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Determinants of SMMEs business Success in Botswana

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ABSTRACT

Abstract

Small Medium and Micro Enterprises play a crucial role in global economic development, employment creation, and poverty reduction. However, their potential in Botswana is not fully realized, with over 50% of businesses folding within three years of establishment. This lack of sustainability poses a risk for performance, success, and innovation, as well as discourages new entrants and investors. Thus, the study investigated the determinants of small, medium and medium-sized enterprises business success in Botswana through the theoretical lenses of configurational approach. Specifically, the study identified the factors that influence small, medium and medium-sized enterprises business success in Botswana, ascertained the influence of Business characteristics on small, micro and medium-sized enterprises business success in Botswana, the influence of business strategy and structure on small and medium-sized enterprises business success in Botswana, the influence of business environmental factors on small and medium-sized enterprises business success in Botswana, and the influence of organizational factors on small, medium and medium-sized enterprises business success in Botswana. The target population of the study were small, micro and medium-sized enterprises in Botswana with a total sample of 69 small and medium-sized enterprises forming the final sample for analysis. Relying on the quantitative research design, analysis was done using descriptive statistics and the Poisson regression estimation technique. The results of estimations revealed that high competition in the line of business, and the business engaging in online marketing frequently reduced profits negatively, while business transaction record keeping, higher level of education (schooling years) of the business owner, high frequency of preparing financial statement, giving incentives to employees, and operating business account with mobile significantly increased business profits. Furthermore, disaggregated results for each factorial group were also reported. The study concluded by emphasizing the implications of these findings as they hold substantial relevance for small, medium and medium-sized enterprises in Botswana, offering actionable insights to enhance their business strategies and operational practices. Finally, several recommendations are made in line with the findings of the study.

Declaration

I do hereby affirm that I am the sole author of this thesis on The Impact of Corporate Governance Mechanisms on the performance of Microfinance Banks. The contents in this thesis are the result of the research that I have done on the topic and my experience in the industry. The research submitted for the degree of Doctorate in Accounting, Finance and Management at Selinus University is my original work. The material, articles and data referred in the dissertation have been cited in the thesis.

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List of Abbreviations

SMME	Small, Micro and Medium Enterprises
LEA	Local Enterprise Authority
CEDA	Citizen Enterprise Development Agency
BIDPA	Botswana Institute for Development Policy Analysis
NDP	National Development Plan
IFS	Integrated Field Services
FAP	Financial Assistance Policy
BDC	Botswana Development Cooperations
EU	European Union
SADC	Southern African Development Community
SACU	Southern African Custom Union

1. INTRODUCTION

1.1 Background to the Study

Small Medium and Micro Enterprises (SMMEs) have been increasingly acknowledged for their significant contribution towards economic growth, employment creation and poverty reduction. As a result, the last decades of the 20th century have seen SMMEs occupying an important position in the global economic development (Analoui and Madhoun, 2006): and as a” stepping stone to industrialization, both for developing and developed economies” (Murrithi, 2017:36). Indeed, there is a global awakening to the significant role of SMMEs in Gross Domestic Product growth (GDP), additional tax receipts, wealth creation, employment creation and poverty alleviation not only in developing countries but even in developed countries as well (Madhoun ,2006; Muller, et.al, 2014; OECD, 2014; Chowdhury, 2011; Chimucheka and Mandipaka, 2015: Chong,2012: Iraj and Besnik, 2011, Aris, 2007).

In European countries for instance, SMMEs are considered as the backbone of the economy (OECD, 2014, Muller, et.al, 2014; Gagliardi, et.al, 2013). For example, it was observed that SMMEs represent 99.8% of all non-financial businesses and are responsible for generating 66.8% of total employment in European countries (Briozzo and Riportella, 2012). In the same vein, SMMEs in United States are regarded as the economic engines as they account for 99.7% of the highest employing companies and also represented 65% of the new employment growth from 1993 to 2009 (Small Business Administration, 2009). Moreover, in Japan, SMMEs account for 99.7% of all companies, 70% of all employees, and more than 50% of all added value of manufacturing industry (Meti, 2013). In addition, in New Zealand in the early turn of the century, SMMEs represented 86 percent of its 259,000 businesses with these firms accounting for approximately 27 percent of the total employment (Robert and Leo Paul, 2003).

Furthermore, according to the World Bank Report (2010:46) the role of SMMEs sector is highly recognized for its centrality in the revival of Asian economies such as India, Bangladesh and Malaysia. For example, in Malaysia, 99 percent of the total business establishments are SMMEs and they contribute 31 percent of the nation’s GDP and provide 56 percent of the total employment (National SMME Development Council, 2011; cited in Chong, 2012). According to Sham (2014), in China, SMMEs provides 80% of the total employment to the urban population and contribute 60% of GDP. Ayyagari and Beck (2003) observed that, in high income countries

SMMEs contribute 51% of the GDP, whilst the middle-income countries which contribute 39% and lastly the low-income countries contribute 16%.

1.1.1 SMMES in Africa

SMMEs in the context of Sub-Saharan African region play a very significant role in poverty reduction, employment creation and boosting countries' GDP countries (Benzing & Chu, 2012). According to Hatega (2007) SMMEs in Sub Saharan Africa account for more than 95 percent of all companies. In Africa, SMMEs contribute about 50% of the GDP and they constitute more than 90% of business (Fjose et al., 2010; Kamunge, Njeru & Tirimba, 2014).

In Botswana, SMMEs development is at the centre of the country's economy (International Trade Centre, 2019) and is perceived as a key driver of one of the national developmental goals of sustainable economic growth and diversification (Republic of Botswana, 2003, p. 62 cited in Pansiri and Yalala, 2017). According to Temtime and Pansiri (2004), SMMEs are regarded as the panacea to a number of economic problems, mainly because of its ability to create employment and its use of "relatively labor-intensive technologies, among other reasons. They are regarded as essential engines of employment creation and drivers to economic diversification in the country. For instance, SMMEs in Botswana, employ more people per unit of investment than the large firms (Temtime et al., 2004). Results from a study by BIDPA in 1999 revealed that Micro Enterprises in Botswana employed about 50 000 people, and small enterprises employed about 6 000 employees and finally medium enterprise was responsible for creating 300 jobs (Nkwe, 2012). In consideration of the population of Botswana, the contributions of SMMEs towards employment creation is quite significant. The government of Botswana has openly acknowledged the importance of SMMEs in its economic development and economic diversification drive. This is underscored by the creation of policies, organizations and funds to support SMMEs development and growth. (International Trade Centre, 2019).

According to Pansiri and Yalala (2017) the promotion of SMMEs in Botswana dates as far back as the 1960s. This support took the form of funding for start-up firms, entrepreneurship training, market access and research innovation and technical assistance (Pansiri and Temtime, 2010; cited in Pansiri and Yalala, 2012). Moreover, the inclusion of SMMEs on the National Development Plan (NDP) as one of the important economic driver from as early as 1991 to date,

is an indicator of the government's commitment to the cause of SMMEs. In addition, the government further established a support system in the form of Integrated Field Services (IFS) whose main mandate was to provide technical and management training to SMMEs. Subsequently Local Enterprise Agency (LEA) was established as a complimentary service to the government SMMEs support mechanisms. Following that, yet another body was established in the name of Citizen Entrepreneurship Development Agency (CEDA), whose mandate was to provide SMMEs with a life line of subsidized financial assistance. Also, other financial institutions also came on board to help CEDA in providing financial support, such as the Out of school Youth Grants, National Development Bank (NDB) and Botswana Development Corporation (BDC).

The prioritization of SMMEs in the country is being considered due to the fact that it can serve as a vehicle of economic diversification, especially due to the realization that as a country, continual dependence on diamonds and beef is not likely to be economically sustainable in the future. In addition to this, the recognition of the crucial role of SMMEs in poverty eradication, employment creation and economic advancement is also a major reason for the attention being given to it. According to Nkwe (2012), the SMMEs sector is constantly proving to be engine of economic growth as it reaches out to the marginalized population as well as being used as a platform of technological development.

Hence, the aim of this study is to analyse the factors affecting business success of SMMEs in Botswana with a view to propose possible strategies towards reduction of SMMEs mortality and promotion of growth in the sector. This chapter presents the introduction; background to the study, discusses the problem statement, objectives and questions of the study and significance of the study.

1.2 Statement of Problem

In Botswana, the potential of SMMEs does not seem to have been fully realized as their contribution to the overall economic wellbeing of the country is still relatively small. Furthermore, it is disappointing to note that, despite the role played by the SMMEs sector and the support that they get from the government of Botswana as one of the economy diversification drives (Mutoko and Kapunda, 2017), more than 50 percent of these businesses fold up within three years of being established (Biyase, 2009; Fatoki & Smit, 2011). This does not only show lack of sustainability but it also poses a great risk for performance, success and innovation. And

when firms fold up within a short period, other individuals are likely to be discouraged to enter the market, and investors are also unlikely to enter the market.

A major aspect of the success of SMMEs which both individual firms and the sector as a whole in Botswana have not witnessed considerable advancement is their growth and profitability. Growth is usually an important segment of a firm's success. Firm growth as described Coad (2018) occurs when firms are able to increase their size. This is usually measured in terms of increased sales, employment growth, expansion in assets, and value added. The failure rate of SMMEs in Botswana is estimated to be over 80% (BIDPA, 2011), with over 70% of start-up firms failing in their first 18 months and only less than 2% of them expand their businesses. This shows that firm growth is actually weak and small in Botswana, As Mannathoko (2011) put's it rightly, despite of the concerted efforts which have been made in order to develop and boost SMMEs growth and profitability, the failure of small business in the country continues to increase at worrying rate.

As earlier mentioned, one of the main problems affecting the success of SMMEs in Botswana is their low survival rate. And a major reason for this is lack of profitability. When businesses are not profitable their ability to survive and grow becomes hampered. Maverick (2021) notes that for firms to be successful and remain in business, profitability is key for the short run while growth is key for the long run. Productivity levels remain largely untapped hence influencing profitability negatively. Available data shows that the average output of companies surveyed in the Botswana enterprises survey of 2019 was 58% of the maximum possible output, showing that many companies were utilizing only at least a half of their capacity. Furthermore, there was wide variation in the degree to which firms made use of their potential, and many were far less productive (International Trade Centre, 2019), and hence unprofitable.

Again, the high failure rate of SMMES is a global phenomenon, facing many countries in both developed and developing economies. Studies attribute the unacceptable high attrition rates to a several challenges faced by SMMEs sector (Chemucheka and Mandipaka (2015). Although a number of studies have been conducted to establish the factors that contribute to the success or failure of SMME, the findings are inconclusive (Mihajlovi et al., 2015; Arasti et al., 2012). In the same vein, Ganyaupfu (2013) observed that several empirical studies on factors influencing the success of SMMEs has been generally grouped into two approaches either through a narrow approach of looking at internal / organizational factors or by taking a broader framework that

focuses on the external environment. Furthermore, most entrepreneurial studies have concentrated on a few sets of variables, such as psychological and personality traits of entrepreneurs, the managerial skills and training of entrepreneurs, and external environment (Benzing et al., 2009). A brief review of literature has also shown that researchers do not unanimously agree on a particular set of variables that contribute to the success of small businesses (Teng, Bhatia and Anwar, 2015).

In this study, we focus on predictability and growth as critical aspects of business success and how firms strategy, structure, environment and access to credits, and access to larger markets, affects business success. However, it is important to acknowledge the presence of others factors as likely determinants of firm success. The AfDB and OECD (2005) in a report stated that the development of SMMEs in Botswana has over the years been bedeviled from other problems such as unfavorable laws and regulations, lack of premises, lack of information on government assistance programmes, lack of business start-up training and lack of entrepreneurial “role models”. SMMEs have also been noted to lack particularly in developing countries (Nathan et al., 2015) some important business management attributes that are needed to run successful enterprises which include managerial experience, business acumen and effective performance management of employees, and business training (Richardson et al., 2004; Chiliya, 2012). And these have also resulted in leading to the increased problems with these firms face in succeeding, making the survival rates of SMMEs in Botswana were reported to be very low.

A great motivation for this study lies in the persistent problems raised despite numerous interventions put in place to improve SMMEs success in the country, owing to the fact that their potentials to the economy is huge. The Government of Botswana’s in the past and present have developed and made available notable initiatives to make the environment conducive and attractive for SMMEs and other businesses to thrive. Examples of such schemes include the Financial Assistance Policy (FAP) and the Citizen Entrepreneurial Development Agency (CEDA). Other sister policies include the National Policy on Vocational Education and Training, and the Industrial Development Policy. Despite all these initiatives, the profitability and growths remains weak. Hence, this study is an attempt to unravel, using a more quantitatively driven approach, to investigate the determinants of SMMEs business success (with a key focus on profitability and growth) in the context of Botswana. The study will do so by adopting the

configurational approach with a specific focus on structure, strategy, environment, access to finance, and access to larger markets.

1.3. Research Objectives

1.3.1 Main Objective

The general objective of the study is to investigate the determinants of SMMEs business success in Botswana through the theoretical lenses of configurational approach

1.3.2 Specific Objectives

- i. To identify the factors that influence SMMEs business success in Botswana
- ii. To ascertain the influence of Business characteristics on SMMEs business success in Botswana
- iii. To ascertain the influence of business strategy and structure on SMMEs business success in Botswana
- iv. To ascertain the influence of business environmental factors on SMMEs business success in Botswana
- v. To ascertain the influence of organizational factors on SMMEs business success in Botswana

1.3.3 Research Questions

- i. What are the factors that influence SMMEs business success in Botswana?
- ii. What is the influence of Business characteristics on SMMEs business success in Botswana?
- iii. What is the effect of business strategy and structure on SMMEs business success in Botswana?
- iv. What is the effect of business environmental factors on SMMEs business success in Botswana?
- v. What is the influence of organizational factors on SMMEs business success in Botswana

1.3 Significance of the Study

In view of the crucial role that SMMEs play in economic development, through employment creation, poverty eradication, wealth creation, economic diversification, and citizen empowerment, the proposed study may contribute towards economic growth by highlighting

those factors which determine the success of SMMEs and thereby reducing business failure of the same.

Secondly, as alluded to by Dobbs and Hamilton (2007), the need for new theoretical perspectives and alternative types of research can never be over-emphasized as it extends the theoretical and empirical understanding of small business success factors. Thus the proposed study is expected to contribute to the body of knowledge in the area of entrepreneurship development by providing further insights into variables used in models that address business success issues for SMMEs.

Thirdly, the study is expected to bring another dimension to the existent literature on the determinants of SMMEs' success in the context of Botswana. In the same vein, the study is expected to contribute meaningfully towards the reduction of failure of SMMEs and promote entrepreneur success by highlighting those factors that determine SMMEs business success. Therefore, the study is expected to be of benefits to current and future entrepreneurs, as well as different stakeholders, such as parties who assist and advise them, investors and financial institutions who provide them with capital injection, and the society at large.

Finally, the study is expected to contribute towards the development of a framework for ensuring success and business growth for SMMEs in the country. Thus, the outcome from the proposed study is expected to contribute towards the government's economic diversification and citizen empowerment drive by providing evidence-based insights on the determinants of SMMEs success in Botswana. This may also form the basis of policy formulation with regards to SMMEs development

1.6 Scope or Delimitations of the Study

The proposed research will have the following limitations: The research is limited to Botswana SMMEs operating in Botswana. Second, the study will only consider small businesses in the SMME (owner-manager) category. In addition, the variables used in the research include strategy, structure, environment and location.

1.7 Organization of the Study

The study begins with the introduction in the first chapter, where we deal with the background to the study, statement of the research problem, objectives of the study, statement of the research

hypothesis, scope and significance of the study, and the organization. The next section is chapter two, where reviews of related literature are carried out covering concepts and the conceptual framework, to the review of theoretical literature, the review of empirical studies and limitation of previous studies with respect to the current study and the gaps to be filled by the study. Chapter three discusses the methods to be used in data collection and to generate data, the models to be estimated, and also the estimation techniques to be used for the data analysis. Chapter four will cover the presentation, and the discussion of the results found, and the testing of the stated research hypotheses, while the final chapter, which is chapter five, comprises of summary of research findings, the conclusion, and recommendations.

1.8 Summary

This chapter includes an introduction, research background, problem statement, and research goals and objectives. In addition, this chapter discusses the importance/contribution of research and research hypotheses and research organization.

2. LITERATURE REVIEW

2.1 Introduction

Guided by the stated research questions of the study, this section discusses the determinants related literature by examining related literature. It starts by defining key concepts, followed by the addressing the research questions and finally the conceptualization of the study.

2.1.1 Definition of SMMEs

An extensive examination of various SMMEs definitions globally, reveal that there is no commonly accepted definition of SMMEs as they vary by country, industry, business size, assets and products or services (Muriithi, 2019). Thus, there is a general consensus among several scholars that SMMEs have no universally accepted definition (Berish and Pula, 2015; Pansiri and Yalala, 2012). Furthermore, several authorities argued that lack of a one size fit all definition of SMMEs could be due to the fact that each economy uses different measurement standards, depending on the microeconomic environment in which they operate (Mutula and Brackel, 2006; Phakisa, 2009; Muriithi, 2019). However, most people who try to use dimensional classification based on scale (including several employees and annual turnover) define it quantitatively. On the other hand, another school of thought defines it qualitatively through management characteristics, ownership structure, and other non-quantifiable aspects that distinguish it from large companies. For example, the European Commission has developed guidelines on defining a company: number of employees, annual turnover, and annual balance (European Commission: 2005). Despite lack of a universally accepted definition, the most recently approved definition out of various research generally define SMMEs as those with businesses with less than 250 employees even though very small businesses may have less than 50 employees whilst micro-enterprises have between 5 and 10 workers or less (Muriithi, 2019).

2.1.2 The concept of entrepreneurship success

Evidence from various empirical studies show that there are many ways to define success and different measurement standards, such as financial and non-financial measurement standards. For example, economic indicators include sales, number of employees, assets, earnings, and capital (Davidsson and Wiklund 2000; Weinzimmer et al., 1998; Perren, 2000). On the other hand, another school of thought posits that the financial and non-financial measures of success are

complementary when presenting the actual performance of SMMEs (Wiklund et al., 2009; Buttner and Moore, 1997; Murphy et al., 1990 VI).

2.1.3 Definition of SMMEs success

Success is evaluated as a company's growth and financial performance, measured by relative changes in sales, net sales, value growth, and relative changes in equity (Lingegård and Sandström, 2008). This is a widely used concept for the success of SMMEs, where the monetary value of a business is considered as a sign of success. Therefore, according to this definition, a successful company refers to a company that has improved net turnover, value growth, and capital changes. Chong (2012), on the other hand, defines business success and accomplishment by measuring internal factors such as personal satisfaction. It can be seen from the definition, that Chong uses non-financial indicators to measure a company's success, such as company's ability to successfully achieve its set goals and owner's satisfaction with its performance. Although, this can be a simple way of measuring business success, however, the only weakness is that it is subjective, and it does not consider the limitations of the owner when setting goals and planning the business (Ganyaupfu, 2013). In general, it can be concluded that defining business success is problematic as there is no single definition of business success (Stefanovic et al., 2010). This is due to the multi-dimensional nature of the concept, which reflects multiple variables such as perception, business type and environmental context, technical efficiency, impact on customers, diversity and potential (Hussain and Yaqub, 2010; Pasanen, 2003; Forsman, 2008). However, despite the differences in the definition of business success, the academic community generally believes that success is the ultimate goal of all business efforts (Forsman, 2008).

2.1.4 Success factors of small businesses

The rapid paradigm shift in today's business environment, fuelled by globalisation has transformed the business landscape, resulting in volatility, uncertainty, complexity and ambiguity in the market (Sousa et al, 2018). This means surviving and achieving business success in such a turbulent environment, requires the company that is ready to move towards innovation by establishing and maintaining a competitive advantage. Moreover, in consideration of the fact that most SMMEs businesses operates from a limited human, financial and material resources which calls for the need for maximization of the available resources to achieve

business success. Research shows that there are various factors that determine business success of SMMEs and that they can be broadly categorized into personal, organizational, and environmental factors (Baum, 2001; Zhou and Wit, 2002). In addition, Covin and Slevin (1999) cited in Sarwoko, Surachman, 2016 put forward factors such as organizational resources, organizational capabilities, organizational culture, and structure. Li (2009) also added personal skills to business processes.

2.1.5 Historical Overview of SMEEs in Botswana Evolution of SMMEs

The narrative of Small, Medium, and Micro Enterprises (SMMEs) in Botswana is a multifaceted and evolving trajectory that can be traced from the nation's early stages of independence to its present-day economic landscape. The interconnection between the development and progression of small, medium, and micro enterprises (SMMEs) in Botswana is intricately linked to the wider socioeconomic and political transformations occurring inside the country.

Prior to the late 1960s, Botswana's economy relied predominantly on the agricultural sector, with a particular emphasis on cattle farming, until the subsequent discovery of diamonds. The prevailing commerce and micro-business practices of the time were predominantly centered around subsistence-oriented activities. During the initial stages, the fundamental Small, Medium, and Micro Enterprises (SMMEs) were characterized by their operation as individual or family-owned enterprises (Chirau, 2014). It is worth noting that the nation lacked a well-defined framework or policy pertaining to Small, Medium, and Micro Enterprises (SMMEs). After achieving independence, the government embarked on nation-building and diversification efforts, leading to the emergence of small, medium, and micro enterprises (SMMEs) as potential catalysts for economic growth (Sentsho, Maiketso, Sengwaketse, Ndzinge-Anderson, & Kayawe, 2007).

According to International Trade Centre (2019), Botswana experienced a period of substantial economic expansion following the discovery of diamonds, resulting in significant transformations to its socioeconomic framework. Nevertheless, the country's reliance on diamonds became significant, necessitating the pursuit of economic diversification as a crucial strategic objective. Small, Medium, and Micro Enterprises (SMMEs) have been seen as viable opportunities to expand the economy beyond the confines of diamond mining. As a result, they

have garnered greater focus in the development of policies and initiatives by the government (Nkwe, 2012).

