) Conviction in the official and regulatory atmosphere (security) (UNCTAD 2004:51).

Michael (2004: 87) argues that although it is recognized that an energetic SMME sector has the probability to propel national fiscal growth and definitely much enlightenment of funding and other assets have been committed in this sector by the government, over-regulation and inefficient distribution of resources continue to dampen the success of the small business sector. Kuratiko and Hodgetts (1998: 364-366) also mentioned three reasons for the failure of small businesses as: product and market problems, monetary problems and administrative problems. They point further that among these are product plan difficulties, inappropriate allocation policy, low sales, marketing and communication difficulties, deficiency in organization experience and administrative problems. All these results in poor sales and negative cash flow which can affect the rate of innovation, thus minimizing or reducing the chance for most business to succeed.

Table 5: Manufacturing firms surveyed-(The South African Innovation Survey 2005)

	All	**Enterprises with innovation activity**	**Enterprise without innovation activity**
Number of enterprises	13518	7410	6108
Percentage of enterprises (%)	100	54.8	45.2

Table 6: Factors hampering innovation-The South African Innovation Survey 2005

Factors	All (weighted)	Enterprises with innovation activity	Enterprises without innovation activity
• **Cost Factors**	62.26		
Lack of funds(internal)	26.30	32.4	18.9
Lack of funds (external)	16.66	16.3	17.1
Innovation cost too high	18.30	15.5	21.7
• **Knowledge factors**	42.27		
Lack of qualified personnel	17.11	15.3	19.3
Lack of information and technology	8.48	5.9	11.6
Lack of information on markets	5.35	1.1	10.5
Difficulty in finding	11.34	5.1	18.9

co-operative partners			
• **Market factors**	27.1		
Market dominated by established enterprises	20.51	14.0	28.4
Uncertain demand for innovative goods and services	6.60	3.3	10.6
• **Reasons not to innovate**	9.18		
No need due to previous innovations	5.00	0.8	10.1
No need because of no demand for innovation	4.18	0.7	8.4

Source: The South African Innovation Survey (2005).

The key issue in South African industries is to recognize the factors hindering innovation in key industries such as manufacturing and to determine how it shapes the competitive settings and economic situation to guarantee sustainable growth at both firm and state level (Rudi 2009: 4). In an increasingly globalizing market, innovation is a significant tactical instrument for small, micro and medium sized enterprises (SMMEs) to attain viable benefit (Bianker and Xavier 2010: 279). However, SMMEs are frequently faced with barriers for initiating and introducing innovations, such as the inefficient economies of scale. Ewert and Johannes (2012: 83) concluded that human resource constraints are one of the barriers facing economic growth. These include an insufficiently educated work- force and thus limited labour in the

South African economy. Limitations in workforce and labour reduce the growth of the business and directly affect the levels of innovation and invention in new business, since there are limitations in the workforce who carry out the tasks.

Olawale and Garwe (2010: 729) posited that the growth of emergent SMMEs are obstructed by both the internal and external environments. They stress that, as a new business emerges, it exists and thrives in an environment categorized by both internal and external factors which impacts unconstructively on innovative business sustenance. Olawale and Garwe mentioned the most important barricades as being finance which is basically an internal factor, and other obstructions such as Economic (external), Markets (external), Management (internal) and Infrastructure (external). Literature on innovation points out that, over the last two decades, there have been organized and elementary changes in the way firms undertake new activities (Zeng, Xie and Tam 2010: 181). Internal and external environmental factors affect the business by reducing their levels of competition and their capacity to capture increased market share. This has a direct effect on innovation.

Petar, Predrag, Brian and Abram (2012: 290), in their study of open innovation for SMMEs in developing countries, state that SMMEs in developed countries have learned how to innovate; while SMMEs in emerging countries encounter a variety of impediments that obstruct them from innovating as much as they could. Stanislous (2008: 11) states that it is widely recognized that in the course of its labour exhaustive production and utilization of basic raw materials, the SME sector, unlike any other business sector, has the probability of reducing the investment cost of inventing new jobs. She argued further that this chance may fail if the existing monetary difficulties and inefficient administrative aids such as human resources, promotion and advertising, and general management are not wholly looked into. Both the financial and administrative aspect of the business must be under control so that the level of innovation can increase.

Norman, Cornelius and Bola (2011: 29) posited that the South African government realizes that for small businesses to donate to economic development, they need to modify their industry for internet business. They argue further that in spite of internet business contributing many benefits to industries, in accordance with the research, the acceptance

level of internet business through SMMEs is compared to that of largely recognized businesses. According to Nyoni (2002: 10), the major degrees of concern disturbing the growth of the SMME segment acknowledged by various literatures comprises:

- Restricted entrance and rate of investment;
- Inefficient marketing expertise and market proficiency;
- Insufficient administrative and industrial abilities;
- Restricted access to infrastructure;
- Restricted access to land;
- Absence of information; and
- A rigid regulatory atmosphere.

Dubelaar, Sohal and Savic (2005: 251-262) sketched the popular barriers to internet business implementation via small companies as acknowledged from research, as listed below;

- in-house opposition, comprising worker and organization opposition to modification;
- unprepared consumers;
- inadequacies of upper administration collaboration;
- employment of expertise, comprising problems attached to a range of suitable expertise and budgetary restrictions;
- in-house barriers, comprising illogicality of growing business progressions for internet business cannibalization of sales by internet based networks;
- information and technology (IT) infrastructure, comprising issues connected within corporation of donation systems with innovative technologies;
- unprepared business associates; and
- General internet business matters, comprising safety and confidentiality.

Mathew (2009: 118-119) identified the issues that disturb SMMEs' occupational achievement as uniqueness of SMMEs; administration and expertise; products and services; the manner of exploiting occupations and teamwork; wealth and investment; and the outdoor environment. Mathew argues further that modifications in the surroundings resulted in more insecurity in SMMEs than in big corporations and that their resources for gathering data

concerning the market and varying the track of the enterprise are further restricted. The reaction to conservational variations is different in SMMEs than in bigger firms. Larger companies may even depart from one of its occupational zones, but this is not usually probable in a one-man business/firm.

Toohey (2009: 13) argues that skill takes numerous forms (for instance, business experience, new business establishment experience, etc.) and the extent of experience is known to be a significant reason motivating the performance of firms. Sha (2006: 1) points out that it is usually acknowledged that SMMEs are becoming progressively more important in terms of employment, wealth creation and the improvement of innovation. However, Norman and Mornay (2012: 463) state that there are extensive reservations concerning the value of administration in this segment, with policy-makers advising that there exists specific deficiencies in modernization, in monetary insight, promotion, innovative flair, realistic facts and social reserves administration. These factors make South Africa fall behind other emerging nations in stimulating the progression and sustainability of small enterprises.

Mirco, Bonit, Maja, Katja and Snezana (2011: 9559) study concluded that a company's regularity of introduced changes; national co-financing and fiscal sustenance incentives; and acquaintance of employees with the innovation strategy as a part of innovation policy play a major part in obtaining business quality. They emphasise that both internal and external factors added to other factors influencing innovation in South Africa. Karpak and Topcu (2010: 60) argued that, apart from the influence of the entrepreneur, which has a lesser result on the success of SMMEs, there are other outward influences such as instructions and guidelines, capacity settings, degrees of antagonism and levels of production that have an influence on the achievement of SMMEs. They further debate that sales were the largest part or the most important yardstick for measuring success in line with the literature on small to medium sized enterprises. The entrepreneur's demographic, emotional and interactive distinctiveness, and also his or her administrative assistance and technological expertise are frequently mentioned as the most important issues associated with the presentation of an SMME. Rapport is also affected by various manufacturing, ecological, firm-specific features and firm policies.

Christian (2008: 62) argues that improved rights to obtain funding, proficiency and enterprise know-how and increasingly relaxed policy are known to be the most strategic basics in support of the three(3) fundamentals of encouraging private enterprise; intensifying the facilitating environment; and improving competitiveness and competence at the enterprise level. In addition, it is important that the 2006 Strategic Framework Document for the National Government's Efforts in encouraging entrepreneurship and Small Business Promotion acknowledges the extensive intensification of rights to obtain funding as one of its main 'Strategic Actions' (Upstart Business Strategies 2006: 39). It was still established that "the regulatory environment serves as an obstruction to growth by maintaining a huge, vibrant and entrepreneurial group of Black South Africans out of the formal economy"(Small Business Plan (SBP) (2004: 14). The study disputed that from the point of view of informal operators, "the regulatory environment is an anchor- they stand at base, very conscious of the advantages of getting to the higher ground, but consciously has the knowledge that the cliff is too steep to be climbed.

Rogoff, Lee and Suh (2004: 366) acknowledged eleven (11) factors disturbing Small Enterprises' Success: personal uniqueness; administrative problems; funding problems; awareness actions; human resource problems; trade and industry circumstances; product uniqueness; rivalry; law; expertise; and ecological features. Acquiring new workers is one of the biggest challenges militating against small firms, and for many firms, the enticement of growth and continuation of successful individuals is very important for accomplishment or success (Jaloni and Zeleani 2008: 253). They argued further that SMMEs are characterized by inadequacies of an appropriate organizational configuration and efficient human resource management (HRM), which is the process of attracting, recruiting, and maintaining the workforce.

Matzler, Schwarz, Deutinger and Hamis (2008: 139) concluded in their study that transformational control has a constructive constant effect on innovation, growth and productivity. In addition to that, innovation really has impacts on growth and profitability. Mahadea and Pillay (2008: 431), in their study, concluded that organization, also financial and external environmental conditions are factors that restrict SMME expansion in Pietermaritzburg, the capital of the KZN province. They identified the external ecological

circumstances as emergent offence intensities, laws and regulations, and taxations. In real meaning, ecological circumstances point to the widespread variety of circumstances that have an effect on entrepreneurs and their industries (Moss 2007: 234). Despite the fact that individual traits differ and are affected by environmental circumstances and vice versa, new studies have established local disparities in business start-ups to be connected with factors such as populace; industrialized configuration (Gries and Naude 2008:12); human resources; accessibility of funding(Jiangyong and Zhigang 2007: 27); and entrepreneurial characteristics (Lee, Florida and Acs 2004: 3).

Chuthamas, Aminul, Thiyada and Dayang (2010: 180), in their study observed eight (8) features that affect SMME business achievement as follows; SMMEs quality, administrative proficiency, products and services, consumer and market, the custom of doing business and teamwork, capital and finance, strategy, and external environment. George and David (2008: 482) identify nine key challenges facing companies seeking to innovate as:

(1) knowledge as to what customers' needs are;
(2) senior board funding;
(3) providing enough finances for projects;
(4) leveraging consumer interaction for ideas;
(5) cheering experimentation with new ideas;
(6) encouraging marketing support beyond launch;
(7) support an innovative culture that embraces honest failure;
(8) apparent innovation process from moving from idea generation to sales; and
(9) Project team.

Schwarze's (2008: 139) study found that a good number of micro-enterprise proprietors do not own the significant monetary administrative expertise needed. Orford, Herrington and Wood (2004: 4) state that monetary administration is an arm of organization that small business proprietors have to be skilful in because it is acknowledged as one of the factors that increases start-up and new firm survival rates. It is also one of the skills that are essential when growth is strategized (Roodt 2005: 31). Monetary institutions are doubtful about the provision of finance to micro-entrepreneurs because of soaring rates of non-payment by these private enterprises; the

increasing expense of selecting and training candidate lacking adequate guarantee, the little profit proceeds on business dealings with these private enterprises; and socioeconomic, language and cultural problems(Schoombee 2000: 7520). The key investors of South African SMMEs refer to economic management know-how as one of the 12 success factors required from entrepreneurs to acquire finance (Niewenhuizen and Kroon 2002: 24). Javed, Muhammad, Ahmed et al. (2011: 279) also posit the factors that affects SMMEs as financial resources; promotion policy; scientific resources; government support; and entrepreneurial know-how.

2.7.1 Lack of Finance

Small firms encounter the problem of inadequate availability of financial resources. All businesses need finance resources to initiate trading and also to support growth (Chimucheka 2013: 793). The lack of financial resources is the second most reported contributor to the failure rate of SMMEs, after education and training, in South Africa (Fatoki and Garwe 2010: 731). Beaver (2003: 117), Radipere and Van Scheers (2005: 409) and Schaper and Volery (2004: 89) posit that newly established small enterprises are possibly prone to failure in their early years of doing business due to finance, management, and marketing and planning. Hussain and Yaqub (2010: 25-26) point out that a lack of financial resources are the main problem small businesses encounter throughout the world. According to the ILO (2008: 73), small enterprises have difficulty gaining access to funding from formal institutions because of banks' aversion to risk, high operation costs, difficult procedures and a lack of appropriate guarantees. This common restriction limits investment in training and research and development (R&D) that could increase efficiency and innovation in the SMME manufacturing sector. All businesses need finances to start trading and also to fund growth (Chimucheka, 2013: 793). Innovation in a business requires funding, particularly to implement strategies that can create growth. In supportive of this need, Fatoki and Garwe (2010: 731) provide evidence that a lack of financial resources is the second-most reported contributor to the failure of SMMEs, after education and training, in South Africa. This can be ascribed to a lack of access to finance in financial industries, and the failure of the government to finance R&D investments. All these constraints affect the rate of innovation capacity in the FMCG Manufacturing SMME sector in South Africa because financial constraints and lack of education may obstruct firms from making innovative decisions that propel growth in their businesses

2.7.2 Lack of Skills and Training

Skuras, Meccheri, Moreira, Rosell and Stathopoulou (2005: 7) state that it is very important to create human capital through entrepreneurial education and training for the development of rural business owners/managers. Statistics South Africa, in their quarterly labour force survey (2008: 6), found that most people in the informal economy have education below matric. In South Africa, the lack of education is seen as one of the most important obstacles to entrepreneurial activity (Nieman and Nieuwenhuizen, 2009: 31). They stated further that education is positively linked to entrepreneurial activity. South African FMCG SMMEs need to improve on education and training in order to assist them in developing management competencies which are essential for the growth of an enterprise. All these constraints affect the rate of innovation capacity in the FMCG Manufacturing SMME sectors in South Africa, because financial constraints and lack of education may hinder the firms from making innovative decisions that propel growth in their businesses

2.7.3 Lack of Business Information and Skills

Mahembe and Underhill Corporate Solutions (2011: 41) referring to a study carried out by Finscope, indicate that as much as 75% of small business owners were not aware of any organizations that gave advice and support to small business owners. This lack of information led to, amongst other things, SMMEs building up their own start-up capital in order to fund the enterprise as they did not know the procedures for applying for loans and they did not know the different sources of funding open to them. Kristiansen (2007: 53) stipulates that knowledge and development of skills in the rural areas is very crucial. According to Huges and Kapoor (2010: 224), entrepreneurs have inadequate business management skills required to run a business. These shortcomings make them prone to failure and thereby cause low innovation in the sector.

2.7.4 Lack of Business Knowledge and Experience

According to Tushabomwe-Kazooba (2006: 32), small business owners are usually inexperienced in the type of business they operate. Van Aart, Van Aart, Bezuidenhout and Mumba (2008: 249) point to a lack of experience as a risk because it results in the inability to plan, acquire funds, read business environment factors and manage the business successfully and

proficiently. Nieman, Hough and Niewenhuizen (2003: 33) also highlighted that most SMMEs lack sound business understanding and experience. The lack of skills and experience also contribute to the low level of innovation in the industry (Reza 2007: 5). Technical and industry-specific competencies are often ignored in SMME settings, even though these are pivotal due to their direct effect on sustainability (Boris and Reggie 2012: 147).Boris and Reggie (2012: 147)state further that an entrepreneur`s technical and operational competencies are an important form of expert power that facilitate the implementation of the business vision and strategy. All these constraints affect the rate of innovation capacity in the FMCG manufacturing SMME sector in South Africa because financial constraints, lack of skill and training, lack of education and research and development may hinder firms' ability to make innovative decisions that can propel growth in their businesses. Training on business skills seems a key factor in the success or failure of rural SMMEs, particularly against the background of apartheid education and social exclusion of communities in rural areas (Siphosenkosi 2014: 20).

2.7.5 Lack of Branding

Branding is broadly believed to be the business of large corporate firms and this is due to the fact that branding in SMMEs has been largely neglected by marketing and branding specialists such as Kotler, Aaker, Keller and Kapperer (Muhammed, Mohd and Halim 2012: 155). Branding can assist SMMEs in building corporate image (Rode and Vallaster 2005: 122), achieving superior performance (Berthon, Ewing and Napoh 2008: 28), and pursuing innovative processes and eventually achieving competitive advantage (Penrose 1995: 12). According to Hamel and Prahalad (1994), branding creates the opportunity for comprehensive technological up gradation and innovation. Abimbola (2001: 342) is of the opinion that the focus on brands and branding activities accelerates the pace of introduction of innovative products that are highly competitive and hard to initiate, thus enabling the firm to achieve long lasting growth. Muhammed, et al (2012: 156) concluded that branding activities can have a multiplier effect on SMME innovation and increase firms' performance.

2.8 Fast Moving Consumer Goods (FMCG)

The Fast Moving Consumer Goods (FMCG) settings are becoming progressively more demanding in terms of innovation (Etienne 2013: 286). According to Bulletin online (2003), a

projected 1,080,000 Fast Moving Consumer Goods (FMCG) retail Small, Medium and Micro Enterprises (SMMEs) were operating their business in South Africa during 2003, all of which were pushing hard in achieving business sustainability. FMCG products refer to those retail goods that are commonly substituted or totally consumed over a shorter period of days, weeks or months, and within one year (Smith 2010: 1). FMCG have a short life span, maybe due to soaring sales volume or because the product will get spoilt within a short time (Moolla and Bisschoff 2012: 342). The authors further explain that FMCG are goods used on a daily basis bought by retail clients, like toothpaste, soaps and detergents, deodorants and more.

Fast Moving Consumer Goods (FMCG) are an essential aspect of the manufacturing sector and for countless decades they consist of a huge percentage of manufacturing goods (Mustapha 2010: 29-31). Mustapha (2010: 29-31) explains further that Fast Moving Consumer Goods (FMCG), otherwise identified as Consumer Packaged Goods (CPG), are refer to as those category of goods that are regularly disposed of fast and that the prices of these products are thought to be moderately lesser than other types of products. He posits, however, that manufacturing firms can handle these lesser prices and still achieve growth only by being innovative and competitive. Mustapha (2010) classifies FMCG as products that include soap, toiletries, cosmetics, cleaning products (detergents) and non-durable products like glassware, light bulbs, batteries, paper products and plastic products.

The International Standard Industrial Classification (ISIC) elaborated that goods and services will be acknowledged as FMCG when they are displayed for trade purpose at non-specific stores. On the other hand, products like food, beverages and tobacco, pharmaceutical and medical goods could be sold in particular stores. FMCG can also be conveyed to consumers through mail orders, stalls, markets and non-store retail sale points (Marques and Puig 2010: 5). Electronic items like mobile phones, cameras and Mp_3 players are also categorized under FMCG but they are often sub-divided as Fast Moving Consumer Electronics (FMCE). The importance of innovation in a strategy is a necessary requirements for all types of FMCG, particularly mobile phones, Mp_3 players and cameras which are expected to be more associated with scientific variations (Mustapha 2010: 30). The author argues further that people are fond of substituting these products within short periods as they find that these types of products become out-of-fashion or outdated rapidly.

According to Leo (2003: 2), FMCG is the term used to describe renowned products that are:

- consumed at minimum one time in a month;
- consumed frankly by the final-costumers;
- non-durable; and
- Disposed in wrapped up shape.

Leo (2003) classifies the major FMCG subdivisions as:

- Personal care: toothpaste, hair care, skincare, soap, cosmetics and paper products such as tissues and sanitary towels;
- Domestic care: fabric wash (laundry soaps and synthetic detergents) and domestic cleaners (such as dish/utensil cleaners, air fresheners and insecticides); and
- Recognized and packaged food and beverages- soft drinks, cereals, biscuits, snack food, chocolates, ice cream, tea, coffee, vegetables, meat, bottled water, etc

2.9 Impact of Manufacturing Innovation in FMCG

The Manufacturing industry in South Africa (SA) is one of the most important donors to the country's Gross Domestic Product (GDP) and portrays the most credibility possible to create job availability and boost national developmental growth (Boris and Reggie 2012: 148). This sector contributes about 35 percent of South Africa's labour force (Econometrix 2002: 1). However, in terms of manufacturing competitiveness, South Africa has remained categorized as being unproductive and unsuccessful. Hence, to thrive and retain competitiveness in the market place, innovation is essential to SMMEs (Sylvie and Jeniffer 2005: 364). Chung-Leung, Oliver, Leo, Alan, Raymond and Jenny (2008: 590-591) argue that organizational innovativeness encourages changes in managerial structure, organizational processes and tactical goals. They posit further that successful accomplishment of innovations may need vital prolific resources or co-operation from business partners.

