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Exploring Empowerment Challenges Facing SMMEs in the Nelson Mandela Bay Automotive Industry: Implications for Youth Skills Development and Workforce Development Pathways

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Abstract

Small, Medium and Micro Enterprises (SMMEs) play a critical role in South Africa's automotive industry by promoting economic growth, supplier development, and employment creation. However, persistent empowerment challenges continue to constrain their participation in automotive value chains and limit their contribution to youth skills development and workforce development pathways. This study aimed to explore the empowerment challenges facing SMMEs within the Nelson Mandela Bay automotive industry and to examine how these challenges influence opportunities for youth skills formation and sustainable workforce development. A qualitative case study design was adopted, employing purposive and snowball sampling to recruit 15 participants comprising SMME owners, Sector Development representatives, and Automotive Industry Development Centre (AIDC) officials. Data were collected through semi-structured interviews and analysed using six-phase thematic analysis. The findings identified six interrelated themes that constrain SMME empowerment: access and resources, skills and training, communication and information, policy and leadership, infrastructure and operations, and motivation and organisational culture. Collectively, these barriers restrict SMMEs' competitiveness, reduce their ability to participate in supplier development initiatives, and weaken their capacity to provide workplace learning opportunities, apprenticeships, and technical skills development for young people entering the automotive

industry. The study concludes that strengthening institutional support, improving communication between stakeholders, expanding access to finance and infrastructure, and aligning empowerment initiatives with industry needs are essential to enhancing SMME sustainability and supporting inclusive workforce development. The study contributes to the growing body of knowledge on SMME empowerment by demonstrating the close relationship between enterprise development, youth employability, and regional workforce development within South Africa's automotive industry.

Keywords: empowerment challenges, SMMEs, automotive industry

1. Introduction

One of South Africa's most important manufacturing hubs, the automotive industry in Nelson Mandela Bay (NMB), makes a significant contribution to the growth of industrial supply chains, employment generation, and regional economic activity (Sirayi et al., 2024). Small, medium, and micro enterprises' (SMMEs') involvement in this industry is nonetheless limited by enduring structural and developmental obstacles that restrict their competitiveness and empowerment (Basson & Omoruyi, 2025; Weilbach, 2025). Crucially, these obstacles do not merely affect business owners; they create significant bottlenecks in workforce development pathways, preventing young people from accessing technical training and sustainable employment opportunities within the sector. Given the growing emphasis on inclusive industrialisation and the development of historically marginalised businesses in national policy frameworks, Sibiya et al. (2023) assert that it is critical to comprehend the factors impeding SMME growth in important economic sectors. To place itself within this larger framework, this study looks at the intricate empowerment challenges faced by SMMEs, reframing these constraints as systemic inhibitors to youth skills development and the broader regional employability agenda.

Previous research on SMME growth in South Africa frequently focuses on issues such as limited access to funding, insufficient entrepreneurship skills, a mismatch between government support services and enterprise requirements, and infrastructural impediments to business expansion (Akinsolu & Vermaak, 2025; Letsaolo & Rankhumise, 2024). However, empirical research in the NMB automotive industry remains limited, despite development of suppliers, localisation programmes and industry-specific training are fundamental to transformation agendas (Monaco & Wuttke, 2023; Neethling et al., 2023). There is an ongoing academic discussion on the impact of state-led empowerment and support programmes on SMMEs with some academics suggesting that policy frameworks are too complex or not well communicated (Ngcobo, 2025; Weilbach, 2023), while others maintain that SMMEs are not ready to take advantage of available opportunities (Bello et al, 2024; Bushe, 2019). These tensions illustrate the importance of industry-sensitive investigation that gives an insight into the everyday practices and workarounds of SMMEs negotiating issues of industry and development. Even though there is research on SMMEs in South Africa, there is limited empirical research that focuses specifically on the Nelson Mandela automotive industry, especially from a qualitative, experience-based perspective. Given this context, the current study intends to investigate the interlocking institutional, structural, and operational barriers to SMME empowerment in the NMB automotive industry, paying special attention to leadership, infrastructure, communication, skills, and resource limitations.

2. Problem Investigated

Despite the automotive industry's strategic economic importance in South Africa, especially in the Nelson Mandela Bay (NMB) region, Botha et al. (2021) state that SMMEs still face ongoing structural and developmental obstacles that limit their ability to participate, compete, and be empowered in the industry. High failure rates and limited integration into automotive value chains are caused by SMME's chronic challenges. These challenges include limited access to capital, low managerial and technical skills, inadequate infrastructure, and a lack of government assistance, according to existing research (Botha et al., 2021; Mhlongo et al., 2023; Sibiya et al., 2023). Furthermore, many national policy interventions and empowerment measures are still not well matched with the real needs and different capacities of SMMEs, which has led to prolonged marginalisation rather than genuine empowerment (Aluko et al., 2023; Kraai, 2021). As a result, these initiatives have not produced the promised developmental effects. Although transformation and localisation are the goals of the South African Automotive Masterplan 2035, institutional impediments that disproportionately harm smaller businesses have kept the sector's empowerment levels low (Barnes & Black, 2017).