Botswana has implemented deliberate measures during the latter half of the 20th century to establish and cultivate the small, medium, and micro enterprises (SMME) sector. The implementation of organisations such as the Botswana Confederation of Commerce, Industry, and Manpower (BOCCIM) and initiatives like the Citizen Entrepreneurial Development Agency (CEDA) were strategically devised to enhance indigenous entrepreneurship inside Botswana (Sentsho, Maiketso, Sengwaketse, Ndzinge-Anderson, & Kayawe, 2007). In addition, the government implemented a range of financial initiatives and training initiatives specifically designed to tackle the distinct obstacles encountered by small, medium, and micro enterprises (SMMEs). These hurdles include difficulties in obtaining financing, as emphasized by Khanie, (2018) and Mutoko & Kapunda (2017).

During the turn of the century, Monyake & Kuruba (2021) observed that small, medium, and micro enterprises (SMMEs) in Botswana underwent a transformation from being primarily focused on survival to adopting a more growth-oriented approach. There has been a discernible transformation in the role played by small, medium, and micro enterprises (SMMEs) in the overall national economy of Botswana. These enterprises have emerged as key drivers in the country's endeavour to achieve sustainable economic development, generate employment opportunities, and foster innovation. Nevertheless, the evolving global environment, the process of digital transformation, and the dynamics of the market have introduced additional levels of intricacy and potential advantages for small, medium, and micro enterprises (SMMEs). Ongori (2009) further lend credence to this in his analyses the impact of information communication technologies on the evolution of small, medium, and micro enterprises (SMMEs) in Botswana.

The development and progression of small, medium, and micro enterprises (SMMEs) in Botswana serves as a symbolic representation of the country's dedication to harnessing the capabilities of small firms in order to stimulate diversity, foster innovation, and promote inclusive economic growth. The evolution of small, medium, and micro enterprises (SMMEs) in Botswana, transitioning from basic, survival-oriented activities to becoming an integral component of the country's economic apparatus, presents significant insights that can be applied to other developing nations.

2.1.6 Economic and Political Shift Impacting SMMEs

The development and progression of Small, Medium, and Micro Enterprises (SMMEs) in Botswana are intricately connected to the country's broader economic and political contexts. Throughout the course of time, the interplay between economic and political factors has exerted significant influence on the trajectory, problems, and opportunities encountered by small, medium, and micro enterprises (SMMEs).

The economic landscape of Botswana underwent a significant transformation as an outcome of the discovering of diamonds in the late 1960s within the field of economics. Botswana, previously regarded as one of the most economically disadvantaged nations globally, experienced a significant transformation in its economic status due to the substantial accumulation of diamond resources, leading to its transition into a middle-income country (Mzumara, 2012). Nevertheless, these newfound riches posed many obstacles. Although the diamond industry generated significant revenues, it also exposed the risks associated with excessive dependence on a singular commodity. The existence of possible vulnerabilities in the diamond market's swings highlights the urgent necessity for economic diversification. Against this contextual backdrop, small, medium, and micro enterprises (SMMEs) have emerged as crucial mechanisms for facilitating economic diversification, particularly in sectors that extend beyond mining, which include agriculture, tourism, and manufacturing. According to the analysis carried out by Sentsho, Maiketso, Sengwaketse, Ndzinge-Anderson, & Kayawe (2007), the emphasis on non-mineral sectors has had an indirect positive impact on small, medium, and micro enterprises (SMMEs). As a result, the government has implemented various supportive measures along with incentives to encourage the establishment and growth of small business ventures.

Moreover, the emergence of globalisation and Botswana's dedication to regional integration, particularly its proactive engagement in regional organisations like the Southern African Development Community (SADC), served two distinct purposes (Hartzenberg, Regional Integration in Africa, 2011). On the one hand, it has provided SMMEs with opportunities to explore new horizons and access hitherto untapped markets. On the contrary, it subjected them to intense competition, necessitating greater levels of innovation, adaptability, and adherence to global market norms. According to Banwo, Du, & Onokala (2017), the dynamic landscape

served as a measure of the resilience and adaptation of small, medium, and micro enterprises (SMMEs).

In tandem with these economic transformations, the political trajectories have also been of equal significance. The period following independence in 1966 was characterised by a strong and determined effort to construct a cohesive nation. In the context of the recently established independent state, the objective of economic expansion extended beyond mere GDP augmentation. Rather, it encompassed the imperative of guaranteeing the fair distribution of the benefits derived from growth, ultimately leading to substantial societal advancement (Gherghina, Botezatu, Hosszu, & Simionescu, *Small and Medium-Sized Enterprises (SMEs): The Engine of Economic Growth through Investments and Innovation*, 2020). In the framework of nation-building, small, medium, and micro enterprises (SMMEs) were conceptualised to encompass a broader scope beyond their mere economic role. These entities were perceived as instruments for fostering social cohesion, mechanisms for enabling individuals to assert their agency, and strategies for mitigating the effects of poverty (Dowling, O’Gorman, Puncheva, & Vanwalleghem, 2019). During this period, as observed by Ndiaye, Razak, Nagayev, & Ng (2018) policies adopted a comprehensive perspective, with the objective of promoting native entrepreneurship and ensuring that a wider range of individuals in society were involved in and gained from economic development.

One of the notable characteristics of Botswana is its remarkable political stability. The status of being one of Africa's most enduring democracies has proven advantageous for its economic climate. The presence of stable governance is crucial since it guarantees the implementation of consistent policies, hence minimising uncertainty for firms. Additionally, it frequently leads to the establishment of constructive rules that foster growth and development (Hanson, 2007). Within this favourable political climate, small, medium, and micro enterprises (SMMEs) have gained the necessary assurance to engage in investment activities, foster innovation, and pursue expansion opportunities. Stability emerged as a fundamental foundation on which entrepreneurs, particularly those of smaller scale that possess limited capacity to absorb shocks, may establish their enterprises with a reasonable expectation of consistent policies (Olubodun, 2019).

Nevertheless, it is important to acknowledge that this expedition was not without its difficulties. According to Abdul (2022) and Eggink (2021), small, medium, and micro enterprises (SMMEs) encountered various challenges, including limited access to financial resources and difficulties in

adjusting to rapid technological advancements, despite the favourable political and economic conditions. However, a notable aspect in the context of Botswana is the interdependent connection between the country's broader economic and political factors and the individual-level entrepreneurial activities. The interaction between small, medium, and micro enterprises (SMMEs) has resulted in these businesses encountering difficulties that are intrinsic to their nature and size. However, they have also benefited from broader national efforts aimed at promoting diversity, stability, and inclusive economic growth.

2.1.7 Challenges Faced by SMMEs in Botswana

Small, Medium, and Micro Enterprises (SMMEs) are of paramount importance to the economy of Botswana as they serve as the primary drivers of innovation, employment generation, and play a crucial role in the nation's developmental ambitions. Nevertheless, despite their considerable importance, small, medium, and micro enterprises (SMMEs) in Botswana face a multitude of obstacles that hinder their expansion and long-term viability.

One of the primary obstacles faced by small, medium, and micro enterprises (SMMEs) in Botswana is to the issue of securing financial resources. Despite the presence of a resilient banking industry, numerous organizations encounter challenges in obtaining the requisite capital for initiating or expanding their company operations. According to Khanie (2018), the author emphasizes that despite the existence of several funding options, various obstacles hinder small, medium, and micro enterprises (SMMEs) from obtaining access to these outlets. The factors encompass a variety of elements, including rigorous collateral prerequisites, elevated interest rates, and the perceived heightened risk linked to small, medium, and micro enterprises (SMMEs). Insufficient financial resources often hinder the progress of numerous great initiatives in Botswana, preventing them from fully realizing their potential.

In addition to financial limitations, the expansion of small, medium, and micro enterprises (SMMEs) is greatly impeded by deficiencies in infrastructure. According to Mazanai & Fatoki (2012), although major urban centers like as Gaborone possess adequate resources, numerous locations, particularly rural ones, suffer from insufficient infrastructure necessary for fostering prosperous enterprises. This encompasses not solely tangible elements like as transportation networks and power supply, but also critical technological components essential in the era of digitalization.

In addition to the aforementioned issues, small, medium, and micro enterprises (SMMEs) have the additional burden of restricted market entry and competition from larger domestic and international corporations, exacerbating their difficulties. According to the International Trade Centre (2019), Botswana has demonstrated proactive efforts in formulating policies that aim to enhance the competitiveness of small, medium, and micro enterprises (SMMEs). However, the challenge of achieving market penetration, particularly in non-traditional industries, persists for many SMMEs in Botswana.

Additionally, the presence of a skills deficit and inadequate entrepreneurship education pose significant barriers. According to Chirau (2014), a significant number of small, medium, and micro enterprise (SMME) owners exhibit a deficiency in the necessary skills and training required for effective business management. This deficiency often results in operational inefficiencies and, in certain instances, the ultimate loss of the organization. In the context of the dynamic global market, the imperative for perpetual learning and adaptability is evident. Small, medium, and micro enterprises (SMMEs) often encounter difficulties in keeping pace with these demands due to a lack of appropriate skills and knowledge.

One frequently disregarded obstacle in Botswana pertains to the socio-cultural attitude of business. Although entrepreneurship is widely praised, the stigma surrounding failure, which is an inherent aspect of the entrepreneurial process, persists. The apprehension of failure frequently discourages prospective entrepreneurs from initiating ventures and hinders established entrepreneurs from undertaking measured risks, which are crucial for fostering innovation and facilitating expansion (Muriithi, 2017).

A more comprehensive comprehension of these difficulties can be attained through extracting insights from owners and stakeholders of small, medium, and micro enterprises (SMMEs). Numerous business proprietors place significant emphasis on the bureaucratic administrative procedures that frequently impede firm operations, including activities such as registration and license acquisition (Radikoko, Maswabi, & Dzimiri, 2015). Bureaucratic immobility not only results in the inefficient utilization of time but also leads to the imposition of supplementary expenses for enterprises.

Moreover, stakeholders, particularly those affiliated with industry associations including chambers of commerce, emphasize the necessity for a heightened emphasis on collaboration among the government, private sector, along with small, medium, and micro enterprises

(SMMEs). Although the government has made notable progress in providing assistance to small, medium, and micro enterprises (SMMEs), there is an urgent requirement for more focused interventions that are informed by input obtained directly from the field (Nkwe, 2012). Stakeholders frequently highlight the significance of mentorship programs, incubation centers, with industry-academia collaboration as means to cultivate a more favorable environment for the growth of small, medium, and micro enterprises (SMMEs).

2.2. Strategy, Structure and Environment on Business Success

2.2.1 How does structure influence strategy and the degree of impact on SMMEs business success?

According to Altinay and Altinay (2004) an organisational structure is the arrangement of workflow, line of communication, and delegation of authority or relationships within an organisation. Robbin and DeCenzo (2005) argue that an organisational structure plays a significant role not only in the achievement of organisational objectives but in realizing its strategic goals and direction. Thus, highlighting the centrality of organisational structure in the attaining organisational objectives. Several studies have proven that organisational structure plays a very central role in promoting business success, through facilitating communication, rationalization of tasks, formalization of work processes, alignment to strategy and increasing the firm's capacity to absorb external knowledge (Ali et al., 2018; Hernaus, 2006). Of noteworthy here, is the fact that the above stated factors are part of the key success factors for business success. In concurrence, Mansoor et al. (2012) contended that ideal organisational structure is a recipe for superior performance.

However, despite being acknowledged for playing a crucial role in driving organisational performance, it has been observed by a number of scholars that not all organisational structures produce favorable outcomes in terms of promoting success as some structures have actually proven to be a hindrance to creativity among employees. Several studies have proven that a shallower organizational structure with limited hierarchical levels promotes employee autonomy, provides a conducive environment for interaction among employees from different level, resulting in the generation of creative ideas and innovation, which in turn increase business performance (Ali et al. (2018; Ireland, Kanter, 1983; Kuratko, and Morris, 2006). Additionally, it

has been observed that an organisation structure which allow employee participation in decision making tend to motivate employees into performing better through innovativeness.

Furthermore, results from a study of the role of the process organisational structure in the development of entrepreneurship revealed that organic organizational design is convenient for business operations especially in today's dynamic and complex business environment (Delić, Đonlagić Alibegović and Mešanović, 2016). The study further revealed that organisational structures which are less rigid, with lower levels of formalization and centralization tend to promote teamwork and easy communication among peers, thereby encouraging innovativeness, resulting in increased organisational success. The same study concluded that process organisational structure does not only promote communication among employees but communication with customers resulting in creativity and development of innovations which are aimed at solving problems. The study further established that organisational structures with a lower level of formalization and centralization, a higher level of horizontal rather than vertical complexity/ flat structure, wider specialization, teamwork, provides a conducive environment for aligning with organisational strategy resulting in increased productivity. This is confirmed by Hernaus, (2006) who argue that the process organizational structure is concerned with business processes, which are attuned to a company's mission that is clear to employees, thereby rationalizing their duties and tasks.

Despite the issue of the type of organisational structure, it has also been observed that an organisational structure alone cannot guarantee business success, as long as does not align with the dynamic and unpredictable environment from where it operates (Nandakumar et al., 2010) For example , Oyewobi et al. (2013), in their study of the impact of strategy and structure , found that organisational structure has a moderating effect on the relationship between strategy and organisational success. In other words, organisational structure does not have a direct influence on organisation success but has a moderating and explanatory effect on success through strategies.

In view of the foregoing discussion, it can therefore be hypothesized that organisational structure plays an important role in business performance.

2.2.2 How does strategy influence structure and the degree of impact on SMMEs business success?

Strategy can be defined as an organization's means of achieving its goals in relation to long term goals, follow-up programs, and resource allocation priorities (Chandler and Rangkuti, 2000, p3). Additionally, Argyris, Mintzberg, Steiner and Miner Rangkuti, (2000, p4) defined strategy as a response to continuous and adaption to external opportunities and threats as well as internal strengths and weaknesses that can affect the organization. In other words, strategy is used a tool to leverage on external opportunities and to minimize the risks. This is very important especially in consideration of the nature of SMMEs, which normally operate from scarce resources, strategy becomes handy.

The value and contribution of strategic planning on small business success has been proven and documented (Meers and Robertson, 2007: Beaver, 2007). In their empirical study of 267 firms, Joyce and Woods (2003) concluded that organizations which had strategies made quicker decisions and successfully implemented change and innovation resulting in growth. Several scholars concur that strategic planning is one of the salient factors which positively contribute to the success of SMMEs (Ihua, 2009; Kraus et al., 2006; Topino et al., 2005 and Kiriri, 2005: Balasundaram, 2009; French et al., 2004). This could be due to the fact that strategy enable organisations to breakdown strategic intentions into actionable components and allocating responsibility for each of the components was considered an important part of successful implementation.

In his early works, Chandler (1962) argued that strategy is the foundation of an organisation and that organizations that are able to achieve a fit between their strategy and structure would have a competitive advantage. Although strategy has been acknowledged as one of the key success factors to the success of every business, regardless of size, studies have proven that the majority of small businesses do not embark on strategic planning (Perry, 2001: Glen and Weerawardena, 1996). Several empirical studies have established that failure of most business is mainly due to failure to plan (Gibson et al, 2002). Thus, failure to engage in strategic planning could explain why most SMMEs fail. Priyanath (2006) offers a plausible explanation of the phenomenon by highlighting that lack of strategy decreases the efficiency of SMMEs by delaying the decision making process resulting in poor organizing, poor recruitment, weak controlling and directing. In concurrence, Norman and Thomas (2003) added that without a clearly defined strategy, a

business has no sustainable basis for creating and maintaining a competitive edge in the marketplace.

On the contrary there is another school of thought which downplay the role of strategy in the achievement of business success by highlighting that, there is no solid evidence which proves that strategy has direct influence on performance (O'Regan et al., 2008). In fact, some studies have proven that there is no significant relationship between strategy and success, whilst another school of thought insist that strategy plays an intermediary role in business success (O'Regan et al. ,2008). Literature on strategic management point to the existence of both negative and positive relationship between strategy and organisational success. However, the majority of studies have proved that there is a positive relationship between the strategic planning and business success in SMMEs. In other terms, although strategy is an equally important determinant of business success, it does not work in isolation of other important variables highlighted in the configuration approach as organisational structure and environment. Probably this explains why Wang and Shi (2011) observed that the process of developing a strategy in small companies is not simple as there are many variables which affect the whole process such as the environmental forces, organisational structure and processes, among others. Highlighting the interdependence of key variables like organisational structure, Wang and Shi (2011) argued that a firm's strategy can be formed within a good organisation structure and environment which facilitate and support its implementation. Thus, the three configurations work together towards attainment of business success. This is highlighted by the results from a study of the impact of structure and strategy on construction companies, which clearly articulated the relationship between organisational structure, strategies and success (Oyewobi et al ,2013). The study, in a way confirmed the mutually dependent relationship between strategy and organisational structure, promoting business success.

2.2.3 How does environment influence strategy and the degree of impact on SMMEs business success?

A business does not operate in a vacuum; but it operates within the environment where the production and distribution of goods and services takes place (Ahannaya et al. 2021). A business environment can be referred as the external forces that affect individuals, businesses, and communities (Oginni and Faseyiku, 2012). According to Rezny (2019), all business decisions are dependent upon a good environment scan, which is normally the bane of all the

constrictions as the environment is responsible for creating opportunities, threats and problems for the business organisation. In other words, the relationship between business and environment is mutually interdependent and exclusive. This is also highlighted by Cherulinam (2012) who argued that the environment plays an equally important role in business success as it provides the resources and opportunities to an organisation for its survival and growth.

The importance of the environment as a determinant of business success has been confirmed by several empirical studies on factors influencing the success of SMMEs. The factors have been generally grouped into two approaches thus, through a narrow approach of looking at internal / organizational factors or by taking a broader approach that focuses on the external environment (Ganyaupfu,2013). In addition (Okurut F. , 2016) suggested that the growth of SMMEs is influenced by environmental factors such as the labor laws and the tax system. Several studies concur on various factors that determine the success of small and medium enterprises, which has been broadly categorized into individual factors, organizational factors, and external environmental factors (Baum, 2001; Zhou and Wit, 2002). In addition, Covin and Slevin (1999) cited in Sarwoko, Surachman, 2016) suggested organizational competence, organizational culture and structure as some of the influential factors. Li (2009) also added individual competency in the entrepreneurial process.

2.2.4 Access to finance as an important variables

Access to finance is the ability of individuals or enterprises to obtain financial services, including credit, deposit, payment, insurance, and other risk management services. Those who involuntarily have no or only limited access to financial services are referred to as the unbanked or under banked, respectively. The accessibility of finance by SMMEs has stirred attention of academicians and policymakers worldwide for many decades. Discussion on the problem of access to finance by SMMEs in Botswana has taken place in form of seminars and several debates for the purpose of improving the finance line for SMMEs and to formally integrate their contributions in the economy (MIC, 2007). This is because finance is a significant element for determining the growth and survival of SMMEs (Beck, 2010). Access to finance allows small businesses to undertake productive investments and contribute to the development of the national economy and alleviation of poverty in most of Sub-Saharan African and Botswana inclusive. Access to finance For SMMEs, there are two external financing

that are mostly important for financing the businesses. The first is the equity financing which is provided in form of venture capital and available for new small businesses (Deakins, 2008). However, due to lack of equity financing, the small businesses go after debt financing that is mostly provided by the banks and non-banking institutions. Indeed, access of debt financing is very limited especially for SMMEs due to the requirements for the provision of debt (Deakins, 2008). While, the second is debt financing refers to the case where companies get finance products in a form of loan from lending institutions and give their promise to repay back at a given period of time and interest rate (Cooper & Ejarque, 2003). Furthermore, debt financing is the most common instrument used in the financial market for obtaining funds for investments and to finance new businesses including SMMEs.

2.2.5 Access to the Market as an important variables

Access to Market refers to the ability of a business enterprise or country to sell goods and services across borders. Market access can be used to refer to domestic trade as well as international trade, although the latter is the most common context. Market access is not the same as free trade. The ability to sell in a market is often accompanied by tariffs, duties, or even quotas, whereas free trade implies that goods and services flow across borders without any extra costs imposed by governments. Even so, market access is seen as an early step toward deepening trade ties. Market access is increasingly the stated goal of trade negotiations as opposed to true free trade. To measure market access conditions, we provide two trade policy variables: the first measure captures direct market access conditions (the overall tariff faced by exports), the second measure captures relative market access conditions (the overall tariff faced by exports relative to that faced by competitors). Access to markets can help businesses scale production and increase product quality. However, markets in developing countries are often fragmented, illiquid, and lack formal regulation. Innovation for poverty actions has evaluated programs that aim to reduce these challenges. In particular, our Small and Medium Enterprise Program assesses the impact of programs and policies designed to expand market access for small and medium enterprises.

2.3 Factors Influencing the Survival of Small to Medium-Sized Enterprises (SMMEs)

2.3.1 Financial Management and Access to Capital

The correlation between financial management and access to capital plays a crucial role in determining the survival of Small, Medium, and Micro Enterprises (SMMEs) in Botswana. In the dynamic economic environment of Africa, the small, medium, and micro enterprises (SMMEs)

in Botswana have emerged as a noteworthy source of employment opportunities and a means to diversify the country's gross domestic product (GDP). However, the path towards achieving success is closely connected with various challenges and necessities, specifically in the domains of financial literacy, the availability of credit facilities, and the difficulties encountered in obtaining funding.

Financial literacy plays a crucial role in the functioning of the economic system, serving as a key component for achieving economic success. According to Abdul (2022), possessing a strong understanding of financial principles enables small, medium, and micro enterprise (SMME) owners to not only comprehend but also proficiently handle their financial matters. This proficiency allows them to connect their financial management practices with their business objectives and the prevailing market conditions. The depth of this knowledge enables entrepreneurs to evaluate financial risks, predict market trends, and negotiate the complexities of the financial ecosystem. Nevertheless, Chirau (2014) provides further details in his analysis of the city of Francistown, highlighting that although Botswana has made notable progress in fostering financial literacy, a considerable number of small, medium, and micro enterprises (SMMEs) continue to struggle with effectively using this acquired knowledge. The inherent division between theoretical knowledge and its pragmatic use has the potential to hinder aspirations for advancement.

