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#### Full length article

# Investigating Marketing Challenges Faced by South African SMEs during

# Covid-19

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Article Info	ABSTRACT
Received: 11.06.2024	Small and medium-sized businesses (SMEs) play a crucial part in growing South
Accepted: 16.08.2024	Africa's economy, where these businesses employ half of all workers. However,
Available online: 30.09.2024	SMEs have struggled to market themselves for assorted reasons that were exacer-
	bated by COVID-19 lockdowns. This study investigated marketing difficulties en-
	countered by SMEs in Durban, South Africa during the COVID pandemic. The
Keywords:	methodology used in this study was quantitative in nature. Ninety-six SME owners,
financial inclusion, South Africa,	CEOs, managers, managing directors, and marketing managers, were surveyed us-
digital marketing, COVID-19, SMEs	ing a convenience sampling approach as the study was conducted under the
	COVID-19 lockdown. Seventy percent of participants had formal businesses with
	the remainder being informal. This study finds that marketing obstacles for SMEs
	in South Africa were due to COVID-19 restrictions, lack of finance, inability to
	adequately brand products and digital marketing challenges. We recommend in-
DOI:	creased government funding, better training for managers and financial literacy
https://doi.org/10.59857/IJABS7480	programs for SMEs managers.

#### 1. Introduction

SMEs play a key role in job creation and economic growth, as they are the backbone of every economy (Kalidas et al., 2020). Ayandibu and Houghton (2017) consider businesses to be SMEs if they have less than 250 employees. In South Africa, for example, SMEs make up between 50-66% of the country's total employment (and boost the country's GDP) (Mothiba, 2022). Statistically, "40% of new business endeavours fail in the first year, 60% in the second year, and 90% in the first ten years of operation," Mmbengeni et al. (2021:4) and various authors have highlighted causes for these failures (Baporikar, 2021; Fubah, & Moos, 2022).

SMEs suffer from resource scarcity (human and capital resources), and this may influence how they approach marketing (Bushe, 2019; Fubah & Moos, 2022; Fatoki, 2019). Challenges in managing the company's advertising and other promotional tools, competition from large firms, poor branding techniques, all fall under the umbrella of fundamental marketing issues, which also include a lack of ability to implement contemporary marketing strategies and methods (Afriyie, Du, & Musah, 2019; Gillespie and Swan, 2021).

The global COVID-19 outbreak compounded marketing difficulties already experienced by South African companies. COVID-19 halted global economic development and presented a threat to stakeholders everywhere

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including marketing promotions (Ibn-Mohammed, et al., 2021). By March and April of 2020, 60% of SMEs across all sectors shut down (Bizimungu, 2020).

Governments around the world actively adopted financial and non-financial measures of support (Cepel, Gavurova, Dvorsk, & Belas, 2020). They included direct financing, fiscal stimulus, financial guarantees, tax reliefs, and loans on credit operating capital at a lower interest rate. Yet, because of the restrictions, SMEs were unable to promote themselves as successfully as they had in the past. Some businesses were able to make a creative transition to digital technology, but many SMEs struggled with the transition from traditional retail to online marketplaces (Anakpo & Mishi, 2021, 2022; Gano-an, & Gempes, 2022). Bigger businesses have an edge over SMEs because they have more resources available to help them make the switch to a digital platform. The spread of COVID-19 has hastened a transition toward the use of Information and Communications Technology (ICT), a leading innovation that is synonymous with the Fourth Industrial Revolution (Hermawan, Setiawan, and Kotler, 2021; Anakpo & Kollamparambil, 2022a, 2022b).

There is limited research on South African marketing related challenges for SMEs during the COVID pandemic (e.g. Nhuvira & Doorasamy, 2021; Mishi, 2022), and other scholars have focused on challenges affecting SMEs more broadly (e.g. Zulu, Ngwenya & Zondi, 2023; Ramsern & Govender, 2023). This paper differs from the above-mentioned work as it is solely studying challenges that affected the marketing function. In addition, the SME sample featured in this paper is broader and more comprehensive. This study aims to understand the extent to which SMEs in Durban, South Africa experienced marketing related challenges during the COVID pandemic. This exercise adds to our understanding of various marketing shortcomings as the SME sector recovers post the pandemic.

The research question of the study are as follows:

Research Question 1 – Which marketing challenges do SMEs in Durban, South Africa encounter? Research Question 2 – What practical recommendations can be made to SMEs to address these challenges?

