CHAPTER 1  INTRODUCTION

1.1 BACKGROUND OF THE STUDY

As businesses constantly seek out new and better ways of achieving competitive advantages, the competence of every valuable area to improve organizational performance is under scrutiny (Singh, 2010). Business practices are standards, the methods, generally accepted techniques and processes used by a business in the pursuit of objectives to accomplish a set of planned tasks (Singh, 2010). Business practices do consist of ways of transforming business values into processes for achieving business objectives (Singh, 2010). Gamini de Alwis & Senathiraja (2003) define performance as using knowledge as distinguished from merely possessing it, the act of doing something successfully and act of performing. Rahman & Sohal (2001), Prajogo & Sohal (2003), Lau and Zhao & Xiao (2004) identified a positive relationship between best business practices and business performance this is an important area for this study. Furthermore, a study by Pushpakumari and Wijewickrama (2008), relating to both large firms and SMMEs, emphasizes the relationship between management activities, business practices and organisational performance.

Mandal, Venta and El-Houb (2008) maintain that best business practices produce best performance. This study also explains that there are several ways through which business practices would be established in specific areas, which can lead to outstanding business performance. The implementation of business practices based on the use of tools in business management and quality management principles will lead to a systematic improvement in business performance, especially where key
practices in business excellence are applicable to all functional areas in enterprise Mandal et al. (2008). Pushpakumari and Wijewickrama (2008) further established that most SMMEs are driven by the need to imitate large firm activities in order to establish a set of desirable management activities that they assume will enable them to become more effective and efficient if appropriate knowledge is applied in the processes.

According to Ntsika Enterprise Promotion Agency (2002), SMMEs in South Africa contribute 56% of the private sector employment and 36% of the GDP. SEDA (2010) reported that Small, Medium and Micro Enterprises (SMME’s) form the backbone of South Africa’s economy, in 2010; SMME’s employed 74% of South Africans were active in the economy. SMME’s contributes an about 39% to national output. Kongolo, (2010) and Chodokufa, (2009) revealed that 90% of African business operations are SMMEs. SMMEs contribute to over 50% of African employment and GDP. SMMEs are increasingly recognized as a pillar for economic development, source of revenue, source of employment, innovation and technological advancement in both developed and developing states (Zacharakis, Neck, Hygrave & Cox, 2002). Despite their major contribution in economic development and employment, SMMEs have high failure rates and poor performance levels (Jocumsen, 2004; Ladzanani & Netswana, 2009). Moreover, because of their small size, a simple mistake by management is likely to lead to the failure of an SMME without providing it with a second opportunity to learn from its previous mistakes (Jocumsen, 2004; Ladzanani & Netswana, 2009; Bowen et al. 2009). A study by the Business Times (1997) established that more than six out of ten new businesses fail within the first 18 to 24 months and identified factors such as
poor management, lack of finance, and improper planning as the main causes of small business failure.

Kongolo (2010) states that SMMEs account for about 91% of the formal business thereby contributing between 51% and 57% to the GDP and 60 % of employment in South Africa. However many small businesses in South Africa fail in their second year of trading with failure rates as high as 63% (Roberts, 2010). The South African government has a mammoth task to promote the development of SMMEs, increase job creation and reduce the high rate of unemployment; it is estimated at 25.2% (Statistics South Africa 2012).

Furthermore, in South Africa, the majority of SMMEs fail in their fifth year an alarming rate of between 50% and 95% (Cant and Ligthelm,2003; Robert,2010; Willemse,2010). About 75% of new SMMEs do not become established firms, this is one of the highest such statistics in the world (Robert,2010; Willemse,2010). The various reasons for the high failure rate of SMMEs in South Africa have been established and they range from lack of access to finance to lack of management skills (Willemse, 2010; Fatoki & Odeyemi, 2010). Herrington and Wood (2003) established that lack of education and training reduces management efficiency and effectiveness in new SMMEs in South Africa and is one of the reasons for low entrepreneurial activities and the high failure rate of new SMMEs.

Julien (1998) emphasises that although financial problems affect all firms irrespective of their size, lack of formal financial planning systems and the lack of management skills are among the most cited reasons for the failures of small
businesses. As such, Khatri (2000) emphasised the need for SMMEs to remain focused on their competitive strengths in order to develop appropriate long-term strategies. In addition, Fawcett and Myers (2001) send a message that the structure and strategy of the organisation directly influence organizational performance, the choice of business practices reveal this. Analoui and Karami (2003) add that managerial causes are the major reasons for SMME failure, such as the lack of long-term planning and strategic thinking. Barron (in Van Eeden, Vivier & Venter 2003) points out that the knowledge of SMMEs is good and the people behind them are hard working and competent but they do not have managerial skills to run business and fail to understand basic business fundamentals.

Kelliher and Reinl, (2009) maintain that SMME should instil their valuable resources in the core business strategies, and implement best strategies using the best business practices as a means to enhance their performance, thereby ensuring success and long-term business survival. Van Tonder (2010) notes that the unimpressive success rate of SMMEs in South Africa is due to lack of financial skills; brain drain; lack of skilled labour; lack of proper business management practices; analysis and evaluation skills of business performance/operations and incompetent managers. South Africa dropped from 44th position to 52nd position out of 59 countries in the 2011 IMD World Competitiveness Yearbook. There is need for South African SMMEs to become better equipped to survive in the long run if they want to remain a force in the economic growth and development of the country (Kelliher and Reinl, 2009; Willemse, 2010; Fatoki & Odeyemi, 2010).
This study adopted a research design that builds on the assumption that each business practice has a particular impact on SMME performance and that a combination of business practices will have an enhanced impact on SMME performance. The focus of this study was to examine how SHRM business practices are implemented by SMMEs and how they impact on their optimal performance. This enhanced impact on SMME performance is considered to be the optimal business performance that SMMEs should desire to achieve (Kelliher and Reinl, 2009; Willemse, 2010; Fatoki & Odeyemi, 2010). Therefore, understanding which business practices to implement as a means of enhancing SMME performance is critical for SMMEs, especially as these business practices affect their day-to-day running and achievement of their long-term visions. Achieving optimal business performance will enable SMMEs to succeed and become more sustainable in the end and hence to make a large contribution to the national economy (Kelliher and Reinl, 2009; Willemse, 2010; Fatoki & Odeyemi, 2010).

There is a high failure rate of start-ups firms in South Africa. As pointed out already, the challenges facing small businesses in Limpopo are that the average lifespan of an enterprise after establishment rarely exceeds three years. In 2003, lack of financial support was identified as the number one limiting factor (Analoui and Karami, 2003). Previously, experts identified lack of education and training as the most important factors inhibiting entrepreneurial activity (Mutezo, 2005; Kelliher and Reinl, 2009; Fatoki and Garwe, 2010; Nemaenzhe, 2010). The high failure rate of small enterprises can also be attributed to the fact that a relatively high proportion of entrepreneurs are motivated by opportunities or personal aspirations opportunities or as opposed to necessity (Sha, 2006; Robert, 2010). Various surveys have shown
that the vast majority of people in the SMME sector are “forced entrepreneurs” who
did not have alternative employment in the formal sector despite their willingness to
accept low wages (Sha, 2006; Odeyemi, 2010; Cant, 2012; van Scheers, 2012).

In the views of Cant & Lightelm (2003), Sha (2006), Fatoki & Odeyemi (2010), Cant
(2012) and van Scheers (2012) and the most commonly cited reasons for the high
failure rate of SMMEs in Limpopo are as follows:

Market access and poor demand for products;
Poor infrastructure;
Lack of education and training;
Trade over-regulation;
Lack of finance and bargaining power; and
Cost of finance.

According to Henderson (2000), small businesses in rural areas often suffer mainly
from a serious image problem. This is attributed to the fact that many small
businesses in rural areas are disregard as genuine businesses, are home-based and
many people consider them survival activities or fly-by-night

An empirical study by Cocks and Pretorius (2002), in Limpopo province found out
that the two factors that are likely to affect the ability of small businesses to grow are:

- The existence of properly developed commercial areas; and
- The existence of basic infrastructure facilities that is usually much
  better in the urban areas.

SMMEs in rural areas operate under conditions characterised by poor or non-
existent infrastructure. For example, small business owners lack electricity supply,
have a poor transport infrastructure have to travel long distances to do banking and may be cut-off from suppliers.

According to Mutezo (2005), the investment levels in the SMME sector are inadequate for achieving the growth levels envisaged in its macro-economic strategies. Binedell (2009) who asserts that South Africa’s economic growth rate for the past 15 years or more has been significantly below the benchmark figure of six per cent to eight percent corroborates this view. Marketing is a concept for most SMMEs as many struggle to employ it effectively (Dockel & Ligthelm, 2009; Van Scheers, 2012). Market factors such as wrong pricing strategies, low demand for products, lack of knowledge, poor location, competition, not being able to meet customer needs, poor product variety and poor branding have an impact on SMME profitability and growth (Dockel & Ligthelm, 2009; Van Scheers, 2012).

According to Mohapi (2005), SMMEs have limited credit facilities, often pay higher prices for purchases, have limited bargaining powers, and are charged higher interest rates. The Small Enterprise Development Agency (SEDA) (Small Business Monitor, 2009) reinforced this view; argue that, because of their limited bargaining power, SMMEs are not able to negotiate price concessions.

The empirical findings of a study in Hungary (Bosma, 2008) found that, although institutions for small business support abound, their efficacy was limited. It was found that, although money is important, it was not an exclusive constraint on SMME success. This reality also applies to the South African SMME environment.
In a GEM report, Drivers, Wood, Segal and Herrington (2001) indicate that individuals holding a tertiary qualification are more likely to own and manage a start-up business than those without Grade 12. Furthermore, holding a tertiary qualification significantly increases the probability that an individual will be an owner-manager of a business, which has survived the start-up phase (Drivers et al., 2001). According to Drivers et al. (2001), only fourteen per cent of entrepreneurs with tertiary level education are necessity-driven. In addition, 65 per cent of the expert informants were of the opinion that training and education are the most important reasons that hinder entrepreneurial activity in South Africa (Cocks and Pretorius, 2002). Formal classroom teaching also has a vital role to play in developing and nurturing entrepreneurial skills. Presently, economics and management sciences subjects are being taught in South African public schools as some of the eight learning areas, with strong emphasis on entrepreneurship. However, because most teachers or facilitators lack entrepreneurial skills themselves, there is no guarantee that entrepreneurship will be taught effectively within the classroom (Driver et al., 2001).

After all, the facilitator is an important factor in the realisation of success of entrepreneurial and small business teaching (Pretorius, 2001). Cocks and Pretorius (2002) found that there was a convincing relationship between the success of start-ups and the quality of education and training received. Only very, few of the service providers in South Africa, and in particular Limpopo, offer adequate business training programmes. A survey conducted by Ladzani and Van Vuuren (2002) found that only three of the eleven (27%) service providers listed in the Limpopo directory of SMME
service providers actually did provide business, entrepreneurial and performance motivation training.

1.2 STATEMENT OF THE PROBLEM

Scholars such as, Beaver, (2002), Rogerson, (2004), Watt, (2007), Katz and Smit, (2008) and Rajaram, (2008) note that internal factors such as human resource problems encompassing inadequate trained employees, high employee turnover rate, poor staff planning, multi-functional management, low productivity and difficulties in recruiting quality staff are impediments to SMME success. It is argued that the role of skills levels, labour markets and labour contribute mostly to small enterprise growth (Berry et al., 2002). Managerial skills not only influence owners perceptions regarding their business, but (Watson, 2004; Naicker, 2006; Pansiri & Temtime, 2008) acknowledge that a lack of training and managerial skills are major causes of enterprise failure complimented by lack of organisational culture and lack of experience which act as impediments to the establishment of SMMEs. The owner-managers characteristics can also act as a barrier to growth in that the personality, managerial skills and style including the entrepreneur and/or management’s negative attitude towards change can negatively influence an enterprise (Leopoulos, 2006; Naicker, 2006; Pansiri & Temtime, 2008).

Some of the factors that contribute to the complex financing problem are general communications issues, inability to draw up a business plan; the insufficient knowledge of running SMMEs, the lenders inability to determine the SMMEs credit risk attributed to by lack of enterprises information (Berry et al., 2002; Leopoulos,
This leads to low levels of entrepreneurship and a high failure rate of South African SMMEs (Rajaram, 2008; Kotze and Smit, 2008).

The problem statement is that high failure rate in South African Small, Medium and Micro Enterprises is caused by lack of Strategic Human Resource Management skills.

This problem can particularly be examined through answering the research main question: How does strategic human resource management implementation impact positively on SMME performance in Limpopo Province? The key motivation behind this study was to assess the impact of Strategic Human Resources Management in small enterprises on profitability and sustainability in Limpopo Province in South Africa to advance a SHRM integrative theoretical framework that owners and/or managers will use to understand what makes small enterprises successful.

1.3 AIMS OF THE STUDY

The primary aim of the study was to examine the impact of SHRM on SMME profitability and sustainability.

The main purpose of this study was to advance a Strategic Human Resource Management Integrative Theoretical Framework.
1.4 OBJECTIVES OF THE STUDY

The study objectives were as follows:

(a) To identify the impact of Strategic Human Resource Management (SHRM) on SMME survival and growth;
(b) To demonstrate how SMME owners/managers deal with training and development, performance management, industrial and work –place relations;
(c) To investigate, the relationship between training and development and SMME profitability; and
(d) To draw up recommendations that small business human resources managers can implement in strategically managing human resources.

1.5 RESEARCH QUESTIONS

QUESTION 1
To what extent, has the lack of adequate and appropriate strategic human resource management, business and technical skills affected the growth of SMMEs?

QUESTION 2
In what ways are human resources training and development linked to SMME profitability?

QUESTION 3
Which strategic human resource management aspects are most appropriate for SMME business growth?
QUESTION 4

What are the most appropriate HR strategies to implement in SMME business that would enable SMME survival?

1.6 ASSUMPTIONS OF THE STUDY

The researcher in this study assumes that:

Owner-managed SMMEs fail due to poor strategic human resource management. A greater percentage of SMMEs in Limpopo province are failing due to poor managerial and technical skills. Owner-managers have little knowledge on managing strategic SMME growth and sustainability and turning them into learning organizations. Most people have different perceptions on the impact of different management styles of business failure.

1.7 SIGNIFICANCE OF THE STUDY

The main purpose of this study was to outline a framework for examining the impact of SHRM on the effectiveness of SMME. The results of this study it is assumed could make an important contribution in the areas of theory, by the advancement of a Strategic Human Resources Management Integrative Theoretical Framework that embodies a multiple stakeholder perspective, horizontal and vertical linkages along with RBV to enhance the ability to reveal and evaluate the primary linkages of SHRM. Based on the theories that connect SHRM practices to organizational outcomes, this study proposed a Strategic Human Resource Management Theoretical Framework that relates training to organizational outcomes. This study attempted to close the gap between theory and practice of SHRM and SMMEs. It
provided clarity on SHRM as the primary way through which SMME leaders can communicate behavioural requirements, priorities and organizational goals.

This study contributed by providing literature with a methodological issue that a single respondent could give an accurate assessment of the human resource systems and practices of the whole organization. This study used an owner and/or manager as a single response in an organizational survey in SMMEs that several debates failed to agree as a main methodological issue, which was in question.

This study advanced the understanding of the impact of training on organizational outcomes in SMMEs. The study contributed to the training literature in which, training is to enhance tools of training, methods, the models, focus on the individual level mostly in SMME training and organizational effectiveness. This study enhanced theoretical models that SHRM practices influence the HR capital pool and HR behaviours; HR behaviours then lead to SMME outcomes.

This study pursued the three theoretical models that are relevant for understanding training and organization relationships. First, according to the RBV of the firm, an organization’s resources can be a source of competitive advantage when it possesses resources that add positive value to the firm, that are imitable, unique, and cannot be substituted with another resource by competitors (Wright, Dunford & Snell, 2001; Galbreath, 2004).

Second, according to the behavioural perspective, which focuses on employee role behaviour as a mediator between strategy and firm performance (Paauwe, 2009;
Van De Voorde & Paauwe, 2012) accordingly, human resource practices should show and reinforce the behaviours required by the organization’s strategy. It is necessary to identify the HR practices that will be most effective for eliciting desired role behaviours. Applying the behavioural perspective to SMME training suggests that training will result in positive organizational outcomes to the extent that it results in employee behaviours that are required by the organization’s strategy.

Third, is a cybernetic systems model or input–throughput–output model? This study found out that training and cybernetic training model in SMMEs provided useful competencies that impact positively on SMME performance.

Directors, Senior Managers of SMMEs, and academics, could use the results of this research locally and internationally, to recognize that the measurement of performance is manageable within the resource constraints and unique situations of SMMEs. It assists SMMEs to realize the benefits of successful application of performance measurement.

1.8 DELIMITATION OF THE STUDY

This research was limited to:

Examining strategies and theories for SHRM in SMMEs;

Using sample selections of SMMEs in the trading sector in Limpopo province; and the research does not cover exhaustive economical analysis of SMMEs.
1.9 LIMITATIONS OF THE STUDY

Since every research has its own limitations, this research was not an exception. There were important limitations in this study that have a strong bearing on the results. First, since the method indicated that responding was voluntary, it could be that those who did not choose to complete the questionnaires could have sought a lot of important information. Second, given the use of cross sectional data, no causal inference can be made regarding the relationships in this study, although the relationships depicted in this study were based on prior theorizing (Celery & Shaw, 2001; Becker & Huselid, 2006). Third, this study provides a current snapshot of the human resource-related issues and concerns of South African SMMEs (Delery & Shaw, 2001; Becker & Huselid, 2006). Fourth, the population of the study was only SMMEs in Limpopo Province; therefore, the researcher could not claim generalization of the results. Given the huge expanse of South Africa, it would be impossible to generalize widely beyond this sample. However, unlike many previous studies, it does include data from the Limpopo Province, a province ignored by many researchers. The Fifth limitation to the study is that the American/British viewpoint represented. While recognizing that western management practices and theories may not be applicable to the South African environment, the respondents recognize the dangers of trying to transplant alien concepts without adaptation. Lastly, the study only focused on one province another study could be important on a broader scale preferably to cover the whole of South Africa with the view of exploring and further clarification of the findings of this specific study.
1.10 REVIEW OF RELATED LITERATURE

This section provided first, a discussion of some relevant research philosophies applicable to the management and entrepreneurial fields of study. Second a theoretical overview of the background to the study. This included the theoretical foundations such as a resource-based view, the multiple stakeholder perspective, vertical and horizontal linkage, structural alignment, and strategic reference point theory. Third, the Theoretical Framework, fourth, SMME development in South African context, fifth the presentation of a conceptual model containing the key constructs that were investigated before concluding with the relevant literature under these subheadings HRM Practices, Human Capital and Training as a strategy for SMME development., and the last section reviewed the Training models used in SMME in South Africa. The details are in chapter two.

1.11 RESEARCH METHODOLOGY AND DESIGN USED

This section dealt with issues such as: research methods, the research design, research instruments, piloting, data collection procedures, data presentation, and analysis plans, reliability and validity of data, ethical consideration and the statistical package. According to Mouton (2008), research methodology refers to the methods, techniques and procedures employed in the process of implementing a research design or research plan. This study used a quantitative approach. Details are found in chapter three.
1.12 ETHICAL AND LEGAL CONSIDERATIONS

The researcher is ultimately responsible for ensuring that the research processes are maintained with the highest integrity and dignity. The researcher was ethical by getting the consent of respondents to take part in the study, while the privacy of the respondents was maintained (Welman, Kruger, and Mitchell, 2009). The researcher translated his personal ethics and sound business ethics (De Vos, 2008; Welman et al., 2009).

The respondent anonymity was maintained, the identity of all respondents was protected. The security of the respondents was guaranteed. This was made by not putting the respondents in a dangerous situation. This researcher prepared an informed consent form, where respondents were signing. The consent form was prepared in a simple manner that it clarified everything expected of the respondent before engaging himself / herself in the research study. Finally, the research did not intentionally, and falsifies any information or citation and was at all costs acknowledging the ideas of the authors. The researcher first requested for permission from the relevant Department of Small Medium Micro Enterprises and authority to conduct research and to review documents from the department.