The practical implementation of financial literacy is evaluated through the availability along with accessibility of credit facilities. Botswana has experienced a notable increase in its financial establishments, characterized by the provision of customized financial services to businesses of diverse sizes, through the presence of banks and microfinance establishments (Okurut, Ama, Mookodi, & Okurut, 2016). According to Khanie (2018), grassroots small, medium, and micro enterprises (SMMEs) frequently struggle to comprehend the intricate nature of the banking sector. The study conducted by Mutoko & Kapunda (2017) supports this concept, as it suggests that although credit options are available, the strict eligibility requirements such as the need for collateral and a strong financial history render these services unavailable for a significant portion of the population.

When examining the difficulties encountered by small, medium, and micro enterprises (SMMEs) in obtaining financial resources, the situation gets increasingly intricate. Gagoitseope & Pansiri (2012) shed light on the prevalent dependence of numerous small, medium, and micro

enterprises (SMMEs) in Botswana on personal savings or informal borrowing, which arises due to the difficulties encountered in acquiring formal credit. One of the primary obstacles is the absence of a duly recorded financial background. According to Okurut, Olalekan, & Mangadi, (2011), financial institutions demonstrate a preference for established enterprises, hence neglecting emerging ventures. Moreover, the necessity of utilizing actual assets as collateral presents a formidable obstacle, as emphasized by Nkwe (2012).

Additionally, there exists an issue pertaining to perception. According to the proposition put up by Majama & Magang (2017), the perceived instability of small, medium, and micro enterprises (SMMEs) and their comparatively elevated rates of business closure create a sense of doubt, leading financial institutions to exercise caution when considering loan disbursement. The perceived risk, in conjunction with the actual problems, gives rise to a cyclical dilemma in which small, medium, and micro enterprises (SMMEs) require financial resources for establishment and expansion. However, their early-stage condition and limited assets render them undertakings with high risk, consequently depriving them of the capital that is crucially required.

2.3.2 Market Access and Competitive Positioning in the Survival of Botswana's SMMEs

Small, Medium, and Micro Enterprises (SMMEs) in Botswana play a crucial role in the country's endeavor to achieve economic diversification and resilience, since they adapt to the constantly changing business environment. Nevertheless, in order for these firms to flourish and make a significant impact on the country's gross domestic product (GDP), it is crucial to have access to the market and to strategically position themselves in a competitive manner. A thorough understanding of the operational environment of these firms can be achieved by investigating these aspects from the perspectives of the local market, export dynamics, along with strategic positioning.

The local market in Botswana offers both favorable prospects and obstacles for small, medium, and micro enterprises (SMMEs). Although the country has been widely recognized as one of the rapidly expanding economies in Africa, mostly propelled by its diamond mining sector, its domestic market is rather tiny owing to its constrained population size. The current state of affairs presents a notable obstacle: saturation (Schilirò, 2022). In the context of a competitive landscape, characterized by numerous small, medium, and micro enterprises (SMMEs) seeking to secure a portion of the constrained market, the issue of market access emerges as a significant obstacle. In Chirau (2014) study on Francistown, a prominent city in Botswana, it was found that

local businesses frequently encounter significant rivalry, which has the potential to impede their growth, particularly for those that have recently entered the market. The necessity for diversification, both in terms of product offerings and geographical expansion, is emphasized by the constrained size of the home market.

Botswana's geographical positioning in the southern African region presents its firms with advantageous prospects for exporting, particularly within the Southern African Development Community (SADC), hence granting access to extensive market potential (Hartzenberg, 1998). Nevertheless, this prospective lucrative opportunity is not without its share of obstacles. Banwo, Du, & Onokala (2017) provide a comprehensive analysis of small and medium-sized enterprises (SMEs) operating in developing nations, emphasizing the many obstacles they encounter in their endeavors to enter global markets. The problems encompass a wide spectrum, including rigorous international standards and laws, logistical complexities, and intense competitiveness within the worldwide marketplaces. Moreover, it is emphasized by Sentsho, Maitetso, Sengwaketse, Ndzinge-Anderson, & Kayawe (2007) that in order to thrive in the export market, small, medium, and micro enterprises (SMMEs) from Botswana must possess a comprehensive comprehension of their distinctive value proposition and the intricacies of the markets they are targeting.

This leads us to the fundamental element: competitive positioning. Given the various local and international difficulties, this inquiry aims to explore the strategies employed by successful Small, Medium, and Micro Enterprises (SMMEs) in Botswana to effectively position themselves for growth and success. The emergence of strategic planning is recognized as a crucial catalyst. The study conducted by Majama and Magang (2017) examined the impact of strategic planning on small and medium-sized enterprises (SMEs) in Botswana. The research highlights the significant role played by strategic planning in facilitating the identification of key strengths, comprehension of market dynamics, and development of customized solutions that effectively resonate with the intended target audience. In addition, the utilization of information communication technology (ICT) has been demonstrated to be crucial. The study conducted by Ongori (2009) examined the impact of information and communication technology (ICT) on small, medium, and micro enterprises (SMMEs) in Botswana. The research highlights the significant role of ICT in facilitating market access, improving operational efficiency, and promoting competitiveness.

Furthermore, as emphasized by the International Trade Centre (2019), the adaptability and agility of successful small, medium, and micro enterprises (SMMEs) in Botswana have been identified as one of their most effective methods. These firms have the ability to adapt their tactics in response to market developments, thereby aligning themselves with consumer expectations and establishing a unique position for themselves in both domestic and international markets.

2.3.4 Technological Advancements and Adaptability: Crucial Determinants for SMMEs Survival in Botswana

In the context of a swiftly progressing digital era, the viability of Small, Medium, and Micro Enterprises (SMMEs) is contingent not only upon their capacity to generate high-quality goods or services, but also upon their flexibility in response to technological advancements. The economic structure of Botswana, which has historically relied mainly on the diamond industry, is undergoing a gradual transformation towards a more diversified economy (Achieng & Malatji, 2022). This change is characterized by an increasing emphasis on the role of small, medium, and micro enterprises (SMMEs) as key contributors to the country's economic development. Technological developments and adaptation have emerged as crucial factors for the survival of organisms inside this ecosystem.

The significance of technology in enhancing operational efficiency cannot be overemphasized. Fundamentally, operational efficiency can be defined as the process of minimizing expenses while simultaneously optimizing productivity. Contemporary technical instruments, encompassing Enterprise Resource Planning (ERP) systems and Customer Relationship Management (CRM) software, provide firms the ability to enhance operational efficiency, monitor activities in real-time, and optimize resource allocation. Eggink (2021) conducted a comprehensive assessment that highlights the significant influence of technology on improving operational efficiency, emphasizing its crucial role in determining the success of small, medium, and micro enterprises (SMMEs). In the specific context of Botswana, where there is a strong emphasis on economic diversification at the national level, the successful utilization of technical tools by small, medium, and micro enterprises (SMMEs) can have a substantial influence on their overall contribution to the country's gross domestic product (GDP).

Concurrently, the emergence of e-commerce and digital marketing has brought about significant changes to the global corporate environment, including Botswana. E-commerce platforms provide Botswana's small, medium, and micro enterprises (SMMEs) with the potential to expand

their market reach beyond geographical limitations, both within the country and globally. This issue has been of particular relevance due to the comparatively limited scale of Botswana's domestic market, as emphasized by Chirau (2014). In contrast, digital marketing enables firms to effectively pinpoint their target audience, foster interactive engagement, and cultivate brand loyalty, all while incurring significantly lower expenses compared to traditional advertising methods. Nkwe (2012) study placed significant emphasis on the contribution of small, medium, and micro enterprises (SMMEs) to the economy of Botswana. Additionally, the research alluded to the considerable potential of e-commerce and digital methods in enhancing the influence of these enterprises.

However, the process of integrating technology into many systems and processes is not without its obstacles. A considerable proportion of small, medium, and micro enterprises (SMMEs) in Botswana encounter obstacles when it comes to the adoption of emerging technology. Some of the primary obstacles include financial limitations, limited proficiency in technology, and concerns about the potential return on investment. Ongori (2009) emphasized the significant impact that Information Communication Technologies (ICT) can have on Small, Medium, and Micro Enterprises (SMMEs) in Botswana. However, the author also drew attention to the obstacles faced by these enterprises, including the deficiency in necessary skills and training within the workforce. Furthermore, the study conducted by Khanie (2018) on the financing of small and medium enterprises (SMEs) in Botswana reinforces the existing evidence about the financial difficulties encountered by these businesses. These obstacles can also hinder their ability to make investments in technology.

Nevertheless, the primary obstacle lies not only in the use of technology but also in its successful incorporation into the overall corporate strategy. According to Wall (2021), the presence of technology tools alone is insufficient; it is crucial to consider how these tools are strategically aligned with the overall business objectives in order to foster innovation and gain a competitive edge.

2.3.5 Human Resource Management and Skill Development: Indispensable Determinants for SMMEs Survival in Botswana

The fundamental foundation of a prosperous organization, regardless of its scale, is not solely dependent on its business model as well as operational strategy, but rather on its human resources. In the context of Botswana, a nation currently experiencing substantial economic

transformation, the viability and success of Small, Medium, and Micro Enterprises (SMMEs) hinge upon the effective management of human resources and the cultivation of skills. These factors play a pivotal role in enhancing productivity levels and fostering a competitive edge for these enterprises.

The staff plays a pivotal role in determining the operational efficiency of small, medium, and micro enterprises (SMMEs). The significance of skilled labor in the achievement of small, medium, and micro enterprises (SMMEs) is of utmost importance, given their tendency to operate within specific market segments characterized by specialization and proficiency. This unique advantage enables SMMEs to outperform their rivals (Gherghina, Botezatu, Hosszu, & Simionescu, 2020). In the specific context of Botswana, where there is a notable emphasis on the need to diversify the economy away from its heavy reliance on diamond exports, small, medium, and micro enterprises (SMMEs) present a promising option for fostering economic growth.

The presence of skilled labor facilitates this process by contributing technical expertise, promoting innovation, and ensuring that small, medium, and micro enterprises (SMMEs) adhere to quality standards that align with market requirements. The study conducted by Majama & Magang (2017) highlights the significance of strategic planning in the achievement of success for small and medium-sized enterprises (SMEs) in Botswana. This success is mostly dependent on the presence of a competent staff.

Given this awareness, there is an increased emphasis on the need of training and development activities. Continuous learning environments facilitate the ability of small, medium, and micro enterprises (SMMEs) to effectively respond to evolving market dynamics. This includes the integration of emerging technology as well as the creation of innovative products and services. According to the 2019 report by the International Trade Centre, emphasis was placed on the significance of capacity building in enhancing the competitiveness of small and medium-sized enterprises (SMEs) in Botswana (International Trade Centre, 2019). Through the allocation of resources towards training initiatives, small, medium, and micro enterprises (SMMEs) are able to not only improve the skills and abilities of their existing staff, but also demonstrate their dedication to fostering employee development. This commitment to enhancing the capacities of their employees plays a crucial role in drawing prospective talent to the organization. Eggink (2021) conducted a literature study that supports the notion of the significance of continuous

learning environments in enhancing the performance of small, medium, and micro enterprises (SMMEs).

Nevertheless, SMMEs face a distinctive difficulty in terms of talent retention due to their inherent characteristics. Although small firms might foster a tightly-knit work environment and give greater work flexibility, they might not guarantee comparable levels of benefits, prospects for career progression, or employment stability as larger corporations. The aforementioned difficulty is further intensified within the specific context of Botswana, where there is a significant need for skilled workers in diverse industries such as the prominent mining industry and the rapidly growing service sectors (Mwobobia, 2012). Furthermore, Mafoko (2019) provided a comprehensive analysis of the difficulties encountered by youth-owned manufacturing small and medium enterprises (SMEs), particularly in the realm of human resource management. The departure of skilled individuals from the small, medium, and micro businesses (SMMEs) sector, enticed by more attractive compensation or prospects for advancement in other sectors, might impede the progress and long-term viability of these enterprises.

In order to mitigate this issue, it is imperative for small, medium, and micro enterprises (SMMEs) in Botswana to develop a persuasive value proposition for their workforce. In addition to monetary compensation, this could involve access to mentorship programs, possibilities for accelerated career development, and the potential for a diversified professional background. Government and institutional activities can also exert a substantial influence in this context. Collaborative endeavors between small, medium, and micro enterprises (SMMEs) and educational institutions, along with the implementation of measures such as tax incentives or grants to encourage talent retention, and the cultivation of an entrepreneurial culture that recognizes and promotes achievements within the SMME sector, can facilitate progress in this regard.

2.3.6 Governance, Legal Framework, and Compliance

The government of Botswana acknowledges the importance of small, medium, and micro enterprises (SMMEs) in fostering employment opportunities, promoting economic diversity, and alleviating poverty. According to the International Trade Centre (2019), there has been a significant emphasis on implementing a bottom-up approach to economic diversification, with a particular focus on the central role of small, medium, and micro enterprises (SMMEs). The

significance of government policies in promoting the growth of small, medium, and micro enterprises (SMMEs) should not be underestimated. According to Sathyamoorthi (2002), the government's approach to entrepreneurship performance, particularly in relation to small, medium, and micro enterprises (SMMEs) in Botswana, has the potential to significantly impact the success or failure of these ventures. In light of this observation, the government has, throughout the course of time, established a conducive atmosphere with the objective of empowering small, medium, and micro enterprises (SMMEs). Mwobobia (2012) provided more emphasis on this matter, elucidating a range of governmental endeavours that explicitly aim to enhance the capacity and influence of small, medium, and micro enterprises (SMMEs).

Notwithstanding the admirable efforts of the government, small, medium, and micro enterprises (SMMEs) in Botswana continue to encounter regulatory obstacles. According to Khanie (2018), the issue of accessing credit continues to pose a challenge for several individuals, despite the significant role that financing plays in the expansion of businesses. Regulatory obstacles may unintentionally restrict the range of financial opportunities accessible to small firms. Additionally, Nkwe (2012) conducted an investigation into the significance of small and medium-sized enterprises (SMEs) and discussed the challenges they face due to insufficient access to information and administrative limits. In a similar vein, Okurut, Olalekan, & Mangadi (2011) examine the consequences of loan rationing on the process of economic diversification, a situation that is frequently observed within the small, medium, and micro enterprises (SMMEs) of Botswana.

An additional aspect to be taken into account is the procedure of formalization. The process of formalizing Small, Medium, and Micro Enterprises (SMMEs) entails advantages as well as disadvantages. One advantage is that formal firms experience greater ease in accessing financial services, being eligible for government contracts, and engaging more actively in the formal economy (Chirau, 2014). According to Banwo, Du, & Onokala (2017), formalized entities are perceived as legitimate by customers, suppliers, and other stakeholders.

Nevertheless, the process of achieving formalization can be accompanied by several obstacles. A notable limitation arises from the need to understand and adhere to a complex network of regulatory obligations, a task that may prove challenging for numerous small-scale companies (Abdul, 2022). Moreover, the process of formalization frequently results in heightened tax liabilities. While small firms play a role in generating national revenue, this can be a

considerable burden for many of them that operate with limited profit margins (Fatoki & Garwe, 2010).

(Majama & Magang, 2017) underscored the significance of strategic planning within the Small, Medium, and Micro Enterprises (SMMEs) sector in Botswana. This importance is further accentuated due to the dynamic nature of governance and legal requirements. Furthermore, Muranda, Mphela, & Nyakudya (2011) proposed that the inclination of entrepreneurs to diversify and their inherent desire might play a crucial role in mitigating the effects of regulatory obstacles and the advantages and disadvantages associated with formalization in Botswana's small and medium-sized enterprises (SMEs).

2.3.7 Infrastructure and Logistics

The efficiency of infrastructure is of utmost significance in the operations of small, medium, and micro enterprises (SMMEs). According to the International Trade Centre (2019), infrastructure plays a crucial role in enhancing the competitiveness of small and medium-sized enterprises (SMEs) by offering vital services that enable businesses to function smoothly. In the present context, infrastructure encompasses tangible components such as transportation networks, power distribution systems, and water provision, as well as intangible components including internet access and telecommunications services. Ongori (2009) emphasized the significance of adopting information communication technologies (ICT) in small and medium enterprises (SMEs), highlighting that SMEs in Botswana are progressively dependent on effective digital infrastructure to maintain their competitiveness.

The presence of a resilient infrastructure has the potential to result in decreased operational expenditures and enhanced market accessibility, including both domestic and global markets. In a study conducted by Banwo, Du, & Onokala (2017), the researchers examined the factors that determine the choice of business location for small and medium-sized enterprises (SMEs) in developing countries. The findings of the study revealed that the robustness of infrastructure plays a crucial role in influencing the decision-making process of SMEs when selecting a business location. This suggests that the presence of good infrastructure can have a significant impact on business decisions and the subsequent growth potential of SMEs.

Conversely, logistical obstacles can significantly affect small, medium, and micro enterprises (SMMEs), hence exacerbating their operational difficulties. Logistics, in its fundamental nature, pertains to the meticulous coordination and transportation of commodities and services. The

study conducted by Chirau (2014) examined the extent to which small and medium enterprises (SMEs) contribute to the economy of Francistown, Botswana. The findings of this research indicate that despite the presence of adequate infrastructure, the positive impact of SMEs can be hindered by logistical challenges. Insufficient or ineffective transportation systems can result in delays in the transportation of both raw materials and finished commodities. Logistical delays have the dual effect of increasing costs and negatively impacting the reputation of small, medium, and micro enterprises (SMMEs) among clients and consumers.

According to Eggink (2021), the results of performance of small, medium, and micro enterprises (SMMEs) can be negatively affected by logistical issues. The potential for delays in delivery timeframes, uncertainties around shipment schedules, and the lack of cost-effective transport solutions can significantly impact the already narrow profit margins of small firms. Bushe (2019) highlighted the factors contributing to business failures within the context of small and medium enterprises (SMEs) in South Africa, with particular emphasis on the adverse outcomes resulting from logistical inefficiencies. While there are distinct differences between the contexts of South Africa and Botswana, it is possible to identify parallels due to the shared geographical characteristics and interdependencies.

The present circumstances in Botswana indicate a significant imperative to augment its logistical capabilities. As Botswana seeks to achieve economic diversification and enhance its engagement in international trade, the significance of logistics becomes increasingly paramount. Khanie (2018) highlighted the considerable influence of finance within small and medium-sized enterprises (SMEs), with particular emphasis on the interconnectedness of infrastructure and logistics. The optimal use of money is contingent upon the effective coordination and integration of infrastructural and logistical systems, hence facilitating the efficient allocation of financial resources towards productive endeavours.

Nevertheless, it is important to acknowledge that Botswana has made considerable progress in tackling these difficulties. The policies implemented by the administration have frequently prioritized the advancement of infrastructure and the mitigation of logistical constraints. The report published by the International Trade Centre in 2019 highlights Botswana's commitment to pursuing an economic diversification strategy that prioritizes infrastructure and logistics as key components.

2.3.8 Entrepreneurial Mindset and Business Acumen

The survival of Small, Medium, and Micro Enterprises (SMMEs) in emerging economies such as Botswana is heavily influenced by the entrepreneurial attitude and business acumen of their owners. These factors play a crucial role in navigating the ever-changing business landscapes. Innovation is a crucial component of an entrepreneurial attitude. It serves as the vital essence for nascent organizations and the revitalizing catalyst for established organizations. The significance of innovation driven by dynamic skills is emphasized by Rodrigues, Franco, Silva, & Oliveira (2021), who propose that the execution of innovative ideas in a flexible manner is crucial. This view is echoed in Botswana, where small, medium, and micro enterprises (SMMEs) function within a dynamic and ever-changing ecosystem. According to Khan (2022), rising small and medium-sized enterprises (SMEs) frequently encounter obstacles that necessitate the adoption of new strategies in order to surmount them. Additionally, Ongori (2009) observed that the incorporation of novel technology, which is a constituent of innovation, has played a substantial role in enabling small and medium-sized enterprises (SMEs) in Botswana to maintain their competitiveness in the era of digitalization.

However, innovation in and of itself is insufficient. Both resilience and strategic insight are equally important. According to Muriithi (2017), African small and medium-sized enterprises (SMEs) encounter a wide range of obstacles, including deficiencies in infrastructure and limitations in financial resources. In the given context, possessing the quality of perseverance in the face of obstacles and the ability to anticipate potential advantages and challenges holds immense value. The study by Mutoko & Kapunda (2017) demonstrated the difficulties encountered by small and medium-sized enterprises (SMEs) operating in the manufacturing sector of Botswana while attempting to secure loans from financial institutions. This research emphasized the significance of resilience in effectively overcoming these barriers.

The business landscape in Botswana presents compelling case studies that demonstrate the influence of an entrepreneurial attitude and business savvy. One notable entrepreneur in the automobile industry is Thobo Khathola, who serves as the Managing Director of Motor Centre Botswana. Khathola embarked on her career in an industry that is predominantly male-dominated (Ebewo, Rugimbana, & Shambare, 2017). Through the utilisation of innovative

approaches in customer service, the demonstration of tenacity in the face of prevailing industry conventions, and the application of strategic foresight to discern and target niche markets, Khathola's enterprise has experienced significant growth and success (Haddawee, 2018). The individual's expedition not only embodies the fundamental qualities of an entrepreneurial mindset but also functions as a source of motivation for several individuals in the country of Botswana.

Likewise, the narrative of Anthony Masunga, the Managing Director of Botswana Telecommunications Corporation, exemplifies the importance of embracing change and cultivating innovation. Under the guidance of his leadership, the organisation saw a substantial digital metamorphosis, effectively responding to the evolving technological landscape and establishing a foundation for enduring expansion. The significance of adaptation, which is a key aspect of the entrepreneurial mindset, is shown by his journey as he navigates the obstacles presented by the digital era (Nkwe, 2012).

An in-depth examination of Botswana's entrepreneurial environment, as reported by Monyake & Kuruba (2021), uncovers multiple instances when business expertise played a crucial role. Entrepreneurs that have a keen understanding of market dynamics, client demands, and strategic adaptability are more likely to effectively navigate obstacles and capitalize on favourable circumstances, thereby establishing a strong position within the competitive market.

Additionally, the imperative of cultivating an entrepreneurial attitude is underscored by the Botswana government's initiatives aimed at diversification and economic growth. According to the International Trade Centre (2019), there is a notable emphasis on the importance of adopting a bottom-up approach to achieve economic diversification, with a particular focus on placing entrepreneurs at the core of this strategic endeavour.