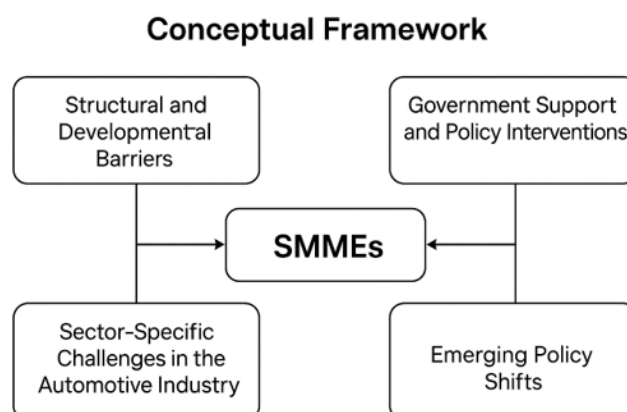
These empowerment challenges have important ramifications for young skill development and workforce development routes within the NMB automotive industry, in addition to limiting enterprise growth and sustainability (Laseinde & Kanakana, 2017; Sirayi et al., 2024). SMMEs are widely acknowledged as essential entry points for young employment, workplace education, apprenticeships, and the development of technical and entrepreneurial skills relevant to the industry (OECD, 2018; OECD & ILO, 2017). However, SMMEs' capacity to absorb young people, host skill development projects, and contribute to sustainable labour pipelines is seriously compromised when they lack the institutional backing, resources, and capacity to expand and integrate into automotive value chains (OECD, 2025; UNESCO, 2022). The region's already-existing problems with youth unemployment, skill mismatches, and poor school-to-work transitions are made worse by this circumstance (ILO, 2019; Nelson Mandela Bay Business Chamber, 2026; Statistics South Africa, 2024).

Additionally, SMMEs' engagement in formal skills development systems, such as learnerships, internships, and supplier development programs, is limited because of the mismatch between empowerment policies and their operational realities (Department of Higher Education and Training [DHET], 2019; World Bank, 2020). This weakens the workforce development ecosystem at large. As a result, the automobile industry's intended use of SMMEs as platforms for youth development, inclusive growth, and talent transfer is still underutilised (Black Economic Empowerment Advisory Council, 2017; Sturgeon & Van Biesebroeck, 2011).

Therefore, it is crucial to investigate the empowerment challenges that SMMEs in the Nelson Mandela Bay automotive industry face to better understand how structural, operational, and institutional factors restrict SMME development and how these limitations, in turn, affect youth skills development and workforce development pathways. To develop more adaptable, context-appropriate support systems that concurrently encourage SMME empowerment and long-term youth workforce inclusion, such an inquiry is required.

3. Literature Review

FIGURE 1. SMMEs



Source: researcher's own construction (2026)

3.1. Theoretical Framework

This study adopts an integrated theoretical framework of skills ecosystems theory and institutional theory to analyse the systemic barriers hindering SMME empowerment and youth workforce development. Skills ecosystems theory defines regional social formations wherein human capability is developed and deployed for productive purposes, emphasising that skill formation is deeply embedded in place-based social contexts, institutional frameworks, and collaborative networks (Buchanan et al., 2017; Ramsarup et al., 2023). This perspective allows the research to reframe SMME empowerment challenges not as discrete operational hurdles, but as systemic failures within the workforce development ecosystem that disrupt technical learning pathways for young entrants (Grainger & Spour, 2018). Complementing this, institutional theory explains how organisations conform to formal regulatory frameworks and informal societal norms to gain legitimacy and secure the resources necessary for survival (Balzano et al., 2025). This dual lens elucidates the structural mismatch within the Nelson Mandela Bay automotive industry, while SMMEs may adopt formal empowerment and training policies to meet institutional expectations, these structures are often decoupled from their daily operational realities due to severe resource and infrastructure constraints that prevent them from serving as effective sites for youth apprenticeship.

