A PROACTIVE MARKETING AND FINANCIAL MANAGEMENT FOR SMALL AND MEDIUM ENTERPRISES

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Abstract

Although *the discovery of diamond has propelled Botswana from one of the poorest countries in 1966 to a middle-income developing nation, the country still faces the problems of economic diversification, employment creation, income generation and poverty alleviation. The main strategy to achieve these goals has been the promotion of entrepreneurship and small business development. In spite of the concerted efforts made to promote the development of Small and Medium Enterprises (SMEs), the small business failure is increasing at an alarming rate. This paper investigates the perceived impacts of marketing and finance related problems on the development of SMEs in Botswana. 39 marketing and finance related problems were identified, largely from the small business literature, and the respondents were asked to rate the impact of these problems using a five-point scale. Principal component analysis with variamx rotation produced four critical factors (i.e., marketing actions, customer relationship, investment analysis and working capital management). These factors were also found to have statistically significant relationship with firm specific demographic variables showing the need for comprehensive and flexible small business assistance programmes. The implications of the findings for policy makers, practitioners, and re*searchers are also presented.

Key Words: Botswana, Entrepreneurship, Financing, Marketing, Perceived Critical Factors, Small and Medium Enterprises.

Background

Since its independence in 1966, Botswana has achieved a remarkable growth in economic development. Although the discovery of mineral wealth [i.e., diamond] has propelled Botswana into a middle-income category, the country still faces the problem of economic diversification, employment creation, income distribution and poverty alleviation. The country's economy is highly dependent on the mining and beef sector(s) for its income and on foreign markets for the import of basic goods and services.

Although the Government of Botswana has designed various diversification programmes and policies, the main focus has been on the promotion of the development of Small and Medium Enterprises (SMEs). The most common argument in favor of SMEs is that they create substantial job opportunities as they use relatively labor-intensive technologies. SMEs employ more people per unit of investment as compared to large firms. Thus, a given amount of money will create more jobs if it is spread over a large number of SMEs than if it is focused on few large companies (Abdullah, 2000). The major and immediate challenge for Botswana is providing employment for low-skilled labor. The declining job opportunities in the South African mines for Batswana, the prevalence of low-skill and unskilled labor force in the economy, and the tendency of the government to reduce its role as primary employer made the promotion of SMEs a primary source of employment creation. The long-term vision for Botswana states that 'the vital component of the strategy to achieve full employment within 20 years is the expansion of SMEs', which is an important mechanism for involving

Batswana in the process of industrialization [Presidential Task Group for long-term vision for Botswana, 1997:43].

SMEs contribute not only to income generation but also income distribution. Large firms normally tend to produce an elite number of high wage income earners whereas SMEs produce a significantly large number of relatively low-income earners. The development of SMEs would therefore help spread income to more people. Since the majority of Batswana (Over 65 percent) are living in rural areas, the promotion of the development of SMEs should continue to be a policy priority to narrow the gap between urban and rural development and to monitor social inequities and rural migration.

SMEs also promote the culture of saving and investing in society. The money invested in SMEs would probably have been allocated to consumption expenditure if SMEs have not been established or sought for it. This nature of propensity to save and invest, induced by the development of SMEs, can directly contribute to the overall savings ratio of the population of Botswana. Enhancing the poverty alleviation potential of SMEs through financial, regulatory and managerial assistances will eventually reduce dependency on foreign markets. This will not only save foreign exchange but also reduce the impact, which fluctuations of foreign exchange receipts will have domestically. The promotion of the development of SMEs will, therefore, have a long run effect of economic independence, and sustained sovereignty and autonomous development.

