

Book Review: How to Grow Your Business in 12 - 36 Months

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Book Review: Factors That Hinder the Growth of Small Businesses in South African Townships

In their article, Mbonyane & Ladzani (2011) attempt to investigate factors preventing the growth or success of businesses in South Africa's townships. Many entrepreneurs need awareness of such issues and understand ways in which they can solve them to make their enterprises successful. Besides, owners need to work together with the government to address the problems that impede them from growing their companies. Firms lack growth due to poor credit records, ineffective financial management, inadequate management skills and knowledge, lack of effective communication, overtrading, and huge infrastructure shortfall, and, therefore, need to find solutions to these challenges.

Basic Theme of the Article

The primary theme of the article is to bring awareness of reasons why entrepreneurs are unable to grow their companies and suggest approaches to remedying issues hindering business success. It is recommended that small enterprises record slow growth rates because they lack support from institutions and experience internal weakness (Mbonyane & Ladzani, 2011). In addition, most of them fail to grow beyond the survival phase due to insufficient research on the small business sector and the lack of adequate information. Therefore, owners and operators are in need of guidelines and advice that can make their companies improve in terms of growth and performance.

Factors Limiting the Growth of Small Businesses

Many factors are barriers to the growth of businesses in South African townships. Many entrepreneurs may be unable to thrive in the market because of issues associated with the external environment or forces which are internal to their ventures. The first influence that limits

the success of enterprises is poor financial management. According to Mbonyane & Ladzani (2011), it is difficult to operate a business if financial resources are lacking or poorly managed. The ineffective management of financing delays the growth or success of a small business. Therefore, the mismanagement or the incompetent handling of funds create a financial crisis in a company, thereby hindering the achievement of critical goals and objectives, including business growth and profitability.

Additionally, poor inventory management is a barrier to the growth of a business. According to the article, controlling inventory incompetently causes a delay when it comes to expanding or developing an enterprise. For example, if an entrepreneur lacks daily contact with clients, he or she may fail to improve his or her venture. In addition, the inability to offer special promotions, adjust prices, and create new products hinders the success of small firms in South Africa (Mbonyane & Ladzani, 2011). Overstocking can also increase costs by the effect of obsolescence and downgrading of product quality. Such inventory problems contribute to missed sales, thereby preventing a businessperson from growing his or her company.

Similarly, many firms in the South African townships fail to thrive because of difficulties associated with the sourcing of capital or guaranteed income. Such business fail may fail to pay their bills or debts on time due to the lack of regular cash flow. When an enterprise has poor cash flow, the owner does not have the confidence to grow the venture, embrace innovation, or even invest in product diversification. Therefore, poor credit records pose serious restraints, threatening the expansion or success of a small firm.

Moreover, businesses do not grow as owners and operators lack the experience, knowledge, and competencies needed to manage them. Since entrepreneurs lack adequate training facilities, they may fail to equip their employees with skills and educate them about

conducting business activities effectively (Mbonyane & Ladzani, 2011). They, therefore, do lack the abilities and expertise required for the management of a company, thereby taking poor actions and strategies, hindering the realization of goals and objectives. However, managers are reluctant to seek advice from professionals, which reduces the possibilities of growing business (Arasti, Zandi, & Bahmani, 2014). Therefore, such business persons and workers cannot be able to meet the expectations of customers.

Another factor that hampers the success of a small business is poor infrastructure. Mbonyane & Ladzani (2011) reveal that a company cannot grow when it located in a place that lacks excellent communication and transport networks. For example, a firm situated in an area with damaged roads, insufficient water resources, and the irregular power supply may fail to thrive in the market. In addition, lacking information and communication technologies hinder an organization from satisfying customer needs since messages cannot be transmitted effectively. Therefore, inadequate infrastructure is a barrier to the success of a small business in many countries as it limits the accessibility of necessary supplies.

Likewise, the article reveals that failure to meet legal requirements and poor staff relationships impact a business by preventing growth. A company that does not comply with rules and regulations is vulnerable to lawsuits, additional costs resulting from fines, or even closure. Thus, failing to adhere to legislation reduces the firm's bottom line and impedes growth. Besides, owners are unable to expand their organizations because of poor employee relations, which lower the quality of services provided to customers. Therefore, unfriendly employee interactions and workplace culture reduce the performance of personnel, making employers unable to grow their enterprises.

Ways to Address Issues That Hinder the Growth of Businesses

The article suggests various ways in which to solve problems that limit owners from growing enterprises. Entrepreneurs should take such actions as preparing financial plans to ameliorate financial management, creating business chambers to enhance monitoring and control, using the media to reach the government to develop infrastructure, and seeking professional advice. They should also improve in terms of inventory management, credit records, customer relationship management, employee training, and workplace culture. Taking these measures will enable entrepreneurs to run their companies successfully and achieve growth in the future.

Conclusion

Entrepreneurs are unable to grow their businesses because of many issues. Such factors as poor infrastructure, overstocking, unfavorable work culture, mismanagement of funds, and lack of adequate skills and expertise hinder the success of a company. Firms' owners should seek professional guidance and train their employees to enable their enterprises to grow and thrive.

References

- Arasti, Z., Zandi, F., & Bahmani, N. (2014). Business failure factors in Iranian SMEs: Do successful and unsuccessful entrepreneurs have different viewpoints? *Journal of Global Entrepreneurship Research*, 4(1). <https://www.doi.org/10.1186/s40497-014-0010-7>
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