## 2. Literature Review

Marketing is defined as "the activity, collection of institutions, and procedures for generating, communicating, delivering, and exchanging value-added offerings for customers, clients, partners, and society as a whole" (Pretita, & Toha, 2022; Kotler, Roy, Chakrabarti, Saha & Mazumder, 2023). Marketing strategy is defined as a "longterm, forward-looking planning approach with the primary goal of generating a sustainable competitive advantage" (Nainawat, 2019). Marketing is as important for small businesses and also for large corporations. The strategic goal of marketing is to get the right product to the right place at the right time for the right price with the right promotion (Makhitha, 2016). There are several objectives that the marketing managers aim to accomplish, that include but are not limited to, advances in sales volume and growth, revenues, stock price, shares, brand equity, market penetration, and a range of customer attitude metrics awareness plus consideration (Hanssens & Pauwels, 2016).

The COVID-19 crisis morphed into an economic and labour market shock, affecting both supply (goods and services production) and demand (consumption and investment). Production disruptions began in Asia and expanded throughout the world's supply systems. All businesses, regardless of size, are faced substantial problems, particularly those in the aviation, tourist, and hospitality industries, which faced the actual possibility of

significant revenue drops, insolvencies, and job losses in specific sectors. SMEs found it particularly challenging to maintain operations (Rogerson, 2021; Chihwai, & Dube, 2023; Mashapa, & Dube, 2023; Scheepers, Ruiters, & Mthombeni, 2023; and Chuchu, 2021). Many workers were unable to travel to their places of employment or perform their tasks because of travel bans, border closures, and quarantine measures, which had a knock-on effect on income, particularly for informal and informally employed workers (International Labour Organisation, 2020). Businesses were unable to market themselves as effectively as they used to before the pandemic as they had limited resources (Almeida, Santos, & Monteiro, 2020).

## 3. Marketing Challenges Faced by South African SMEs

South African SMEs face many marketing challenges and several of them are discussed here.

#### 3.1. Lack of finance

Small and medium-sized businesses were the ones most susceptible to the threats of the pandemic (Okuwhere, & Tafamel, 2022). The government worked hard to embrace a variety of financial and non-financial support measures, including direct financing, tax stimulus, financial guarantees, tax reliefs, and loans on credit operating capital at a lower interest rate (Cepel, et al., 2020). Private and state sources of funding for SMEs in South Africa are underdeveloped (Jordaan & Coetzee, 2021). This reduces the amount of money that SMEs have available for marketing purposes (Asemokha et al 2020) and makes it difficult for them to gain exposure among their desired demographics. Scholarly work alludes to this and speculates that a sizeable proportion of SMMEs' failure is because of such resource constraints (Dos Santos & Duffett 2021; Matekenya & Moyo 2022; Msomi & Olarewaju 2021; Makekita, 2022; Mveku, et al., 2023).

#### 3.2. Low managerial competency and skills shortage

Many South African SMEs have inadequate marketing knowledge. According to the literature, SMEs are unable to successfully identify and target their ideal clientele (Cromhout & Duffett 2022; Faal 2020; Lwesya 2021; Sibiya & Kele 2019). This can lead to inefficient advertising methods and frivolous utilisation of funds. So, to secure the long-term success of SMEs in South Africa, it is essential to provide its owners with training in basic marketing techniques (Khoza & Msimango-Galawe 2021; Mathane & Chiloane-Tsoka 2020; Moise, Khoase, & Ndayizigamiye, 2020).

## 3.3. Lack of product branding

Despite the growing significance of digital marketing, SMEs may encounter obstacles when attempting to develop and implement successful digital marketing strategies (Chouaki et al 2022; Huang et al 2023). Problems might arise while trying to attract an audience, have their websites ranked well in search engines, and make the most of social media and email marketing (Anshari & Almunawar, 2022; Khuraisah et al 2020). Therefore, there is a significantly larger cost attachment associated with the SMEs' transfer to modern marketing communication technologies like Facebook, Twitter, TikTok, Instagram, and LinkedIn. According to the available literature, this larger cost is because of the high price tag attached to the development and maintenance of innovative technologies like fibre optic cables for consistently fast internet connections, IT architectures hosted in the cloud, and web and mobile applications (Amoah & Jibril 2020).

