

DIGITALES ARCHIV

ZBW – Leibniz-Informationszentrum Wirtschaft
ZBW – Leibniz Information Centre for Economics

Nkwinika, Eugene

Article

Exploring ways to construction of a business bootstrapping model to equip emerging micro business in the first year of operation in South Africa

Reference: Nkwinika, Eugene (2023). Exploring ways to construction of a business bootstrapping model to equip emerging micro business in the first year of operation in South Africa. In: Technology audit and production reserves 6 (4/74), S. 6 - 19.
<https://journals.urau.de/tarp/article/download/286001/284458/671884>.
doi:10.15587/2706-5448.2023.286001.

This Version is available at:
<http://hdl.handle.net/11159/653471>

Kontakt/Contact

ZBW – Leibniz-Informationszentrum Wirtschaft/Leibniz Information Centre for Economics
Düsternbrooker Weg 120
24105 Kiel (Germany)
E-Mail: [rights\[at\]zbw.eu](mailto:rights[at]zbw.eu)
<https://www.zbw.eu/econis-archiv/>

Standard-Nutzungsbedingungen:

Dieses Dokument darf zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden. Sie dürfen dieses Dokument nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, aufführen, vertreiben oder anderweitig nutzen. Sofern für das Dokument eine Open-Content-Lizenz verwendet wurde, so gelten abweichend von diesen Nutzungsbedingungen die in der Lizenz gewährten Nutzungsrechte.

<https://zbw.eu/econis-archiv/termsfuse>

Terms of use:

This document may be saved and copied for your personal and scholarly purposes. You are not to copy it for public or commercial purposes, to exhibit the document in public, to perform, distribute or otherwise use the document in public. If the document is made available under a Creative Commons Licence you may exercise further usage rights as specified in the licence.



Eugine Nkwinika

EXPLORING WAYS TO CONSTRUCTION OF A BUSINESS BOOTSTRAPPING MODEL TO EQUIP EMERGING MICRO BUSINESS IN THE FIRST YEAR OF OPERATION IN SOUTH AFRICA

In South Africa, the small, medium, and micro businesses (SMMEs) sector contributes between 52 and 57 percent of the GDP. In the coming years, it is expected that the SMME sector would provide 90 percent of the GDP and employment in South Africa. Due to barriers that prevent potential growth, more than 50 % of businesses in South Africa fail during the first five years of operation. The study examined enterprises in their first year of operation in South Africa and identified the lack of business skills and an insufficient supply of financing as contributing factors. The investigation revealed existing concepts such as Financial bootstrapping and Balance Score Card, both of which are crucial for South African enterprises during their first year of operation. A mixed research approach was chosen for the study in order to answer the research questions. The phenomenological (qualitative) and positivist (quantitative) philosophical paradigms were adopted with a determination to achieve a thorough understanding of the strength and direction of the relationship between a business skills deficit and competitiveness of businesses in the first year in South Africa and, furthermore, the development of the Business Bootstrapping Model. The study's data collection tools included semi-structured interviews and questionnaires. In relation to the data that were gathered for the study, content analysis was utilized as an analytical technique to analyse qualitative data, while SPSS was used to analyse responses to questionnaires for a quantitative study. The availability of capital and the lack of adequate financial resources to manage account receivables were found to be major hindrances to a business' sustainability in its first year of operation. Research gaps were filled by combining empirical investigations and conclusions, and this information was then used to construct the business bootstrapping model. In its initial year of operation, the business Bootstrapping Model included three elements: finance, marketing, and corporate governance. Owners of small businesses can begin generating capital using the Business Bootstrapping Model's financial component, which is a key factor in eradicating financial and liquidity obstacles. The Business Bootstrapping Model also equips business owners with the ability to plan and manage daily operations, including developing short-term financial policies for the business. Furthermore, assists in measurement capabilities for the business's current financial performance, financial position, and anticipated future business plan. As well as providing an overview of the company's revenues and costs from operating and non-operating activities over time. Business owners are provided with the marketing skills necessary for brand positioning, preventing pricing discrimination, and getting pertinent, hard-to-get customer information and insights on social media through the marketing components of the Business Bootstrapping Model.

Keywords: accessibility of capital, Business model, skills deficiency, competitiveness, financial management, business management, marketing.

Received date: 16.08.2023

Accepted date: 06.10.2023

Published date: 13.10.2023

© The Author(s) 2023

This is an open access article

under the Creative Commons CC BY license

How to cite

Nkwinika, E. (2023). Exploring ways to construction of a business bootstrapping model to equip emerging micro business in the first year of operation in South Africa. *Technology Audit and Production Reserves*, 6 (4 (74)), 6–19. doi: <https://doi.org/10.15587/2706-5448.2023.286001>

1. Introduction

Small, medium, and micro businesses (SMMEs) in South Africa account for between 52 and 57 percent of the country's Gross Domestic Product (GDP) and roughly 60 percent of its labour force [1]. The contribution of the SMME sector to South Africa's GDP and employment is expected to

reach 90 % in the following few years. The SMME sector is serving as the primary engine for eradicating socio-economic problems in South Africa [2]. Furthermore, by utilizing blatantly new technologies and production methods, SMMEs play a crucial role in driving industrialization. South Africa's economic instability led to impenetrability for the competitiveness of businesses, particularly in the SMME sector [3].

The majority of newly-opened businesses in South Africa fail within their first year of operation. In South Africa, the majority of businesses are started each year and fail within a few years of operation. The lack of business skills and finance accessibility are the main factors preventing South African businesses from being competitive and sustainable in their first year of operation [4]. In South Africa, the study's main objective is to develop a business model that will assist businesses to survive their first year of operation [5]. The study critically examines the lack of business skills in relationship to the competitiveness of businesses and identifies skills that are crucial to the survival of businesses in South Africa during their first year of operation. The survival of businesses in their first year of operation is hampered by the lack of business skills in South Africa. In order to address the lack of business skills and assist business owners who are starting out without funding, this study suggests the Business Bootstrapping Model as a strategy for creating cash flow.

Thus, *the aim of this study* is giving business owners the tools they need to increase their businesses' competitiveness in the first year of operation.

2. Materials and Methods

2.1. Literature review

The great majority of South African businesses face intense competition and resource constraints when trying to break into new markets, which puts their competitiveness and sustainability at risk, particularly in their initial year of operation [6]. The amount of business expertise and the sufficiency of financial accessibility are related to the competitiveness and viability of businesses in the first year of operation [7]. As a nation, South Africa has a number of widely acknowledged skill gaps. The necessary entrepreneurial abilities to launch and expand a business are included in the skills gap [8]. Lack of skills in businesses during their first year of operation in South Africa is a factor in poor decision-making and ineffective management of the limited resources available to businesses [9].

2.1.1. Accessibility of capital. In the first year of operation, financial resources are a hurdle to a business's survival. One of the factors that hinder entrepreneurship in South Africa is financial constraints [10]. In South Africa, collateral restrictions from lenders or investors have made it difficult for businesses with the accessibility of capital within their first year of operation [11]. The difficulty has played a role in the high rate of business failures in the first year of operation. Due to a linear necessity for capital accessibility, businesses turn to loan sharks within their initial year of existence. Loan sharks, on the other hand, are associated with high-interest rates and are bad for a business's profit margin and liquidity [12]. Lack of funding during startup, a decline in profit margins due to high borrowing rates, and additional business turmoil impede growth, profitability, and sustainability in the first year of operation [13]. Information asymmetry and inadequate financial records lead to the inability of businesses to get funding within their first year of operation. Information asymmetry develops as a result of business owners' reluctance to provide a thorough business plan [14]. In the initial year of operation, information asymmetry made it difficult for businesses to obtain cash from lenders

or investors. Due to the difficulty in obtaining financing, businesses struggle to incur fixed costs during their first year of operation, which is a requirement for business startups and further increases liquidity limitations [15]. In South Africa, more than 50 % of businesses are launched each year, but due to the lack of funding, most of them fail within the first year of operation. Financial, liquidity, credit, and international trade restrictions brought on by the lack of capital are harmful to survival in the first year of operation [16].

2.1.2. Business skills deficiency. In their initial year of operation, businesses in South Africa face a skills shortage. The SMME sector has been severely hampered by the shortage, particularly new businesses [17]. Technical skill deficiencies and a lack of business skills are barriers to corporate competitiveness [18]. Due to a lack of expertise, the business climate is still highly volatile. The high rate of business failure in the first year of operation was caused by a lack of business skills. In the first year of business, financial management, reporting, marketing, and managerial abilities are lacking [19].

2.1.2.1. Financial management. In the first year of operation, financial management is a key component of managing the internal resources of the business [20]. High business failure rates are influenced by early-stage financial competence deficiencies. High rates of business failure in the first year of operation are a result of poor financial management, ineffective cash flow management, and insufficient cost control [21]. Account payables, account receivables, and a high debt ratio are all impacted by ineffective cash flow management. Due to a lack of financial management abilities, the majority of businesses find it difficult to detect differences between profit and cash flow during their first year of operation [22]. In South Africa, inadequate financial management affects record-keeping in more than 50 % of newly established enterprises, which also adds to record-keeping deficiencies.

