ADAPTING SMME BUSINESS FUNCTIONS DURING ECONOMIC TURMOIL

Chantal Rootman: Nelson Mandela Metropolitan University
Janine Krüger: Nelson Mandela Metropolitan University

Purpose: The purpose of this study is to investigate how SMMEs should adapt their business functions to improve business performance during times of economic turmoil.

Problem investigated: SMMEs are important contributors to the economy as these firms provide employment opportunities and create economic wealth. However, many SMMEs fail due to reasons such as the influence of economic factors (low sales and growth prospects) as well as the lack of finance, managerial skills and expertise. SMMEs could possibly increase their chances of success if they adjust aspects in their firms which the owners and managers of the SMMEs can control. Business functions are regarded as internal forces influencing a firm and SMME owners and managers can control these functions. These business functions include general and strategic management, purchasing management, production management, marketing management, financial management, human resources management, business communication management and information management. It is important to investigate how SMMEs can adapt their business functions, during difficult economic times, to improve their business performance.

Methodology: A self-developed, self-administered and structured questionnaire was distributed to 300 SMMEs in the Eastern Cape and the Garden Route area. A total of 250 usable questionnaires were received, therefore a response rate of 83% was obtained.

Findings and implications: The findings of this study revealed that all eight of the business functions require adjustments during difficult economic times to improve the business performance of SMMEs. Respondents regarded the financial management function as the area in SMMEs that needs the most focus and adjustments, during challenging economic times to improve business performance. Following financial management is the purchasing- and information management business functions.

Originality and value of the research: This study specifically focussed on how SMMEs should adapt their business functions during economic turmoil to improve business performance. This type of study has never been conducted in South Africa. The results and recommendations contribute to SMMEs understanding of how to change their business functions to improve business performance, especially during difficult economic times. The implementation of these recommendations may lead to improved business performance and higher levels of success among SMMEs in South Africa, which will be beneficial to the economy.

Key words and phrases: SMMEs, business functions, business performance.

INTRODUCTION

Only one in ten newly established firms survive for longer than ten years in the business environment (Mahadea & Pillay, 2008:437). Reasons for these firm failures include the lack of access to financing, lack of financial and managerial skills, lack of expertise as well as economic factors such as poor sales and weak growth prospects. Firms of all sizes experience these problems, including small, medium and micro enterprises (SMMEs), which is the focus of this article. SMMEs can be defined as firms where the owners are directly involved in management, and where the firm employs a maximum of 200 employees. In South Africa and many other countries, the promotion of SMMEs is the focus of considerable interest, and government identifies SMMEs as a medium imperative for providing solutions to the challenges of unemployment and poverty in the country. SMMEs contribute significantly to job creation, economic growth and development. (Mahadea & Pillay, 2008:431).

In addition to the standard challenges faced by SMMEs as mentioned above, the global economy is slowly recovering from a challenging economic time (2008–2009). During these times, firms were struggling to access funds from banks due to tightening credit, and there was a decrease in the production of goods and

services due to the lack of demand thereof. However, SMMEs should be able to adapt to the different, and difficult, economic conditions if they wish to survive (World Bank 2009).

SMMEs need to be familiar with their business functions as these functions are essential towards a firm's overall performance measured by sales, profits, rates of return, customer satisfaction and customer retention. It is thus important for firm owners and managers to be able to adjust and manage these functions when global economic changes occur.

As evident from the above discussion, a firm's performance, including the performance of an SMME, is influenced by two sets of conditions. The first set of these conditions are the internal conditions, which are the characteristics or resources of the firm, such as the business functions. The business functions, over which firms have control, include their general and strategic management, purchasing management, production management, marketing management, financial management, human resources management, business communication management and information management (Bosch, Tait & Venter, 2006:29). The second set of conditions influencing firms are external conditions such as economical, social, political and technological forces over which firms have no control. (Mahadea & Pillay, 2008:433). These external conditions or forces are continuously changing in the economy, and SMME owners and managers need to ensure that the business functions, which are internal to the firm, are adapted or adjusted. Changing business functions can ensure that a firm survives threats from the external forces or takes advantage of opportunities that might arise from external forces, in order to improve business performance.