Manufacturing is considered to be one of the key significant forces in improving or expanding the monetary growth and expansion of a country (Mustapha 2010: 1-2). Mustapha (2010: 1-2) argued further that the exceedingly competitive market and speedily varying tastes of the

customers and the shorter life periods of products characterize immense problems facing contemporary manufacturing organizations, claiming that manufacturing around the world is undergoing reformation owing to the invention of innovative skills and development in communications which make it essential for manufacturers to be focused on product design, manufacturing procedure, manufacturing approach and manufacturing innovation. He argued further that only enterprises that have been effectively ordered to cope with the current scientific innovations, after creating equipped reformates, are able to utilize their industrialized policy as a weapon in the expansion of the enterprise.

Robert and Scott (2008: 2) posit seven practices or theories which will augment new product development as follows:

- Edifying the customer's opinion;
- Front-end loading tasks;
- Product innovation should be given full attention;
- Depending on bend fairly rather than linear improvement;
- Growing the business in metrics or team work;
- Joint liability and constant improvements; and
- Asset administration.

Manufacturing provides goods and services of major importance for supporting the superiority of the human life, while also significantly contributing to the world economy (Garetti and Taisch 2012: 84). Garetti and Taisch(2012: 84) argue further that manufacturing is much more than production (i.e. the process of making goods) and that manufacturing comprises the entire range of manufacturing activities from the consumer to the factory and back to the customer, thus including all the different kinds of services that are linked to the manufacturing chain. The authors concluded that, taking into account the societal importance of manufacturing, while considering its vast impact on power consumption and on the use of physical resources and pollution of the environment; sustainable manufacturing can be seen as one of the most significant problems to sort out in pursuing the big picture of sustainable development.

2.10 Innovative Strategies Used by FMCG SMME Manufacturer's in South Africa

The origin of competitive gain in SMMEs can be discovered primarily in tactical organizational and marketing administration, and the strategies produced by these management actions are interrelated (Lotz and Marais 2007: 695). Competitive advantage depicts that a company bids a marketing merge that successfully meet the tastes of the target market than the mix offered by the competitors (Perreault and Macarthy 1999: 63-70). Consequently, the resourceful promotion strategy is important for the improvement, growth and existence of any business. Businesses with an official advertising strategy scheme are characterized by effectiveness; acceptance of the necessity for transformation and an apparent knowledge of the main concern; enhanced industry management; and condensed weakness to unforeseen expansions (McDonald, 1995: 63).

According to Estelle and Krishnna (2014: 153), a tough trade name is the one that is capable of deciding the enterprise's achievement to such an extent that it could endure opposition to the level that even when there is a new innovation in the market, a product's probability of being sold is at a premium price. Today's Fast Moving Consumer Goods (FMCG) industry is a multi-billion rand sector which according to Carter (2014: 3), is dominated by well- recognized brands such as Coca-Cola. The FMCG sector is also one of the most unpredictable and toughest categories to succeed in. Mohammed (2012: 112) concurs that a powerful trade name is capable of opening innovative businesses particularly when the expansion of the business rests significantly upon penetration into innovative markets.

According to the interview with Mr Felix Ohiwerei by Smith (2008: 332-333), the factors that hinder the capacity of businesses to improve in trade in Africa are stated as follows:

- Pursuance of trade names at an extremely powerful pace, to erase misconceptions and expose clients to the exact product they should seek out and consume;
- Supply innovative formulations (that is "latest and enhanced" editions of products) constantly, as a strategy of moving a step ahead of the fraudsters;
- Launch updated packaging constantly;
- With respect to FMCG, radio is a far more appropriate channel for promotion than television. In big metropoli, billboards can be fairly efficient in raising product awareness

and /or serving as reminders. As for web-sites and the internet, in most parts of sub-Saharan Africa, these are not yet widely used; and

- For all FMCG business, supply is the solution.

Smith (2008) also stated other factors that impact the success of organizations or individuals in business. These are:

- All over the globe, the history of an enterprise has a prevailing contribution to its likelihood of growing in business. In Africa, on the other hand, corporate culture seems to contribute particularly and successfully to achievements;
- Openness and non-crime can impact the success of business in Africa; and
- The issue of management is another success factor.

O'Carroll (2011: 2) affirms that international businesses will "be unable to push sales, if we do not continually construct our business names". Firms annually spend hundreds of billions of dollars on applying their advertising plan and a great deal of development has been achieved in illuminating how these expenditures are encouraging brand performance (Ataman, Van-Heerde, Carl and Mela2010: 866). Entering into the market as a new brand can be a serious barrier, even for well-grounded brand, pointing out that re-branding poses both opportunities and threats, and it is therefore essential for marketers of FMCG to have knowledge of the decisions and processes which come before, as well as follows, a re-branding exercise (Estelle and Krishnna 2014: 162).

According to Biljon and Rensburg (2011: 9548), brand responsiveness and belief play a significant role in value perceptions, followed by icon (created through visual stimuli) in selection preferences. Tiwari and Herstatt (2012: 245), in their study, state that the major measure of success seems to be positioned in dropping the general cost of ownership and encouraging customer perceptions of quality and image. Their study also showed that feasible-driven innovations are mostly successful when firms turn to open global innovation networks for mutual development in all areas of the innovation value chain.

2.10.1 Strategic methods of improving the level of Innovation in SMMEs industry

Sabine, Sergej and Monica (2013: 9) highlighted various methods that can be used by managers to localize product and pricing strategies as;

1a<u>Marketing Mix Related Insights</u>

1a (i). Localized product strategy

Tools	**Examples**
Extremely high efficiency functionality	<u>Healthiness Care:</u> "group manufacturing methods in surgery to increase resource effectiveness and technical habit.
Disruptiveness/ Radicalness	<u>Water sanitization:</u> exceedingly cost effective disinfectant using ravage from rice cooking as sieve.
Human touch	<u>Investor Services:</u> accumulating human mediators from the communities that provide supplementary services and support, growing approval for the offer.
Reusability	<u>Health Dosing:</u> Heming health check strategies against asthma for recycle
Scalability or Platform approach	<u>Software platforms:</u> simply adjustable plan (to different specifications) and incorporation of up-scaling features to augment potential functionality and enlarge product lifecycles.
Simplicity	<u>Agricultural Services:</u> list of agricultural

	information, accessible through local Android application.

1a (ii).<u>Localized Pricing Strategy</u>

Tool	**Example**
Small packaging units	<u>Washing powder:</u> Sold in independently packaged tablets instead of full container.
Radical Innovation	<u>Water purifier:</u> Cost efficiency through use of trade mechanism.
Cross Subsidy	<u>Health concern:</u> first-class customers, gross finance services for bottom of the pyramid (BOP) consumers by paying for extra services (e.g single bedroom).
Reusability	<u>Medical Dosing:</u> Reusability of appliances.
Infrastructure Sharing	<u>Joint Telecom Tower Method:</u> Shared use of networks and common infrastructure.
Customer Empowerment	<u>Telecommunications:</u> Enabling customers to be part of profits by funding and supporting them to establish their own entrepreneurial businesses (e.g: distributors of firm's product and services).
Scalability/Platform approach	<u>Software Platforms:</u> manufacturing and incorporation of up-scaling features to attain scale effects and enlarge product life cycles.

Simplicity	W-lan Router: fundamental decline of product characteristics.

1b Marketing Mix related insights

1b (i). Localized distribution strategy

- Targeting low-end customer subdivisions in physically detached locations through the incorporation of local communities/individual consumers into the allocation process.
- Exceedingly detached channel structures: For example, Coca-Cola's village women programme (beverages-selling out of private kitchens; Avon women; or Unilever Shakhty women).

1(iv) Adapted Promotion Strategy

- Adjustment of marketing communication in all accessible customer segments for explanation of discrete situations and environments of rising markets.
- Usage of existing tools/channels, as well as innovative advertising strategies (support local community members to share product experiences and to present product demonstrations).
- Concentrate on building tough brand existence to consume prospective first-mover correlated reliability effects.

2 Research and Development Related insights

- R&D procedure managed and led by decentralized, independent R&D and marketing functions.
- From-Scratch Marketing Research to get to know the strange lower-end customer segments and their contexts in-depth.
- Rigorous examination of customers and open innovation.

2.11 A strategic approach to overcome innovation problems in FMCG SMME manufacturers in KwaZulu-Natal

A SMME marketing mix which has been adopted from the conventional marketing 4ps can develop SMMEs and can be also an essential part of SMME activities (Carson and Gilmore2000: 2). Walker, Mullins, Boys and Lareche (2006: 1), argue that the advertising perception is the oldest long-term theory in advertising hypothesis, which connotes that gratifying consumer needs would eventually result in the realization of managerial aspiration, for instance, productivity. Lekhanya (2014: 1005) states that all company actions should be suitably strategized and well-coordinated in order to meet major aims of meeting consumer needs and maintaining competitive advantage. Shoram, Rose and Kropp (2005: 437) state that there is strong hypothetical support that marketing knowledge is the way in which the marketing idea manifests itself in the business, which leads to greater performance. The authors argue further that market orientation is greatly relying on the invention and distribution of promotion acumen to marketing decision-makers and influencers, and responses by decision-makers to advertising intellect.

However, many SMMEs are deficient of knowledge of the significant function played by the marking communications mix in creating awareness of their products and services to the prospective consumers (Tsikirayi, Muchenje and Katsidzira 2012: 12). The top executives of manufacturing SMMEs should invent task statements that specifically define the nature of the enterprise; customers or consumers of the enterprise; and the skill that will be used by the enterprise to meet customer needs, wants and demands (Zimmerer, Scarborough and Wilson 2008: 90-93). Divanna (2004: 34) has identified four key factors which affect the development of strategies in a comprehensive context as:

- External militant such as a new competitive strain. Introducing new products and servicing customers act to constantly reform the organizations' performance, composition and focus;
- Globalization allows the business to focus ahead of the limitations of the business and to implement a world-new introduction of its business processes, products and services;
- Disintermediation gives way for the organization to create groups with related expertise or networks of mutually supporting cells of competencies resulting in extremely

particular areas of capabilities who then are able to unite their skills and form a coercive unit; and

- Development of technology allows the business to enlarge its competitiveness by purposely choosing a different set of activities to convey an exclusive blend of worth (Divanna 2004: 34-37).

To overcome innovation challenges, Evans (2008: 14) presents seven criteria for strategy improvement in an enterprise.

Table 6: Seven criteria of Strategy Deployment

Strategy Deployment Criteria	
1. Communicating the scheme	Top administration is to fit, from pinnacle down, the tactical scheme to guarantee the understanding of the scheme at all levels of the business.
2. Achieving buy-in	Approval and implementation of the scheme by all shareholders must be achieved.
3. Aligning performance	Customer and market focus actions are united with the planned decision.
4. Education	Incessant appraisal and adjustment.
5. Creating the infrastructure for deployment	Organizing teams, role and tasks.
6. Knowledge of the business drivers	Consciousness of the business reasons for the initiatives.
7. Company outcome	Identifying the forecast projects, assessing risk, choosing performance capacity.

Source: Evans (2008: 14).

Siphosenkosi (2014: 26-31) recommends three tactics to address challenges to SMMEs. These are:

- Providing access to funding;
- Providing an empowering environment; and
- Providing business skills and capability for SMMEs.

2.12 Growth and Innovation in Fast Moving Consumer Goods (FMCG) Manufacturer SMMEs in KwaZulu-Natal

The importance attached to prospect growth and development necessitates a fundamental revolution in approach and thinking: a veritable traditional modification by owner/managers (Butler, 2001: 14). The owner/manager can make the essential traditional shift to increase the presentation and concentrate on the trend in which the business is to go. According to Lekhanya (2010: 32), growth in the significance of the SMME sector can be accredited to a number of factors such as a response to a recession in the economy with people being made jobless turning to self-employment as a means of making ends meet. Danson and Whittham (1999: 1) are of the opinion that the main aim for the growth of SMMEs in 'developed' economies is a result of the modifications within the organization of manufacturing.

Lekhanya (2010: 32) attests that a firm's growth has become a crucial topic in the field of tactical research, which makes it difficult to envisage a small firm taking advantage of opportunity and having a significant influence in the market without growth. Storey (2004: 112-130) asserts that the process of growth in a small firm results from an arrangement of three basic components, which are:

- The features of the entrepreneur;
- The features of the small firm; and
- The expansion strategies of the firm.

The local innovation of the economy outlined above shows the activities of the informal sector and the innovation within it. Dubihlela and Van Schaikwyk (2014: 268) concluded that the

imminent growth of a modern small-business sector required new efforts to increase manufacturing techniques, to improve standards and to convert to value-added products and services through contemporary plans and scientific innovations. The International Labour Organization (ILO) (2008) is of the opinion that growth needs exceptional attention on funding systems that provide incorporated services for production, administration, marketing and finance.

2.13 Conclusion

Chapter two appraised the literature that supports the need for innovation in South African Fast Moving Consumer Goods (FMCG) SMME manufacturers to achieve growth in KwaZulu-Natal by reviewing introduction to Small businesses; definitions of entrepreneurship; categories or characteristics of SMMEs in South Africa; contribution of SMMEs to South African Economic Development (SAED); problems faced by SMMEs in South Africa; the manufacturing SMME sector in South Africa; Small, Micro and Medium Enterprises (SMME) manufacturers situated in KwaZulu-Natal; the state of innovation in South Africa; factors influencing innovation in South African SMME manufacturers; impact of manufacturing innovation in FMCG; strategies used by SMME manufacturers in South Africa; the strategic approach to overcome innovation problems in FMCG SMME manufacturers in KwaZulu-Natal; and growth and innovation in fast moving consumer goods (FMCG) manufacturers in KwaZulu-Natal. This chapter concludes that there is a need for innovation in FMCG manufacturer SMMEs in KwaZulu-Natal as the literature review has highlighted that SMMEs have constraints to growth as well as some of the characteristics that may lead to their failure and also limit their innovation to achieve growth. The following chapter will discuss the research methodology that was used in the study. The population of the study will be defined and the sample and sampling methods will be explained. The method of doing the research as well as that of the data collection will be chosen and covered.

CHAPTER 3: RESEARCH METHODOLOGY

3.1 Introduction

The purpose of this chapter is to explain how the data were collected and analyzed. This chapter also defines the methodology upon which the research on exploring South African Fast Moving Consumer Goods (FMCG) small, micro and medium enterprises (SMMEs) manufacturers' need for innovation to achieve growth in KwaZulu-Natal, is conducted. There exists numerous research methods that are frequently used and it is essential to choose from these research methods the most suitable and proper method in agreement with the topic, objectives and target respondents (Mustapha 2010: 110). Thus, in this chapter, the research objectives of the study; type of study; sampling design; data collection method; pilot study and validity and reliability issues are discussed. This study is then assessed on the basis of its focus and objectives in order to find out what would be the paramount type and what would be the nature of its result. This comprises the method of choosing sources of information, formation of sampling method, data collection procedure, questionnaire construction and result calculation method.

3.2 Need for innovation in FMCG SMMEs manufacturing industry

Innovation is seen as a way by which innovative knowledge is transformed into economic growth (Alessandra, Klaciba and Christian 2013: 14). Alessandra, Klaciba and Christian (2013: 14) support the argument that more innovation brings more growth, which promotes higher levels of employment and job creation. Furthermore, Alessandra, Klaciba and Christian (2013: 14) confirm that innovation has a constructive effect on the rate of firm growth, and that innovation is of vital importance for high- growth firms. Sheshinski, Strom and Baumol (2007: 247) state that a major source of the growth sensation of the past two centuries is the surge of innovation. Hence, innovation has long been seen as the major factor for the survival, growth and development of small, micro and medium- sized enterprises (SMMEs).

As it is now commonly appreciated, in unstable market conditions, innovation is the elixir of life for establishments, regardless of their size or other attributes (Miika and Hannu 2010: 129). Miika and Hannu (2010: 129) further stress that growth; success and survival all depend on the capacity of firms to innovate on a frequent basis. However, innovation efforts in South African Fast Moving Consumer Goods (FMCG) Manufacturing SMMEs are unsuccessful due to factors

such as a lack of education and training; lack of finances and low investment in innovative research and development; and government restrictions (Chimucheka 2013: 793-796). These factors necessitate investigation by both academics and business professionals. Therefore, this research is being undertaken.

Observing all these innovation problems faced by South African FMCG Manufacturing SMMEs, the research will be conducted to investigate those factors responsible for low innovation in the industry and possibly suggest developing strategies to correct it. The research will contribute to the body of existing knowledge by applying the strategies of improving innovation in the Fast Moving Consumer Goods (FMCG) Manufacturing SMME sector in KwaZulu-Natal, in order to

3.3Research Problem

The Department of Trade and Industry (2012) revealed the soaring extent of the inability for small, medium and micro enterprises (SMMEs) to develop in South Africa. The reason for this stems from factors such as inefficient administrative proficiencies; deprivation of help from government; lack of training and inadequate access to proper technology (Nkonde2012: 6). Statistics South Africa's First Quarterly Report (2012) states that entrepreneurship in the informal sector in South Africa is dormant and in diverse areas, is deteriorating. Informal sector recruitment remains unstable, with three consecutive quarterly reductions experienced since the third quarter of 2011.

The questions addressed in this study are:

- What are the factors that influence the level of innovation in Fast Moving Consumer Goods (FMCG) manufacturing SMMEs?
- What can Fast Moving Consumer Goods (FMCG) SMME manufacturers do to be more innovative in their industry?
- What can be done to improve innovation in Fast Moving Consumer Goods (FMCG) SMME manufacturers

3.4 Research Objectives of the study

The general objective of this research are to explore the level of innovation in South African Fast Moving Consumer Goods (FMCG) manufacturing SMMEs; examine factors that influence

innovation in the industry by investigating the strategies in use, taking cognizance of KwaZulu-Natal (KZN) FMCG SMME manufacturers; and discover the reasons for low innovation in the industry.

In support of the major objectives, the following fundamental objectives are also addressed:

- To identify critical factors influencing the innovation of Fast Moving Consumer Goods (FMCG) SMME manufacturers to achieve growth;
- To examine the extent to which these factors influence the effectiveness of SMME manufacturers innovation strategies; and

To design a new strategic approach innovation to overcome innovation problems in Fast Moving Consumer Goods (FMCG) SMMEs manufacturing industry.

3.5 Sampling Design

Survey sampling is one of the most significant concerns and stages that researchers have to carry out very cautiously and scientifically because the choice of the survey sample "is taken serious to the validity of the information that symbolizes the populations that are being studied" (Mustapha 2010: 143). The sampling of the survey dictates the centre of the study on the specific level and group, of people and the researcher should guarantee that there is no preference in the selection of the respondents.

A research design integrates the purpose of the research to establish that the data gathered are applicable to the study being implemented (Zikmund 2003: 65). A research design lays importance on the explanation of strategies and arrangements to plan a research process. Despite the fact that design details vary according to researcher, a research design encompasses two major features. Firstly, the researcher must plainly state the research objectives: Secondly, the researcher must optimally plan the research trial procedure (Babbie, Mouton, Vorster and Prozesky 2010: 72).

For the sake of this study, the researcher applied a research design owing to the fact that it attracts a distinguishing difference between research design and research methodology by specifying that a research design emphasizes the results of research by pointing out issues such

as what type of research will be performed; what are the expected results; and what evidence is needed to accurately sustain the research questions?

3.5.1 Population

The target population of this study was 120 out of 3000 FMCG manufacturing SMMEs operating in the KwaZulu-Natal province. In KZN, it is projected that there are about 3000 FMCG manufacturing SMMEs in the province as a whole (Statistics South Africa Report 2009). Even though the report indicates this population of 3, 000 FMCG SMMEs, some of these SMMEs do not fall under the same area, but are scattered all over the place in KZN.

3.5.2 Sample Size

A sample of 120 FMCG manufacturing SMMEs was drawn from the total population of FMCG manufacturing SMMEs found within the KwaZulu-Natal province. The areas include Umbilo, Umgeni, Pinetown and Pietermaritzburg. Sekaran and Bougie (2013: 269) propose the following rules of thumb for determining sample size:

(1) Sample sizes larger than 30 and less than 500 are appropriate for most research.
(2) Where samples are to be broken into sub-samples (males/females, Juniors/seniors etc) a minimum sample size of 30 for each category is necessary.
(3) In multivariate research (including multiple regression analyses), the sample size should be several times (preferably ten times or more) as large as the number of variables in the study.
(4) For simple experimental research with tight experimental controls (matched pairs etc), successful research is possible with samples as small as 10 to 20 in size.

Therefore with regards to the above, the researcher chose 30 samples in each region of Pietermaritzburg, Pinetown and Umbilo and Umgeni. The researcher arrived at 120 respondents by (30 samples eachx4 regions selected) which are 120 respondents. This population was nominated because it was not practicable for the researcher to reach the whole population. Moreover, a small number of respondents were reached to make it easier and convenient for the researcher to distribute and interact with the respondents. A research assistant was also employed by the researcher to help in the process. The total questionnaires

used are 120. Out of the 120 questionnaires, 15 were rejected due to the fact that the respondents do not have enough time to attend to the questionnaires. A total of 105 questionnaires were completed by the respondents.