2.1.2.2. Marketing. Businesses must have the financial resources and marketing ability to survive in their first year of existence [23]. Due to a lack of marketing expertise, business owners struggle to effectively promote their goods and/or services during the first year of operation. Lack of marketing expertise leads to low-quality items, ignorance of the competition, bad distribution, poor promotion, lack of pricing strategies, and poorly positioned businesses. Furthermore, businesses' ability to compete in the marketplace suffers from a lack of marketing expertise during their first year of existence [24].

2.1.2.3. Business management. One of the key success criteria, especially for startups, is having strong managerial capabilities. In the first year of operation, firms face challenges that prevent them from surviving, expanding, and developing [25]. The deficit has an excessive effect on business and is bad for its competitiveness in its first year of operation. The majority of business owners have excellent technical skills during the first year of operation, but a lack of management abilities cripples the ability of businesses to compete since management abilities are the key to conducting an adequate break-even analysis, obtaining a sufficient amount of economic orders, and reducing the

intensity of competition [26]. Poor customer relationship management, insufficient financial records, and an inability to handle and interpret data are all consequences of deficient management abilities [27]. Poor debt management and a failure to gather essential information about business management and environmental elements are consequences of insufficient management skills within enterprises during the first year of operation [28].

2.2. Theoretical framework

The obstacles faced by businesses during their first year of operation and the deficiency of business skills that exist in South Africa were discussed in the previous section. The majority of South African businesses struggle to survive in their first year of operation as a result of the challenges discussed in the preceding section, according to an academic framework derived from secondary literature sources [29]. This is because of the high failure rate experienced by South African businesses in their first year of operation. Inadequate business skills are the main cause of the difficulties faced by South African businesses in their first year of operation. The research shows that businesses have a worse chance of surviving their first year of existence.

Financial bootstrapping and the Balance Score Card are two current models that are important to firms during their first year of operation, however, business owners find it difficult to integrate both existing models. Both are not intended for business owners who lack the necessary financial resources and/or business abilities. A minority of business owners with financial savings are likely to embark on financial bootstrapping. The vast majority of first-year business owners are unfamiliar with financial bootstrapping. The remaining elements of financial management, marketing, and business management skills – found in the literature are not tailored to include business owners who are without both business skills and/or financial resources. Both financial and non-financial factors are crucial to a business's survival in its first year of existence. The three remaining performance components, which are crucial for a business's survival in its first year of operation but are less frequently discussed in literature reviews, are largely ignored.

This section serves as a roadmap for constructing a substantial hybrid model dubbed «Business Bootstrapping» in order to close a research gap in the literature. A hybrid concept combines a Balance Score Card and financial bootstrapping. To develop innovative business strategies for businesses in their initial year of existence, Business Bootstrapping will include all four components. The objective of Business Bootstrapping is to equip business owners who are not and/or less equipped with business knowledge and without financial resources. There are three sections to the process of constructing the Business Bootstrapping Model. In addition to reviewing Financial Bootstrapping and Balance Score Card models, the first section also outlines the research gaps that prevent businesses from surviving their first year of existence. The Business Bootstrapping Model is created using the existing models as a framework to close the observed gap.

2.2.1. Financial bootstrapping theory. Secondary literature critically examined creative internal financial resource strategies for businesses in their first year of operation and defined strategies as a departure from traditional sources of financing such as debt and equity from investors and

financial institutions through the development of self-reliance method to finance the business [30]. During their first stages, the majority of enterprises adopted a low-cost strategy known as «bootstrapping». Bootstrapping is the process of starting businesses with little or no personal funding. Financial bootstrapping is a Resource Dependence Theory (RDT) management technique used in business to obtain and manage resources and reduce the amount of capital needed for start-ups through the financial market and traditional sources [31]. Financial bootstrapping enables businesses to build new financial resources or expand already-existing resources in the first year of operation without access to external financial resources. Financial bootstrapping, which was based on the RDT and Pecking Order Theory framework, attempted to lessen reliance on financial institutions and investors by fostering expected impact through the use of resources that are important to achieve desired goals [32]. Owner-financed technique, minimizing of account receivables, minimization of capital invested in stock, relationship-oriented, joint utilization, and subsidy financing are the six categories that make up financial bootstrapping.

The owners-related approach focuses on using family members and close friends without pay and/or at below-market rates in the business. The second section, titled «Minimizing Account Receivables», focuses on how businesses can strengthen their cash flow position throughout the duration of their first year of operation by negotiating with suppliers and creditors for favorable payment terms [33]. The third component, which aims to develop the best possible connection with suppliers, focuses on minimising capital investment, buying consignment from suppliers, and trading services or goods. The fourth segment, relationship-oriented, is focused on building relationships with clients. As a result, the business can become self-funded in its first year of operation and negotiate advance payments for the items and services it will provide to customers [34]. The fourth component, «Joint Utilization», concentrates on the integration of the supply chain strategy, which is advantageous to firms in the first year of operation since it can generate marketing and/or new business prospects due to cautious market transactions. Sharing resources, which is the fundamental goal of subsidized finance, helps to reduce transportation and inventory expenses as well as volume discounts by integrating the supply chain with those of other businesses. Financial bootstrapping is one of the 32 strategies for starting a business on your own that have been recognized, and business founders that have business savvy typically use it [35].

2.2.2. Balance Score Card theory. The Balanced Score Card is a framework made up of a wide array of performance indicators. Thus, four balanced perspectives – financial, customers, internal business processes, and learning and growth – are used to evaluate the performance of the business. The financial performance metrics specify the business unit's long-term goals [36]. Financial perspectives emphasize cost effectiveness, resource conservation, and asset utilization while assessing sufficient capability to provide customer satisfaction at a reasonable cost. Businesses can obtain and enhance revenues implemented from a financial perspective by using the second perspective, which is the customer perspective. The customer's perspective of view focuses on elements that are important to customers [37]. Products and/or services, customer relationships, image and reputation, and image and reputation are all important aspects

for customers. The third perspective on the Balance Score Card uses learning and progress as a means of bridging any gaps that may result from the other perspectives [38]. The capacity of individuals, the significance of information systems, and the success of business alignment are all detected by the learning and growth perspective. The internal business process perspective, which is the final perspective, highlights crucial business operations that directly affect the Balance Score Card's customer perspective. Traditional and Balance Score Card techniques make up the two components of the internal business process. The major goal of the conventional strategy is to monitor and enhance business operations [39]. The Balance Score Card, on the other hand, suggests a fresh strategy through cutting-edge procedures that the business should use. The next section addresses the emerging research gap in light of the discussion of the Financial Bootstrapping and Balance Score Card theories.

2.2.3. Research gap. This section examines the research gap that resulted from the theories of financial bootstrapping and Balance Score Card's, which contribute to the development of the Business Bootstrapping Model. Financial, liquidity, and credit restrictions, as well as a lack of business skills, as detailed in the previous section, cripple businesses' survival in their first year of existence in South Africa. Inadequate access to financing and information asymmetry are significant barriers to a business's survival in its first year of operation in South Africa. Financial bootstrapping focuses more on capital efficiency than making up for internal resource shortages. According to assessments, South Africa's low domestic savings exclude the majority of business owners who work in low-skilled jobs during their initial year of operation. The exclusion presents a dilemma where businesses struggle to raise capital during their first year of operation due to unfavorable external business environment variables such as inadequate capital accessibility and inadequate domestic savings. The Financial Bootstrapping Model cannot be implemented if domestic savings are insufficient. Due to a lack of funding and inadequate business skills, firms struggle to adopt the Balance Score Card during their first year of operation. The effectiveness of the financial and customer perspective components of the Balance Score Card approach is heavily reliant on financial resources. The financial perspective emphasizes sales growth and the ability of enterprises to win additional market share during their first year of operation and requires previous financial records as input. The first year of operation had no previous financial records, and the funding needed for the startup was difficult to get. Due to the aforementioned considerations, the vast majority of business owners encounter difficulties when attempting to use the financial perspective component of the Balance Score Card model during their first year of operation. The financial and customer perspectives are interwoven and interdependent. The success of a financial perspective depends on factors that matter to customers, including as goods and/or services, relationships with customers, and image and reputation. In addition, the financial perspective depends on the availability of capital, and the majority of South African businesses struggle with the accessibility of capital within their first year of operation. Due to the limited resources available to enterprises during their initial year of operation, a sole proprietorship is profit-driven, making it difficult to implement the learning and growth

perspective. Due to inadequate vision and plan development, poor finance accessibility, and a lack of business skills, businesses struggle to implement the Balance Score Card model during their first year of operation.