It is clear that within the current global economic turmoil, it is important to investigate how SMMEs should adapt their business functions to ensure improved business performance. No previous study in South Africa investigated this topic before and therefore this study aimed to empirically investigate how SMMEs should adapt their business functions (independent variables) to positively influence their business performance (dependent variable). Findings from the study led to recommendations to SMMEs in terms of the management of their business functions when faced with global economic changes, in order to achieve better business performance.

PURPOSE AND OBJECTIVES

The primary objective of the study on which this article is base, was to identify and investigate the influence of SMME business functions on business performance within the context of the current changing economic conditions in South Africa, specifically in the Eastern Cape and Garden Route area. A hypothetical model in this regard, was empirically tested.

In order to assess the influence of the global economic changes on SMME business functions and business performance, the following secondary objectives were pursued:
- to investigate literature on SMMEs and the economy;
- to investigate literature on the eight business functions;
- to perform an empirical investigation among SMMEs in the Eastern Cape and Garden Route area; and
- to give recommendations to SMMEs on how to manage their business functions during global economic changes so as to improve business performance.

LITERATURE OVERVIEW

Based on the objectives stated above, a literature overview was conducted concerning the importance of SMMEs, the current failure rate among SMMEs, the business functions of SMMEs, and the ways the business performance of SMMEs are measured.

The importance of SMMEs
SMMEs form an important part of an economy. With more than 80% of all businesses in South Africa being described as SMMEs, contributing about 40% of all economic activity in the country, their survival is essential (Tshabalala, 2007:1).

The unemployment rate in South Africa is currently standing at 23.6% (StatsOnline, 2009). SMMEs have the ability to reduce unemployment and poverty through job creation and to improve economic growth and income creation. According to Mutezo (2005:10), SMMEs minimise income inequality. Research have shown that SMMEs encourage competition between firms, ensure innovation in new product and service development, contribute to black economic empowerment (BEE) and provide employees with comprehensive learning experiences and higher levels of job satisfaction (Chalera, 2007:79 and Megginson, Byrd & Megginson, 2006:9).

One can therefore conclude that successful SMMEs are vital to have in any economy of the world. Developing countries such as South Africa could achieve the goals of improving economic growth and development and the creation of wealth and employment if the SMME sector is adequately prepared to improve business performance. (Abor and Quartey, 2010:223; Tshabalala, 2007:1). However, the SMME failure rate in South Africa is currently too high, with 80% failing within their first five years of existence (Bosch *et al.*, 2006:663).

Reasons for SMME failure
The importance of SMMEs in the economy has increased over the last two years (2007–2009), especially due to the economic crisis that has caused many firms to close. Firms were struggling to access funds from banks because of strict credit terms and there was a decrease in the production of products and services caused by the lack of customer spending due to the economic conditions (World Bank, 2009).

As identified by Abor and Quartey (2010:224), Olawale and Garwe (2010:731-732) and Matsimela (2007), SMMEs face numerous challenges including:
- an abrasive legal environment;
- lack of access to markets and procurement;
- lack of access to finance and credit;
- low levels of managerial skills;
- lack of access to business information; and
- shortage of effective supportive institutions providing, for example, financial and training support.

In addition, as stated earlier, the difficult economic conditions pose an even larger challenge to SMMEs, namely the struggle to survive among competitive business industries. Higher inflation rates accompanied by higher interest rates in a time of economic turmoil make it difficult for SMMEs to meet their financial obligations. During such times, SMMEs need to identify focus areas in their firms to improve business performance, such as their business functions.