3.5.3 Interview

A complete set of 8 semi-structured interview questions was administered and the researcher conducted face-to-face interviews with the respondents, mainly with the CEOs and the top management personnel in the industry. A list of 15 people was gathered based on their knowledge and skill, which comprises academic experience and number of years expended in manufacturing occupations. After sequences of selection, with telephone contacts and emails with qualified people, a list of participants was made. These participants all decided to participate in the interview at an agreed date and venue.

3.5.4 Sampling Method

Whatever the research questions and objectives are, the researcher is still required to gather sufficient information to answer them (Saunders, Lewis and Thornhill 2003:280-326). Sampling is a process used in statistical analysis in which a pre-determined number of clarifications are reserved from a larger population (Statistics South Africa Report 2010).Hence; there exist two major methods used in the collection of a survey sample. These comprise the non-probability and probability sampling approaches. The reason why the researcher selected a non-probability method of sampling is due to the lack of a company's list with their different locations, accessible for the population, thereby making it unmanageable for the researcher to observe the larger population. The researcher nominated some FMCG SMME manufacturing industry firms from the province and the outcomes of the selection were generalized.

The non-probability sampling method is also called the convenience sampling approach as it comprises the respondents in the study grounded on their readiness and accessibility, irrespective of their group associations (Mustapha 2010: 127). This method is very expedient for researchers as they can collect data from anyone whom they can contact. The following process was trailed in selecting the study sample using the non-probability sampling approach: Firstly, the FMCG SMME manufacturing industry was nominated to be used for the study and it was chosen from officially registered South African Organizations within the KZN province. The next step taken

was to go to the nominated companies and distribute the survey questionnaire to the Human Resource Heads/CEOs in order to get the questionnaires the staff who are the key respondents, because they had the information of what innovation is and they are in an enhanced position to provide answers to the survey questions under study. The researcher employed the research assistant to increase the rapidity of the data collection process and personal interviews will also be conducted with the respondents by the researcher. In this way, the survey sample was chosen and the research work moved onto the next phase, i.e. data collection.

3.6 Research Approach

The research method engaged by the researcher was the primary approach which makes use of the survey questionnaire and interview which is targeted at attaining the research objectives. The review of literature was carried out with the aim of gaining a broader understanding of the need for innovation in FMCG small, medium and micro enterprises (SMME) manufacturers established in KwaZulu-Natal, and those factors accountable for low innovation in the industry.

The review of literature, survey questionnaires and interviews with the FMCG SMME manufacturers in KZN enabled the researcher to recognize the level of innovation in the industry and to spot those areas in the industry that need innovation. The review of literature was carried out with the objective of gaining a profound understanding of the need for innovation in the FMCG SMME manufacturing industry in KZN and the research work tends to answer all the research questions of this dissertation. Thus, survey questionnaires with 120 respondents and interviews with 5 experts were conducted to discover answers to the research questions.

Along with the survey questionnaire of 120 respondents, interviews with experts within the FMCG manufacturing SMMEs of different consumer products were also conducted to collect quantitative information. The opinions of the Chief Executive Officers (CEOs) and heads of FMCG Manufacturing Operations in the preferred organizations assisted in highlighting the major impediments to accomplishing high level of innovation in the FMCG SMME manufacturers and choices for development.

3.7 Data Collection Methods

A total of 120 questionnaires consisting largely of closed-ended questions were employed by the researcher as well as 8 semi-structured interviews were employed. The semi-structured interview enabled the researcher to explore individual, delicate or confidential information which is improper to discover through the ordinary use of handed questionnaires. A semi-structured interview is a qualitative technique of data collection, which consists of a confidential and protected relationship between a researcher and the participant respondent. Via the use of semi-structured questionnaire, it assisted the researcher to be convinced that the exchange covers all the required important areas for the successful completion of the research. Esterberg (2002: 12) collaborates that in-depth interviews supply adequate basis to allow respondents to express opinions and thoughts in their own words.

3.7.1 Development of the Questionnaire

Semi-structured questionnaire that had a total of 20 closed-ended questions was used (see appendix 1) for a copy of the instrument. The questions were targeted at exploring South African fast moving consumer goods (FMCG) SMMEs manufacturing industry's need for innovation to achieve growth. The questions covered the innovation strategies used in FMCG, manufacturing SMMEs, South African government policies as regards support to innovation and branding.

The semi-structured questionnaires are stated below:

Question 1: South Africa government policies induce high cost of imported machinery and raw materials to support growth and productivity in the manufacturing firms.

Question 2: Skill and training form part of the pre-requisite for companies to achieve innovation and growth.

Question 3: Adoption of manufacturing and innovation strategy captures the attention and loyalty of consumers in the South African FMCG manufacturers SMMEs.

Question 4: South African FMCG SMMEs offer different consumer products with innovative features and benefits.

Question 5: FMCG manufacturing SMMEs sector in South Africa have the capabilities of offering innovative consumer products in the context of globalization and high competition.

Question 6: The present level of innovation in South African FMCG manufacturers SMMEs is high.

Question 7: FMCG manufacturing SMMEs in South Africa give importance to innovation in the process of product designing and manufacturing.

Question 8: Company leaders/managers/supervisors encourage new ideas of innovation by creating a tolerant environment for innovation.

Question 9: Lack of financing, skills and knowledge and education are factors affecting innovation in FMCG manufacturing SMMEs in KwaZulu-Natal.

Question 10: High cost or complex procedures to register or defend patents, is one of the problems of innovation in KwaZulu-Natal FMCG manufacturing SMMEs.

Question 11: Lack of information on the part of employers on how to satisfy consumers' interest contributes to low innovation in the industry.

Question 12: Lack of technological know-how and human capital problems can limit innovation in FMCG manufacturing SMMEs in KwaZulu-Natal.

Question 13: Difficulty in accessing finance for R&D is one of the problems facing innovation in South African FMCG manufacturing SMMEs.

Question 14: Government laws and regulations, new entrants' threats and protocols, are impediments to innovation growth in South African FMCG manufacturing SMMEs.

Question 15: Effective supply chain management can lead to innovation in South African FMCG manufacturing SMMEs.

Question 16: Lack of branding of products can lead to low innovation in FMCG manufacturing SMMEs in KwaZulu-Natal.

Question 17: Government's encouragement and support from various lending institutions can lead to innovation growth in FMCG manufacturing SMMEs in South Africa.

Question 18: Small, micro and medium enterprises (SMMEs) contributes to the economic growth of the country.

Question 19: Due to failure attributable to low innovation in the sector, less than 20% of SMMEs operate for lesser than four years and less than 0.5 percent of SMMEs are doing business for more than 25years in South Africa. This is due to lack of innovation in the industry.

Question 20: Innovation is considered important for the survival and growth of small, micro and medium enterprises in South Africa.

Since the traditional 5-point likert scale was used, the respondents were asked, to convey their opinions by choosing the answer from the given five options:

< Strongly disagree

< Disagree

< Neither agree nor disagree

< Strongly agree

< Agree

These points were also rated from 1-5 where;

1. = Very High
2. = High
3. = Medium
4. = Low
5. = Very low

3.7.2 Administration of the Instrument

The measuring instrument used was questionnaire comprising majorly of closed-ended questions. The literature was used as the basis of information to formulate the questionnaire. The

questionnaire was managed by the researcher herself and also the aim and the content of the questionnaire was explained fully to the trained research assistant, so that it will be easier for him to give clarity on the questions to the respondents whenever it is required.

3.8 Pilot Testing

The purpose of the pilot test was to assess the intensity of knowledge of the questions by the respondents and also to make sure all questions that appear unclear were reframed (Mustapha2010: 133). For the purpose of this study, selected organizations were used to carry out a pilot test.

3.9 Ethical considerations

This study took into account the ethical considerations which will be addressed through voluntary participation. The respondents' right to privacy will be exercised by obtaining direct consent from them and they can withdraw from the study at any time without coercion. For the successful completion of the study, the researcher will take into consideration the following aspects:

- Informed Consent: this entails notifying respondents about the general objective of the investigation and its main outcomes; this process implies the formulation of risks and benefits resulting subsequent to effective completion of the research. Consent will be specified verbally to participants.
- Responsibility to the Respondents: The researchers' accountability to the respondents comprises issues such as assurance of privacy, prevention from impairment, mutuality and feedback of findings.

3.10 Data Analysis Techniques

After the field survey sampling, selecting the techniques for analysis of data collected was the next significant step so that the computation of the survey outcomes can be analyzed and interpreted. SPSS is particularly constructed for analyzing statistical data and thus offers an enormous range of methods, graphs and charts. General programmes may suggest the actions, but specialized programmes are better appropriate for this purpose. SPSS also comes with more techniques of screening or clearing the information in preparation for supplementary analysis

(http://benefitof.net/benefits-of-SPSS). Once data processing had been completed (inspection of completed questionnaires and checking for missing information), the data was keyed into the computer according to question codes and analyzed using SPSS version 23.0 statistical programme. A multiple regression analysis was also applied. The following type of analyses will be used:

- The first type of analysis will look at the frequencies. For example, the number of times a particular response was made and also to verify the coding of the data;
- Variables will then be scrutinized, identifying those variables that are highly important to the dependent variables of the study; and
- In order to test the relationships of variables, a bivariate analysis will be used in the form of cross-tabulations (**see 4.2 Bivariate analysis for variables)** tables as well as suitable inferential statistics. Data will be represented by means of graphs (Pie Charts, Histograms and Bar-Charts).

3.10.1 Frequencies

Frequencies were used to determine how often a respondent made a certain response to a particular question, and were also used to check the coding of the data. If the responses did not equal the sample total then it meant that the data were not correctly captured (Babbie et al., 2002: 298; Maree, 2007: 184; Zikmund, 2003: 403). The information gathered from the frequencies allowed for the analysis of the results and conclusions of the study.

3.10.2 Descriptive statistics

Descriptive statistics were used to help the researcher to describe and compare the main features of the collected data in quantitative terms (Saunders, Lewis and Thornhill, 2003: 351). Descriptive statistics are distinguished from inferential statistics in that descriptive statistics aim to quantitatively summarize a data set, rather than being used to support inferential statements about the population that the data are thought to represent. In this study, descriptive statistics were generally presented along with more formal analyses, to give the readers an overall sense of the data being analysed.

3.10.3 Chi-Square Test

According to Struwig and Stead (2000: 481), the chi-square test is frequently used to test significance in social sciences. It is based on the null hypothesis: the assumption that there is no relationship between the two variables in the total population, given the observed distribution of values on the separate variables. The test of significance assesses the strength of the evidence against the null hypothesis in terms of probability. The null hypothesis states that there is no significant association between the dependent variable and the factor whose strength is being tested. The hypothesis is accepted (Diamantopoulos and Schlegemilch, 1997: 140). When alpha is 0.05, it means that there are 5 chances in 100 that the hypothesis would be rejected.

3.10.4 Correlations

Saunders, Lewis and Thornhill (2003: 475) describe correlation as a statistical technique that can show whether, and how strongly, pairs of variables are related. This means +1 and -1 represent the strength of the relationship between two ranked or quantifiable variables. For example, in this study, correlation was used to measure the relationship between the need for innovation in FMCG SMMEs manufacturing sector and growth.

3.11 Validity and Reliability

3.11.1 Validity

Validity ensures that the tool (questionnaire) use is appropriate for the study undertaken (Leedy and Omrod 2006: 274). It also refers to the extent to which the measurement process is free of both systematic and random error. Reliability of the measurement refers to the extent to which the measurement process is free from random errors. Reliability ensures that internal consistency among factors exists (Parasuraman, Grevel and Krishna 2007: 132-133). Reliability refers to the extent to which collected scores may be categorized to various measuring circumstances. A correlation between validity and reliability is as follows: A test can be reliable but not valid, but a test cannot be valid without first being reliable (Leedy and Omrod 2001: 31).In order to guarantee the reliability of the findings, the sample will be reasonably large with 120 respondents. Santo (1999: 1) stresses that reliability comes to the forefront when variables developed from summated scales are a congregation of consistent items planned to evaluate

essential constructs, should the matching questions be recaptured and re-administered to the similar respondents. Variables derived from test instruments are affirmed to be reliable only when they offer established and reliable responses over a recurring administration of the test. The length of the questionnaire will also be considered; a long questionnaire could result in people being unwilling to participate in the study.

To check the validity of this study, a pre-test with selected FMCG manufacturing SMMEs from the selected areas will be done. The length of the questionnaire will also be considered, a lengthy questions may lead to loss of participation by the respondents. In order to establish the validity, the following questions regarding the study will be asked:

- Does the research actually assess the entrepreneurial economic conditions, institutional, financial and infrastructural, socio-cultural environment, entrepreneurial characteristics and innovation capabilities, activities and their development in rural and under-developed areas in South Africa?
- Do the research measuring instruments agree with the research objectives?
- There are several types of validity that can be considered. However, for this study the following types of validity were considered.

(a) Face Validity: The first step in compiling an index is selecting items for a composite index, which is chosen to measure some variable. The first criterion for selecting items to be included in the index is face validity (Babbie and Mouton, 2001: 139; McBurney, 2002: 128). A specialist statistician helped with this test before the questionnaire was distributed.

(b) Content Validity: The second type of validity is known as content validity. This measures the extent to which a measure appears to measure the characteristic it is supposed to measure. In other words, it is a measure of how well the items represent the entire universe of items. The key to content validity lies in the procedures used to develop the instrument used. Content validity can never be guaranteed because it is partly a matter of judgement (Leedy and Ormrod, 2005: 92). However, Hair, Bush and Ortinau (2006: 650) mention content validity as the property of a test that indicates that the entire domain of the subject or construct of interest was properly sampled. That is, the identified

factors are truly components of the construct of interest. Therefore a content validity test was used to test the sampling method for this study. The evaluation of the questionnaire by the statistician was done and the pre-test was conducted.

(c) Construct Validity: The third type of validity that was tested in this study was construct validity. A construct is any concept that cannot be directly isolated. Here, not only must the instrument that was used be internally consistent, but it must also measure what it was intended to measure. The question here is "Does each item behave as expected?" The construct validity of a measure confirms or denies the hypotheses predicted from the theory (Leedy and Omrod, 2005: 92).

The existence a construct is inferred from an examination of the relationships between variables. An important feature of a construct is that it can always be represented by multiple variables. Construct validity is established by showing that the scores on the newly designed test will differ between groups of people with or without certain characteristics. It is also possible to analyse the task requirements of the items being measured, and determine if these requirements are consistent with the theory underlying the development of the test (Salkind, 1997; Hair, Bush and Ortinau, 2006: 650). Therefore, for this study, some of the questions needed to be answered with regard to the research objectives are: "Does the research actually measure the need for innovation in South African FMCG SMMEs manufacturing sectors", and "Do the research findings cover the research objectives". Hair, Bush and Ortinau (2006: 650) agree that construct validity is the degree to which researchers measure what they intended to measure, and the degree which the proper identification of the independent and dependent variables were included in the investigation. The statistician specialists tested if the relationships between variables confirm or deny the hypotheses predicted from the theory for this study.

3.11.2 Reliability

Reliability of the measurement refers to the extent to which the measurement process is free from random errors. Reliability refers to the extent to which obtained scores may be generalized to different measuring situations. The relationship between validity and reliability is as follows: a test can be reliable but not valid, but a test cannot be valid without first being reliable (Leedy and Ormrod, 2005: 29). Reliability decreases as error increases. In

order to enhance the reliability of the findings, the sample was fairly large and consisted of 105 respondents. Santo (1999: 1) stresses that reliability comes to the forefront when variables developed from the summated scales are used as predictor components in objective models. Since summated scales are an assembly of interrelated items designed to measure underlying constructs, it is very important to know whether the same set of items would elicit the same responses if the same questions are recast and re-administered to the same respondents. Variables derived from test instruments are declared to be reliable only when they provide stable and reliable responses over a repeated administration of the test. According to Saunders, Lewis and Thornhill (2003: 308-309), the purpose of the pre-test is to refine the questionnaire so that respondents will have no problems in answering the questions and there will be no problems in recording the data. In addition, a pre-test enables the researcher to obtain some assessments of the questionnaires validity and the likely reliability of the data that will be collected. Preliminary analysis, using the pre-test data, can be undertaken to ensure that the data collected will enable the investigative questions to be answered. This preliminary analysis ensures that the questionnaire was checked so that the respondents easily understand it. The pre-test thus enables the researcher to correct errors prior to the survey being conducted. The questionnaire was also considered in terms of its length; a long questionnaire could result in respondents being reluctant to take part in the study.

3.12 Conclusion

This chapter considered the methods that were applied in the research. The major idea of the research was to explore the reasons for low innovation and growth in the South African Fast Moving Consumer Goods (FMCG) SMMEs manufacturing industry in KwaZulu-Natal. The research approach that was used in this study as the primary method of data collection involved the incorporation of questionnaire surveys and interviews.

This chapter discussed all the points linked to the research methodology engaged for conducting the study. All decisions concerning the research method were taken. Different purposes for conducting the research study were considered and it was established that the research under study is exploratory. The research strives to find a solution to the problem of lack of innovation in the FMCG manufacturing industry and at the same time described and explained several

SMME issues in South Africa in detail. In the same way, the simplicity of the study will come up with practical results or outcomes because the research proposes some suggestions and recommendations for solving the problem of innovation in FMCG SMME manufacturing industries.

CHAPTER 4: ANALYSIS AND PRESENTATION OF THE RESULTS

4.1 Introduction

As discussed in chapter 1, the study reported on in this chapter here examined in detail the South African Fast Moving Consumer Goods (FMCG) SMME manufacturer's need for innovation to achieve growth in KwaZulu-Natal. This chapter is organized in terms of the specific research objectives and research problems stated in chapter 1. Roberts (2004: 168) supports the view that organizing data by research question is a good way to clearly discuss the findings and to maintain consistency among chapters. The research questions become the heading, not necessarily the question itself, but rather a heading that describes the question. All the findings related to that question and the various statistical analyses are presented under each heading. Therefore, research questions were used to analyze the results for this study.

A total of 120 questionnaires were administered to the respondents in person. After two months, 105 responses were collected and 15 were returned unfilled. Hence, 105 questionnaires were finally used for calculation of the results. A section of the questionnaire containing 20 questions was constructed using the Likert Scale and the respondents were requested to select the numerical value for each and every given statement to show their degree of agreement with that statement. The respondents were asked to express their views about the matter in the given statements as: **1= Strongly Disagree, 2= Disagree, 3= Neutral, 4= Strongly Agree, 5= Agree.** The responses received for each of the values were calculated and were presented in the results according to the meaning of that numerical value in order to show the level of agreement of the respondents.

Question4.1.1: South African government policies induce high costs of imported machinery and raw materials to support growth and productivity in manufacturing firms (Mukole 2010: 2288).

Table 4.1.1: Responses on South African Government policies

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly Disagree	5	4.8	4.8	4.8

	Disagree	3	2.9	2.9	7.6
	Neutral	11	10.5	10.5	18.1
	Strongly agree	57	54.3	54.3	72.4
	Agree	29	27.6	27.6	100.0
	Total	105	100.0	100.0	

Figure 4.1.1: Responses on South African Government policies

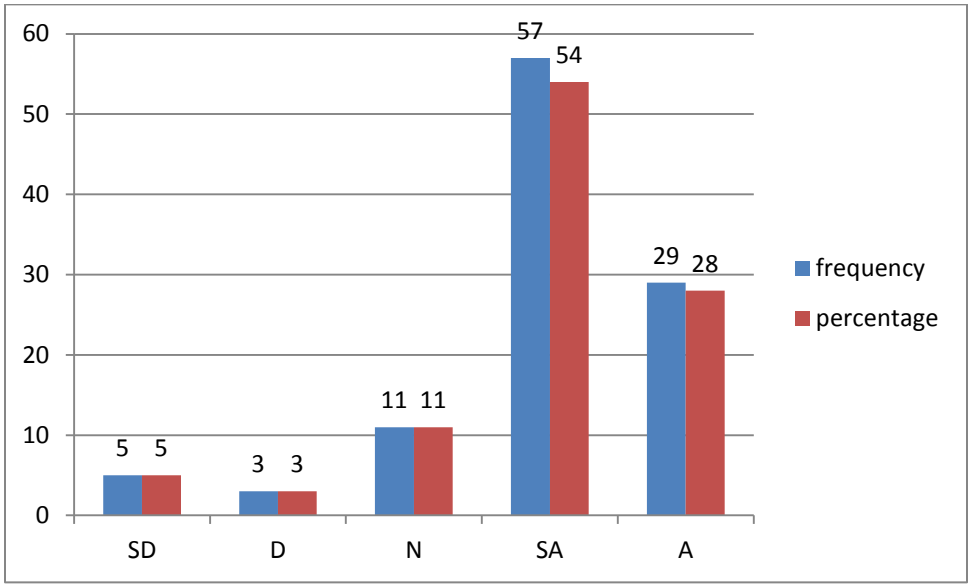

Table 4.1.1 and figure 4.1.1 show that 5(5%) of the respondents replied Strongly Disagree; 3(3%) said Disagree; 11(11%) said Neutral; 57(54%) said strongly agree; and 29(28%) said agree. Thus, the result of the survey revealed that many of the respondents strongly agree that South African government policies induce high costs of imported machinery and raw materials to support growth and productivity in the manufacturing firms. The graph and table above further show the results of the survey. The results (X2 =.622; df=.96533; P =.000) indicated that the observed findings were significantly different from expected frequencies. In other words, this result was statistically significant and was not due to chances (see Appendix C4).