2.2.4. Business Bootstrapping Model. The Financial Bootstrapping and Balance Score Card business models, which were mentioned in the preceding sections, are employed as a framework in the development of the Business Bootstrapping Model. The significance of using internal resources during a business startup was outlined by Pecking theory and RDT. In order to build new solutions for business owners in the first year of operation without personal savings during business start-up, financial bootstrapping is utilized as a basis with supplementary theories such as Pecking theory and RDT. Additionally, Balance Score Card and corporate governance are tailored in accordance with business characteristics to increase competitiveness. These assists transform businesses from being survivalists in their first year of operation and showing no signs of growth into high-performance businesses. The first year's financial, marketing, and business governance components make up the business Bootstrapping Model. The three parts are extremely interdependent on one another.

2.2.4.1. Financial. A 0.20 percent in the fourth quarter of 2022 shows that most consumers have little or no personal savings as a result of failing to prepare for unforeseen expenses, which drain personal savings and use up available credit lines. the majority of business owners in their first year of operation worked in elementary occupations, which pays less than the predicted personal savings of R40,000 for consumers and business owners [40]. This leads to the majority of business owners in the first year of operation having elementary occupations, and/or prospective business owners in the first year of operation struggle to start an owned financed technique of the Financial Bootstrapping Model [41]. By utilizing internal financial resources, the Financial Bootstrapping Model's primary goal is to eliminate the financial constraints that enterprises encounter during their first year of operation. Financial Bootstrapping Model excludes enterprises in the first year of existence without any personal funds due to low domestic/household savings in South Africa. Through strategic alliances and short-term contractual arrangements, the financial component of the new Bootstrapping Model enables businesses to launch a new venture without any financial savings during their first year of operation. Local or foreign businesses may form strategic alliances. The Key Success Factors (KSF) of the industry and business competitive competencies has to be identified by the local business strategic alliances in order to undertake a market analysis. The first step is for business owners to recognize the unique competencies of the business during the first year of operation. In the first year of business, owners can interpret competitive strength assessments for the business through distinctive competencies that have been discovered. In order for strategic alliances in the value chain network to occur, the second stage is to determine the KSF of the industry in which the business works. This will challenge any prospective alliances of micro, small, and/or medium-sized businesses.

Before entering into contract negotiations, business owners will be equipped with the knowledge necessary to identify possible alliances within their first year of operation and to

anticipate a sufficient profit. Deficiencies in the value chain network of prospective alliances might range from offering services to enter the alliance's specialized market to offering value-added services through unique business skills in the first year of operation. A niche market might recognize emerging alliance obstacles to capture the market due to alliance capabilities, geographic locations, and demography. In the first year of operation, value-added services were provided to business owners through cooperative practices, which allowed for the complementarity of unique strengths with alliance business capabilities. In order to form a strategic alliance with foreign businesses, multinational businesses must first identify specialized markets in South Africa and undertake an analysis. Business owners will start working on obtaining cash inflow and retained earnings in the first year of business as they embark on the financial component of the Business Bootstrapping Model. The creation of sufficient financial records is a crucial step in the cash inflow process, which is also a need for obtaining funding for business expansion from lenders and/or investors. Businesses are able to adjust to economic shock and changes in the business environment during the first year of operation due to retained earnings that are obtained through cash inflow. As a result, businesses will be in a position to secure the funding they need to expand and sustain their operations. In order to negotiate an appropriate percentage of the interest in capital acquired with financial institutions and/or investors during the first year of business, negotiation skills will be crucial for business owners.

2.2.4.2. Marketing. Marketing is essential to the survival, expansion, and success of organizations, particularly in the initial year of existence. The marketing of businesses and their ability to survive in their first year of operation are closely related, however, due to a lack of financial resources and a lack of marketing expertise, it is extremely difficult for businesses to survive in their first year of operation. In the first year of operation, the marketing component of the firm Bootstrapping Model sought to equip business owners with the marketing skills they would need to market and position their products and/or services. Business owners in the first year of operation can generate sales either through product and/or value-added services. Conducting a market analysis is the first phase, which identifies consumer demand for the product and/or value-added services that will be offered. It is possible to analyze consumer markets, identify marketing opportunities, and pinpoint the niche market by using social media free pages, websites that collect consumer complaints, and product blogs. The segmentation of the target market will also be made possible by this platform, which will make it possible to identify various competitive factors, consumer purchasing decisions, post-purchase behavior, and brand engagement. The second stage allows businesses to set up free social media pages on platforms such as Facebook, Twitter, and Instagram during their first year of operation. The creation of brand positioning and direct and interactive marketing with potential customers will be made possible by the free social media pages, consumer complaints websites, and product blogs. On consumer complaint websites and product blogs, brand positioning can be achieved by responding to comments and/or offering suggestions on products and value-added services to resentful customers.

The first two steps on value-added services, which involve identifying nations with high costs of enterprises' specific competencies, can also be used to develop brand positioning abroad. The Business Bootstrapping Model's marketing component will make it possible for businesses to focus on their customers during their first year of operation. The growth of brand and customer equity will be significantly influenced by the customer-centered business. Through product blogs, websites dedicated to consumer grievances, and social media accounts, brand, and customer equity will be attained. In the first year of operation, businesses will be able to ascertain industry price margins and use social media pages, consumer complaint websites, and product blogs as a platform to explore possible alliances. As the vast majority of micro businesses operate as market specialists and are further enabled to engage in joined activities such as joined marketing, the alliances will expose enterprises to a super segment in their first year of operation. Multichannel marketing will afterward develop brand awareness by exposing the brand to targeted buyers. In the first year of operation, business owners will be able to assess consumer brand attitudes and position the brand to boost sales. Such a consumer-focused marketing element will also foster customer relationships.

2.2.4.3. Business governance in the first year. Lack of credit history and insufficient financial records make it difficult to get financing because lenders demand them in order to make a business's anticipated financial projections. In the first year of operation, corporate governance has the potential to reveal opportunities for businesses to secure the availability of money and the growth of customer relationships. The model's marketing component assists the business put into practice aspects, such as the relationship with stakeholders, that are relevant for the first year of operation. In their initial year of operation, sole proprietorships predominate, with owners serving as both shareholders and managers. The evolution of the board of directors, therefore, loses significance within the first year of operations. However, other stakeholder ties, including those with customers, might be important in gauging the performance of the business. Through multichannel marketing, the customer connection can be a factor in the evaluation of changes in customers' brand attitudes. In order to survive in the first year of operation, business owners will be enabled by corporate governance components to practice transparency, equity, responsibility, and accountability. Businesses in South Africa that want to implement the corporate governance principle must follow the board composition technique during their first year of operation. According to agency theory and stewardship theory, the board should be composed appropriately. The maximum possible return on investment, which is crucial for survival in the first year of operation, will be made possible by the board members who are anchored in both agency theory and stewardship theory. Due to the board members' complementing talents in identifying and evaluating business prospects, the business governance component will assist enterprises gain a competitive advantage within their first year of operation. also supports well-informed decision-making processes, which are important for a business's survival in its first year of operation in South Africa. The improvement of management systems, internal controls, and transparency will assist businesses in South Africa survive their first year of operation.

2.2.4.4. Business bootstrapping detailed design. Variables that affect a business's competitiveness in its first year of operation are represented in this study and are shown in Fig. 1. It is based on a theoretical framework developed from secondary literature sources. The task of the proposed study is to investigate how to present difficulties and a business's ability to compete in its first year of operation.

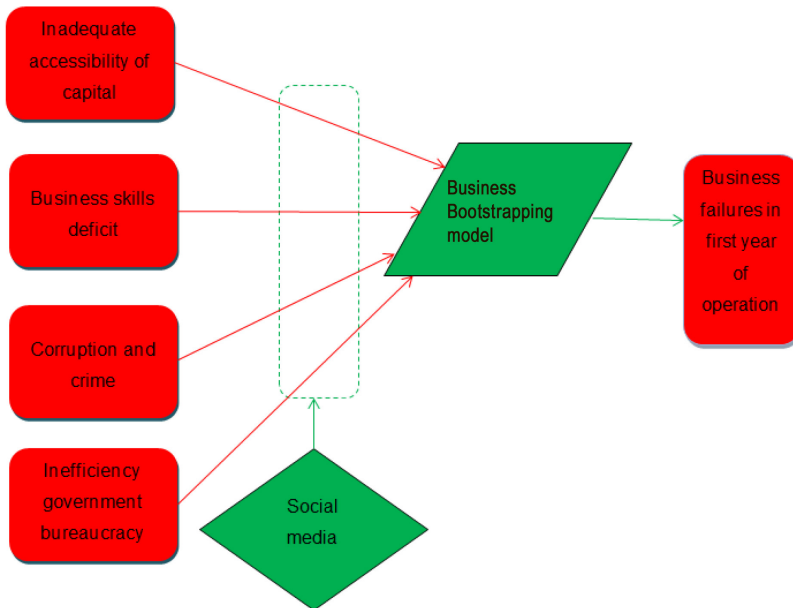


Fig. 1. Proposed Model for Business Bootstrapping Model

The previous section the relationship between current business issues and their impact on a business's ability to survive its first year of operation. The proposed Business Bootstrapping Model in Fig. 1, which is based on the reviewed literature, shows the cause-and-effect connection between the present problems and the high rate of failure of businesses in their first year of operation. Due to financial, liquidity, and credit constraints, enterprises in their first year of operation in South Africa are revealed in the literature to be uncompetitive and unable to maximize commercial profit. The survival of businesses during their first year of existence is hampered by these restrictions. Inadequacy in managing a lack of financial resources, difficulties establishing a business's position in the market, and the inefficient use of scarce internal resources are further obstacles. The high rate of business failure in the first year of operation was caused by the current difficulties. According to research results shown in Fig. 1, a lack of readily available money, a lack of business-related skills, corruption, criminality, and ineffective government bureaucracy all contribute to the high failure rate of emerging businesses in their first year of operation. Due to inadequate access to capital, financial, liquidity, and credit restrictions were established. These liabilities contributed to the high rate of business failure in the first year of operation. Additionally, due to a lack of business skills, businesses are unable to appropriately address current issues they face in their first year of operation. Business skill shortages repeatedly make it impossible for businesses to survive their first year of operation. The government, which attempted to address these issues, is linked to excessive red tape, corruption, and criminality, which is bad for businesses in their first year of operation