2.4 External Factors Affecting SMME Survival in Botswana

The economic development of Botswana in recent decades highlights the dynamic nature of its economic structure. The nation's evolutionary trajectory, characterized by its significant diamond reserves, has been influenced by a multitude of foreign economic influences. The macroeconomic conditions of a nation serve as the contextual foundation within which small, medium, and micro enterprises (SMMEs) function, establishing the pace at which they expand, generate profits, and maintain long-term viability.

Abdul (2022) has emphasized that the economic landscape in Africa presents distinct obstacles for small and medium-sized enterprises (SMEs), and this is also evident in the case of Botswana. A robust economy serves as a catalyst for small, medium, and micro enterprises (SMMEs) to engage in investment, growth, and job creation, but an unstable economy might hinder these ambitions. Throughout history, Botswana has experienced a sustained period of economic prosperity, which has greatly benefited its Small, Medium, and Micro Enterprises (SMMEs). This growth may be largely attributed to the thriving diamond mining industry in the country. The favourable economic conditions have facilitated the growth and prosperity of small, medium, and micro enterprises (SMMEs), particularly those operating in the supporting industries (Nkwe, 2012). Nonetheless, the economy's reliance on diamond exports has rendered it vulnerable to swings in the global market, hence presenting difficulties for small, medium, and micro enterprises (SMMEs) (Majama & Magang, 2017).

Transitioning to the topic of inflation, it is a pervasive phenomenon that exerts influence over the consumer's purchasing power and the cost structures of enterprises. In Botswana, similar to most rising economies, the issue of inflation has been a matter of concern. According to Fatoki & Garwe (2010), small, medium, and micro enterprises (SMMEs) experience elevated operational expenses and reduced profit margins as a result of high inflation rates.

Furthermore, the presence of unpredictable inflation can have a distorting effect on the process of financial planning and can also contribute to the emergence of speculative investments, so impeding the long-term growth prospects of small, medium, and micro enterprises (SMMEs). In their study, Mutoko & Kapunda (2017) examined the difficulties encountered by small and medium-sized enterprises (SMEs) operating in the manufacturing sector of Botswana. Among the identified obstacles, the authors highlighted the impact of escalating costs resulting from inflationary pressures.

Interest rates, which are commonly seen as influential factors in an economy, have direct consequences on the financing elements of small, medium, and micro enterprises (SMMEs). The elevated interest rates might result in increased borrowing costs, which may impede the ability of small and medium enterprises (SMEs) to pursue expansion or innovative endeavours. According to Khanie (2018), there are notable challenges encountered by small and medium-sized enterprises (SMEs) located in Botswana when it comes to obtaining finance. This phenomenon becomes more evident when interest rates go up, as the expense of capital significantly increases,

hence constraining the capacity of small, medium, and micro enterprises (SMMEs) to allocate resources towards endeavours aimed at fostering expansion and development. Conversely, the reduction of interest rates, whilst promoting borrowing, can also incentivize speculative and high-risk endeavours that may not possess long-term sustainability (Okurut, Ama, Mookodi, & Okurut, 2016).

Furthermore, it should be noted that exchange rates have a multifaceted influence on small, medium, and micro enterprises (SMMEs) in Botswana, particularly those involved in exporting or significantly dependent on imports. The exchange rate of the Botswana Pula in relation to major currencies has the potential to impact the global market competitiveness of Botswana's products. According to the International Trade Centre (2019), a robust Pula can have advantageous implications for importers but may provide challenges for exporters, particularly those operating in non-mineral industries that aim to enhance the diversity of Botswana's export range. On the other hand, a depreciated Pula currency, although it may enhance the competitiveness of exports, can lead to higher expenses for imported raw materials and goods. These costs are typically passed on to consumers or absorbed by small, medium, and micro enterprises (SMMEs), therefore impacting their profitability (Sentsho, Maiketso, Sengwaketse, Ndzinge-Anderson, & Kayawe, 2007).

2.4.2 Socio-Cultural Factors

The socio-cultural fabric of Botswana provides a diverse range of perspectives on its economic landscape. In order for Small, Medium, and Micro Enterprises (SMMEs) to prosper in this context, it is crucial for them to have a comprehensive awareness of the socio-cultural dimensions.

The consumer is the central focus of any corporate endeavour. Consumer behaviour and tastes in Botswana have undergone changes throughout the years, influenced by both worldwide trends and specific socio-cultural factors inside the country. Nkwe (2012) asserts that SMMEs have played an important role in Botswana, highlighting the nation's reliance on indigenous enterprises to satisfy consumer needs. Due to the phenomenon of globalization and the subsequent rise in connection, customers in Botswana have been presented with a broader range of products and services. According to Chirau (2014), local enterprises that possess a comprehensive understanding of the distinctive preferences, values, and tastes of the Botswana population frequently gain a competitive advantage, despite the presence of global brands in the

market. Consumer behaviour is closely linked to a nation's cultural heritage, whether it manifests in a preference for local food or a recognition of the significance of domestically produced crafts. Upon an additional review of the cultural relevance, the profound heritage of Botswana becomes apparent. The nation takes great pleasure in its customs and traditions, which inevitably exert a significant impact on the conduct of commercial activities. Consider, for example, the profound importance of "botho," a Setswana concept that encompasses principles of reverence, politeness, and compassion. The concept of Botho holds significant cultural importance in Botswana, exerting a profound influence on several aspects of daily interactions and interpersonal connections (Muranda, Mphela, & Nyakudya, 2011). The comprehension and integration of cultural values can significantly impact the success or failure of Small, Medium, and Micro Enterprises (SMMEs). A business that exemplifies the ideals of botho, for example, is more likely to gain the trust and loyalty of its clients.

In addition, it is worth noting that conventional events and rituals, such as the well-known Domboshaba Festival, which serves as a tribute to the Batswana culture, have the potential to impact commercial activities, namely within the domains of hospitality, catering, and artisanal industries (Muriithi, 2017). Engaging in or providing financial support for such events can serve as a strategic manoeuvre for small, medium, and micro enterprises (SMMEs), enabling them to establish a connection between their brand and cultural identity, thereby fostering community backing.

Nevertheless, the cultural relevance not only offers prospects but also presents obstacles. The influence of traditional gender roles on business endeavours has been indicated by the observations of the International Trade Centre (2019). Female entrepreneurs may encounter socio-cultural obstacles that can hinder their access to resources and limit their opportunities to engage in particular business sectors. The conflict between tradition and modernity frequently manifests itself in the economic domain, with small, medium, and micro enterprises (SMMEs) occupying a central position within this duality.

However, the task at hand is not solely focused on overcoming obstacles, but also on capitalising on advantageous circumstances. Small, Medium, and Micro Enterprises (SMMEs) that strategically include cultural narratives, so highlighting and honouring the distinctive Batswana history, have the potential to establish a specialised market segment for their products or services. According to the findings of Sentsho, Maiketso, Sengwaketse, Ndzinge-Anderson, &

Kayawe (2007), the incorporation of socio-cultural dynamics into business strategy has the potential to greatly enhance the performance and competitiveness of small, medium, and micro enterprises (SMMEs).

2.4.2 Political and Legal Environment

The emergence of Botswana as a prominent economic force in Africa can mostly be ascribed to its notable political stability and forward-thinking legal structures. In the realm of Small, Medium, and Micro Enterprises (SMMEs), the significance of the political and legal landscape is further emphasised. The delicate interplay between small, medium, and micro enterprises (SMMEs) and the political and legal framework in which they operate is crucial for comprehending their prospects for survival and growth.

The success of small, medium, and micro enterprises (SMMEs) in Botswana is heavily contingent upon the stability of the political context. In areas characterised by significant political instability, businesses frequently encounter unanticipated obstacles, encompassing sudden legislative changes and insecurity that may discourage potential investors. Fortunately, Botswana serves as a symbol of political stability in a region frequently characterised by unrest. The country's ability to maintain a stable political environment has attracted investments from both domestic and international sources, as noted by the International Trade Centre (2019). The presence of a peaceful political environment provides significant advantages for small, medium, and micro enterprises (SMMEs), as it allows them to engage in long-term planning and ensures their sustainability (Sathyamoorthi, 2002).

However, it should be noted that stability alone is not a cure-all solution. The dynamic nature of legal frameworks significantly influences the structure and dynamics of the business environment. Botswana has demonstrated a proactive approach in establishing regulatory frameworks that enhance the growth of Small, Medium, and Micro Enterprises (SMMEs), recognising their crucial role in the country's economy. The commendation of the Botswana government's initiatives in enhancing the competitiveness of small, medium, and micro enterprises (SMMEs) through a grassroots strategy to economic diversification has been expressed by the International Trade Centre (2019). Nevertheless, similar to every dynamic system, these frameworks provide their own array of obstacles.

Legal reforms can occasionally occur swiftly and may not consistently align with the interests of small, medium, and micro enterprises (SMMEs). One notable illustration is the phenomenon of

credit restriction encountered by small, medium, and micro companies (SMMEs), which, despite the abundance of laws aimed at bolstering these businesses, continues to pose a substantial obstacle (Okurut, Olalekan, & Mangadi, 2011). In addition, it is worth noting that although the government has made efforts to improve the efficiency of the business licensing process, the presence of bureaucratic obstacles continues to hinder progress, hence impeding the intended growth that these frameworks seek to facilitate (Muriithi, 2017).

The interplay between political stability along with the dynamic nature of legislative frameworks is similarly observable in the context of small, medium, and micro enterprises (SMMEs) in Botswana. According to Nkwe (2012), the significance of small, medium, and micro enterprises (SMMEs) in Botswana's economy cannot be understood without considering the influence of the country's political and legal context. An example of this may be seen in Botswana's national policy, where there is a strong focus on diversification. As a result, there has been a notable increase in the recognition and assistance provided to small, medium, and micro enterprises (SMMEs) operating in areas other than mining. This has contributed to the development of a more robust and varied economy (Muranda, Mphela, & Nyakudya, 2011).

Nevertheless, the convergence of politics and business is not devoid of its drawbacks. Small, Medium, and Micro Enterprises (SMMEs) are required to possess a high level of proficiency in effectively manoeuvring through the political environment, guaranteeing adherence to dynamic legislation, and capitalising on the various forms of governmental assistance that are accessible to them. This requires a proactive stance, wherein businesses not only conform to existing legal standards but also actively participate in dialogue with policymakers, in order to ensure that their problems and challenges are effectively acknowledged and resolved (Majama & Magang, 2017).

2.5 Theoretical Framework

2.5.1 Theoretical Reviews

2.5.1.1 Institutional theory

The institutional theory is concerned with exploring the path between businesses and the society with the goal of shaping small medium enterprises in such a way to attain maximum growth in business and sustained success in business (Fauzi & Sheng, 2020). The theory explains that the success of firms and business lies on certain sustainable pursuits that are not voluntary in the areas of marketplace pressure and government rules. Hence, the institutional theory mainly focuses on certain internal and external factors within a business or firm that has the ability of sustaining innovations.

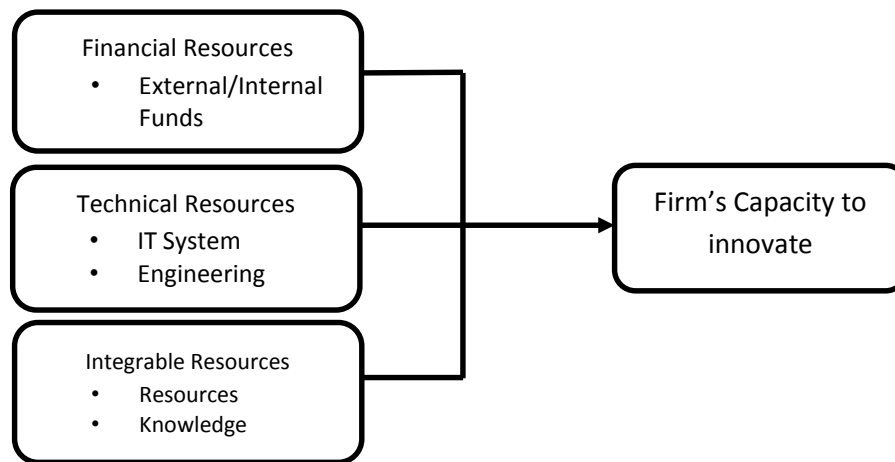
The theory explains the growth and success of small medium enterprise, the opportunities available with coerciveness, normative and mimetic drivers that aids to shape small and medium scale business through social, environmental and economic decision making with legitimize the visions of business success and practices (Shamsudin, et al., 2019). Business success has to do with an aspiration to increase the proportion of small and medium business with the aim of making profits, environmental impacts, resilience and positive impacts (Caldera, Desha, & Dawes, 2017).

The institutional theory is concerned about the capabilities and innovative elements that attracts sustained growth of small and medium scale enterprise which often serves as a stimulus that encourages good management practices. Srisathan, Ketkaew, & Naruetharadhol (2020) which comes in factors legal, culture, social environment, cultural or cultural values, market value and incentive schemes. The thrust of the institutional theory anchors on innovations within the institutional structures' framework through the collaboration on stakeholders that can encourage and sustain growth and business success of SMMEs.

2.5.1.2 Resource-based Entrepreneurship Theory

The resource-based enterprise performance theory is based on the assumption that due to the unique combination of human, material, and financial resources an enterprise has, it can achieve growth by acquiring resources. Resource-based entrepreneurship theory believes that the founder's acquisition of resources is an essential predictor of opportunistic entrepreneurship and the development of new companies (Alvarez and Busenitz, 2001). The theory notes the imperativeness of resources in finance, society, and human resources (Aldrich, 1999). Although the study will make use of certain aspects of resource-based theory in explaining the determinants business success, since, resources are acknowledged as decisive factor in the growth of SMMEs, the application will be limited. This theory was found to be a bit narrow its assumption that business success can only be achieved through acquisition of unique resources. Whilst resources are equally important, they alone cannot be result in business success as there are other variables that comes into play.

Figure 1: Resources determining a firms capacity to grow



Source: Kostopoulos, Spanos & Prastacos (2003).

2.5.1.3 Diffusion of Innovation (DOI) Theory

The diffusion of innovation theory has its perspective on technology and innovation orientation, the theory was first proposed and developed by Rogers (1995) the theory explains the innovations that can be transferred from different individuals over a given period of time by different means. This theory has been used in various fields such as management, accounting, strategic management, economics, entrepreneurship and innovation, etc (Johnson, 2015). The theory supports the view that through innovation and ideas small and medium enterprises would attain growth and business success within their immediate environment. Hence, the primary drivers of competitive advantages, sustainable growth and general efficiency for all small and medium scale enterprises lie on innovation which involves the introduction of new machines and technologies and so as other non-technological innovations (Price, Stoica, & Boncella, 2013). Fagerberg, Mowery, & Nelson (2004) noted that small and medium scale enterprises with greater innovations and new technological often have a better significant ratio in the areas of income, business growth, business success and employment than SMMEs that have less innovative and creative abilities and capacities. The theory of diffusion could be summarized to be the establishing of several innovation capabilities and culture that can promote efficiency and effectiveness of competitive advantage and innovation that supports the growth and business success of small and medium scale enterprises where the market is new and dynamic.

2.5.1.4 Dynamic Capabilities Theory

The dynamic capabilities theory was developed by (Teece, Pisano, & Shuen, 1997). The theory have for long gained prominence mainly in the field of strategic management (Laukkanen, Nagy, Hirvonen, Reijonen, & Pasanen, 2013).The theory of dynamic management and strategic management focuses mainly on how small business compete favorable especially in the period of uncertainty and changes in times (Teece`s, 2017). He further noted that ordinary capabilities are about businesses and firms doing the right scheme of things in business while dynamic capabilities go beyond doing the right things but doing the right things in terms of a new system or a new product and a unique orchestration and management process, organisational culture, change orientation and an accurate assessment of the business climate with the right sense of technology at the right period of time. Although, dynamic capabilities cannot exist on its own but remains the existence of organisational exposure and experience (Kuuluvainen, 2012). Dynamic capabilities come with unique business models and rapid innovations, thus any small and medium scale enterprise with dynamic capabilities could stay ahead of others and attained sustained growth and business success (Schoemaker, Heaton, & Teece, 2018). Although the dynamic theory is a valuable framework that has been used by various studies especially in the field of strategic management on how businesses can gain competitive advantage, the theory falls short of adequately explaining other variables which contribute towards business success

2.5.1.5 Configuration Approach

The theoretical underpinning of this study anchors on the Configuration Approach theory. The Configurational theory perceive organizations as a multidimensional collection of interconnected elements and advance that the whole is best understood from a systemic perspective (Meyer et al. ,1993). In simpler terms the concept of configurational approach assumes that an organisation is best understood from a systemic perspective which views as a social entity as an assemblage of inter related components elements. In the same vein, Meyer and Hinings (1993) explained that organisational configuration refers to any multidimensional constellation of conceptually different characteristics that normally occur together. The same author identified the dimensions of organisational configuration as environments, technologies, structures, strategies culture, ideologies, beliefs, processes and process normally cluster into configurations or archetypes (Meyer and Hinings,1993). These configurations may be captured in the form of taxonomy derived from empirical studies or they may be in the form of typologies developed theoretically.

Instead of attempting to explain how order is designed into the parts of a social entity, configurational approach explains how order results from the interface of those parts as a whole.

The Configuration theory's origin is linked to founding fathers of organisation and management theory analysis like Max Weber (1922: 1978). This theory replaced contingency theory which was dominated change management literature in 1980s. This theoretical framework was developed in response to the critic of the contingency theory's "partist" approach, which indirectly perceive a social entity as a set of loosely joined elements (Miller,1981). Whilst this theory has been applauded for representing some form of advancement in the field, its development has stalled due to a number of factors. One of the cited factors is the dual challenge to configurational theory: the need to develop theory that can account for the complexity of configurations and at the same time the need to develop a methodology that can account for the complexity of such interconnected elements (Katz & Kahn, 1978; Lawrence & Lorsch, 1967).

According to Meyer et al. (1993) cited in Wukland and Shepherd (2004) configurational approach is based on the premise that certain organisational elements like strategy, structure, process, and environment tend to cluster together to form configurations. This theory. The proponents of this approach further argue that success in business takes place as a result of both structural and strategic factors and the alignment of the structural and strategic factors with circumstantial factors (environmental factors). In other words, successful firms are the ones whose configurations are internally consistent and flexible enough to align with various environmental factors (Doty et al., 1993; Miller, 1990). This is further elucidated by Ketchen et al. (1993) who explains that the configurations approach is based on the assumption that firms that are able to align certain firm attributes with the characteristics of the environment outperform other firms. They further contended that failure to achieve a fit between the firm and its environment will not only lead to being outcompeted but will negatively affect business success (Miller and Toulouse, 1986).

The justification for use of the configurations approach is due to its ability to explain perception of the relationship among variables and its view of businesses as constellations of variables interconnection, whose elements of environment, structure, leadership, and strategy interact or can work together in quantum states or configurations (Miller, 2011). On the other hand,

organisational success is affected by the relationship among these configurations or quantum's (Bisp 2013; Damke, 2012; Dess & Davis, 1984; Miles & Snow, 1978; Miller & Friesen, 1984). Therefore, in consideration of the fact that study seeks to explore the determinants of business success of SMMES, variables like structure, strategy and environment will be used to determine their relationship with success. The suitability of configurations approach as a theoretical framework for understanding the determinants of business success has been empirically tested and confirmed by several authorities in the field of strategy (Baker & Cullen, 1993; Bispo, 2013; Damke, 2012; Harlacher & Reihlen, 2014; Miller, 1987). To reinforce the appropriateness of the configurational approach, a number of studies on the relationship between environment, strategy structure and business success have already been carried out as early as the 1970 and the 1980s (Hambrick, 1983; Miles & Snow, 1978).

Another justification for adopting the configurational theory is based on its ability to clearly capture patterns among environmental, strategic and organizational attributes that can lead to organizational effectiveness, and at the same time highlighting the complexity of the casual relationship between variables. Thus, this approach takes a holistic view of organizations, by perceiving it as a composition of interdependent and mutually supportive elements such that the importance of each element can best be understood by making reference to the whole configuration (Miller and Friesen, 1984). In other words, no one element can be singled out as solely important for attaining business success.

By narrowing down to three main variables structure, strategy and environment the Configuration Approach allows the researcher to take an in-depth view of the relationship between those variables and business success (Miller and Friesen 1983). This was also confirmed in the works of Miller and Toulouse (1986) who examined the relationships between structure, environment, decision making and strategy on SMME success. In a similar application of the theory Covin and Slevin (1989) came up with how structure, entrepreneurial orientations and strategy tends to affect small and medium scale business success. The assumed that in a hostile environment where there is organic structure, high level of entrepreneurial orientation and strategy they tend to be high level of success due to increased production and prices.

2.5.1.6 Entrepreneurship Theory

Entrepreneurship, a key catalyst for economic expansion and advancement, is essentially the undertaking of initiating and managing a novel enterprise, frequently with the objective of expanding its operations to yield financial gain and foster value creation (Ma'aji, Shruballs, & Anderson, 2023). The importance of entrepreneurship resides in its capacity to facilitate the emergence of novel ideas, generate job prospects, and stimulate economic expansion in both developed and developing nations (Muriithi, 2017).

The concept of successful entrepreneurs is fundamentally rooted in the entrepreneurship theory, which emphasizes the significance of various traits and characteristics. Among these characteristics, the attribute of risk-taking emerges as a vital one. According to (Banwo, Du, & Onokala, 2017), a common characteristic observed in successful entrepreneurs is their inclination to engage in measured risk-taking, as they recognize that substantial rewards are frequently associated with substantial risks. According to Ongori (2009), within the framework of small, medium, and micro enterprises (SMMEs) in Botswana, assuming risks can involve ventures such as allocating resources towards novel technology or venturing into untapped markets. The ability to navigate the intricate business environment of a developing nation such as Botswana necessitates the willingness to confront ambiguity, as demonstrated by the research conducted by Temtime & Pansiri (2004)

Innovation is a fundamental aspect of entrepreneurship. Entrepreneurs are frequently recognized as catalysts of transformation, responsible for introducing novel concepts, methodologies, and commodities into the marketplace. In the present context, innovation encompasses more than only technological progress, encompassing the introduction of novel business models, the optimization of operational processes, and the departure from conventional practices (Rodrigues, Franco, Silva, & Oliveira, 2021). According to the International Trade Centre (2019), there is a strong emphasis on the significance of innovation in enhancing the competitiveness of small and medium-sized enterprises (SMEs) in Botswana. The report suggests that by adopting innovation, SMEs can gain a competitive advantage even in a market that is already saturated.