The main finding of the graph and table above indicates that the South African government policies induced high cost of imported machinery and raw materials to support growth and productivity in the manufacturing firm.

Question 4.1.2: Skills and training form part of the pre-requisite for companies to achieve innovation and growth (Mukole 2010: 2288).

Table4.1.2: Responses on skills and training to achieve growth

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly Disagree	4	3.8	3.8	3.8
Disagree	2	1.9	1.9	5.7
Neutral	1	1.0	1.0	6.7
Strongly Agree	66	62.9	62.9	69.5
Agree	32	30.5	30.5	100.0
Total	105	100.0	100.0	

Figure4.1.2: Responses on skills and training to achieve growth

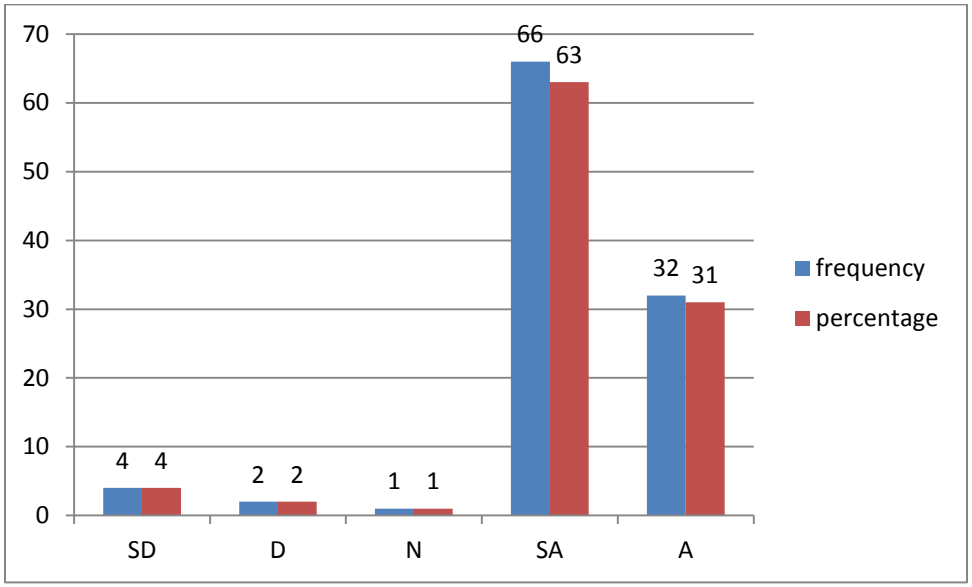

Table 4.1.2 and figure 4.1.2 state that 4(4%) of the respondents replied Strongly Disagree; 2(2%) said Disagree; 1(1%) said Neutral; 66(63%) said Strongly Agree; and 32(31%) said Agree. The result of the survey thus shows that many of the respondents strongly agree that skills and training form part of the pre-requisite for companies to achieve innovation and growth. The graph and table above further show the results of the survey. The results (X2 =.527; df=.84840; P

=.000) indicated that the observed findings were significantly different from expected frequencies. In other words, this results was statistically significant and was not due to chance (see Appendix C4).

The main finding on the survey above indicates that skills and training form part of the pre-requisite for manufacturing industry to achieve innovation and growth.

Question4.1.3: Adoption of manufacturing and innovation strategy captures the attention and loyalty of consumers in South African FMCG manufacturer SMMEs (Mustapha 2010: 7-8).

Table4.1.3: Responses on customers' loyalty

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Disagree	5	4.8	4.8	4.8
Neutral	5	4.8	4.8	9.5
Strongly Agree	56	53.3	53.3	62.9
Agree	39	37.1	37.1	100.0
Total	105	100.0	100.0	

Figure4.1.3: Responds on customers' loyalty

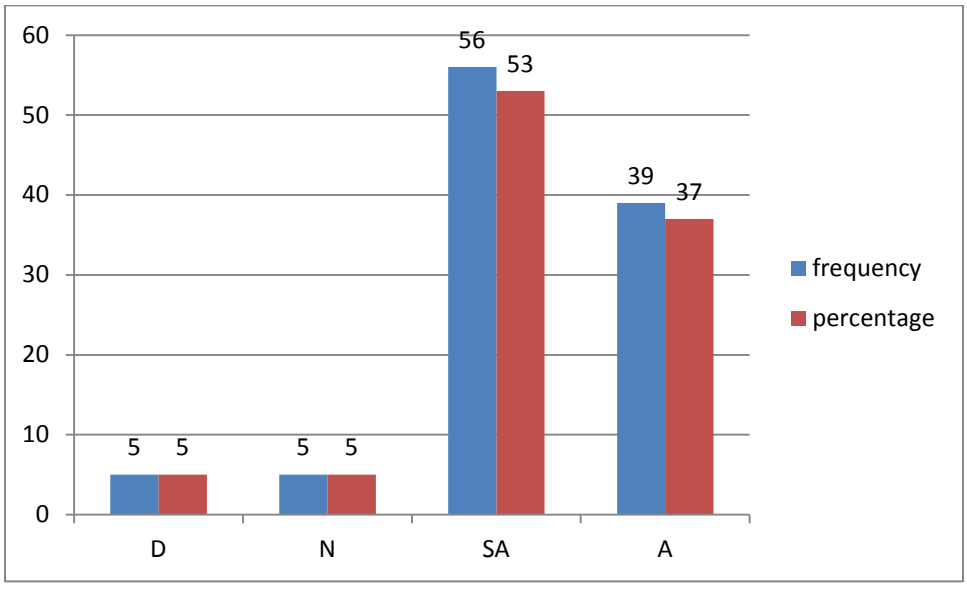

Table 4.1.3 and figure 4.1.3 show that 4(4%) of the respondents replied Strongly Disagree; 2(2%) said Disagree; 1(1%) said Neutral; 66(63%) said Strongly Agree; and 32(31%) said Agree. The result of the survey thus shows that many of the respondents strongly agree that skills and training form part of the pre-requisite for companies to achieve innovation and growth. The graph and table above further show the results of the survey. The results (X2 =.527; df=.75009; P =.000) indicated that the observed findings were significantly different from expected frequencies. In other words, this result was statistically significant and was not due to chance (see Appendix C4).

The main finding of the graph and table above indicates that adoption of manufacturing and innovation strategy captures the attention and loyalty of consumers in FMCG SMMEs manufacturing industry.

Question4.1.4: South African FMCG SMMEs offer different consumer products with innovative features and benefits (Bianker and Xavier 2010: 279).

Table4.1.4: Responses on innovative features and benefits

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly Disagree	19	18.1	18.1	18.1
Disagree	27	25.7	25.7	43.8
Neutral	20	19.0	19.0	62.9
Strongly Agree	23	21.9	21.9	84.8
Agree	16	15.2	15.2	100.0
Total	105	100.0	100.0	

Figure 4.1.4: Responses on innovative features and benefits

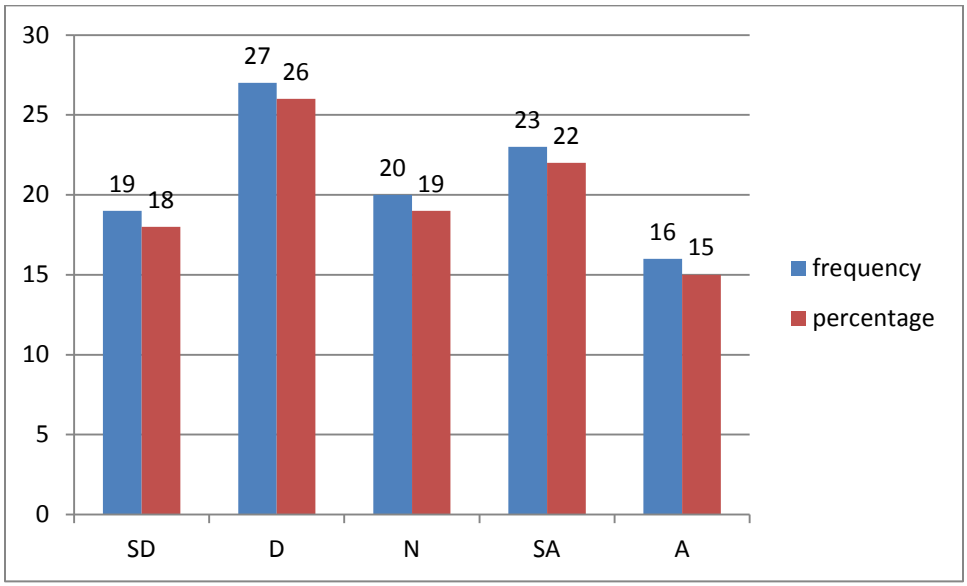

Table 4.1.4 and figure 4.1.4 show that 19(19%) of the respondents replied Strongly Disagree; 27(26%) answered Disagree; 20(19%) said Neutral; and 16(15%) said Agree. The result of the survey revealed that many of the respondents strongly agree that South African FMCG SMMEs offer different consumer products with innovative features and benefits. The graph and table above further show the results of the survey. The results (X2 =.609; df=1.34825; P =.000) indicated that the observed findings were significantly different from expected frequencies. In other words, this result was statistically significant and was not due to chance (see Appendix C4).

The main finding of the graph and table above indicates that FMCG SMMEs manufacturing industry perform so low in offering consumer products, with innovative features and benefits.

Question 4.1.5: The FMCG manufacturing SMME sector in South Africa has the capability of offering innovative consumer products in the contexts of globalization and high competition (Maud and Marie De Beer 2013: 237).

Table 4.1.5: Responses on offering innovative consumer products

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly Disagree	8	7.6	7.6	7.6
Disagree	36	34.3	34.3	41.9
Neutral	13	12.4	12.4	54.3
Strongly Agree	33	31.4	31.4	85.7
Agree	15	14.3	14.3	100.0
Total	105	100.0	100.0	

Figure 4.1.5: Responses on offering innovative consumer products

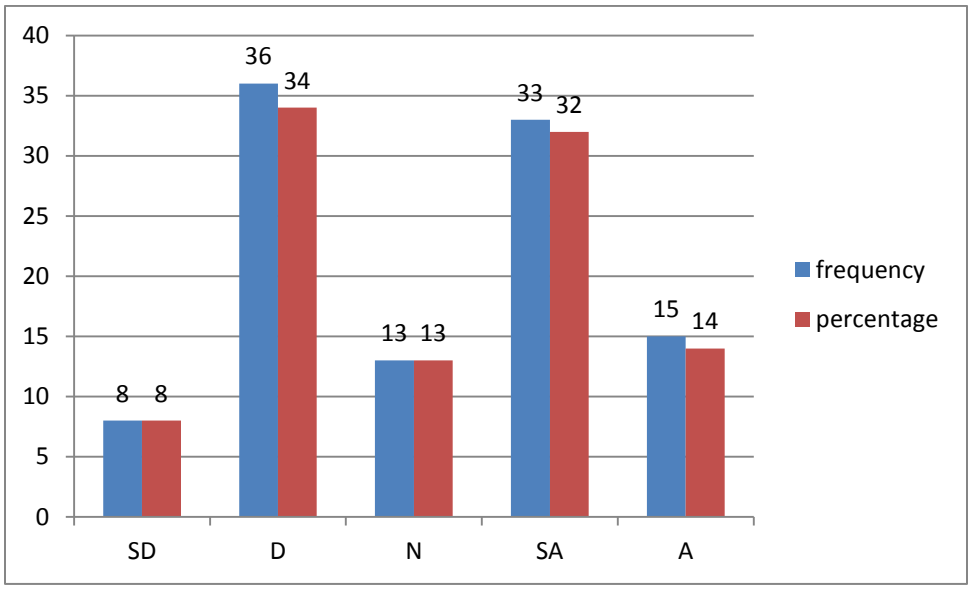

Table 4.1.5 and figure 4.1.5 show that 8(8%) of the respondents replied Strongly Disagree; 36(34%) said Disagree; 13(13%) replied Neutral; 33(32%) answered Strongly Agree; and 15(14%) replied Agree. Thus, the result of the survey revealed that most of the respondents

disagree on the FMCG SMME sector's capabilities of offering innovative consumer products in the context of globalization and high competition. The graph and table above further show the results of the survey. The results (X2 =.433; df=1.23976; P =.000) indicated that the observed findings were significantly different from expected frequencies. In other words, this result was statistically significant and was not due to chance (see Appendix C4).

The main finding of the graph and table above indicates that the majority of the respondents disagree that the FMCG SMMEs manufacturing industry in South Africa have the capabilities of offering innovative consumer products in the context of globalization and high competition.

Question 4.1.6: The present level of innovation in South African FMCG manufacturer SMMEs is high (Bianker and Xavier 2010: 280).

Table 4.1.6: Responses on levels of innovation in South African FMCG SMME manufacturers

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly Disagree	31	29.5	29.5	29.5
Disagree	45	42.9	42.9	72.4
Neutral	6	5.7	5.7	78.1
Strongly Agree	11	10.5	10.5	88.6
Agree	12	11.4	11.4	100.0
Total	105	100.0	100.0	

Figure 4.1.6: Responses on levels of innovation in South African FMCG SMME manufacturer

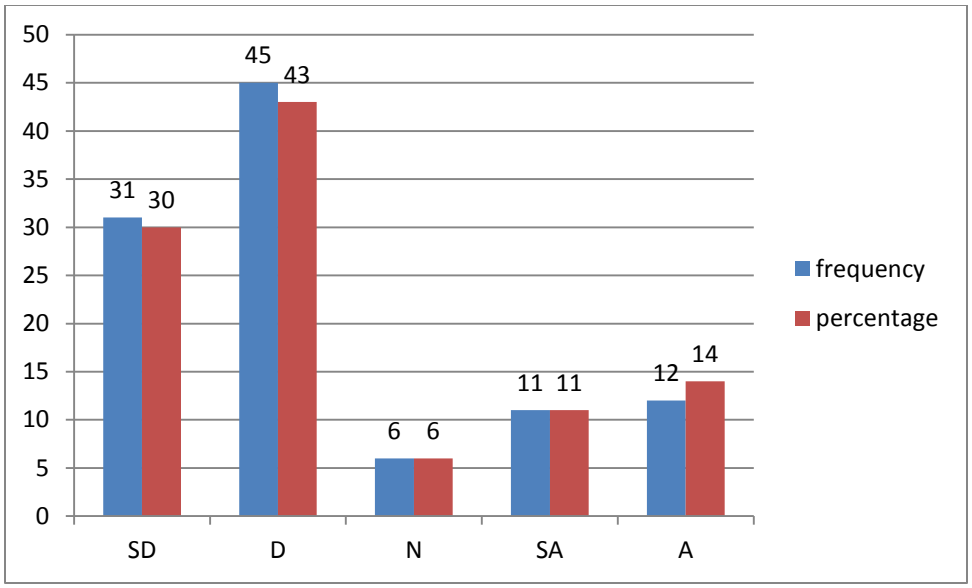

Table 4.1.6 and figure 4.1.6 show that 31(30%) of the respondents replied Strongly Disagree; 45(43%) answered Disagree; 6(6%) said Neutral; 11(11%) said Strongly Agree; and 12(11%) replied Agree. The result revealed that most of the respondents disagree on the notion that the present level of innovation in South African FMCG manufacturer SMMEs is high. The graph and table above further show the results of the survey. The results (X2 =.636; df=1.31057; P =.000) indicated that the observed findings were significantly different from expected frequencies. In other words, this result was statistically significant and was not due to chance (see Appendix C4).

The main finding of the graph and table above indicates that the level of innovation in FMCG SMMEs manufacturing industry is low.

Question 4.1.7: FMCG manufacturing SMMEs in South Africa give importance to innovation in the process of product designing and manufacturing (Bianker and Xavier 2010: 279).

Table 4.1.7: Responses on importance of innovation in the process of product designing and manufacturing

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage

Strongly Disagree	7	6.7	6.7	6.7
Disagree	46	43.8	43.8	50.5
Neutral	13	12.4	12.4	62.9
Strongly Agree	25	23.8	23.8	86.7
Agree	14	13.3	13.3	100.0
Total	105	100.0	100.0	

Figure 4.1.7: Responses on importance of innovation in the process of product designing and manufacturing

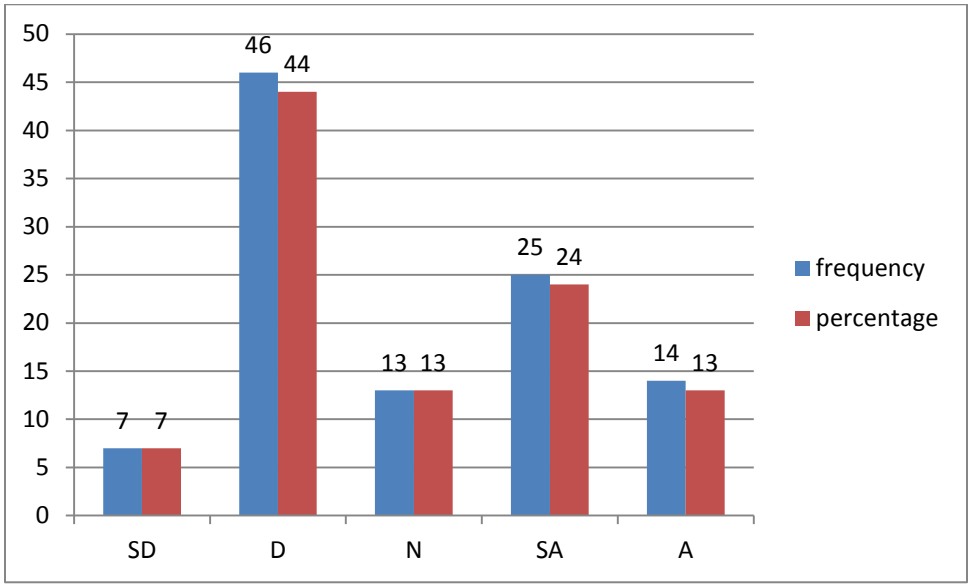

Table 4.1.7 and figure 4.1.7 show that 7(7%) of the respondents replied Strongly Disagree; 48(44%) said Disagree; 13(13%) replied Neutral; 25(24%) said Strongly Agree; and 14(13%) replied Agree. From the results of the survey revealed, a majority of the respondents disagree that the FMCG manufacturing SMMEs in South Africa give importance to innovation in the process of product designing and manufacturing. The graph and table above further show the results of the survey. The results (X2 =.395; df=1.21897; P = .000) indicated that the observed findings were significantly different from expected frequencies. In other words, this result was statistically significant and was not due to chance (See Appendix C4).

The main finding of the graph and table above indicates that the FMCG SMMEs manufacturing industry in South Africa do not give importance to innovation in the process of product designing and manufacturing.

Question 4.1.8: The company leaders/managers/supervisors encourage new ideas of innovation by creating a tolerant environment for innovation (SBP 2004: 14).

Table 4.1.8: Responses on creating a tolerant environment for innovation

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly Disagree	10	9.5	9.5	9.5
Disagree	34	32.4	32.4	41.9
Neutral	27	25.7	25.7	67.6
Strongly Agree	19	18.1	18.1	85.7
Agree	15	14.3	14.3	100.0
Total	105	100.0	100.0	

Figure 4.1.8: Responses on creating a tolerant environment for innovation

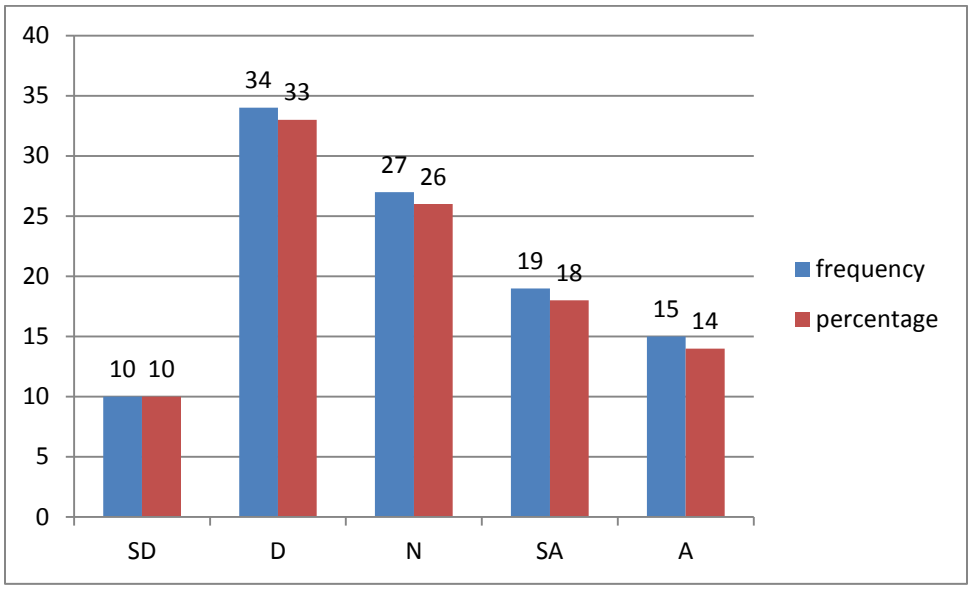

Table 4.1.8 and figure 4.1.8 show that 10(10%) of the respondents replied strongly disagree; 34(32%) replied Disagree; 27(26%) answered Neutral; 19(18%) said Strongly Agree; and 15(14%) replied Agree. The result of the survey hence revealed that a majority of the respondents disagree that the company leaders/managers/supervisors encourage new ideas of innovation by creating a tolerant environment for innovation. The graph and table above further show the results of the survey. The results (X2 =.444; df= 1.21197; P =.000) indicated that observed findings were significantly different from expected frequencies. In other words, this result was statistically significant and was not due to chance (see Appendix C4).