under the strain of intense competition. The proposed business model makes use of social media to mitigate the effects of present business difficulties and a high rate of failure in the first year of operation. The moderator's goal is to provide business owners in their first year of operation with influential business skills that will assist them to survive. Additionally, the high failure rate of businesses in their first year of operation will be eliminated by recognised influential business abilities.

2.3. Methodology

2.3.1. Research philosophy and design.

The study's research methodology, pragmatism, aimed to gain a thorough grasp of the various difficulties that businesses face during their first year of operation. The philosophy guided the types of research questions that were important to the study and the methods used to gather and analyze data. The positivist approach, which used empirical studies to identify problems that businesses face in their first year of operation, and constructivism, which looked at skills that businesses believed were crucial to surviving in that first year, were both possible thanks to the pragmatic philosophy. The development of the Business Bootstrapping Model, which aims to reduce the high failure rate of enterprises in their first year of operation, also benefited greatly from pragmatism's significant contribution to the acquisition of a clear grasp of empirical data.

The Business Bootstrapping Model and allures on the strengths of both qualitative and quantitative research were developed using a mixed method design. Additionally, the study employed a convergent parallel design to thoroughly analyze and appreciate the issues that have a detrimental impact on a business's ability to compete in its first year of operation. Four research questions served as the framework for the study, and it had a two-phase design with qualitative and quantitative components. The previous section's analysis of business challenges served as a framework for identifying the key issues that pose obstacles to a business's survival in its first year of operation. The inability to acquire financing and a lack of business skills were identified as variables that had a detrimental impact on a business's ability to survive its first year of existence in the preceding section. The development of the Business Bootstrapping Model used the lack of capital accessibility, a lack of business skills, a review of financial bootstrapping, and the Balance Score Card as a framework. The foundation of the business bootstrapping model was a gap that was found and integrated with initial research. In order to investigate intriguing or contradicting trends in regard to empirical research, a quantitative approach was adopted.

2.3.2. Target population, sampling, and research instruments. Businesses in South Africa that registered with CIPC in the third quarter of 2021 and are under one year old were the population size that was targeted. According to the Small Enterprise Development Agency's 2022 report, the target population size for the enterprises that were registered with CIPC nationwide in the third quarter

of 2021 and had not been in operation for more than a year was 677786. Excel Quantitative Management (QM) software was used to carry out the simple random sample. Each study participant has an equal and known chance of being chosen thanks to simple random sampling. The study's first 100 businesses that agreed to participate in the qualitative phase were utilized to pick participants for the quantitative phase by convenience sampling, also known as haphazard sampling. During the study's qualitative phase, semi-structured interviews were used as a research tool. The use of semi-structured interviews gave participants the chance to discuss issues that first-year business owners find both personally and professionally relevant. Using the closed question, it was possible to pinpoint issues that are making it difficult for startups to survive their first year of operation. According to the study's four research objectives, the questionnaires were ratio-rated, scaled, and classified for further data analysis. Open-ended questions at the conclusion of each paragraph of the objective gave participants the opportunity to further describe any problems or difficulties that were pertinent to the study.

2.3.3. Concurrent data analysis. Both quantitative and qualitative methodologies were used to analyze the source data.

2.3.3.1. Qualitative analysis. The main findings were based on themes that were consistent with the study's objectives and common patterns among participants. Through conceptual analysis, topics for analysis and interpretation of the manageability of the frequency of obstacles for firms in their first year of operation emerged. Additionally, relational analysis was used to determine the relationship between important business abilities and difficulties that pose a threat to the survival of businesses during their first year of operation.

2.3.3.2. Quantitative analysis. Using computer-aided software SPSS, quantitative findings were analyzed, guaranteeing that data is analyzed effectively and efficiently. The qualitative phase of the analysis revealed a lack of business skills, which was then used to create various tables and graphs and test the consistency and reliability of the link between the survival of businesses in South Africa in their first year of operation. The strength and direction of business skills on survival in the first year of operation were assessed using inferential statistics.

2.3.3.3. Validity. Construct validity was used in factor analysis to evaluate the study's confined objectives and pinpoint the best items for each objective.

2.3.3.4. Reliability. Interitem consistency with Cronbach Alpha was used to examine the relationships between the concepts measured by the items. Cronbach alpha coefficients were computed using SPSS. A tighter value of the Cronbach alpha coefficient, which evaluates whether or not items were connected, indicates a better level of internal consistency dependability.

2.3.3.5. Ethics considerations. Letters from gatekeepers were provided by incubators, and the study met with the university's code of conduct for research.

3. Results and Discussion

In the preceding section, a conceptual framework for the development of the Business Bootstrapping Model was put out with the goal of removing obstacles and reducing the gap in business skills that were found among businesses in their first year of operation in South Africa. In the first year of operation, the proposed Business Bootstrapping Model had three components: finance, marketing, and business governance. This section presents the Business Bootstrapping Model's practical authentication. The research gap and the qualitative and quantitative findings led to the development of the Business Bootstrapping Model.

3.1. Structure of the model emerging from the qualitative study

The integrative model's structure is shown in this section. It was developed from qualitative findings. The construction of the first two elements of the Business Bootstrapping Model was constructed on the first three study objectives. Additionally, two existing business models outlined in the previous section were added to the three study objectives.

3.1.1. Contributory forces towards the failure of businesses in the first year of operation. The study's initial task was to investigate contributing factors that make it difficult for businesses to survive their first year of existence. According to the empirical results, the main challenges that most participants' businesses face in their first year of operation are access to capital and a lack of financial resources to manage accounts receivable. This is a major factor in South Africa's high first-year failure rates. There is a relationship between the literature and responses, which is substantiation, as both show that businesses struggle to expand and be sustainable as a result of the difficulty in obtaining capital due to traditional financial institutions' requirements for collateral as well as market conditions like exchange rates, interest rates, and inflation. In addition, the identified force gave rise to financial, liquidity, and credit restrictions on enterprises in South Africa during their first year of operation. Literature and responses agree that inadequate capital and late payments from debtors have a cascading impact that is detrimental to a business's ability to survive its first year of operation.

The empirical results support the research gap in the preceding section of the study, which identified a lack of adequate capital as the primary factor preventing businesses in South Africa from surviving their first year of operation. Inadequate capital is another business restriction that hinders the competitiveness of businesses. Additionally, the study's initial objective was to establish a foundation for identifying inadequate capital accessibility as a contributing factor to the high failure rate of businesses in their first year of operation; following this, frameworks such as Pecking Order, Resource Dependence Theory, Balance Score Card, and Financial Bootstrapping Model were used to practically develop the financial component of the Business Bootstrapping Model. The lack of capital and financial resources led to the financial component of the Business Bootstrapping Model, which focuses on the use of internal resources for business operations. Additionally, less reliance on conventional external sources of funding is consistent with results in the body of literature that described severe funding criteria from financial

institutions and investors, red tape associated with governmental agencies, and the infantile venture capital market. The Business Bootstrapping Model's financial component is therefore focused on business owners who lack any financial resources but have the ability to raise the necessary operating capital during startup. Additionally, the first study's objective financial component significantly helped business owners create sufficient financial records.

3.1.2. Construction of competitiveness that is significant to the survival of businesses in the first year of operation.

The second task of the study focused on the importance of certain business abilities for a business's ability to survive its first year of existence. Previous empirical research suggested that industry expertise is a competitive advantage for businesses. Additionally, measures are employed to lessen obstacles that threaten a business's performance in its first year of operation based on prior industry experience. The identification of market prospects in relation to entering and penetrating new markets is based on experience in the business. Additionally, gained technical abilities were concentrated on the designs and technical requirements of the business's product offerings, which helped the business remain competitive in its first year of operation. The development of business skills, according to business owners, can be done using informal learning methods like webcasting, interactive movies, web-based training, and mobile technology. Techniques for analyzing the external environment made up the informal learning contribution. The research gap in the previous portion of the study is consistent with empirical findings that business skills acquired during the first year of operation were insufficient compared to those needed to increase firm competitiveness. The second task served as a starting point for figuring out the abilities needed to increase survival during the first year of operation. According to the study findings, the integration of personal industry experience, technical skills, and identified significant business skills stated in the previous section was supported by the intrapreneurial theory discussed in the previous section. The goal of the integration was to use the tools available to business owners to help them develop the planning, negotiating, and management skills necessary to survive in their first year of operation in South Africa.