The Problem

The socio-economic importance of SMEs, as industrial development strategy, has long been understood and concerted efforts were made to design and implement a variety of SME assistance programmes. The Botswana Entrepreneurial Development Unit (BEDU) was formed in 1974 to provide both material, financial and training assistance to prospective entrepreneurs, and followed by the incorporation of the need for promotion of the development of SMEs in various national plans, policies and programmes (e.g., national development plans, national policy in education, national policy on vocational training, industrial development policy, SMME policy, investment policy, reservation policy, etc (Task Force Report, 1998; Government Paper No. 1, 1999). The Financial Assistance Policy (FAP) was formed in 1982 to provide particularly start-up and expansion capital for SMEs in the form of grants and loans. Although the FAP has stimulated some indigenous investments, it was characterized by serious implementation and coordination problems (Briscoe and Hampel, 1996). As a result, it is replaced by the Citizen Entrepreneurial Development Agency (CEDA) in 2001 to redirect efforts to deal with the real constraints affecting the development of SMEs and citizen participation in the economy. One of the major objectives of CEDA is to foster entrepreneurship through the development of entrepreneurial capital, culture and skills through financing, monitoring, mentoring and training.

However, despite all these efforts, the pace of development of SMEs is not encouraging. Most SMEs are at their existence stage, with more emphasis being placed on short-term survival issues than growth and long-term competitiveness [Temtime, 2002]. The general failure rate for SMEs in Botswana is estimated to be over 80 percent, with over 70 percent of start-up firms failing in their first 18 months and only less than 2 percent of them expand their businesses [Government paper No. 1 of 1999]. Thus, the current situation of SMEs calls for the need to identify and analyze the most critical factors affecting the performance and development of SMEs. This will eventually enable policy makers, practitioners and other SMEs stakeholders to identify the major problems and design meaningful assistance schemes and a proactive entrepreneurial development programmes with the view to achieve sustainable economic development.

Why do SME's fail?

Different approaches have been employed to study the problems of SMEs. Keats and Bracker (1988), recognizing the dynamic relationship between the firm and its operating environment and entrepreneurial characteristics, proposed a conceptual model of SME performance. This model suggests that performance outcomes are a function of many variables, including individual owner characteristics, owner behavior and entrepreneurial influences. The model transcends the belief that SMEs are merely miniature versions of large businesses and recognizes small firms as unique entities. Dodge and Robbins (1992) used organizational life cycle model. Organizational structures in one stage of development of SME are not the same as that in the preceding or following stage. Thus, with different emphasis and operating context, each stage of development will have a different set of problems. The other assumption in this model is that what management of SME does or does not do with respect to current problems propel the transition to the next stage. Problems therefore may be carried from stage to stage or be unique to a particular stage. They argue that greater knowledge of how SMEs evolve and the major obstacles or critical factors faced in various life cycle stages is strongly needed to fully understand their developmental processes and the types of assistance for their survival and growth.

Weetzel and Johnson (1989) found that the numerous characteristics shared by failed firms are directly related to personal decision-based characteristics of the owner (e.g., lack of insight, inflexibility, emphasis on technical skills etc), managerial deficiencies (e.g., lack of managerial skills, appropriate management training, and previous managerial experience) and financial shortages (e.g., no accounting background, cash flow analysis, financial records). Star and Massel (1981) related business failure rates to types of businesses. They found that failure rates were higher for firms that (1) were smaller in size, (2) were located in rural areas, (3) sold low priced merchandise, and (4) operated as sole proprietorship. A study by Peterson, Kozmetsky and Ridgway (1983) concluded that whatever is their size or location, managerial expertise and financial related factors are critical for the survival of SMEs. Mucnmann (1983) found accounting and management capabilities as important attributes affecting SMEs success. Weinrauch et al., (1991) reported financial distress as major problem of rapidly growing SMEs. O'Neill and Ducker (1986) found that the government and government related policies are important factors affecting SMEs failure. Haswell and Holms (1989) studied problems of SMEs in different industries and found that managerial inadequacy; incompetence and inexperience are major problems regardless of industry. Walsh (1988) grouped organizational problems into five areas based on a pre-specified scheme [(1) human relations, (2) accounting finance; (3) marketing; (4) internal management, and (5) external management]. Although they have generally concluded that the most prevalent areas in which SME have problems are sales/marketing, human resource management, and general management, they specifically reported promotion, marketing research and training as the most frequently encountered problems. Marketing has been widely acknowledged as being the most important of all activities (McKenna, 1991) and critical for the survival and growth of SMEs (Romano and Ratnatunga, 1995). However, most owner/managers of SMEs have a very limited understanding of the marketing concept. They perceive marketing to be little more than advertising and public relations (McKenna, 1991). Marketing related problems include product/service marketing, pricing policy, the selection of promotional media (local news paper or radio, direct mails, outdoors, etc), market research and information, knowledge of customer characteristics and buying behavior, Keeping customers' records, advertising, content design and format of the promotional materials, market size, location and addresses of potential customers.

