

Achieving sustainable competitive advantage: The case of small and medium-sized enterprises in Botswana

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ABSTRACT

Despite their importance, SMEs experience a low survival rate. For example, in Botswana, 60% of SMEs fail to survive within their first 18 months of operation and an additional 30% over the next 12 months. Within this context, this article aims to investigate factors that impact the sustainable competitive advantage of SMEs in Botswana. Primary data were gathered through seven in-depth interviews with key government informants based on a purposive sampling technique, and thematic analysis was used to analyse the data. The findings reveal that manufacturing enterprises in Botswana are high-risk enterprises, and financial institutions are reluctant to provide them with funds. Furthermore, some of the challenges SMEs face are high rentals, high cost of land (space), equipment, product quality, traceability issues, and mileage charges in the countries where they export their products. Recommendations include that funding organisations review issues of collateral to increase access to finance for SMEs and that the government promotes joint ventures between multinational corporations, as this would result in the transfer of funds, technology, and skills. The registration of patents and use of indigenous raw materials by manufacturing SMEs will help to accelerate innovation and creativity and drive down production costs, thus increasing the survival and sustainable competitive advantage of these firms.

1. Introduction

By definition, a sustainable competitive advantage, an extension of competitive advantage, refers to a firm's distinct advantage over its competitors, allowing it to maintain its leading position in the market, which is a combination of strategic organisational assets, capabilities, and characteristics that enable a firm to meet its customer needs better than its competitors (Mady et al., 2023; Mutegi et al., 2020). Sustainable competitive advantage is realised when firms possess processes and resources that are valuable and attractive to the market, rare and unique, cannot easily be imitated or duplicated by their rivals, and proper structures within the organisation to fully leverage the processes and resources (Mwaura et al., 2024; Pulka & Tijjani, 2023; Saloko et al., 2023). Ultimately, competitors find it difficult to imitate a sustainable competitive advantage due to the unique characteristics of a firm's products and its leading position in the market.

Mady et al. (2023) posit that organisations that manage to achieve a sustainable competitive advantage can grow and expand their business at the expense of their competitors. Despite the benefits of sustainable competitive advantage, many firms, including those in the manufacturing industry are faced with challenges like high competition from multinational corporations, lack of markets for their products, lack of managerial skills, low technology adoption, high staff turnover, and high cost of raw materials (Fei et al., 2023; Nwankwo et al., 2024).

Various scholars (Monyake, Kuruba, et al., 2020; Pereira & Bamel, 2021) concluded that manufacturing firms face challenges in identifying and harnessing internal resources and capabilities that can be used to create a unique advantage over their rivals. These resources and capabilities include physical assets such as equipment, machinery, infrastructure, and technology. Intangible assets like brand reputation and organisational culture are additional sources of sustainable competitive advantage that can also create unique value for firms that efficiently utilise them. Management and employees' skills, knowledge, and expertise can also help differentiate a firm's products from those of rivals and create a sustainable competitive advantage (Ng'andu, 2022; Shaikh et al., 2021).

The manufacturing sector in Botswana is amongst the top 05 employers in the country, with approximately 7.4% of Botswana's workforce employed in the sector (Statistics Botswana, 2023). Although the manufacturing sector in Botswana is recognised as a priority sector that can help the country create employment and reduce poverty in the process (CEDA, 2020), it faces several challenges that negatively impact its attempt to generate a sustainable competitive advantage. Globally, several measures have been implemented to ensure that firms in the manufacturing sector can survive, grow, and become sustainable. For example, government initiatives in the form of loans and grants have been taken to assist manufacturing SMEs with the much-needed financial resources to acquire machinery, raw materials, and space to operate their business (Abisuga-Oyekunle et al., 2020; Musabayana & Mutambara, 2020).

Human capital development is also another measure that has been implemented through the training of SME owners/managers and their employees to improve their skill base and firm productivity (Abisuga-Oyekunle et al., 2020; Herjanto, 2023). Additional initiatives in the form of promoting innovation and creativity have been added to ensure that SME owners/managers can create and implement unique business ideas and generate competitive advantage in the process (Maziriri, 2020; Monyake, Setibi, et al., 2020).

The challenges facing SMEs, including manufacturing firms, have been extensively documented (CEDA, 2020; Mady et al., 2023; Matsongoni & Mutambara, 2021; Madzimure & Tau, 2021). The factors that contribute to the sustainable competitive advantage of manufacturing firms vary from one industry to another and other contextual factors also impact the success of these firms (Kluza et al., 2021). This study will close this gap by identifying specific factors that lead to the sustainable competitive advantage of manufacturing firms in Botswana. Previous studies have not comprehensively covered issues on the sustainable competitive advantage of manufacturing SMEs compared to this research which encompasses firm-specific factors, government policies and guidelines, factors of innovation and creativity, human capital development, access to finance, financial management skills, and managerial skills in one investigation.