3.1.2.1. Financial component. Utilizing available resources to survive during the first year of business is the financial component of the Business Bootstrapping Model. Findings from the literature revealed the importance of business skills, particularly for enterprises in their initial year of operation, and the negative skills difficulties in South Africa. Results from previous section research suggested that one-way business owners deal with problems that endanger their business's success is by drawing on their industry expertise. The biggest percentage of participants with 3 to 4 years of industry experience was also shown in the demographic data. Years of industry experience constitute competitive advantages that are distinctive competence. The Business Bootstrapping Model's financial component is divided into the two stages listed below:

1. *Identification of a distinctive competency* concentrates on using internal resources and assets more effectively than the competition and lays the groundwork for a durable competitive advantage in the first year of operation.

In order to maximize the effectiveness of their early-stage businesses, owners must also make sure that their unique competency is closely tied to their industry experience and competitive variables. An endorsement for shortcomings trends that would emerge from industry study is provided by the firm owners' expertise in the industry, which is a special ability. Business owners must follow the three steps in Fig. 2 for a comprehensive approach to industry analysis.



Fig. 2. Industry analysis

Business owners are required to gather industry reports from industry regulatory bodies, statistical organizations, feedback data from targeted businesses' social media pages, consumer complaints websites, and product blogs through distinctive competency are used as a foundation for identifying industry deficiencies. The function of intrapreneurial activities is to be provided to potential firms within the industry by business owners using shortcomings in the industry that have been identified as a tool. Business owners should approach the targeted businesses skilfully in order to develop intrapreneurs' capacities for eradicating business shortcomings within the sector. The primary objective of intrapreneurial activities is to assist potential businesses use their resources. The degree of resource leveraging for potential businesses depends on each sector's distinctive qualities as determined by industry study. As a result, the first stage of the financial component applies mostly to markets that are expanding quickly, businesses that are maturing, and industries that are stagnating or decreasing. For the Business Bootstrapping Model's financial component to work well, firm owners need to engage in intrapreneurial activities such as process re-engineering, design knowledge, business value chain efficiency, and inventive capabilities. Businesses in the industry are assisted by mandatory intrapreneurial initiatives by firm owners during the first year of operation to reduce costs through value chain efficiency.

2. *The formation of the strategic alliance* phase involves cooperation agreements between potential and real rivals, whether they be domestic or foreign corporations. Findings from the previous section made it clear that a lack of resources, particularly those related to human assets, posed a threat to the viability of businesses during their first year of operation. In addition, business owners work together with other businesses to address weaknesses in their own operations, deal with competitive situations, and outcompete competitors. By establishing a strategic alliance on the financial component of the Business Bootstrapping Model, it will be possible to eliminate resource scarcity through the particular capability that was outlined in the model's initial financial phase. By identifying businesses that have trouble entering the South African market because of the complicated approval process there or by identifying businesses that have trouble complying with the Broad-Based Black Economic Empowerment Act, the effectiveness of the

second phase on the financial component of the Business Bootstrapping Model can be determined. The first phase of the business bootstrapping model's financial component should serve as a framework for carrying out the second phase successfully. Business owners have two options for the second phase of their operations: joint ventures and/or short-term contractual arrangements, both of which depend on the expedited approval procedure.

3.1.2.2. Benefits of a financial component. Business owners who begin implementing the Business Bootstrapping Model's financial components can begin generating the funds necessary for firm formation. The removal of financial and liquidity limitations is influenced by the creation of capital. The findings from the previous section showed that a lack of financial resources hurts a business's working capital, a deficit in net cash inflows lengthens the operational cycle, and a surplus of accounts receivable is linked to late payments. An incentive for synchronizing operating cash flows on businesses in their first year of operation is the financial bootstrapping model. With sufficient capital obtained through the financial component of the Business Bootstrapping Model, business owners are able to extend the operating cycle and maintain operations despite any potential short-term inflow challenges, which increases the business's liquidity. The financial component of the Business Bootstrapping Model reduces the intensity of competitive sensitivity on enterprises in the first year of operation in terms of price and cost competitiveness. Additionally, business owners who raise finance through the Business Bootstrapping Model's financial components are prepared with the knowledge and skills necessary to make an informed assessment of the competitive dynamics affecting their industry both internally and outside. The Business Bootstrapping Model's financial component enhances sustainability and the achievement of competitive advantage in the first year of operation. When business owners begin the financial aspects of the Business Bootstrapping Model, they subsequently produce sufficient financial records that are a requirement for external capital accessibility. There is less of an intense push from established businesses entering a market niche where there was once a barrier to entry. Through the financial elements of the Business Bootstrapping Model, business owners are given the ability to foresee potential problems and be adaptable to the complexity of the business environment dynamics, such as a rise in VAT and a sharp rise in fuel prices. Additionally, through business alliances, business owners get the negotiating abilities that are crucial when making concessions to investors for the availability of funds. Business owners also have the ability to properly allocate both financial and non-financial resources, come up with cost-saving solutions to problems that threaten the business's success, and take a holistic approach to business relationships, all of which improve the management of the business's first year of operation.

3.1.3. To explore business skills that are of relevance to survival in the first year of operation. The third task was to identify key business competencies that would influence how competitive South African businesses would be in their first year of operation. Empirical findings indicated marketing and accounting abilities as business skills necessary for survival in the first year of operation in South Africa.

Regardless of startup money, poor financial record-keeping and the development and interpretation of financial statements have a negative impact on business owners' ability to manage their limited resources and get external financing. The inability of business owners to respond to aggressive pricing of competitor items for the business with their limited resources was caused by a lack of expertise in pricing strategy, brand positioning, and advertising. Empirical results are consistent with the research gap of the study in identifying the impact of inadequate financial records and a lack of expertise in pricing strategy, brand positioning, and advertising on the competitiveness of businesses in their first year of operation in South Africa. A framework was developed for the third task, which involved investigating practical skills that are important for South African enterprises in their first year of operation. As a result, the second stage of the Bootstrapping Model concentrates on creating acceptable financial statements for the business and positioning the business in the first year of operation through the utilization of resources.

3.1.3.1. Record management. The Business Bootstrapping Model's record management component assists business owners who lack financial expertise with the development of financial records and the analysis of financial statements. According to demographic studies, business owners with total gross assets (excluding fixed property) between R20,000 and R39,999 had the highest percentage at 29.4. Both business owners who invested a significant amount of capital at startup and those who implemented the financial component of the Business Bootstrapping Model acquired capital can benefit from recordkeeping. A statement of financial position, an income statement, and a cash flow statement are the three financial statements that business owners should develop.

1. *Statement of Financial position* helps business owners record liabilities, equity, and current assets. Business liabilities and owners' equity are listed in the left column of a statement of financial status. Owners' equity indicates the capital structure of the business, whereas the recording of business liabilities allows the reporting of business account due or expenses. Business current assets are listed in the statement of financial position's right column. Intangibles (distinctive competency), inventory, and business account receivables should all be included in a business's current assets.

2. *Statement of Comprehensive Income* makes it easier for business owners to keep track of all sales, costs, and expenses in the first year of operation and to determine their profit. Profit and loss statements must be submitted every six months. Sales revenue appears first on the income statement in the first row, followed by costs of sales and all other expenses, including taxes and account payable. The sales revenue must be reduced by all costs, and the amount left over – the net profit after taxes – is what is referred to as the business's retained earnings. To refinance the company, retained earnings will be put to use.

3. *The statement of Cash flow* plays a vital part in determining the business's liquidity. Every cash inflow and outflow throughout the first year of firm operations must be documented. Cash flow from assets, cash flow to lenders, and cash flow to shareholders should all be included in the cash flow statement. Current Assets must be subtracted from Net Working Capital Liabilities to determine.

3.1.3.2. Benefits of record management. The Business Bootstrapping Model's recordkeeping enables investors and/or business owners to assess the business value. Additionally, record management assists with the planning and management of business operations, including the drafting of business short-term financial policies, which are a requirement for creditors and lenders to access outside cash and/or credit. When using the Business Bootstrapping Model, business owners can measure their current financial performance, financial position, and future business plans by providing a summary of their revenues and expenses from both operating and non-operating activities over time, as well as a summary of their assets, liabilities, and equity at a specific point in time. Business owners can determine the best investment levels by balancing carrying costs and shortage costs with the help of record management. By using short-term loans such as factoring and inventory loans, record management helps eliminate inflated account receivables.