Lack of finance is also found to be one of the major critical factors affecting the development of SMEs. Huang and Brown (1999) studied the problems of SMEs under industry type and size, and found that firms in the service industry report fewer problems in obtaining external finance, compared with those in other industries. Manufacturing firms are more likely to have problems in operations and production management. Wholesalers and retailers are found to have more problems with internal financial management. Specifically, cash flow and debt management were identified as the two most frequently occurring problems. They have also found statistically significant relationships between firm size and problems like obtaining external finance and designing marketing strategies. Small sized firms are more likely to encounter problems in obtaining external finance and less likely in human resources and operations management. Ivy (1997) grouped problems of SMEs into five - finance, government, marketing, equipment and infrastructure, and labor, and finally found that finance was the most crucial problem. Poor banking services, with high interest rates, high cost of premises and tax, difficulty in obtaining loans for start-ups all were cited but stringent loan repayment terms were mentioned as jeopardizing the viability of SMEs.

Monk (2000) also found that lack of working capital, poor market selection, and rapidly changing external market conditions as the major reasons for failures in SMEs. He argues that these are results of the inabilities of SMEs to make adequate use of essential business and management practices. Either because of lack of awareness of management processes and tools or because of lack of funds to outsource management skills, proper financial planning and investment analysis takes a second seat to the technical side of the business. The owner/managers of SME feel comfortable in the environment with which they are accustomed. As the business grows and financial planning becomes more critical, the owner/managers will look to hire someone to help but are often resistant to giving up some of the control (Monk, 2000). Argenti (1976) attributes small business failure to "poor management" and argues that no matter what disaster befalls a firm in the market place, sufficient managerial training, experience and foresight could by definition have avoided it. In summary, the problems affecting the development of SMEs are numerous and complex, and vary from place to place, industry to industry, small to large, new to matured firms. The purpose of this paper is to identifying marketing and finance related factors affecting the development of SMEs.

Survey Design

A descriptive survey research method was designed to identify critical marketing and finance factors affecting SMEs by collecting primary data through questionnaire from 203 respondents in the Republic of Botswana. Part I of the questionnaire was designed to collect information about the demographic characteristics of the sample SMEs. Part II contains seventy-six items grouped under four theoretical categories - i.e., environmental, managerial, marketing and financial. This paper reports the findings on 39 marketing and financial management related items. The respondents rated the impact of these items using a five-point scale ranging from very high (5) to very low (1). Descriptive (mean and standard deviation), factor analysis (principal component analysis with varimax rotation) and inferential analysis (ANOVA with F-test) were used to analyse and interpret the data.

Findings and Discussions

Demographic Characteristics: The perceived impact of selected problems on the performance of SMEs is expected to vary with their demographic characteristics. The majority of the sample firms (85 percent) are small in size with less than 26 employees while only 15 percent of them are medium in size with 26-99 full time employees. Regarding the legal form of organization, 69 percent of the firms are corporations, 13 percent are sole proprietorship, and 11 percent are partnerships or joint venture. Most of the firms are operating in the merchandising (wholesaling and retailing) and service industries while very few firms (only 10 percent) operate in manufacturing industries. 55 percent of the firms were managed by salaried professional managers whereas 33 and 11 percent were managed by part-owners and sole proprietors, respectively. Over 80 percent of the sample SMEs has over 5 years of experience in the economy. The number of newly established firms is very minimal (less than 20 percent). While about 60 percent of the sample SMEs are owned by foreigners, the participation of indigenous people (34 percent) is very encouraging.

In sum, the sample firms can be described as small sized corporations operating in the merchandising and service industries for over 5 years and managed by salaried and part owner/managers who has, on average, over five years previous managerial experience.