1.13 DEFINITION OF TERMS AND EXPRESSIONS

Conceptual Framework is a system of related concepts that together provide a comprehensive understanding of phenomena. Conceptual frameworks possess
methodological assumptions, epistemological, and ontological. Each concept within conceptual framework plays an epistemological or ontological role (Jabareen, 2009).

Beneficiary – A person who participated either in basic business skills training course and gains personal betterment or improvement as of one’s physical, intellectual and moral.

Basic business skills training – For the purpose of this study, business skills training courses that SMME owner and/or manager undergo to enable them to be proficient, effective, competent and efficient in running SMME businesses.

Mentoring-The activities/process that enable the beneficiary to acquire knowledge or skills. It implies a direct showing to another, with intend that he will learn; it usually suggests imparting of knowledge.

Monitoring – Regular information recording and collection about the organisation service programmes and operations based on the identified performance indicators.

Evaluation- an assessment of the impact of training on outcomes.Evaluation measures the change achieved in an SMME.

Survivalist enterprises– For the purpose of this study, is a very small businesses operating in the informal sector of the economy, providing a minimum income below the poverty line, do not have a lot of assets, very little capital invested, and that these business owners have little training in business skills and very small opportunities for growth (DTI, 2011).
Micro enterprises – For the purpose of this study, these businesses have between one to five employees, mostly owner and family members, micro enterprises operate in the informal economy without formal business premises or licences. Micro enterprises annual turnover is below R300 000, which is below the required VAT registration. Micro enterprises owners and or managers have basic business skills and these businesses have potential to transform into viable formal small businesses (The National Small Business Act (Act 102 of 1996)).

Very small business/enterprise – For the purpose of this study, these businesses operate in the formal sector of the economy, they have two to ten employees.

Small business/enterprise – For the purpose of this study, small enterprises operate in the formal sector of the economy, they are formally registered and they have ten to 100 employees. Small business/enterprise has fixed business premise.

Medium business/enterprise – For the purpose of this study, Medium businesses are formally registered businesses operating from fixed business premises employing up to 200 employees.

Informal sector - For the purpose of this study, Is a way of doing business which is characterized by small scale of operation; ease of entry; heavy reliance on indigenous resources; enterprises is family owned; labour intensive and adapted technology; unregulated skill acquired outside of the formal school system and unregulated markets (Valodia, Lebani, Skinner, 2005).
Sustainable livelihoods – For the purpose of this study, a livelihood is sustainable when it can enhance its capabilities, cope with and recover from stresses and shocks (Khanya, 2006).

Ethics -For the purpose of this study, refers to business dealings where fairness, right, wrong, and justice are observed.

The Performance of an organisation -relates to the effectiveness and efficiency with which an organisation carries out the tasks in the process of products or services provision.

Performance Management-For the purpose of this study, is the use of systems and processes, in setting agreed-upon performance goals, allocating and prioritizing resources, informing managers to either confirm or change current policy or programme directions to meet those goals, and sharing results of performance in pursuing those goals to effect positive change in organizational culture (Neely, Gregory & Platts, 2005).

Performance Measure- is a metric used to quantify the efficiency and/or effectiveness of an action (Neely, et al., 2002).

Performance Measurement -is a method used to quantify effectiveness and efficiency. For the purpose of this study, Performance measurement is an on-going process of measuring performance in an organisation.
Performance Measurement Framework- is the set of measures used in an organisation (Neely, et al., 2005).

Competency- For the purpose of this study, competency is defined as the skill and knowledge needed in construction related subjects.

Literacy- For the purpose of this study, literacy defined as the knowledge of our competency in a construction related subject or area of activity.

Training-For the purpose of this study, training is the academic classroom instruction offered in related subjects.

Organizational strategies – is a set of processes by which organizational long-term goals and objectives are to be achieved for the betterment of the organisation (Bailey & Johnson, 2001).

Strategic Human Resource Management- is an approach to making decisions on the intentions of the organization concerning people-essential components of the organization’s business strategy. It is about the relationship between HRM and Strategic management in the organization. Strategic HRM refers to the overall direction the organization wishes to pursue in achieving its objectives through people (Armstrong, 2012).

A stakeholder is any group that determines the achievement of organizational goals and objectives (Freeman, 2004).
Human capital - a full range of skills, knowledge, abilities and capabilities an individual can resemble to produce a given set of outcomes (Hitt, Bierman, Shimizu, & Kochhar, 2001).

1.14 CHAPTER SUMMARY

This chapter introduced the study by looking at the background information. The previous studies cited used the positivist approach similar to this study. The primary and main purposes of this study outlined. The main purpose was to advance a strategic human resources integrative theoretical framework for examining the impact of SHRM on the effectiveness of SMME. The statement of the problem was clearly elaborated. The background of the study revealed. The objectives of the study outlined. Conceptualizing and articulating the research questions helped to focus on the scope of the research. Five hypotheses developed to help to answer the research questions. This chapter showed the significance of the study. The limitations and delimitations of the study identified in this chapter. A guide to review of related literature provided. The research methodology and design used introduced, that is the population and subjects, sampling procedures, research instrumentation and research procedures, data presentation, analysis and interpretation. The organisation of the thesis divided into five distinguished but related chapters. Relevant terms defined. The next chapter provides review of related literature.
CHAPTER 11 REVIEW OF RELATED LITERATURE

2.1 INTRODUCTION

The first chapter dealt with, among other things, the background, the purpose of the study, objectives, research questions, and significance of study, delimitation and limitations of the study. This chapter seeks to highlight and discuss issues related to works of authorities concerning the impact of the SHRM in SMMEs. Attempts to define SMME, SHRM and HRM Practices made while the rationale for SHRM was outlined.

Firstly the review section was, on relevant research philosophies applicable to the management and entrepreneurial fields of study. The second review section was on the theoretical Framework. The third review section was on the SMME contest in South. The fourth review section was on the SHRM theories. Theoretical foundations such as a Resource-based view theory, the multiple stakeholder perspective theory, and Strategic reference theory reviewed. The fifth review section was on HRM Practices. The sixth review section was on Human Capital. The final review section was of the theories and models of Training. The final segment reviewed the theories and models of Training.

2.2 RELATED EMPIRICAL STUDIES

Brand (2002) proposed the application of the Strategic Labour Allocation Process–model (SLAP) as a tool to analyse Human Resources problems in SMMEs. This model focuses on the balance between the supply of and the demand for labour on a
firm level. The application of the SLAP-model produces two strategic scenarios for Dutch SMMEs presently confronted with a tight labour market. In the first scenario, the small firm chooses for labour supply oriented policies that lead to a corrosion of the firms distinctive competencies (Brand, 2002). In the second and more optimistic scenario, the small firm creatively organises its labour demand. The latter turns out to strengthen the small firm’s position on the labour market, ultimately sustaining its competitive advantage. Apart from the use of the positivist approach that is similar to the current study, Brand (2002) maintained that the available knowledge of HRM in SMMEs is highly descriptive and disjointed. Brand (2002) carried out a study on the growing importance of SHRM for SMMEs. Many small firms encounter serious human resource problems, while at the same time these human resources play a vital role in sustaining and developing their competitive advantages. In SHRM literature specific issues concerning small firms are rarely addressed. This study explores Brand (2002) issue further. Brand (2002) concluded that the HRM knowledge available in small firms is highly disjointed and descriptive. The current study relied on this conclusion on HRM and advanced a SHRM integrative theoretical framework insight in SMMEs.

Naude (2007) studied the degree of organizational performance measurement in SMMEs. A qualitative approach to research followed using a case research based on semi-structured interviews to determine the knowledge and perceived value of performance measurement in SMMEs. The study also investigated the prominent performance measures used by SMMEs and difficulties around the implementation of these measures. The findings were relevant to this study regarding the attributes
of measures, the dimensions of performance and the characteristics of performance measurement frameworks.

Van Zyl (2007)’s study on the key performance predictors for small and micro tourism enterprises in South Africa used both a positivist approach and an empirical methodology which also includes conceptual model building, the development and validation of a Likert-type measuring instrument and statistical modelling to test hypothesis. This study used the Likert-type measuring instrument and statistical modelling to test hypothesis.

Karami, Jones and Kakabadse, (2008) study was ‘Does strategic human resource management matter in high-tech sector? Some learning points for SMME managers. The main purpose of the study was to examine the nature and impact of human resource capabilities and involvement on the firm’s performance in the SMME sector. Postal questionnaire was the main data collection instrument for this research. Combinations of qualitative and quantitative approaches employed for data analysis.

The important conclusion reached was that increasing the core competencies of the firm, in particular in HR, is the key element to the success of the firm. It is established that the growing involvement of the HR in the implementation of business strategy and development would lead to the increased effectiveness of the organisation and the industry as a whole. Finally, the competitive advantage a firm enjoys can come from the distinctive capabilities that provide it with a core competence in HR. In order to increase firm performance and to benefit from HR capabilities, Karami et al. (2008) recommend that practitioners and SMME owners
and/or managers increase the involvement of their HR specialists in the processes of strategic management in their firms. The research in this study recommends that the owners and/or managers to involve themselves in SHRM to increase the effectiveness of SMMEs. The lesson learnt from Karami et al. (2008)’s study is that SHRM has an impact on firm outcomes.

Nemaenzhe (2011)’s research was an analysis of causes of failure in South African small businesses. One of the major development problems in the southern African region relates to the high failure rates among Small, Medium and Micro Enterprises (SMMEs). A sample comprising 254 owner-managers of SMMEs from the Limpopo, Mpumalanga, and Gauteng provinces of South Africa as well as from Gaborone in Botswana was subjected to an a study. The analysis of the data involved the use of both quantitative and qualitative research methodologies.

The findings indicate that four explanatory factors were paramount: cash control; experience and planning in finance and marketing; income constraints; and monitoring and control. Based on the findings, the following recommendations, if implemented, may assist with lowering the high failure rates: First, businesses radical programmes for changing the poor owners and/or manager’s mindsets are critical. Second, with the mindsets changed, business skills training programmes could then be introduced involving training and development. By so doing the gap left by low levels of education and business experiences in the SMME sector would be reduced. Finally, the required assistance should involve assisting the SMME sector in the form of small business-builder programmes, business mentoring programmes and financial subsidies for start-up capital. Nemaenzhe (2011)
provides a benchmark to operate from because it provided insights into the causes of SMMEs failure and provided solutions to thesis problems. Nemaenzhe (2011) recommends that the business skills training programmes be introduced involving training and development. This recommendation is important in the current study to provide a training framework suitable for owners and/or managers in SMMEs.

Syed (2012) studied the role of High Performance Work Systems in SMMEs. He indicates that High Performance Work Practices (HPWP) is part of the High Performance Work Systems (HPWS). The HPWS include Flexible Working System (FWS), Strategic Human Resource Management (SHRM), Workplace Partnership (WP) Diversity and Equality System (DES), and Employee Empowerment (EE). This study designed to assess the contribution of HPWS towards growth and expansion of Small and Medium Enterprises (SMMEs) as indicated through Enhanced Business Performance (EBP), High Employee Retention Ratio (HERR) and Boost in Workforce Innovation (BIWI). As the Ownership Profile and Characteristics (OPAC) vary from SMME to SMME, the variable was included as a moderating factor in the implementation of HPWS in an organisation. Hypotheses developed focus on checking the contribution of HPWS on SMMEs growth and expansion as a whole and individual interaction of the indicators. The study collected empirical evidence from employers and employees through a questionnaire survey, a first ever study of its kind in Pakistan. Employing a sample of 1061 employers as well as employees, it develops and tests a modified HPWS model within the Pakistani SMME sector. The results indicate that the modified HPWS model works well in SMMEs of Pakistan and findings revealed a positive relationship though weaker one due to lower level of education of the owners and major decision makers in SMMEs. Moreover, Employee
Empowerment factor has a positive but very low contribution towards SMMEs performance because of less than 10 employees in 67.4% of SMMEs. However surprisingly democratic behaviour is found dominant and affected positively towards enhanced business performance and boosting workforce innovation.

Syed (2012)’s study identified the role of High Performance Work Practices on SMMEs. The role or the impact of Strategic Human Resource Management (SHRM) identified in the same way as in the current study. Syed (2012)’s study is similar to the current study because it developed Hypotheses focusing on checking the contribution of HPWS (SHRM) on SMMEs growth and expansion as a whole.

2.2.1 CONCEPTUAL FRAMEWORK

2.2.1.1 Small, Medium and Micro Enterprises (SMMEs)

Small, Medium and Micro Enterprises independently operated and owned entities that are not dominant in their field of operation and exist to provide specific goods and services to buyers that include other businesses, governments and individual consumers (Rogerson, 2004; Raduan, Naresh and Lim, 2006; Maas & Herrington 2007). The impact of SMMEs on macro-competitiveness, creativity, job creation and innovation, is well documented in strategic management, economics and industrial organization literature (Huselid, 2006; Naresh and Lim, 2006; Maas & Herrington 2007). Andretesch (1995) for example, argued that small business research and development activities are more productive than in big businesses. Perhaps the biggest role SMMEs play however is that of partners in the value chain of big
business. Because of advances in technology and the race to seize new opportunities, only a few firms have the resources and capabilities to pursue their strategies alone. Big companies sometimes collaborate with SMMEs dedicated to pushing different technological paths with promising advantage potential (Doz & Hamel, 1998).

2.2.1.2 Strategic Human Resources Management (SHRM)

Truss and Gratton (1994) define SHRM as the alignment of HRM with strategic goals and objectives to promote an organisational culture that fosters innovation and flexibility thereby improve organisational performance. The term, Strategic Human Resource Management, transmits the sense of human resource management in a strategic context (Collings & Wood, 2009; Paauwe, 2009). For Strategic Human Resource Management to transmit the sense of human resource management some connection made with the strategic process through which the aims of an organization are managed, that is, its strategic management. In this context, Strategic Human Resource Management refers to the overall direction the organization wishes to pursue in achieving its objectives through people (Armstrong, 2012). Strategic HRM is an approach to making decisions on the intentions of the organization concerning people-essential components of the organization’s business strategy (Collings & Wood, 2009; Paauwe, 2009). Strategic HRM is about the relationship between HRM and Strategic management in the organization (Collings & Wood, 2009).
Strategic HRM regarded as an approach to dealing with longer-term people issues as part of the strategic management thrust of the business (Wright & Snell, 2009; Armstrong, 2012). It covers macro-organizational concerns relating to culture and structure, matching resources to future business requirements, organizational performance and effectiveness, and the management of change. SHRM supports all those HR activities used to support the firm’s competitive strategy (Wright & Snell, 2009; Armstrong, 2012). Strategic Human Resource Management encompasses those decisions and actions, which concern the management of employees at all levels in the business that directed towards creating and sustaining competitive advantage (Barney & Clark, 2007; Schuller & Jackson, 2008). Strategic Human Resource Management is used mainly as a way of aligning the strategic business content with the management of human resources (Walker, 1992; Barney & Clark, 2007).

SHRM aims to provide a sense of direction in a turbulent environment so that business and organizational needs be conveyed into coherent and practical policies and programmes. SHRM should provide guidelines for successful business action, and the ultimate test of the reality of strategic HRM in the extent to which it has stimulated such action (Schuller & Jackson, 2008; Armstrong, 2008; 2012).

### 2.2.3 Organizational Effectiveness

Several studies have reported a positive association between SHRM and organizational outcomes (Ichniowski & Shaw, 1999; Becker & Huselid, 2006). Studies have also reported a positive association between SHRM and financial
accounting outcomes (Delery & Doty, 1996). Thus, there is also evidence to suggest that SHRM can have a positive impact on capital market outcomes. For this study suggests the same, that SHRM can have a positive impact on SMME profitability and sustainability. HR outcomes interact with the organization’s other functional resources and inputs to create organizational outcomes (Way & Johnson, 2005; Lengnick-Hall, & Lengnick-Hall, 2009). Specifically, organizational outcomes are not determined by HR outcomes (i.e., the actual behaviours of the organization’s human resources) alone (Way & Johnson, 2005; Daft, 2007). Existing research has presented results that indicate that there are links between SHRM, organizational financial accounting, and capital market outcomes.

Organizational outcomes are a product of the interaction between the actual behaviours of human resources (HR outcomes) and the other functional resources and inputs deployed and used by the organization (Way & Johnson, 2005; Daft, 2007; Lawler, 2012). The organization’s functional resources and external stakeholders (e.g., suppliers, investors) may influence inputs (Budhwar, 2007; Lawler, 2012). Suppliers can influence functional inputs and resources by failing to provide the supplies necessary for the organization’s human resources to produce the desired outcomes. They can also fail to provide supplies that enhance the efficiency with which human resources can produce the desired organizational outcomes (Budhwar, 2007; Lawler, 2012). Financial accounting and capital market outcomes are a product of the interaction between the organizational outcomes produced and the external stakeholders’ (e.g., customers, government) interpretations of these outcomes. For example, customers can affect financial accounting outcomes through their assessment of the value of organizational
outcomes in their decisions to purchase or not purchase these outcomes. Similarly, based on their interpretation of organizational outcomes, stockholders will decide if they wish to increase, continue, or decrease their investments within the organization (Budhwar, 2007; Lawler, 2012).

2.3 STRATEGIC HUMAN RESOURCE MANAGEMENT THEORIES

2.3.1 Resources-Based View Theory

The RBV provides a conceptual perspective from which organizational science research can focus on internal organizational resources or assets as a strong basis for sustainable competitive advantage (Barney, 1991; Barney, Wright, & Ketchen, 2001; Wright, Dunford & Snell, 2001). Resource-Based View (RBV) is the one theory that has strong implications for SHRM (Wright et al., 2001; Priem & Butler, 2001). SHRM enhances organizational effectiveness (Ferris et al., 1998; McMahan et al., 1999; Wright & Sherman, 1999 and Delery & Shaw, 2001). The RBV has been the conceptual perspective upon which most SHRM research has been based (Barney, 2001; Priem & Butler, 2001; Wright et al., 2001). In short, while RBV helps illustrate what is needed for organizational effectiveness, the theory does not explain how to achieve it. This has created a gap in the body of knowledge. This study adopted the idea that in isolation, RBV is inadequate in providing explanatory power for the impact of SHRM. (RBV) should be used as a component in an integrated theoretical framework. Moreover, scholars like Lado & Wilson (1994) and Wright, McMahan & McWilliams, (1994) have concluded that SHRM can produce a sustainable competitive advantage and enhanced organizational effectiveness, what the
researchers find missing from this theory is insight into the process how SHRM produce sustainable competitive advantage, this has created a gap in the body of knowledge.

2.3.1.2 Resource Based View and Strategic Human Resource Management

The RBV of the firm based on the ideas of Penrose (1959), who sees the firm as an administrative organization and a collection of productive resources (Barney, 1991; and Wright & McMahan, 1992). A firm that obtains and develops the human resources can achieve firm competitive advantage (Hamel & Prahalad, 1989; Barney, 1991; and Wright & McMahan, 1992). This study, together with other researchers have similarly advocated for the need to align HR systems with the firm’s strategy to create competitive advantage.

The RBV of the firm is concerned with making an adequate investment and developing strategic capacity in the organizational human capital to add more value to the firm (Armstrong, 2008). According to Davies (2006), Morris, Snell & Wright (2006), Armstrong (2008), and Kraaijenbrink, Spender & Groen (2010), the aim of RBV is to achieve a strategic fit between resources and opportunities, improve resource capability and obtain added value from the effective deployment of resources. This study supports the idea that generally it is acknowledged that the human resource is an organizational asset, and when adequately trained and effectively deployed, can contribute to organisational outcomes. Aligning the HR systems with business strategy is therefore important for organizational competitiveness. Business strategies designed to achieve organizational objectives
fail to succeed when organizations fail to involve HRM in both strategy formulation and implementation (Dlavie, 2006; Morris, Snell & Wright, 2006; and Kraaijenbrink et al., 2010). Organizations must create a suitable environment for integrating HRM with business strategy since the HR supplies the energies for driving organizational strategies. Wei (2006) notes that there are HR systems and practices those are crucial in facilitating the achievement of business strategy through the management of people.