Perseverance constitutes the third foundational element that underpins the entrepreneurial disposition. The entrepreneurial journey is replete with obstacles, particularly for small, medium, and micro enterprises (SMMEs) operating in developing nations such as Botswana. The expansion of small and medium-sized enterprises (SMEs) can be hindered by several challenges,

as emphasized by (Chirau, 2014) and Mafoko (2019). These hurdles encompass a wide range of factors, including limited access to financial resources and regulatory limitations. Notwithstanding these obstacles, the tenacity to endure and the ability to adjust to evolving conditions might delineate the disparity between enterprises that flourish and those that decline (Bushe, 2019).

Small, Medium, and Micro Enterprises (SMMEs) in Botswana, similar to its counterparts in several African countries, make a substantial contribution to the overall economic growth of the nation. According to Nkwe (2012), they assume a crucial function in the generation of employment opportunities, alleviation of poverty, and advancement of socio-economic progress. In order for these companies to achieve success, it is imperative to integrate the fundamental concepts of entrepreneurship into their operational framework. According to Muranda, Mphela, & Nyakudya (2011), the implementation of policies targeting entrepreneurship, enterprise diversification, and motivation has the potential to greatly enhance the performance of small and medium-sized enterprises (SMEs) in Botswana.

The structured literature analysis conducted by Eggink (2021) emphasizes the factors that influence the performance of small, medium, and micro enterprises (SMMEs). The study stresses the significance of managerial abilities, networking, access to finance, along with market orientation in determining the success of these enterprises. Khanie (2018) highlights the difficulties encountered in funding small and medium-sized enterprises (SMEs) in Botswana, underscoring the significant influence that credit accessibility has on shaping the development of these enterprises. The sentiment expressed by Mutoko & Kapunda (2017) is reiterated, as they draw attention to the difficulties encountered by small and medium enterprises (SMEs), particularly within the manufacturing industry, when it comes to obtaining loans.

Moreover, the emergence of strategic planning is identified as a substantial determinant of small and medium-sized enterprise (SME) performance. The case study conducted by Majama & Magang (2017) examined the significance of systematic planning in promoting sustainability and growth within small and medium-sized enterprises (SMEs) in Botswana. This implies that the integration of entrepreneurial attributes with strategic foresight has the potential to enhance the performance of small and medium-sized enterprises (SMEs) in Botswana.

Furthermore, the research conducted by Sentsho, Maitsetso, Sengwaketse, Ndzingo-Anderson, & Kayawe (2007) sheds light on the performance and competitiveness of small and medium-sized

enterprises (SMEs) in Botswana. The study emphasizes that in addition to the innate entrepreneurial characteristics, external elements such as market dynamics, governmental regulations, and infrastructure assistance significantly contribute to the achievements of these enterprises. Sathyamoorthi (2002) emphasizes the significance of government policies in influencing the performance of entrepreneurship in Botswana, highlighting the interdependent connection between public policies and the achievement of private enterprises.

In summary, the viability of Small, Medium, and Micro Enterprises (SMMEs) in Botswana, similar to other developing nations, is contingent upon a confluence of inherent entrepreneurial characteristics and external circumstances. Entrepreneurship is fundamentally shaped by risk-taking, invention, and tenacity. However, the trajectory of entrepreneurial ventures is heavily influenced by contextual factors such as government legislation, access to funding, and market conditions. The prioritization of incorporating entrepreneurial concepts and tackling external issues is crucial for Botswana's ongoing success in diversifying its economy and creating a favorable environment for Small, Medium, and Micro Enterprises (SMMEs).

2.5.1.7 Institutional Theory and Its Implications for SMMEs in Botswana

The importance of the wider institutional context in influencing organizational structure and behavior is emphasized by institutional theory. In summary, institutions serve as a reliable structure in which organizations function, hence providing a sense of predictability and diminishing uncertainty (Rodrigues, Franco, Silva, & Oliveira, 2021).

The theory provides a comprehensive analysis of three fundamental institutional contexts, namely the regulatory, cognitive, along with normative pillars.

Regulatory Pillar: The concept pertains to the established and official guidelines, policies, and penalties that are implemented and upheld by governing bodies. The study conducted by Okurut, Ama, Mookodi, & Okurut, (2016) highlighted the significance of coercive mechanisms, such as legal frameworks and governmental regulations, that necessitate enterprises to adhere to certain standards. Violation of these regulations frequently leads to legal consequences or sanctions.

Cognitive Pillar: This concept refers to the collective beliefs, perceptions, alongside understanding that shape the actions of individuals inside an institutional setting. The cognitive dimension pertains to the inherent and unquestioned nature of numerous organizational actions, which are deeply entrenched in collective social knowledge (Ongori, 2009).

Normative Pillar: This encompasses the principles, customs, and criteria that govern the operations of firms. The normative pillar frequently encompasses society norms, professional norms, and established best practices (Muriithi, 2017).

The landscape of small, medium, and micro enterprises (SMMEs) in Botswana is significantly shaped by its institutional structure. According to the International Trade Centre (2019), the regulatory framework in Botswana has exhibited a favorable disposition towards small and medium-sized enterprises (SMEs), as evidenced by the implementation of policies and initiatives that are specifically designed to cultivate entrepreneurial development and promote economic diversity. Nevertheless, Khanie (2018) has highlighted that the issue of loan accessibility continues to pose a significant obstacle, indicating the need for potential enhancements within the regulatory domain.

According to Nkwe (2012), the cognitive perspective suggested that the perception of entrepreneurship and small and medium-sized enterprises (SMEs) in Botswana is predominantly favorable. These entities are viewed as crucial for generating employment opportunities and fostering socio-economic advancement. Nevertheless, Monyake & Kuruba (2021) emphasized the difficulties associated with effectively managing expanding small and medium-sized enterprises (SMEs). This suggests that although there is a cognitive understanding of the significance of SMEs, there is still a lack of practical knowledge and skill in this area.

In Botswana, there is a normative inclination towards endorsing entrepreneurship as a realistic and desirable professional choice. This phenomenon is evident in the various endeavors that focus on enabling young individuals and women to engage in business activities, highlighting the normative drive for promoting inclusive economic involvement (Mafoko, 2019).

Although Botswana's institutional system offers a favorable setting for small, medium, and micro enterprises (SMMEs), there are still persistent difficulties that need to be addressed. The growth objectives of numerous small and medium enterprises (SMEs) have been impeded by the intricate regulations around financial access and the strict financing requirements (Mutoko & Kapunda, 2017). Moreover, although there is a prevailing recognition of the significance of small and medium-sized enterprises (SMEs) at the cognitive level, there exists a necessity for more focused interventions aimed at providing businesses with the necessary capabilities and assets (Monyake & Kuruba, 2021).

Nevertheless, these challenges offer potential avenues for growth and development. The acknowledgement of the potential of small, medium, and micro enterprises (SMMEs) by organizations such as the International Trade Centre (2019) highlights the importance of adopting a bottom-up strategy to economic diversification. Furthermore, the academic study of Gumel & Bardai (2023) highlighted the significance of institutions such as SMEDAN in Nigeria. The research explained how institutional initiatives can effectively facilitate the interaction between important success determinants and the success of small and medium-sized enterprises (SMEs).

In a nutshell the institutional framework in Botswana, which encompasses regulatory, cognitive, and normative aspects, exerts substantial effect on the development and direction of small, medium, and micro enterprises (SMMEs) inside the nation. Despite the persistent challenges of limited access to financial resources and the necessity for skill development, there exists a plethora of opportunities for small and medium enterprises (SMEs) who possess the ability to adeptly traverse this complex environment. The application of institutional theory provides a valuable perspective for analyzing the achievements and challenges faced by small, medium, and micro enterprises (SMMEs) in Botswana. This theoretical framework offers valuable insights into potential pathways for future expansion and advancement.

2.5.1.8 Market Orientation Theory and its Implications for SMMEs in Botswana

The theory of market orientation holds significant importance within the field of marketing research, as it underscores the need for organizations to align their internal processes, products, as well as strategies with the current market conditions. Market orientation is fundamentally based on three key elements: customer orientation, competitor orientation, along with inter-functional coordination.

Market orientation refers to a business strategy in which organizations adapt their strategies and procedures to meet the perceived wants and wishes of their consumers, as well as the prevalent dynamics within the competitive landscape (Wall, 2021). The corporate culture plays a crucial role in prioritizing and fostering the key behaviors that lead to the creation of exceptional value for buyers, ultimately resulting in the attainment of a competitive advantage. The importance of market orientation arises from its direct influence on corporate performance, promotion of

innovation, establishment of consumer loyalty, and guarantee of long-term sustainability (Rodrigues, Franco, Silva, & Oliveira, 2021).

The comprehension and effective addressing of client needs holds a pivotal role in the concept of market orientation. According to Mtshali & Chinyamurindi (2020), organizations that place emphasis on addressing the present and future requirements of their consumers tend to foster elevated measures of customer satisfaction along with loyalty. The implementation of a proactive strategy requires a continuous examination of market dynamics, a comprehensive comprehension of changes in client preferences, and the identification of emerging trends ahead of competition. Furthermore, a comprehensive comprehension of market dynamics enables organizations to effectively adjust and introduce novel strategies, thus guaranteeing their continued relevance and competitiveness (Fatoki & Garwe, 2010).

Market orientation is a crucial factor in the framework of Botswana's small, medium, and micro enterprises (SMMEs), particularly in light of the swift socio-economic changes and the growing influence of globalization on the business landscape. Chirau (2014) asserted that small, medium, and micro enterprises (SMMEs) in Botswana, with a specific focus on regions such as Francistown, make substantial contributions to the local economies. However, in order to maintain and increase their influence, it becomes crucial for organizations to possess a comprehensive awareness of the intricate details of the local market.

Botswana is recognized for its robust economy and the emergence of a flourishing middle class. However, small, medium, and micro enterprises (SMMEs) frequently encounter obstacles pertaining to financial accessibility, infrastructural constraints, and regulatory impediments (Khanie, 2018; Mutoko & Kapunda, 2017). In the given context, the implementation of a market-oriented approach has the potential to confer a competitive advantage upon small, medium, and micro enterprises (SMMEs). By comprehending the distinct requirements of the Botswana consumer and the wider market dynamics, enterprises can customize their solutions to ensure they align with the target audience and are positioned for achievement (Nkwe, 2012).

An illustrative instance can be observed in the technology industry of Botswana. According to Ongori (2009), the integration of information communication technologies (ICT) with small, medium, and micro enterprises (SMMEs) has been a notable phenomenon. Small, Medium, and Micro Enterprises (SMMEs) that demonstrate an awareness of the expanding digital requirements of consumers and the prevailing market trends are more strategically situated to

capitalize on this digital transformation. By providing products along with services that appeal to a progressively technology-proficient population, these SMMEs may effectively harness the advantages of this digital shift.

Moreover, in the specific context of Botswana, market orientation encompasses a comprehensive comprehension of the wider regional dynamics. Given Botswana's geographical location, being surrounded by neighboring countries such as South Africa, Namibia, and Zimbabwe, it becomes crucial to acknowledge the intricate relationship between regional market dynamics. This understanding might potentially provide small, medium, and micro enterprises (SMMEs) in Botswana with prospects for expansion and possibilities to engage in cross-border partnerships (International Trade Centre, 2019).

In summary, market orientation is a fundamental aspect of contemporary business strategy, particularly of great importance for small, medium, and micro enterprises (SMMEs) that operate in dynamic and constantly changing markets such as Botswana. By placing significant emphasis on developing a comprehensive comprehension of consumer wants and the wider market landscape, enterprises may effectively guarantee not just immediate profitability but also cultivate enduring resilience and expansion.

2.5.1.9 Stakeholder Theory and its Implications for SMMEs in Botswana

The stakeholder theory asserts that firms need to function in a manner that serves the interests of all their stakeholders, rather than solely prioritizing the interests of their shareholders. According to Abdul (2022), a stakeholder refers to any individual or group that possesses the ability to exert influence on, or is subject to the consequences of, the activities, objectives, and policies implemented by an organization. The stakeholders involved in this context encompass employees, customers, suppliers, shareholders, as well as the wider community and environment. The significance of stakeholders in the context of business operations stems from their potential to exert impact on the long-term viability, reputation, and sustainability of the organization (Rodrigues, Franco, Silva, & Oliveira, 2021). The implementation of efficient stakeholder management strategies can lead to increased levels of trust, the creation of collaborative synergies, and the achievement of sustainable growth. These factors are crucial for the long-term survival of small, medium, and micro enterprises (SMMEs) operating in highly competitive markets.

The effective management of stakeholder relationships holds great importance for small, medium, and micro enterprises (SMMEs) due to their tendency to operate within a tightly interconnected network. In this context, the endorsement or opposition of a select group of stakeholders can exert a substantial influence on the day-to-day functioning of these businesses (Muriithi, 2017). Cultivating favorable stakeholder relationships has the potential to provide several benefits, such as increased prospects, enhanced resource accessibility, bolstered market standing, and even advocacy, all of which are pivotal elements for the advancement of a corporation. On the other hand, inadequate management of stakeholders can lead to disruptions in operations, adverse publicity, and diminished trust, all of which can have harmful effects on the development of small, medium, and micro enterprises (SMMEs) (Gagoitsepe & Pansiri, 2012).

In the context of small, medium, and micro enterprises (SMMEs), it is important to acknowledge the significant impact that connections have on securing financial assistance, exploring untapped markets, and effectively navigating regulatory frameworks. One example of how SMMEs can mitigate the difficulties associated with accessing finance is by establishing a favorable rapport with financial institutions along with investors (Khanie, 2018).

In the specific context of Botswana, many stakeholder groups possess considerable sway over the achievements and obstacles encountered by Small, Medium, and Micro Enterprises (SMMEs).

Government: The Botswana government assumes a crucial role in influencing the business environment for small, medium, and micro enterprises (SMMEs), particularly through its regulatory frameworks, taxation policies, and supportive measures (Sathyamoorthi, 2002). The government's focus on promoting economic diversification and fostering entrepreneurship has led to the implementation of a range of policies and initiatives designed to help small, medium, and micro enterprises (SMMEs) (International Trade Centre, 2019). Nevertheless, the growth of small, medium, and micro enterprises (SMMEs) can often be impeded by bureaucratic processes, regulatory intricacies, and difficulties in accessing the necessary support systems (Nkwe, 2012).

Suppliers: The determination of costs, delivery timeliness, and product/service quality is attributed to suppliers. The quality of products and customer satisfaction in Botswana's small, medium, and micro enterprises (SMMEs), particularly in the manufacturing and retail sectors,

are significantly influenced by the connections established with suppliers (Monyake & Kuruba, 2021).

Customers: The ultimate customers of goods or services, together with their feedback, loyalty, and purchasing behavior, have a direct impact on the financial performance of small, medium, and micro enterprises (SMMEs). To achieve success in business within Botswana's culturally diverse environment, it is imperative to possess a comprehensive awareness of the tastes and wants of the local consumers (Chirau, 2014).

Financial Institutions: The acquisition of financial resources continues to be a substantial obstacle for several small, medium, and micro enterprises (SMMEs) operating in Botswana. Establishing robust partnerships involving banks, microfinance institutions, along with investors is crucial in securing the requisite financial backing (Khanie, 2018).

Local Communities: A significant number of small, medium, and micro enterprises (SMMEs) in Botswana are characterized by their operation inside tightly-knit local communities. The endorsement from stakeholders can significantly affect the social acceptance of an organization's operations, particularly in cases when firms may have adverse environmental or social consequences (Mutoko & Kapunda, 2017).

International Partners: The phenomenon of globalization has resulted in an expanded market presence for numerous small, medium, and micro enterprises (SMMEs) in Botswana. Various international stakeholders, such as foreign investors, international clients, and worldwide regulatory agencies, have the potential to exert influence on small, medium, and micro enterprises (SMMEs) in Botswana, particularly those engaged in export activities or those actively pursuing foreign direct investments (van Staden, 2022).

The stakeholder theory emphasizes the interdependence between firms and many external and internal entities. For small, medium, and micro enterprises (SMMEs) in Botswana, comprehending and proficiently handling these associations is not just a matter of ethics, but also a matter of strategic significance. In the context of Botswana's distinct socio-economic environment, small, medium, and micro enterprises (SMMEs) have the potential to derive substantial advantages by adopting a stakeholder-centric strategy. This approach entails prioritizing the interests and involvement of various stakeholders, thereby promoting collaborative growth and the adoption of sustainable business practices.

2.5.1.10 Cultural Theory and its Influence on SMMEs in Botswana

Culture can be described as a complex network of collective beliefs, values, norms, alongside behaviors that influence the manner in which individuals and groups engage with one another and make choices. Both national with organizational cultures have a significant impact on business practices and outcomes. The national culture serves as a fundamental framework that influences the wider socio-economic environment, behavioral standards, and anticipated outcomes. Conversely, organizational culture refines and adapts these influences to correspond with the particular mission, values, along with operational standards of a given enterprise (Muriithi, 2017).

The comprehension of the dynamic relationship within national with organizational cultures holds significant importance for organizations because to its influence on several aspects such as staff motivation, customer relations, processes for making decisions, and overall company strategies (Eggink, 2021). The culture of an organization has the potential to either uphold or question the existing cultural norms within a nation, resulting in either harmonious collaboration or conflict in commercial activities.

The cultural landscape of Botswana is characterized by a fusion of Tswana customs and contemporary elements, placing significant emphasis on communal principles, reverence for tradition and older generations, and the concept of *botho*, which encapsulates a deep regard for the welfare and dignity of others. According to Nkwe (2012), these deeply rooted principles promote a company atmosphere that prioritizes the establishment of relationships, trust, and mutual respect.

The cultural qualities in Botswana have unique consequences for Small, Medium, and Micro Enterprises (SMMEs).

Relationship-Oriented Business: The success of small, medium, and micro enterprises (SMMEs) in Botswana is significantly influenced by interpersonal connections and interactions. The attributes of trustworthiness, reliability, alongside integrity are held in high regard, and organizations that exemplify these principles are more inclined to achieve long-term success (Monyake & Kuruba, 2021).

Decision-making: Decision-making in some cultures is generally characterized by a hierarchical structure, which is influenced by the deep-rooted values of regard for elders and tradition. Nevertheless, it should be noted that this implies that once decisions have been reached, they are

frequently regarded with reverence and executed with unwavering dedication (Radikoko, Maswabi, & Dzimiri, 2015).

Community Engagement: Small, Medium, and Micro Enterprises (SMMEs) frequently function within tightly-knit communities. The act of actively participating in and contributing to these communities is not only a moral obligation but also a crucial aspect of business strategy, as the positive perception of the community can greatly impact the achievement of company objectives (Mwobobia, 2012).

The Significance of Cultural Competence in Contemporary Society

Cultural competence pertains to the capacity of an individual or entity to engage in effective interactions with individuals from diverse cultural backgrounds. Within the realm of business, it entails comprehending the cultural norms including values held by both employees and customers, and subsequently integrating this comprehension into corporate processes (El-Khasawneh, 2012).

Cultural competency holds crucial importance for Small, Medium, and Micro Enterprises (SMMEs) in Botswana due to various reasons:

Diverse Workforce: As Botswana undergoes the process of modernization and globalization, it is anticipated that small, medium, and micro enterprises (SMMEs) would increasingly engage a heterogeneous workforce. According to Ongori (2009), the implementation of cultural competency within a workplace setting promotes a cohesive and productive atmosphere by reducing instances of miscommunication and fostering increased collaboration among individuals.

Expanding Customer Base: According to van Staden (2022), the comprehension and adherence to cultural norms of prospective customer bases might serve as a notable competitive edge for SMMEs as they undergo growth and potential expansion beyond the borders of Botswana.

Innovation and Creativity: According to Wall (2021), a business that possesses cultural competence has the ability to effectively utilize the different viewpoints of its personnel, resulting in the generation of unique solutions and the application of creative problem-solving techniques.

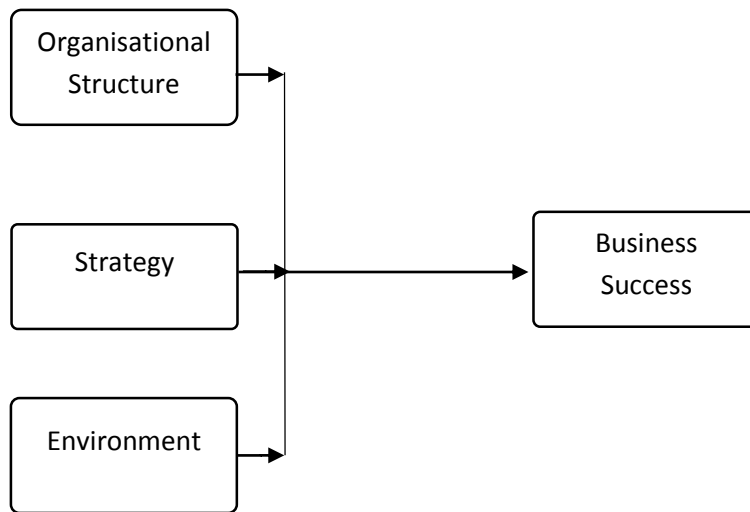
The comprehension and incorporation of both national with organizational cultural norms are vital for the achievement of small, medium, and micro enterprises (SMMEs) in Botswana. The distinctive cultural milieu of Botswana presents both obstacles and prospects for enterprises.

Nevertheless, individuals who possess the ability to effectively traverse this complex environment with cultural proficiency are well-positioned to achieve long-term success, capitalizing on the advantages offered by both conventional beliefs and contemporary commercial strategies.

2.6 Conceptual framework

The purpose of a conceptual framework in research is to help the researcher to explain the natural progression of the phenomenon to be studied (Camp, 2001). It is normally based on the concepts, empirical research and important theories used in explaining and systemizing the knowledge adopted by the researcher. The figure below depicts the theoretical framework of the study which is based on the configurational approach.