Perceived Critical Factors

Marketing and finance related problems are complex and numerous. The respondents have evaluated the perceived impact of 39 selected marketing and finance items on a five-point scale. The principal component analysis with variamx rotation split these items into two marketing factors (marketing action and customer relationship); two finance factors (investment analysis and working capital management) and a mixed factor containing items from both marketing and finance (eco-market issues). 35 items were loaded onto the five factors with a coefficient ranging from 0.501 to 0.824 while the remaining 4 items did not load onto any one of the five factors and hence excluded from the study. As shown in Table I, 7 items were loaded onto the marketing action (MKT) and 6 items on the customer relationship (CRN), and so forth.

Table I

Reliability Coefficients and Mean Scores

No.	Factors	Code	Items	Cases	Alpha	Mean
1	Marketing actions	MKT	7	185	0.678	3.46
2	Customer relationship	CRN	6	189	0.872	3.23
3	Investment analysis	IAN	7	182	0.649	3.20
4	Working capital mgt	WCM	7	183	0.797	3.02
5	Eco-market issues	ECM	8	179	0.331	2.58

The second scale purification, reliability analysis, was conducted to test the internal consistency of the items under each factor. As shown in Table I, four factors (marketing action, customer relationship, investment analysis, and working capital management) have produced a reliability (alpha coefficient) value of above the cut off point of 0.5 (Nunally, 1978) whereas the eco-market factor produced a lower alpha coefficient of 0.3331, indicating a weak correlation among the 8 items loaded onto it. This factor was excluded from further analysis due to scale reliability problem and its low perceived mean value (mean=2.58). The customer relationship (CRN) factor is, for example, consisted of 6 inter-related items that are more consistently responded to by 189 (out of 203) respondents as shown by the highest reliability coefficient of 0.872. This means that 'customer relationship' is a reliable measurement for the 6 items. But, the eco-market factor, if not excluded, will make the measurement scale less reliable. Finally, the four acceptable marketing and finance factors were ranked according to their perceived impact on the performance and development of SMEs and analysed in detail.

Marketing Actions: As shown in Table II, the marketing action factor is consisted of 7 items. Thus, the difference in mean values among critical factors is caused by perceptual differences in evaluating them. Marketing action was rated highest as a critical success factor for SMEs. This is in line with the findings of previous studies. Detailed analysis of the mean values of the 7 marketing related items shows that product/service marketing has contributed more significantly to the marketing action factor than the other six items.

Table II

Mean Ranking of Marketing Action Items

Rank	Marketing Action Items	N	Mean	Std. D
1	Product/service marketing	196	3.62	1.203
2	Marketing research and information	200	3.57	1.105
3	Demand forecasting and analyzing	200	3.42	1.053
4	Pricing policy and strategy	200	3.39	1.133
5	Trained sales staff and Promoters	197	3.39	1.175
6	Market segmentation	196	3.22	1.219

Since small firms have very limited resources to solve their problems, it is essential to prioritize those items that have greater impact on their success than do others. As shown above market segmentation has relatively less impact on SMEs than other marketing related items like product marketing and marketing research and information. Understanding the impact of different activities would enable SMEs support agencies and practitioners to find practical solutions. This finding is in line with the findings of other previous studies. Walsh (1988), for example, found sales and marketing issues as critical success factors for SMEs. He specifically reported that promotion, marketing research and training are more important than other activities. McKenna (1991), and Romano and Ratnatung (1995) also acknowledged marketing activities as being most important factors affecting small business success. Larson and Clute (1979) noted that most SMEs have a very limited knowledge of the marketing concept. Most consider marketing generally to be a little more than advertising and public relations. McKenna (1991) also found that most managers/owners of SMEs lack basic marketing skills. Small business marketing is entirely dependent on the depth of experience and knowledge of owners/managers. Often, marketing planning activities are limited to planning for "selling" within a narrow industry perspective (Cowan 1990). Weinrautch et al., (1991) have studied the marketing problems of small businesses and identified lack of knowledge of the true cost-benefit association of marketing as one of the major problems. Most small businesses especially start up firms usually misinterpreted the cost involved in and the benefits derived from marketing both in the long and short run.