The underlying assumption of the RBV of the firm is resource heterogeneity (Wei, 2006; Desorbs, 2007; Armstrong, 2008). This means that the resources that different firms own are unlikely to be identical. Accordingly, these resources owned by the firm that help it achieve sustained competitive advantage must meet four requirements (DLavie, 2006; Morris, Snell & Wright, 2006; and Kraaijenbrink, Spender & Groen, 2010). Desorbs (2007) notes that if another firm cannot, easily imitate the resources a firm employs, or substituted by similar resources another firm employs, that firm can easily take advantage of this to gain competitiveness not simultaneously pursued by other firms.

Grant (2001) and Desorbs (2007) have equally shown that the link between organizational resources and firm strategy not easily identified and imitated by other firms due to the causal ambiguity and social complexity (Barney, 1991, Boxall, 1998). Thus, the integration of policies and human resource practices with the appropriate strategy can generate a sustained competitive advantage for the firm (Wei, 2006). The firm’s HR strategies, practices and policies are a unique blend of organizational culture, personalities, process, procedures, capabilities and styles that
are difficult to imitate. As Purcell, Kinnie, Hutchinson, Rayton and Swart (2003) point out, that the values and HR policies of an organization continue to constitute important non-imitable resources, as long as they are acquired and effectively implemented. One of the most important factors of competitive advantage is the ability to differentiate what a business supplies to its customers from what is supplied by its competitors (Purcell et al., 2003; Armstrong 2008; Kraaijenbrink et al., 2010). Purcell et al (2003) maintains that such differentiation achieved by having HR policies, practices and strategies that ensure that:

- Organizational values and culture exist in the organization and gives it focus;
- Organizational learning is encouraged;
- The firm has higher quality people than its competitors; and
- The unique intellectual human capital possessed by the company is developed and nurtured.

SHRM has a direct positive effect on business performance (Martell & Carrol, 1995; Becker & Huselid, 2006 and Ngo, Lau & Foley, 2008). Studies by Sudin (2004), Becker and Huselid (2006) Anderson, Cooper and Zhu (2007) and Kaplan and Norton (2008) have concluded that an organisation’s HR creates value in the organization in different ways. SHRM helps a firm to be more creative and innovative; this promotes efficiency in daily activities and is able to allocate important and strategic human resources more effectively to strategic positions. Once the organization becomes innovative SHRM would enable the firm to accommodate environmental changes and challenges (Sudin, 2004, Wright & Kehoe, 2008). Turvey, (2004) indicates that once management becomes proactive management
style, this would enable clear transmission of organizational goals and objectives. Workers and middle level management remain highly motivated and involve themselves in HRM concerns. Anderson et al. (2007) asserts that business performance is enhanced through the establishment of high organizational morale, good financial performance, worker commitment this brings customer satisfaction and innovation.

According to Delery & Doty (1996), Becker & Huselid (2006), Garavan (2007), Wright and Kehoe (2008) SHRM can enhance total organizational value. It creates market value per employee, creates customer value and creates value for stakeholders by bringing high return on equity. Garavan (2007) indicates that SHRM development through training contributes to creation of firm specific skills and knowledge when training was aligned with the organisation’s strategic goals. Increased productivity has been noted by scholars such as Singh and Vohra (2005) and Garavan (2007) in SMMEs that align or integrate their HR practices and strategies with the business strategies of the organization. The study focused on Garavan (2007) who sees strategic human resource development as contributing “to the creation of firm-specific knowledge and skill. The study researched on whether in small enterprises that align or integrate their formal and informal SHRM practices and strategies with the business strategies of the SMME would result in increased performance.

2.3.2 The Multiple Stakeholder Perspective Theory

The multiple stakeholder perspective provides a theoretical framework that can enhance the ability to accurately measure and define organizational effectiveness
The theory behind the integration of a multiple stakeholder perspective in SHRM research is in systems theory (Ackoff, Addison & Carey, 2010; Buckley, 2011). Systems theory emphasizes that organizations are open systems rather than independent ones requiring the support of all (i.e., both internal and external) stakeholders in order to successfully address relevant organizational issues and problems (Freeman & McVea, 2001; Garavan, 2007; Schuler & Jackson, 2008).

When adopting a multiple stakeholder perspective, the focus is on external and internal stakeholders with common attributes such as owners, employees, customers, society, suppliers, and government (Freeman, 2004; Ackoff et al., 2010; Buckley, 2011). Although all stakeholders have some influence on some decisions or outcomes, the power of a stakeholder will vary by the decision, the outcome, the organization, and various other environmental factors (Rogers & Wright, 1998; Freeman & McVea, 2001; Kaplan & Norton, 2008; Truss & Gratton, 2009; Shim & Steers, 2012).

This study concentrated on the influence of customers, employees and owners in SMME. The power relationships among stakeholders, the goals and objectives of these stakeholders influence organizational goals and objectives as well as the strategies pursued by the organization. These measures of effectiveness should be used to evaluate the impact of SHRM on the organization (Garavan, 2007; Schuler & Jackson, 2008). For this study, the researcher believed in the idea that multiple stakeholder perspective can provide a theoretical framework that can enhance the ability to define and measure organizational effectiveness.
Freeman & McVea (2001) offer seven key characteristics of a stakeholder approach to strategic management:

First, the approach must be descriptive as well as prescriptive. Second, strategic management must be linked to specific stakeholders rather than the customers in general or general roles. Third, organizational survival is paramount and requires an understanding of the organization’s impact on its multiple stakeholders the as well as support of stakeholders. Fourth, the approach must develop a single, flexible strategic framework that allows managers to adopt new strategies as the business environments shift. Fifth, an organisation must invest in stakeholder mutual relationships that ensure and guarantee long-term profitability. Sixth, the approach must be a management process that assessing the mutual interactions between an organization and its environment and continually seeks new directions for the organization and Seventh, stakeholder approach must integrate all perspectives to be successful.

A multiple stakeholder approach recognizes the multidimensional and dynamic as well as the multilevel nature of the strategic management process (Freeman & McVea, 2001; Garavan, 2007; Schuler & Jackson, 2008). The development of a theoretical SHRM framework that incorporates a multiple stakeholder perspective along with RBV would enhance the ability to accurately explicate and evaluate the primary linkages of SHRM. The multiple stakeholder perspective provides a framework that allows for the influence of stakeholders on SHRM and organizational effectiveness, stakeholders on how organizational effectiveness is measured, SHRM on stakeholders, and stakeholders on how SHRM and the organization are evaluated (Freeman & McVea, 2001; Garavan, 2007; Schuler & Jackson, 2008).
Garavan, (2007) and Schuler & Jackson, (2008) reveal that very little has been found out in all the four multiple stakeholder perspective components. This has created a gap in the body of knowledge.

2.3.2.1 The Concepts of Vertical and Horizontal Linkage

Within SHRM research, horizontal linkage refers to the degree to which the HRM practices deployed by SHRM elicit congruent outcomes from the organization’s human resources (McMahan et al., 1999; Wright & Boswell, 2002) while vertical linkage refers to the degree to which SHRM is consistent with other key organizational processes (Delery & Doty, 1996; McMahan et al., 1999; Wright & Boswell, 2002).

Although the effective deployment of HRM practices such as selection and training which are referred to as technical HRM, lay the foundation for a HRM system capable of producing competitive advantage, enhancing organizational effectiveness and creating value. However, it argued that technical HRM alone is unlikely to produce a sustainable competitive advantage to any firm (Way & Thacker, 2001; Huselid et al., 2006).

Way and Thacker (2001), indicate that to produce a sustainable competitive advantage, create value, and enhance organizational effectiveness, the deployed HRM system (comprised of the HRM practices deployed by the organization) must be linked with other organizational resources (Delery & Doty, 1996; Delery, 1998; Huselid et al., 2006). However, the exact conceptualization of such a linkage varies
among researchers (Becker & Gerhart, 1996; Chadwick & Cappelli, 1999). Most scholars believe that the value of SHRM, and the impact of SHRM on organizational effectiveness, will be enhanced when an organization has deployed effective HRM practices. The HRM system comprises of practices, which are consistent with each other and work to elicit those outcomes from the organization’s human resources necessary for the achievement of organizational goals and objectives (Wright, 1998; Lengnick-Hall & Lengnick-Hall, 2006, Schuler & Jackson, 2007). Furthermore, scholars suggest that the value of SHRM, and its impact on organizational effectiveness, may be magnified when the human resources, and HRM processes and deployments of an organization that support the organization's ability to address internal and external demands (Butler, Ferris, & Napier, 1991; Lengnick-Hall & Lengnick-Hall, 2006).

To develop accurate explications of how and why the primary linkages of SHRM work, a clear explanation of vertical and horizontal linkage must be provided, that accounts for complex issues such as the impact of external and internal stakeholders. However, as Fiegenbaum, Hart, and Schendel (1996) state, that a classic problem in the field of strategic management has been how to establish and maintain a match between anticipated internal organizational resources and expected external environmental demands. This has created a gap in the body of knowledge.

One main reason for this problem was proposed by (Truss, Mankin & Kelliher, 2012; Klein, Becker & Meyer, 2012) who argue that many of the empirical investigations have made assumptions not driven by, or consistent with, the theoretical base and
that the conceptual foundations of SHRM have been very weak. Although several conceptual theories and perspectives have been introduced over the years, SHRM research has only demonstrated that certain linkages can and do exist (Delery & Shaw, 2001; Truss et al., 2012; Klein et al., 2012). Research tends to lack explanations for why or how the primary linkages of SHRM work (Wright & Sherman, 1999; Delery & Shaw, 2001; Klein et al., 2012). This has created a gap in the body of knowledge. Thus, in order to provide solid, conceptual explanations for what needs to take place strategically, concerning horizontal and vertical linkage, a strong theoretical explanation of the primary linkages of SHRM research remains necessary.

2.3.3 Systematic Agreement Theory

Systematic Agreement Theory (SAT) provides a framework in which organizational alignment i.e., the degree to which an organizational culture, strategies, and designs corporate to achieve the same intended goals. The SAT framework is proposes to enhance organizational effectiveness (i.e., the achievement of organizational goals and objectives) and create competitive advantage (Semler, 1997; Way, & Johnson, 2005, Lengnick-Hall & Lengnick-Hall, 2009). According to Semler (1997), SAT introduces four major aspects of organizational alignment namely: environmental alignment, cultural alignment, structural alignment, and performance alignment. In this study, horizontal (i.e., internal to SHRM) and structural alignment, cultural alignment, and performance alignment are considered as vertical (i.e., external to SHRM) environmental alignment.
2.3.3.1 Structural Alignment

Structural alignment means that organizations move from a vertical structure to a horizontal structure, representing a relatively hierarchical structure to a cross-functional one (Ostroff and Smith, 1996; Lengnick-Hall & Lengnick-Hall, 2009 and Armstrong, 2012). According to Way, & Johnson, (2005), Lengnick-Hall & Lengnick-Hall (2009) and Armstrong, (2012) structural alignment relates to the congruency between the goals of different activities/processes within the organization and how SHRM is designed to elicit the necessary behaviours to meet those goals. As a result, vertical structural alignment refers to the extent to which the strategies, goals, and objectives for key organizational processes are congruent throughout the organization so that these processes contribute toward the attainment of the goals and objectives of the organization as a whole (Semler, 1997; Kaplan & Norton, 2008).

Vertical structural alignment is achieved when the goals, objectives, and strategies for all of the organization’s key processes are congruent with each other and facilitate the realization of organizational outcomes (Schuler & Jackson, 2007). Horizontal structural alignment refers to the extent to which an organization elicits behaviours/outcomes from its human resources that are consistent with those behaviours/outcomes necessary for the achievement of organizational goals and objectives (Wright, 1998; Schuler & Jackson, 2007).

Rowland and Armistead (1996) realise that the horizontal structure requires alignment of management systems and style. Horizontal structural alignment is
achieved in two steps: The first step of horizontal alignment involves staffing, i.e., selection, training, retaining, developing, performance management and empowering self-directed teams. Self-directed teams are a workforce that comprise of human resources that possess the skills and behaviour scripts required to perform those behaviours (produce those outcomes) that are necessary for the achievement of organizational goals and objectives (Way, 2002; Wright & Snell, 2009).

The second key element of horizontal alignment involves motivating these human resources to exhibit those behaviours that produce the outcomes (Way, 2002; Wright & Snell, 2009). These behaviours are also necessary for the attainment of organizational goals and objectives (Way, 2002; Wright & Snell, 2009). Horizontal structural alignment is important to this study because in SMME strategic practices such as selection, training, retaining and performance management possess the skills and behaviour scripts required to perform those behaviours that are necessary for the achievement of organizational goals and objectives (Way, 2002; Wright & Snell, 2009).

2.3.3.2. Cultural Alignment

Cultural alignment relates to how an organization’s leadership as well as SHRM engenders an organizational culture that supports organizational strategies and the achievement of organizational goals and objectives (Lengnick-Hall & Lengnick-Hall, 2006). Numerous studies discussed the relationship between organizational culture and firm performance in several ways (Chan, Shaffer & Snape, 2004; Lengnick-Hall & Lengnick-Hall, 2006; Daft, 2007). First, previous research demonstrated that
organizational culture could positively influence organizational performance by shaping employees’ behaviours toward specified goals shaping employees’ behaviours toward specified goals, motivating employees and guiding staff (Lengnick-Hall & Lengnick-Hall, 2006; Daft, 2007).

Secondly, viewed as an inimitable, unique and valuable resource based on the resource-based view, organizational culture is a typical sustained competitive advantage of a firm that positively impact performance (Chan et al., 2004). Thirdly, organizational culture enables a firm to constantly adapt to the changing market conditions and quickly react to dynamic environment, and this enhances organizational performance (Chan et al., 2004; Daft, 2007). Studies that are more empirical should be focused on the manner in which specific organizational culture affects organizational effectiveness. Previous research has examined the relationships between specific culture domains and specific organizational performance (Chan et al., 2004; Daft, 2007).

In this study, vertical cultural alignment refers to the extent to which organizational culture (i.e., those values, shared perceptions and beliefs central to the organization’s internal and external stakeholders) is congruent with organizational goals, objectives, and strategies (Fombrun, 1996; Schneider, Brief, & Guzzo, 1996; Semler, 1997; Lengnick-Hall & Lengnick-Hall, 2006). Research indicates that the vertical cultural alignment is more likely to be achieved when the needs of the organization’s various stakeholders are valued and an impetus for organizational change (Fombrun, 1996; Kotter & Heskett, 2011). Horizontal cultural alignment refers to the degree of congruency between an organization’s climate and culture
(Schneider et al., 1996; Semler, 1997; Lengnick-Hall & Lengnick-Hall, 2006; Kotter & Heskett, 2011).

Within this context, organizational climate refers to the day-to-day perceptions that the organization’s human resources have about what organization requires and rewards. It is also, about how the organization operates and the outcomes required (Schneider et al., 1996; Ferris et al., 1998; Kotter & Heskett, 2011). This study supports the notion that HRM systems are the primary means through which SHRM can communicate with human resources the outcomes the organization expects and values (Schneider et al., 1996; Jackson & Schuler, 2008; Kotter & Heskett, 2011).

2.3.3.3 Performance Alignment

Performance alignment refers to the extent to which the organization’s actual outcomes match those outcomes necessary for the organization to meet its goals and HR outcomes (Jackson & Schuler, 2008; Kaplan & Norton, 2010). However, prior researches (Arthur, 1994; Batt, 2002) indicate that the impact of SHRM on the other dimensions of organizational effectiveness that is financial accounting, organizational and capital market outcomes mediated by HR outcomes. Therefore, vertical performance alignment (Dyer & Reeves, 1995; Semler, 1997; Kaplan & Norton, 2010) refers to the degree of congruence between the organization’s actual organizational, financial accounting, and capital market outcomes and the organization’s desired outcomes that are necessary for the organization to meet organizational goals and objectives.
Horizontal performance alignment (Semler, 1997; Schuler & Jackson, 2008; Lengnick-Hall & Lengnick-Hall, 2009) refers to the degree of congruence between the organization’s actual HR outcomes and the organization’s desired HR outcomes. For this study HR outcomes that facilitate the achievement of those financial accounting, organizational, and capital market outcomes necessary for the SMME to meet its goals and objectives. Thus, vertical performance alignment indicates the degree to which the organization as a whole is achieving its goals and objectives, whereas, horizontal performance alignment indicates the degree to which SHRM is eliciting, from the organization’s human resources, the behaviours/outcomes necessary for the organization to meet organizational goals and objectives. That is, performance alignment is an evaluative process, which is an important mechanism of adaptation for any open system (Schuler & Jackson, 2008; Lengnick-Hall & Lengnick-Hall, 2009).

2.3.3.4 Environmental Alignment

The final aspect of the SAT is environmental alignment, which reflects the strategic fit between the demands of the external environment and the selected goals, tactics, and vision of the organization (Semler, 1997; Lengnick-Hall & Lengnick-Hall, 2009). Whereas the previous three aspects of organizational alignment involve internal factors, environmental alignment reflects external aspects. As Semler (1997) points out, for an organization to have strong alignment leading to enhanced effectiveness, it must be able to positive react to the external environment regardless of the strength of its internal alignment. Here, the multiple stakeholder perspective and open systems theory become paramount. As Morrow and Hitt (2000) argue, that to
be effective, an organization must have a flexible framework such that it can respond to changes in its various stakeholders as well as the environment. Thus, this final aspect of Semler’s (1997) theory is a crucial factor in explaining how the individual elements of an organization can enhance organizational efficiency and effectiveness.

While SAT provides a framework for understanding the importance of alignment in showing organizational effectiveness, it fails to explain how the owner/manager and organization should approach these decisions. This has created a gap in the body of knowledge. Strategic reference point’s theory (SRPT) offers a cognitive perspective that helps explain the decision-making steps that are necessary to achieve horizontal and vertical linkage.

### 2.3.4 Strategic Reference Point Theory

Fiegenbaum, Hart, and Schendel (1996), J Paauwe (2009) and Shinkle (2012) show that SRPT has a strong theoretical framework that incorporates three critical dimensions related to alignment: time using a number of theoretical perspectives like motivation theory, conditions internal to the organization and conditions external to the organization. Most Scholars support that taken together, the different perspectives like resource dependence (Pfeffer & Salancik, 2003) strategic intent (Hamel & Prahalad, 2010), and motivation theory (Hatch, 2012), suggest a broad range of potential reference points from which an organization creates benchmarks.

This present study used the SRPT in SMME as a strong theoretical framework as illustrated by Fiegenbaum et al. (1996). These benchmarks are also time-based;
organizations plan and learn from the past. In turn, decision-makers to make strategic decisions, to evaluate choices, and to signal to other key personnel their system wide or organizational properties (Bamberger & Fiegenbaim, 1996), use these strategic reference points (SRPs). Bamberger and Fiegenbaum (1996) suggest that by showing how managers establish system-level policies and practices on the basis of comparisons with internally, externally, and temporally based targets, the model provides a much needed link between strategy and policy at the [organizational] level and implementation and practice at the system or sub-organizational level. Two important concepts of SRPT that impact organizational effectiveness with respect to SHRM are fit and consensus.

2.3.4.1 Fit

Under SRPT, the notion of fit has two dimensions first; Internal fit represents the degree of congruency among the SRPs of the HRM process (Bamberger & Fiegenbaim, 1996). Internal fit is similar to horizontal linkage i.e., the degree to which HRM practices deployed by SHRM show congruent behaviours from the organization’s human resources (McMahan et al., 1999; Wright & Boswell, 2002). The External fit relates to how well the benchmarks of the HRM process complement the organization’s overall SRPs (Bamberger & Fiegenbaim, 1996). External fit is similar to vertical linkage i.e., the degree to which SHRM is consistent with other key organizational processes (McMahan et al., 1999; Wright & Boswell, 2002).
2.3.4.2 Consensus

Internal consensus represents the degree to which functional top management team members are in agreement with the strategic bends and means for that function (Bamberger & Fiegenbaim, 1996). External consensus represents the degree to which functional top management members who are in related functions (e.g., customer service), are in agreement with the strategic means and bends for the specified function (Bamberger & Fiegenbaim, 1996). Thus, SAT provides a normative framework for understanding both vertical and horizontal linkage. Missing from this theory, however, is an explanation of how these linkages are determined. This provides a gap in the body of knowledge. SRPT explicates the cognitive process behind the strategic choices used in alignment and examines the implications of these decisions on organizational effectiveness (Fiegenbaum et al., 1996).