The main finding of the graph and table above indicates that the company leaders/managers/supervisors do not encourage new ideas of innovation and are not creating a tolerant environment for innovation.

Question 4.1.9: Lack of financing, skills, knowledge and education are factors affecting innovation in FMCG manufacturing SMMEs in KwaZulu-Natal (Fatoki and Odeyemi 2010: 2763).

Table 4.1.9: Responses on lack of financing and skills

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Disagree	2	1.9	1.9	1.9
Neutral	2	1.9	1.9	3.8
Strongly Agree	76	72.4	72.4	76.2
Agree	25	23.8	23.8	100.0
Total	105	100.0	100.0	

Figure 4.1.9: Responses on lack of financing and skills

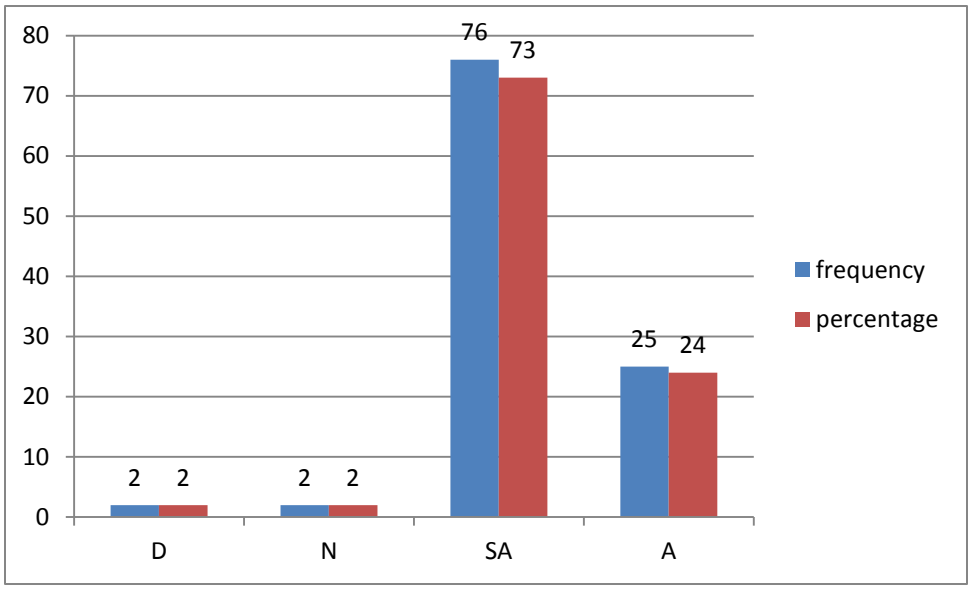

Table 4.1.9 and figure 4.1.9 state that 2(2%) of the respondents replied Disagree; 2(2%) said Neutral; 76(72%) answered Strongly Agree; and 25(24%) Agree. The results of the survey thus revealed that most people strongly agree that lack of financing, skills and knowledge and education are factors affecting innovation in FMCG manufacturing SMMEs in KwaZulu-Natal. The graph and table above further show the results of the survey. The results (X2 =.271; df=.550889; P = .005) indicated that the observed findings were significantly different from

expected frequencies. In other words, this result was statistically significant and was not due to chance (see Appendix C4).

The main finding of the graph and table above indicates that lack of financing, skills and knowledge and education are factors affecting innovation in FMCG manufacturing SMMEs industry in KwaZulu-Natal.

Question 4.1.10: High costs or complex procedures to register or defend patents are one problem for innovation in FMCG manufacturing SMMEs in KwaZulu-Natal (Visagie 1997: 660).

Table 4.1.10: Responses on high costs or complex procedures

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Disagree	2	1.9	1.9	1.9
Neutral	3	2.9	2.9	4.8
Strongly Agree	66	62.9	62.9	67.6
Agree	34	32.4	32.4	100.0
Total	105	100.0	100.0	

Figure 4.1.10: Responses on high costs or complex procedures

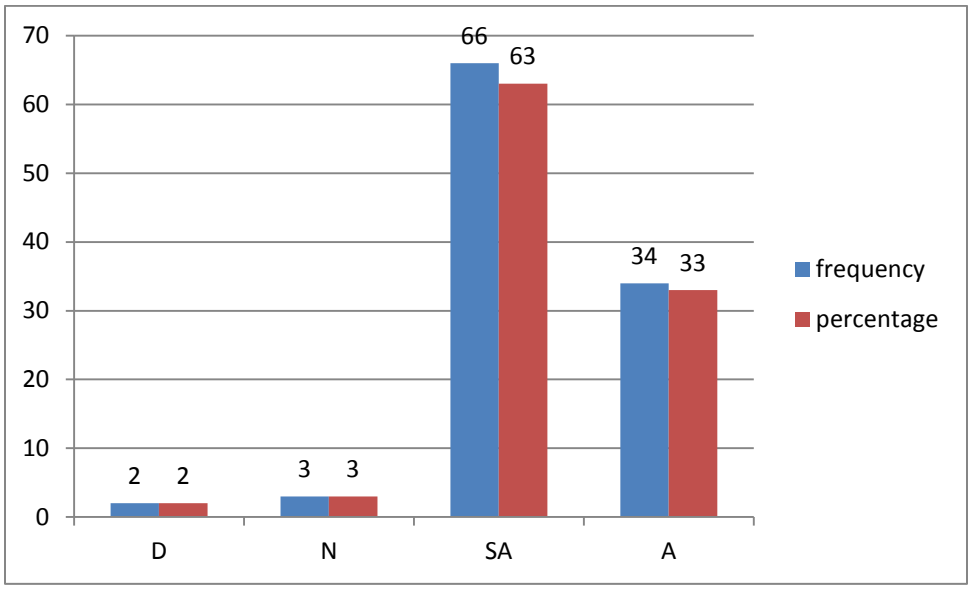

Table 4.1.10 and figure 4.1.10 state that 2(2%) of the respondents replied Disagree; 3(3%) answered Neutral; 66(63%) said Strongly Agree; and 34(32%) replied Agree. The results of the survey clearly show that the majority of the respondents strongly agree that high costs or complex procedures to register or defend patents are problems for innovation in FMCG manufacturing SMMEs in KwaZulu-Natal. The graph and table above further show the results of the survey. The results (X2 =.019; df=.60492; P =.851) indicated that the observed findings have no strong relationship between correlation of variables (See Appendix C4).

The main finding of the table and graph above indicate that the majority of the respondents are not sure if high costs or complex procedures to register or defend patents are one of the problems of innovation in FMCG manufacturing SMMEs in KwaZulu-Natal.

Question 4.1.11: Lack of information on the part of employers on how to satisfy consumers' interests contributes to low innovation in the industry (Mahembe and Underhill 2011: 41).

Table 4.1.11: Responses on lack of information on the part of employer

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Neutral	2	1.9	1.9	1.9
Strongly Disagree	64	61.0	61.0	62.9
Agree	39	37.1	37.1	100.0
Total	105	100.0	100.0	

Figure 4.1.11: Responses on lack of information on the part of employer

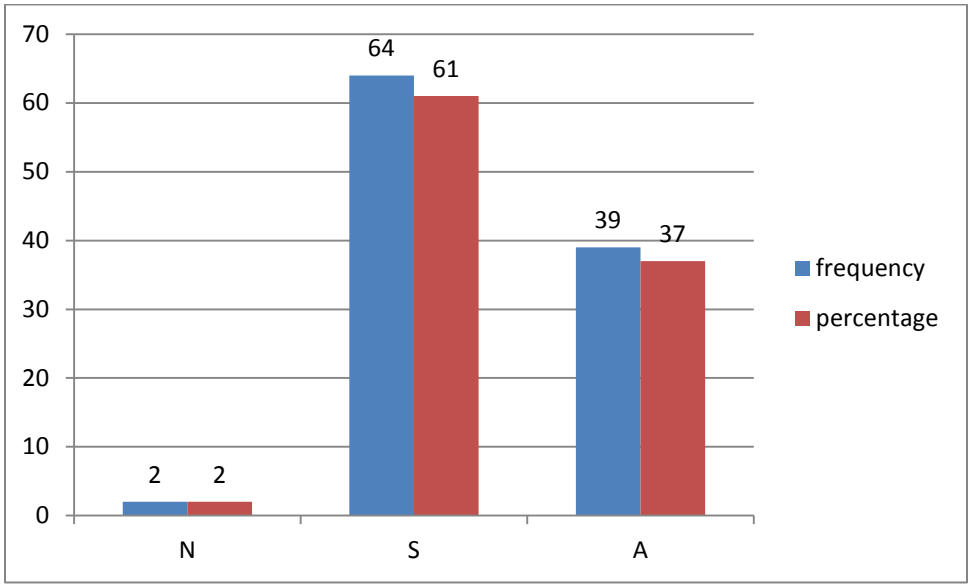

Table 4.1.11 and figure 4.1.11 show that 2(2%) of the respondents replied Neutral; 64(61%) said Strongly Agree; and 39(37%) said Agree. The results of the survey showed that a majority of the respondents strongly agree that lack of information on the part of employers on how to satisfy consumers' interests contribute to low innovation in the industry. The graph and table above further show the results of the survey. The results (X2 =.220; df=.51852; P = .024) indicated that the observed findings were significantly different from expected frequencies. In other words, this result was statistically significant and was not due to chance (see Appendix C4).

The results of the survey showed that a majority of the respondents strongly agree that lack of information on the part of employers on how to satisfy consumers' interests contribute to low innovation in the industry.

Question 4.1.12: Lack of technological know-how and human capital problems limit innovation in FMCG manufacturing SMMEs in KwaZulu-Natal (Visagie 1997: 660).

Table 4.1.12: Responses on lack of technological know-how

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Disagree	1	1.0	1.0	1.0
Neutral	4	3.8	3.8	4.8
Strongly Agree	56	53.3	53.3	58.1
Agree	44	41.9	41.9	100.0
Total	105	100.0	100.0	

Figure 4.1.12: Responses on lack of technological know-how

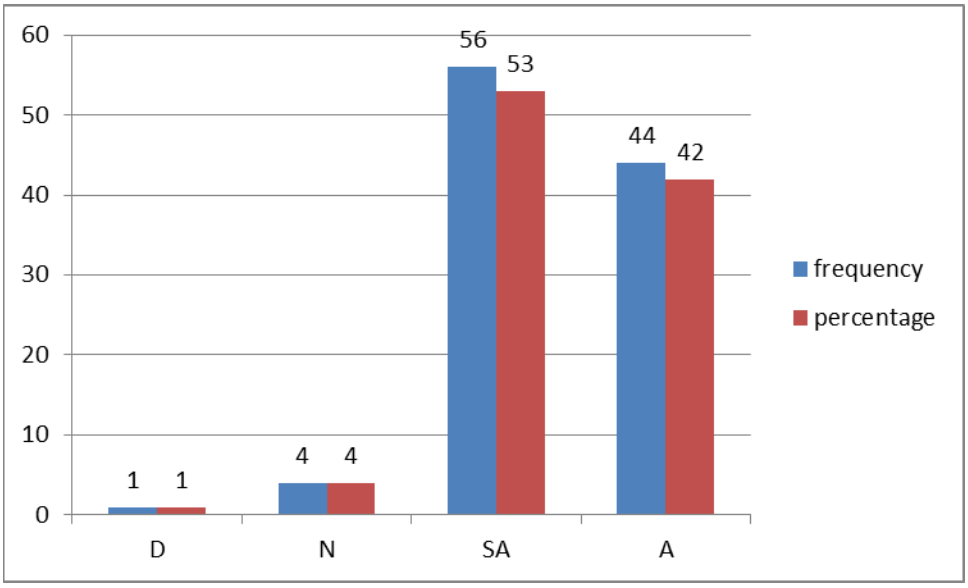

Table 4.1.12 and figure 4.1.12 show that 1(1%) of the respondents replied Disagree; 4(4%) answered Neutral; 56(53%) answered Strongly Agree; and 44(42%) said Agree. The results of the survey showed that many of the respondents strongly agree that lack of technological know-how and human capital problems limit innovation in FMCG manufacturing SMMEs in KwaZulu-Natal. The graph and table above further show the results of the survey. The results (X2 =-.070; df=.60644; P =.481) indicated that the observed findings have no strong relationship between correlation of variables (See appendix C4).

The main findings of the survey revealed that majority of the respondents strongly agree that lack of technological know-how and human capital problems limit innovation in FMCG manufacturing SMMEs in KwaZulu-Natal.

Question 4.1.13: Difficulty in accessing finance for R&D is one of the problems facing innovation in South African FMCG manufacturing SMMEs (Fatoki and Garwe 2010: 732).

Table 4.1.13: Responses on finance issues

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Disagree	3	2.9	2.9	2.9
Neutral	3	2.9	2.9	5.7
Strongly Agree	62	59.0	59.0	64.8
Agree	37	35.2	35.2	100.0
Total	105	100.0	100.0	

Figure 4.1.13: Responses on finance issues

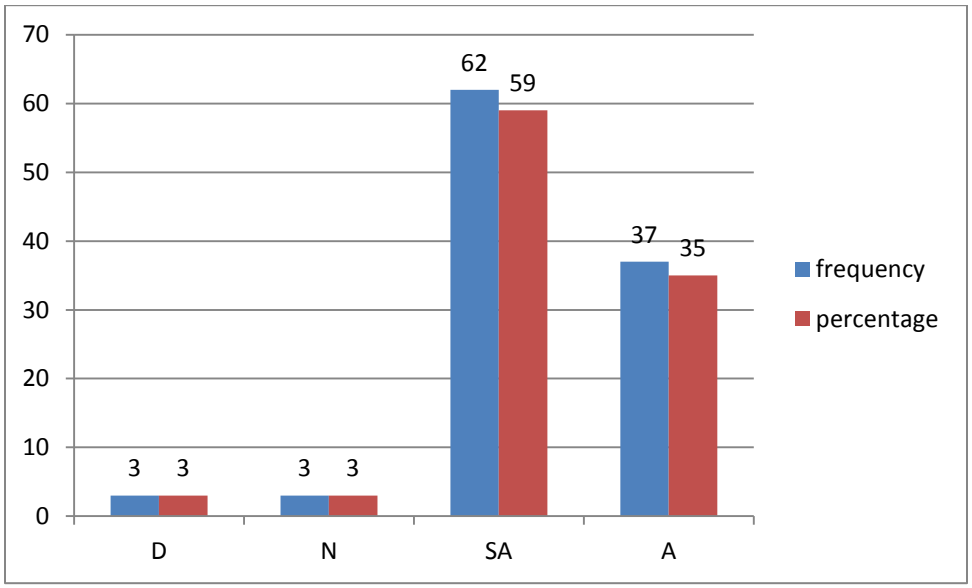

Table 4.1.13 and figure 4.1.13 show that 3(3%) of the respondents Disagree; 3(3%) answered Neutral; 62(59%) said Strongly Agree; and 37(35%) responded Agree. The results of the survey therefore revealed that a majority of the respondents strongly agree that difficulty in accessing finance for R&D is one of the problems facing innovation in South African FMCG manufacturing SMMEs in KwaZulu-Natal. The results of the survey are further shown in the graph and table above. The results (X2 =.040; df=.65437; P =.686) indicated that there was no strong relationship between correlation of variable (See Appendix C4).

The main findings of the survey therefore revealed that a majority of the respondents strongly agree that difficulty in accessing finance for R&D is one of the problems facing innovation in South African FMCG manufacturing SMMEs in KwaZulu-Natal.

Question 4.1.14: Government laws and regulations, new entrant threats and protocols are some of the impediments to innovation growth in South African FMCG manufacturing SMMEs (Boris and Reggie 2012: 159-160).

Table 4.1.14: Responses on Government laws and regulations issues

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly Disagree	1	1.0	1.0	1.0
Neutral	6	5.7	5.7	6.7
Strongly Agree	61	58.1	58.1	64.8
Agree	37	35.2	35.2	100.0
Total	105	100.0	100.0	

Figure 4.1.14: Responses on Government laws and regulations issues

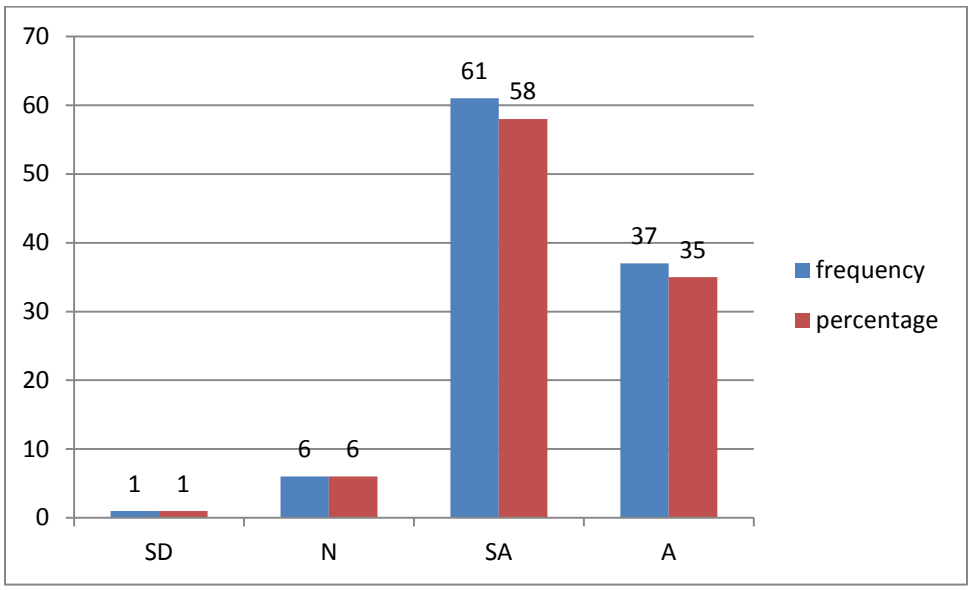

Table 4.1.14 and figure 4.1.14 show that 1(1%) of the respondents replied Strongly Disagree; 6(6%) said Neutral; 61(58%) replied strongly agree; and 37(35%) answered Agree. The results of the survey showed that a majority of the respondents strongly agree that government laws and

regulations, new entrant threats and protocols are some of impediments to innovation growth in South African FMCG manufacturing SMMEs. The graph and table above further show the results of the survey. The results (X2 =.225; df=.65437; P =.021) indicated that the observed findings were significantly different from expected frequencies. In other words, this result was statistically significant and was not due to chance (see Appendix C4).

The main findings of the survey showed that a majority of the respondents strongly agree that government laws and regulations, new entrant threats and protocols are some of impediments to innovation growth in South African FMCG manufacturing SMMEs.

Question 4.1.15: Effective supply chain management led to innovation in South African FMCG manufacturing SMMEs.