The eight business functions and business performance of SMMEs
The SMME failure rate can be reduced by owners and managers familiarising themselves with the business functions of the firm. Business functions, over which firms have control, are important as a firm's owners and managers can adapt these functions. The manner in which a firm adapts and controls its business functions can influence the firm's overall success and it is critical for owners and managers to be able to manage these functions, especially during economic turmoil, when business performance can be negatively affected. As earlier pointed out, these functions include general and strategic management, which is the overarching function, and purchasing management, production management, marketing management, financial management, human resources management, business communication management and information management. (Bosch *et al.*, 2006:29).

The general and strategic business function encompasses all the other business functions as well as the management tasks of planning, organising, leading and controlling in a firm (Bosch *et al.,* 2006:32). Owners

and managers in the general and strategic business function establish the strategic business intentions of the firm, including its vision, mission, values, goals and objectives (Nieuwenhuizen, 2004:20). According to Nieuwenhuizen (2004:21), the purchasing business function of a firm deals with the purchasing of products and services of the right quality, in the right quantities, at the right time, at the right price from the right supplier, which are delivered to the proper destination.

Various authors (Bosch *et al.*, 2006:32; Nieuwenhuizen, 2004:20 and Russel & Taylor III, 2000:5) define the production or operations business function as the area in the firm concerned with the technical and economic production processes, which are the actual production of products and services.

The marketing business function conducts the process of analysing, planning, implementing and controlling the programmes designed to develop, build and maintain beneficial exchanges (products and services) with target buyers (customers and clients) (Lamb, Hair, McDaniel, Boshoff & Terblanche, 2004:5 and Armstrong & Kotler, 2003:15).

According to Lasher (2008:6), the financial business function deals with the acquisition, use and control of capital (money-related) operations within a firm. Moyer, McGuigan and Rao (2007:2) as well as Atrill (2006:2) state that the financial management function is concerned with investment, financial and profit distribution decisions.

The human resources business function entails all the activities regarding the appointment and managing of employees in a firm (Bosch *et al.*, 2006:33; Nieuwenhuizen, 2004:21 and Noe, Hollenbeck, Gerhart & Wright, 2004:2).

According to various authors (Botha, Chaka, Du Plessis, Krause, Rawjee, Porthen, Veerasamy & Wright, 2007:26; Bosch *et al.*, 2006:33 and Nieuwenhuizen, 2004:21), the business communication business function is the area in a firm responsible for the communication between a firm and all its stakeholder groups, for example employees, consumers, suppliers and the general public.

The information business function can be described as the function which controls and administers the information systems within a firm. The information business function obtains data and disseminates information for management purposes to the relevant parties within a firm. (Bosch *et al.*, 2006:33 and Nieuwenhuizen, 2004:21).

It is evident that these business functions entail all the management areas necessary to establish and operate a firm successfully. Therefore, the correct adaptation of these business functions in an SMME is vital to ensure improved business performance, especially during difficult economic times.

The success or level of business performance of a firm can be measured by the firm's growth in terms of sales turnover, decreases in costs, profits, rates of return on investments, employment turnover rate and growth, and productivity (Griffin, 2008; Lasher, 2008 and Dockel & Ligthelm, 2005).

RESEARCH METHODOLOGY

The study being reported here attempted to identify the influence of the eight business functions (independent variables) on the business performance (dependent variable) of SMMEs, with specific reference to difficult economic conditions. The quantitative research design was used as the researchers aimed to test the hypotheses, as well as to analyse and interpret gathered data quantitatively (Neill, 2007).

Both primary and secondary sources were used to collect information on SMMEs, the eight business functions and business performance. Secondary sources include books, articles from journals and websites, while primary research was conducted by means of an empirical study. A self-developed and self-administered measuring instrument in the form of a structured questionnaire was distributed to a convenience sample of 300 SMMEs in the Eastern Cape and the Garden Route area. The language of communication

was English, and the questionnaire consisted of three sections. Section A gathered biographical and demographical data of the respondents and their firms, namely the owners and managers of SMMEs. Sections B and C consisted of statements based on the literature overview regarding business functions and business performance. These sections used a five-point Likert-type scale ranging from 'strongly disagree' (1) to 'strongly agree' (5). Section B gathered data on the possible influence of the independent variables (the eight business functions) on SMME business performance, with reference made to the current, difficult economic conditions. Section C measured each respondent's business performance through items regarding the firms' sales growth, profits, productivity, return on total assets, operating costs, productivity, employee turnover rate and the growth in employees. The validity of the measuring instrument was ensured as experts in the field of entrepreneurship (including SMME management) assisted with the questionnaire design.