## 3.4. Lack of business planning

Identifying what should be done, how it should be done, and allocating available resources are all part of planning and administration. To meet the firm's objectives, managers or owners must strategise effectively.

Planning and administration abilities are essential for any manager or business owner to be successful (Ncube and Chimucheka, 2019). To close the educational gap and boost awareness of their financing choices through capital market tools, SMEs must promote financial education and skill development. SMEs require a set of skills that will enable them to evaluate their options, determine the suitability of equity versus debt financing for their business model, and respond to market demands. Accounting, financial reporting, company planning, forecasting, and budgeting, investor relations capabilities, tax planning, and other skills are crucial (OECD, 2015).

#### 3.5. Lack of understanding of the right marketing channels

SMEs face difficulties of insufficient access to traditional channels of distribution (Bary 2019; Kumar & Ayedee 2021). For example, they may be unable to reach their target market and produce sales because they lack access to traditional or online retail outlets. SMEs can combat these obstacles by expanding their customer base through digital channels like e-commerce and social media marketing (Dos Santos & Duffett 2021). Marketing channels are formally defined as groups of interdependent entities that work together to make a product or service available for use or consumption. They are the series of steps that a product or service takes once it is manufactured, culminating in the end user's purchase and consumption. One of the most essential functions of efficient marketing channels is to turn potential customers into lucrative clients (Hermawan, Setiawan, & Kotler, 2021).

#### 3.6. Lack of understanding of product pricing

SMEs must achieve global quality, technology, sustainability, as well as pricing standards to become globally competitive and take advantage of new opportunities (Kumar, Singh & Dwivedi, 2020). The application of the 4IR concepts necessitates ongoing education and innovation. Business owners need to stay abreast with global technological advancements and the benefits of 4IR so that they can benchmark their pricing strategies against competitors (Mohelska & Sokolova, 2018).

#### 3.7. Inability to analyse and capture market opportunities.

There are more rivals in the SMEs' markets (Kaplinsky and Morris 2019). To keep ahead of the competition in today's market, it is essential to constantly innovate and modify one's products, services, and business strategy, such as by jumping on the influencer marketing bandwagon (Vrontis, Makrides, Christofi, & Thrassou, 2021). Artificial intelligence (AI), quantum computing, virtual reality (VR), and the Internet of Things (IoT) are just a few of the important technologies that are propelling this transformation. AI finds patterns in vast amounts of data, quantum computing organises that data at an astounding speed (Carmicheal, 2019). SMEs are under enormous pressure to make their manufacturing operations ethical and sustainable in the age of Industry 4.0 and the circular economy. In the age of Industry 4.0 and the circular economy, businesses that operate ethically and sustainably have become necessary. The use of Industry 4.0 technology has been found to aid in the achievement of the objective of ethical and sustainable operations (Kumar et al., 2020). This global imperative also aligns with the United Nation's 17 Sustainable Development goals (SDGs) for 2030 (United Nations, 2023).

## 4. Research Method

This study used a quantitative research method with a positivist/ objective philosophical worldview (Park, Konge, & Artino, 2020). "A primary goal of positivist inquiry is to generate explanatory associations or causal relationships that ultimately lead to prediction and control of the phenomena in question" (Kopala, & Suzuki, 1999; Gergen, 2001). From a population of 2769 SME owners, one hundred were asked to participate and ninety-six responded. Durban SME owners, CEOs, managers, managing directors, marketing managers, were surveyed using a convenience sampling approach. Although it is the least expensive method for the researcher in terms of time, effort, and money, convenience sampling is also the least careful because it involves choosing the most easily accessible participants (Ellis, 2021). Time and money restrictions, in addition to established norms, guided the selection of the study's representative sample. Durban is home to thousands of SMEs. All who participated did so voluntarily after the purpose of the study was explained to them. A pilot study with ten participants was conducted to refine the questions used in the study. The questionnaire uses a Likert scale with eight statements on the difficulties SMEs have encountered in marketing. Cronbach's alpha was used to check the data reliability, and scores between 0.70 and 0.95 were considered reliable (Taber, 2018). Validity of the questionnaire was ensured by conducting a pilot study with 10 SMEs and the responses received were used to refine and improve the questionnaire. The authors were satisfised that the questionnaire measured what it was meant to measure. Construct validity was ensured by doing factor analysis of the questionnaire and the Bartlett's Test of Sphericity, which tests the overall significance of all the correlations within the correlation matrix, was significant ( $\chi^2$  (28) = 373,303, p < 0.001), indicating that it was appropriate to use the factor analytic model on this set of data.