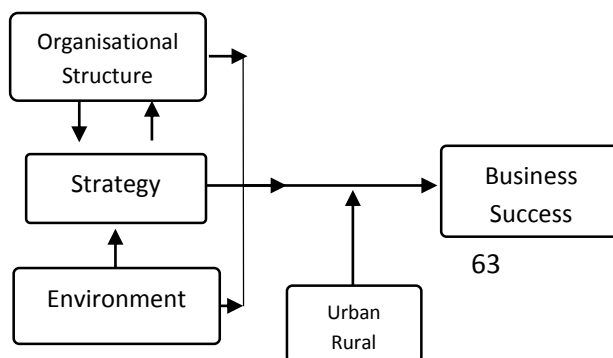
Figure 2 .How Strategy ,Structure and Enviroment affect business Success.



Source: Own elaboration based on (Effendi, 2010)

The figure above depicts the first line of thought on how strategy, structure and environment affect business success.

Figure 3 . Conceptual Framework of the study



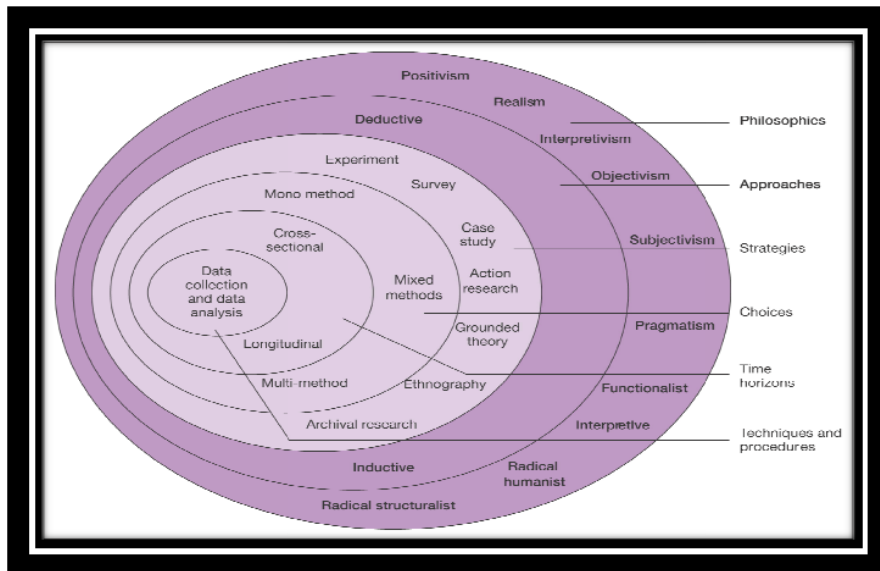
Source: Own elaboration based on (Effendi, 2010)

In a nutshell, the figure above depicts a conceptual framework of relationship between strategy, structure and environment and business success. This conceptual framework was based on configuration model which advance that business success is determined by organisational strategy, structure and environment. In this context the organisational structure in conjunction with the strategy and the environment plays an important role in determining the success of the SMMEs. Secondly the strategy, in conjunction with organisational structure and the business environment plays an important role in determining the success of SMMEs. Thirdly the environment in conjunction with the organisational structure and strategy plays an important role in determining the success of SMMEs. In other words, these three variables are interdependent of each other and do not work in isolation of each other. For example, a structure alone cannot contribute to business success as the other variables like the environment and the strategy also play an equally important role in determining business environment. In summary organisational structure, strategy and environment are dependent variables which are in themselves mutually exclusive and on the other hand, business success measured in terms of financial success nonfinancial success is the independent variable. Thus, the success of the SMMEs (Business success) is determined by the environment from which the business operates, the nature of the organisational structure in allowing innovativeness and creativity among employees and the strategy is providing pathways towards business success. This is well captured by Oluremi and Gbenga (2011) who argued that that a business organisation that desire success should develop a clear appreciation of the business environment trends and forces that shape competition. The knowledge in question will enable the organisation to choose the appropriate strategy as well as the structure that fit the business environment by examining variables such as strengths, weaknesses, opportunities, and threat (SWOT). The location (urban or rural) has been used as the moderating variable. A modification has been made to the model as used by (Effendi, 2010). For this study the direct influence of environment on SMMEs success will be assessed.

RESEARCH METHODOLOGY

3.0 Introduction

The purpose of a research methodology is to help the researcher address the research question by gathering relevant data on the subject. It typically pertains to social research and encompasses its philosophical, political, and social contexts. Moreover, it serves as a means to manage any potential consequences for the actual research process, where a method includes particular techniques for collecting and interpreting data. Therefore, methodologies act as inquiry blueprints to steer a series of procedures (Petty, Thomson, & Stew, 2012). Saunders, Lewis, & Thornhill (2011) believed that research methodology encompasses the methods employed to gather data and validate theories, linking the theoretical foundation to the research problem. He pointed out that an effective research process should include certain key steps: philosophy, approach, strategy, choices, time horizons, techniques and procedures.



Source: (Saunders, Lewis, & Thornhill, Research Methods for Business Students, 2009)

3.1. Research Philosophy

A research philosophy can be defined as a system of beliefs and assumptions about the development of knowledge (Saunders, Lewis and Thornhill, 2015:p124) In the same vein Collin and Hussey (2009) defined a research philosophy as an all-encompassing term which entails the development of knowledge and the nature of knowledge and how the world is viewed. In other terms, a research philosophy that a researcher adopts holds important assumptions about their worldview. Thus, a research philosophy determines the way in which data about a phenomenon should be gathered, analyzed and used. There are various categories of research philosophy, thus

positivism, interpretivism, pragmatism. In addition, each research philosophy is governed by three different types of assumption and these are: ontology, epistemology and axiology (Saunders, Lewis and Thornhill, 2015).

The proposed study will adopt pragmatism approach in determining the determinants of SMMEs business success because it allows use of both quantitative and qualitative approaches. This is envisaged to yield balanced results as the two approaches will complement each other's strength and weaknesses. In addition, this approach was also chosen because it offers practical solutions to addressing a research problem. This is further supported by Elkjaer and Simpson (2011) who posits that a research starts with a problem and aims to contribute practical solutions that inform future practice. In addition, pragmatism philosophy as a research paradigm is fast gaining momentum as demonstrated by its widespread application across disciplines such as business research, psychology, sociology (Molina-Azorin, 2016).

Positivism

Walliman (2006) described positivism as using natural science methods in the exploration of social realities. Remenyi, Williams, Money, & Swartz (1998) elaborated that researchers adopting a positivist stance believe they remain detached from, and are neither influenced by nor influence, the subject of their study. Positivism holds that genuine knowledge stems from tangible sensory experiences, and this knowledge can be confirmed through the scientific method.

In essence, the positivist approach often employs a deductive method, where a theory is formulated and then rigorously tested, as seen in hypothesis testing. Gill and Johnson (2002) suggest that researchers following a positivist paradigm are inclined to use a well-structured methodology to allow for replication. On the other hand, when using an inductive method, researchers formulate theories based on findings, like those from questionnaires or focus groups. Saunders et al. (2003) state that the positivist method adheres to specific procedures:

- i. Follows scientific guidelines
- ii. Transitions from theoretical frameworks to raw data
- iii. Determines causal links between factors
- iv. Gathers numerical or quantitative information
- v. Implements safeguards to maintain data authenticity
- vi. Clarifies terms through operational definitions

- vii. Adopts a structured methodology
- viii. Allows the researcher autonomy in the study focus
- ix. Chooses adequately sized samples for broader applicability of findings.

Based on this foundation, the primary epistemological stance used in this study is positivism. Nonetheless, other philosophical perspectives are also utilized and will be discussed in more detail in this section.

A. Interpretivism

Interpretivism is an epistemology that emphasizes the importance of understanding the distinctions among individuals in their capacity as social participants, as stated by Saunders et al. (2011). It is characterized as acknowledging the central role of personal meanings in shaping social behaviors. Saunders et al. (2009) argue that the essence of Interpretivism is to genuinely grasp the core reality of circumstances, thus moving away from the broad generalizations often associated with the positivist stance.

Saunders et al. (2007) suggest that an interpretivist approach is particularly suitable for business and management studies, especially when researching in areas such as organizational behavior, marketing, and human resource management.

B. Research Approach

Inductive

In the inductive method, data is gathered and a theory is formed based on the analysis of this data, as noted by Saunders, Lewis, & Thornhill (2003). This approach often emphasizes the context surrounding certain events. As a result, studying a smaller sample group is more fitting for the inductive method than examining larger groups, as is common with the deductive approach.

Deductive

Saunders et al. (2007) claim that the deductive research method centers on forming a theory that then undergoes thorough testing. Bryman and Bell (2007) argue that this deductive perspective is the most prevalent understanding of how theory and research interrelate. Robson (2002), as referenced by Saunders et al. (2009), outlines five consecutive steps in the research journey:

- i. Deriving a hypothesis from the established theory
- ii. Defining the hypothesis in actionable terms
- iii. Putting the defined hypothesis to the test

- iv. Reviewing the results of the investigation
- v. Refining the theory based on the discovered findings.

In this investigation, the primary framework used by the researcher was the positivist paradigm, employing a deductive method to examine the objectives. As Saunders et al. (2009) highlight, the deductive method places greater emphasis on validating and confirming objectives, which aligns with the intent of this study. Given these theoretical underpinnings, the researcher formulated research objectives to provide clarity, precision, and emphasis on understanding the factors driving SMMEs business success in Botswana. Examining these objectives will validate the research aims and conclusively address the research query.

3.2 Research Design

The research design is a ‘road map’ that guides research. According to Kumar (2002) explanation, “a research design is a plan of action, a plan for collecting and analyzing data in an efficient and relevant manner”. The research design is determined by the research problem and the kind of data required. It dictates the entire procedures and requirements for accomplishing the research. In other words, the design is to be described, its strengths and weaknesses highlighted, and the rationale for the choice of the design needs to be explained (Shuttleworth, 2008). Stating the research design to be adopted is appropriate for any study, either qualitative or quantitative (Cresswell, 2014). He further put that every research study should be guided by a research design that determines the paradigm and influences that methods employed.

Similarly, the research methods deal with techniques for achieving a chosen outcome, the means of collecting data for a study. Per Nicholas (2011), “research methods are the techniques employed to carry out a research. These methods represent the tools and provide ways to gather, sort and analyze information to arrive at a given conclusion”. The methods adopted depends on what type of data is required to answer the research questions: qualitative vs quantitative (will the data take the form of words or numbers), primary vs secondary (is the data to be gathered

original or data already gathered by someone else), descriptive vs experimental (is the work based on measurement of something or will an experiment be performed).

This study makes use of the quantitative approach as its research design (Kabir, 2016) which is consistent with the nature of this study. A quantitative research design is notably appropriate for this study due to its capacity to provide structured and measurable insights into the complex web of factors influencing SMME profitability in Botswana. By employing statistical analyses on a substantial sample size, it enables the researcher to systematically investigate the relationships between variables and derive generalizable conclusions. This design choice allows the quantification the impact of various factors, such as competition, online marketing, financial management practices, and human capital development, on profitability. The use of objective measurements and numerical data enhances the rigor and objectivity of the study findings, enabling a clear assessment of patterns and trends within the SMME landscape. Moreover, the quantitative approach allows for the identification of statistically significant associations, providing a solid foundation for actionable recommendations that can be applied across a broader spectrum of SMMEs. Overall, the utilization of a quantitative research design in this study is well-suited to provide empirical evidence and contribute valuable insights into the intricate dynamics of SMME profitability in Botswana.

3.2.1 Data Types (Qualitative & Quantitative)

The choice of qualitative or quantitative data collection is dependent on the research question and the type of knowledge that is intended to be developed. Questions that cover experiences and meaning, ideas or any study that does not require numbers collect qualitative data. On the other hand, research that involves hypothesis testing, collecting of numeric information is based on

quantitative data. In this study, quantitative data is used. Hence, it is compared with the qualitative data.

	Qualitative	Quantitative
Objective	To gain a detailed understanding of fundamental reasons, belief, motivations	To quantify data and generalize results from a sample to the population of interest
Purpose	To understand how and why, what is the process, and what are the influences or context?	To measure the incidence of various views and opinions in a chosen sample.
Data	Data collected are textual	Data collected are numeric or statistical
Study population	A small number of participants or interviewees were selected not randomly.	Many cases representing the population of interest are usually randomly selected.
Data collection methods	In-depth interviews, observation, group discussions.	Structured techniques such as online questionnaires, on-street, or telephone interviews.
Analysis	The analysis is interpretive.	Statistical data is usually in the form of tabulations (tabs). Findings are conclusive and used for generalizations
Outcome	To develop an initial understanding, to identify and explain behavior, beliefs, or actions.	Used to recommend a final course of action

Table 1: Features of a Qualitative and Quantitative Study (Hennink et al., 2010)

3.3 Area of the Study

The area of the study for this research is the greater Gaborone and Francistown City. According to the Census of Enterprises and Establishments 2016 report, the two Cities constitute 85% of Botswana's SMMEs.

3.4 Population and Sampling

3.4.1 The Target Population

Population of study can be defined as the aggregate group of people or entities from which information is required (Wild and Diggines, 2013). Thus, a population can be regarded as a group of individuals or entities whose characteristics are important to the study. The target population of the proposed study will include SMMEs owner / managers and employees who would have worked for the SMMEs for more than one year as well as officials from financial institutions such as LEA, CEDA, Business Botswana and NDB. The following factors will be considered in selecting the population of the study, such as the relevancy of the population to the research question, the ability of the population to answer the research questions, the representativeness of the size of the population to provide answers and finally the homogeneity of the elements of the population (Du Plooy-Colliers, Davis and Bezuidenhout, 2014).

3.4.2 The Sampling and Sampling Technique

Sampling is defined by Cooper and Schindler (2001) as the process of selecting some of the elements in a population, which are representative of the whole and from which conclusions are about the entire population can be drawn. There are two major categories of sampling techniques; that is probability sampling and non-probability sampling (Leedy and Omrod, 2010). Probability sampling is concerned about the randomness and representativeness of a sample and is normally applied in surveys (Saunders, Lewis and Thornhill, 2012). Conversely, non-probabilistic sampling is less concerned about the representativeness of the sample but rather in identification of relevant elements of the population whose characteristics, positions, background and roles are of interest to the researcher (Janckowicz, 1995).

In view of the fact that the proposed study will adopt a quantitative approach, the probability sampling is utilized in selecting the sample for this study. Probability sampling is used in choosing a survey population which will comprise of employees of SMMEs who would have worked for more than one year in the company. The rationale for application of probability is in allowing the researcher to adopt an appropriate method in accordance to the needs of the study. Moreover, the study will not adhere to one technique because it seeks to get a balanced view of the phenomenon from employees of SMMEs and owner / managers of SMMEs through surveys questionnaires (Saunders, Lewis and Thornhill, 2012:267).

3.4.3 Sample Size

For this study, the following formula will be used to determine the sample size (Mugenda & Mugenda, 2003)

$$N = \frac{Z^2 pq}{d^2}$$

N = the desired sample size (if the target population is greater than 10,000)

P = the proportion in the target population estimated to have characteristics being measured. This is placed at 50% (0.5).

q = (1-p), that is the proportion in the target population estimated to have characteristics being measured, (1-0.5) = 0.5

d = margin of error

Z = the standard normal deviate at the required confidence level.

Assuming 5% margin of error

$$N = \frac{Z^2 pq}{d^2} = \frac{1.96^2 (0.5) (0.5)}{(0.5)(0.5)} = 384$$

In this study the total population is estimated at more than 10 000. (Statistics Botswana Census Of Enterprises And Establishments 2016 Report: Phase 1), therefore the sample size for the study is 384.

3.5 Data Source and Method of Data Collection

The proposed study will use primary data sourced through a survey with questionnaire as the main instrument of data collection to corroborate the findings from interviews with owner / managers of SMMEs and in order to get balanced view of the phenomenon. Thus, the study will use a combination of two different instruments to collect both quantitative and qualitative data. Data will be managed using statistical packages such as the SPSS 21.0 and STATA 15.

3.6 Models and Estimation Strategy

Objective one: To identify the factors that influence SMMEs business success in Botswana.

In order to empirically test this, we develop the following models.

Model one: Turnover of Profit as a measure of success

Turnover = f(organizational factors, environmental factors, individual factors, government incentives)

$$\text{Profit} = \beta_0 + \beta_n X_n + \mu \dots \quad (3.1)$$

Where:

P_{profit} = Net income

β_0 = Intercept/Constant term;

β_n = Vectors of the Regression Coefficients;

X_n = Vector Matrix of independent variables; organizational factors, environmental factors, individual factors, business characteristics, strategy and structure, government incentives, and pandemic related factors

μ = Unobserved error term.

Objective two: To ascertain the influence of Business characteristics on SMMEs business success in Botswana

Model two: Turnover of Profit as a measure of success

Turnover = f(Business Characteristics)

$$\text{Profit} = \beta_0 + \beta_n X_n + \mu \dots \quad (3.2)$$

Where:

P_{profit} = Net income

β_0 = Intercept/Constant term;

β_n = Vectors of the Regression Coefficients;

X_n = Vector Matrix of independent variables; business characteristics

μ = Unobserved error term.

Objective three: To ascertain the influence of business strategy and structure on SMMEs business success in Botswana

Model three: Turnover of Profit as a measure of success

Turnover = f (business strategy and structure)

$$\text{Profit} = \beta_0 + \beta_n X_n + \mu \dots \quad (3.3)$$

Where:

P_{profit} = Net income

β_0 = Intercept/Constant term;

β_n = Vectors of the Regression Coefficients;

X_n = Vector Matrix of independent variables; business strategy and structure

μ = Unobserved error term.

Objective four: To ascertain the influence of business environmental factors on SMMEs business success in Botswana

Model four: Turnover of Profit as a measure of success

Turnover = f (business environmental factors)

$$\text{Profit} = \beta_0 + \beta_n X_n + \mu \dots \quad (3.4)$$

Where:

P_{profit} = Net income

β_0 = Intercept/Constant term;

β_n = Vectors of the Regression Coefficients;

X_n = Vector Matrix of independent variables; business environmental factors

μ = Unobserved error term

Objective five: To ascertain the influence of organizational factors on SMMEs business success in Botswana

Model five: Turnover of Profit as a measure of success

Turnover = f (organizational factors)

$$\text{Profit} = \beta_0 + \beta_n X_n + \mu \dots \quad (3.5)$$

Where:

P_{profit} = Net income

β_0 = Intercept/Constant term;

β_n = Vectors of the Regression Coefficients;

X_n = Vector Matrix of independent variables; organizational factors

μ = Unobserved error term

3.7 Estimation Strategy

To investigate the determinants of SMMEs success in Botswana, we make use of the Poisson regression estimator. This basically is because our dependent variables; turnover or net income is

a non-negative number. Employing the Poisson regression technique is well-justified in this study as it is particularly suited for analyzing count data, which aligns with several aspects of this research. Given that this study explores various factors influencing SMME profitability, many of these factors can be expressed as counts, such as the frequency of financial statement preparation, marketing efforts, and capacity building sessions. The Poisson regression allows one to model the relationships between these count-based variables and profitability while accounting for potential confounding factors. Its ability to handle non-negative integer outcomes and incorporate categorical and continuous predictor variables facilitates a comprehensive analysis, enabling a researcher to quantitatively assess the impact of each factor on profits. Through the application of Poisson regression, the study leverages an appropriate statistical tool to reveal nuanced insights into the relationship between various factors and SMME profitability, contributing to a robust and rigorous analysis.

3.8 Data Collection Instruments

“Data collection is the process of gathering and measuring information on variables of interest, in an established systematic fashion that enables one to answer stated research questions, test hypotheses, and evaluate outcomes”(Kabir, 2016:p202). There are various types of research instruments that can be applied for gathering data like face to face interviews, self-administered questionnaires, observation and focus groups (Hair, Black, Babin and Anderson, 2010). The study made use of survey questionnaires in order to get balanced view of the phenomenon.

3.8.1 Questionnaire

A questionnaire is a research instrument consisting of a series of questions and other prompts for the purpose of gathering information from respondents (Kabir, 2016). In addition, Saunders, Lewis and Thornhill (2012) defined a questionnaire as a data collection instrument in which each participant is asked to answer the same questions in a predetermined order (The study utilizes a closed ended survey questionnaire to collect quantitative data from SMMEs owners. The justification for choosing a survey questionnaire is based on its ability to collect a wider range of data (Hair et al., 2010:167). Another justification for applying a questionnaire is its ability to yield standardized answers that make it easy to compile data. Moreover, in consideration of the fact that the proposed study will be investigating SMMEs from the two

regions of the country, a survey questionnaire is expected to cover a wider geographic spread of SMMEs employees. In addition, a pre coded questionnaire was also chosen because of its ability to collect standard responses which are easy to statistically analyse (Du Plooy-Cilliers, Davis and Bezuidenhout, 2014). Finally, the use of questionnaire also gave a snap shot of the factors affecting SMMEs growth in Botswana.

3.9 Pilot study

The purpose of a pilot study is to detect and correct any ambiguity in the design and instrumentation of the study and to ensure that the instrument measures what the study intends to measure (Cooper, Schindler and Sharma, 2012: Connelly, 2008). The pilot study in the proposed study will involve pretesting the instrument on staff and owners/ managers of SMMEs. The pilot study population will constitute 10% of the population as prescribed by (Connelly, 2008). The researcher will ensure pilot study participants, will have characteristics which are as similar as possible to the main study group. The participants for the pilot study will be selected purposefully in order to ensure the outcome of the pilot test is a true reflection of the main study.

3.10 Administration of instruments

In view of the fact that the proposed study is going to use mixed methods approach, three instruments will be utilized in collecting data and this will include a survey questionnaire for collecting quantitative data from employees of SMMEs in Botswana and interviews and focus group discussion will be used to collect qualitative data from SMMEs owner/ managers and officials from financial institutions. The researcher will use online platforms and social media to administer questionnaires to employees from different SMMEs after asking for permission from respective authorities. In addition the researcher will also make appointments for online (skype, teams and Zoom) interview sessions with SMMEs owner / managers and the officials financial institutions such as CEDA, NDB and LEA.