3.1.3.3. Marketing component. Findings from the preceding section indicated that understanding pricing strategy was a crucial business skill for South African businesses to have in order to survive their first year of existence. The Business Bootstrapping Model's marketing element helps business owners increase their business's competitiveness by advising them on price plans, brand positioning, and advertising of their products and services. Owners of businesses are required to follow the first three steps shown in Fig. 2 when developing pricing plans. The attributes shown in Fig. 3 are additionally added for a holistic approach to the Business Bootstrapping Model phases' marketing component.

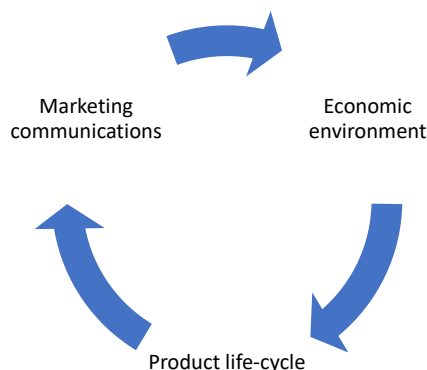


Fig. 3. Marketing attributes

The characteristics in Fig. 3 are used as input for brand positioning, pricing, and promotion of competitive business offers.

Pricing strategies of business competitors' products are in line with the current economic climate. Owners of businesses should be aware of the trend in repo rates. Business owners must implement two price discrimination strategies – time pricing and customer segmentation – in response to the rise in the repo rate. Time pricing provides price breaks for purchases with a minimum quantity and for payments made in advance by clients. Through a unique competency, a customer-focused approach provides lower prices for affluent consumers. The price elasticity of demand is correlated with a decline in repo rate pricing techniques. Before implementing pricing strategies, business managers must make sure that both fixed and variable costs are taken into account.

Branding positioning of the Product life-cycle business is arbitrary. Business owners should target a niche market with a small number of product offerings. Business owners can efficiently use their limited resources to position their business's brand appropriately thanks to a niche market and a small number of product lines. Implementing the three processes shown in Fig. 2 is a method for locating niche markets. Due to the high expense of a product's life during the debut phase, business owners must start joint venture co-branding. The second phase of strategic alliances must be implemented by business owners through short-term contractual agreements in order to maximize the effectiveness of co-branding. These agreements must also identify resource limitations, brand equity capability gaps, and brand dilution risk. Business owners must identify completely new and distinct uses for product consumption during the growing and maturity stages. As part of multichannel marketing, business owners must launch a promotional campaign using social media platforms, websites for consumer grievances, and product blogs. Utilizing the distinctive competency as value-added services prior to product consumption is a requirement for decline stage firm owners.

Advertising business owners must find effective, timely, and personable communication methods for the niche market in order to compete with their rivals' products. Online forums and communities are word-of-mouth campaigns that firms must use to promote their aggressive product offerings. Business owners must make sure that the advertising campaign includes leitmotifs, intended experiences, and roles/relationships that customers play in the program. Owners of businesses must set up free social media profiles for their businesses, recommend blogs online, and respond to customer complaints regarding deeper and broader consumer participation.

3.1.3.4. Benefits of the marketing component. The Business Bootstrapping Model's marketing element helps business owners make price decisions. Time pricing's promotion of upfront payments enhances a business's working capital, liquidity, and cash inflows and outflows, all of which help increase the capital's accessibility from outside the business. Business owners in narrow markets might investigate opportunities that more established businesses have overlooked by using brand positioning. The Business Bootstrapping Model's marketing component helps business owners cut costs while launching new products. Social media marketing for a business's competitive offering gives the organization access to valuable, hard-to-get customer data and insights.

3.2. Structure of the model emerging from a quantitative study

The integrated model's structure, which was derived from quantitative findings, is presented in this section. The fourth study task outlined the strength and pattern of the association between performance in the first year of operation and a lack of business skills. Additionally, a correlation between a lack of business skills and performance in the first year of operation was assessed using descriptive statistics to identify its strength and inferential statistics to define its direction.

3.2.1. The strength and direction of the relationship between business skills and performance of businesses in the first year. The study's fourth task was to examine the

degree and direction of the relationship between a lack of business abilities and the performance of the business in its first year of operation. The previous section's empirical findings suggested that sustaining business strategies were knowledge-based abilities connected to a business's competitiveness in its first year of existence. The Bootstrapping Model's last stage focuses on developing a viable business in the first year of operation.

3.2.2. Business governance in the first year. The objective of the Business Bootstrapping Model was to assist new businesses survive and thrive during their first year of existence. The King IV report on corporate governance for South Africa's financial component, record keeping, and marketing component all adhere to the performance and reporting principles. Results from the preceding section showed that maintaining long-term, loyal customer relationships is a strategy for survival in the first year of business. Additionally, through a unique set of skills, business owners are thoughtful of business stakeholders in their first year of operation. Important aspects of King IV's report on the performance of the business in its first year of operation include strategic alliances with other businesses that share the same interests in the contractual arrangements discussed in the preceding section. Record management validates accountability, transparency, and financial reporting of the business to enhance the prospect of accessibility of capital.

3.2.3. Benefits of business governance component. Business Bootstrapping Model's corporate governance component supports business owners in efficiently managing business ethics and assures that during the first year of operation, the business is accountable for the welfare of its employees in South Africa. Prior to implementing the business governance component in South Africa, it is important to improve interrelated elements including strategy creation and implementation, risk and opportunity analysis, and analysis of factors that support the survival of operating businesses. When a business is evaluating its competitiveness in South Africa during its first year of operation, the business governance component ensures sufficient reporting and transparency to the pertinent stakeholders.

The component's secondary objective is to make it possible for the business's management team to balance the talents, variety, relevant experience, and expertise needed for sustainability in South Africa during the first year of operation. The business governance component also makes it possible for business governance structures to balance power and successfully discharge obligations without compromising accountability. In the first year of operation in South Africa, the business governance component provides risk and opportunity governance that is consistent with the fundamental values and strategic objectives of the firm. In South Africa, the business governance component enables the management of information and technology, which is related to the competitiveness of the industry in the first year of operation.

The business governance component assists with compliance with laws where the firm operates by making sure the business abides by industry standards and rules throughout its first year of operation. The business governance component supports assurance that results are insufficient and regulates the business environment and reporting integrity to enable adequate decision-making. The corporate governance component also makes sure that a stakeholder-inclusive strategy is used, which includes taking into account and balancing legitimate demands and expectations in the first year of operation with legitimate interests.

3.3. Applied business bootstrapping model

A moderator that reduces the high failure rate of businesses in their first year of existence is the business bootstrapping model. The following Business Bootstrapping Model in Fig. 4 depicts the cause-and-effect relationship between existing issues and the high failure rate of businesses in their first year of operation. It is based on the presented findings from the preceding section and the suggested Business Bootstrapping Model. According to research, South Africa's high percentage of business failure in the first year of operation is largely due to poor access to finance. Constraints on finances, liquidity, and credit were brought on by inadequate capital accessibility. The Business Bootstrapping Model's financial component acts as a moderator to increase survivability in the first year of business. The Business Bootstrapping Model's financial component teaches business owners how to use existing resources to generate money for survival in the first year of operation. The Business Bootstrapping Model's financial component uses available resources to eliminate widespread financial and liquidity limitations, distressed business working capital, and net cash inflow shortfalls, improving survivability in the first year of operation. By having adequate financial records – a requirement for external capital accessibility – the financial component of the Business Bootstrapping Model eliminates credit limits and a lack of financial resources. Additionally, it gives business owners the ability to diagnose the competitive dynamics that have formed in the market.

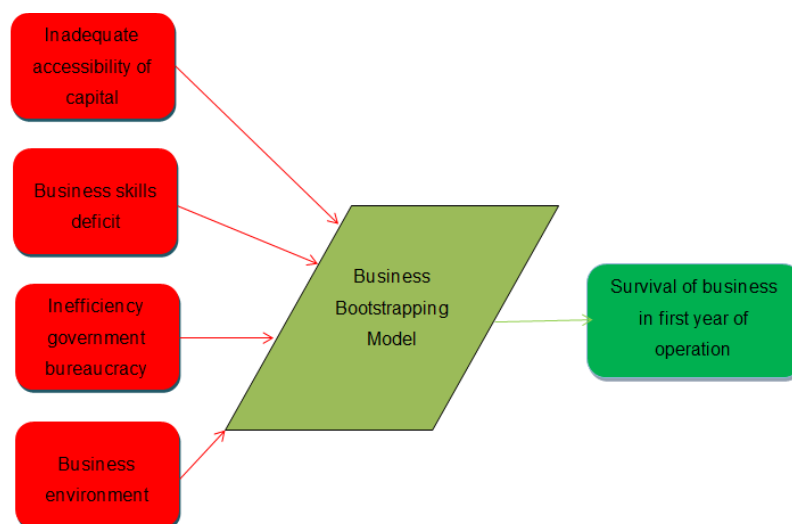


Fig. 4. Business Bootstrapping Model

According to empirical findings, South African businesses' ability to survive their first year of operation is negatively impacted by deficiencies in developing and interpreting financial statements, pricing strategy, brand positioning, advertising, and record-keeping. With the help of financial expertise, record management of the business bootstrapping model in Fig. 4 helps enterprises in their first year of operation avoid harsh pricing of competitive products due to resource limitations. The ability to assess a business's present financial performance enables business owners to anticipate future business strategies that will increase the business's liquidity in its first year of operation. The elimination of bloated account receivables, which enhances survival in the first year of business, is another benefit of record management. The Business Bootstrapping Model's marketing component acts as a moderator to eliminate price discrimination, as well as a means of promoting the business's competitive products through social media and exploring opportunities adequately. This increases the likelihood that the business will survive its first year of operation. Every business bootstrapping model makes a contribution to governance, which increases the likelihood of survival in the first year of operation.