This article explores the merits of a mono-method qualitative approach which has not been rigorously implemented in manufacturing SMEs in the selected study area in Botswana.

Since this is an exploratory study, a mono-method qualitative approach will help to unearth in-depth insights on strategies that can be used by manufacturing SMEs in Botswana to achieve sustainable competitive advantage. Furthermore, a mono-method qualitative study may provide solid literature and theory for future research that integrates both qualitative and quantitative methods. This may not be possible with, for example, a mono-method quantitative study (Jones, 2023; Mrabti & Alaoui, 2024).

2. Literature review

Whilst there is no commonly agreed definition of an SME, scholars have generally defined SMEs according to the number of employees, annual turnover, balance sheet, or total gross asset value (CEDA, 2020; Endris & Kassegn, 2022; Montanari & Kocollari, 2020). This study adopts the definition presented in the Policy on Small, Medium, and Micro Enterprises in Botswana (Republic of Botswana, 1999), which defines SMEs as enterprises employing between 07 and 100 people with an annual turnover of between P60,000 and P5 million.

2.1. Challenges impacting SMEs

The majority of countries in Africa are defined as developing countries and are characterised by high unemployment, poverty, and economic stagnation. SMEs have been suggested as possible solutions to the challenges affecting developing countries such as Botswana (Das et al., 2020; Meyer & Kruger, 2021). To boost the performance of SMEs, governments across the globe have allocated financial and other resources to assist the survival and growth of SMEs to create employment, reduce poverty, and increase access to wealth for their citizens (Fatoki, 2020; Musabayana et al., 2022; Ouma-Mugabe et al., 2021).

Despite the existence of several strategies to promote SMEs, these firms continue to face challenges as a consequence of a lack of access to finance, lack of managerial skills, weak internal organisational structure, weak legal and regulatory framework, and lack of awareness of environmental factors (Mady et al., 2023; Madzimure & Tau, 2021; Matsongoni & Mutambara, 2021). For example, owners and managers of SMEs lack basic planning, marketing, and financial skills to steer their business on a long-term basis (Mashavira et al., 2022; Mbogo & David, 2021; Muchuchuti & Mahambo, 2020). Several scholars (Madzimure & Tau, 2021; Molefe, 2020; Monyake, Kuruba, et al., 2020; Mrindoko, 2022), have attributed the low survival rate of SMEs in developing countries to their lack of techniques to gather key environmental data like customer demands and preferences, intelligence on competitors, government regulations and export markets. CEDA, which is the umbrella body in charge of SME financing in Botswana is also experiencing challenges of low loan repayment by SMEs and lack of resources to manage SMEs in Botswana (CEDA, 2020). Existing policies and guidelines to ensure that government departments and the private sector partner with SMEs to boost SME operations have largely been ineffective because of the low quality of goods and services produced by SMEs (CEDA, 2020; Maziriri, 2020). All these challenges have contributed to SMEs in developing countries collapsing within their first 05 years of operation and this has been a major setback to governments in developing countries since they cannot realise their national development goals (Agbanyo et al., 2024; Rasetapa, 2022).

Several scholars have confirmed that some governments in developing countries have failed to identify clear strategies to diversify their economies and this has impacted the support provided to SMEs (Orobia et al., 2020; Zulu-Chisanga et al., 2021). For example,

Botswana's economy is heavily reliant on the diamond and beef industries. Most of the studies on SMEs have also focused on developed countries, and the few studies that have been conducted in developing countries adopted literature from research conducted in developed countries, which might not be relevant to developing countries (Monyake, Setibi, et al., 2020; Thorsteinsdóttir et al., 2020).

Whilst scholars on SMEs in developing countries have mostly focused on establishing strategies that enhance the competitiveness of SMEs, there have been very few studies on how SMEs can develop and sustain their competitiveness to survive and play a meaningful role in economic development. Previous studies on SMEs in Botswana mainly focused on the challenges faced by SMEs (Das et al., 2020; Matsongoni & Mutambara, 2021; Rudhumbu et al., 2020), whilst some were focused on SME critical success factors (Moitlhobogi & Maruta, 2024; Ramasu et al., 2023), and others focused on competitive advantage (Moffat & Kapunda, 2023; Monyake, Kuruba, et al., 2020). Sustainable competitive advantage issues were briefly dealt with in previous studies on why SMEs in Botswana are failing to survive and achieve long-term growth. For example, the study by Monyake, Setibi, et al. (2020) was one of the initial studies to introduce the concept of sustainable competitive advantage, but it did not investigate the factors related to sustainable competitive advantage.