Collected data was statistically analysed using the Microsoft Excel and Statistica (Version 8) computer programs. Statistical data analyses were performed in four phases:

- Descriptive statistics, such as the mean and frequency distribution, were calculated to summarise the sample data distribution. Descriptive statistics have the function of providing an overall, coherent and simple picture of a large amount of data (Struwig & Stead, 2001:158).
- Cronbach alpha correlation coefficients were computed to evaluate the internal reliability and consistency of the questionnaire items with reference to the independent variables (the eight business functions) and the dependent variable (business performance). It is stated that Cronbach alpha coefficients range from 0 to 1, and that a test should have a Cronbach alpha correlation coefficient greater than 0.70 (Hair, Babin, Money & Samouel, 2003:172). The more reliable questionnaire or test depends on how much the Cronbach alpha correlation coefficient exceeds the 0.70 benchmark.
- A computation of the Pearson correlation coefficient was also done. According to Hair *et al.* (2003:283), the Pearson correlation coefficient measures the association between two variables and the measurement ranges from -1.00 to +1.00, with zero indicating no association between the two variables. Therefore, the Pearson correlation coefficients enabled the researcher to calculate and understand the strength and direction of the relationship between each of the eight independent variables (the business functions) and the dependent variable (business performance).
- Lastly, a simple linear regression analysis was conducted. Regression is another technique for measuring the linear association between an independent variable and a dependent variable (Zikmund, 1994:556). The linear regression analysis therefore made it possible for the researcher to measure the mathematical variance of the relationships between each of the independent variables (the eight business functions) and the dependent variable (business performance) and to test the hypotheses formulated.

HYPOTHESES

In order to give effect to the primary objective of the study, based on the introduction and literature overview above, a number of hypotheses were constructed. More specifically, the following hypotheses were constructed in order to determine whether relationships exist between each of the eight independent variables (general and strategic management, purchasing management, production management, marketing management, financial management, human resources management, business communication management and information management) and the dependent variable (business performance), specifically during difficult economic times:

H^1:   A relationship exists between *general and strategic management* and *business performance*.
H^2:   A relationship exists between *purchasing management* and *business performance*.
H^3:   A relationship exists between *production management* and *business performance*.
H^4:   A relationship exists between *marketing management* and *business performance*.
H^5:   A relationship exists between *financial management* and *business performance*.
H^6:   A relationship exists between *human resources management* and *business performance*.
H^7:   A relationship exists between *business communication management* and *business performance*.
H^8:   A relationship exists between *information management* and *business performance*.

EMPIRICAL RESULTS

This section will elaborate on the empirical findings obtained from the statistical data analyses described above. The empirical results are categorised under a number of headings. Firstly, the descriptive statistics are described, including the biographical data of the respondents. Secondly, the reliability of the measuring instrument is evaluated through the Cronbach alpha coefficients. Finally, Pearson correlation coefficients and simple linear regression results, illustrating the relationships between the independent and the dependent variables, are explained.

Descriptive statistics
Table 1 illustrates the descriptive statistics (both frequencies and percentages) of the biographical data of the respondents.