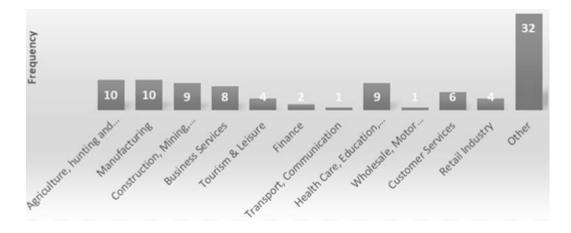
#### 5. Findings and Discussion

Gender	Male	Female				
	39	57				
Race	African	Coloured	White	Indian		
	81	5	5	5		
Education	Secondary	Tertiary				
	5	91				
Age in years	18 to 25	26 to 35	36 to 45	46 to 55	56 to 66	65+
	11	63	13	4	4	1
Formal registration	Yes	No				
	70	26				

Table 1: Sample characteristics.

Women made up 59% and men were 41% of the study participants. The smallest percentages of participants were found in the age groups of sixty-five and older, followed by those aged 46–55 and 56–64. Most participants who own SMEs are themselves young people with 13.5 % aged 36 to 45 years, and 11.4% aged 18 to 25 years. Most participants have some level of post-secondary education.

The business sectors represented by the sampled SMEs are displayed in Figure 1 below. With a 33.3% market share, the "other" commercial trade is the largest category. Agriculture, manufacturing, construction, and healthcare accounted for the next major business sectors. Transportation, wholesale trade, and banking are the three smallest sectors.



*Figure 1*. The business sectors where sampled SMEs operate. Source: Authors' calculations

Table 2 below shows the questions asked and answered by the SMEs who participated. The table also contains numbers which are the percentages of participants who responded to each of the Likert style categories.

Criteria	Strongly	Disa-	Neu-	Agree	Strongly
	Disa-	gree %	tral %	%	Agree %
	oree %				
Lack of finance has a negative impact on marketing operations	9	0	1	38	52
Managerial competency and skills shortage negatively affect	t2	2	7	50	39
Lack of product branding affects product sales and innovatior	2	7	9	44	38
Lack of business planning has a negative impact on marketing	2	4	2	41	51
Lack of understanding of marketing channels	1	0	5	53	41
Lack of understanding of product pricing/ costing negatively im-	-2	4	2	43	49
Inability to analyse and capture market opportunities negatively		2	7	50	40
COVID-19 restrictions negatively impacted marketing	2	0	5	14	79

Table 2. Questions to SMEs pertaining to marketing challenges.

Source: Authors' own research.

The discussion below is based on responses to questions in Table 2 above, regarding marketing challenges that Durban SMEs experienced.

## Lack of finance

Ninety percent (52% + 38%) of respondents agreed that insufficient financial resources negatively affect business operations and marketing strategies. SMEs face significant structural barriers to acquiring funding compared to large organisations due to factors such as reluctance to engage the capital markets or ignorance of the opportunities presented by this financing channel (Binte, de Fauconberg & Woeffray, 2021). In addition, the small size and heterogeneous structure of SMEs causes several structural disadvantages (OECD, 2015; Gherghina, Botezatu & Hosszu et al., 2020).

## Low managerial competency and skills shortage:

Most respondents (50% + 39%) think that a lack of managerial competency and skills has a negative impact on the development of marketing strategies and the performance of the organisation. Many respondents mentioned

difficulties with managing ability and a lack of necessary abilities. Ncube and Chimucheka (2019) noted that as a result, SMEs should work to enhance their skills and managerial acumen. The significance of these skills for innovation in SMEs is demonstrated by Mashavira, Chipunza, and Dzansi (2021). Modern small and mediumsized businesses need creative advertising methods to survive (Makuwe, 2021; Adam, & Alarifi, 2021). They also need to analyse their strengths, weaknesses, opportunities, and threats (SWOT), as well as forecast shifts in economic trends and leading indicators (Klein & Todesco, 2021; Zayadin, Zucchella, Anand, Jones & Ameen, 2023).