Customer Relationship: Today quality has become the basis of global competition. Competitiveness and survival are possible if only SMEs can provide quality product/services and achieve customer satisfaction, which leads to customer loyalty-a prime determinant of profitability. It is easier to retain existing customers than attracting new ones. Customer relationship includes keeping customers' record, making follow-up on customers behaviors, improving knowledge of their characteristics, understanding the market complexity etc. The respondents placed more emphasis on keeping customer records and follow-up on customers' behaviour. Parasuraman, et al., (1988) found that inability to measure customer satisfaction through systematic and formal approaches has greater repercussions on the performance of service companies than on manufacturing firms.

It seems, from the data, that SMEs have clear understanding of the important role played by establishing customer relationships. But, the trade off between perceived cost of establishing the relationship and the possible economic benefits of the relationship seems unclear. Huang and Brown (1999) found that sales and marketing related items are the most significant problems in SMEs in Western Australia. Hofer and Sandberg (1987) found that smaller firms do not attempt to establish long term working relation with their customers. Monk (2000) also identified lack of adequate information on customers and lack of commitment to obtain feedback from customers as two important problems affecting customer relationship. Suzzette et al., (2001) conducted a study of small business problems in South Africa and found marketing and customer care to be equally important as financing and human resources related factors.

Investment Analysis: The investment analysis factor includes 7 items and was rated third by the respondents. The performance of SMEs is affected by lack of financial record keeping and documentations, insufficient provision for contingencies, high investment in fixed assets particularly during start up stage, inadequately estimated capital requirements, inability or failure to analyse financial statements, misperception of turnover as profit, and under utilization of company assets. Although all items have contributed to the importance of investment analysis in SMEs, high investment in fixed assets and inadequately estimated start up capital are rated as major problems. SMEs do not usually use external advisers when making decision on the amount of capital they need. Lack of investment analysis may result in the use of right sources of capital for wrong purposes; or the wrong sources of capital for the wrong purpose; or the wrong sources of capital for the right purposes when in fact they should use only the right sources for the right purposes. High investment in fixed assets means that a huge sum is unnecessarily tied up in fixed assets. Start up firms must not tie their initial capital in fixed assets because the return from fixed assets cannot be realized in the near future. Investment analysis often produces alternative ways of financing current and fixed assets and identifies appropriate sources of funds. SMEs may lease or hire fixed assets rather than buying them with the limited cash available for the small firm. Although the fixed assets can be used as collateral for bank loans, it is mostly difficult for new start-ups to get adequate credits and overdrafts to be used as working capital. Many studies have also found that investment analysis is a critical success factor for SMEs. Weetzel and Jonson (1999) for example, found that accounting background, financial analysis and planning affect the performance of SMEs. Huang and Brown (1999) studied the problems of firms in different industries in Australia and found that investment decisions are more critical for manufacturing firms than for service firms. Ivy (1997) found financial analysis to be the most crucial of all the five-selected factors. Several other researchers confirmed that lack of investment analysis at initial start up and growth stages has always been an important factor inhibiting the growth of SMEs.

Working Capital Management: Working capital management deals with the process of planning and controlling current assets and current liabilities for smooth organizational operations. Problems in the management of credits and overdrafts, poor cash flow analysis, poor management of inventory, cash, account payables and receivables, and unplanned withdrawal of cash may have a devastating impact on the performance of SMEs. The study found that working capital management is a critical success factor for SMEs. Failure in collecting account receivables may have serious impact on liquidity and settling short-term credits and overdrafts. The respondents indicated that poor management of inventory and cash, and unplanned withdrawal of cash are the most influential problems related to working capital management. These problems may also lead to or caused by investment analysis related problems. High investment in fixed assets may lead to lack of resources to buy current assets or to settle current liabilities. The Botswana government has recently made a decision that before getting any financial assistance or grant, entrepreneurs should enroll for management and accounting related course at the Institute of Development Management as an awareness course to enable them manage their working capital.