3.4. Discussion

3.4.1. Financial. Challenges for businesses in the first year of operation in relation to financial resources at start-up were outlined by the research gap mentioned in the previous section. Due to a lack of prior financial records from operations no older than a year, expenditures related to the BSC deployment, and a lack of business skills, business owners find it difficult to use the financial viewpoint component of the BSC model. The criteria related to BSC that have been emphasized are consistent with findings that both inadequate capital and a lack of business skills are obstacles to a business's survival in its first year of operation. The two actions listed below help close the indicated cash gap. Business owners should start by determining the distinctive (strength) competencies of their business. Finding possible allies with abilities and/or resources that will financially and/or non-financially complement the business is the second phase. Strategic alliances must be based on short-term contractual agreements for them to be effective. The benefits of a financial viewpoint should increase a business' competitiveness in its first year of existence. Strategic alliances give businesses without any financial resources the opportunity to start generating income because of their financial perspective.

3.4.2. Marketing. The research gap mentioned in the previous section clarified the role that a lack of financial resources and a lack of marketing expertise play in a business's ability to survive its first year of existence. The BSC-related characteristics that have been highlighted are consistent with studies that both emphasized the value of business skills in a business's first year of existence. The goal of marketing was to provide skilled business owners the ability to enter new markets. To uncover marketing opportunities and pinpoint the niche market, the first step is to do a market analysis using websites that collect consumer complaints and product blogs. Consumer complaint websites and product blogs are helpful from a marketing viewpoint because they let business owners engage with

potential customers, create their brand positioning, and run a customer-focused operation.

3.4.3. Businesses governance in the first year. The practice of corporate governance in the survival of businesses in their first year of operation was identified as the research gap in the previous section. The King IV-related aspects that were emphasized are consistent with studies that both emphasize how important it is to keep track of cash flow cycles and to maintain business plans in order for enterprises to survive their first year of operation. The removal of ripple effect forces, such as insufficient financial documents and a lack of credit history, which impede access to money since lenders want such records. Effective use of two components of business models is required for the business's anticipated financial forecast.

3.4.4. Limitations of the study. Two different sub-headings are used to convey the limits and suggestions for additional research:

- The study's measurement of the relationship between business and years of industry expertise was one of its main limitations. Although years of experience in the industry were accurately assessed, it is still difficult to determine whether those years of experience include technical skills and/or failed businesses in the same industry.
- The second restriction concerned the study's inclusivity of businesses who are participating in an incubator program. Even though the contributing factors for businesses in incubation programs and businesses outside of incubation programs may be similar, there may be a slight difference because businesses in incubation programs receive technical support services in comparison to businesses outside of incubation programs.

3.4.5. Recommendations for future studies. This study was based on data from businesses who are enrolled in an incubator program. The study that will concentrate on both businesses participating in incubation programs and those not participating in such programs is the idea. This strategy will produce a greater range of issues that are applicable to the SMME sector.

4. Conclusions

The article discussed the statistical analysis conducted to determine the relationship between the lack of business skills and the ability of an enterprise to survive in the first year of its existence, and identifies the following gaps:

Financial. Regarding financial resources during start-up, the research gap described indicated obstacles for businesses in the first year of operation. Due to a lack of prior financial data from a business that is less than a year old, implementation costs connected with BSC, and a lack of business skills, business owners struggle to use the financial viewpoint component of the BSC model. The issues mentioned with BSC are consistent with research showing that a lack of capital and business skills negatively impacts businesses' ability to survive their first year. The subsequent two measures help close the indicated cash deficit. The first stage for business owners is to determine the business's unique (strength) competencies. The

second phase is to find possible partnerships with expertise and/or resources that the company needs to succeed financially and/or with non-financial resources. Short-term commercial agreements are necessary for strategic alliances to be effective. In their first year of operation, businesses should be more competitive because of the benefits of a financial viewpoint. Strategic collaborations with a financial perspective give startups with unique competencies but no financial resources the chance to start generating capital.

Marketing. The research gap described how a lack of financial resources and marketing expertise affects a company's ability to survive its first year of operation. The highlighted elements related to BSC are consistent with studies that emphasize the importance of business skills for a company's survival in its first year of operation. According to marketing theory, business owners should be able to penetrate new markets with the right abilities. The first stage is to conduct a market analysis using product blogs and websites for consumer complaints to find marketing possibilities and pinpoint the niche market. Consumer complaint websites and product blogs are helpful for marketing because they let business owners engage with potential customers, create their brand positioning, and run a customer-focused operation.

Businesses governance in the first year. The practice of corporate governance in the survival of enterprises in their first year of operation was identified as the research gap. The King IV-related aspects are consistent with studies that emphasize the importance of keeping track of cash flow cycles and maintaining business plans for enterprises to survive their first year of operation. The removal of ripple effect forces, such as insufficient financial documents and a lack of credit history, impede access to money since lenders want such records. Effective use of two components of business models is required for the business's anticipated financial forecast.

The business bootstrapping model shown in Fig. 4 interacts to shed light on a company's survivability during its first year of existence. The model in Fig. 4 shows how the elements of the business bootstrapping model directly affect how well a company performs beyond its first year of operation when it is survivalist and growing slowly. The financial, record-keeping, marketing, and business governance components of the business bootstrapping model directly affect whether a company survives its first year of existence. The model also shows how business owners use the business bootstrapping strategy while still having the necessary business skills to ensure the long-term viability of their enterprise.

Conflict of interest

The author declares that he has no conflict of interest in relation to this study, including financial, personal, authorship, or any other, that could affect the study and its results presented in this article.

Financing

The research was performed without financial support.

Data availability

The manuscript has no associated data.

Use of artificial intelligence

The author confirms that he did not use artificial intelligence technologies when creating the current work.

References

1. Tsatsenko, N. (2020). SME development, economic growth and structural change: evidence from Ghana and South Africa. *Journal of Agriculture and Environment*, 2 (14).
2. Masuku, B., Nzewi, O. (2021). The South African informal sector's socio-economic exclusion from basic service provisions: A critique of Buffalo City Metropolitan Municipality's approach to the informal sector. *Journal of Energy in Southern Africa*, 32 (2), 59–71. doi: <https://doi.org/10.17159/2413-3051/2021/v32i2a5856>
3. Mhlanga, D., Ndhlovu, E. (2021). Socio-economic and Political Challenges in Zimbabwe and the Development Implications for Southern Africa. *Journal of African Foreign Affairs*, 8 (2), 75–98. doi: <https://doi.org/10.31920/2056-5658/2021/v8n2a5>
4. Bushe, B. (2019). The causes and impact of business failure among small to micro and medium enterprises in South Africa. *Africa's Public Service Delivery and Performance Review*, 7 (1). doi: <https://doi.org/10.4102/apsdpr.v7i1.210>
5. Rogerson, C. M., Rogerson, J. M. (2020). COVID-19 tourism impacts in South Africa: government and industry responses. *GeoJournal of Tourism and Geosites*, 31 (3), 1083–1091. doi: <https://doi.org/10.30892/gtg.31321-544>
6. Li, J., Fleury, M. T. L. (2019). Overcoming the liability of outsidership for emerging market MNEs: A capability-building perspective. *Journal of International Business Studies*, 51 (1), 23–37. doi: <https://doi.org/10.1057/s41267-019-00291-z>
7. Mukherjee, D., Makarius, E. E., Stevens, C. E. (2021). A reputation transfer perspective on the internationalization of emerging market firms. *Journal of Business Research*, 123, 568–579. doi: <https://doi.org/10.1016/j.jbusres.2020.10.026>
8. Portia Msomi, M., Ngibe, M., Loraine Bingwa, L. (2020). The integration of Management Accounting Practices as an innovative strategy towards sustaining small businesses operating in eThekweni metropolitan, South Africa. *Problems and Perspectives in Management*, 18 (3), 268–281. doi: [https://doi.org/10.21511/ppm.18\(3\).2020.23](https://doi.org/10.21511/ppm.18(3).2020.23)
9. Msomi, T., Olarewaju, O. (2021). Evaluation of access to finance, market and viability of small and medium-sized enterprises in South Africa. *Problems and Perspectives in Management*, 19 (1), 281–289. doi: [https://doi.org/10.21511/ppm.19\(1\).2021.24](https://doi.org/10.21511/ppm.19(1).2021.24)
10. Khan, M. A. (2022). Barriers constraining the growth of and potential solutions for emerging entrepreneurial SMEs. *Asia Pacific Journal of Innovation and Entrepreneurship*, 16 (1), 38–50. doi: <https://doi.org/10.1108/apjie-01-2022-0002>
11. Mapuranga, M., Tafadzwa Maziriri, E., Fritz Rukuni, T. (2021). A Hand to Mouth Existence: Hurdles Emanating from the COVID 19 Pandemic for Women Survivalist Entrepreneurs in Johannesburg, South Africa. *African Journal of Gender, Society and Development (Formerly Journal of Gender, Information and Development in Africa)*, 10 (3), 113–140. doi: <https://doi.org/10.31920/2634-3622/2021/v10n3a6>
12. Ogujiuba, K. K., Olamide, E., Agholor, A. I., Boshoff, E., Semoza, P. (2022). Impact of Government Support, Business Style, and Entrepreneurial Sustainability on Business Location of SMEs in South Africa's Mpumalanga Province. *Administrative Sciences*, 12 (3), 117. doi: <https://doi.org/10.3390/admsci12030117>
13. Zulu, B., Ngwenya, T., Zondi, B. (2023). An Evaluation of the Factors that Impact the Sustainability of Maritime SMMES in the KwaZulu-Natal Province. *African Journal of Inter/Multidisciplinary Studies*, 5 (1), 1–14. doi: <https://doi.org/10.51415/ajims.v5i1.1040>
14. Liu, L., Zhang, J. Z., He, W., Li, W. (2021). Mitigating information asymmetry in inventory pledge financing through the Internet of things and blockchain. *Journal of Enterprise Information Management*, 34 (5), 1429–1451. doi: <https://doi.org/10.1108/jeim-12-2020-0510>
15. Thathsarani, U. S., Jianguo, W. (2022). Do Digital Finance and the Technology Acceptance Model Strengthen Financial Inclusion and SME Performance? *Information*, 13 (8), 390. doi: <https://doi.org/10.3390/info13080390>