2.2. Sustainable competitive advantage

Early scholars on sustainable competitive advantage (Barney, 1991; Day & Wensley, 1988; Peteraf, 1993; Srivastava et al., 1998) have largely agreed that it is mainly through knowledge of their core competencies that SMEs can achieve sustainable competitive advantage. According to Day and Wensley (1988), an SME can achieve sustainable competitive advantage if it focuses on utilising its superior skills and superior resources. Peteraf (1993) posits that an SME can achieve sustainable competitive advantage by focusing on four conditions, which are superior resources, ensuring that competitors cannot imitate its products and services, ensuring that there is imperfect mobility of its goods and services and ensuring that there is little or no competition as possible in the market for its products. Similarly, a study by Srivastava et al. (1998) concluded that an SME can create sustainable competitive advantage in two ways, namely, an SME can create a unique and inimitable relationship with its customers and an SME can cultivate unique skills amongst its workforce which help the workforce to gather and utilise knowledge concerning their customer needs, tastes, and preferences and such skills cannot be imitated by the SME's rivals (Srivastava et al., 1998).

Sustainable competitive advantage has been broadly classified by some scholars (Mady et al., 2023; Mutegi et al., 2020), into two categories, which are micro-economic factors and macro-economic factors impacting sustainable competitive advantage. According to Mutegi et al. (2020), an SME can achieve sustainable competitive advantage at the microeconomic level through the creativity of its employees, the learning ability of the firm's employees, innovation capacity, economies of scale, advanced technology owned by the firm, experience gained in a particular sector, and inimitability of the company's products. Mady et al. (2023) argue that at the macro-economic level, an SME can gain a sustainable competitive advantage by adjusting to customers' demands, ability to scan the environment and obtaining information from it in a way that cannot be imitated by rivals, and flexibility to respond to change involving the structure, culture, and equipment uniquely.

2.3. Role of government

Governments across the globe also play a significant role in the operation of SMEs through the facilitation of key economic activities and infrastructure. For example, the Botswana government, through CEDA and other agencies, provides loan and grant funding to local SMEs (CEDA, 2020; Muchuchuti & Mahambo, 2020). The Botswana government has also developed policies and guidelines to ensure the efficient operation of SMEs (Maziriri, 2020). Additional services that have been made available to SMEs in Botswana by the government of Botswana include transport networks, information and communication technologies, and utilities. The availability of government intervention strategies has been confirmed as an important factor in the sustainable competitive advantage of SMEs (Muchuchuti & Mahambo, 2020; Rudhumbu et al., 2020).

2.4. Research gap

From the brief literature review, it may be surmised that the factors which determine sustainable competitive advantage have been synthesised into five categories, namely, innovation and creativity within the SME, human capital development of employees in the SME, access to capital, availability of infrastructure, and a supportive legal and government regulatory framework (CEDA, 2020; Muchuchuti & Mahambo, 2020). The assumption made in this study is that a supportive legal and government regulatory framework and availability of infrastructure will act as mediating factors in the study. SMEs have been widely accepted as drivers of economic development in both developing and developed countries (Abisuga-Oyekunle et al., 2020; Das et al., 2020; Maziriri, 2020). Despite this, SMEs in Botswana are affected by low survival rates and a lack of competitiveness (Guruwo, 2020; Maziriri & Chivandi, 2020; Muchuchuti & Mahambo, 2020).

This exploratory and descriptive study investigates factors that affect the sustainable competitive advantage of manufacturing SMEs in Botswana. The extant literature on SMEs has largely focused on SMEs in developed countries (Kafetzopoulos, 2022) and the few studies that have been conducted in Botswana did not place significant emphasis on strategies to be implemented by the SMEs to achieve sustained competitive advantage. Furthermore, previous studies in Botswana have mainly explored the challenges faced by manufacturing SMEs, whilst others focused on critical success factors, with very few studies dealing with a sustainable competitive advantage of SMEs (Madzimure & Tau, 2021; Monyake, Kuruba, et al., 2020). Current literature has also been largely fragmented with no clear focus on analysing the competitiveness of manufacturing SMEs in Botswana from the perspectives of innovation and creativity, human capital development, access to finance, legal and regulatory framework, and infrastructure (Abisuga-Oyekunle et al., 2020; Madzimure & Tau, 2021; Monyake, Setibi, et al., 2020; Muchuchuti & Mahambo, 2020).