Table 1: Biographical data of respondents

Items		Frequency	Percentage (%)
Gender	Male	180	72
	Female	70	28
	Total	**250**	**100**
Age category	<20	1	0.4
	20-29	51	20.4
	30-39	69	27.6
	40-49	64	25.6
	50-59	51	20.4
	60+	13	5.2
	missing	1	0.4
	Total	**250**	**100**
Population group	Asian	23	9.2
	Black	42	16.8
	Coloured	22	8.8
	White	156	62.4
	Not willing to say	7	2.8
	Total	**250**	**100**
Manager, owner or both	Manager only	77	30.8
	Owner only	21	8.4
	Both manager and owner	152	60.8
	Total	**250**	**100**
Form of enterprise	Sole trader	46	18.4
	Partnership	20	8
	Close corporation	111	44.4
	Private company	55	22
	Trust	13	5.2
	Do not know	5	2
	Total	**250**	**100**

Items		Frequency	Percentage (%)
Nature of the business	Retailer and/or wholesaler	81	32.4
	Manufacturer	25	10
	Service provider	113	45.2
	Other	31	12.4
	Total	**250**	**100**
Mean number of years of work experience = 17.18			

As can be seen in the table above, the majority of the respondents were males, namely 72%. Most of the respondents were between the ages of 30-39 and 40-49 years. The majority of respondents were both owners and managers, constituting 60.8%. Furthermore, the most popular form of enterprise was the close corporation, comprising 44.4% of the respondents. Service providers (45.2%) and retailers (32.4%) accounted for the bulk of the respondents. The mean number of years that respondents were working for was 17.18 years.

Table 2 represents the mean scores and standard deviations of the predetermined variables (independent variables) possibly influencing the *business performance* (dependent variable) of SMMEs. The mean scores reflect the extent to which the respondents, in general, agreed or disagreed with certain statements and the standard deviation indicates the degree of dispersion around the mean.

Table 2: Mean and standard deviation of the predetermined independent variables

Independent variables	Mean	Std. dev.
General and strategic management	3.6554	0.5124
Purchasing management	3.5267	0.5921
Production management	3.4600	0.7509
Marketing management	3.3105	0.5402
Financial management	3.7582	0.6490
Human resources management	3.2794	0.6308
Business communication management	3.3453	0.7041
Information management	3.5893	0.8378
Dependent variable		
Business performance	3.7538	0.6436

As can be seen in Table 2, the independent variable, *financial management*, obtained the highest mean score of 3.7582, while *human resources management* achieved the lowest mean score of 3.2794. These mean scores, all above level 3 (neutral), indicate that the respondents agree that each of the eight SMME business functions need to change to improve *business performance*, specifically during economic turmoil. The high standard deviation scores illustrated in Table 2, show that the respondents varied extensively with regard to their viewpoints on adapting the SMME business functions during economic turmoil to improve *business performance*. The independent variable, *information management*, obtained the highest standard deviation score of 0.8378 while the independent variable, *general and strategic management*, obtained the lowest score of 0.5124. These standard deviations show that respondents mostly differed in their viewpoints on *information management* and mostly had similar viewpoints regarding *general and strategic management*.

Reliability of the measuring instrument
The results illustrating the internal reliability of the measuring instrument, as measured by the Cronbach alpha coefficients, are shown in Table 3.

Table 3: Cronbach alpha correlation coefficients

Independent variables	Cronbach alpha
General and strategic management	0.7302
Purchasing management	0.7660
Production management	0.7890
Marketing management	0.6528
Financial management	0.8125
Human resources management	0.8016
Business communication management	0.8108
Information management	0.8725
Dependent variable	
Business performance	0.8192

This table shows that all the independent variables, except for *marketing management,* obtained Cronbach alpha coefficient scores above the recommended 0.70. However, according to Malhotra (2006), a Cronbach alpha coefficient of greater than 0.60 is also regarded as reliable. Therefore, the *marketing management* variable was regarded as reliable and used in further analyses. The Cronbach alpha coefficients indicate the reliability of the questionnaire items and the complete measuring instrument. The independent variable, *information management* had the highest Cronbach alpha correlation coefficient of 0.8725, in other words, the items measuring *information management* can be regarded as the most reliable.