Table 4.1.15: Responses on effective supply chain management

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly Disagree	1	1.0	1.0	1.0
Neutral	17	16.2	16.2	17.1
Strongly Agree	47	44.8	44.8	61.9
Agree	40	38.1	38.1	100.0
Total	105	100.0	100.0	

Figure 4.1.15: Responses on effective supply chain management

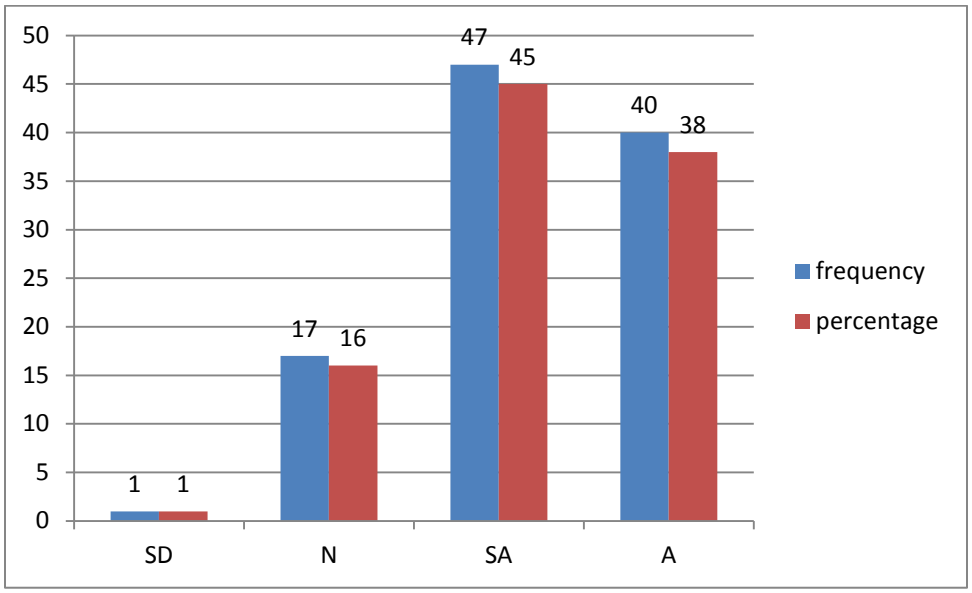

Table 4.1.15 and figure 4.1.15 show that 1(1%) of the respondents replied Strongly Disagree; 17(16%) said Neutral; 47(45%) replied Strongly Agree; and 40(38%) said Agree. The results of the survey therefore showed that most respondents strongly agree that effective supply chain management leads to innovation in South African FMCG manufacturing SMMEs. The results are also shown in the graph and table above. The results (X2 =.174; df=.77330; P =.076) indicated that the observed findings have no strong relationship between correlation of variables (See Appendix C4).

The main findings of the survey therefore showed that most respondents strongly agree that effective supply chain management leads to innovation in South African FMCG manufacturing SMMEs.

Question 4.1.16: Lack of product brand name leads to low innovation in FMCG manufacturing SMMEs in KwaZulu-Natal (UNCTAD 2004: 30).

Table 4.1.16: Responses on lack of product brand name

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly Disagree	5	4.8	4.8	4.8
Disagree	6	5.7	5.7	10.5
Neutral	12	11.4	11.4	21.9
Strongly Agree	44	41.9	41.9	63.8
Agree	38	36.2	36.2	100.0
Total	105	100.0	100.0	

Figure 4.1.16: Responses on lack of product brand name

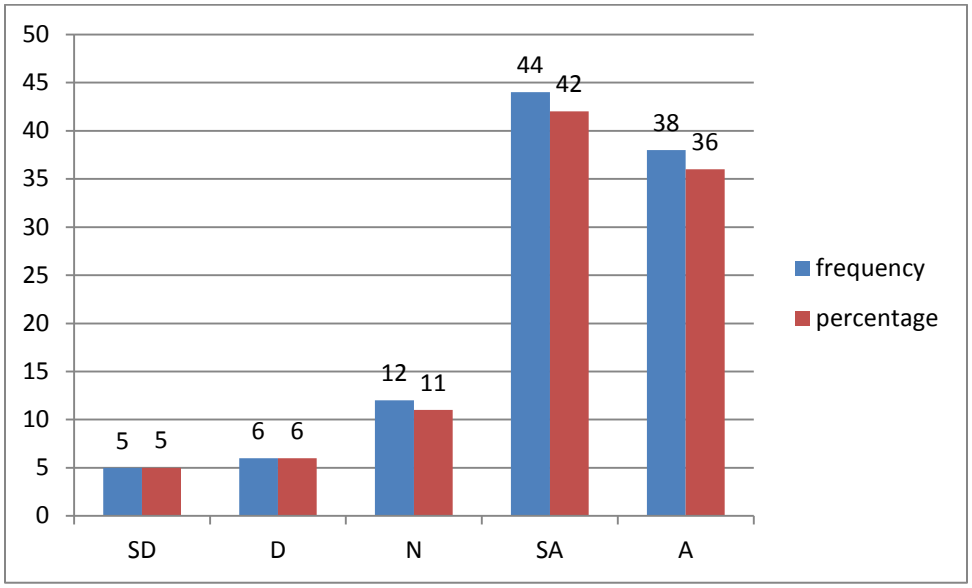

Table 4.1.16 and figure 4.1.16 reveal that 5(5%) of the respondents replied Strongly Disagree; 6(6%) said Disagree; 12(11%) replied Neutral; 44(42%) answered Strongly Agree; and 38(36%) said Agree. The results of the survey therefore show that majority of the respondents strongly

agree that lack of products brand name leads to low innovation in FMCG SMMEs manufacturing industry in KwaZulu-Natal. The results of the survey are shown further in the graph and table above. The results (X2 =.255; df =1.06964; P =.009) indicated that the observed findings were significantly different from expected frequencies. In other words, this result was statistically significant and was not due to chance (see Appendix C4).

The main findings of this survey shows that majority of the respondents strongly agree that lack of products brand name leads to low innovation in FMCG SMMEs manufacturing industry in KwaZulu-Natal.

Question 4.1.17: Government's encouragement and support from various lending institutions lead to innovation growth in FMCG manufacturing SMMEs in South Africa (Bola and Richard 2012: 245).

Table 4.1.17: Responses on issues of government support

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly Disagree	5	4.8	4.8	4.8
Disagree	10	9.5	9.5	14.3
Neutral	6	5.7	5.7	20.0
Strongly Agree	56	53.3	53.3	73.3
Agree	28	26.7	26.7	100.0
Total	105	100.0	100.0	

Figure 4.1.17: Responses on issues of government support

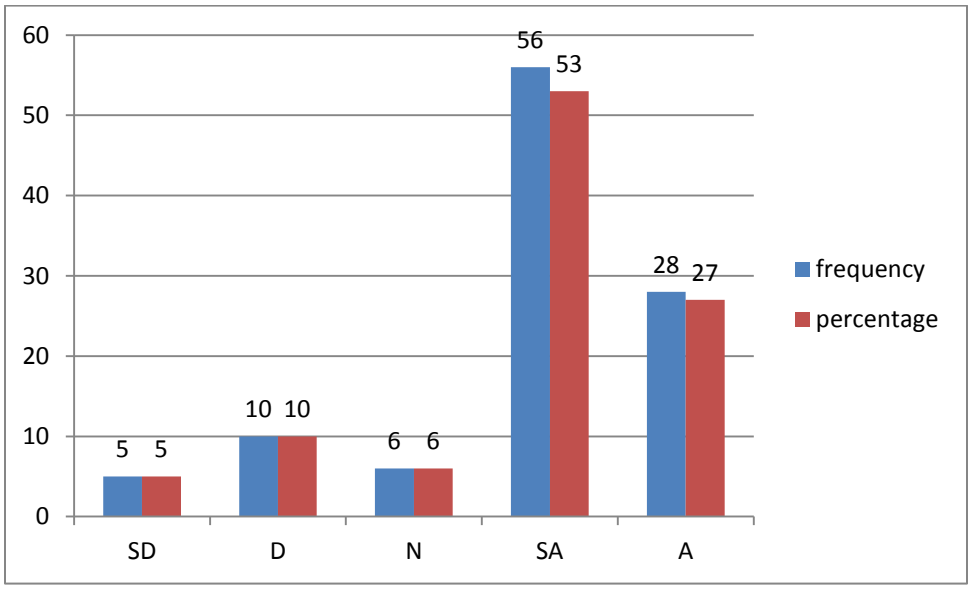

Table 4.1.17 and figure 4.1.17 show that 5(5%) of the respondents Strongly Disagree; 10(10%) Disagree; 6(6%) said Neutral; 56(53%) replied Strongly Agree; and 28(27%) replied Agree. The results of the survey therefore show that majority of respondents strongly agree that government encouragement and support from various lending institutions lead to innovation growth in FMCG manufacturing SMMEs in South Africa. The results of the survey are also shown in the graph and table above. The results (X2 =.225; df=1.06243; P =.021) indicated that the observed findings were significantly different from expected frequencies. In other words, this result was statistically significant and was not due to chance (see Appendix C4).

The main findings of this study revealed that majority of the respondents strongly agree that government encouragement and support from various lending institutions lead to innovation growth in South Africa.

Question 4.1.18: Small, Micro and Medium enterprises contribute to the economic growth of the industry (Michael 2004: 87).

Table 4.1.18: Responses on the issue of growth of the SMME industry

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Disagree	1	1.0	1.0	1.0
Neutral	2	1.9	1.9	2.9
Strongly Agree	81	77.1	77.1	80.0
Agree	21	20.0	20.0	100.0
Total	105	100.0	100.0	

Figure 4.1.18: Responses on the issue of growth of the SMME industry

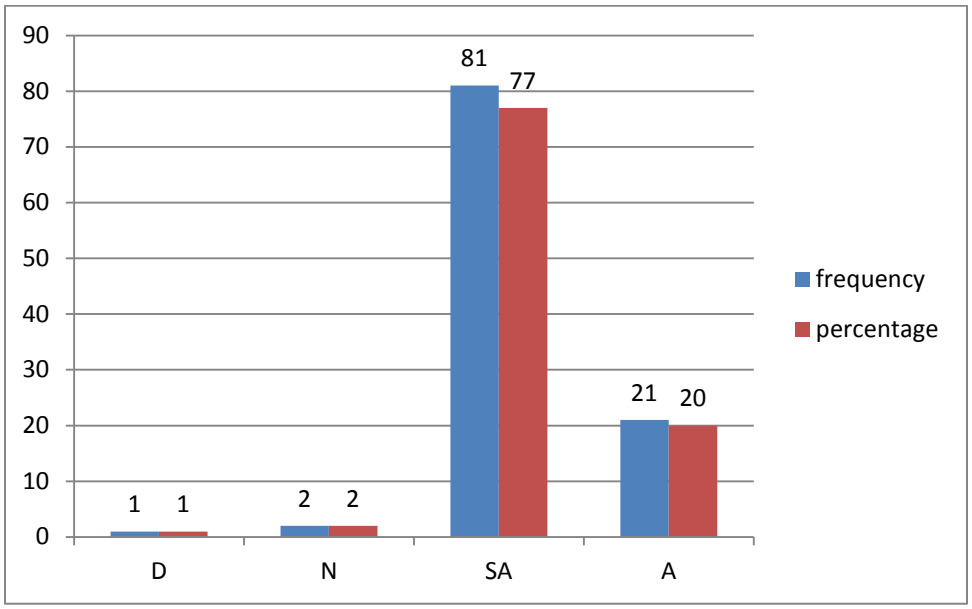

Table 4.1.18 and figure 4.1.18 show that 1(1%) of the respondents said Disagree; 2(2%) replied Neutral; 81(77%) said Strongly Agree; and 21(20%) answered Agree. It is thus revealed from the results of the survey that most of the respondents strongly agree that Small, Micro and Medium enterprises contribute to the economic growth of the country. The results of the survey are further revealed in the graph and table above. The results (X2 =.237; df= .48286; P =.015) indicated that the observed findings were significantly different from expected frequencies. In other words, this result was statistically significant and was not due to chance (see Appendix C4).

Majority of the respondents in this survey strongly agree that SMMEs contribute to the economic growth of the country.

Question 4.1.19: Less than 20% of SMMEs operate for less than four years and less than 0.5 % of SMMEs are doing business for more than 25 years in South Africa due to failure attributable to low innovation in the sector.

Table 4.1.19: Responses to issue of failure in SMME manufacturers

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Neutral	4	3.8	3.8	3.8
Strongly Agree	75	71.4	71.4	75.2
Agree	26	24.8	24.8	100.0
Total	105	100.0	100.0	

Figure 4.1.19: Responses to issue of failure in SMME manufacturers

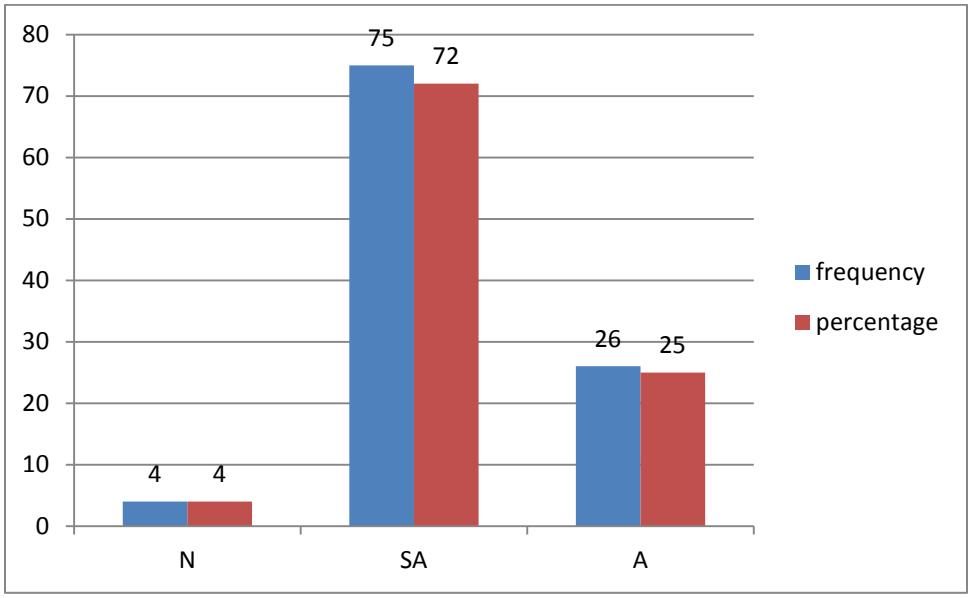

Table 4.1.19 and figure 4.1.19 state that 4(4%) of the respondents are Neutral to the question; 75(71%) said Strongly Agree; and 26(25%) answered Agree. It is therefore concluded by the results of the survey that a majority of the respondents strongly agree that less than 20% of SMMEs operate for less than four years and less than 0.5 % of SMMEs are doing business for more than 25 years in South Africa due to failure attributable to low innovation in the industry. The result of the survey is also displayed in the graph and table above. The results (X2 =.009; df=.49410; P =.924) indicated that the observed findings have no strong relationship between correlation of variables (See Appendix C4).

The main findings of this survey propose that 95% of SMME businesses do not survive for more than 25 years due to failure attributable to low innovation in the industry.

Question 4.1.20: Innovation is considered important for the survival and growth of Small, Micro and Medium Enterprises (SMMEs) in South Africa (Muhammed, Mohd and Halim 2012: 153).

Table 4.20: Responses on importance of innovation

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Neutral	2	1.9	1.9	1.9
Strongly Agree	65	61.9	61.9	63.8
Agree	38	36.2	36.2	100.0
Total	105	100.0	100.0	

Figure 4.1.20: Responses on importance of innovation

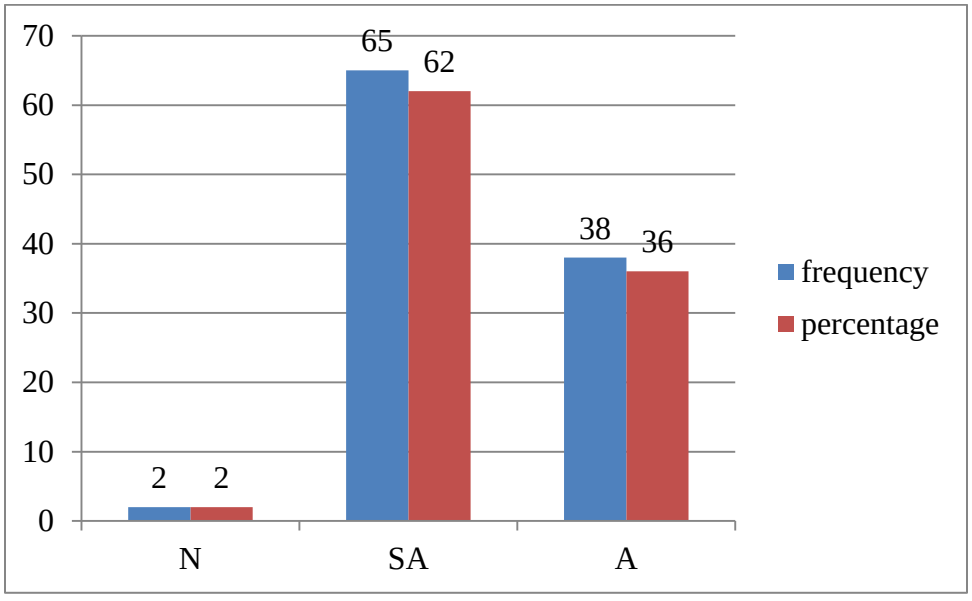

Table 4.1.20 and figure 4.1.20 show that 4(4%) of the respondents are Neutral to the question; 75(71%) said Strongly Agree; and 26(25%) answered Agree. It is therefore concluded by the results of the survey that a majority of the respondents strongly agree that less than 20% of

SMMEs operate for less than four years and less than 0.5 % of SMMEs are doing business for more than 25 years in South Africa due to failure attributable to low innovation in the sector. The result of the survey is also displayed in the graph and table above. The results (X2 =-.078; df= .51569; P =.426) indicated that the observed findings have no strong relationships between correlation of variables (See Appendix C4).

The main findings of the survey suggest that the respondents strongly oppose to the fact that SMMEs are doing business for more than 25 years in South Africa. This suggests that SMMEs collapse at their early stage of operation.

4.2 BI-VARIATE ANALYSIS FOR KEY VARIABLES

This section will discuss the bi-variate analysis for the specific variables highlighted in the objectives comparison with the questionnaire. The Cross-Tabulation tables were used to present results in the following tables.

4.2.1:Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Policies * Innovation	105	100.0%	0	0.0%	105	100.0%

4.2.2: Cross Tabulation - Policies and Innovation

Count		Innovation					Total
		Strongly Disagree	Disagree	Neutral	Strongly Agree	Agree	
Policies	Strongly Disagree	4	1	0	0	0	5
	Disagree	1	2	0	0	0	3
	Neutral	6	5	0	0	0	11
	Strongly agree	16	25	4	7	5	57

	Agree	4	12	2	4	7	29
Total		31	45	6	11	12	105

Table 4.2.2 shows that a cross-tabulation was conducted on the effects of government policies on innovation in South African SMMEs manufacturing sector. This cross-tabulation was based on a null hypothesis to determine interdependence between the variables. This analysis indicated that majority of the respondents strongly agree that government policies affect the level of innovation in South African FMCG SMMEs manufacturing sectors. This results shows that majority of the respondents have same attitude towards the effects government policies have on the level of innovation.

4.2.3: Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Training * Innovation	105	100.0%	0	0.0%	105	100.0%

4.2.4: Cross Tabulation - Training and Innovation

		Innovation					
Count		Strongly Disagree	Disagree	Neutral	Strongly Agree	Agree	Total
Training	Strongly Disagree	4	0	0	0	0	4
	Disagree	0	0	0	0	2	2
	Neutral	1	0	0	0	0	1
	Strongly Agree	18	31	5	8	4	66
	Agree	8	14	1	3	6	32

Total	31	45	6	11	12	105

Table 4.2.4 shows that a cross-tabulation was conducted on the effects that training of employees has on the level of innovation in South African SMMEs manufacturing sector. A null hypothesis was used to determine interdependence between the variables. This analysis indicated that a large number of respondents strongly agreed that training is very effective in increasing the level of innovation in South African FMCG SMMEs manufacturing sectors. The result indicated that majority of the respondents agreed that training has a positive influence on the level of innovation.

4.2.5: Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Skills * Innovation	105	100.0%	0	0.0%	105	100.0%

4.2.6: Cross Tabulation - Skills and Innovation

Count		Innovation					Total
		Strongly Disagree	Disagree	Neutral	Strongly Agree	Agree	
Skills	Disagree	0	0	0	0	2	2
	Neutral	1	1	0	0	0	2
	Strongly Agree	23	36	4	8	5	76
	Agree	7	8	2	3	5	25
Total		31	45	6	11	12	105

Table 4.2.6 shows that a cross-tabulation was conducted on the effects that employees' skill has on the level of innovation in South African FMCG SMMEs manufacturing sector. A null hypothesis was used to determine the interdependence between the variables. This result indicated that a large number of respondents strongly agreed that skills were very important to increasing the level of innovation in South African FMCG SMMEs manufacturing Sector.

4.2.7: Cross Tabulation - Information and Innovation

Count		Innovation					
		Strongly Disagree	Disagree	Neutral	Strongly Agree	Agree	Total
Information	Neutral	1	0	1	0	0	2
	Strongly Disagree	22	28	4	6	4	64
	Agree	8	17	1	5	8	39
Total		31	45	6	11	12	105

Table 4.2.7 shows that a cross-tabulation was conducted on the importance of information of the products in influencing the level of innovation in South African FMCG SMMEs manufacturing sector. A null hypothesis was used to determine the interdependence between the variables. The result indicated that the majority of the respondents agreed that consumers' knowledge or information of the products will go a long way in increasing the level of innovation in the FMCG SMMEs manufacturing sector.