3.2. The Nexus of SMME Growth, Skills Formation, and Youth Employment

SMMEs are widely recognised as essential to South Africa's economic growth, job creation, and reduction of poverty (Rungani, 2025; Sibiya et al., 2023). However, their high failure rates (70% to 90%) represent a critical failure in the workforce development pipeline, as these enterprises are traditionally the primary entry points for young workers seeking technical expertise (Crowley, 2024; Julija, 2017). SMMEs make up a sizable share of formal enterprises and are crucial in promoting entrepreneurship and bolstering regional economies (Ramsuraj, 2023). According to Sibiya et al. (2023), SMMEs employ a significant percentage of the workforce and contribute between 30 and 34 percent of the nation's GDP, highlighting their vital role in fostering inclusive growth and reducing socioeconomic gaps. Notwithstanding these efforts, South Africa still has significant SMME failure rates (about 70% to 80%), which

raise questions about the sustainability of the industry over the long run and the suitability of the current support systems (Adjabeng & Osei, 2022).

3.3. Structural Constraints as Barriers to Workforce Development

South African SMMEs continue to suffer persistent structural and developmental challenges that limit their competitiveness and long-term viability, according to a substantial body of literature (Akinsolu & Vermaak, 2025; Zondi, 2023). While existing literature often treats these as operational hurdles, they are fundamentally skills development barriers. Empirical studies suggest that limited technological capability and innovation readiness prevents SMMEs from providing the industry 4.0 training necessary for modern automotive manufacturing, thereby widening the skills gap for the youth workforce (Fodor et al., 2026; Jamwal et al., 2025). When SMMEs lack specialised digital infrastructure, they cannot offer the high-value learning environments required to integrate young people into global value chains. These barriers include excessive regulations, inadequate funding, a lack of managerial expertise, and inadequate infrastructure, all of which hinder SMME involvement in various economic sectors across both informal and formal sectors. Additional research demonstrates that these structural obstacles reinforce exclusionary patterns by limiting SMMEs' capacity to expand, formalise, and integrate into larger industrial networks in the automotive industry (Bello et al., 2024; Nthangu & Msweli, 2025). Bello et al. (2024) contend that internal managerial capacity is more important, while Akinsolu and Vermaak (2025) highlight budgetary limits as the main obstacle. This implies that issues with empowerment are not just structural but rather multifaceted.

Structural and developmental barriers still prevent SMMEs from growing and integrating into the regional value chain in the NMB automotive industry (Botha et al., 2021). Previous research indicates that these issues stem from broader institutional and systemic factors that support small businesses' long-term exclusion from the regional automotive industry (Hasan et al., 2024; Nassery & Zamani., 2024). The ability of NMB-based SMMEs to grow, invest in assets that increase productivity, and move into more formalised and higher-value segments of the automotive supply chain is restricted by enduring obstacles to financial access, such as strict lending requirements and a highly concentrated banking environment (Bello et al., 2024; Kirsten et al., 2025). Furthermore, alongside these financial limitations, there are still significant gaps in technological capability and innovation readiness, with many local SMMEs lacking the specialised technical skills, digital infrastructure, and sector-specific support systems required to comply with Industry 4.0 requirements and modern automotive manufacturing processes (Gold, 2025; Jamwal et al., 2025). Therefore, disparities in market participation are further entrenched by region-specific infrastructure deficiencies that disproportionately affect smaller businesses outside NMB's core economic zones. These deficiencies include an unreliable electricity supply, inadequate transportation networks, and restricted access to well-equipped industrial facilities, all of which limits their wider contribution to industrial change and limits the growth trajectory of the area automotive industry.

3.4. Government Support, Policy Interventions, and Their Limitations

The South African government has implemented several policies and programmes to assist SMMEs over the last 20 years (Matsieli & Mutula, 2025). Such programmes include supplier development plans, enterprise development efforts, and financial incentives. Nevertheless, new

data indicates that these interventions have not always been successful. Many government-assisted SMMEs show little to no significant growth, according to Peters, Pretorius, and Marais (2025). This suggests a mismatch between the actual needs of local businesses and the design of support programs. Similarly, Botha et al. (2021) discover that SMME opinions of government assistance differ greatly based on the size of the operation, with many smaller businesses expressing ongoing difficulties despite legislative initiatives to boost the industry. These flaws imply that although policy frameworks are in place, their responsiveness and execution are still insufficient to produce significant empowering results.