Relationships between SMME business functions and business performances
The Pearson correlation coefficients and linear regression results obtained from the empirical investigation are indicated in Table 4. The Pearson correlation coefficients were calculated in order to assess and quantify the strength of the relationship between each of the independent variables (the eight business functions) and the dependent variable, namely *business performance*. Linear regression identifies a mathematical relationship between two or more variables.

Table 4: Pearson correlation coefficients and the linear regression analysis

Variables	(r) Business performance	(R^2) Business performance
General and strategic management	0.0819	0.0067
Purchasing management	0.1210	0.0146
Production management	0.1154	0.0133
Marketing management	0.0874	0.0076
Financial management	0.2458	0.0604
Human resources management	0.0198	0.0004
Business communication management	0.0783	0.0061
Information management	0.1560	0.0243

It is evident from Table 4 that there are positive relationships between each of the predetermined independent variables (the eight business functions) and the dependent variable (*business performance*) at the 95% confidence level. The strongest relationship was found between *financial management* and *business performance* with a Pearson correlation coefficient of 0.2458, while the association between *human resources management* and *business performance* showed the lowest positive relationship with a Pearson correlation coefficient of 0.0198.

As can be noted in Table 4, the structural relationship between *financial management* and *business performance* obtained the highest value of 6.04%. This regression analysis result indicates that *financial management* explains 6.04% of the variance in *business performance*. The structural relationship between *human resources management* and *business performance* obtained the lowest regression result of 0.04%. This means that *human resources management* has the smallest impact on *business performance*. The small R^2 values from the regression analysis indicate that variables not considered in this study, can also influence SMMEs *business performance*.

Considering both the Pearson correlation coefficients and the regression results, one can conclude that *financial management* has the greatest impact on improving *business performance* during economic turmoil. Other SMME business functions particularly needing adaptation during difficult economic times to improve *business performance* are *information management* and *purchasing management*. *Human resources management* had the smallest impact on enhancing *business performance* of SMMEs during changing economic conditions.

Hypotheses testing
Considering the above empirical results, all the formulated hypotheses can be accepted, as all the independent variables (*general and strategic management, purchasing management, production management, marketing management, financial management, human resources management, business communication management and information management*) have positive relationships with the dependent variable, *business performance*. Therefore, hypotheses $H_1 - H_8$ are accepted.

MANAGERIAL IMPLICATIONS

The empirical investigation led to a number of recommendations which can be provided to SMMEs with regard to the relationships between the independent variables (the eight business functions) and the dependent variable (*business performance*).

As seen from the empirical findings*, financial management* was found to have the strongest correlation with the *business performance* of a SMME during economic turmoil. Owners and managers should therefore do everything in their power to ensure that the *financial management* function is properly managed and that tasks performed in this function are adjusted or changed as needed to survive economic conditions or take advantage of arising business opportunities. Strategies such as increasing the use of equity or debt capital, compiling clear budgets for all activities and programmes, performing regular ratio analysis, and regularly comparing financial ratios to those of competitors, can be used to enhance the *business performance* of SMMEs during different economic events by adapting the financial management function.

In this study it was proved that *information management* is positively related to the *business performance* of SMMEs during difficult economic times. This places greater emphasis on the need for adequate and high quality communication within the firm as well as between the firm and its customers. Owners and managers should, during difficult economic times, limit the amount of paper used, adjust capital expenditure on electronic equipment used in administration, decrease the actual storage space of documentation, centralise administrative activities and promote the recycling of excess paper. These strategies should be used to make it possible for owners and managers to make more cost-effective decisions and therefore to improve the *business performance* of SMMEs as difficult economic conditions prevail.

It was also established that there exists a positive relationship between *purchasing management* and *business performance*. Purchasing deals with the acquiring of goods and services of the right quality, in the right quantities, at the right time, at the right price from the right supplier. Therefore, during global economic changes such as a recession for example, firms aim to purchase fewer products and services, reduce the amount of deliveries by purchasing bulk orders, change the type of product or service being ordered, attempt to decrease order prices or change to alternative suppliers who have less expensive products and/or services

or who are more trustworthy. These are all purchasing strategies that can be used to improve the *business performance* of SMMEs when operating in times of economic turmoil.