4.2.8: Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Technological * Innovation	105	100.0%	0	0.0%	105	100.0%

4.2.9: Cross Tabulation - Technological and Innovation

Count		Innovation					Total
		Strongly Disagree	Disagree	Neutral	Strongly Agree	Agree	
Technological	Disagree	0	1	0	0	0	1
	Neutral	0	0	0	4	0	4
	Strongly Agree	20	24	1	5	6	56
	Agree	11	20	5	2	6	44
Total		31	45	6	11	12	105

Table 4.2.9 shows that a cross-tabulation was conducted on innovation and the use of technology to increase the level of innovation in the sector. A null hypothesis was used to determine the interdependence between the variables. The result indicated that the majority of the respondents agreed that technology has a positive effect in increasing the level of innovation in South African FMCG SMMEs manufacturing sector.

4.2.10: Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Finance * Innovation	105	100.0%	0	0.0%	105	100.0%

4.2.11: Cross Tabulation - Finance and Innovation

Count	Innovation	Total

		Strongly Disagree	Disagree	Neutral	Strongly Agree	Agree	
Finance	Disagree	0	1	0	0	2	3
	Neutral	0	0	1	2	0	3
	Strongly Agree	18	28	3	5	8	62
	Agree	13	16	2	4	2	37
Total		31	45	6	11	12	105

Table 4.2.11 shows that a cross-tabulation was conducted on the effects that finance has on the level of innovation in South African FMCG SMMEs manufacturing sector. A null hypothesis was used to determine the interdependence between the variables. This result indicated that the majority of the respondents agreed that finance has a positive influence in increasing the level of innovation in South African FMCG SMMEs manufacturing sector.

4.2.12: Case Processing Summary

	Cases					
	Valid		Missing		Total	
	N	Percent	N	Percent	N	Percent
Regulations * Innovation	105	100.0%	0	0.0%	105	100.0%

4.2.13: Cross Tabulation - Regulations and Innovation

Count		Innovation					Total
		Strongly Disagree	Disagree	Neutral	Strongly Agree	Agree	
Regulations	Strongly Disagree	0	1	0	0	0	1
	Neutral	1	1	0	2	2	6

	Strongly Agree	21	26	3	4	7	61
	Agree	9	17	3	5	3	37
Total		31	45	6	11	12	105

Table 4.2.13 shows that a cross-tabulation was conducted on the effects that government regulations has on the level of innovation in South African FMCG SMMEs manufacturing sector. A null hypothesis was used to determine the interdependence between the variables. The findings indicated that a large number of respondents agreed that governments' regulations has a direct impact on the level of innovation in South African FMCG SMMEs manufacturing sector.

4.3 Qualitative section of the research: Scheduled Interviews

Key Findings on Interview Schedule of Questions that relate to the need for Innovation in South Africa FMCG Manufacturing SMMEs

Question 1: Distinguished participant, can you briefly introduce yourself with special emphasis on your local and international manufacturing experiences as regards to FMCG, manufacturing, innovation and SMMEs.

The first question collected details about the participants' work experience in the FMCG SMME manufacturing industry in South Africa. To maintain confidentiality, the real names of the participants were not disclosed and some codes were used for identification.

Question 2: What factors do you think are affecting innovation in South African Fast Moving Consumer Goods (FMCG) manufacturing SMMEs?

The respondents identified a number of factors that are affecting innovation in South African fast moving consumer goods (FMCG) manufacturing SMMEs. It was clearly evident from the responses that factors such as lack of financing and skills; strict government law and regulations; and lack of product brand name are regarded as factors affecting innovation in the FMCG SMME manufacturing industry in South Africa.

Question 3: What are the major challenges facing the sector in South Africa?

Most of the respondents believe that lack of access to funding is the major challenge facing the South African FMCG SMME manufacturing sector.

Question 4: What are the key factors affecting the growth of South African FMCG manufacturing SMMEs?

According to the respondents, the key factors affecting the growth of South African FMCG manufacturing SMMEs are:

- Lack of product brand name;
- Lack of information on the part of employers on how to satisfy consumers' interests;
- Government laws and regulations; and
- New entrant threats.

Question 5: Which one of the following attributes is the weakest in South African FMCG manufacturing SMMEs: (a) Product Design (b) Innovation (c) Manufacturing process (d) Manufacturing strategy?

The majority of respondent's chose **Innovation** and **manufacturing strategy.**

Question 6: Based on your knowledge and experience, to what extent do you see the level of innovation in South African FMCG manufacturing SMMEs as compared to countries like UK, China and India? High or Low?

Most of the respondents believe that the level of innovation in South African FMCG manufacturing SMMEs is very low compared to developed countries like United Kingdom, China and India.

Question 7: Based on your knowledge and experience, to what level does innovation contribute to growth in manufacturing firms and the economy as a whole?

Most of the respondents believe that innovation is the backbone that sustains the growth and continuity of manufacturing firms and they believe that innovation is the vehicle that moves small businesses into the growth direction, thereby contributing to economic growth as well.

Question 8: Finally, distinguished participants, what are your suggestions and recommendations that FMCG manufacturing SMMEs of South Africa should focus on in order to achieve growth?

The respondents made suggestions and recommendations that FMCG manufacturing SMMEs in South Africa should:

- Include innovation processes right from manufacturing process stages;
- As part of innovation, product branding should be encouraged; and
- Company leaders should encourage new ideas of innovation by creating a tolerant environment for innovation.

Conclusion

The main focus of this chapter was on the analysis and interpretation of results, presented graphically. This chapter presented a detailed account of the information about results and findings of the research, i.e. the questionnaire survey. The results of the survey according to the different sections and questions of the survey questionnaire were presented. It was revealed from the survey questionnaire that most of respondents rated the level of innovation in South African Fast Moving Consumer Goods (FMCG) SMME manufacturers as being low. It was also found that most of the respondents who participated in the survey viewed SMME manufacturing in South Africa as operating ineffectively and for lesser years due to failure attributable to low innovation in the industry. Furthermore, other factors like lack of skills and training; financing; registration and patents difficulties; difficulty in accessing finance for R&D; lack of innovation in the process of product design; government laws and regulations; new entrant threats and protocol; high cost or complex procedures to register or defend patents; and lack of product brand name were found by the respondents as problems militating against Fast Moving Consumer Goods SMME manufacturers in achieving growth. There were a number of differences found between the dependent and independent variables, indicating that the hypotheses were correct in stating that all FMCG manufacturing SMMEs in South Africa and in other regions need innovation to achieve growth. The following chapter will provide conclusions for the entire study, based on the main objective and sub-objectives of the research. It will also include recommendations by the research.

CHAPTER 5: CONCLUSIONS AND RECOMMENDATIONS

5.1 Introduction

This chapter is aimed at concluding and summarizing all the activities and work that was done for the research study. In this regard, this chapter presents a detailed summary of the entire research and also puts forward some workable recommendations that can be of help and bring some positive changes and an improvement in the innovation of the Fast Moving Consumer Goods (FMCG) Small, Medium and Micro Enterprises (SMME) manufacturing sector in South Africa. These recommendations are also presented because it is one of the key objectives of the research to formulate some suggestions that can work for the improvement of the innovation in South African FMCG SMME manufacturing sector. The research study outcomes can contribute towards an improvement in the situation.

5.2 Summary of the Study

The study was based on the key objective of exploring the factors affecting innovation in South African FMCG SMME manufacturers in KwaZulu-Natal. Furthermore, the research identified the major problems and limitations faced by the SMME manufacturing sector so that recommendations could be formulated which may result in some improvements in the current situation. The main motive behind conducting the research was not just to contribute to the literature, but also to make a positive contribution towards the improvements in the level of innovation in the South African Fast Moving Consumer Goods (FMCG) SMME manufacturing sector.

Literature shows that Fast Moving Consumer Goods (FMCG) SMME manufacturers in KwaZulu-Natal have a low performance, less growth prospects and have been operating for a small number of years due to problems of innovation. These problems could be due to a lack of financing; poor skills; knowledge and education; high costs or complex procedures to register or defend patents; lack of information on the part of employers on how to satisfy consumers' interests; lack of technological know-how and human capital problems; difficulty in accessing finance for R&D; government laws and regulations; new entrant threats and protocols; as well as failures on the part of leaders to encourage new ideas of innovation.

Therefore, this study concentrated on South African Fast Moving Consumer Goods (FMCG) SMME manufacturers' need for innovation, with specific reference to KwaZulu-Natal. The purpose of this study is to contribute to the body of existing knowledge concerning the need for innovation in South African Fast Moving Consumer Goods (FMCG) SMMEs manufacturers to achieve growth in KwaZulu-Natal. Innovation is very important in the manufacturing industry and needs much attention in South African industries. This study will be useful to people in South African Fast Moving Consumer Goods (FMCG) SMME manufacturing industries.

Personally administered questionnaires and scheduled interview questions consisting of 8 questions were used in order to obtain descriptive data. Five Likert-Scale designs were used. The sample size consisted of one hundred and five (105) respondents from selected areas of KwaZulu-Natal (Pinetown, Pietermaritzburg, Umbilo and Umlazi). Non-probability sampling, in the form of convenience sampling was used in order to obtain the desired sample. The data was analyzed through SPSS (version 23.0) using cross tabulations, frequencies, bi-variate correlations and chi-square tests. The results were presented in Tables and Bar Charts.

5.3 Findings Related to the Study

According to Boris and Reggie (2012:151-152), the important issue facing SMMEs worldwide is continuous improvement. Both emphasize further that in today's markets, the inputs of customers and their fast changing needs make it imperative that enterprises continuously improve the way business is conducted. Mustapha (2010: 7-8) posits that innovation is a critical factor in the manufacturing sector, and is a continuous process to become competitive in the market. Innovation has become a central issue in the business agenda of companies, and in many cases, it is recognized as the cornerstone for organizational survival and growth (Matopoulos and Bourlakis 2011:1).

A number of British small, micro and medium-sized manufacturing enterprises (SMMEs) have survived and thrived through the release of innovative new products (Laforet and Tann 2006: 365). Companies worldwide, of different sizes and sectors, are operating in an increasingly dynamic, complex and unpredictable environment, which suggests that many firms seek new ways of conducting their business through some kind of innovation to make profits and stay ahead of the competition (Sylvie 2008: 753).

According to Visagie (1997: 660), the key areas to support small and medium sized enterprises will include:

- Access to advice;
- Favourable amendments to legislative and regulatory conditions;
- Access to marketing and procurement;
- Access to finance;
- Access to infrastructure and premises;
- Access to training;
- Access to appropriate technology; and
- Encouragement of inter-firm linkages.

Table 5.3.1: Related findings and summary of the findings

Related findings	**Related findings**	**Summary of the main findings of the study**
SMMEs in South Africa encounter a number of difficulties, the most significant of which have been reported by a number of organizations comprising the Department of Trade and Industry (2012) to be: • a deficiency in managerial skills; • funding and procurement of credit;	Visagie (1997: 660), the key areas to support small and medium sized enterprises will include: • Access to advice; • Favourable amendments to legislative and regulatory conditions; • Access to marketing and procurement; • Access to finance; • Access to infrastructure and premises;	From the related findings here, it was concluded that factors such as lack of access to finance, lack of access to markets and premises, legislative and regulatory conditions and lack of experienced expertise are militating against innovation in FMCG SMMEs manufacturing industries. Also the main findings of the research stipulate that these

• entrance to markets, as well as growing interaction with customers; • suitable expertise and stumpy manufacturing capability; • an excellent product; and • Support for the part that they take part in economic development.	• Access to training; • Access to appropriate technology; and • Encouragement of inter-firm linkages.	factors from related findings militate against innovation.
Maud and Marie De Beer (2013: 237) in their study, posited the internal and external preventive factors for micro and survivalist business, as being among others, poor development; lack of networking; inadequate business skill; condensed pricing information; administrative and enterprise know-how; and ineffectiveness with deficiency in the aspect of literacy, education and knowledge.	Smit and Watkins (2012: 6324) also concluded that there are increasing unsuccessful SMMEs in South Africa owing to SMME owner-managers' inefficient knowledge relating to the problems their businesses encounter, with a crisis management approach set up ineffectively and inefficiently.	The related findings here showed that factors like inadequate business skill and management, lack of administrative and enterprise know-how and among others, lack of education and knowledge. The main findings of this study also supported the related findings.

Zeleke (2013: 67) in his study of small businesses in Pretoria, established that the long-term survival and feasibility of small businesses were adversely damaged by a deficiency in entrepreneurial skills; a lack of managerial sustenance to newly established businesses; as well as the failure of newly founded businesses to attain professional expertise.	Smit and Watkins (2012: 6324) also concluded that there are increasing unsuccessful SMMEs in South Africa owing to SMME owner-managers 'inefficient knowledge relating to the problems their businesses encounter, with a crisis management approach set up ineffectively and inefficiently.	The related findings suggested that factors like incompetence of owner' managers and lack of managerial sustenance to newly established businesses and crisis management approach are factors hindering innovation and growth in FMCG SMME manufacturing industry. The main findings of the study also support it.
In accordance with the Investment Climate Survey (ICS) (2004: 12), funding was categorized amongst the first five limitations to trade improvement in Sub-Saharan Africa. This is partially due to monetary organizations seeing several small enterprises as high-risk investment with meagre guarantees. Also, Clover and Darroch (2005: 238) classify factors that hamper business existence or longevity and expansion as inaccessibility to services; financial support challenges at the business invention;	Graduate Entrepreneurial Intention (GEI) in South Africa (Fatoki 2010: 87) cites the obstacles to the entrepreneurial goal as funds, expertise, support, threat, financial system and crime. Organization problems including bookkeeping, funding, employees and administrative problems have been stated as the main grounds for business breakdown for small businesses. Fatoki and Garwe (2010: 731) present proof to support the insufficiency	Insufficient monetary fund, payback pressure, lack of collateral guarantee and labour legislation are reported here to be the most contributors to SMMEs' lack of growth. The main findings of the study also support it.

deficiency on the part of administrative competence in the venture; accessibility to good contracts; conformity expenses connected with VAT and Labour Legislation; payback pressure; absence of guarantee; and deficiency in institutional collaboration.	monetary funds as the most reported contributor to unsuccessful SMMEs, after education and training.	
The major problems affecting SMMEs in South Africa comprise inefficient administrative know-how; funding; access to financial loans; access to markets; proper skill; inefficient manufacturing competence; acknowledgment via bigger businesses; low concentration; extensive systems of government procedures; and help for the responsibilities that small businesses can perform in profit progression (Mukole 2010: 2288).	(John 2011: 159-160).John (2011) explains further that administrative knowledge frequently makes it hard for business owners to be successful and specified that limitations such as inadequate funding, poor administration, dishonesty, inadequate infrastructure, and poor accounting/bookkeeping are the key obstacles to small business growth in Africa. He pointed out additional factors that hamper small business growth in Africa as being shortfalls in the demand for product and services and a failure to use and obtain expertise.	Inadequate funding, poor administration, dishonesty and corruption, inadequate infrastructure, extensive system of government procedures limit the performance of FMCG SMMEs in manufacturing industry in KwaZulu-Natal. The main findings of the research also support it.

Therefore, the findings of this study are likely to be the same as those in the literature referred to in the previous paragraph. The result of the present study shows that there is little contradiction in the findings of the research: The opinions of the researcher and the respondents are similar to a great extent. This fact gave assurance that the evidence collected from the respondents can be placed well with the research findings in order to obtain an overview of the situation. Thus, in light of the above research findings and the identification of the major problems, some suggestions and recommendations are formulated for the South African FMCG SMME manufacturing sector that can improve the level of innovation in the sector. These recommendations are presented in the following sections.

Table 5.3.2: Discussions of Research objectives and how it was achieved

This section is covering all discussions in the question that were aimed to address these objectives.

5.3.3 Factors influencing the innovation of Fast Moving Consumer Goods (FMCG) SMMEs manufacturers to achieve growth in KZN.

Factors hampering innovation-The South African Innovation Survey 2005

Factors	**All (weighted)**	**Enterprises with innovation activity**	**Enterprises without innovation activity**
• **Cost Factors**	62.26		
Lack of funds (internal)	26.30	32.4	18.9
Lack of funds (external)	16.66	16.3	17.1
Innovation cost too	18.30	15.5	21.7

high			
• **Knowledge factors**	42.27		
Lack of qualified personnel	17.11	15.3	19.3
Lack of information and technology	8.48	5.9	11.6
Lack of information on markets	5.35	1.1	10.5
Difficulty in finding co-operative partners	11.34	5.1	18.9
• **Market factors**	27.1		
Market dominated by established enterprises	20.51	14.0	28.4
Uncertain demand for innovative goods and services	6.60	3.3	10.6
• **Reasons not to innovate**	9.18		

No need due to previous innovations	5.00	0.8	10.1
No need because of no demand for innovation	4.18	0.7	8.4

4.3.4 Other factors influencing innovation in South African SMMEs manufacturers are:

Lack of Finance

Small firms encounter the problem of inadequate availability of financial resources. All businesses need finance resources to initiate trading and also to support growth (Chimucheka 2013: 793). The lack of financial resources is the second most reported contributor to the failure rate of SMMEs, after education and training, in South Africa (Fatoki and Garwe 2010: 731). Beaver (2003: 117), Radipere and Van Scheers (2005: 409) and Schaper and Volery (2004: 89) posit that newly established small enterprises are possibly prone to failure in their early years of doing business due to finance, management, and marketing and planning. Hussain and Yaqub (2010: 25-26) point out that a lack of financial resources are the main problem small businesses encounter throughout the world. According to the ILO (2008: 73), small enterprises have difficulty gaining access to funding from formal institutions because of banks' aversion to risk, high operation costs, difficult procedures and a lack of appropriate guarantees. This common restriction limits investment in training and research and development (R&D) that could increase efficiency and innovation in the SMME manufacturing sector. All businesses need finances to start trading and also to fund growth (Chimucheka, 2013: 793). Innovation in a business requires funding, particularly to implement strategies that can create growth. In supportive of this need, Fatoki and Garwe (2010: 731) provide evidence that a lack of financial resources is the second-most reported contributor to the failure of SMMEs, after education and training, in South Africa. This can be ascribed to a lack of access to finance in financial industries, and the failure of the government to finance R&D investments. All these constraints affect the rate of innovation capacity in the FMCG Manufacturing SMME sector in South Africa because financial

constraints and lack of education may obstruct firms from making innovative decisions that propel growth in their businesses

Lack of Skills and Training

Skuras, Meccheri, Moreira, Rosell and Stathopoulou (2005: 7) state that it is very important to create human capital through entrepreneurial education and training for the development of rural business owners/managers. Statistics South Africa, in their quarterly labour force survey (2008: 6), found that most people in the informal economy have education below matric. In South Africa, the lack of education is seen as one of the most important obstacles to entrepreneurial activity (Nieman and Nieuwenhuizen, 2009: 31). They stated further that education is positively linked to entrepreneurial activity. South African FMCG SMMEs need to improve on education and training in order to assist them in developing management competencies which are essential for the growth of an enterprise. All these constraints affect the rate of innovation capacity in the FMCG Manufacturing SMME sectors in South Africa, because financial constraints and lack of education may hinder the firms from making innovative decisions that propel growth in their businesses.

Lack of Business Information and Skills

Mahembe and Underhill Corporate Solutions (2011: 41) referring to a study carried out by Finscope, indicate that as much as 75% of small business owners were not aware of any organizations that gave advice and support to small business owners. This lack of information led to, amongst other things, SMMEs building up their own start-up capital in order to fund the enterprise as they did not know the procedures for applying for loans and they did not know the different sources of funding open to them. Kristiansen (2007: 53) stipulates that knowledge and development of skills in the rural areas is very crucial. According to Huges and Kapoor (2010: 224), entrepreneurs have inadequate business management skills required to run a business. These shortcomings make them prone to failure and thereby cause low innovation in the sector.

Lack of Business Knowledge and Experience

According to Tushabomwe-Kazooba (2006: 32), small business owners are usually inexperienced in the type of business they operate. Van Aart, Van Aart, Bezuidenhout and

Mumba (2008: 249) point to a lack of experience as a risk because it results in the inability to plan, acquire funds, read business environment factors and manage the business successfully and proficiently. Nieman, Hough and Niewenhuizen (2003: 33) also highlighted that most SMMEs lack sound business understanding and experience. The lack of skills and experience also contribute to the low level of innovation in the industry (Reza 2007: 5). Technical and industry-specific competencies are often ignored in SMME settings, even though these are pivotal due to their direct effect on sustainability (Boris and Reggie 2012: 147).Boris and Reggie (2012: 147)state further that an entrepreneur`s technical and operational competencies are an important form of expert power that facilitate the implementation of the business vision and strategy. All these constraints affect the rate of innovation capacity in the FMCG manufacturing SMME sector in South Africa because financial constraints, lack of skill and training, lack of education and research and development may hinder firms' ability to make innovative decisions that can propel growth in their businesses. Training on business skills seems a key factor in the success or failure of rural SMMEs, particularly against the background of apartheid education and social exclusion of communities in rural areas (Siphosenkosi 2014: 20).