3.5. Policy Gaps in Skills Alignment

For SMMEs, the automotive industry in South Africa, especially in areas such as Nelson Mandela Bay, offers special opportunities and challenges (Neethling et al., 2023). Although the South African Automotive Masterplan (SAAM 2035) lays out goals to improve localisation, encourage enterprise growth, and accelerate industry transformation, the industry's level of empowerment is still quite low (eNtsa Engineering, 2023). There is a documented mismatch between government support programs and the actual needs of local businesses, which results in prolonged marginalisation rather than genuine empowerment (Kumar & Singh, 2023; Prasannath et al., 2024; Qiong & Premaratna, 2024). A critical gap in current research is the failure to synthesise how these policy shortcomings specifically impact the transition of young people from basic training into specialised automotive roles (Blommaert et al., 2020; World Bank, ILO & UNESCO, 2023). SMME participation is still hampered by obstacles such as low localisation rates, inadequate infrastructure, and poor institutional coordination, despite the industry's desire for global competitiveness and inclusivity, according to findings from national automotive policy reports (Monaco & Wuttke, 2023; Rungani, 2022). Further exacerbating their marginalisation within the industry, automotive SMMEs operating in resource-constrained environments often find it difficult to comply with transformation requirements, access value chains, or meet industry standards.

3.6. Emerging Policy Shifts and Implications for SMME Empowerment

Government efforts to match industrial policy with empowerment goals are reflected in recent policy developments, such as changes to the Automotive Production and Development Programme (APDP2) and an increased focus on transformation compliance (APDP2 Transformation Fund Guidelines, 2024; Goga & Avenyo, 2022). These regulations put more pressure on automakers to show advancements in inclusion and enterprise development. However, SMMEs may still find it difficult to meet the changing demands of the industry if underlying barriers such as inadequate infrastructure, a lack of skills, and financial exclusion are not addressed (Basson & Omoruyi, 2025; Mhlongo et al., 2023). SMMEs continue to be disproportionately disadvantaged by structural and operational barriers that impede their empowerment and long-term sustainability, despite the sector undergoing significant restructuring to promote inclusive growth, according to analyses of automotive policy trends.

4. Research Design and Methodology

4.1. Research Design Approach

This study adopted a qualitative research approach, while the logical approach was inductive reasoning. The case study was chosen as the research methodology since it is both exploratory and descriptive. Face-to-face interviews were conducted to collect data using a semi-structured interview technique. The data collection process was conducted in participant's natural settings, enabling the researcher to develop new knowledge and understanding of theoretical and practical tools to help development stakeholders, industry players, and policymakers overcome systemic obstacles and support sustainable SMME empowerment in one of South Africa's most important economic sectors.

4.2. Sampling Criteria and Recruitment

A qualitative case study approach was adopted to facilitate an in-depth exploration of empowerment challenges experienced by automotive SMMEs within their real-world context. Participants were selected by the principal researcher using purposive sampling to identify individuals possessing direct knowledge and experience of SMME empowerment within the automotive sector. Snowball sampling was subsequently employed whereby initial participants recommended additional individuals with relevant expertise and experience.

Participants were included if they:

- owned or managed an automotive SMME operating within Nelson Mandela Bay;
- occupied positions within organisations responsible for SMME development and supplier support, including the Automotive Industry Development Centre (AIDC) and Sector Development programmes;
- possessed practical experience relating to enterprise development, supplier development or automotive value chains.

Fifteen participants were ultimately interviewed. Data saturation was achieved during the fifteenth interview when no substantially new information or themes emerged.

4.3. Participant Profile

The study included 15 participants representing different stakeholder groups within the regional automotive ecosystem. These comprised owners and managers of automotive SMMEs together with officials responsible for enterprise and supplier development programmes. Participants possessed diverse professional experience across manufacturing, automotive services, supplier development, business incubation and skills development. This diversity ensured that multiple perspectives regarding empowerment challenges were represented while remaining directly relevant to the research objectives.

4.4. Data Collection

Semi-structured interviews were utilised to obtain detailed accounts of participant's experiences and perceptions regarding SMME empowerment challenges. An interview guide containing open-ended questions aligned with the research objectives was developed to ensure consistency

across interviews while allowing flexibility for participants to elaborate on issues they considered important.

Interviews were conducted face-to-face or virtually, depending on participant availability, and lasted approximately 45 to 60 minutes. All interviews were conducted in English, the preferred professional language of the participants. Prior to each interview, participants received an explanation of the purpose of the study, their voluntary participation, confidentiality arrangements, and their right to withdraw at any stage without prejudice. Written informed consent was obtained before data collection commenced.

4.5. Data Coding Process

Interview recordings were transcribed verbatim and analysed using Braun and Clarke's six-phase thematic analysis process. The researcher first familiarised himself with the interview transcripts before generating initial inductive codes that reflected meaningful segments of participant responses. Similar codes were then grouped into broader categories through iterative comparison and refinement. These categories were subsequently consolidated into overarching themes based on conceptual similarity, recurrence across interviews, and their relevance to the research question.

The final themes: Access and Resources, Skills and Training, Communication and Information, Policy and Leadership, Infrastructure and Operations, and Motivation and Organisational Culture represented the principal empowerment challenges affecting automotive SMMEs. Theme development was therefore informed by both the prevalence of issues across participants and their analytical significance in explaining barriers to SMME empowerment.