Previous research on manufacturing SMEs in Botswana has not focused on a consolidated view of all the major factors that impact the survival, growth, and sustainable competitive advantage of the sector. The current study includes all major factors that impact the survival and sustainable competitive advantage of manufacturing firms in Botswana and also separates these factors into internal and external factors. Previous scholars have also not comprehensively considered the impact of emerging technologies like robotics, e-commerce, automation, artificial intelligence, machine learning, and big data on the survival, growth, and sustainable competitive advantage of manufacturing SMEs. The manufacturing sector is affected

by high production costs, low quality of products, and competition from established multinational companies (Matsongoni & Mutambara, 2021; Msomi & Olarewaju, 2021; Ngibe & Lekhanya, 2020; Nwankwo et al., 2024). This study has added factors of innovation and creativity as a new dimension to capture the contribution of emerging technologies to the sustainable competitive advantage of manufacturing firms.

There is sufficient evidence from the literature that manufacturing SMEs in Botswana lack sustainable competitive advantage in the markets in which they operate and have a low survival rate (Guruwo, 2020; Maziriri, 2020; Muchuchuti & Mahambo, 2020). This study intends to examine and analyse how manufacturing SMEs in Botswana can utilise their core competencies to ensure their survival and sustain growth.

3. Methodology

The targeted participants were SME experts and consultants from Botswana government departments and agencies, which are the Citizen Entrepreneurial Development Agency, (CEDA), Botswana National Productivity Centre (BNPC), Local Enterprise Authority (LEA) and Access Bank. Non-probability purposive sampling was used to select the participants because the method allowed the researcher to gather information from participants who have in-depth knowledge and experience about the phenomenon under observation (Saunders et al., 2019). The exploratory nature of the study required the collection and analysis of original and ground-breaking qualitative data which resulted in comprehensive findings and a better understanding of the problem under investigation was deemed to be the most appropriate approach. The seven groups of factors (firm-specific factors, government policies, and guidelines, factors of innovation and creativity, human capital development, access to finance, financial management skills, and managerial skills) that impact the sustainable competitive advantage of SMEs were then used to develop specific items that helped to answer each of the research questions. The final instrument was peer-reviewed by scholars who have expertise in SMEs and subsequently approved.

Issues of firm survival and sustainable competitive advantage are complex and the use of a mono-method qualitative approach helped to uncover these complexities by providing context and flexibility during data collection and analysis (Saunders et al., 2019). A total of seven key government informants participated in face-to-face interviews in the study (See Table 1). The authors could not access more than seven key government informants because some of them were either reluctant to participate or unavailable during data collection. However, the composition of the key government informants was quite representative because organisations supporting SMEs in Botswana were all sampled.

Various scholars have concluded that there is no single method for determining the minimum sample size for qualitative studies with some scholars proposing a sample size of 06 to 12 interviews (Guest et al., 2006; Kindsiko & Poltimäe, 2019). The exploratory nature of the study also required that qualitative research is first conducted to gather insights and literature on the phenomenon under observation and then other methods like quantitative or mixed research approaches could be used in future studies (Jones, 2023; Mrabti & Alaoui, 2024).

Table 1 reflects the roles of the selected participants from the various government organizations.

Table 1*Biographical Characteristics of Research Participants*

Participant Code	Gender	Role of participant	Role of the organization
P1	Male	Business development	Business Productivity
P2	Female	Research analysis	SME funding - government agency
P3	Female	Business support	SME funding - government agency
P4	Female	Customer services	SME funding - government agency
P5	Male	Capacity development	SME training, mentoring and monitoring
P6	Male	Business advisory	SME funding commercial bank
P7	Male	Customer accounts services	SME funding commercial bank

Source. The researcher's data analysis

An interview schedule was developed to conduct in-depth interviews with the seven key government informants. Face-to-face interviews allowed the authors to seek clarifications from participants and also probe the participants further to obtain a detailed picture of the problem under observation (Saunders et al., 2019). The interview schedule was pilot-tested and also reviewed by experts in the area that was being researched. This helped to ensure the validity and reliability of the interview schedule (Chetwynd, 2022; Mueller & Knapp, 2018). The authors were able to adjust the questions and flow of the research guide as a result of the peer review. The interviews were recorded using an audio recorder and the audio transcripts were cleaned and transcribed to a word processor to obtain textual representation of the audio transcripts. Thematic analysis was eventually used to analyse the textual data by extracting themes, patterns, and categories in the data (Braun & Clarke, 2006). Table 2 summarises how the themes were identified and codes generated for each theme or subtheme.

Table 2*The Process of Thematic Analysis*

Phases of thematic analysis	Description of phase	Results
Phase 1 Data familiarisation	Familiarity with the depth and breadth of the content. Searching for meanings, patterns, and themes in data.	Preliminary start codes and detailed notes were generated.
Phase 2 Generation of initial codes	Initial codes are generated by documenting where and how patterns occur. Data is collapsed into categories through a process of data reduction and this helps to facilitate more efficient analysis.	A list of comprehensive codes on how the data answers the research question was produced.
Phase 3 Searching for themes	The codes are combined into overarching themes that accurately reflect the data. The themes are described as accurately as possible, including what they mean. Missing information is also highlighted during the description.	A list of candidate themes for further analysis was generated.