Lack of Branding

Branding is broadly believed to be the business of large corporate firms and this is due to the fact that branding in SMMEs has been largely neglected by marketing and branding specialists such as Kotler, Aaker, Keller and Kapperer (Muhammed, Mohd and Halim 2012: 155). Branding can assist SMMEs in building corporate image (Rode and Vallaster 2005: 122), achieving superior performance (Berthon, Ewing and Napoh 2008: 28), and pursuing innovative processes and eventually achieving competitive advantage (Penrose 1995: 12). According to Hamel and Prahalad (1994), branding creates the opportunity for comprehensive technological up gradation and innovation. Abimbola (2001: 342) is of the opinion that the focus on brands and branding activities accelerates the pace of introduction of innovative products that are highly competitive and hard to initiate, thus enabling the firm to achieve long lasting growth. Muhammed, et al (2012: 156) concluded that branding activities can have a multiplier effect on SMME innovation and increase firms' performance.

5.3.4 Examine the extent to which these factors influence the effectiveness of SMME manufacturers' innovation strategies

George and David (2008: 81) identified the extent to which these factors mentioned above influence the effectiveness of SMME manufacturers' innovation strategies as:

- Expansion periods that are excessively long;
- Risk-averse customs;
- Restricted customer insight;
- Inadequate of management;
- Scarcity of appropriate talent;
- Lack of superior way to quantify innovation;
- Complexity in selecting accurate proposal;
- Unproductive marketing communications;
- Lack of good ideas; and
- Lack of access to new expertise.

5.3.5 To Design a new strategic approach to overcome innovation problems in Fast Moving Consumer Goods (FMCG) SMMEs manufacturers

According to Evans (2008: 14) some of the new strategic approaches to overcome innovation problems in FMCG SMMEs manufacturing industry are:

Seven criteria of Strategy Deployment

Strategy Deployment Criteria	
8. Communicating the scheme	Top administration is to fit, from pinnacle down, the tactical scheme to guarantee the understanding of the scheme at all levels of the business.
9. Achieving buy-in	Approval and implementation of the scheme

	by all shareholders must be achieved.
10. Aligning performance	Customer and market focus actions are united with the planned decision.
11. Education	Incessant appraisal and adjustment.
12. Creating the infrastructure for deployment	Organizing teams, role and tasks.
13. Knowledge of the business drivers	Consciousness of the business reasons for the initiatives.
14. Company outcome	Identifying the forecast projects, assessing risk, choosing performance capacity.

Source: Evans (2008: 14).

Siphosenkosi (2014: 26-31) recommends three tactics to address challenges to SMMEs. These are:

- Providing access to funding;
- Providing an empowering environment; and
- Providing business skills and capability for SMMEs.

5.4 DISCUSSION OF FINDINGS OF THE STUDY

The following section discusses the findings of the study in terms of the above research objectives based on the relevant questions.

5.4.1 South African Government Policies, laws and regulations

The results of this study support the view that South African Government policies induce high costs of imported machinery and raw materials to support growth and productivity in manufacturing firms (Mukole 2010: 2288).Borris and Reggie (2012: 159-160) posit that government laws and regulations, new entrant threats and protocols are some of the impediments

to innovation growth in South African FMCG manufacturing SMMEs. The main findings of this study suggest that the majority of the respondents also support that.

5.4.2 Financing Skills, Knowledge and Education and training

The result of this study support the view that lack of financing skills, knowledge and education are factors affecting innovation in FMCG SMMEs in KZN (Fatoki and Odeyemi 2010: 2763). The result of the survey also recommends that skills and training form part of the pre-requisite for companies to achieve innovation and growth (Mukole 2010: 2288). To develop innovation and growth in the industry, the owner-managers need high financing skills and have the knowledge of the business they ventured in and education and training of the employees is as well crucial.

5.4.3 Restructuring the Manufacturing Process and Strategy

The study also supports that adoption of manufacturing and innovation strategy captures the attention and loyalty of consumers in FMCG SMMEs manufacturing industry (Mustapha 2010: 7-8). The main findings from the respondents show that the FMCG SMMEs manufacturing industry do not give importance to innovation in the process of product designing and manufacturing.

5.4.4 Skills Development and Training of Workers

This study supports that skills and training form part of the pre-requisite for industries to achieve innovation and growth (Mukole 2010: 2288). The result of the main findings from the respondents also indicate that the FMCG SMMEs manufacturing industry lack skills development and training of workers which makes it so difficult to attain innovation and growth in the industry.

5.4.5 Lack of technological know-how

The result of this study confirms that lack of technological know-how and human capital problems limit innovation in FMCG manufacturing industry in KwaZulu-Natal (Visagie 1997: 660). The result of the main findings also support that lack of technological know-how

curtail the growth and innovation of FMCG SMMEs manufacturing industry in KwaZulu-Natal.

5.5 RECOMMENDATIONS FOR SOUTH AFRICAN GOVERNMENT AND FMCG MANUFACTUIRERS IN KWAZULU-NATAL

The research study aimed at putting forward some recommendations for South African FMCG SMME manufacturers in KwaZulu-Natal that are expected to make the situation of the sector better, improve the level of innovation and achieve growth. These suggestions and recommendations were drawn from the survey participants. The suggestions and recommendations are as follows:

5.4.1 Financing Skills, Knowledge and Education

Lack of financing skills, knowledge and education are one group of factors affecting innovation in the South African Fast Moving Consumer Goods (FMCG) SMME manufacturing sectors. The South African manufacturing sector also strongly feels the need for appropriate finance provision. Banks and other financial institutions provide loans to FMCG Small Micro and Medium Enterprises manufacturing firms at very high rates and under difficult conditions, resulting in manufacturing firms getting little finance from banks and institutions. The local investors, at the same time, are also less interested in investing in the manufacturing sector because they see little scope for getting a high return on their investments. In this regard, the South African government has to assure, through a check and balance system, that there will be no bias in matters of giving finance to the FMCG manufacturing industry from banks and financial institutions so that the sector can carry on with different activities in an efficient manner that will trigger innovation and growth.

5.4.2 Research and Development

The FMCG small, medium and micro enterprises (SMME) manufacturing sector in South Africa essentially requires research and development because the present manufacturing processes and strategies adopted by the manufacturing companies are not comparable to international standards due to difficulty in accessing finance for R&D. In this regard, it is important that FMCG SMME manufacturers in KZN conduct adequate research and development in order to improve the level

of innovation and meet international standards. There is also need for them to conduct research and development and to be aware of new technologies and techniques of manufacturing that can raise the quality and standards of their products, while at the same time allowing them to reduce the cost of production of their manufactured goods.

5.4.3 Skills Development and Training of Workers

The study revealed that, in the South African FMCG SMME manufacturing sector, there is little emphasis given to skills development and training of the workforce. This is also an important reason for low innovation in the sector. It is therefore crucial that the owners and the decision-making personnel working in the South African FMCG SMME manufacturing sector make some arrangements for the training and skills development of their workers. There should be a workshops and training arranged for their employees within the country as well as abroad. This will definitely bring some innovation and new ideas to the manufacturing sector.

5.4.4 Restructuring the Manufacturing Process and Strategy

It was revealed from the results of the survey that the manufacturing strategies and manufacturing processes followed by the manufacturing sector are not of international standards, and there is need to update the process and strategy. In this regard, the supervisors and authorities of the manufacturing sector are required to adopt and follow the manufacturing process and strategy in accordance with the requirements of modern technology that measures with international standards. In this process, they are required to do more research and development work and focus on the training and skills development of their workers.

5.4.5 Technology Adoptability

Manufacturing sectors all over the world are going through phases of revolutionary changes as they strive to keep themselves aligned with the changes occurring in their surroundings. This alignment helps to be competitive as well as cost effective at domestic, regional and international levels. However, in the case of South Africa, it is observed that manufacturing firms are not paying attention to technology adoptability which led to products being manufactured in a traditional way. As a result of this, the cost and time of production is still high in the sector and the manufactured products are generally not at an international standard. In order to correct this,

the main responsibility lies upon the manufacturing companies' owners, managers, CEOs and other authorities who must implement the appropriate technological changes to restructure their manufacturing processes.

5.5 AREAS FOR FURTHER RESEARCH

The research study conducted an exploration into South African FMCG SMME manufacturers' need for innovation to achieve growth in KwaZulu-Natal. It is very important that researchers should look towards the methods and techniques that can help the South African FMCG SMME manufacturing sector in reducing their costs of manufacturing products; while having the financial resources, they can also go for the advanced techniques and methods of manufacturing. In order to follow the paths of the developing nations and to adopt technology, maintain high quality and conduct research and development, it is necessary that there be sufficient financial resources, which the sector currently lacks. Thus, researchers have to search for the methods that can help the manufacturing sector with the same, limited financial resources. Moreover, they also have to work towards creating realization amongst the authorities of the need to take steps for the improvement of the situation. This could be done by gaining access to senior personnel and negotiating with them about the problems and solutions encountered by the South African FMCG SMME manufacturing sector.

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APPENDIX A

LETTER OFCONSENT

Durban University of Technology,

Faculty of Management Sciences

Department of Business Administration and Management

P.O Box 1334

Durban, 4000.

28 May, 2015

Dear Participant

I am pursuing a Master's Degree in Business Administration at the Durban University of Technology. I am conducting a research project on ''Exploring South African Fast Moving Consumer Goods (FMCG) SMME manufacturers' need for innovation to achieve growth in KwaZulu-Natal '' as part of the requirement towards completion of the programme. I would like to request your support in completing this questionnaire.

Please take time to read and understand the questionnaire, which will take you not more than 15 minutes to complete. You are also requested to provide honest and accurate responses as this information could help the Fast Moving Consumer Goods (FMCG) SMME manufacturing industry in KwaZulu-Natal, and in South Africa as a whole, to improve its level of innovation, achieve immense growth and satisfy the consumer's interest better.

The details regarding your questionnaire will be kept anonymous and confidential. Your participation in this research is voluntary and if necessary, you are at liberty to withdraw without providing reasons for such action.

Please contact me for any questions relating to the study. If you require further clarification or would like to share concerns regarding the research, please contact my supervisor, Dr. L.M. Lekhanya.

Thank you for your time and participation.

Yours Sincerely,

Nze Grace Olajumoke

Student Number: 21449372

Contact number: +27-739594499

Dr. L.M. Lekhanya

Supervisor

Contact number: +27-723353411

APPENDIX B1

DECLARATION BY THE RESPONDENT

I hereby agree to participate in the completion of this questionnaire

……

Signature of the respondent

QUESTIONNAIRE

QUESTIONS ON EXPLORING FAST MOVING CONSUMER GOODS (FMCG) SMME MANUFACTURERS' NEED FOR INNOVATION TO ACHIEVE GROWTH IN KWAZULU-NATAL

Please indicate your response to the following statements with regards to the need for innovation in South African Fast Moving Consumer Goods (FMCG) manufacturing SMMEs.

Statement(s)	**Strongly Disagree 1**	**Disagree 2**	**Neutral 3**	**Strongly Agree 4**	**Agree 5**
South Africa government policies induce high costs of imported machinery and raw materials to support growth and productivity in the manufacturing firms.					
Skills and training form part of the pre-requisite for companies to achieve innovation and growth.					
Adoption of manufacturing and innovation strategy captures the attention and loyalty of consumers in South African FMCG					

manufacturers SMMEs.					
South African FMCG SMMEs offer different consumer products with innovative features and benefits.					
The FMCG manufacturing SMMEs sector in South Africa has the capability to offer innovative consumer products in the context of globalization and high competition.					
The present level of innovation in South African FMCG manufacturer SMMEs is high.					
FMCG manufacturing SMMEs in South Africa give importance to innovation in the process of product designing and manufacturing.					
The company leaders/managers/supervisors encourage new ideas of innovation by creating a tolerant environment for innovation.					
Lack of financing, skills, knowledge and education are factors affecting innovation in FMCG manufacturing SMMEs in KwaZulu-Natal.					
High costs or complex procedures to register or defend patents are					

one problem for innovation in FMCG manufacturing SMMEs in KwaZulu-Natal.					
Lack of information on the part of employers on how to satisfy consumer interests contributes to low innovation in the industry.					
Lack of technological know-how and human capital problems limit innovation in FMCG manufacturing SMMEs in KwaZulu-Natal.					
Difficulty in accessing finance for R&D is one of the problems facing innovation in South African FMCG manufacturing SMMEs.					
Government laws and regulations, new entrant threats and protocols, are some of the impediments to innovation growth in South African FMCG manufacturing SMMEs.					
Effective supply chain management led to innovation in South African FMCG manufacturing SMMEs.					
Lack of product brand name leads to low innovation in FMCG manufacturing SMMEs in KwaZulu-Natal.					
Various Government					

encouragement and support from various lending institutions lead to innovation growth in the FMCG manufacturing SMMEs in South Africa.					
Small, Micro and Medium enterprises contribute to the economic growth of the country.					
Less than 20% of SMMEs operate for lesser than four years and less than 0.5 % of SMMEs are doing business for more than 25 years in South Africa due to failure attributable to low innovation in the sector.					
Innovation is considered important for the survival and growth of small, micro and medium enterprises (SMMEs) in South Africa.					

APPENDIX B2

INTERVIEWS

INTERVIEWS: SCHEDULE OF QUESTIONS THAT RELATE TO THE NEED FOR INNOVATION IN SOUTH AFRICAN FMCG MANUFACTURING SMMEs

(1) Distinguished participants, can you briefly introduce yourself with special emphasis on your local and international manufacturing experiences as regards FMCG, manufacturing, innovation and SMMEs?
(2) What factors do you think are affecting innovation in South Africa Fast Moving Consumer Goods (FMCG) manufacturing SMMEs?
(3) What are the major challenges facing the sector in South Africa?
(4) What are the key factors affecting the growth of South African FMCG manufacturing SMMEs?
(5) Which one of the following attributes is the weakest in South African FMCG manufacturing SMMEs (a) Product Design (b) Innovation (c) Manufacturing process (d) Manufacturing strategy.
(6) Based on your knowledge and experience, to what extent do you see the level of innovation in South African FMCG manufacturing SMMEs as compared to countries like UK, China and India? High or low?
(7) Based on your knowledge and experience, to what level does innovation contribute to growth in manufacturing firms and the economy as a whole?
(8) Finally, distinguished participants, what are your suggestions and recommendations that FMCG manufacturing SMMEs of South Africa should emphasize in order to achieve growth?

APPENDIX C1

FREQUENCY TABLES

Policies

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly Disagree	5	4.8	4.8	4.8
Disagree	3	2.9	2.9	7.6
Neutral	11	10.5	10.5	18.1
Strongly agree	57	54.3	54.3	72.4
Agree	29	27.6	27.6	100.0
Total	105	100.0	100.0	

Training

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly Disagree	4	3.8	3.8	3.8
Disagree	2	1.9	1.9	5.7
Neutral	1	1.0	1.0	6.7
Strongly Agree	66	62.9	62.9	69.5
Agree	32	30.5	30.5	100.0
Total	105	100.0	100.0	

Loyalty

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Disagree	5	4.8	4.8	4.8
Neutral	5	4.8	4.8	9.5
Strongly Agree	56	53.3	53.3	62.9
Agree	39	37.1	37.1	100.0
Total	105	100.0	100.0	

Benefits

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly Disagree	19	18.1	18.1	18.1
Disagree	27	25.7	25.7	43.8
Neutral	20	19.0	19.0	62.9
Strongly Agree	23	21.9	21.9	84.8
Agree	16	15.2	15.2	100.0
Total	105	100.0	100.0	

Offering

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly Agree	8	7.6	7.6	7.6
Disagree	36	34.3	34.3	41.9
Neutral	13	12.4	12.4	54.3
Strongly Agree	33	31.4	31.4	85.7
Agree	15	14.3	14.3	100.0
Total	105	100.0	100.0	

Innovation

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly Disagree	31	29.5	29.5	29.5
Disagree	45	42.9	42.9	72.4
Neutral	6	5.7	5.7	78.1
Strongly Agree	11	10.5	10.5	88.6
Agree	12	11.4	11.4	100.0
Total	105	100.0	100.0	

Process

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly Disagree	7	6.7	6.7	6.7
Disagree	46	43.8	43.8	50.5
Neutral	13	12.4	12.4	62.9
Strongly Agree	25	23.8	23.8	86.7
Agree	14	13.3	13.3	100.0
Total	105	100.0	100.0	

Encourage

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly Disagree	10	9.5	9.5	9.5
Disagree	34	32.4	32.4	41.9
Neutral	27	25.7	25.7	67.6
Strongly Agree	19	18.1	18.1	85.7
Agree	15	14.3	14.3	100.0
Total	105	100.0	100.0	

Skills

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Disagree	2	1.9	1.9	1.9
Neutral	2	1.9	1.9	3.8
Strongly Agree	76	72.4	72.4	76.2
Agree	25	23.8	23.8	100.0
Total	105	100.0	100.0	

Complex

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Disagree	2	1.9	1.9	1.9
Neutral	3	2.9	2.9	4.8
Strongly Agree	66	62.9	62.9	67.6
Agree	34	32.4	32.4	100.0
Total	105	100.0	100.0	

Information

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Neutral	2	1.9	1.9	1.9
Strongly Disagree	64	61.0	61.0	62.9
Agree	39	37.1	37.1	100.0
Total	105	100.0	100.0	

Technological

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Disagree	1	1.0	1.0	1.0
Neutral	4	3.8	3.8	4.8
Strongly Agree	56	53.3	53.3	58.1
Agree	44	41.9	41.9	100.0
Total	105	100.0	100.0	

Finance

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Disagree	3	2.9	2.9	2.9
Neutral	3	2.9	2.9	5.7
Strongly Agree	62	59.0	59.0	64.8
Agree	37	35.2	35.2	100.0
Total	105	100.0	100.0	

Regulations

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly Disagree	1	1.0	1.0	1.0
Neutral	6	5.7	5.7	6.7
Strongly Agree	61	58.1	58.1	64.8
Agree	37	35.2	35.2	100.0
Total	105	100.0	100.0	

Supply

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly Disagree	1	1.0	1.0	1.0
Neutral	17	16.2	16.2	17.1
Strongly Agree	47	44.8	44.8	61.9
Agree	40	38.1	38.1	100.0
Total	105	100.0	100.0	

Brand

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly Disagree	5	4.8	4.8	4.8
Disagree	6	5.7	5.7	10.5
Neutral	12	11.4	11.4	21.9
Strongly Agree	44	41.9	41.9	63.8
Agree	38	36.2	36.2	100.0
Total	105	100.0	100.0	

Support

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Strongly Disagree	5	4.8	4.8	4.8
Disagree	10	9.5	9.5	14.3
Neutral	6	5.7	5.7	20.0
Strongly Agree	56	53.3	53.3	73.3
Agree	28	26.7	26.7	100.0
Total	105	100.0	100.0	

Growth

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Disagree	1	1.0	1.0	1.0
Neutral	2	1.9	1.9	2.9
Strongly Agree	81	77.1	77.1	80.0
Agree	21	20.0	20.0	100.0
Total	105	100.0	100.0	

Failure

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Neutral	4	3.8	3.8	3.8
Strongly Agree	75	71.4	71.4	75.2
Agree	26	24.8	24.8	100.0
Total	105	100.0	100.0	

Important

	Valid Frequency	Percentage	Valid Percentage	Cumulative Percentage
Neutral	2	1.9	1.9	1.9
Strongly Agree	65	61.9	61.9	63.8
Agree	38	36.2	36.2	100.0
Total	105	100.0	100.0	

APPENDIX C2

DESCRIPTIVE TABLES

Descriptive Statistics

	N	Minimum	Maximum	Mean	Std. Deviation
Policies	105	1.00	5.00	3.9714	.96533
Training	105	1.00	5.00	4.1429	.84840
Loyalty	105	2.00	5.00	4.2286	.75009
Benefits	105	1.00	5.00	2.9048	1.34825
Offering	105	1.00	5.00	3.1048	1.23976
Innovation	105	1.00	5.00	2.3143	1.31057
Process	105	1.00	5.00	2.9333	1.21897
Encourage	105	1.00	5.00	2.9524	1.21197
Skills	105	2.00	5.00	4.1810	.55089
Complex	105	2.00	5.00	4.2571	.60492
Information	105	3.00	5.00	4.3524	.51852
Technological	105	2.00	5.00	4.3619	.60644
Finance	105	2.00	5.00	4.2667	.65437
Regulations	105	1.00	5.00	4.2667	.65437
Supply	105	1.00	5.00	4.1905	.77330
Brand	105	1.00	5.00	3.9905	1.06964
Support	105	1.00	5.00	3.8762	1.06243
Growth	105	2.00	5.00	4.1619	.48286
Failure	105	3.00	5.00	4.2095	.49410
Important	105	3.00	5.00	4.3429	.51569
Valid N (listwise)	105				

APPENDIX C3

BI-VARIATE CORRELATIONS

Correlations