3.11 Data analysis procedure

According to Woods and Kerr (2011) data analysis is a process of converting data into information which can be easily understood by consumers of the research study. In addition Cooper, Schindler and Sharma (2012: 100) defined data analysis is a process of reducing accumulated data to a manageable size, summarizing, and observing trends in the data. Data can be analyzed qualitatively or quantitatively. Quantitative data collected from questionnaires will be analysed numerically utilizing a statistical data analysis software - the Statistical Package

for Social Sciences (SPSS). The responses to questionnaires, in terms of the extent to which they agree or disagree with different statements will be measured through use of 5 point Likert Scale (Du Plooy-Cilliers et al., 2014) or Yes or No categories etc. The study makes use of descriptive statistics to analyse quantitative data collected from survey questionnaires to be administered to employees of SMMEs.

3.11.1 Descriptive statistics

Descriptive statistics is a data analysis method that highlights emerging patterns from data and summarise data in a meaningful way (Du Plooy-Cilliers et al., 2014). Quantitative data collected from survey questionnaires will be analyzed quantitatively through descriptive statistics to describe the factors affecting SMMEs growth. The collected data will be presented in the form of frequency tables.

3.12 Data validity and reliability

3.12.1 Reliability

Reliability in research is concerned about the extent to which data collection method is able to yield consistent results (Saunders, Lewis and Thornhill, 2012: 680). A measure is considered to reliable when it can be used by different researchers under the same conditions, with consistent results (Schumacher,2006) . There are three major categories of reliability testing that can be used by a researcher, and these are; parallel forms of reliability, test-retest reliability and inter-rater reliability (Bollen, 1989: Golafshani, 2003). The study will conduct a reliability test on the questionnaire to ensure that the results will be free from measurement error.

3.12.2 Trustworthiness

The concept of reliability and validity is treated differently in a qualitative study, because of the different philosophical orientations. However, Silverman (2001) proved that qualitative researchers can incorporate measures that deal with such issues. Guba (1981) highlighted that there are four major criteria for ensuring trustworthiness (reliability) of a study such as credibility, transferability, dependability and confirmability.

3.12.3 Credibility

Just like reliability, credibility points to the consistence of the findings with reality. Lincoln and Guba (1985:181) argue that reliability considered as one of the most important factors in establishing trustworthiness in a study. They further suggested that adoption of well-established research methodology and triangulation of different methodology contribute towards establishing credibility in a study. As a way of ensuring credibility of the study, the researcher will adopt a mixed methods approach which will allow triangulation of data from different methods. In addition, participants were informed that their participation in the study should be voluntary, as a way of ensuring that they do so freely and willingly and that they give honest responses (Guba, 1981: 78). In addition the study will also adopt a mixed methods approach (data triangulation) as a way of confirming findings from each method.

3.13 Ethics

Ethical concerns in a research study are guided by two principles thus, what is considered to be right and wrong as well as fairness and social good (Velasquez et al, 2010). Therefore in conducting the proposed study, researcher, will be guided by the university ethical guidelines and will follow the following steps;

Informed consent

The researcher will obtain informed consent from participants by fully explaining the purpose of the study in addition introductory letters introducing the researcher and stating the objectives of the study will be given to different subjects and will also be asked to sign a consent form to show their willingness to freely participate in the study

3.13.1 Privacy and confidentiality

During the study, the researcher will safeguard participants' privacy and confidentiality. This researcher will do that by ensuring that the data collected from respondents will not be linked to the respondents identity by use of code instead of names. In addition , the information obtained from the study will be treated with utmost confidentiality and no unauthorized parties will be allowed to access the information.

3.13.2 Ensuring permission is granted

The researcher will have to follow formal channels in asking for permission to conduct the study from relevant authorities such as the management of various SMMES, LEA, CEDA and NDB.

3.13.2 Protection from harm

The researcher will ensure that participants will not be harmed or disadvantaged by their participation in the study.

3.14 Summary

The study will adopt a pragmatic worldview which will allow use of mixed methods approach.

Thus the study will utilize mixed methods approach which entails collection of both quantitative and qualitative data . The sample of the proposed study will be done using a combination of probability sampling in selecting the clusters and non-probability through purposive sampling.

The population will comprise owner/ managers of SMMEs, employees of SMMEs and officials from financial institutions. A survey strategy will be used since the proposed study will be covering two major cities (Gaborone and Francistown) and the instruments will include closed ended questionnaires, interviews and focus group discussion will be used to triangulates different research methods to ensure reliability and internal consistence of data sources. Quantitative data will be analyzed statistically, whilst qualitative data will be analyzed qualitatively through thematic analysis. The study conducted in an ethical manner as stipulated in the university ethical guideline.

CHAPTER FOUR

PRESENTATION OF ANALYSIS AND DISCUSSION OF RESULTS

4.1 Introduction

In this chapter the results of the analysis conducted are presented and discussed. First, the descriptive results are presented for major responses relevant to this study, after which the regression results for each model are presented. Finally, the findings from each model are discussed based on each objective of the study.

4.2 Presentation of Results

In this section, the results of the descriptive statistics of key questionnaires are presented. They are presented based according to themes. After this, the results of the regression analysis are then presented.

4.2.1 Descriptive Analysis

Personal Characteristics of Respondent

Table 1: Descriptive Statistics of Personal Characteristics of Respondent

Variable Name	Observations	Mean	SD	Min	Max
Sex (Male)	69	0.449	0.501	0.000	1.000
Age as at last birthday (Years)	68	37.824	7.314	19.000	58.000
Years Spent Schooling	69	15.696	4.698	4.000	27.000
Level of Education	69	3.725	0.662	2.000	4.000
Number of Working in the Organization	69	2.768	1.274	1.000	5.000

Source: Author's Computation

Table 1 show the summary of the respondent's responses on questions relating to their basic information. The means are primarily used for interpretations. The results shows that there were slightly more women in the sample with a mean score of 0.45 suggesting that males made up just 45% of the total sample. Furthermore, the average of business owners was about 38 with the highest being 58 and youngest being 19. In terms number of years working the business or organization, the mean was 2.77 showing an average of 3 year experience in engaging the business, with a max of 5 years among the respondents. The average number of years schooling was about 15 years with a maximum of 27years showing that most respondents had higher levels of education. This can be affirmed by the mean of the level of education of 3.7 which shows most respondents had the their tertiary education.

Business Characteristics

Table 2 Descriptive Statistics for Business Characteristics

Variable Name	Observations	Mean	SD	Min	Max
Age of Business	64	6.755	6.035	1.000	37.000
Income Business	62	1.20e+06	5.45e+06	0.000	4.20e+07
Profit Business	64	2.94e+05	9.45e+05	0.000	7.00e+06

Business Savings	66	66736.364	2.51e+05	0.000	2.00e+06
Assets Ownership	69	0.797	0.405	0.000	1.000
Assets Indebted	69	0.304	0.464	0.000	1.000
Acquired More Assets	69	0.464	0.502	0.000	1.000
Profit Margin	61	1.787	0.686	1.000	3.000

Source: Author's Computation

Table 2 shows the descriptive statistics for the characteristics of the business. Again, of key interest are the means of the variables. From the results, the average length of existence of the businesses was about seven years, with the minimum of 1 year and a maximum of 37 years. For the income inflow of the businesses sampled the mean was about 1200000 Botswana Pula, with the profits from these incomes reported to be an average of 294000 Botswana Pula, while the average savings was about 67000 Botswana Pula. For other variables, the means shows that majority of the businesses owned assets with a mean score of 0.797 which shows about 80% of the businesses owned assets. Furthermore, most of the assets were not gotten through debts as mean shows that only 30% of these assets were indebted. The means also shows that 40% of the businesses acquired more assets in the last business year. Finally, most of the business had steady profit margins with a mean score of 1.7.

Environmental Issues

Table 3: Descriptive Statistics for Environmental Factors

Variable Name	Observation	Mean	SD	Min	Max
Marketing	69	0.884	0.323	0.000	1.000
Marketing Frequency	63	0.635	0.485	0.000	1.000
Special Regulation law	69	0.725	1.349	0.000	1.000
Tax	69	0.609	0.492	0.000	1.000

Tax Frequency	69	0.623	0.488	0.000	1.000
Tax Waiver	68	0.294	0.459	0.000	1.000
Government Assistance	69	0.231	0.425	0.000	1.000
Competition	68	0.838	0.371	0.000	1.000
Cooperative Society	69	0.232	0.425	0.000	1.000

Source: Author's Computation

Table 3 shows the summaries of the business environmental factors of the SMMEs sampled in Botswana. It shows most businesses sampled engaged in marketing, as well as did so regularly, with the mean of 0.88 and 0.63 respectively. Also, majority of the business reported that there were special laws by the government which affected their businesses with a mean of 0.72. In terms of taxes, majority of the business (mean score of 0.60 or 60%) reported to be paying taxes, and did so regularly with a mean of 0.62. However, only few (mean of 0.29 or 29%) businesses reported to have received tax waivers. Similarly, most business reported have received little assistance from the government as well as belong to a cooperative or thrift society, with mean scores of 0.231 and 0.232 respectively. And finally, most of the businesses reported a high rate of competition with a mean score of 0.840.

Business Strategy and Structure

Table 4: Descriptive Statistics for Business Strategy and Structure

Variable Name	Observations	Mean	SD	Min	Max
Knowledge of Strategic Planning	69	0.826	0.382	0.000	1.000
Planning being important for success	69	4.696	0.602	3.000	5.000
Use a Strategy	69	0.609	0.492	0.000	1.000
Many Organizational rules and procedures	54	0.685	0.469	0.000	1.000
Personal Responsibility Emphasis	52	0.731	0.448	0.000	1.000

Employees Inputs	59	0.797	0.406	0.000	1.000
Knowledge of Organizational Culture	69	0.522	0.503	0.000	1.000
Level Conformity to rules	68	2.059	0.620	1.000	3.000
Open to Employees	69	3.725	1.187	1.000	5.000

Source: Author's Computation

The summary of responses to questions relating to the strategy and structure of the business are presented in table 4. With respect to the question asked on whether or not the respondent had knowledge on strategic planning as well as if it was important for the success of the business, the result reveals that majority (0.826 or 83%) of the respondents had knowledge on strategy on planning, as well as strongly agreed (mean of 4.6) that it was important for the success of the business. Furthermore, majority of responses showed that most of the SMMEs used at least a business strategy, with a mean of 0.61. Also, it is evident that most of the businesses organizationally have many organizational rules and procedures, personal responsibility emphasis, and normal high level conformity to rules, with means of 0.68, 0.73, and 2.05 respectively. Finally, the responses show that just about above 52% of the respondents had knowledge of organizational culture (mean of 0.52), with the extent of openness of management to employees being mixed, as most respondents could not decide (the mean of 3.72 is closest to the hard to decide category).

Organizational Factors

Table 5: Descriptive Statistics for Organizational Factors

Variable Name	Observation	Mean	SD	Min	Max
Employee Commitment	69	0.638	0.484	0.000	1.000
Witnessed Internal Conflict	69	0.493	0.504	0.000	1.000
Employee Incentives or Bonus	69	0.580	0.497	0.000	1.000
Detailed Business Transaction Records	69	0.638	0.484	0.000	1.000

Operates Bank Account on Mobile Device	68	0.750	0.436	0.000	1.000
Have Official Bank Account	69	0.826	0.382	0.000	1.000
Business Online	69	0.623	0.488	0.000	1.000
Business Registered	68	0.868	0.341	0.000	1.000
Capacity Building Engagement	68	0.515	0.503	0.000	1.000
Capacity Building Engagement Frequency	67	0.478	0.503	0.000	1.000
Customer Frequency	69	0.739	0.442	0.000	1.000

Source: Author's Computation

The descriptive statistics for variables or question related to understanding the organizational factors and characteristics are captured in the results in table 5. First, the results revealed that most respondent report that employees were committed with a mean of 0.63, which however shows a significant presence of lack of commitment too. Furthermore, 49% (mean of 0.49) reported that their organizations had witnessed internal conflicts before. In terms of incentive for workers such as task bonuses, 58% of the respondents reported the obtainability of such in their organization. Also, 63% of respondents stated that they kept detailed records of their business transactions. Furthermore, majority of the SMMEs were officially registered business entities, had presence online (ICT use), have official business bank accounts, as well as been able to operate then with mobile devices, with means of 0.86, 0.62, 0.82 and 0.75 respectively. Slightly only above half of the respondents (52%) stated that they engaged in capacity building, while less than half of these engaged it regularly (47%). Finally, most respondents reported high level customer patronage.

Covid-19 Related Questions

Table 6: Descriptive Statistics for Covid-19 Related Questions

Variable Name	Observation	Mean	SD	Min	Max
Business Status before COVID-19	69	0.754	0.434	0.000	1.000

Staff unable to Work	69	0.652	0.480	0.000	1.000
Extent of Pandemic effect on Work	69	1.942	0.765	1.000	3.000
Business Recovery Status after Pandemic	69	0.609	0.548	0.000	1.000
Government Support during Pandemic	68	0.559	0.500	0.000	1.000
Extent of Government Support	38	1.763	0.714	1.000	3.000
Wages, a problem during Pandemic	67	0.776	0.420	0.000	1.000
Rent, a problem during Pandemic	68	0.706	0.459	0.000	1.000
Loans repayment, a problem during Pandemic	67	0.433	0.499	0.000	1.000
Invoice payment, a problem during Pandemic	67	0.567	0.499	0.000	1.000

Source: Author's Computation

Table 6 shows that descriptive statistics for Covid-19 Related questions. It shows that most businesses were in existence before the Pandemic with a mean score 0.75. Furthermore, it shows that most workers in the organization based on the responses, were unable to work during the pandemic with a mean of 0.65, with the extent of the pandemic on work being relatively average (mean of 1.9). Furthermore, most businesses stated to have recovered from the pandemic, with the mean of the question showing a score of 0.60. Also, 55% of respondents stated that they accessed government support during the pandemic. Finally, majority of the respondents stated that wages, rents and invoice payment were a problem during the pandemic with means of 0.78, 0.70 and 0.57 respectively.

Regression Results

Objective One: To identify the factors that influence SMMEs business success in Botswana

Table 7 shows the regression results of the model estimated to identify the factors that influence the success of businesses in Botswana using profit as the proxy for success. A mix of responses from questions related to the business characteristics, the business' environment, strategy and structure, organizational culture, and the recent pandemic. From this result, factors such as the business employing a strategy, conformity to strict rules, paying taxes, engage in marketing, received government assistance, having official business account number, capacity building,

business in existence before COVID 19, staff unable to work during the pandemic did not significantly affect the profits of the business.

Table 7: Factors influencing SMMEs profit

	Poisson Regression Business Profit
Business Profit	
Employs a Strategy	-0.315 (0.322)
Conformity to strict rules	0.0605 (0.277)
Marketing	-0.0428 (0.757)
Tax	0.778 (0.506)
Received Government Assistance	-0.450 (0.311)
Competition	-2.059*** (0.231)
Incentives to Employees	1.168* (0.497)
Operate Business Account with Mobile	1.971*** (0.509)
Official Business Account Number	1.567 (0.980)
Capacity Building	0.706 (0.436)
Business in Existence before COVID 19	0.644 (0.560)
Staff Unable to Work during	0.648 (0.389)
Business online	-0.737* (0.339)
Business Transaction Record Keeping	1.872*** (0.483)
Education (Schooling years)	0.0663* (0.0292)
Financial Statement Frequency	0.302** (0.116)
_cons	4.940*** (1.450)
R^2	
AIC	9761366.8
BIC	9761402.4

 Standard errors in parentheses
* $p < 0.05$, ** $p < 0.01$, *** $p < 0.001$

Source: Author's Computation

However, factors such as high competition in the line of business, the business engaging in online marketing frequently, business transaction record keeping, education (schooling years) of the business owner, frequency of preparing financial statement frequency, incentives to employees, and operate business account with mobile significantly affects business profits. Specifically, it shows that high competition in the line of business, and the business engaging in online marketing frequently reduces profits negatively. However, business transaction record keeping, higher level of education (schooling years) of the business owner, high frequency of preparing financial statement, giving incentives to employees, and operating business account with mobile significantly increases business profits.

Objective Two: To ascertain the influence of Business characteristics on SMMEs business success in Botswana

Table 8: Regressing Business and Individual Characteristics on profit

	Poisson Business Profit
Business Profit	
Gender	-0.514 (0.740)
Age in Years as at Last Birthday	0.0361 (0.0291)
Education (Schooling years)	0.149** (0.0514)
Number of Years working in the Business	-0.306* (0.174)
Sticks to Clearly Defined Budget	0.0837 (0.141)
Business Assets Ownership	1.592* (0.926)
Financial Statement Frequency	0.646* (0.336)
Business Income	3.59e-08* (1.94e-08)
_cons	6.006*

	(2.338)
R^2	
AIC	42780038.1
BIC	42780056.6
F	
N	58

Standard errors in parentheses

* $p < 0.10$, 0.05, ** $p < 0.01$, *** $p < 0.001$

Source: Author's Computation

In table 8, selected business and individual characteristics are regressed on profit in order to ascertain the pure effects on profits without other environmental, strategy and structure, organizational culture and pandemic variables. From the results, gender, age, and sticking to clearly defined budget did not significantly affect profit. However, high business income, financial statement frequency, business assets ownership, and higher education all significantly increases profit, while number of years working in the business significantly reduce profits.

Objective Three: To ascertain the influence of business strategy and structure on SMMEs business success in Botswana

Table 9: Regressing Business strategies and structure on profit

	Poisson Business Profit
Business Profit	
Knowledge of Strategic Planning	11.58*** (2.993)
Planning being important for Success	-1.199* (0.692)
Employs a Strategy	4.020*** (1.060)
Availability of many Rules and Procedures	-0.412 (0.457)
Emphasis on Personal Responsibility	0.427 (0.512)
Inputs being Solicited from Employees	1.882* (1.033)
Knowledge of Organizational Culture	0.738 (0.506)
Strategy Type	-0.127 (0.132)
Conformity to strict rules	1.164* (0.580)

Open communication to Employees	-0.417 (0.431)
R^2	
AIC	5329864.3
BIC	5329878.3
F	
N	30

Standard errors in parentheses

* $p < 0.10$, 0.05, ** $p < 0.01$, *** $p < 0.001$

Source: Author's Computation

In table 9, structural and strategy factors are regressed on profit in order to ascertain their pure effects on profits without other environmental, business characteristics, organizational culture and pandemic variables. From the results, availability of many rules and procedures in the business environment, emphasis on personal responsibility, strategy type, and open communication with employees did not significantly affect profit. However, knowledge of strategic planning, employing a business strategy, inputs being solicited from employees and conformity to strict rules all significantly increases profit, while opinion on planning being important for success in the business significantly reduce profits.

Objective four: To ascertain the influence of business environmental factors on SMMEs business success in Botswana

Table 10: Regressing environmental factors on Profit

	Poisson Business Profit
Business Profit	
Marketing	2.457*** (0.729)
Marketing Frequency	-1.000* (0.499)
Special Laws	0.0464 (0.0617)
Tax	2.232** (0.693)
Tax Frequency	0.893 (0.531)
Tax Waiver	-0.721 (0.561)
Government Assistance	-0.752 (0.541)

Competition	-1.515*
	(0.704)
Cooperative Society member	0.741
	(0.478)
_cons	9.389***
	(0.802)
<hr/>	
R^2	
AIC	23627220.4
BIC	23627240.6
F	
N	56

Standard errors in parentheses

* $p < 0.10$, 0.05, ** $p < 0.01$, *** $p < 0.001$

Source: Author's Computation

Table 10 shows the pure effects of business environmental factor on profits without other factors such as business characteristics, strategy and structure, organizational culture and pandemic variables. From the results, the presence of special laws for business environment, tax frequency, having access to government assistance, and being cooperative society member did not significantly affect profit. However, engaging marketing and payment of tax both significantly increases profit, while increased marketing frequency and competition significantly reduce profits.

Objective five: To ascertain the influence of organizational factors on SMMEs business success in Botswana

Table 11: Regressing the organizational factors on profit

	Poisson Business Profit
Business Profit	
Employee commitment	-1.219
	(0.856)
Incentives to Employee	1.448**
	(0.527)
Business Transaction Record Keeping	0.721
	(0.668)
Operate Business Account with Mobile	2.522*
	(1.021)
Official Business Account Number	4.451*
	(1.899)
Business Online	-0.407
	(0.544)

Business Registered	-4.342*
	(2.268)
Capacity Building	1.348*
	(0.754)
Capacity Building Frequency	1.547*
	(0.738)
Customer Frequency	0.185
	(0.399)
_cons	7.161***
	(1.376)
<hr/>	
<i>R</i> ²	
<i>AIC</i>	26310598.7
<i>BIC</i>	26310621.9
F	
<i>N</i>	61

Standard errors in parentheses

* $p < 0.10$, 0.05, ** $p < 0.01$, *** $p < 0.001$

Source: Author's Computation

Table 11 shows the results of regression carried out to ascertain the effect of only organizational factors on profits. When organizational factors alone are used as regressors, the results show that employee commitment, customer frequency, business transaction record keeping, and business being online did not significantly influence the profit of the SMMEs. However, incentives to employee, operate business account with mobile, official business account number, business registered, capacity building, and capacity building frequency all significantly influenced profits in the study area. Specifically, it showed that incentives to employee, operate business account with mobile, official business account number, capacity building, and capacity building frequency all significantly increased profits, while businesses being registered were associated with profit.

Discussion of Results

The first objective of this study identified several key factors that play a significant role in influencing the profitability of small and medium-sized enterprises (SMMEs) in the country, revealing that high competition in the line of business, and the business engaging in online marketing frequently reduces profits negatively, while business transaction record keeping, higher level of education (schooling years) of the business owner, high frequency of preparing financial statement, giving incentives to employees, and operating business account with mobile significantly increases business profits. This result is feasible in many ways. For instance,

excessive levels of competition in a given industry can cause price wars and reduced profit margins as businesses compete to offer lower costs and attract customers. Businesses may struggle to maintain profitability in such situations due to pressure to decrease prices and possibly compromise on quality. This finding supports economic theory, which maintains that excessively intense rivalry can lower wages. The negative effects frequent online marketing has on revenues may also be attributed to increasing marketing costs. While employing internet marketing to reach a broader audience can be effective, there are costs associated with advertising, social media campaigns, and other digital marketing techniques. If the return on investment from online marketing efforts is not favorable, it could lead to decreased profits.