Phases of thematic analysis	Description of phase	Results
Phase 4 Reviewing potential themes	The researcher determines how themes support the data and the overarching theoretical perspective. If the analysis does not produce meaningful results, the researcher goes back to determine what is missing.	A succinct understanding of how themes are categorised to provide an accurate story about the data was comprehended.
Phase 5 Defining and naming themes	The researcher provides a description of the characteristics of each theme, the elements of the data that are being gathered, and aspects that are of interest in those themes.	A detailed analysis of what the themes contribute to the understanding of the data was obtained.
Phase 6 Producing the report	The researcher compiles the report using themes that make a positive contribution to an understanding of the phenomenon under investigation. The researcher also uses participants from the sample to verify that indeed what is given in the final report is what they contributed during data collection.	An in-depth and rich description of the data was documented.

Source. The data are from "Using thematic analysis in psychology" by V. Braun and V. Clarke, 2006, *Qualitative Research in Psychology*, 3(2), p. 83

Ethical clearance was obtained from the University of KwaZulu Natal (Protocol Reference Number HSSREC/00005291/2023). To ensure anonymity, each participant was assigned a pseudonym.

4. Results and discussion

The views of the key government informants are categorised under four broad themes - business-related factors, equipment-related factors, product-related factors and environmental factors. Under business-related factors, the informants were of the notion that manufacturing SME owners/managers should establish linkages with their customers, producers, exporters, and other stakeholders within their network. For example, Informant 5 concurred by noting that "These foreign firms also have ready markets for locally produced goods in South Africa and beyond, and this has helped to establish business linkages across the supply chain." Because the manufacturing industry involves significant usage of raw materials, issues of financial loss due to wastage and theft were also important factors affecting manufacturing SMEs in Botswana. The riskiness of SMEs was also mentioned as a factor impacting the survival and sustainable competitive advantage of manufacturing SMEs. For example, Informant 5 hinted that "Most SMEs can sustain themselves over the first few months or years but fail to respond to market fluctuations, especially when business is low. In the end, these firms fail to repay their loans and collapse." Expensive land and high rentals are additional factors that were mentioned by informants as affecting SMEs. These factors affected the profitability of the SME business.

On product-related factors, informants alluded that SMEs faced challenges like identifying the best pricing strategy for their goods and high costs associated with making quality products. For example, Informant 1 indicated that "These companies have challenges

pricing their textile products. Previously, these companies were benchmarking their pricing strategy with other companies but this was not working.” Key government informants also explained that manufacturing SMEs are affected by high maintenance costs and lack of equipment and these factors impact their sustainable competitive advantage. Informant 6 indicated that “Local firms are under-equipped and this impacts their ability to produce a sustainable amount of output. In the end, they fail to break even and cannot move beyond the Valley of Death”.

There exist certain environmental factors that impact the survival, growth and sustainable competitive advantage of manufacturing SMEs. One major issue was competition from local firms and multinational corporations. Informant 5 revealed that “It is mostly local SMEs that team up with multinational corporations that manage to grow and become competitive. Local SMEs face challenges of finance and technology.” In addition, SMEs face certification and mileage problems when they transport their products to foreign markets like Namibia, Zambia and Zimbabwe. The scarcity of water in Botswana is also another factor which impacts on the sustainable competitive advantage of SMEs. For example, Informant 3 explained that “Most loan applications by youths fail because they lack water rights on the premises that they will have arranged leases with landlords”.

4.1. Impact of government policies

SMEs face the challenges of ensuring that their products acquire the right certification when exporting their products and that there is adequate documentation to deal with traceability issues. These challenges require regular intervention by the Botswana government. Informant 1 alluded, “We have been able to assist several companies to obtain appropriate certifications which help them to verify that their products were manufactured by companies in Botswana under international best practices” Informants also stressed that the Botswana government’s economic diversification strategy was an important policy which also promoted manufacturing SMEs in several ways. Informant 5 posited, “The local manufacturing firms benefit from technology and skills transfer, and the multinational companies have a ready export market from their home countries and beyond. So, these efforts help Botswana in its effort to diversify away from diamond mining.” The manufacturing industry is also a priority sector in Botswana and some start-up SMEs in the sector are provided with free or subsidised rentals for a while until they break even.