2.3.5 GAPS IDENTIFIED DURING REVIEW OF STRATEGIC HUMAN RESOURCE MANAGEMENT THEORIES

Lado, Boyd, Wright and Kroll, (2006) Armstrong and Shimizu, (2007), Schuler and Jackson, (2008), Barney, Ketchen and Wright,(2011) notes that RBV provides a conceptual perspective from which organizational science research can focus on internal organizational resources as a basis for firm sustainable competitive advantage. What is missing from this theory is insight into the process by which SHRM enhances organizational effectiveness. This study tried to cover up this gap
by studying how SHRM enhances SMME effectiveness by testing the impact of SHRM on SMME profitability and sustainability.

Review of related literature shows that the theoretical framework provided by the multiple stakeholder perspective can define and measure organizational effectiveness. But very little has been studied on how the multiple stakeholder perspective can be define and measure SMME effectiveness. For this study assessed the theoretical framework which was provided by the multiple stakeholder perspective to try to find out how it defines and measure SMME effectiveness.

2.4 STRATEGIC HUMAN RESOURCES MANAGEMENT THEORETICAL FRAMEWORK

2.4.1 Strategic Human Resources Management (SHRM)

SHRM is divided into two stages: HRM systems and HRM strategies. SHRM theoretical framework is consistent with both the concept of human resource equifinality and architectures for i.e., that systems can through a variety of paths, reach the same state from different initial conditions (Delery & Doty, 1996; Becker & Huselid, 2006). For this study is concerned with the concept of human resource architectures, this framework allows for the use of multiple HRM strategies that emphasize different HRM practices for multiple groups of human resources (employees) in SMME. Moreover, consistent with the concept of equifinality, the framework allows for the implementation of different HRM systems that comprises of
different HRM practices aimed to achieve the same outcomes (Lepak & Snell, 1999; 2007; Tan, 2011).

### 2.4.2 Human Resources Management strategies

HRM strategies show how the organization’s human resources and the HRM function contribute to the attainment of organizational goals and objectives (Becker & Huselid, 2006; Lengnick-Hall & Lengnick-Hall, 2006). The degree of vertical structural alignment (vertical linkage) is expected to be greatest when HRM input regarding the ability of SHRM to contribute to the attainment of the goals and objectives and provides feedback of the organization as a whole (Lengnick-Hall & Lengnick-Hall, 2006). From a SRPT standpoint, both internal and external fit becomes critical because the organization should develop congruence among the benchmarks in the HRM process (Becker & Huselid, 2006; Lengnick-Hall & Lengnick-Hall, 2006). Moreover, those benchmarks should complement the overall reference points of the organization. In addition, internal consensus is important because all top management team members in HRM must agree with the strategies in place for that function. In turn, RBV implies that a high degree of external consensus leads to the achievement of inimitability (Lengnick-Hall & Lengnick-Hall, 2006).

### 2.4.3 Human Resources Management Systems

Bowen & Ostroff, (2004), Collins & Smith, (2006), Becker & Huselid, (2006) and Storey, (2007) state that the actual practices that are included within these systems
are the human resources (or group of human resources) the system is trying to influence, and a product of the HRM strategies employed by the organization, the actual versus the desired HR outcomes of these human resources. When designing these unified sets of HRM practices, SHRM has a menu of practices from which to choose (Schuler & Jackson, 2008). Bowen & Ostroff, (2004), Way, Johnson, (2005) Garavan, (2007), Gerhart, (2008) maintain that horizontal structural alignment (horizontal linkage) is enhanced when an organization implements, through its HRM systems unified sets of HRM practices. The HRM practices that staff, motivate develop, and retain the organizational human resources to show those behaviours/produce those outcomes which enable the organization to enact their strategies and meet organizational goals and objectives (Way, 2002; Wright & Snell, 2009).

2.4.4 Organizational goals and objectives

Organizational goals and objectives set the purpose of the organization. SAT, Systematic Agreement Theory indicates that it is critical that there be a high degree of consistency between organizational goals and objectives and organizational culture (i.e., those shared perceptions of beliefs and values central to the organization’s internal and external stakeholders), an element of SAT’s vertical cultural alignment. According to SRPT, organizational goals and objectives (i.e., benchmarks) are determined by assessing both internal and external conditions as well as making assessments from things learned and feedback from different stakeholders (Yang, 2010; Hung, 2010).
Thus, consistent with (SRPT) Strategic Reference Point Theory, SAT, the multiple stakeholder perspective, and organizational goals and objectives will differ from organization to organization. They are dependent upon the organization’s culture and previous experiences—i.e., the organization will incorporate those strategies and processes that have provided effective outcomes, while disassociating themselves from those strategies and processes that did not work or did not produce the desired outcomes (Chuck, 2011).

2.4.5 Organizational Strategies

Organizational strategies are influenced by the feedback of the organization’s various functions regarding its ability to provide the resources and inputs as well as produce the outcomes necessary for the function to contribute to the attainment of the goals and objectives of the organization as a whole. Organizational strategies reflect the views of the firm’s leaders and also emerge from an organization’s culture (Bailey & Johnson, 2001; Lumpkin & Dess, 2001; Lumpkin & Katz, 2009). SAT maintain that vertical structural and vertical cultural alignment is the key; therefore, organizational strategies should be congruent (i) with organizational goals and objectives, (ii) with organizational culture, and (iii) throughout the organization. Thus consistent with SAT, (SRPT), the multiple stakeholder perspective, and organizational strategies are dependent upon each organization’s goals and objectives, culture, stakeholder (functional) feedback, and previous experiences (Lumpkin & Katz, 2009).
2.4.6 Strategic Human Resources Management and Human Resources outcomes

SHRM is the primary means through which organizational leaders can communicate organizational behavioural requirements, priorities, and goals (Way & Johnson, 2005; Jackson & Schuler, 2008). Kor, Mahoney, (2004), Lopez-Cabrales & Valle, (2006). Garavan, (2007), Schuler & Jackson, (2008), Lengnick-Hall & Lengnick-Hall, (2009) advocates that through the employment of HRM practices such as training, socialization, staffing, performance management, job design, benefits, and pay. SHRM communicates to the workforce which behaviours/outcomes the organization expects and values. Consistent with existing research (Roger, Schmidt, Shull, & Schmitt, 2001) that SHRM directly affects organizational climate and the behaviours outcomes that the organization requires and rewards (Schneider et al., 1992 Garavan, 2007; Schuler & Jackson, 2008; Lengnick-Hall & Lengnick-Hall, 2009). Moreover, the planned impact of SHRM on human resources is mediated by organizational climate (Ferris et al., 1998; Roger et al., 2001).

An important assumption underlying the previous discussion on climate is that the organization has already attracted a solid pool of qualified applicants from which to select its human resources. Organizations can developing a human capital pool (Fombrun, 1996) or improve their ability to recruit the best-qualified individuals by creating a good reputation (Ferris et al., 1998). The organization sends signals to potential candidates, regarding management effectiveness, by implementing HRM systems that reflect core values and consider both internal as well as external stakeholders (Fombrun, 1996; Ferris et al., 1998). Ferris et al. (1998) suggest that
reputation not only sends a message to potential applicants, but existing human resources can contribute to an organization’s reputation as well. By being effective in their behaviours, committed to the organization, and doing more than is required, current human resources can play a role in creating a good reputation for the organization.

Once the organization has attracted qualified applicants, the selection process, which is based on HRM strategies, should be able to choose and deploy those individuals best suited to contribute to the achievement of organizational goals and objectives (Armstrong, 2008). The climate of the organization will dictate the desired behaviours, expectations, and norms through the socialization process, newly acquired human resources will learn what is required of them (Armstrong, 2008; Garavan, 2007; Schuler & Jackson, 2008).

The actual behaviours (i.e., the HR outcomes) elicited from the organization’s human resources by SHRM are dependent upon the prior skills and behaviours of the organization’s human resources, the current sets of HRM practices implemented, organizational climate and the needs of other stakeholders. Consistent with the concept of vertical performance alignment, HR outcomes, in turn, influence SHRM. Berger, (2002) and Armstrong, (2008) prescribe the HRM system(s) employed by an organization are a product of the extent to which the organization’s actual HR outcomes match those HR outcomes necessary for the organization to achieve its goals and objectives.
2.5 THE GAPS IDENTIFIED BY REVIEW OF SHM THEORETICAL FRAMEWORK

Dyer and Singh, (1998), Eisenhardt and Martin, (2000), Kale and Singh, (2007), and Barney, (2012) conclude that less focus has been paid to the research on the way firms are organized and relationship between firm capabilities and their resources.

Colbert, (2004) and Sheehan and Foss, (2007) indicate that more effort is needed to extend the RBV from merely examining the resource attributes to analysing the extent of the relationship between these resources and other related variables towards achieving competitive advantage level.

Kor, Mahoney, (2004), Lopez-Cabrala and Valle, (2006), Garavan, (2007), Schuler and Jackson, (2008), Lengnick-Hall and Lengnick-Hall, (2009) indicate that strategic human resource training and development contribute to the creation of specific skills knowledge and capabilities. This is done when it is aligned with the organisation’s strategic goals (Garavan, 2007; Schuler & Jackson, 2008; Lengnick-Hall & Lengnick-Hall, 2009). Increased productivity has been noted in small enterprises that integrate or align their strategies with the business strategies and formal and informal HR practices of the organization (Lopez-Cabrales & Valle, 2006; Garavan, 2007; Schuler & Jackson, 2008; Lengnick-Hall & Lengnick-Hall, 2009). Very little has been done on integrating formal and informal SHRM practices and strategies with the business strategies of an SMME.

have provided great amount of significant research showing the link between SHRM practices and organisational performance, there are many questions which have not been answered regarding the implications of RBV for SHRM research that remain unanswered. First, what is faith and its role in the link between organisational strategy and HRM? Second, as to whether research on SHRM and organizational performance has actually tested the RBV? Thirdly, whether or not HRM defined as systems of HR practices truly constitutes a resource under the conditions outlined by Barney (2001). These questions provided the gaps in SHRM in which the present study intended to fill.

The main methodological issue in question was whether a single respondent could provide an adequate assessment of the human resource practices of the whole organization. The literature review indicates that several debates have failed to agree that one person can provide reliable information that useful to accurately assess and evaluate the human resources practices of the whole organisation. This study used a single respondent in the form of an owner and/or manager of an SMME.

The RBV has provided a clear route for organizations to execute and plan its organizational strategies via examining the position of their internal resources and capabilities towards achieving competitive advantage (Combs et al. 2006; Collins and Smith, 2006; and Paauwe, 2009). The main issue raised by the RBV and its application to SHRM research is the sustainability of HRM as a competitive advantage to an organisation. This concept has not been tested, but can provide new learning ground for research in the areas of the factors that enable SMME
sustainability through SHRM. (Combs et al. 2006; Collins and Smith, 2006; and Paauwe, 2009).

2.6 THE CONTEXT OF SMME DEVELOPMENT IN SOUTH AFRICA

South Africa has been at the forefront of developing pro-SMME policies (Rogerson, 2004; Cassim, 2006; Mathapo, 2010). The government’s SMME policy initiative was first outlined in a 1995 White Paper and, since then, various measures have been implemented to assist the development of this sector. In the year 2005, White Paper, new issues arose which lead to the development of a new strategy from the Department of Trade and Industry. These issues include black economic empowerment and local economic development (Rogerson, 2004).

The policy instruments were intended to positively impact on the SMME sector span the entire breadth of economic and social policy (Cassim, 2006; Mathapo, 2010). Apart from the national SMME development programme articulated in the Integrated Small Enterprise Development Strategy, policy development strategies, skills development sector and provincial SMME policies all have significant SMME development components.

2.6.1 The Integrated Small Enterprise Development Strategy (2005-2014)

In 2005, the Department of Trade and Industry released an Integrated Small-Enterprise-Development Strategy (DTI, 2005), outlining the objectives for the period

The strategy was based on three pillars:

- Increase supply of financial and non-financial support services;
- Create demand for small enterprise products and services; and
- Reduce small enterprise regulatory constraints (DTI, 2005).

The first pillar was to be achieved through a regulatory impact assessment and business environment monitoring mechanism (Theta, 2005). The second pillar consists of streamlining resources from the public sector and encouraging resources from the private sector. The third pillar was to be driven by new policy initiatives, particularly procurement policy and BEE codes of good practice as levers for increased demand (DTI, 2005).

2.6.2 The SMME Institutional Framework

The Integrated Small Business Development Strategy (the dti, 2005) identifies a number of institutions that have important roles in the implementation of the strategy. These agencies (which include both dedicated SMME support agencies and institutions with broader and related functions) Some of these have operated more effectively than others, and the Strategy identifies the need to improve coordination both within government and between support agencies in order to improve implementation (the dti, 2005).
The 1995 White Paper on Small Business, together with the National Small Business Development Act of 1996, represent the country’s first policy framework for SMMEs (Bezuidenhout et al., 2005). The main institutional pillars created around this legislative framework were:

1. Khula Enterprise Finance set up as a finance institution supporting finance intermediaries dealing with the SMME entrepreneurs;

2. Local Service Centres (LSC), later known as Local Business Service Centres, which were decentralized vehicles for small business support;

3. Ntsika Enterprise Pro-motion Agency, which was to provide non-financial or business development services;

4. Manufacturing Advice Centres (MAC) set up to improve competitiveness in local, national and international markets;

5. Tender Advice Centres set up to give advice for public procurement contracts; and

6. The Community Public Private Partnership Programme (CPPP), established in 1999 to facilitate the entrepreneurial base in rural and peri-urban South Africa (Bezuidenhout et al., 2005).

The National Small Business Amendment Act (signed in 2004) sought to provide a more integrated range of services for small business by merging Ntsika, Namac and the CPPP into the Small Enterprise Development Agency (SEDA) and realigning the development agencies. Although these structures survived for a couple of years and through their support some successful business initiatives were facilitated, overall their efforts were in effective and uncoordinated (Rogerson 2004).
In South Africa, all economic actors were expected to play an active role in the socio-economic transformation of the country and SMMEs have been identified as important agents in this process. They are expected both to benefit from and to actively contribute to the BEE strategy (Rogerson 2004). Accordingly, the development of SMMEs over these years has been guided by this transformation imperative and the institutional framework has been influenced by the different objectives guiding it (Rogerson 2004).

Three objectives have guided the strategy supporting SMMEs in South Africa. First, the socio-political objective of empowerment second, the economic objective of small business promotion and third, the welfare objective of supporting income generation in the survivalist sector: (Enterprise, Johannesburg, and 31 May 2003). There are few reliable figures available on the performance and impact of government support programmes concerning the SMME sector as a whole (Rogerson, 2004).

According to Khula 2005 Annual Report, during that year 51% of beneficiaries were black owned and managed business, 49% were women owned and managed businesses and 38% were business located in rural areas outside Gauteng, Western Cape and KwaZulu Natal (Khula, 2005). Agencies working with small businesses, including the Department of Trade & Industry (DTI), struggle with inadequate data on the number and nature of small, medium and micro enterprises and with the difficulty in measuring the effect of the government’s efforts (Financial Mail, Johannesburg, 15 May 2004).
According to the 2004 SMME survey, poor communication is a real part of the problem. The survey found that 70% of SMMEs felt that government communicates its incentives poorly or very poorly, and that 64% of SMMEs felt that government communicates legislation poorly or very poorly (Business Day, Johannesburg, 15 August 2004). Red tape within these mechanisms and within the broader regulatory framework is a major concern. According to a survey, which investigated the opinions of entrepreneurs from medium-sized businesses employing between 50 and 250 people, regulation and red tape was the greatest constraint to growth and development of small business in South Africa (Grant Thornton, 2006). While, in 2005, 41% of business owners and/or managers in the country cited regulation as the biggest constraint to the growth of their business, the rate went up to 45% in 2006 (Grant Thornton, 2006). The second greatest threat for South African business owners, at 44%, was lack of a skilled workforce, up from 36% in 2005 (Grant Thornton, 2006).

Under the scorecard for Qualifying Small Enterprises, indicators have been adapted and all elements weigh 20%. The scorecard allows companies to choose five out of seven BBBEE factors for scoring purposes (Grant Thornton, 2006). Scorecard for Qualifying Small Enterprises had these elements: ownership, employment equity, management control, enterprise development, preferential procurement, social development and skills development (Grant Thornton, 2006). All the Elements Weigh 20%.

Overall, under the QSE scorecard, small businesses, both black and white, are still expected to contribute to empowerment but in a broader and more flexible way
The emphasis on management and ownership is shifted to a broader approach in which enterprise and social development play equal roles to the development of skills and preferential procurement (Grant Thornton, 2006; Janish, 2006).

The hope seems to be that meaningful transformation can be achieved through an approach that encourages contributions to all the different transformation elements and that by working on the development of human resources more sustainable empowerment can be built through the years. White businesses are still encouraged to promote black management and ownership (Janish, 2006). This is a positive development. It gives certain preference to black owned firms while also putting pressure on them all to contribute to broad empowerment, and it lightens the burden on existing white firms that struggle in a competitive environment (Grant Thornton, 2006; Janish, 2006).

2.6.3 The South African Government Initiatives for SMME Support

Nieman, 2001; Rogerson, 2004; 2005 state that SMMEs have qualities that enable them to create and provide opportunities, stimulate initiatives and innovations, to promote healthy competition and fulfil extremely important socio-economic role with more ease than big businesses. Most writers (Driver, Wood, Segal and Herrington, 2008) however; believe that SMMEs will only stimulate growth when they get assistance from the government legislation and policies that would create conducive environment for their growth and sustainability. Fatoki and Garwe (2010), Hein (2010), Maboa (2011) and Neneh (2011) noted that in the South African economy,
entrepreneurs are seen as the potential primary creators and drivers of new business and therefore they are clearly distinguished as economic actors.

Entrepreneurship plays a vital role in the survival, and growth of any emerging economy (Olawale and Garwe, 2010). South Africa is characterised with low economic growth, high unemployment rate, and a high level of poverty, SMMEs becomes an important solution to the key economic challenges (Fatoki, A Odeyemi, 2010; Ligthelm, 2012 and Ryan, 2012). Either more people are choosing SMMEs as their career path, or they are forced to create their own employment because of high levels of unemployment (Herrington et al., 2010). SMMEs play an important role in the informal sector in S.A. where there is a greater direct link between the SMMEs’ standard of living and the customer; if the customer does not buy, the SMMEs do not survive. While the relationship between economic growth and SMMEs is complex and multi-faceted, entrepreneurial capability is a necessary ingredient of a country’s capacity to sustain economic growth (Pressly, 2007; Herrington et al., 2010).

The South African government designed different types of support services and programmes to stimulate small business development. These are financial support, development of relevant legislative framework, capacity building programmes, market linkages, and provision of physical infrastructure, the government initiatives are aimed at achieving the following goals: deal with poverty alleviation, the unemployment problem, employment creation; youth empowerment, develop income generation, development of rural communities, BBBEE, and business growth (Business Reports, 2000).
According to Pressly (2007), it was indicated that government increased its expenditure on small, medium and micro enterprises (SMMEs), in ten key areas of government procurement of services and goods. The aim of the government was not only to broaden the base of SMME involvement in government procurement in general, but to fast track black economic empowerment, particularly amongst the poorest of the poor. The idea was born out of the economic cluster of ministers, led the minister of trade and industry (Business Report, 2007). It was decided that for the 2009/2010 financial year 85 per cent of expenditure by departments on the set products, and services would be procured from SMMEs. It was indicated that the government has already spent hundreds of millions of rand on provision of services from SMMEs, which will increase per year (Business Report, 2007).

2.6.4 Growth Employment and Redistribution (GEAR)

The South African Government’s strategy for SMMEs was viewed in the context of its overall micro-economic policy, the Growth Employment and Redistribution policy (GEAR) this was adopted in 1996 (Hodge, 2009 and Levy, 2010). The main assumption for GEAR was that the accelerated economic growth was more likely to be established by supply side measures of the economy, as compared to demand side measures of the economy (Hodge, 2009 and Levy, 2010). The South African GEAR economic policy was aimed at stimulating economic growth driven by the government (Hodge, 2009 and Levy, 2010). The government was expected to create a good, appropriate environment within the private sector, which would enable in economic growth (David, 2001). While globalisation might appear to be the only way
to go, such a strategy rarely favours the growth and development of SMME sector unless it receives some level of protection.