#### Lack of product branding

Eighty-two percent (44% + 38%) of respondents indicate that they agree that the lack of product branding impacts negatively on the performance of the businesses. Branding is a set of activities that assist buyers to recognise things by displaying manifestations of what they have, own, and do. Branding offers SMEs a competitive means of differentiating items for enterprise growth in an area dominated by major businesses (Dwivedi et al., 2021). The branding strategy not only helps businesses boost their client base or attract talent, but it also helps them improve their reputation, attracting a variety of stakeholders such as investors, business partners, suppliers, and the government (Oh, Keller, Neslin, et al., 2020; Swaminathan, Gupta, Keller, et al., 2022).

#### Lack of business planning

92% percent of respondents gave a "strongly agree" or "agree" response, indicating that a lack of business planning has a negative effect on marketing. Only 2% are strongly in opposition to this. Planning and administration involve deciding what needs to be done, determining how to execute it, and allocating resources accordingly (Bushe, 2019). An effective marketing strategy is essential for managers or owners of SMEs to achieve their business goals (Mitreva, Arsova, & Jovanov, 2022). Skills in planning and administration are crucial for the success of any manager or business owner (Ncube & Chimucheka, 2019; Mitreva, Arsova, & Jovanov, 2022).

#### Lack of understanding of the right marketing channels

Most respondents (53%) agree that lack of understanding of the right marketing channels for products constitutes a barrier to the implementation of business and marketing strategies and 41% strongly agree. This finding is like what Jadhav, Gaikwad, & Bapat, (2023) report. They are the series of steps that a product or service takes once it is manufactured, culminating in the end user's purchase and consumption. One of the most essential functions of digital marketing channels is to turn potential customers into lucrative clients (McGruer, 2020). The respondents indicated choosing the right marketing channels is critical for SMEs like Malgas and Zondi (2020).

#### Lack of understanding of product pricing

Most of those polled (49.0% + 43%) strongly agree that ignorance of product pricing or costs negatively affects marketing and company planning. The majority of South African SMEs still have trouble setting prices and Van Scheers (2011) found that 40% of the SMEs in his sample struggled with determining pricing. Similarly, Amin (2021) posits that as prices bring in cash and can boost market share, they have long been an essential part of the classic marketing mix and SMEs can benefit from strategic pricing.

#### Inability to analyse and capture market opportunities.

Fifty percent of respondents think that SMEs' lack of marketing expertise is a major problem, with 40 percent strongly agreeing. Only 2% of people disagree. The lack of experience and hesitation that this emphasises makes

it difficult for SMEs to act quickly and rationally when presented with a business opportunity (Sassetti, Cavaliere & Lombardi, 2021; Nobre, Machado & Nobre, 2022). Success in a company requires the ability to make marketing decisions under stressful and time-sensitive conditions (Blanco-Mesa, Gil-Lafuente, & Merigó, 2018).

#### **COVID-19 lockdown restrictions**

Most respondents (79%) believe that COVID-19 lockdown limits add to the difficulties SMEs experience in marketing. COVID-19 lockdowns made it difficult for SMEs to stay afloat because they prevented SMEs from launching conventional advertising initiatives (Astari, 2021). This resulted in a rise in the use of digital marketing strategies that were more conducive to the current economic climate and more efficient for SMEs (Alqasa & Afaneh, 2022). Digital marketing has become increasingly popular in South Africa since the COVID pandemic. The SME marketing challenges discussed above are centred around the marketing mix, finance barriers and capacitation of marketing leadership. While these may not be all the marketing issues faced, they provide a good picture of the South African context. Theoretical models help explain the complex issues that small and medium-sized enterprises (SMEs) experienced during the COVID-19 pandemic. The resource-based view (RBV) contends that small and medium-sized enterprises (SMEs) were unable to adjust to shifting market conditions due to resource limitations, such as a lack of funding for marketing initiatives (Taneo, Noya & Setiyati, 2021). Furthermore, the institutional theory alludes that SMEs' marketing tactics and operations may have been restricted during the epidemic by external factors like government rules and market norms (Chowdhury, Sarkar, Paul & Moktadir 2022).

Our findings mirror, what has been reported in the international literature indicating the pervasive nature of the pandemic on small enterprises and the dysfunction that is common in the South African economy with respect to supporting SMEs. Government financial bailouts were given to large businesses, corporations, and SMEs in advanced western economies (Hong, & Lucas, 2023). The South African government also provided financial relief on existing debts and payments, and to assist entities to acquire raw material, as well as to pay labour and operational cost. These interventions were structured to match the patterns of the SMME's cash flows, as well as the extent of the impact experienced due to the COVID-19 pandemic" (South African Government, 2020). But note that twenty-six out of seventy of our SME sample are not registered and thus would not have qualified for financial assistance.