Informants explained that the government has made it a mandate to promote local production. The recent importation ban of certain products from South Africa was also another initiative to encourage local production in the manufacturing sector. Despite these initiatives, Informant 1 retorted that “Local manufacturing companies lack capacity, in terms of both skills and machinery to meet local demand for goods which are imported from South Africa and other countries.” The overlapping of mandates of some agencies that promote and support manufacturing SMEs is a discerning issue that was highlighted by informants. On this issue, Participant 5 explained that “It is very difficult to delineate these overlapping duties because the mandates of these two organisations are defined by the government.” The issue of senior government officials and politicians who sometimes pose a threat to SMEs by forcing them to get into joint ventures was also noted by one key government who explained that the problem impacted the sustainable competitive advantage of affected SMEs.

4.2. Innovation and creativity

Informants revealed that some SME owners/managers in Botswana use their imagination or new ideas to create unique products. For example, Informant 1 highlighted that “Some SMEs use local indigenous raw materials like *Morula* to make perfumes and have collaborated with local supermarkets where they are given shelf space to display and sell these perfumes.” Informant 5 also explained that waste reduction is another innovation that impacted SMEs, leading to their sustainable competitive advantage “One of the productivity challenges that the brick moulding company was encountering was wastage of raw materials, water, and energy. We improved this company’s brick molding process by recommending that they always use pallets which were flawless, and in the end, the company started to realise significant profits”.

Informants also expressed that SME innovation can be accelerated through product training and quality improvement initiatives on manufacturing SMEs. For example, Participant 3 indicated that “The importation ban resulted in an increase in demand for funds by SMEs that wanted to venture into agribusiness. However, their major challenge is lack of quality of the products which are produced by local SMEs.” To counteract this challenge of quality, some informants explained that their organisations have been given the mandate to assist local SMEs in process and product improvement, especially on issues relating to quality. Guidance on the implementation of specific quality standards like Kaizen and ISO 9000 were also cited by some key government informants - Participants 1, 2 and 3 - as measures being undertaken to ensure that SMEs are innovative, creative and sustainable in their industry.

4.3. Impact of human capital

Four broad themes were identified, and they are capacity development, business development, skills development, and technology development. Manufacturing SMEs face challenges of lack of skilled manpower, including high employee turnover. This implies that concerted effort is required to ensure that SMEs continuously develop and replenish their human capital. Informants highlighted the various initiatives that they impart on SMEs to ensure that they improve their skills, and ultimately, the human capital in the sector. Participant 6 confirmed that “SMEs come to us for skills like business planning and proposal writing because these skills are important for expansion and growth of their business.” Training in records keeping is another area that was also highlighted by informants as being important, especially in matters like loan applications and submission of documents which are regularly required by the government.

The challenge of skills of SME owners/managers and their employees is also another factor that impacts the human capital of manufacturing SMEs in Botswana. Key government informants have established measures that help SMEs to be equipped with relevant skills through training, mentoring and business incubation. For example, Informant 4 explained “We regularly get requests from companies to train their employees on capacity development. We also enroll SMEs in the same program, which covers product development, product quality, and manufacturing practices.” Informants also helped SMEs with the analysis of skills gaps in their firms, together with promoting collaboration with multinational companies to ensure skills and technology transfer. In this regard, Informant 6 revealed that “We encourage SMEs to enter into joint ventures with foreign companies to promote skills and technology transfers to local SMEs”.

4.4. Impact of access to finance

Four main themes were extracted, namely, finance drivers and limitations, infrastructural issues, market issues, and product costs. Certain factors promoted the competitiveness and

sustainable competitive advantage of manufacturing SMEs in Botswana, whilst some factors acted as inhibitors. Key government informants expressed the notion that the availability of foreign direct investment in Botswana helped manufacturing SMEs with funds to acquire equipment, machinery, and raw materials resulting in their growth and sustainable competitive advantage. For example, Informant 3 alluded that “Our budget is limited, so we encourage foreign firms to enter into partnerships with local entrepreneurs, and in the end, these foreign firms bring finance, technology, and skills.” Informants also concurred that the status of the priority sector favoured manufacturing SMEs to acquire finance from the government, and this helped these firms to survive and become competitive in their sector.

There are also several limitations that impact access to finance by SMEs in Botswana. Informants revealed that funding agencies operate on limited budgets and SMEs also compete on these limited funds. The riskiness of SMEs also negatively impacted their ability to access finance. Participant 6 revealed that “The riskiness of SMEs makes it very difficult for commercial banks to offer finance to SMEs. In the end, not all applicants receive what they expect.” Despite the downward revision of collateral requirements by funding agencies in Botswana, informants confirmed that SMEs still face challenges in accessing finance because loans above P5 million Pula still require collateral and there are security requirements for such loans.