4.6. Reflexivity

To maintain integrity and manage bias, the researcher engaged in self-monitoring throughout every phase of the investigation. Regular consultations with the supervisor were held to incorporate objective feedback and refine the research design. Participants were also provided with their transcribed interviews to verify accuracy.

Several strategies were employed to enhance the trustworthiness of the study. Credibility was strengthened through prolonged engagement with participants, member checking, and data saturation. Dependability was supported through the maintenance of an audit trail documenting methodological decisions throughout the research process. Confirmability was enhanced by maintaining reflexive field notes during data collection and analysis, while transferability was supported through detailed descriptions of the research context and participant characteristics.

Throughout the research process, the principal researcher remained conscious of personal assumptions arising from prior knowledge of enterprise development and the automotive sector. Continuous reflexive self-monitoring was undertaken to minimise the influence of researcher bias during interviewing, coding and interpretation. Emerging interpretations were continually compared with participant's accounts to ensure that the findings accurately reflected participant's perspectives rather than the researcher's preconceptions.

5. Empirical Findings

5.1. Reframing Empowerment Challenges Through a Skills Lens

There are 6 themes that were developed regarding empowerment challenges. These themes include access and resources, skills and training, communication and information, policy and leadership, infrastructure and operations, and motivation and culture. They are presented and discussed with their codes in Table 1 below.

TABLE 1. EMPLOYMENT CHALLENGES CODES AND THEMES

Access & Resources	Skills & Training	Communication & Information	Policy & Leadership	Infrastructure & Operations	Motivation & Culture
Limited access to funding	Inadequate skills and training	Communication deficiencies	Government policies are unfavourable to SMMEs	Lack of workshop/ infrastructure	SMME resistance to change
Limited access to market	Insufficient training programs	Inadequate communication	Leadership is not supportive	No proper workshop	Change-resistant culture
Limited access to infrastructure	Insufficient compliance knowledge	Lack of clear goals and communication	No clear directive from leadership to SMMEs	Working from home	Staff is not motivated
Limited resources	Insufficient funding for specialist skills	Lack of communication from Sector Development	Lack of policy understanding by SMMEs	Conducting operations outside my yard	Loss of confidence in government processes
Limited credit history	Restricted access to training	No feedback from the sector development	SMMEs not registered as formal businesses	Unconducive working conditions of SMMEs	SMMEs are not responsive
Not having enough tools	SMMEs not completing training	Lack of access to information	No innovation	Lack of infrastructure	Poor communication
Support systems lack requisite resources	SMMEs refuse training	No time to access information	No access to loan/finance	Company lacks workshop	SMMEs lack motivation to participate
Economic recessions	SMMEs not participating in programmes	SMMEs struggle to access information	No access to finance and market	No workshop	
	SMMEs lack knowledge	Lack of information		Not having a workshop	
		SMMEs do not have record management system	Company lacks innovation	Workshop unavailable	

Source: researcher's own construction (2026)

Theme 1 (Access and Resources): The participants in this study have expressed significant concerns around access and resources. They affirmed that limited access to finance, markets, infrastructure, and economic recessions are obstructing their progress. Additionally, they highlighted the absence of support mechanisms. The following are responses from participants concerning the deficiency of access and resources in the automotive industry:

“Limited resources (financial, human, and time) hinder the implementation of extensive empowerment programmes. Also, I have limited capacity to focus on empowerment initiatives alongside day-to-day operations” (Participant C, 2025).

“The support systems lack the requisite reach to effectively empower all SMME's, especially those in distant locations/ or regions” (Participant D, 2025).

“We lack infrastructure, like diagnostics tools to be able to provide quality training” (Participant E, 2025).

“My challenge is the absence of workshop; I am conducting operations outside my yard; I have no access to finance and market. I do not have enough tools to operate” (Participant I, 2025).

The above-mentioned responses indicate that SMMEs in South Africa persist in facing economic hurdles despite their entrepreneurial endeavours and growth potential. Importantly, these resource limitations immediately restrict SMME's capacity to offer young people entering the automotive industry organised workplace learning environments, such as internships, apprenticeships, and informal skill transfer possibilities. Having access to resources boosts people's self-confidence in their entrepreneurial ability, which improves well-being while a venture is being developed (Botha et al., 2021).