The results show that efficient record keeping is crucial for managing finances and for coming to informed company decisions, which is a positive factor. Businesses are better equipped to analyze costs, manage cash flow, and identify potential for cost-cutting efforts when they maintain detailed and organized transaction records. This finding demonstrates how meticulous record-keeping improves profitability by enabling more efficient financial management. A business owner's decision-making, strategic planning, and general business acumen may be influenced by their level of schooling. Higher education is typically linked to a stronger understanding of financial management, market trends, and industry best practices. Business owners with more years of schooling may be more adept at making decisions that will boost profitability. In addition, the routine preparation of financial statements provides perspectives on the fiscal health of an organization, assisting in the identification of strengths and weaknesses. Businesses that consistently assess their financial performance are better prepared to make timely plan changes. These finding highlights how important proactive financial management is for increasing profitability.

Additionally, the results show that giving employees incentives significantly increased revenues. This is true for the reason that employee incentives benefits or awards given to workers in addition to their base salary in order to motivate and recognize them for their performance are in place. This tactic may greatly boost company earnings for a variety of reasons. Bonuses, commissions, and performance-based rewards are a few examples of incentives that motivate workers to do their best work. When they see a direct correlation between their labor and their income, employees are more likely to put in extra effort and be more productive. Second, happy

and motivated employees often provide excellent customer service. Additionally, satisfied consumers are more likely to make repeat purchases and refer the business to others, increasing sales and revenue. Similar to this, rewards might encourage personnel to suggest system improvements or original ideas that lead to cost savings or revenue generation. Productivity and competitiveness can both be increased by having an attitude of continuous improvement. Higher-quality goods and services may also arise from incentives based on quality standards. Offerings of higher caliber may command higher prices, boosting profit margins. By giving salespeople commissions or bonuses, businesses can encourage the growth of their sales, which will immediately impact their bottom line. This works particularly well in industries where sales play a big role. Finally, increasing average transaction values and overall income can be accomplished by encouraging staff to advertise additional goods or services to current clients.

Additionally, operating a company account on a mobile device boosts SMME profitability. Mobile banking has become a powerful tool for managing business finances, and it can significantly affect SMMEs' profitability: For instance, using mobile banking gives business owners the flexibility to manage their accounts whenever and whenever they want. This simplicity of use encourages quicker judgment calls and more efficient money management, which enhances cash flow management. Additionally, mobile banking enables business owners to check their account balances and activities in real time. This makes it easier to spot irregularities, detect fraud, and reach swift financial conclusions. Mobile banking apps usually provide spending monitoring and classification as well. This makes it easier for business owners to keep a close eye on expenditure trends and spot areas where expenses might be cut. Again, mobile banking allows for speedy and secure transactions, which reduces the time and effort needed for manual payment processing. The lower labor expenses and higher operational productivity that this efficiency brings about. Additionally, using Seamless fund transfers through mobile banking to manage payroll, supplier payments, and other financial requirements will help you avoid delays and hefty fines. Finally, mobile banking contributes to lower banking fees because technology typically enables businesses to set up notifications for low balances or approaching commitments. Avoiding overdraft fees and penalties as a result can further save costs.

According to the pure effects models, firm asset ownership and increased gross income are what increase SMME profits in Botswana. Owning equipment, real land, and other assets enables SMMEs to utilise resources for their operations effectively. Effective resource management can lead to higher overall productivity, decreased operating costs, and improved production efficiency, all of which have a direct bearing on profitability. Having valuable assets also provides SMMEs with collateral for loans from banks or investors. Due to easy access to capital, businesses can grow their operations, make investments in technology that reduce costs, or explore new development opportunities, all of which can increase profitability. Similar to this, certain assets can produce different types of revenue. For instance, if an SMME owns a property, they could be able to make money from both renting out a portion of the property and from their primary business operations. This diversification can help stabilize revenues and enhance profitability. Additionally, SMMEs' activities can use more money now that their gross income is higher. This can mean creating new product lines, forging ahead in uncharted territory, updating technology, or boosting marketing initiatives. These investments may eventually increase market share, earnings, and profitability. When SMMEs' gross income rises, they may benefit from economies of scale. This suggests that when production or sales volume increases, the cost per unit decreases, leading to better profit margins. Using efficient production methods, buying in bulk, and negotiating discounts are a few ways economies of scale can boost profitability. An increase in gross income serves as a buffer against unanticipated challenges or market shifts. Businesses with stronger revenue streams are better able to weather economic downturns, but those with less income may find it difficult to meet fixed costs in trying times. SMMEs can offer competitive compensation and benefits, attracting qualified workers, and lowering turnover when their gross income is larger. The operational excellence, customer happiness, and total profitability can all be boosted by a trained and motivated workforce.

The findings for the pure effects model of strategy and structure variables demonstrate that strategic planning expertise, the application of a corporate strategy, employee inputs, and adherence to rigorous standards are all associated with a large rise in profitability. For business leaders to define clear goals, recognize competitive advantages, and plot a road for sustainable growth, strategic planning knowledge is a crucial tool. SMMEs who are equipped with this knowledge are better able to coordinate their resources and activities with a clear roadmap, making educated choices that maximize efficiency, seize opportunities, and overcome obstacles

all of which help to increase profitability. Additionally, SMMEs are better able to concentrate their efforts on value creation, differentiation, and customer happiness when they use a well-structured business strategy. By tailoring their products or services to meet specific market demands and by proactively anticipating shifts in the business environment, these businesses can enhance their competitiveness, leading to increased market share and, consequently, higher profits. The results also highlight the value of a cooperative strategy within the company. SMMEs can access a varied range of ideas and viewpoints that can foster innovation and process improvement by asking for employee input. When staff members participate in decision-making, they develop a sense of ownership and dedication to the company's success, which leads to increased commitment and output. Customer experiences, operational effectiveness, and ultimately the bottom line are all positively impacted by this. The emphasis on adhering to rigid guidelines also emphasizes the significance of discipline and uniformity in operations. Following defined guidelines and norms makes sure that procedures are carried out consistently, minimizing errors, cutting down on waste, and promoting an accountability culture. In conclusion, these results highlight the numerous advantages of strategic knowledge, employee engagement, and adherence to structure, all of which work together to increase the revenues of SMMEs in Botswana.

Once more, the regressions demonstrate that when environmental factors are regressed on profit, marketing activity and tax payment both considerably boost profit, although frequent marketing lowers profit. The complex link between marketing tactics and financial results for SMMEs in Botswana is highlighted by these detailed study analysis findings. Marketing activity has a beneficial effect on profitability, highlighting the need of aggressively advertising goods or services to draw clients and boost sales. By maintaining legal compliance and cultivating a trustworthy reputation, which can draw clients, partners, and investors, regular tax payment also helps to increase profits. However, the paradoxical relationship between increased marketing frequency and decreased earnings suggests the need for a well-balanced marketing strategy. According to this research, marketing is crucial for business expansion, but doing it too frequently could result in decreasing returns or inefficient resource use. Consequently, SMMEs should concentrate on maximizing their marketing initiatives, making sure that investments are focused on tactics that have the greatest impact on client acquisition and revenue creation, maintaining profitability.

Finally, on the pure effects result, the analysis shows that having official business account number, engaging in capacity building, and increased capacity building frequency all significantly increased profits. The results underline the significance of a sound financial foundation and ongoing skill improvement as drivers of increased profitability among SMMEs. An official business account number is essential because it demonstrates professionalism and transparency and builds trust with customers, suppliers, and financial institutions. The smoother interactions and collaborations that result from this trust can help to increase profitability. The need of investing in human capital is further highlighted by the focus on capacity building. SMMEs can improve the skills of their staff members and enable them to efficiently handle the changing needs of the sector by having them take part in training, workshops, and skill development activities. This skill-upgrading promotes operational effectiveness as well as the possibility of new product or service innovation, improved customer experiences, and eventually higher profitability. The interesting discovery regarding the benefit of more frequent capacity building points to a cumulative effect: when skills are continuously developed and expanded, SMMEs' overall operational excellence and adaptability increase, which supports steady growth in profitability.

CHAPTER FIVE

CONCLUSION

Summary

The main objective of this study was to identify the factors that influence SMMEs business success in Botswana using profitability as a measure of success. Specifically, the study ascertained the influence of business characteristics on SMMEs business success in Botswana, the influence of business strategy and structure on SMMEs business success in Botswana, the influence of business environmental factors on SMMEs business success in Botswana, and the influence of organizational factors on SMMEs business success in Botswana. Data drawn from a cross section of SMMEs using a survey based questionnaire were used for estimations. In order to investigate the objectives of the study, the Poisson regression estimator was utilized as the estimation in line with econometric and statistical theory.

Several important insights are revealed in the thorough examination of the variables impacting SMME profitability in Botswana. The study emphasizes the complex relationship between employee involvement, financial management, and strategic decision-making in shaping profitability. It was discovered that elements like intense industry competition and regular participation in online marketing had a detrimental effect on earnings. On the other hand, careful record-keeping of business transactions, better levels of business owner education, regular financial statement creation, staff incentives, and mobile-based business account operations were found to be factors in improved profitability. Additionally, it was discovered that owning assets and having a greater gross income were crucial for increasing profits, with the use of assets, financing options, revenue diversification, and economies of scale emerging as important factors.

The study also emphasizes how crucial strategic planning, using corporate strategies, involving employees, and following rules are to increasing profitability. Strategic planning and business plans give direction and emphasis to organizations, driving SMMEs toward growth possibilities, while collaborative decision-making and rigorous adherence to standards improve organizational efficiency and accountability. Additionally, profitable marketing strategies and consistent tax payments arose, highlighting the significance of both attracting customers and adhering to the law. The results also demonstrate the importance of maintaining a balanced approach to

marketing frequency in order to maximize returns on investment. These conclusions collectively shed light on a complex and linked environment where SMME viability depends on well-informed decision-making, resource optimization, and a dedication to ongoing development.

Implication of findings for SMMEs in Botswana

The implications of these findings hold substantial relevance for small and medium-sized enterprises (SMMEs) in Botswana, offering actionable insights to enhance their business strategies and operational practices. First off, the found detrimental effects of intense competition and overzealous online marketing on profitability point to the need for SMMEs to prioritize differentiation and focused marketing initiatives. SMMEs can stand out in competitive markets by creating distinctive value propositions and building solid client relationships. An efficient online marketing plan that strikes a balance between frequency and high-quality content can produce the best results and guarantee that each marketing initiative is well-received by the intended audience. Second, the importance of effective financial management is shown by the favorable effects of meticulous record keeping, business owner education, regular financial statement creation, and mobile-based business account operations. Investments in digital accounting systems, training courses, and ongoing financial reporting procedures should be made by SMMEs. Similar to this, encouraging a collaborative work atmosphere and seeking employee opinion can improve consumer experiences and drive innovation. Using technology to manage mobile company accounts can increase financial agility and transparency, which will boost overall operational effectiveness.

The findings support the use of business strategies, strategic planning, and rules-based behavior also highlight the need of organized organizational processes. Investment in strategic planning procedures that support SMMEs' long-term objectives and aspirations is recommended. While building an atmosphere where laws and regulations are obeyed can promote credibility and stakeholder trust, developing and implementing well-defined business strategy helps influence decision-making and resource allocation. SMMEs can look into partnerships and training opportunities to continuously improve skills and improve their market responsiveness in order to take advantage of the benefits of collaboration and capacity building. The ramifications of these studies provide SMMEs in Botswana with a road map for navigating obstacles and maximizing their path to profitability, so let's wrap up. In a cutthroat business environment, SMMEs can

position themselves for long-term growth by embracing differentiation, effective financial management, strategic planning, and collaborative practices.

Recommendations

Based on the findings of this study, several recommendations are made in order to increase the success rates of SMMEs in Botswana. For instance, SMMEs in Botswana can prosper in the face of fierce competition by concentrating on strategic differentiation. This entails discovering distinctive features of their goods, services, or business strategy that make them stand out from rivals. SMMEs should focus their marketing communications to emphasize these distinctive qualities by identifying their competitive advantages. Highlighting these elements can draw clients who value the things that make the firm distinctive, whether it's excellent customer service, cutting-edge features, or a dedication to sustainability. A balanced marketing strategy is also essential. While it's important for SMMEs to have a regular online presence, quality should come before quantity. Higher customer engagement can result from creating compelling content that speaks to the target audience and using data-driven insights to fine-tune marketing initiatives.

Furthermore, any successful firm is built on careful financial management. SMMEs should place a high priority on maintaining thorough financial records and preparing financial statements on a regular basis. By using digital accounting solutions, these procedures can be streamlined and business owners can make decisions based on current financial information. Additionally, investment in the ongoing development of human capital can have a positive impact. Employees can be empowered to take on new tasks, adapt to shifting market conditions, and make more significant contributions to the success of the company through training programs, workshops, and skill building projects. SMMEs may develop a motivated and adaptable staff that adds value across all areas of the firm by promoting a learning culture. Similar to that, strategic planning gives SMMEs a way to manage the complex business environment. A detailed strategy that includes both short- and long-term objectives and concrete measures to attain them offers a clear path for progress. The plan should be reviewed and modified on a regular basis in light of market trends, customer input, and internal resources to ensure that the business is always ready to respond to changing conditions. Collaboration can boost SMME success in parallel. Businesses can pool resources, share knowledge, and work together to solve obstacles by establishing

partnerships within the sector. Networks are expanded, new markets are opened, and information sharing is made easier through collaboration. Strategic relationships can also result in co-branding projects, shared client bases, and combined marketing campaigns, all of which boost exposure and revenue potential.

The success of SMME's depends crucially on prioritizing outstanding client experiences. SMMEs can encourage client loyalty and produce favorable word-of-mouth referrals by continuously delivering high-quality goods or services and offering individualized customer support. A loyal customer base not only guarantees repeat business but also draws in new ones through recommendations. SMMEs should embrace innovation as a continuous process if they want to stay competitive. The ability to adapt and innovate is necessary to keep ahead in the competitive corporate world. SMMEs can find chances for new product creation, service enhancements, and process improvements by routinely evaluating market trends, customer preferences, and technical breakthroughs. By embracing innovation, SMMEs can be well-positioned to take advantage of new opportunities and overcome obstacles, resulting in sustainable profitability.

Conclusion

In conclusion, the thorough examination of the variables affecting SMME profitability in Botswana offers insightful information about the complex nature of commercial success. The findings draw attention to the complex interactions between many factors that can either increase or decrease profitability. This study emphasizes the necessity for a comprehensive and strategic approach to SMME operations, from the negative effects of intense rivalry and internet marketing methods to the beneficial effects of careful financial management, human resource development, and strategic planning. Furthermore, the necessity of effective resource utilization, financial stability, and disciplined company processes is highlighted by the identification of elements including asset ownership, increased gross income, and adherence to rules as significant drivers of profitability. This study offers practical implications for SMMEs in Botswana looking to increase their profitability in addition to adding to the body of knowledge. The conclusions lead to recommendations that offer implementable methods, ranging from strategic differentiation and focused marketing to efficient financial management and teamwork. Adopting innovation, ongoing learning, and customer-centric strategies will be crucial for

sustainable success as the SMME landscape in Botswana develops. While the cross-sectional design of this study provides useful insights, future research efforts should take longitudinal studies and qualitative methodologies into consideration to further understand the causal links and underlying dynamics. SMMEs may manage obstacles, seize opportunities, and plot a route toward long-term profitability in a cutthroat industry by incorporating these lessons into their operational strategy.

Limitations of the Study and Suggestions for Further research

It is important to acknowledge that the findings presented in this study are limited by its cross-sectional nature, which provides a snapshot of the relationships between variables at a single point in time. Cross-sectional studies lack the ability to establish causal relationships or capture the dynamics of changes over time. To build upon these findings, future research could consider longitudinal studies that track SMMEs over an extended period, enabling a deeper understanding of how the identified factors evolve and interact over time. Additionally, qualitative research methods could offer insights into the nuanced mechanisms underlying the observed relationships, providing a more comprehensive understanding of how these factors impact SMME profitability. Furthermore, exploring the cultural and regional nuances within Botswana's SMME landscape could shed light on context-specific challenges and opportunities, contributing to more tailored and effective recommendations for business success.

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Appendix 1: Definition of SMMEs according to European Union standards

Enterprise Category	HeadCount Annual Work Unit (AWU)	Annual turnover	Annual balance sheet total
Medium-sized	< 250	≤ €50 million	≤ €50 million
Small	< 50	≤ €10 million	≤ €10 million
Micro	< 10	≤ € 2 million	≤ € 2 million

Source: European Commission (2005)

In Botswana, the government-mandated a task force to come up with a national working definition of SMMEs in the Botswana context. As a result, the task force came up with classifications of SMMEs based on the number of employees, as depicted in the table below.

Appendix 2: Botswana SMMEs Threshold

Item	Size category	Employment levels
1	Microenterprise	1-5 employees

2	Small Enterprise	6- 25 employees
3	Medium Enterprises	26- 99 employees

Source: Expert Group meeting (2010)

Appendix 4: Empirical studies on determinants of entrepreneurship Success

Author	Topic	Findings of the Study
Janeska-Iliev and Debarliev (2015)	Factors affecting the growth of the small business: The case of a developing country having experienced transition	Exploration results show that assets directly affect development. What needs to be emphasized is the creative and imaginative use of assets. The other thing is that offering more assets to private companies does not really mean change. In the final analysis, entrepreneurs should invest more in their knowledge and skills.
Hove and Chikungwa (2013)	Internal Factors Affecting the Successful Growth and Survival of Small and Micro Agri-business Firms in Alice Communal Area	According to the research results, the most important internal factors affecting the development and resilience of small and micro companies are field-proven strategies, promotion technologies, mission/vision, SWOT research and funding..
(Okurut F. , 2016)	Determinants of SMMEs growth in Botswana	growth of SMMEs is positively and significantly influenced by labour productivity, capital productivity of capital, access to credit, age of the entrepreneur, and having primary education
Tornikoski (2008)		Outstanding organizations from the bottom stage need to obtain assets and legitimize their display capabilities (such as credibility) as asset observers (customers, agents, future workers). It measures four factors (economic status, increased capacity, human resources, and technical development).
Kumar (2007)	Explaining entrepreneurial Success: A conceptual	Achievement depends on the ability of synchronized business visionaries (in terms of self-reliance) and adapting to the ever-changing business environment. The industry is clear. This kind of

	model	planning is called intellectual complexity.
Karpak and Topcu (2010)	Small-medium manufacturing enterprises in Turkey: An analytic network process framework for prioritizing factors affecting the success	Entrepreneurs have less influence. Main external factors (regions, guidelines and methods, competitiveness and industry stages
Ayyagari, Beck, and DemirgucKunt (2007)	Small and medium-sized manufacturing companies in Turkey: An analytical network process framework that prioritizes factors affecting success.	Businesspersons have less influence, with most critical external factors (regions, guidelines and strategies, competition intensity and business stages.
Sharmilee Sitharam Muhammad Hoque (2016)	“Factors affecting the performance of small and medium enterprises in KwaZulu-Natal, South Africa”	Internal and external factors to be checked, competition It is a factor of loneliness, which has a huge relationship with the introduction of small and medium-sized enterprises in KwaZulu-Natal.
Ndege, 2015	Factors Affecting the Growth and Development of SMMEs in the Mavericks Triangle in Gauteng, South Africa	The exploration results also show that the viability of Val Delta SMMEs is negatively affected by three variables: difficulty in promotion, preparation for vacancies, and lack of development skills. In this regard, one suggestion is to encourage the development of comprehensive management, verification and evaluation plans
Asini Udani Amaradiwakara M. M.	Factors Affecting Growth of Small and Medium Enterprises in	The exploration shows that the development of SMMEs is restricted by insufficient assets, separation from new developments and government guidelines. In addition, the study

Gunatilake, (2016)	Sri Lanka	found that the education level of entrepreneurs directly affects the development of SMMEs.
Harold Siow Song Teng, Harold Song, Bhatia, Gurpreet Singh, and Anwar, Sajid (2015)	Success versus failure prediction model for small businesses in Singapore	SMMEs recognize that the four most important elements to increase their business S/F are: work, preparation and maintaining top-notch skills; reputation for excellent articles and management and the best opportunities to showcase them; good customer relationships and strong authority The accessibility of top management
Chong, Wei Ying (2012)	Critical Success Factors for Small and Medium Enterprises: Perceptions of Entrepreneurs in Urban Malaysia	Test results showed that they found that the obvious achievement factors across races and genders were reliability, acceptable customer support, and hard-working positions. All in all, the survey results detailed in this article show that despite differences in race and sexual orientation, entrepreneurs do have some similarities in their perceptions of achievement factors.
Corner, Wanda J (2013) Ph.D. student	Variables Affecting the Success of Small Business Enterprises	The survey results show that there is a huge link between 3 out of 15 independent factors and DBE performance levels. These factors are: (a) the measure of initial capital, (b) the economic conditions at the time of starting the business, and (c) whether or not the merchant's guardian claims to own a business. The consequences of the social differences in the test include helping potential entrepreneurs, professional private business cooperatives, universities, and experts develop advocacy strategies to prevent or reduce the number of DBE disappointments.
Alfoqahaa, Sam (2018)	Critical success factors of small and medium-sized enterprises in Palestine	The results showed that the brand's notoriety, excellent customer support, and strong transmission impacted SMB implementation. Interestingly, the relationship between SMME development and achievement is moderately fragile. These results mean that achievements are more about customers and competition than

		creation, construction, or money. In the final analysis, as the results of this exploration show, a legitimate brand, excellent customer service, and reliable streaming are ways to progress..
Marom, Shaike and Lussier, Robert N.(2016)	A Business Success Versus Failure Prediction Model for Small Businesses in Israel	By testing examples of 205 independent companies in Israel, the exam further contributed: 101 failed and 104 succeeded. The results support the feasibility of the model in Israel, strengthen its global adequacy and move toward the hypothesis; at the same time, it shows the similarities between Israeli SMMEs and different economies.
Chimucheka, Tendai and Mandipaka, Fortune (2016)	Challenges Faced By Small, Medium, And Micro Enterprises In The Nkonkobe Municipality	By testing the examples of 205 private companies in Israel, the study further contributed: 101 failed and 104 succeeded. The results support the sufficiency of the model in Israel, strengthen its global feasibility and advance assumptions; at the same time, it shows the similarities between Israeli SMMEs and different economies

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