The manufacturing sector involves high capital costs, and informants expressed the view that most SMEs in Botswana lack funds to acquire machinery to either start or expand their business and this negatively impacts their sustainable competitive advantage. For example, Participant 1 concurred by saying “We advised the textile firms to hire machinery and tailors to improve the quality of garments because these firms could not afford to buy their machinery.” The issue of land also continued to reverberate concerning access to finance since SMEs could not afford to acquire funds to either purchase land to operate from or pay rent for their premises. Informants also acceded that funding agencies and commercial banks are reluctant to give funding to some SMEs due to market access concerns. Informants elaborated that the challenge of market access is exacerbated by Botswana’s small market and the lack of marketing skills by some SME owners/managers.

4.5. Financial management skills

Concerning financial management skills, the two main themes extracted were numeracy-related skills and report-writing skills. Informants highlighted that SMEs lack numeracy skills like financial literacy and pricing strategy skills. Informant 5 explained that “Funding for manufacturing SMEs is available but the biggest challenge is financial literacy. Most entrepreneurs cannot compile convincing business proposals because they lack basic skills in bookkeeping, cashflow statements, etc.” Informants indicated that manufacturing SMEs lack report writing skills which they should be equipped with to improve their financial management skills. On the matter of report writing skills, Informant 2 revealed that “We refer our clients to Local Enterprise Authority who run periodic training and can work with them on a one-on-one basis right from the business plan to the proposal until it is ready for submission at our offices or any other venture”.

4.6. Specific managerial skills

Informants explained that SMEs lacked capacity development skills and this impacted SME utilisation of their existing capacity, enhancement of their capacity and collaboration with SMEs in similar industries. These are areas that informants also suggested should be further

developed. Informant 6 retorted “Many SMEs have resources like manpower, equipment, and even funds, but they fail to make productive use of these resources because they cannot do so. Institutions like Local Enterprise Authority (LEA) and Citizen Entrepreneurial Development Agency (CEDA) can help with the training of these SMEs so that they have the skills to increase their capacity to utilise available resources”.

Records management skills were additional managerial skills that were found lacking in manufacturing SMEs based on the testimonies from informants. However, informants confirmed that records management skills are crucial to SMEs because they help them with accurate decision-making capabilities. General business management skills like basic literacy, entrepreneurial skills, and risk management skills were also identified as lacking in manufacturing SMEs in Botswana. However, informants highlighted that every SME owner/manager should possess these skills for their business to succeed and achieve sustainable competitive advantage. Participant concurred by indicating that “The quality of most loan applications is very poor since entrepreneurs are not proficient in the English Language and fail to put their ideas together in their applications. We mostly refer them to either LEA or other professional consultants.” The preceding findings are consistent with a previous study by Maziriri (2020), who established that networking enabled SMEs to share knowledge about markets and suppliers when they network together. In addition, the RBT (Barney, 1991; Penrose, 1959) affirms the advantage of unique SME capabilities such as knowledge, skills, and experience when firms are creating and sustaining sustainable competitive advantage. Informants explained that SMEs face challenges of high product costs and poor pricing strategy. These findings are confirmed by CEDA (2020), Ledikwe (2020), who concluded that the survival of SMEs is negatively impacted by productivity and quality issues. Furthermore, the Value Chain Model (Porter, 1985) postulates that identifying and implementing cost-cutting measures in the value chain is the key to achieving sustainable competitive advantage.

4.7. Discussion of the findings

The findings reveal that manufacturing SMEs that export their products face certification and traceability problems when they transport and sell their goods to countries like Namibia, Zambia, and Zimbabwe. Issues of lack of access to markets are consistent with prior research by Maziriri (2020) who concurred that local SMEs encounter hurdles when they export their products. On a positive note, informants confirmed that the government of Botswana through organisations like the Botswana Bureau of Standards (BOBS) and Botswana National Productivity Centre (BNPC), is making concerted efforts to alleviate export challenges facing these SMEs.

Some intervention strategies employed by the Botswana government like allocation of tenders to local firms and promoting local products had both advantages and disadvantages to SMEs. Informants cited benefits like the protection of local products and the creation of additional revenue for local SMEs and these findings were confirmed by Moffat and Kapunda (2023), Rudhumbu et al. (2020). However, some intervention strategies led to political interference and over-reliance on Botswana government support by SMEs based on the input of informants.

Informants confirmed that SMEs use their imagination or new ideas to create unique products and this accelerated their growth and sustainable competitive advantage. Previous studies by Ouma-Mugabe et al. (2021), Matekenya and Moyo (2022) concur with these findings and explain that innovation and creativity are important to the success of SMEs. Informants also highlighted intervention strategies like registration of SME patents through the Botswana Innovation Hub as a contributing factor towards the competitiveness of SMEs. Mabenge et al.

(2022) confirmed a significant relationship between the promotion of factors on innovation and creativity and the success of SMEs.