Sometimes cash will be tied up in accounts receivable as credit sales to customers increases. Sometimes they postpone repayment of short-term liabilities until it becomes a threat to them. Sometimes SMEs hold unnecessarily large inventory tying up their limited capital. Cash is the net outcome of the activities of a business. If SMEs are operating efficiently, the operating cycle moves smoothly through the cash-to-inventory-to-receivables-to cash stages, and final decisions are concerned with the distribution of residual cash. If the cash conversion cycle is interrupted or if the flow is distorted, financial problems ensue that may have grave consequences if they are not quickly worked out (Abdelsemed and Kindlin, 1978). Mismatching sources and uses of funds is also a major problem. The liquidity problem of start-ups is associated with day-to-day decisions. Small firms often fail to distinguish between long and short term financing needs and sources. Many start-up firms experience a mismatching of funding sources and uses. Huang and Brown (1999) also found that internal financial management is more critical for wholesale and retail firms than for manufacturing firms. They also pointed out that cash flow analysis and debt management were the two most frequently occurring problems in SMEs. Monk (2000) also confirmed that the growth of small firms is affected by lack of working capital management. He also underlined that managers/ owners in SMEs usually lack the ability to prepare and understand cash flow statements to make important decisions regarding working capital requirements.

Do Perceived Problems Vary From Firm To Firm?

This section evaluates the relationship between selected critical factors and demographic variables. Analysis of variance (ANOVA) was undertaken to determine whether significant relationships exist between the two. The F-test results, as shown in Table III, measure the degree of significance of the relationship between marketing and finance factors and demographic variable at different degrees of freedom (df) and number of valid cases. The level of significance for each f-test value is presented as probability level (p). The findings showed that firm size has a statistically significant relationship with marketing action (6 items) at $P<0.01$ and with customer relationship (7 items) at $P<0.05$ level of confidence. Likewise, the legal form of organization (i.e., whether the firm is registered as sole proprietorship, partnership or corporation) is also significantly related to marketing action. In other words, sole proprietorship, partnership and corporations perceive marketing related items differently. The type of industry in which SMES are operating is also significantly related to the working capital management factor (7 items) at $P<0.05$ level of significance. Thus, SMEs operating in the service industries and those operating in the manufacturing or merchandising sectors perceive working capital related items differently.

Table III

The Relationship between Demographic Variable and Critical Factors

		MKT		IAN		WCM		CRN	
	DF	F	P	F	P	F	P	F	P
Size	2	3.412**	0.005**	0.476	0.622	0.454	0.636	2.671*	0.049*
Form	2	2.135*	0.021*	2.264	0.107	1.636	0.198	1.013	0.365
Industry	2	0.681	0.508	1.126	0.327	3.248*	0.041*	0.481	0.619
Status	3	3.142*	0.027*	3.498*	0.017*	0.916	0.434	4.844*	0.003**
Exper	3	1.751	0.158	2.553*	0.047*	0.831	0.478	0.018	0.997
Period	3	2.046	0.109	3.521*	0.016*	2.539*	0.048*	0.026	0.994
Citizen	2	0.019	0.981	2.223	0.111	2.183*	0.016*	4.209*	0.016*
			DF=184		DF=167		DF=169		DF=176
			N=186		N=186		N=193		N=189

*P<0.05 and **P, 0.01

As shown in Table III, the managerial status of the respondents has an important relationship with all the four marketing and finance factors except working capital management. The status of the respondents was divided into owner managers, part-owner managers, and salaried managers. Thus, managers with different status in the firm may perceive the impact of marketing and financing related problems in different ways. Table III shows that the experience of owners/managers is related to only the investment analysis factor, whereas the age of the firm is significantly related to investment analysis and working capital management at $P<0.05$ level of significance. This indicates that the impact of marketing and finance related problems on new, growing and maturing firms are different. In sum, the findings showed that marketing and financing are perceived by SMEs to be critical factors affecting their performance, and that the degree of impact of these factors is not similar across firms. The perceptions of SMEs about the marketing and finance factors vary according to their demographic characteristics such as firm size, legal form, industry type, status and experience of owners/managers and firm age.