SMMEs continue to encounter numerous problems in South Africa, and due to elevated failure rates, they are unable to contribute to job creation and economic growth as anticipated. To better understand how structural, operational, and institutional factors limit SMME's development and to inform more responsive, context-appropriate support mechanisms, it is imperative to investigate the specific empowerment challenges faced by SMMEs in the NMB automotive industry. The South African government has acknowledged the demands and importance of the SMME sector. Access to resources enhances individual's confidence in their entrepreneurial capabilities, leading to improved well-being during venture development (Botha, et al., 2021).

Theme 2 (Skills and Training): Participants highlighted "insufficient funding for specialised skills" and "non-completion of training". This suggests that the "skills development" ecosystem is fragmented; SMMEs are not just failing to grow, they are failing to sustain the learning pathways required for their staff and potential youth recruits (ILO, 2024; OECD, 2023). The following are responses provided by participants concerning skills and training within the automotive industry:

“SMME's are not fully completing their training programmes, and some are refusing to be trained” (Participant G, 2025).

“The majority of SMME's still require training and mentoring to perform well” (Participant G, 2025).

These findings show that SMMEs are not serving as efficient venues for the development of skills, which restricts their capacity to help young people become employable and develop their technical abilities in the automotive industry. Young people entering the business face additional challenges in their school-to-work transition pathways due to the difficulty of maintaining structured training programs.

Theme 3 (Communication and Information): The participants have shown significant concern regarding communication and information. The participants acknowledged the existence of communication inadequacies, inadequate communication, the absence of clear goals and communication, limited access to information, inadequate time to obtain information, challenges faced by SMMEs in accessing information, and a general lack of information. The participants particularly highlighted that SMMEs lack access to record management systems. The following are responses provided by participants concerning communication and information in the automotive industry:

“My company encounters obstacles in communication and decision-making that may impede bottom-up empowerment programmes” (Participant I, 2025).

“There is a lack of communication from Sector Development and their partners” (Participant J, 2025).

“SMMEs don't have time to access the information, which is there; they don't take the time to check trends on the internet, or research papers so that they can remain competitive. SMMEs lose confidence in government processes, claiming that the government comes with empty promises” (Participant H, 2025).

Reduced productivity, disengagement, and missed opportunities are the outcomes of poor communication among SMMEs. From the standpoint of workforce development, these communication gaps also impede adolescent engagement in skills development initiatives by limiting exposure to training possibilities, funding appeals, and apprenticeship programs. Effective communication strategies, encompassing clear channels, appropriate digital technologies, and a culture of feedback, are essential for SMMEs to promote internal alignment, enhance engagement with consumers and stakeholders, and facilitate business growth. SMMEs require access to sufficient information to improve productivity and provide market entry. SMMEs should find prospective business partners to form alliances that would augment their operations.

Theme 4 (Policy and Leadership): The participants expressed considerable apprehension regarding policy and leadership. The participants recognised the presence of detrimental policies affecting SMMEs, insufficient support from leadership, a lack of clear directives for SMMEs, inadequate policy comprehension among SMMEs, unregistered SMMEs, absence of innovation, limited access to loans/finance, and restricted market access. The subsequent replies were given by participants about policy and leadership within the automobile sector:

“The role of my company (AIDC) is to empower SMMEs, not employees. The challenge I have encountered is that SMMEs are not registered as a formal business. They do not have a record management system of what they do on daily basis (invoices, quotations) due to poor financial management” (Participant M, 2025).

“For now, I could say, government structures are not supportive enough to empower SMMEs” (Participant K, 2025).

“The support structures are failing SMMEs in my region with empty promises” (Participant F, 2025).

“The support mechanism are inadequate, and government policies are unfavourable to SMMEs” (Participant C, 2025.)

These responses point to a structural mismatch between the operational realities of SMMEs and policy formulation. Crucially, poor policy execution weakens youth workforce integration routes by decreasing SMME participation in organised skills development programs including learnerships, internships, and sector-based training efforts.

Theme 5 (Infrastructure and Operations): The lack of "proper workshop" facilities and "diagnostic tools" (Participant E & I) directly impedes the quality of on-the-job training. Without adequate infrastructure, SMMEs cannot serve as viable sites for apprenticeships, effectively stalling the workforce development pathway for the NMB region (ILO, 2024; SACN, 2023).

These findings show that SMMEs are not serving as efficient venues for developing skills, which restricts their capacity to support young people's employability and technical capability development in the automotive industry. The school-to-work transition pathways for young people entering the business are further disrupted by the inability to maintain formal training programs.

Theme 6 (Motivation and Culture): The participants expressed negative views on motivation and culture, emphasising resistance to change among SMMEs, insufficient staff motivation, diminished confidence in government processes, inadequate communication, and a lack of enthusiasm among SMMEs to participate. This is corroborated by the following responses:

“SMME resistance to change. SMMEs don't want to formulate their businesses. SMMEs don't want to register their businesses for compliance as they are hiding from SARS” (Participant B, 2025).