As can be seen from the empirical findings, although a positive relationship exists, *human resources management* had the weakest correlation with SMME *business performance* during difficult economic times. Efforts to adapt or change the tasks of the *human resources management* function during global economic changes will improve *business performance* to a lesser extent. However, this result seems strange as one could argue that changing some activities in the *human resources* function such as carefully selecting new employees, changing the remuneration package or compiling detailed written job descriptions of each job and its requirements, would significantly improve *business performance*. This is all true. However, what research shows that owners and managers should not use the *human resources* function as a first option to survive or adapt to changing economic events. The firm would look to improve the *financial management*, *information management* or *purchasing management* functions first before retrenching employees or changing their remuneration packages.

The remainder of the independent variables (the other business functions, including *general and strategic management, production management, marketing management and business communication management*) also had positive relationships with SMME *business performance* in changing economic times. The tasks performed in each business function should therefore be changed during changing economic conditions to enhance *business performance*. The *general and strategic management* function would improve *business performance* of the firm, for example, by increasing the global awareness of direct or indirect competitors, adjusting objectives, revisiting the mission statement or scheduling meetings on a more regular basis. *Production management* could enhance the *business performance* of a firm by owners and managers focusing on minimising delays in the production process, performing regular sales forecasts or decreasing production time. *Marketing management* would also improve *business performance* by employing strategies such as re-evaluating the target market, decreasing the selling prices of products and/or services, changing the product mix or increasing the use of sales promotion methods. Good communication also leads to improved *business performance* of a firm. Strategies such as adapting *business communication* operating policies, lowering expenses on communication campaigns, focusing more on obtaining sponsorships or increasing the use of e-mails to stakeholders for business communication purposes would all play a role in improving the *business performance* of SMMEs during economic turmoil.

CONCLUSION

In this article, insight has been given into the management and business performance of SMMEs in South Africa. More specifically, the article provided insight into the extent to which business functions influence SMMEs *business performance*, while considering difficult economic conditions.

As SMMEs are important contributors to the South African economy, better management of the business functions is essential for improved *business performance* of these firms. Therefore owners and managers of SMMEs need to familiarise themselves with the different business functions and they should constantly adjust their functions to improve *business performance* to ensure survival or take advantage of business opportunities, despite times of economic turmoil.

The empirical findings of this study have established that all eight of the business functions required adjustments to have a positive influence on the *business performance* of SMMEs in the Eastern Cape and Garden Route area during challenging economic conditions. The *financial management* function of SMMEs was viewed by respondents as the most significant variable. Thereafter changes in the *purchasing* and *information management* business functions were regarded as most important to SMMEs. Adjustments in the *financial management* business function could include more attention to regular comparative ratio analyses and the attainment of budgets. In the *purchasing management* business function, the focus could be on stricter supplier selection and negotiation skills to ensure lower input material costs. In terms of the *information management* business function, SMMEs could, instead of using physical resources such as

paper and storage space, identify ways of incorporating cost-effective technological methods and systems in everyday operations.

One limitation of the study is the relative small geographic area within South Africa from where the sample was drawn. Another limitation includes the small sample size (250), and a larger sample size from a greater geographical area might have provided different results. Therefore these limitations can be used as possible future research areas. Future research may include similar studies conducted in other areas of South Africa to possibly generalise the findings. In conclusion, this article provides substantive evidence that SMMEs should adjust their business functions. It also gives practical recommendations to SMMEs on how they could adapt business functions for improved *business performance* when faced with economic turmoil. Such knowledge and the implementation thereof by SMMEs could ensure the survival of SMMEs, which would lead to benefits for the firm's owner(s), employees as well as the South African economy.

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