Conclusions

Starting and operating a business of one's own is very appealing to many people, but it is also fraught with risks. A large number of SMEs fail each year because entrepreneurs are often unaware or ill equipped to handle the business problems they face. Although business failure cannot be completely avoided, it can be reasonably reduced if its causes are recognized and preventive actions are taken. The findings show that the sample firms are largely small sized established corporations operating predominantly in the merchandising and service industries and managed by either owner (part-owner) managers or salaried professional managers who have years of previous managerial experience. These firms have various problems, including marketing and finance problems, affecting their day-to-day performance. The study identified four marketing and finance factors. Small firms equate marketing with advertising and hence they do not put all the necessary marketing efforts to maintain and develop their customer base. The study identified lack of product/service marketing and lack of market research and information are among the major problems affecting the performance of SMEs. The other important marketing factor is lack of customer relationship management. SMEs do not keep customer record, do not make follow-up on customers, and do not understand the characteristics and buying behaviour of their customers. The sample firms indicated that uncdercapitalization, lack of financial planning, inadequately estimated start up and expansion capital, inadequate contingency plans, lack of financial control, confounding cash with profit, unnecessary withdrawal of cash for personal consumption and so forth have significantly affected their performance. As most of the firms are operating in the service sector, working capital management was the most challenging financial problem. Lack of effective management of current assets like cash, inventory, and accounts receivables as well as current liabilities such as overdrafts, credits, accounts payable, etc have affected the performance of SMEs particularly in the service sector. The study also confirmed that the impact of these problems is not similar for all SMEs. SMEs with different demographic characteristics perceive the impact of these problems in different ways.

Thus, SMEs must be assisted to overcome their marketing and finance problems through a comprehensive assistance and educational programmes. Current assistance programmes in Botswana focus excessively on the provision of loans and grants. It is not uncommon that SMEs use the right sources of finance for the wrong purposes or vice versa. Educating entrepreneurs about investment analysis and working capital management can effectively overcome this problem. The need for a variety of policy options to overcome these problems has also become apparent. The provision of venture capital funds should be accompanied by provision of technical, financial and managerial training. Adequate attention should be given to investment analysis and market research in entrepreneurial education and training. The more conducive the business environment and the more rewarding entrepreneurial activities, the more likely new businesses will emerge and grow. Individuals are more likely to be encouraged to start their own business when the social environment (government, institutions, and the public) values entrepreneurship, opportunities are available, and entrepreneurs have sufficient knowledge and skills to start and manage their businesses. The findings show three important implications for policy makers, SME stakeholders/practitioners and researchers.

First, the designing and implementation of small business assistance programs should be based on the identification and prioritisation of the main causes of small business failure. All problems do not have equal degree of complexities, magnitude or impact on small business performance. Different problems with different degree of perceived impact on SMEs can be addressed at different times in different ways depending on the availability of resources and situations in the operating environment. A proactive entrepreneurial development programs require long-term view of current problems.

The study of small business problems must target on finding long lasting and sustainable solutions. Entrepreneurship cannot develop in a vacuum. Efforts must be made to incorporate entrepreneurship into the national culture and way of life. This calls for the integration of entrepreneurship with school curriculum starting from kindergarten. Currently, there is a widening gap between educational institutions (schools, colleges and university) and the actual world of work. The study of small business problems must find strategies to bridge or narrow this gap, and focus on building long term potential. The increase in the number of small businesses in the economy should not be equated with the development of entrepreneurship in the country. These are two different constructs. It is the development of entrepreneurship that leads to an increasing number of viable small firms, not vice versa. Thus, the implication of this paper for small business support group is that the development of a proactive entrepreneurial program should be based on an empirical investigation of small business problems, with the view to achieve long-term sustainable solution. SMEs support group including the government should focus on building competitive potential of SMEs through not only material and financial assistance but also through education, training, strategic awareness programs, and entrepreneurial orientation. The target should not be increasing the number of SMEs but to achieve changes in entrepreneurial attitude of the people of Botswana at large.