Only larger firms with sufficient resources are able to compete effectively on an international level to realise globalisation. There is 1.6 to 3 million SMMEs in South Africa, the majority of which are black owned micro enterprises (Berry, von Blotnitz, Cassim, Kesper, Rajaratman, & van Seventer, 2002). If the emphasis is on economic growth, and employment creation through the SMME sector that these enterprises need to be nurtured and supported. On the other hand Globalisation contributes to overall job loss, and discourages the creation and growth of SMMEs as these are unable to compete on equal footing with large corporations for a stake in the global market (Rwigema & Venter, 2004).

### 2.6.5 The Integrated Small Business Development Strategy in South Africa

In October 2003, when SA developed The Integrated Small Business Development Strategy, it was intended to develop the micro enterprise sector by increasing the long-term viability of micro enterprises so as to:

- Develop a better understanding of the dynamics of the micro-enterprise sector and its potential for development (DTI, 2003).
- Enhance the prospects of micro enterprises developing into the small sector; and
- Facilitate the movement of micro enterprises away from the informal economy into the formal economy.
The document lays out a strategy for the development of small businesses in South Africa over ten years from 2004 to 2014 (DTI, 2003). It provides the rationale for a strategic and integrated response to opportunities facing small business sector to the needs and challenges.

The roles of small business in poverty reduction, economic empowerment and job creation, are recognised, and enhanced. Regardless of whether they are run by men or women, engaged in trading, manufacturing or services, found in urban centres or rural settlements, small businesses are a representation of South Africa’s entrepreneurial spirit (Berry et al., 2002; Rwigema & Venter, 2004; DTI, 2008). This strategy is mainly focussed on the following vision: According to The Integrated Small Business Development Strategy in South Africa (2004 – 2014), South Africa is envisioned as an entrepreneurial nation that rewards and recognises those who see a business opportunity and pursue it. The vision encompasses a vibrant and competitive small business sector that contains enterprises of all sizes, and in which there is growth from the micro to the medium, and to the large enterprise (Berry et al., 2002; Rwigema & Venter, 2004; DTI, 2008).

According to DTI (2003) over the period 2004 – 2014, the Integrated Small Business Development Strategy shall pursue the following objectives:

a) Ensure that previously disadvantaged individuals, namely people with disabilities, young women and men and women are equitably represented in the business sector;

b) Increase the contribution of small businesses to the growth of the South African economy;
c) Create an enabling environment for small enterprises, which levels the playing field between small business and big businesses reduce the disparities between urban and rural businesses, and conducive to entrepreneurship;

d) Create sustainable long-term jobs for men and women in the small business sector;

e) increase the competitiveness of the small business so that it is better able to take advantages of emerging opportunities in national, African and international markets.

2.6.6 The Department of Trade and Industry

From the Department of Trade and Industry Report (2004), the following aspects were listed as a way of promoting and developing SMMEs in general. The DTI has implemented a number of incentives targeting SMMEs. These include the following ( Berry et al, 2002):

- Ntsika’s trade and investment development programme: technical expertise to help entrepreneurs to become exporters;
- Export marketing and assistance scheme: funding for outward selling, inward buying trade missions and primary market research, as well as assistance to participate in exhibitions;
- Short term export finance guarantees facility: export finance guarantees for SMMEs through the credit guarantee insurance corporation;
- Economic empowerment scheme: targets the support of previously disadvantaged SMME owners and/or managers;
- Venture capital scheme: finances viable product ventures ( Berry et al, 2002):
• Import finance scheme: it provides credit guarantee facilities for the importation of capital goods and services;
• Normal finance scheme: low-interest finance during SMME expansion;
• Standard leased factory building scheme: provides factory buildings for lease to SMMEs; and
• Small medium manufacturing development programme: consists of a skills support programme for business with approved training programmes in terms of the Skills Development Act and a tax- exempted establishment grant as a percentage of the investment for the first two years.

Through all these projects, the Department of Trade and Industry aims to grow the economy in a sustainable manner, to create employment for the presently unemployed and to create a fair, effective, and conducive business environment for SMMEs, and consumers (Berry et al, 2002). Four key institutions were created:
• Centre for Small Business Promotion (CSBP); The main aim of this centre is to monitor, evaluate and implement the effectiveness of the National Small Business Strategy, which aim to contribute to economic growth, income generation, job creation, redistribution of wealth, and lastly eradication of poverty (Development Co-operations Report, June 2000; Berry et al, 2002).

2.6.7 Financial Institutions

According to Radebe (2008), it is generally accepted that SMMEs have a vital role to play in job and wealth creation. Ironically, this sector continues to be under serviced by commercial banks. In response to economic development challenges facing most
developing economies including SA, significant resources are directed at larger sophisticated clients, leaving the SMMEs underserviced. This has left many SMMEs facing obstacles in accessing both non-financial support services and business finance. Internationally, SMMEs contribute up to 90 per cent of GDP, while in SA their contribution is estimated at 40 per cent. The South African government has aimed at addressing this market failure by establishing institutions such as the Enterprise Finance Khula (Nieman et al., 2007; Radebe, 2008).

Khula is a wholesale agency, which provides financial support to small business through intermediaries. Its financial products include loans, grants, a national credit guarantee scheme, loans and institutional capacity building. Its roles and functions are categorised into direct services and support for financial intermediaries as retail distribution networks to SMMEs. Khula was launched as a micro lending scheme, Khula Start, to meet the needs of SMMEs mainly, in the rural areas of the country. It provides loans of up to R3000 to survivalist entrepreneurs (Nieman et al., 2007; Radebe, 2008).

The role of Khula is to maximise access to finance for SMMEs in a way that can lead to the development of sustainable SMMEs, equity, growth and job creation (Nieman et al., 2007; Radebe, 2008). Khula provides mentorship services to SMMEs, in various aspects of managing their businesses (Nieman et al., 2007; Radebe, 2008). The importance of Khula is to provide support and incentives and to promote economic liberation to both small and large enterprises.
A study by Finmark Trust (2007) on the international experience of SMME banks, notes that a number of developing economies have established SMME banks. While these banks were set up primarily to address the challenge of access to finance by SMMEs, they have recognised that non-financial assistance, such as mentoring, training in basic business skills, linkages to markets and technical advice is essential. The report indicates that as SMMEs grow; they need more equity capital, better governance and stronger management. Successful SMME banks consider the full picture and not only provide finance (Nieman et al., 2007; Radebe, 2008). The other government institution to assist SMMEs is Small Enterprise Development Agency (SEDA), which is to design and implement a standard national delivery network to provide non-financial support services. The role of SEDA is critical to SMME banks, as it would provide the non-financial support that is considered important in ensuring the success of SMMEs (Nieman et al., 2007; Radebe, 2008).

In South Africa, very little effort is being put into partnering financial institutions providing funding to SMMEs with institutions such as SEDA. This serious lack of coordination leads to the inability to address the needs of this sector effectively despite the fact that the sustainability of SMMEs is essential in wealth and creating jobs (Radebe, 2008). If there can be sufficient commitment from policy makers to reach the millennium development goals of halving unemployment by 2014, and significantly reducing poverty, it should be seeing much more attention to this sector. The first area of focus should be to review whether Khula’s mandate gives it sufficient flexibility to reach its target market in a meaningful way (Nieman et al., 2007; Radebe, 2008). The second area of focus should be on determining how conducive the regulatory environment is to the growth and development of the
SMME sector. Some factors would be tax incentives to encourage private sector involvement such as; considering more flexible labour laws and in the provision of business support services, lessening the regulatory requirements of starting and closing down business (Nieman et al., 2007; Radebe, 2008).

2.6.8 The Local Economic Development (LED)

The 1996 Constitution provides that all local governments are to promote economic and social development. Since 1995, Limpopo has consistently outperformed the national average growth rate, as business has grown, so has the need for support services at all levels across the economy (Limpopo Growth and Development Strategy, 2005). Business support services include; those services that are perhaps not regarded as critical to the direct economic success of a business, but which would be sorely missed if they happen to disappear one day (Limpopo Business, 2008). The provincial government has specific initiatives that are meant to support SMMEs. The national government prioritised SMMEs development, which includes informal sector enterprises. In most cases, very small and informal enterprises are not reached by national policy initiatives, which mean that these areas have become the responsibility of local government (Annual Review of Small Business in South Africa, 2005 – 2007). According to the Integrated Small Business Development Strategy in South Africa (2004 – 2014), local authorities must play a significant role in addressing poverty. The government has established local economic development to help strengthen the implementation capacities of local authorities through initiatives focusing on micro finance and capacity building.
The LED strategic framework has been designed to address small business needs (National Framework for Local Economic Development in South Africa, 2006 -2011). The National Framework for LED in South Africa aims to support the development of sustainable local economies through government-integrated actions. This government action is developmental and it stimulates the economy it comprises of those enterprises that operate in local municipal spaces (National Framework for Local Economic Development in South Africa, 2006 -2011). The framework is underpinned by an appreciation of the evolving practice of LED nationally, and is based on the unique South African context and challenges.

It contextualises the move towards “new institutionalism” that breaks down the distinction between economy and society, showing how economic decision-making and actions are shaped by the rules, norms, beliefs, values, shared meanings and procedures of the formal and informal institutions of society (National Framework for Local Economic Development in South Africa, 2006 -2011). The normative agenda is to develop shared values and meaning and to strengthen the social interaction networks. The social interaction network is described as developing social cohesion or building social capital (National Framework for Local Economic Development in South Africa, 2006 -2011).

2.6.9 The Limpopo Business Support Agency (LIBSA)

LIBSA provides easy access to essential business development services, including, market access, promotion to entrepreneurs who need support to realise their
business dreams and education. This is rendered through the three main programmes, namely:

- The incubation programme;
- Cooperative development programme; and
- Training and development programme (Limpopo Business, 2008).

LIBSA’s training and development programme focuses mainly on the capacity building of enterprises (both cooperatives and SMMEs), that are registered with the organisation called “incubates” (Limpopo Business, 2008). These enterprises are called incubates as according to LIBSA, they are placed into the incubator at an infant stage and assisted with different support programmes, until they are well matured, and sustainable according to sustainability criteria as set out by (Limpopo Business, 2008).

The formation of the Limpopo Business Support Agency (LIBSA) is a result of the Provincial Growth and Development Strategy, which focused on exploiting opportunities in all the economic sectors for business development and promotion amongst existing, and aspiring entrepreneurs in the whole of Limpopo Province (Limpopo Business, 2008). With an evolvement of the strategies on an ongoing basis, LIBSA provides business support services to the broader business minded population by stimulating the spirit of entrepreneurship amongst women, the disabled and the youth (Limpopo Business, 2008). The contribution of this institution in Limpopo Province is:

- Stimulating economic growth;
- Creating wealth;
- Reducing poverty; and
• Spreading entrepreneurial concepts, and practices in rural and economically disadvantaged communities (Limpopo Business, 2008).

2.6.10 Limpopo Economic Development Enterprise (LimDev)

LimDev is a social and economic development enterprise, operating within the Limpopo province. LimDev delivers key services such as enterprise development, housing finance and assistance, and investment projects (Limpopo Business: 2008). LimDev operates as a Provincial Government Business Enterprise, entitled to make profit, as listed in schedule 3D of the Public Finance Management Act, Act No. 1 of 1999 (Limpopo Business: 2008). LimDev has a mandate to stimulate the growth and development of the Limpopo economy by providing developmental finance to SMMEs (Limpopo Business, 2008). Its vision is to be a partner and catalyst in economic growth and empowerment in Limpopo. Its mission to establish and advance a sustainable SMME sector through the provision, and facilitation of business and by providing finance to our subsidiaries to facilitate:

• Industrial and economic development;
• Employment creation; and
• Accelerated BBBEE (Broad Based Black Economic Empowerment (Limpopo Business: 2008).

2.6.11 Broad Based Black Economic Empowerment (BBBEE)

Broad Based Black Economic Empowerment (BBBEE) is the major driving force for economic development. BBBEE became applicable towards the end of the 1990’s
where a need emerged for a more directed approach to empowerment. A document known as a strategy for Broad Based Black Economic Empowerment (BBBEE) was released in 2003. The document outlines the first Broad-Based score card comprising the seven elements of Broad-Based BEE. The successful implementation of the BBBEE strategy followed these guidelines (DTI Strategy Document, 2006):

• Increased ownership of land and other productive assets, increased acquisition of skills, increased participation in productive economic activities and improved access to infrastructure (DTI Strategy Document, 2006).

• An increase in the number of blacks who have control and ownership, of existing and new enterprises in the sectors of the economy that government has identified in its microeconomic reform strategy;

• An increase in the number of black engendered enterprises and black empowerment enterprises;

• An increase in the number of blacks who have control and ownership of new and existing enterprises;

• An increase in the number of blacks in SMME management and executive positions;

• An increase proportion of the management and ownership of economic activities vested in community, and broad based enterprises and cooperatives;

• Accelerated and shared economic growth; and

• Increased income levels of black pensioners and reduction of income inequalities between and within race groups (DTI Strategy Document, 2006).
The challenges that need to be addressed include:

• High failure rate amongst black-owned start-ups due to lack of finance and other business support services (DTI Strategy Document, 2006).

• Many black entrepreneurs struggle to take their businesses from a survivalist or micro level to the next phase owing to one or more of the following; lack of education, lack of training, lack of experience, lack of collateral and lack of access to capital.

The act attempted to address the challenges by providing recognition for (DTI Strategy Document, 2006):

1. Investments, grants, loans, provision of local capital and guarantees;
2. Access to relaxed security requirements, interest free loan, and credit; and

• Job creation cannot be attained without the growth of the small businesses. Most analysts agree that growth is only be made possible if small businesses are assisted to graduate from micro and survivalist to become sustainable, job creating enterprises, grow and develop (Broad-Based Black Economic Empowerment Act, The Code of Good Practice, 2007). By providing recognition for various types of assistance to small, medium and micro enterprises with the objective of expanding SMME financial and operational capacity, the principle seeks to ensure that such assistance is incentivised (Broad-Based Black Economic Empowerment Act (The Code of Good Practice: 2007)).
2.6.10 Small, Medium and Micro Enterprises in South Africa

SMME term is used when excluding the very small, micro and survivalist enterprises. Small enterprise operate in the formal sector of the economy, it is formally registered and has ten to 100 employees. Small enterprise has fixed business premise (DTI, 2011).

Medium enterprise is a formally registered business operating from fixed business premises employing up to 200 employees (DTI, 2011).

A Micro enterprise is a business that has between one to five employees, mostly owner and family members, micro enterprises operate in the informal economy without formal business premises or licences. Micro enterprise annual turnover is below R300 000, which is below the required VAT registration. Micro enterprises owners and/or managers have basic business skills and these businesses have potential to transform into viable formal small businesses (The National Small Business Act (Act 102 of 1996)).

A survivalist enterprise is a very small business operating in the informal sector of the economy, providing a minimum income below the poverty line, does not have many assets, very little capital invested, and that these business owners have little training in business skills and very small opportunities for growth (DTI, 2011).
2.6.10.1 An Overview of the South Africa SMME Sector

SMMEs in South Africa share most of the general characteristics of the sector elsewhere in the world, but also face some challenges, which are particular to the South African context (Rogerson, 2004). These are the imbalances left by the legacy of apartheid. Under the apartheid regime, the majority of black South Africans were prevented from running a business. Consequently, the rate of black ownership in the bigger enterprises is low (Rogerson, 2004). Since 1994 the opportunities for owning and developing a business have greatly increased, the sector still has untapped potential for further contributing to social transformation, job creation and economic growth. The following characteristics and data help to illustrate this point: According to the Registrar of Companies 1990-2000 statistics, Small and Medium enterprises represent generate approximately 42% of total remuneration, employ 55% of the country’s labour and makes up to 97.5% of the number of registered businesses in SA (Development Bank of Southern Africa, 2005). As compared to only 44% of people in the private sector were employed by SMMEs in 1995. This number rose to 52% in 2000 and 68% in 2002 (Financial Mail, 2004). Small and Medium enterprises are most prevalent in community, social and personal services, agriculture, manufacturing and retail trade (Development Bank of Southern Africa, 2005).

According to interviews held with the owners of small and micro enterprises, many small businesses in South Africa were created right after 1994, with the rate of creation increasing after 2000. White South Africans who were retrenched from big companies and who saw in small businesses an escape from the effects of
affirmative action and a hope for a better future (Development Bank of Southern Africa, 2005) initiated many of these.

In terms of racial composition, SMMEs are largely white-owned, while micro and survivalist enterprises are mainly black-owned (Mail and Guardian, Johannesburg, 11 September 2003). Although Previously Disadvantaged Individuals now starts many enterprises, most of these enterprises are survivalist. According to Ntsika’s 2001 data, blacks set up 88% of all new micro-enterprises and 63% of all survivalist enterprises (Mail and Guardian, Johannesburg, 11 September 2003).

Figures for 2004 suggest that Close entities and Family businesses comprise over 84% of all registered businesses in South Africa and are the engine of the economy. Of the estimated 1.1 million registered family businesses, 330,000 are economically active companies and 870,000 are economically active sole proprietors and partnerships (Balshaw, 2004). Out of a total of 906,700 firms operating in South Africa, only 6,000 are large enterprises, or 0.7%. The remainder is made up of SMMEs, including survivalist and micro enterprises (Development Bank of Southern Africa, 2005). Estimates for 2004 suggest there were between 2 million and 3 million SMMEs in the country and about 60% of them were survivalist those that are unable to support their owners above the poverty line (Financial Mail, Johannesburg, and 15 May 2004).

As Rogerson, (2004) argues, the bulk of employment creation by South African SMMEs is likely to emerge from new Micro-enterprise formations. This finding is reinforced by research conducted in Johannesburg by the World Bank, which
showed that net employment growth in the SMME economy was accounted for by the arrival of new firms. According to the 2005 South African Global Entrepreneurship Monitor (GEM) report, 45% of South African entrepreneurs are necessity-driven (Von Broembsen et al., 2005).

Micro-enterprises seem to be absorbing a significant proportion of the unemployed, by both creating jobs and facilitating self-employment. The research suggests that employment growth in the SMME sector was more the result of the formation of new small and micro-enterprises rather than the growing, expanding and developing existing SMMEs (Rogerson, 2004). Although employment will not automatically translate into socio-economic transformation, the provision of a source of income is the first step to improving the conditions of the more marginalized. The sector is expected to grow because of ongoing transformation as black South Africans in the public and private sectors, who have benefited from affirmative action, switch to self-employment during the next decade to take advantage of contacts they have made and the experience they have gained.

This overview of the SMMEs sector illustrates that it is extremely varied; with enterprises, ranging from informal survivalist initiatives to highly organized medium-sized entities. They have access to different resources and opportunities and reflect the racial divisions left by apartheid (Maas & Herrington, 2007).

According to the GEM (2006) survey, South Africa’s Total Early-stage Entrepreneurial Activity rate (TEA) is below the average of all other countries, even though the list of countries represents countries at different levels of development
Based on World Bank classifications, the report places South Africa in the upper-middle income countries group, and even here South Africa performs below average. In the past, South Africa was compared with developing countries, which show an average TEA rate of 14.80% (Maas & Herrington, 2007). The 2006 report puts the South Africa’s rate at an alarming 5.29%, a discrepancy that certainly deserves urgent attention. The 2006 report indicates that South Africa’s position has not improved since it was first included in the GEM studies in 2001. The GEM study differentiates between necessity entrepreneurs and opportunity entrepreneurs (GEM, 2006). The opportunity entrepreneurs are people who take advantage of a business opportunity, while necessity entrepreneurs have no better options for work. South Africa’s TEA opportunity index of 3.47% are far below the average of 6.82% of all countries.

2.6.10.2 Small Business Contribution to Production and Employment

This section provides an overview of existing literature on SMME trends and performance and gives the context for the statistical profile. Jeppeson (2005) found that that around 12% of SMMEs operate in the secondary sector, employing 21% of the workforce and the tertiary sector makes up 77% of all SMMEs, employing 57% of the workforce. Most SMMEs are found in four provinces: Gauteng, KwaZulu-Natal, Western Cape and Eastern Cape.