COVID-19 also exposed the shortcomings in knowledge of SME owners that could have been effective in navigating the hardships in doing business at the time. For example, many SMEs in our study agreed that a lack of understanding of the right marketing channels and product branding negatively impacted business performance; these challenges could have been overcome by moving marketing and branding effort to digital platforms, allowing SMEs to reach and service their customers. Finally, Drucker (1994) states that every organisation must consider three categories of assumptions that impact their work: the organisational environment, the achievement of their objective, and the talents and resources necessary to realise their mission (Pu, Qamruzzaman, Mehta, Naqvi, & Karim, 2021). During tumultuous business conditions, firms must reevaluate their three core assumptions as prescribed by business theory (Pu, et al, 2021).

## 6. Conclusion

Even though SMEs contribute to economic growth and are vital to the country's economy, they confront numerous challenges in South Africa and worldwide. The growth of SMEs and the prevalence of SMEs in South Africa are both low. Given the SME sector and low entrepreneurship survival rate in South Africa, it is critical to recognise and consider the importance of marketing in boosting income and expanding the business. This paper examined the marketing challenges encountered by SMEs in Durban, South Africa, highlighting various managerial shortcomings that affected the success of the marketing function (4Ps of the marketing mix). SMEs also struggled to market themselves due to COVID-19 lockdowns and indicated the need to adapt operations to a digital space.

#### 6.1. Limitation & further research

This study's limitation is that the entire population of SMEs could not be included, and the study is focused on Durban. Future research in this field could focus on how SMEs have planned for marketing under uncertain conditions such as pandemics. Additionally, scholars can study how successful SMEs have been in terms of marketing using virtual and augmented technologies considering the challenges discussed in this paper.

#### 6.2. Recommendations

SME owners can access funding for marketing brochures, signage, uniforms, business cards and company profiles from the Small Enterprise Development Agency (SEDA). This traditional form of marketing is still favoured by SMEs in rural areas, especially where there is little or no internet connectivity. SMEs can take advantage of funding for training, short courses and learnerships from the respective Sector Education and Training Authority (SETA) to strengthen their marketing and managerial skills. It is imperative that SMEs invest in training and development, particularly in areas that will help them improve their marketing management skills, which directly impacts their sales and revenue (Ncube & Chimucheka, 2019). In an ever-evolving world of marketing SMEs need to learn new skills to expand their market reach and increase customer engagement. SME owners have a poor degree of knowledge, experience, and expertise when it comes to information technology in South Africa. Data costs in South Africa are higher compared to other first world countries. An important consideration for S.A. marketers is that most South Africans possess a mobile phone (Moodley & Naidoo, 2022). This means that they (the target market) can be contacted via social media, SMS, and email at any time. Therefore, SMEs should continue to embrace a hybrid model of online marketing, social media marketing as well as traditional in-store marketing and promotions (Khan et al., 2023). The use of influencers and endorsers via social media has also become extremely popular globally (Moodley & Machela, 2022). These approaches can also be used as effective marketing strategies in South Africa, using local celebrities that have a huge following. Marketers can tailor their campaigns to resonate authenticity and inclusivity. It is imperative that marketers stay abreast of effervescent trends in terms of the use of non-binary avatars, customisation, and hyper-personalisation (which incorporates artificial intelligence and machine learning to ascertain customers' preferences). SMEs can effectively use outsourced marketing research companies, which are now able to provide detailed information about customer preferences, tastes, and buying behaviour according to different demographics and income groups without SMEs having to conduct marketing research (which is costly and time-consuming). Additionally, SMEs must have a system in place for on-going evaluation and re-evaluation of the external marketing environment and a detailed marketing plan with clear strategies outlined to circumvent imminent challenges.

#### 6.3. Managerial implications

Fiscal management: Managers need to explore varied government funding opportunities as well as financial instruments to overcome the funding challenges. Resourceful financial planning as well as budgeting are vital to persist in business, having limited resources.

Managerial competency and skills development: Investing in continuous training and development programs for managers and employees is essential to address skills shortages. Recruitment strategies should focus on acquiring individuals with diverse skill sets that align with the needs of the business.

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