16. Nkwinka, S. E. R., Mashau, P. (2020). Evaluating the financial challenges affecting the competitiveness of small businesses in South Africa. *Gender and Behaviour*, 18 (1), 15151–15162.
17. Khatri, P., Kothari, H., Paliwal, L. R. (2023). Impact of Covid-19 on Digitalization Aspect on India's MSMEs. *From Industry 4.0 to Industry 5.0: Mapping the Transitions*. Cham: Springer Nature Switzerland, 135–151. doi: https://doi.org/10.1007/978-3-031-28314-7_13
18. Neumeyer, X., Santos, S. C., Morris, M. H. (2021). Overcoming Barriers to Technology Adoption When Fostering Entrepreneurship Among the Poor: The Role of Technology and Digital Literacy. *IEEE Transactions on Engineering Management*, 68 (6), 1605–1618. doi: <https://doi.org/10.1109/tem.2020.2989740>
19. Horváth, D., Szabó, R. Zs. (2019). Driving forces and barriers of Industry 4.0: Do multinational and small and medium-sized companies have equal opportunities? *Technological Forecasting and Social Change*, 146, 119–132. doi: <https://doi.org/10.1016/j.techfore.2019.05.021>
20. Fitriasari, F. (2020). How do Small and Medium Enterprise (SME) survive the COVID-19 outbreak? *Jurnal Inovasi Ekonomi*, 5 (2). doi: <https://doi.org/10.22219/jiko.v5i3.11838>
21. Óndas, V., Akpinar, M. (2021). Understanding high-tech startup failures and their prevention. *Conference: RENT Research in Entrepreneurship and Small Business*. At: Turku, Finland. Available at: https://www.researchgate.net/publication/357163683_Understanding_High-Tech_Startup_Failures_and_their_Prevention
22. Burchi, A., Włodarczyk, B., Szturo, M., Martelli, D. (2021). The Effects of Financial Literacy on Sustainable Entrepreneurship. *Sustainability*, 13 (9), 5070. doi: <https://doi.org/10.3390/su13095070>
23. Redjeki, F., Affandi, A. (2021). Utilization of Digital Marketing for MSME Players as Value Creation for Customers during the COVID-19 Pandemic. *International Journal of Science and Society*, 3 (1), 40–55. doi: <https://doi.org/10.54783/ijssoc.v3i1.264>
24. Fachrurazi, F., Zarkasi, Z., Maulida, S., Hanis, R., Yusuf, M. (2022). Increasing micro small medium enterprises activity entrepreneurial capacity in the field of digital marketing. *Jurnal Ekonomi*, 11 (3), 1653–1660.
25. Chirapanda, S. (2020). Identification of success factors for sustainability in family businesses: Case study method and exploratory research in Japan. *Journal of Family Business Management*, 10 (1), 58–75. doi: <https://doi.org/10.1108/jfbm-05-2019-0030>
26. Adeola, O., Gyimah, P., Appiah, K. O., Lussier, R. N. (2021). Can critical success factors of small businesses in emerging markets advance UN Sustainable Development Goals? *World Journal of Entrepreneurship, Management and Sustainable Development*, 17 (1), 85–105. doi: <https://doi.org/10.1108/wjem-09-2019-0072>
27. Mosweu, O., Ngoepe, M. (2019). Skills and competencies for authenticating digital records to support audit process in Botswana public sector. *African Journal of Library, Archives & Information Science*, 29 (1), 17–28.
28. Assaad, R., El-adaway, I. H. (2020). Enhancing the Knowledge of Construction Business Failure: A Social Network Analysis Approach. *Journal of Construction Engineering and Management*, 146 (6). doi: [https://doi.org/10.1061/\(asce\)co.1943-7862.0001831](https://doi.org/10.1061/(asce)co.1943-7862.0001831)
29. Jobo, D., Phyllis, C. (2020). Entrepreneurial risk management challenges within the maritime SMEs sub-sector of South Africa. *Academy of Entrepreneurship Journal*, 26, 1–18.
30. Nkwinka, S. E. R. (2019). *Toward the construction of a business bootstrapping model to equip emerging micro business in the first year of operation in South Africa*.
31. Maurud, S., Børøund, E., Moen, A. (2022). Gender and ethnicity's influence on first-year nursing students' educational motivation and career expectations: A cross-sectional study. *Nursing Open*, 9 (3), 1667–1678. doi: <https://doi.org/10.1002/nop2.1191>
32. Baha, R., Levy, A., Hasnaoui, A. (2023). Capital structure and default risk of small and medium enterprises: evidence from Algeria. *The Journal of Risk Finance*, 24 (4), 523–536. doi: <https://doi.org/10.1108/jrf-04-2023-0105>
33. Al Issa, H.-E. (2020). The impact of improvisation and financial bootstrapping strategies on business performance. *EuroMed Journal of Business*, 16 (2), 171–194. doi: <https://doi.org/10.1108/emjb-03-2020-0022>
34. Salau, A. N. (2022). Financial Bootstrapping and Organizational Performance: A Study of Some Selected SMEs in Oyo State. *IRE Journals*, 5 (8), 192–202.
35. Jusufovska, S., Krasniqi, A. (2019). Strategy orientation and financial bootstrapping in small firms: A quantitative study about how strategy. *Academy of Management Perspectives*, 24 (3), 11–24. Available at: <https://researchportal.hkr.se/ws/portalfiles/portal/35213747/FULLTEXT01.pdf>
36. Eklund, M. A. (2020). Future Prospects in Balanced Scorecard Research: Sustainability Perspective. *Indonesian Journal of Sustainability Accounting and Management*, 4 (2), 192–213. doi: <https://doi.org/10.28992/ijasm.v4i2.263>
37. Kaplan, R. S., Norton, D. P. (1996). Strategic learning & the balanced scorecard. *Strategy & Leadership*, 24 (5), 18–24. doi: <https://doi.org/10.1108/eb054566>
38. Elhamma, A. (2023). The relationship between organisational decentralisation, balanced scorecard and its perceived benefits in Moroccan SMEs. *International Journal of Accounting, Auditing and Performance Evaluation*, 19 (2), 185–202. doi: <https://doi.org/10.1504/ijaape.2023.132384>
39. Feroze, B., Nafees, B., Ahmad, N., Zahid, M. (2022). Implementation of balanced scorecard and financial performance of SMEs. *Multicultural Education*, 8 (3), 309–320.
40. Yazdanparast, A., Alhenawi, Y. (2022). Impact of COVID-19 pandemic on household financial decisions: A consumer vulnerability perspective. *Journal of Consumer Behaviour*, 21 (4), 806–827. doi: <https://doi.org/10.1002/cb.2038>
41. Loewald, C., Faulkner, D., Makrelov, K. (2020). *Time consistency and economic growth: A case study of South African macroeconomic policy (No. 842)*. Economic Research Southern Africa.

Eugine Nkwinka, Doctor of Business Administration, Johannesburg Business School, University of Johannesburg, Johannesburg, South Africa, e-mail: sthembison@uj.ac.za, ORCID: <https://orcid.org/0000-0001-7626-4051>