Informants revealed recurrent challenges of skills and manpower shortages that SMEs in Botswana face. The challenges of human capital deficit are also echoed by prior research by Matsongoni and Mutambara (2021), Yusuf and Mamman (2024), Ollerenshaw et al. (2021). Despite these challenges, informants explained that measures like training in business planning and report writing skills were being taken and involved SME owners/managers and their employees. This is being done in collaboration with institutions like CEDA and LEA. Human capital is a potential source of sustainable competitive advantage since SMEs can train their employees to acquire unique skills, knowledge, and experience that cannot easily be imitated by their competitors since these capabilities are intangible and cannot easily be transferred from one person to another (Barney, 1991).

Informants highlighted that challenges associated with a lack of access to finance, the riskiness of SMEs, requirements for collateral and security, and high capital costs persist amongst SMEs. These challenges were also corroborated by scholars like Madalane (2021), Akanyonge et al. (2023). Lack of access to land and restrictions to water rights, especially for youth-owned SMEs were also mentioned by SMEs as reasons why some SMEs were unable to access funding from the government and commercial banks. This section also supports the RBT (Barney, 1991; Penrose, 1959) and Value Chain Model (Porter, 1985) by articulating the importance of harnessing and utilising scarce resources like finance and identifying and implementing cost-effective production processes in a firm. By identifying and acquiring scarce resources like capital and cost-effective production processes, firms can survive and create a sustainable competitive advantage over their rivals. Land and water are also scarce resources in Botswana due to the arid climate of the country and stringent procedures for acquiring land and water rights. This implies that manufacturing SMEs that can acquire and tap into these resources and are well-organised can outperform their rivals.

Informants expressed their views on the specific financial management skills which impact on SMEs. SME owner-managers lacked numeracy skills like financial literacy and pricing strategy skills and this negatively affected their profitability and achievement of sustainable competitive advantage. Despite these adverse findings, several scholars (Muchuchuti & Mahambo, 2020; Mbogo & David, 2021) alluded that SMEs should possess financial management skills for their business to be successful and competitive.

There is also evidence from the literature to support the view that possession of finance without the financial management skills to plan and utilise such funds will not help manufacturing SMEs achieve sustainable competitive advantage (Folajinmi & Peter, 2020; Muchuchuti & Mahambo, 2020; Mpofu & Sibindi, 2022). The RBT (Barney, 1991; Penrose, 1959) hypothesises that sustainable competitive advantage is realised when firms identify and utilise their internal scarce resources, which implies that finance and skills are also potentially scarce resources that should be efficiently utilised by SMEs that intend to gain a sustainable competitive advantage over their rivals.

Managerial skills like capacity development skills, records management skills, and general business management skills like basic literacy, entrepreneurial skills, and risk management skills were also found lacking in SMEs. This is even though business management skills were found to be important contributors to the success of any business (Carpio, 2023; Wang et al., 2020; Yusuf & Mamman, 2024).

5. Limitations and suggestions for future research

This is not without its limitations. Firstly, the research was confined to participants based in the South-Eastern part of Botswana, and the use of purposive sampling to select the small sample of 07 informants means that the findings cannot be generalised to the wider population of Botswana and beyond. It is suggested that future research may focus on larger geographical areas of Botswana and also cover other economic sectors to consolidate the findings.

The use of a mono-method qualitative approach meant that the opportunity to utilise and capitalise on the strengths of mixed methods was missed. Future research should consider incorporating both quantitative and qualitative methods to have a more comprehensive overview of the findings and also generalise the findings to studies under the same context and setting.

6. Conclusion

Based on the findings presented in the preceding sections, it is recommended that the government of Botswana should ensure that land for developing business premises is readily available, possibly at subsidised rates, to alleviate the current challenges facing SMEs. To mitigate the riskiness of SMEs, risk management should be incorporated within the processes of business monitoring and incubation when funds are allocated to SMEs. Mergers of local SMEs through joint ventures with multinational corporations should continue to be promoted to bring in finance, skills, technology, machinery, and new markets for manufacturing SMEs in Botswana. The government of Botswana should continue to encourage networking and collaboration amongst SMEs in areas like information sharing, identification of potential suppliers and buyers of materials and products, and market access. The curriculum for colleges and universities should be upgraded so that there are modules that cover the development of business ideas and entrepreneurial skills training. The disciplines of venture creation and entrepreneurship should be incorporated into the education curriculum to produce graduates who are ready to venture into self-employment.

There is a need to incorporate emerging technologies within manufacturing SMEs in Botswana, including robotics, automation, artificial intelligence, machine learning, and big data. Firms that will take the first step to adopt modern technology will be able to significantly reduce production costs, for example by eliminating human labour, improving product quality, and reducing the time to produce goods in the production line. Firms that are well-organised to implement these technologies will achieve sustainable competitive advantage in the long run.

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