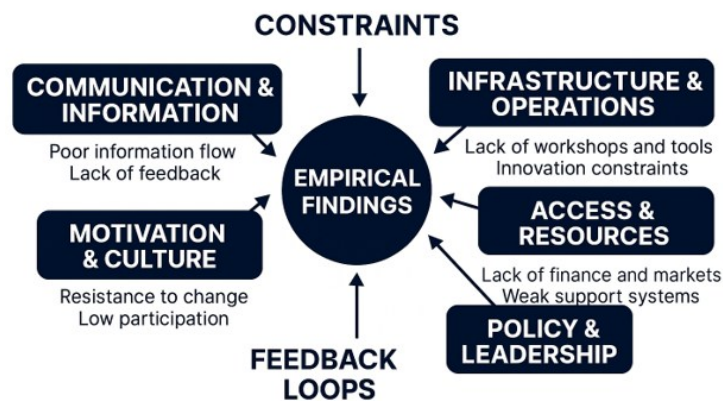
“SMMEs are not responsive. They don't have formal business documents in place. They don't have funding, and they don't have informed decisions. They have limited access to technology and connectivity, so that by the time information reaches them, the closing date has reached. They don't have processes in place to meet the requirements. They are not well informed” (Participant N, 2025).

“Leadership should be transparent when dealing with SMMEs, and the policy makers should also form part of SMME development programmes, so that they could understand the needs of SMMEs” (Participant O, 2025).

Both intrinsic and extrinsic factors, such as job creation and economic reform, have an impact on SMME's motivation. However, low organisational motivation and opposition to formalisation can limit adolescent skills transfer and workplace learning opportunities by decreasing participation in structured training programs.

The findings summarised in Figure 2 below show that rather than being limited by discrete flaws, SMME empowerment in the automotive industry is hampered by a network of interrelated structural, organisational, and behavioural issues. The operational capabilities of SMMEs are undermined by unfavourable regulations, inadequate leadership support, and restricted access to markets, finance, and infrastructure. This is especially true when it comes to training completion, skill development, and access to sufficient workshops and tools. Coordination, compliance, and informed decision-making are all hampered by these capacity gaps, which are made worse by inadequate communication and restricted access to timely, pertinent information. When taken as a whole, these factors encourage SMMEs to be resistant to change, unmotivated, and disengaged, which eventually limits their involvement in empowerment programs and lowers the efficacy of government and development agency assistance. According to the findings, effective SMME empowerment necessitates coordinated, multi-level interventions that develop organizational capacities, improve information flows, address policy and resource restrictions, and actively restore motivation, confidence, and a culture of involvement.

FIGURE 2. SUMMARY OF EMPIRICAL FINDINGS



Source: researcher's own construction (2026)

6. Discussion

The findings demonstrate that the empowerment challenges affecting automotive SMMEs in Nelson Mandela Bay extend beyond individual business constraints and represent interconnected structural barriers that influence enterprise competitiveness, workforce development, and youth employability. The six themes identified through the thematic analysis—access and resources, skills and training, communication and information, policy and leadership, infrastructure and operations, and motivation and organisational culture—collectively explain why many SMMEs struggle to participate effectively in supplier development programmes and automotive value chains. These themes were developed through the systematic grouping of recurrent codes generated from participant interviews using Braun and Clarke's six-phase thematic analysis. Their prominence across multiple participants demonstrates that they are not isolated organisational issues but systemic challenges affecting the regional automotive ecosystem.

The findings relating to access and resources reinforce existing literature identifying access to finance, production resources, and business support services as fundamental determinants of SMME sustainability. Consistent with previous studies, participants reported that limited access

to finance constrains investment in specialised equipment, technology adoption, and business expansion. However, this study extends existing knowledge by demonstrating that resource constraints also limit opportunities for workplace-based learning and practical skills development, thereby reducing the capacity of SMMEs to contribute to youth employment pathways within the regional automotive industry.

The skills and training theme highlights that empowerment extends beyond technical training and requires sustained investment in managerial capability, digital competencies, and business development skills. Participants consistently indicated that inadequate technical skills, limited exposure to emerging automotive technologies, and insufficient management capacity reduce organisational competitiveness. These findings support previous research emphasising that skills development remains central to enterprise productivity while also demonstrating that limited organisational capability weakens the ability of SMMEs to provide apprenticeships, internships, and experiential learning opportunities for young people entering the labour market.