The majority of South Africa’s SMMEs are micro- and survival enterprises (Rogerson, 2004). These businesses show little sign of enterprise growth. Research in South Africa indicates that entrepreneurs do not always choose to increase
employment (Kesper, 2000). According to Rogerson (2004), small enterprises constitute 21% of employment, medium-sized enterprises accounting for 18%; Micro-enterprises provide employment for 17%, while large enterprises make up the majority (44%) of employment.

2.7 HUMAN RESOURCES PRACTICES

2.7.1. Human Resources Practices in Strategic Human Resources Management

Lado and Wilson (2008) employed the RBV of the firm to describe the conditions under which systems of human resource practices could be used to develop firm competencies. A system of human resource practices with all of its interdependencies and complementarities may be a source of sustained competitive advantage (Lado & Wilson, 2008). Arthur (1994) examined control human resource systems and commitment, their relationships with performance and employee turnover. Control human resource systems are characterized by enforced employee compliance with rules and procedures, improved efficiency, reduced labour costs, and employee rewards based on measurable output criteria (Eisenhardt, 1985; Walton, 1985).

Arthur (1994) found that firms with commitment human resource systems had lower turnover and higher performance than those with controlled human resource systems. It is maintained human resource systems and commitment shape employee behaviours by creating psychological links between employee and organizational goals (Arthur, 1994). An example would be developing committed
employees by allowing them to use their discretion to carry out tasks that are consistent with the organization’s goals (Organ, 1988; Huselid, 2006).

Huselid (2006) examined bundles of human resource practices. The bundle of human resource practices was termed as high performance work practices. The definition of high performance work practices used by Huselid (2006) was adopted from Jones and Wright (1992) and included selection procedures, employee recruitment procedures, performance management systems, incentive compensation systems, training and extensive employee involvement (Huselid, 2006; Aitchison, 2007). These practices can improve the skills, knowledge, and abilities of a firm’s current and potential employees, reduce incidences of strikes, increase their motivation, and enhance retention of quality employees while encouraging poor performers to leave the firm (Huselid, 2006; Aitchison, 2007). Human resource practices may influence employee skills through the acquisition and development of a firm’s human capital pool (Huselid, 2006; Aitchison, 2007). While recruitment can provide a large pool of good applicants, selection practices can influence the quality and type of skills that new employees possess. With good recruitment and selection, training assists in developing human capital. All these human resource practices influence employee motivation by linking performance with incentives (Huselid, 2006; Aitchison, 2007).

Huselid (2006) examined the relationship between bundles of high performance work practices and firm performance and the relationships between bundles of high performance work practices and individual performance and turnover. The current study had a general understanding and support for the findings by Huselid (2006).
who indicates that high performance work practices positively influence employee
performance and reduce employee turnover. Also, high performance work practices
were positively related to organizational performance that is productivity and financial
(Huselid, 2006).

Huselid (2006) employed a sample of 968 firms from a variety of industries with an
average size of 4,412 employees. Huselid (2006) to represent the domain of high
performance work practices used thirteen human resource practices. The human
resource practices were analyzed and two factors emerged. The first factor was
employee motivation and included the human resource practices of formal
appraisals, employee merit, compensation, and promotion decisions (Huselid, 2006).
The second factor was employee skills and organizational structures. This factor
included selection, training, job design and quality of work life human resource
practices. This study supported the idea and findings from the study by Huselid
(2006) which emphasized that extensive employee involvement and training in
SMME, can improve the skills, knowledge, and abilities of a firm’s employees and
increase their motivation.

Lack of certain business competencies may affect the HR professional in performing
the strategic role in an organization (Aitchison, 2007). This has created a gap in the
body of knowledge. Building upon the relationship between human resource
practices and firm performance, Delery and Doty (1996) described three different
modes of theorizing in SHRM to explain better the relationship between human
resource practices and organizational performance. The three modes of theorizing
are configurationally, contingency, and universalistic.
First the configurationally perspective contributes to the explanation of SHRM by means of the analysis of the synergic integration of the elements that build it (Doty et al., 1993; Ketchen et al., 1993; Miller, 1996). The HRM system is a multidimensional set of elements that are combined in different ways to obtain an infinite number of possible configurations (Doty et al., 1993; Ketchen et al., 1993; Miller, 1996). The configurationally approach argues that in organizations, certain elements of structure, process, strategy and environment tend to form configurations (Meyer et al., 1993). This implies that to be effective, organizations must have configurations that are internally consistent and that fit multiple dimensions (Doty et al., 1993; Ketchen et al., 1993; Miller, 1996). Doty and Glick (1994) examined the configurationally perspective they describe how the pattern of independent variables is related to a dependent variable.

Second, the contingent model introduces a different assumption in relation to what the relationship between variables means. They propose a model based on interactivity, bringing to the HRM context the generic contingent model proposed by Schoonhoven (1981), Van de Ven and Drazin (1985) or Venkatraman (1989). Contingent scholars explain that the contribution of HR practices to performance depends directly on the extent to which they fit the business strategy. These were (Niniger, 1980; Fombrun et al., 1984; Hax, 1985; Van de Ven and Drazin, 1985; Kerr, 1985; Slocum et al., 1985; Lengnick-Hall and Lengnick-Hall, 1988; Rhodes, 1988a, 1988b; Miller, 1989; Kerr and Jackofsky, 1989; Butler et al., 1991; Cappelli and Singh, 1992; Begin, 1993). The relationship between the dependent and the independent variable will no longer be stable, and it will vary depending on other third variable, named contingency variable (Lengick-Hall & Lengick-Hall, 2009).
Third, the universalistic perspective shows the existence of a linear relationship between variables that can be generalized to the entire population (Delery and Doty, 1996). Under universalistic perspective researchers can, choose the best human resource management practices that, following Becker and Gerhart (1996), that: are generalizable and have demonstrated capacity to improve organizational performance. Universalistic perspective focuses mainly on certain practices oriented to reinforce employees ‘abilities, i.e., certain methods of recruitment and selection, comprehensive training, variable compensation or performance appraisal (Gerhart and Milkovich, 1990; Borman, 1991; Torstar and Rozell, 1993).

The current study used the configurationally perspective, that is concerned with how the pattern of multiple independent variables in SHRM is related to a dependent variable in SMMEs. Generally, the findings by Delery and Doty (1996) built upon previous work on the relationship between human resource practices and organizational performance. They suggest that different organizations can employ different perspectives on the use of human resource practices and the different perspectives on the use of human resource practices can influence organizational performance. The current study benefited a lot from the use of both universal and configurationally perspectives on SMME performance.

2.7.2 Human Resources Management practices and Sustainable Competitive Advantage.

HRM as a unique resource should meet the inimitability and non –substitutability conditions that are the RBV requirements for sustained competitive advantage
(Truss, and Mankin, and Kelliher, 2012) indicate that RBV has raised a main issue to SHRM research that HRM sustainability is a competitive advantage in an organisation. HRM sustainability can be focused as a bundle of HR practices as the behaviours, human pool and employee relationships (Schuller and Jackson, 2008; Barney, Ketchen, Wright, 2011; Williamson, Bhadury, Dobie, 2012).

The development and implementation of a single SHRM practice such as a variable payment system takes place over time including time work out discrepancies align the practice with current strategies as well as firm culture and needs and time to solicit management input and buy-in. The outcome is a practice that reflects the culture and philosophies of the firm and its management, created to solve the specific needs of the company. Compound that single SHRM practice with a whole system of practices, each with its own history and evolution specific to a particular firm, its philosophies and current situation and one will have a SHRM system that cannot be bought or replicated easily without a significant investment of both financial resources and time (Chasserio & Legault 2009).

Labelled as path dependency by Becker and Gerhart (1996), the unique historical conditions under which SHRM is formed in individual firms may make its understanding and replication extremely difficult, if not impossible. SHRM systems are developed over time and the complex history involved in their development makes them difficult to replicate.

Causal ambiguity implies that the exact manner in which human resource management contributes to the competitive advantage of the firm is either unknown
or sufficiently ambiguous such that it will be difficult or impossible to imitate (Chasserio & Legault 2009). According to Becker and Gerhart (1996), the ability to replicate a successful SHRM system would require an understanding of how all the elements of this complex system interact and in turn influence the performance of an organization. On the basic of SHRM performance model and the manner in which it is expected that SHRM contributes to firm performance, it is difficult to imagine how various human capital, employee outcomes, HR practices, operational outcomes and firm-level outcomes and employee behaviour could be understood by a competitor in a meaningful way (Mitchell, Holtom, Lee, Sablynski & Erez, 2001).

SHRM and its direct relation to employees, almost every aspect of the SHRM system, the human capital and especially the employee relationships and behaviour has a social component (Chasserio & Legault 2009). The way in which HR practices are communicated and implemented in different parts and departments of the organization is influenced by the various social relationships involving; heads of department with managers, top management with general managers, managers with employees as well as various interaction between employees and departments (Wright, 2011). The complexity of the social relationships in the case of SHRM makes it difficult for competitors to imitate it. For a resource to constitute a source of SCA it must be non-substitutable. This implies that competitors should not be able to use a different set of resources in order to achieve similar results (Barney, 2001). Barney (2001) points out that competitors will find it difficult to replicate a competitive advantage based on complex social phenomena. This concept has not been tested, but could provide for interesting research in the area of contextual factors and SHRM.
If, in fact, it is found that a particular set of SHRM practices is positively related to performance in a given context, then, a follow-up question to that which would get at the substitutability question might be whether or not there is another set of SHRM practices for which the results are similar. This could lead to discussions on strategic configurations of SHRM practices rather than universal high-performance work systems that have dominated past research (Oelery & Doty, 1996). Regardless of whether there are one or many ways to achieve similar results in different contextual situations, the testing of these possibilities would lead to an increased understanding of the relationship between the RBV and SHRM research and the sustainability of SHRM as a strategic resource.

Becker and Huselid, (2006) reviewed SHRM. They realise that there is a relationship between human practices and organisational performance. Becker and Huselid, (2006) recommend new theoretical direction for SHRM and a way to further examine the relationship between human practices and organisational performance. Becker and Huselid (2006) prove that human resource practices play an important role in the implementation of different firm strategies. Studies by Becker and Huselid (2006) emanate from the SHRM research on the relationship between human resource practices and organizational performance. This study suggests that human resource practices play a role in the implementation of different SMME strategies. While there is still interest in furthering research on the relationship between human resource practices and organizational performance, this has created a gap in the body of knowledge. This study attempts to shift the focus of SHRM to the human resource capital pool for firms and the influence that human capital may have on organizational performance.
2.7.3 Sustainable Entrepreneurship benefitting SMMEs

Bos (2002) touches on the gains that all companies receive when abiding by a sustainable lifestyle and the consequences for not doing so, namely the consequence of receiving bad publicity being unethical. This negatively affects their reputation, which results in loss in income, smaller share value and poor profits. He also raises the view of idealism – where more companies consider themselves more than just a profit-maximizing organization, and even if not led by idealism, they at the very least would gain public favour by making their affection for people and the world.

Subsequently, Bos (2002) discussed the gains specifically to SMMEs in pursuance of sustainable entrepreneurship could kindle internal dynamics for production and people management. This causes bolder investment engagements that could lead to favourable steps in acquiring technology and personnel for good returns in the end. Most particularly those SMMEs that offer their services and products to large companies who themselves turn out to be sustainability practicing themselves that require sustainable-minded suppliers. SMMEs should be aware and prepared for such proposition opportunities to avoid risking opportunity loss to other SMMEs that did in fact follow the sustainability route to be able to be picked up as a supplier, especially when taking the increased costs of undertaking under sustainable means of operation into account and having guaranteed sales and consumption in return.

Another point is the advantage of mingling with the local community and strengthening ties in with the social aspect of sustainable entrepreneurship,
something that the growing trend of large, international companies can have competing with. By getting more involved with local communities, the advantage of interpersonal relationships may sway interest in favour of that particular SMME instead of the general, corporate-only, non-personal image of the larger companies, something that they will have much difficulty in competing with. The benefits touched are the positive image, reputation gained from these practices, lesser dependence on diminishing resources and more production that is efficient. Due to superior technologies, more benefits are realised as staff skill, higher quality of risk control to especially avoid situations like environmental debacles, labour disputes, improvements in environmental requirements and a greater motivational source for current employees to enjoy their work environment - plus incentive for new employees to join the company (Bos, 2002).

With the gains, there will also be the obstacles that SMMEs face, which Hilton (2000) brought to light at the time. Aside from the tens of thousands of SMMEs that picked up eco-efficient practices - not even making a notable impact compared to the millions that had yet to implement them in Europe - fewer than that were aware of such concepts of sustainable operating and manufacturing processes. Fortunately, this is not the case in 2011 with how much the awareness for ecological welfare has grown and brought up regularly on a global scale. Yet, a few of the problems that Hilton detailed still exist and plague SMMEs to this day, especially those of the micro size. With the technology and more sustainable-minded edification and regulations of today, most of those points have been drastically reduced in terms of hazards, such as lack of external communication or lack of awareness of tools and techniques. However, there are still areas where these SMMEs can lack in, such as resources in
the sense of time and money, capabilities in the sense of skills and knowledge, hands-on personal involvement with customers and flexibility in change of direction (Hilton, 2000).

Despite the fact that this research does not side with the concept of sustainability entrepreneurship, it is undeniable that it still accomplishes sustainability, albeit for different reasons, in a constricted scope and with different intentions. Conversely, a combination of this opportunity seeking along with fulfilling the rest of the essentials for sustainable entrepreneurship could prove to be remarkable. Krueger (2005) took sustainable entrepreneurship and broadened it to say it is not just transforming economic opportunities, but opening them up to social and environmental frontiers as well. The area of sustainability entrepreneurship that he takes and changes to something that this research agrees with is opportunity seeking. Not just waiting for opportunities to arise and turn around into success, but to actively search for opportunities – construct or enact them – this is how he saw a solution for strategy planners who failed to see potentially rewarding ecological opportunities.

Entrepreneurs have this potential to establish trends that the rest of the market follow – it’s in their nature to spot an opportunity, pursue it and profit from it, with other companies playing catch up if it grows. The dilemma is coming up with this opportunity in the first place, which is much easier said than done. Krueger (2005) defined how these environment-based opportunities can be found in the five statements in the following paragraph.
Firstly, he acknowledged that organizations do not see opportunities, individuals do – in order for an organization to consider itself one with a strong allegiance to visualize potential opportunities, it must consist of members that are strong opportunity seekers. Secondly, using our natural tendency to categorize everyday situations to categorize environmental issues into opportunities and threats as an entrepreneur would do for any other market; and continue onwards in distinguishing those categories, determining feasibility of success step by step. In other words, creating multiple opportunities, and then comparing them with each other to make the decision(s) for the best choice in terms of viability and value. Thirdly, he states that recognizing opportunities is a reflection of an intentional process. Meaning that, as intentions are driven by desires and what is determined to be feasible, a sustainable-minded entrepreneur is the type of person to be able to solve and start the trend of resolving for economical problems. If they truly are eco-minded, their solution, in addition to entrepreneurship tendencies, will kick off an economically growing trend that is social and environmentally friendly as well. Fourthly, he brings up the mental mould that all entrepreneurs (in this case, innovators) share regardless of their field of vision, and the steps of planning execution that distinguishes entrepreneurs from non-entrepreneurs – he shows confidence in the idea that entrepreneurs have mental approaches that are either opportunity- or threat-based, the order depending on perception of the environment.
2.8 SMME HUMAN CAPITAL IN A STRATEGIC HUMAN RESOURCE MANAGEMENT FRAMEWORK

2.8.1 SMME Human Capital in Strategic Human Resource Management

The demand for labour is heterogeneous and this means that different jobs require different skills, knowledge, and abilities (Mandal, Venta & El-Houb, 2008; Wright et al., 2008; Steffi & Mauer, 2009). Snell, Youndt, & Wright (1996) Snell, Shadur & Wright, (2007) Slaughter, Ang & Boh, (2007) reveal that Human resources provide added value to a firm because the supply of labour is heterogeneous, thus people possess different levels of skills, knowledge, and abilities. Snell, Shadur & Wright, (2007) Slaughter, Ang & Boh, (2007) used the RBV of the firm to describe the conditions under which human capital may be a source of sustained competitive advantage. (Wright et al., 2008:703) stated that:

In applying the concepts of value, rareness, inimitability, and substitutability, it is argued that human resource practices could not form the basis for sustainable competitive advantage since competitors could easily copy any individual human resource practice. Rather, it is proposed that the human resource pool has a greater potential to constitute a source of sustainable competitive advantage.

Wright et al. (2008) used the concepts of the RBV of the firm to human resources to provide the circumstances under which human resources may be a source of SCA for organizations. Based on the levels of knowledge, skills, and abilities needed for a certain job, individuals with different types and levels of knowledge, skills, and abilities may perform differently in similar jobs (Wright et al., 2008; Steffi & Mauer, 2009). Liao, Chung and Harden, (2006), Schuler and Jackson, (2007), Lepak, and
Shaw, (2008) argue that individuals contribute differently to organisations. This suggests that human resources create value for the firms.

Cognitive ability has a strong positive relationship with individual job performance (Viswesvaran, Schmidt & Ones, 2005). Wright et al. (2008) used firm cognitive ability as an example of how human resources could be rare. If organizations are able to acquire the human resources with higher levels of cognitive ability than they would have, that resource is rare (Viswesvaran et al., 2005). In order for human resources to be a source of sustained competitive advantage, they must also be inimitable.

The unique history of an organization such as its norms and culture may make human resources inimitable (Wright et al., 2008). The path an organization has taken through history may influence the human capital that the organization acquires and develops (Liao, Chung, & Harden, 2006; Schuler & Jackson, 2007; Lepak & Shaw, 2008). Also, the unique history of an organization which includes a firm’s norms and culture may influence how people work together in the organization which would be difficult for other organizations to imitate (Liao, Chung, & Harden, 2006; Schuler & Jackson, 2007; Lepak & Shaw, 2008). Human resources are a source of causal ambiguity (Ryall, 2009).

It is difficult to determine what exactly it is about a team that leads it to perform at a higher level (Ryall, 2009). Teams can present causal ambiguity because with teams the whole is greater than the sum of its parts (Ryall, 2009). Social complexity may arise from employees’ contact with customers, from the communications across different departments in organizations and other situations. Complex social situations
may constitute a competitive advantage for an organization because recreation of social situations is not easy (Moran, Palmer & Borstorff, 2007). Lastly, for a human resource pool to be a source of a sustained competitive advantage, it must not have substitutes (Moran et al., 2007).

Distinctive value of an organization’s human capital was assessed with a four-item scale (Carmeli & Schaubroeck, 2005). Carmeli & Schaubroeck (2005) found a significant interaction between perceptions of human capital and perceptions of human capital value in predicting organization performance. Thus, higher levels of perceived human capital along with higher levels of perceived value of human capital resulted in greater organizational performance than when perceived human capital and perceived value of human capital were low. Similarly, core employees have been found to have a positive influence on organizations (Lopez-Cabrales, Valle, & Herrero, 2006). Organizations that utilize the most valuable and unique core employees have higher capability (Lopez-Cabrales et al., 2006).

Takeuchi et al. (2007) examined the mediating role that human capital plays between the high performance work system and organization performance relationship. Takeuchi et al. (2007) surveyed managers and employees of Japanese organizations to gauge the usage of high performance work practices. To assess organizational human capital, managers completed a human capital scale assessing general human capital such as propensity to develop new ideas, employee skill level and creativity. This study agrees with Takecuchi et al. (2007) in that SMMEs should utilize the most valuable and unique core employees possessing higher capabilities for high performance work practices. Takecuchi et al. (2007) found that this measure
of collective human capital was positively related to organizational performance and that collective human capital mediated the relationship between high performance work systems and organizational performance.

2.8.2 The Human Capital Pool as Knowledge, Skills, and Abilities

Ismail and Long (2009) defines competency as a personnel related concept referring to a set of behavioural dimensions of one’s effective performance work. Inyang (2009) considers competencies as constituting a cluster of related skills, knowledge and attitudes which an individual acquires and uses together, to produce outstanding performance in any given area of responsibility. Cabello-Medina, López-Cabrales and Valle-Cabrera (2011) indicate that to function as a strategic business partner and successfully execute the new, critical and challenging responsibilities the HR professionals need to possess the relevant strategic skills or core competencies. In this study, managerial competencies are business and entrepreneurial skills, communication skills, interpersonal skills, results orientation, personal qualities, managing people, self-management and leadership competencies.