Second, the research design, operationalization, and conceptualization of small business critical factors need to be re-explored. Various researchers have used different approaches and tools to study small business problems. Review of existing literature revealed many problems, which can be grouped into four. (1) Some studies use mailed questionnaire as the only data collection instrument. Questionnaire as data collection instrument has many problems. Unless it is supplemented by other technique like in-depth interview and focus group discussions, it is not a reliable instrument. The researcher cannot, for example, have control over who actually filled the questionnaire. It does not also allow the researcher to probe on some questions. (2) Some studies use a sample of small firms from different industries.

The use of mixed sample firms makes the findings very difficult to generalize to all areas of business. Different firms in different industries perceive organizational, managerial and environmental problems differently. Working capital problems could be more critical for service companies than manufacturing firms. (3) Firm size and stage of development of the firm also have very serious repercussions on financial performance. An increase in size influences the availability and use of resources. Studies that do not investigate problems of small, medium and large sized firms separately will have implementation problems. Business organizations operating at different stages of development in their life cycle may have different types of problems with different degree of intensity and complexity. Thus, future studies to identify small business critical factors must pay special attention to their sampling strategies. (4) The implication of significant relationships between demographic variables and critical factors shows that there is a strong need to investigate the problems of firms organized as proprietorship, partnership and corporation using a different research design and procedures.

Third, the findings of the study also have important implications for practitioners in SMEs. Owners/managers in SMEs tend to excessively focus on short-term profitability and put very little emphasis on building long-term competitive potential. There is strong need on the part of practitioners to think and act strategically with a view to achieve sustainable competitive advantage in the long run. This study has identified four marketing and financing factors affecting the performance of SMEs. However, since SMEs do not have all the resources and capability to solve these problems simultaneously, they must prioritise problem areas to be addressed. Attempts to address selected strategic issues will have longer lasting solution than the sum of all efforts made to alleviate short-term operational problems.

If marketing activities are considered critical to the survival and growth of SMEs, the strategic issues within the marketing construct must be identified and addressed step by step depending on their long-term impact on the competitive potential of the firm. In sum, future research must focus on the development, testing and validation of a measurement scale designed to identify critical factors for firms operating under different financial and managerial environment. Regarding the implementation of research findings by small business support agencies, problem areas should not be considered as independent of themselves. The critical factors are highly interdependent. Failure to effectively address operational problems may lead to the compounding of strategic problems. Thus, it is essential to investigate and understand the real causes of business problems. Lack of marketing or financing is not a problem by itself. It is the consequence or effect of other factors such as lack of skill, information or other resources.

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CURRENT DEVELOPMENTS

The Social Implications of the Proposed Liquor Regulations 2005

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Abstract

Alcohol has been used in most societies for many centuries, and when taken in moderation, it has been considered socially acceptable. However, there is a general perception that alcohol consumption has reached epidemic proportions in Botswana. Problems associated with excessive consumption of intoxicating liquor are many and diverse. These problems have prompted the Botswana government to draft a legal instrument seeking to, among other things, introduce strict liquor trading hours. The primary intention of this legal instrument is to drastically reduce alcohol consumption in the country with a view to eliminating the majority of its negative impacts. This article seeks to assess the social implications of this proposed liquor legislation.

Introduction

Although a systematic nationwide study is still to be conducted to assess the extent of alcohol abuse in Botswana, anecdotal evidence suggests that alcohol consumption in the country has reached alarming proportions. Political leaders, religious leaders, the mass media and community leaders have openly lamented what they perceive as excessive alcohol consumption in Botswana. NACA (2005) presented statistics supporting these perceptions. Of the male respondents in that study, 64.4 percent reported ever deliberately drinking alcohol, whilst 35.6 percent of female respondents reported doing so. About 73 percent and 27 percent of male and female respondents respectively reported drinking alcohol less than a week prior to the survey (NACA 2005). This is indicative of high alcohol use in Botswana. Other sources that indicate overindulgence in intoxicating liquor in Botswana include Campbell & Ntsabane (1996), Molamu & Manyeneng (1988), Ministry of Labour and Home affairs (1996), Gobotswang (2003), Talbot, et al. (2002). Excessive liquor consumption has serious health and social consequences. These are discussed later in this paper.