The findings also reveal that communication and information represent critical enabling factors within the regional empowerment ecosystem. Participants described limited awareness of government programmes, funding opportunities, and supplier development initiatives, resulting in low participation despite the availability of support mechanisms. These findings suggest that improving communication between government agencies, development organisations, and SMMEs is equally as important as increasing the availability of support programmes. Effective information dissemination would enable greater participation in enterprise development initiatives and improve access to opportunities that strengthen business sustainability and workforce development.

The themes of policy and leadership and infrastructure and operations further demonstrate that institutional support plays a significant role in determining the effectiveness of empowerment initiatives. Participants identified regulatory complexity, administrative burdens, limited workshop facilities, and inadequate diagnostic equipment as significant barriers to growth. These structural constraints reduce productivity, discourage innovation, and limit the ability of SMMEs to comply with industry standards required for participation in automotive supply chains. Consequently, empowerment initiatives should extend beyond financial assistance to include investment in shared industrial infrastructure, technical facilities, and coordinated institutional support.

The final theme, motivation and organisational culture, illustrates that psychological factors influence the effectiveness of empowerment programmes. Participants expressed frustration with delayed government responses, inconsistent policy implementation, and previous unsuccessful support applications, resulting in declining confidence and reduced willingness to engage with future empowerment initiatives. This finding demonstrates that sustainable empowerment requires not only structural support but also institutional credibility, trust, and ongoing stakeholder engagement.

Collectively, these findings have important implications for the regional workforce ecosystem. Automotive SMMEs function as important providers of workplace learning, apprenticeships, supplier development, and entry-level employment. When empowerment challenges limit business growth, opportunities for youth skills development and labour market participation are similarly constrained. Addressing these barriers would therefore strengthen both enterprise competitiveness and the broader regional skills ecosystem by creating additional opportunities for technical training, employment creation, and sustainable workforce development.

7. Research Limitations

Although the study provides valuable insights into the empowerment challenges experienced by automotive SMMEs within Nelson Mandela Bay, several limitations should be acknowledged. First, the qualitative case study design focused on a single metropolitan automotive region, limiting the transferability of the findings to other provinces or industrial sectors. Second, the purposive and snowball sampling strategies were appropriate for identifying knowledgeable participants but do not permit statistical generalisation. Third, the study relied on participants' experiences and perceptions, which may have been influenced by organisational contexts and individual viewpoints. Nevertheless, the diverse stakeholder representation, data saturation, and strategies employed to enhance trustworthiness strengthen the credibility of the findings.

8. Future Research Directions

Future studies could extend this research by examining empowerment challenges affecting automotive SMMEs across multiple provinces to enable comparative analysis between different regional contexts. Quantitative or mixed-methods studies could also assess the relative influence of the identified empowerment challenges on enterprise performance and youth employment outcomes. Furthermore, future research should evaluate the long-term effectiveness of government empowerment initiatives, supplier development programmes, and skills development interventions in strengthening SMME sustainability and workforce development within South Africa's automotive industry.

9. Conclusion and Practical Implications

Government must enact reforms to simplify the cumbersome regulatory framework and diminish bureaucratic obstacles that hinder SMME growth. Concurrently, policies should specifically reserve a percentage of contracts for SMMEs to facilitate market access. Additionally, establishing a legal framework that provides collateral registries would help mitigate the hesitation of commercial banks to lend to SMMEs. AIDC and Sector Development should implement measures to provide dedicated incubation hubs, industrial clusters, and

advanced manufacturing facilities specifically for historically disadvantaged SMMEs. There is a need for AIDC to facilitate value chain linkages between smaller businesses and large manufacturers. SMMEs should proactively engage in networking colloquiums to share experiences and collaboratively devise solutions for sustaining or expanding their businesses. SMMEs must also transition from informal backyard operations to formalised business structures to meet compliance standards like SARS. Tertiary education should be fortified to include specialised programs in SMME development and project administration. Vocational

training must focus on Industry 4.0 technical skills and financial literacy to ensure SMMEs can remain competitive. By creating an enabling environment through incubation centres and technology-focused support, the government can leverage the youthful demographic potential to address unemployment. SMMEs serve as critical entry points for youth apprenticeships and technical skill acquisition; thus, their empowerment directly impacts youth employability. This research adds to existing knowledge by applying Kanter's Theory of Structural Empowerment and Spreitzer's Psychological Empowerment specifically to the automotive SMME sector in a

regional South African context. It identifies a skills trap where a lack of physical infrastructure (such as diagnostic tools) directly stalls the workforce development pathway for the region.

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Data supporting the conclusions of this study can be made available upon reasonable request from the corresponding author.

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Ethics Statement

For studies involving human participants, the authors confirm that the research complied with relevant institutional and national ethical standards. Ethical approval was obtained and informed consent was secured from all participants prior to data collection Ref: [1410 / Approval].

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