Previous research that examined human resources’ knowledge, skills, and abilities and their relationship with performance had the tendency to do so on an individual level. Individual's general cognitive ability and its relationship with performance outcomes across a variety of tasks have been widely studied (Ree, Earles, & Teachout, 1994; Martocchio & Judge, 1997; Phillips & Gully, 1997). O'Reilly and Chatman (1994) define general cognitive ability as representative of the general population and refer to individual differences in tasks or pursuits that demand mental
effort, such as inference, generalization, rule, and manipulating or transforming problems.

Neuman and Wright (2001) conducted a job analysis to determine the task specific knowledge, skills, and abilities needed for a human resource position and found that individuals with greater levels of task specific knowledge, skills, and abilities performed at a higher level. Different jobs have different profiles of knowledge, skills, abilities that are required and consequently different people may complement jobs differently (Wise, McHenry, & Campbell, 1990). Job analysis is used to determine the skills, knowledge, and abilities necessary for a specific job. Job analysis provides a foundation for human resource practices, including, selection, recruitment, training, performance and performance appraisal (Van Iddekinge, Putka, Raymark, & Edison, 2005).

Job analysis identifies the skills, knowledge and abilities for a specific job which a company can use as a criterion for employee selection (Baranowski & Anderson, 2005). This is done by checking for skills, knowledge and abilities that a new employee should possess before they are allowed entry into a job (Baranowski & Anderson, 2005). Baranowski and Anderson, (2005) indicate that if specific skills, knowledge, and abilities are needed in a firm, training enables employees in acquiring needed (KSA). Edwards (1991), O’Reilly, Chatman, & Caldwell (199) found out that when individuals possess the required skills, knowledge, and abilities for a job, they tend to perform well than when individuals do not possess the required skills, knowledge, and abilities. This study identifies another area to be examined which centres on the skills, knowledge, and abilities necessary for teams in SMME.
Stevens and Campion (1994) presented the knowledge, skills, and abilities needed for success as a team member in a conceptual article. The teamwork’s knowledge, skills, and abilities developed by Stevens and Campion (1994) theorized that collaborative planning, problem solving, communication, conflict resolution, goal setting, performance management and task coordination were important KSAs linked to high performing teams. Stevens and Campion (1994) tested this linkage and reported these teamwork KSAs are positively related to overall job performance.

Similarly, McClough and Rogelberg (2003) found higher scores on the teamwork’s knowledge, skills, and abilities test developed by Stevens & Campion relate to higher individual effectiveness in teams. In a study of teamwork’s skills training, Ellis, Bell, Ployhart, Hollenbeck, and Illgen (2005) found that individuals that received teamwork training demonstrated greater proficiency in planning, higher levels of knowledge regarding teamwork competencies, collaborative problem-solving, communication and task coordination. The focus of human capital has been placed on skills, knowledge, and abilities at the individual level. Further research should focus attention how to turn team knowledge, skills, and abilities (KSAs) and into group outcomes. This has created a gap in the body of knowledge.

In a meta-analysis, Bell (2007) found that the team level personality traits such as emotional stability, agreeableness, extraversion, openness to experience and conscientiousness, had little to no relationship with team performance in lab studies. However, in field studies, agreeableness, openness and team level measures of conscientiousness, to experience relate to team performance (Bell, 2007).
2.9 GAPS IDENTIFIED BY REVIEW OF HUMAN RESOURCES PRACTICES AND HUMAN CAPITAL

A study by Huselid (2006) emphasized that skills, training and extensive employee involvement in SMME can improve the skills, knowledge, and abilities of a firm’s employees, through increase in their motivation but failed to provide the exact levels of improvement training and extensive employee involvement.

Although Aitchison (2007) found out that lack of certain competencies may affect performance of the strategic role in the organization by HR managers. He did not identify actual competencies that affect them in their performance of a strategic role and how they affect them. The three modes of theorizing are universalistic, contingency, and configurationally. The universalistic perspective contends that some human resource practices are always better than others are and that organizations should adopt these best practices. Studies have examined the universal perspective, the contingency perspective and the configurationally perspective individually. There is need to incorporate the three models in one study.

The findings by Delery and Doty (1996) suggest that different organizations can employ different perspectives on the use of human resource practices and the different perspectives on the use of human resource practices to influence organizational performance. They failed to provide sets of different perspectives to use to influence organisational performance and failed to provide the best
perspective to use. The current study used both universal and configurationally perspectives on SMME performance.

Very little research was done on the relationship between human resource practices and organizational performance; interest should develop in furthering research on the relationship between human resource practices and organizational performance. Further studies should attempt to shift the focus of strategic human resource management to the human resource capital pool for firms and the influence that human capital may have on organizational performance. Firm-specific human capital is the skills, knowledge, and abilities that are valuable to a specific firm and useful. For this study skills, knowledge, and abilities that are useful and valuable to an SMME.

A U-shaped relationship was found between human capital and firm performance, such that the relationship between human capital and firm performance was initially negative, but turned positive with higher levels of human capital (Lepak & Snell, 2002). This suggests that early investments in human capital may not have produced enough benefits to offset the cost. There is need to further study and find out what happens over time in an organisation as employees gain skills, knowledge, experience, and the bearing of these investments in organizations. This has created a gap in the body of knowledge.

The findings by Lepak and Snell (2002) demonstrate differences in human capital based on the different employment modes that an organization may choose to employ. While it is important to examine how human capital can complement an
organization’s strategy, it is also important to examine the influence that human capital can have on organizational performance. This has created a gap in the body of knowledge. This strategy is followed by this study as further research to find out how SHRM can influence SMME performance.

Takeuchi et al. (2007) indicate that in assessing human capital, managers should complete a human capital scale assessing creativity, employee skills level, and propensity to develop new business ideas, further research to add on the scale and rank the scale

2.10 STRATEGIC HUMAN RESOURCE MANAGEMENT THEORETICAL MODELS

2.10.1 Strategic Human Resource Management Theoretical Models

Strategic human resource management (SHRM) provides a number of theoretical models that explain how organisational training leads to outcomes (Wentland, 2003; Agunis & Kraiger, 2009). Wright and McMahan (1992) provide a conceptual framework that incorporates theoretical models for the study of SHRM. According to this framework and the theoretical models, SHRM practices influence the HR capital pool and HR behaviours; HR behaviours then lead to outcomes.

The First model, is according to the resource-based view of the firm, an organization’s resources can be a source of competitive advantage when it possesses resources that add positive value to the firm (Ostroff & Bowen, 2000).
Applying the resource-based view (RBV) to training suggests that training can be viewed as an investment in human capital that provides employees with unique skills, knowledge, and abilities. These would enable the performance of activities required to achieve organizational goals, thus resulting in positive organizational-level outcomes that add value to the firm (Ostroff & Bowen, 2000; Lepak et al. 2006; Pfeffer, 2007; Lepak & Shaw, 2008; Armstrong-Stassen, 2008).

The second theoretical model is the behavioural perspective which focuses on employee role behaviour as a mediator between strategy and firm performance (Bowen & Ostroff, 2004; Liao, 2005; Huse, 2005; Liao, Toya, Lepak & Hong, 2009; Collings & Mellahi, 2009). The desired role behaviours should then lead to positive organizational outcomes. Applying the behavioural perspective to SMME training suggests that the training will result in positive organizational outcomes to the extent that it results in employee behaviours that are required by the organization’s strategy (Bowen & Ostroff, 2004; Liao, 2005; Huse, 2005; Liao, Toya, Lepak & Hong, 2009; Collings & Mellahi, 2009). Fabling & Grimes (2007) relates that it is necessary to identify the HR practices that will be most effective for eliciting desired role behaviours (Fabling & Grimes, 2007).

The third theoretical model is shown by a set of models, known as cybernetic systems models or input–throughput–output models (Wright & McMahan, 1992; Jaw & Liu, 2004; Tharenou, Saks & Moore, 2007; Mittal, Zeigler & Martín, 2008). Included under the cybernetic approach is an open systems model of the HR system in which employee competencies (inputs) lead to behaviours (throughputs) which then lead to affective and performance outcomes (outputs) (Zeigler & Martín, 2008).
Open system models portray organizations as transforming inputs from the environment into outputs. Wright and McMahan (1992) present a cybernetic open systems model of HR in which inputs consist of employees' knowledge, skills and abilities; the throughput is employee behaviours; and output includes productivity, satisfaction, and turnover. Thus, when applied to SMME training, cybernetic models suggest that training leads to organizational outcomes to the extent that it results in competencies that are necessary to perform the behaviours that will impact organizational outcomes (Wright & McMahan, 1992; Jaw & Liu, 2004; Tharenou, Saks & Moore, 2007; Mittal, Zeigler & Martín, 2008). The current study intended to find out whether training and cybernetic training models in SMME would result in useful competencies that would impact on SMME performance.

2.10.2 The Relationship between Training and Outcome Models in SMMEs

Kozlowski et al. (2000) noted that most models of training end up with the transfer of individual-level outcomes to the training context. There is a strong belief that training is related to organization-level outcomes but the theoretical relationship has not been clearly shown (Kozlowski et al., 2000; Wentland, 2003; Agunis & Kraiger, 2009). Literature shows that there is little theoretical development or research on how individual-level training outcomes result. This has created a gap in the body of knowledge. Kozlowski et al. (2000) concluded that there was still a gap in the training literature because the major goals of training is to improve organizational effectiveness, but the models, methods and training tools, which are used only focus on the individual level. The current study strongly supports this conclusion by Kozlowski et al. (2000) mostly in SMME training.
Kozlowski et al. (2000) provided a theoretical framework to develop a multilevel model of training effectiveness to bridge the micro–macro gap in the training literature. Kozlowski et al. (2000) proposed that Training effectiveness involves the linkage between micro training outcomes and macro objectives at higher organizational levels. They focused on training transfer because it is the primary leverage point by which training can influence organizational effectiveness and present a theoretical framework to guide research on vertical transfer (i.e., upward transfer across different levels of the organizational system) (Liu, 2004; Tharenou, Saks & Moore, 2007).

Regardless of the rules, behaviours, the individual KSAs, and performance that are imparted through training and are these are precursors of vertical transfer. Training leads to organization-level outcomes to the extent that it results in the acquisition of KSAs, performance, behaviours, and that is necessary to achieve desired organizational outcomes. The theories reviewed in this section suggest that the effect of training on organizational-level outcomes is mediated through direct effects of training on employee behaviours, attitudes, and KSAs. As Ostroff and Bowen (2000), Inkson, (2008). Lepak & Shaw, (2008) and Amstrong-Stassen, (2008) theorized, a SHRM system is a complex set of practices designed to influence employees’ collective skills, commitment, satisfaction, behaviour and motivation these practices are mediating mechanisms that link HR practices and firm performance.
According to Ostroff and Bowen (2000), human capital, employees’ collective attitudes, and behaviours should influence organizational performance. In turn, organizational performance should lead to positive financial outcomes for the organization mediating the relationship between human resource outcomes and financial performance (Combs, Liu Hall and Ketchen, 2006; Becker & Huselid, 2006; Green, Wu, & Whitten, 2006; Katou, & Budhwar, 2006). Training has a direct effect on SHRM outcomes and an indirect effect on organizational performance that is mediated through SHRM outcomes (Combs, Liu, Hall and Ketchen, 2006; Becker & Huselid, 2006; Green, Wu, & Whitten, 2006; Katou, & Budhwar, 2006). This study used Ostroff and Bowen’s (2000) classification scheme of employee attributes to represent SHRM outcomes as it encompasses all the variables in the various models: attitudes (e.g. Collective employee satisfaction) and motivation; behaviours (e.g., performance-related), and human capital (e.g., workforce knowledge, skills and abilities).

2.10.3 Training and Organizational-Level Outcomes Model

Inkson (2008), Lepak & Shaw (2008) and Armstrong-Stassen (2008) reveal that out of 67 studies on training and organisational level outcomes, there is a lack of consistency in how the studies are conducted, how data is analyzed and how key variables are measured. This has created a gap in the body of knowledge. There is a range of training and outcome variables used. This study briefly describes the training and outcome variables that have been measured in previous studies so as to be able to select suitable variables that were used in this study.
2.10.3.1 Training Variables

Training has been reviewed and conceptualized in four main ways (Kotey & Slade, 2005; Wall & Wood, 2005; Deakin, McShane & Cade, 2005). The first is the measurement of training has comprised absolute measures (e.g., amount of training employees receive), the second is the proportional measures (e.g., the percent of workers trained, the third is content measures (e.g., type of training provided), and lastly emphasis measures (e.g., perceived importance of training to the organization (Matlay, 2002). In addition, the number of training variables included in a study also varies.

Many studies (Storey & Westhead, 1994; Patton et al., 2000; Matlay, 2002) use a single item to measure training, while others use multiple training measures across different categories. Training items also range from single item, categorical variables for multi-item scales with reliability measures. As a result, in some studies the training predictor might be a single-item variable, while in others there might be multiple training variables used collectively to predict an outcome (Kotey & Slade, 2005; Wall & Wood, 2005; Deakin, McShane & Cade, 2005). In this study, the measurement of training would comprise of the amount of training employees receive, the percent of workers trained, the type of training provided and perceived importance of training to the organization.
2.10.3.2 Outcome Variables

According to Bates, (2004), Aguinis, and Kraiger, (2009) and Snape and Redman, (2010) research on training and organizational-level outcomes also varies as a function of the outcome variables. One can categorize the variables of outcome variables by using Dyer and Reeves’ (1995) four-category definition of organizational effectiveness for evaluating effects of HR practices. They break down effectiveness outcomes into: first organizational performance outcomes (Aguinis and Kraiger, 2009) (productivity/output, quality, service); second HR outcomes (Bates, 2004; Aguinis and Kraiger, 2009) (motivation, low absenteeism, high job performance and turnover); and third financial or accounting outcomes (return on assets [ROA]), return on invested capital [ROI], profit and fourth if they are publicly listed companies, stock market outcomes (shareholder returns, stock value).

Studies in this review used all types of these variables except for stock market outcomes which are rarely measured and are the most distal theoretically from training. The content of some of the categories was expanded to incorporate other indicators. Learning (e.g., skill acquisition, employee attitudes) was included as a human resource outcome, and internal business operations (e.g., quality service, rework, cycle time) and customer outcomes (e.g., on time delivery, customer satisfaction) were included as organizational performance outcomes (Kaplan & Norton, 2008). HR, performance, and financial outcomes are results criteria in Kirkpatrick’s (1987) model. This study focuses on SMME performance outcomes (productivity/output, quality, service); and financial or accounting outcomes (profit, return on invested capital [ROI], return on assets [ROA]).
2.10.4 SHRM Perspectives and Implications for Training

The literature on SHRM provides alternative perspectives on the relationship between HR practices and organization-level outcomes that are generally referred to as the configuration, contingency and universalistic perspectives (Delery & Doty, 1996; Ostroff & Bowen, 2000). These perspectives can also explain different types of relationships between training and organizational outcomes.

A first perspective is known as the configurationally perspective. The configurationally perspective suggests that there are ideal types or configurations of HR practices that form HR systems that lead to superior performance (Ostroff & Bowen, 2000). In high-performance systems, HR practices need to be complementary and interdependent, working together to develop valuable, unique human capacities to increase organizational effectiveness (Barney & Wright, 2007). When Theoretical models linking training to organizational-level outcomes are applied to training, the configurationally perspective suggests that training will enhance organizational effectiveness when it is used in conjunction with other, complementary HR practices than when used independently. Thus, the first investment in training must be consistent with other HR practices. HR practices consistent with training include careful screening of applicants for potential and trainability, practices to decrease turnover, use of promotion from within and internal labour markets, use of performance-contingent incentive systems, defining jobs broadly, and providing opportunities for employee participation (Baron & Kreps, 1999; Lepak & Snell, 1999).
A second perspective is known as the contingency perspective. The general premise of the contingency perspective is that the relationship between a specific SHRM practice and organizational performance is contingent on key contextual factors, most notably an organization’s strategy as shown by Delery & Doty, (1996). Thus, organizations adopting particular strategies require certain SHRM practices that will differ from those required by organizations with different strategies. For this research when applied to SMME training, the contingency perspective suggests that extensive formal training will be most effective when used in combination with certain organizational strategies as indicated by Schuler (1989) and Barney and Wright (2007).

The third perspective is universalistic. According to the universalistic perspective, some HR practices such as formal training are work practices that are believed to be linked to organizational effectiveness for all organizations that use them (Delery & Doty, 1996; Ostroff & Bowen, 2000). This is in effect the primary perspective taken in most studies on training and organizational-level outcomes, in which SMME training is predicted to have a positive relationship with organizational outcomes (Delery & Doty, 1996; Ostroff & Bowen, 2000).

The SHRM literature suggests that the nature of the relationship between training and organizational level outcomes might be universalistic such that SHRM outcomes mediate the relationship between training and organizational performance; and/or it might be moderated by organizational factors such as firm strategy (contingency perspective) and/or it might be moderated by other congruent HR practices (configurationally perspective).
2.10.5 Training and Development in Small, Micro and Medium Enterprises (SMMEs)

The general economic principle for the establishment of policy instruments of government is to correct market failure (Glancey & McQuaid, 2000; Stevenson & Lundstrom, 2001). In the context of enterprise development, instruments are designed to address issues either at the microeconomic or the macroeconomic level (Glancey & McQuaid, 2000; Matlay, 2002). This is done with training for business owners being an instrument to address macroeconomic issues; the consequence is that there is a huge investment in training around the globe (Glancey & McQuaid, 2000; Stevenson & Lundstrom, 2001). However, many analysts warn that the received wisdom that training improves performance (both at an individual and an organizational level) is hard to prove (Glancey & McQuaid, 2000; Patton et al., 2000; Matlay, 2002). This has created a gap in the body of knowledge. On one level this difficulty is methodological. How do researchers gain an insight into the value gained by small firms, which may include benefits that are intangible and which may take some time to be demonstrated. In most cases those who receive the training are often unable to describe their needs or to assess how their developing skills will contribute to the firm? But on another level it is conceptual; a lack of clarity in the conceptualization of the survey design and a lack of robust frameworks for evaluation (Storey, 2000; Patton et al., 2000).

Arguably it is due to these challenges that much of the research on training as a means of achieving enterprise development has focused less on complex issues i.e., a number of researchers have focused on the benefits provided by a particular
training programme (Matlay, 1999; Andrews et al., 2000; Blackburn & Athayde, 2000). While valuable to those designing and delivering the training that is the subject of the particular investigation these studies have had more restricted generalisability (Andrews et al., 2000; Blackburn & Athayde, 2000). While this may be due to the limitations on researchers who do not have the resources to engage in longitudinal studies, the end result is the same, Failure to prove that training as an intervention works. This has created a gap in the body of knowledge. This study does not agree that there is a lack of proof that training intervention works.

Fraser et al. (2002) describe best practices in training as how to be effective in terms of the key operational issues of design and delivery. In this context much has been written about the degree to which small firms engage in training programmes (Curran, 2000; Patton et al., 2000; Fraser et al., 2002). There is also a strong focus on methods of encouraging firms to participate in training programmes through understanding the barriers to take up. This focus has confirmed that there is a positive relationship between firm size and the decision to invest in training (Curran, 2000; Patton et al., 2000; Fraser et al., 2002).

Literature provides information for those interested in improving training programmes, either by training by stealth, embedding a learning culture or individualizing training for micro-enterprises (Green Bank, 2000; Parker et al., 2000; Morrison and Bergin-Seers, 2002). While useful and even though the researcher strongly agrees with the idea, these suggestions are merely diversions from the real question: Does training as a means of achieving enterprise development work? In a longitudinal analysis of the Barclays Bank Small Firms Training Loans Scheme in
UK, Fraser et al. (2002) used longitudinal data, a large sample and a control group, the researchers concluded that firms that get training loans are more likely to survive and grow faster than non-participants. This study is highly unusual, both in terms of its scale and its scope and establishes a new benchmark for evaluations of this type.

The researchers’ conclusions are particularly good news for agencies that fund free or subsidized training and for the many firms that make a significant investment in training. They already operate on the basis that training provides identifiable benefits for the firm in terms of developing capabilities and getting improved results, such as profitability (Beaver and Jennings, 2001). The researcher to this study had this feeling that training as a strategic activity would enable developing capabilities, skills and knowledge and getting good outcomes as profitability hence strategic human resources is a key to SMME success and profitability.

2.10.5.1 Entrepreneurial dynamism

Entrepreneurial dynamism refers to the financial, intellectual and physical abilities that affect the success of the entrepreneur (Maas & Herrington, 2007). These are the skills necessary in order to make a success of a business venture (Maas & Herrington, 2007). Perks and Struwig (2005) identify four categories of skill necessary for an entrepreneur to start a successful business: management skills, technical skills, personal skills, and business operations skills (Rapidere & Van Scheers, 2005; Maas & Herrington, 2007).
The 2006 GEM report points out that entrepreneurial dynamism, is one of the most underdeveloped areas in the South African entrepreneurial landscape (Maas & Herrington, 2007). Radipere & Van Scheers (2005) indicted that South Africa has a very high rate of business failure, with an estimated 40% of new business ventures failing in their first year, 60% by the second year and 90% within the first 10 years of existence (Radipere & Van Scheers, 2005). This is confirmed by the GEM report’s finding that the vast majority of businesses remain in the nascent phase. In 2006, there was a total of 2 228 liquidations, of which 1 100 were companies and 1 128 close corporation (Maas & Herrington, 2007). This shows a significant decline compared to the figures of 2000-2005. It has been suggested (Radipere & Van Scheers, 2005; Maas & Herrington, 2007) that this high rate of failure may be because so many enterprises are born out of a survival strategy, rather than because of an inherent inadequate entrepreneurial dynamism. Radipere and Van Scheers (2005) suggest that a lack of managerial skills may also significantly influence these numbers. This study supports the suggestion by Radipere and Van Scheers (2005) that lack of managerial skills may also significantly influence profitability and sustainability of SMMEs in South Africa.

2.10.5.2 Entrepreneurial Opportunity

Maas & Herrington (2007) refer to Entrepreneurial opportunity as the external factors influencing the capacity of SMMEs to survive and grow (Maas & Herrington, 2007). These are public perceptions are all factors impacting on entrepreneurial opportunity, business opportunity, Market saturation and access to finance (Maas & Herrington, 2007). The GEM study regards entrepreneurial opportunity as one of South Africa’s
major strengths, as there seem to be enough business opportunities for SMME owners to exploit (Maas & Herrington, 2007).

In the South African context, a distinction can be made between necessity entrepreneurship, which is often characterized by a lack of skills, business experience and resources needed for such a venture and opportunity entrepreneurship, which is the result of finding a niche in the market, (Van der Walt et al., 2004; Maas & Herrington, 2007). The problem shown is not only a high level of business failure, but also entrepreneurs ending up with a low income below the poverty rate, as is indeed the case with 45% of South Africa’s self-employed people (Van der Walt et al., 2004; Maas & Herrington, 2007).

The GEM research suggests that South Africa’s survival rate for SMME is low and that the opportunity for entrepreneurial activity is the lowest in all developing countries (Maas & Herrington, 2007). This has created a gap in the body of knowledge. It also shows that entrepreneurship is not well-supported in the South African community and that the stigma of failure is such that it inhibits people from venturing into the sector or from taking calculated risks in furthering their businesses (Maas & Herrington, 2007). This present study is pursuing these findings and is providing the framework which can be used to manage SMME in a strategic way to combat and eradicate the stigma of failure.

In 2007, the Centre for Development and Enterprise (CDE) interviewed entrepreneurs in Gauteng in an effort to have a clear view of the factors that obstructs business success. The following factors were cited as the major obstacles
to business growth: negative public perceptions, corruption, poor infrastructure, labour problems, crime, increased competition and Government regulations (CDE, 2007).

As the tourism sector is predominantly made up of SMMEs, there is a perception amongst the larger firms that non-compliance is rampant, which leads to some frustration from the firms who took the financial resources and time to comply with the regulations. The regulatory burden on small business development remains an issue. The Small Business Project (SBP) embarked on a study in 2006 calculating the regulatory costs of the tourism industry. It was found that compliance costs for companies in this sector tended to be up to three times higher than for other businesses (SBP, 2006).

The SBP, 2006 survey showed that 40% of small firms report constraints on growth as a result of the regulatory burden from the state. The following are examples of the reasons cited for poor growth and low employment levels: time-consuming labour regulations, inappropriate labour laws and burdensome labour laws. In terms of finance, current government policies are underpinned by the objective of providing credit from formal sources. However, the application of this policy was disappointing (SBP, 2006) largely because organisations failed to distribute funds in time.

It is suggested that South African business owners are attempting to survive in an environment that is not conducive to entrepreneurship (SBP, 2006). It should be noted that small business entrepreneurs complain of the same constraints as owners
and/or managers in larger businesses. Lack of finance, regulatory and institutional challenges are the key constraints identified (SBP, 2006).

2.10.6 SMMEs in the Informal and Formal Sectors

If informal enterprises are to develop into businesses that can provide employment and grow, they will have to graduate to the formal economy (Rogerson, 2007; Ngiba, 2011). At the same time, the informal economy is able to provide important products and services to the formal economy. It is therefore important to know the extent of interaction between the two sectors, and whether they are indeed stimulating each other economically. Contrary to many predictions of economists world-wide, the informal economy did not disappear but instead has expanded significantly globally and emerged in new business area and in unexpected places, such the streets of developed countries (Rogerson, 2007; Ngiba, 2011).

In 1997, it was estimated that 61% of the sub-Saharan African labour force was active in the informal sector, while the ILO indicated that the informal economy was responsible for over 90% of new urban jobs in Africa during the 1990s (Rogerson, 2007; Ngiba, 2011). The informal sector in South Africa is of greater significance than in many other countries because it has to a large extent provided a safety net for many people in the country who would otherwise not have been provided for by the formal economy (Ngiba, 2011).

It is argued that South Africa needs to encourage its SMMEs to transform from the informal to the formal sector, for a number of reasons (Ngiba, 2011). This is because
many government programmes aimed at enterprise development never reach the informal businesses precisely because they are unregistered. Although the informal sector may provide new jobs on a regular basis, because of the lack of development potential of a sector characterised by illegal activities and survival employment, it is argued that the sector is not contributing much to employment creation and economic growth as it could be (Ngiba, 2011).

On a municipal level, significant policy has been formulated to support the growth of the second economy, but guidelines remain incoherent and interventions subsequently ad hoc (SACN, 2006). It seems that some South African cities – notably Johannesburg – focusing on growth, while others are targeting mainly second economies. Most cities accept that there is some overlap between their interventions for the first and second economies (SACN, 2006).

SMMEs make a substantial contribution to GDP and an even greater contribution to employment (Rogerson, 2007; Kongolo, 2010; Herrington, Kew, & Kew, 2010) however; most SMMEs are micro and survival enterprises, with little potential for growth (Rogerson, 2006; 2007; 2008; Herrington et al., 2010) Surveys (Maas & Herrington, 2007) indicate that very few SMME proprietors aim to hire additional staff and that South Africa performs below average in measurements of entrepreneurial activity. South African SMMEs are also less than dynamic, with a majority of enterprises remaining in the nascent and ‘baby business’ phases (Herrington, 2007) (less than 3.5 years in existence). A high rate of liquidations further corroborates the evidence that performance is less than satisfactory. Research by the Global Entrepreneurship Monitor (GEM) confirms that the survival rate for start-ups is low
and that the opportunity for entrepreneurial activity is the lowest of all the reviewed developing countries.

2.11 TRAINING AND DEVELOPMENT OF SMME ENTREPRENEURS IN SOUTH AFRICA

Training will not be efficient if it is not preceded by systematic analysis of training needs. The use of incentives and performance appraisal has implications for staff development, motivation, reward and retention (Lepak, Liao & Chung, 2006; Purcell & Hutchinson, 2007 and Katou, & Budhwar, 2010). Commentators across the economic spectrum agree that the development of the abilities and skills of SMMEs and a highly skilled workforce are the key to increased competitiveness and sustainable growth (Lange et al., 2000; Rogerson, 2001; Tustin, 2003; Volkman, 2004; Lowe & Marriott, 2006). In order to prevent business failures and to promote SMME growth, the lack of appropriate skills must be addressed (Kangashariu, 2000). The current study supports this suggestion.

The ability to learn and acquire skills seems to be the major difference between organizations that grow and those that find it difficult to grow (Vesselov, 2002; Robertson, 2003; Herny, Hill & Leitch, 2005). Rae, (2000) asked a question as to exactly how do people learn to work in entrepreneurial way. Despite a growing body of literature in the field there is still considerable uncertainty as to whether entrepreneurs are born or made (Klofsten, 2000; Henry et al., 2005; Botha, 2006). This has created a gap in the body of knowledge. However many developers,
economists and investors are content to gamble on the notion that entrepreneurship can be cultivated in individuals, (Rwigema & Venter 2004; GEM, 2009) and that entrepreneurs can be created and made better by acquiring, developing, practicing and refining certain behaviours (Klofsten & Spaeth, 2000; Henry et al., 2005). It has been argued that acquiring and developing business competencies is more important in the entrepreneurial process than even direct consulting support and provision of financial resources to the entrepreneur (Lange et al., 2000; Pretorius, 2001, Ladzani & van Vuuren, 2002; Nasser et al., 2003).

Many studies have suggested that management and entrepreneurial skills (which seem indispensable for the running of successful SMMEs) can be developed through a combination of education and training, skills transfer, experience, learning and apprenticeship (Rae 2000; Dana, 2001; Toye, 2002; Nieman et al., 2003; Robertson, 2003; Ibrahim, Sousanis, Poutziouris & Lam, 2004). This study supports this suggestion. Education and training refer to the extent, which all levels of the education system are effective in providing instructions in the creation or management of SMMEs (GEM, 2002; Lundall, 2009). Education and training are key elements in successful venture creation (GEM, 2005; Lundall, 2009).

Many African government efforts to solve youth unemployment problems have resulted in policy initiatives aimed at raising skills levels through education and training (De Faoite, Henry, Johnston & Van der Side, 2004; Cook, Belliveau & Sandberg, 2004). Education and training is said to facilitate greater levels of participating and succeeding in entrepreneurship (GEM, 2002). However, there are doubts as to how education and training actually influence SMME performance or
contribute significantly to SMME success (Devins et al., 2004; Massey, 2004). There is a limit to what can be taught, and many argue that personal experience is the best teacher of entrepreneurship (Freeman, 2000; Massey, 2004).

It is generally believed that although education and training alone will not address the survival needs of many SMMEs, education and training play a crucial role in the support of SMMEs as they facilitate initiation and development of entrepreneurial activities (van Vuuren & Antonites, 2001; Ladzani & van Vuuren, 2002; Mayrhofer & Hendriks, 2003). This present study supports this belief. Other studies show that education and training interventions leads to positive effects on success and growth of SMMEs (Ladzani & van Vuuren, 2002; Simpson et al., 2004; Keough, 2004).

Lack of education and training leads to skills shortages and thus hinder entrepreneurship capabilities (Ligthelm & Cant, 2002; Ladzani & van Vuuren, 2002; Tustin, 2003; Pretorius & Shaw, 2004). SMME failure in many countries is avoidable if appropriate management training, counselling and development are provided before the situations reach critical conditions (Govender, 1994). Thus, the creation of SMMEs is partially dependent on the creation and advancement of efficient education and training programmes (Pretorius et al., 2005; Gurol & Atsan, 2006). The government can assist SMMEs’ growth and reduce the failure by citing access to education and training programmes that train entrepreneurs and upgrade the capacity of SMMEs (Luiz, 2002; Olawale, & Garwe 2010, Herrington et al., 2010). Clover & Darroch (2005) also argued that Governments & Non-Governmental Organisations (NGOs) could support SMMEs through education, training and business advice.
Education and training are considered important for economic prosperity (Olawale, & Garwe 2010, Herrington et al., 2010). The USA is considered a world leader in the educating and training of entrepreneurs (GEM, 2002). In the 1990s in South Africa, the new government’s Reconstruction and Development Programme (RDP) placed a major emphasis on education training and entrepreneurial awareness, (Klofsten & Spaeth, 2004; Gray, 2006; Harrison, 2006). The education and training institutions can provide the framework for the SMME owners and/or managers to confront and address deficiencies in his/her business (Hankinson, 2000; Markman & Baron, 2003). This study supports this suggestion.

2.11.1 Entrepreneurship Training

Training is the acquisition of skills, knowledge, and competences as a result of the teaching of vocational skills and knowledge that relate to specific business competencies (Harrison, 2005; Storey, 2007; Cummings & Worley, 2008; and Armstrong, 2012). Training has specific goals of improving one’s capability, capacity, and performance (Cummings & Worley, 2008; and Armstrong, 2012). Harrison (2005) recognizes the need to continue training beyond initial qualifications: to update, upgrade and maintain skills, throughout working life. Many professionals refer to this sort of training as professional development. It forms the core of apprenticeships and provides the backbone of content at institutes of technology (also known as technical colleges or polytechnics). In addition to the basic training required for a trade, profession or occupation, observers of the labour market (Cummings & Worley, 2008; and Armstrong, 2012).
Rothwell (2004), Storey (2007), Cummings and Worley (2008) and Armstrong (2012) state that training is part of human resource development, talent development, is the process of changing its employees, its stakeholders, the organization itself, and groups of people within it. Training is done using planned and unplanned learning, in order to achieve and maintain a competitive advantage for the organization (Buckley & Caple, 2009; Cummings & Worley, 2008; and Armstrong, 2012). The same suggests that training be thought of as selective attention paid to the top 10% of employees, either by performance or potential.

In the context of this study, Training is refered to as teaching a particular type of behaviour or skill through regular practice and instruction. Many studies have proved that entrepreneurs can be trained to stimulate entrepreneurial activity and performance (Antonites, 2003). The trainability of entrepreneurs is accepted and supported by Hisrich & Peters (2002) and Pretorius & van Vuuren (2003) among others. This study agrees that staff training is linked to success in all successful companies which provide training to their employees to create effective workers who can attain organizational goals and improve their expertise (Rogerson, 2001; Rowden, 2002; Darroch & Clover, 2005). Training complements the early stage of education by capacitating entrepreneurs with the necessary skills to set-up, run and grow, own small businesses (Erikson, 2002; Devins et al., 2004).

It is generally agreed that the benefits of appropriate entrepreneurial training interventions are that: Training improves skills that enhance SMME entrepreneurial performance in terms of productivity, profitability, and competitiveness and increase
in assets, sales and employees (Clover & Darroch, 2005; Henry, Hill & Leitch, 2005). Training helps owner-managers learn prevent and solve business problems (Ladzani & van Vuuren, 2002; Robertson et al., 2003). Training improves the chances of getting things right and reduce failure (Viviers et al., 2001). Training enhances leadership, enhance self-confidence and can boost the need for achievement, and influence managerial attitudes, growth-related entrepreneurial, perceptions and alleviate the fear of failure (Ibrahim et al., 2004). Training facilitates the implementation of strategy by providing skills to perform jobs procedures and business processes that help the SMME implement strategy without difficulties (Themba et al., 1999; Freeman, 2000). Training fosters a continuous learning culture that enables SMMEs to adapt to change and survive in a highly competitive and turbulent environment (Lange et al., 2000; Sackett et al., 2003).

For this study, training helps identify enterprise growth procedures and patterns and positively address key barriers to entrepreneurship. At first business attempt may fail, but educated and trained entrepreneur will retain the abilities and knowledge to try again (Bridges et al., 2002). It is assumed that most new small business owner and/or managers start their enterprises without prior entrepreneurship training, (Ladzani & van Vuuren, 2002) training would be necessary to help them manage their SMME. The present study does not agree with the argument in current studies that SMME survival could be enhanced by providing appropriate skills training programmes that impart relevant and transferable skills as it is argued by (Bridges, 2002; Strydom & Tustin, 2003; Ibrahim et al., 2004; Darroch & Clover, 2005).
2.12 TRAINING MODELS

2.12.1 Training Models used by SMMEs

To get a set of these competencies, it was useful to review entrepreneurship-training models that form the framework within which entrepreneurship training programmes target the transfer of certain skills in South Africa. This study limited itself to two South African training models developed by van Vuuren and Nieman (1999) and Pretorius (2001).

The researcher chose the two training models because they are used as paradigms or frameworks of the thinking within the subject matter. Therefore, they serve as a guideline for the compilation of entrepreneurship education programmes (Vuuren & Nieman 1999; and Pretorius 2001). Mayfield and Weaver (1997) refer to the paradigm as the underlying philosophy that dictates the methodology used in the training of entrepreneurs because it guides the relevant pedagogy, content, thinking, and finally the outcomes. Understanding the elements and their influences on the development of entrepreneurial potential is crucial to the internalisation of entrepreneurship theory, the development and implementation of policy initiatives to enhance entrepreneurship education (Vuuren & Nieman 1999; and Pretorius 2001).
Model 1:

The Entrepreneurial Performance Education Model: (E/P education model)

The first model reviewed was developed by van Vuuren and Nieman (1999). Van Vuuren and Nieman (1999) presented a model called the Entrepreneurial Performance Education Model, whose formula is illustrated by equation 2.1 as follows:

$$\uparrow \text{E/P} = f (a \text{M} \times b \text{E/S} \times c \text{B/S})$$  (2.1)

Where

$\uparrow \text{E}$/Education model is defined as entrepreneurial performance.

M = Motivation

E/S = Entrepreneurial skills

B/S = Business skills

a, b, c, are constant coefficients.

This model argues that training courses should aim to impart the following skills (van Vuuren & Nieman, 1999; Nieman, 2001).

This study supports this model with the general understanding that good entrepreneurial performance result after employee training shown through motivation, entrepreneurial skills and business skills.
Table 2.1 Classification of skills constructs and related training

<table>
<thead>
<tr>
<th>CONSTRUCT</th>
<th>SKILL CATEGORY TO BE INCLUDED IN THE TRAINING</th>
</tr>
</thead>
<tbody>
<tr>
<td>Entrepreneurial performance (E/P)</td>
<td>Increasing productivity,</td>
</tr>
<tr>
<td></td>
<td>Increasing the quality of employees,</td>
</tr>
<tr>
<td></td>
<td>Increasing the value of the business,</td>
</tr>
<tr>
<td></td>
<td>Increasing profitability, and</td>
</tr>
<tr>
<td></td>
<td>Setting up and or running the business.</td>
</tr>
<tr>
<td>Motivation (M)</td>
<td>Increase in internal locus of control,</td>
</tr>
<tr>
<td></td>
<td>Fostering the need for achievement,</td>
</tr>
<tr>
<td></td>
<td>Decision making, Leadership and vision, and</td>
</tr>
<tr>
<td></td>
<td>Determination / Persistence.</td>
</tr>
<tr>
<td>Entrepreneurship skills training that covers the</td>
<td>Assessing of oneself and team, Negotiation</td>
</tr>
<tr>
<td>birth and growth of a business as training areas in</td>
<td>.Problem solving, conflict resolution, coping with stress and tension</td>
</tr>
<tr>
<td>a business as listed in this row</td>
<td>Risk propensity, Creativity, Innovation, Opportunity identification, Role models, Networking; and Change</td>
</tr>
<tr>
<td></td>
<td>orientation.</td>
</tr>
<tr>
<td>Business skills training would cover all the</td>
<td>Planning, strategizing including business planning,</td>
</tr>
<tr>
<td>conventional management training areas in a</td>
<td>Human relations, Marketing, Finance, Accounting, and General management, Negotiating,</td>
</tr>
<tr>
<td>business as listed in this row</td>
<td>Communication, Managing growth.</td>
</tr>
<tr>
<td>Technical skills training</td>
<td>The ability to use knowledge or techniques of a particular discipline to attain certain ends</td>
</tr>
</tbody>
</table>

Source: Van Vuuren and Nieman (1999)
Model 2:

The entrepreneurial education model (E/E model)

The second model that was reviewed is that of Pretorius (2001), the Entrepreneurial Education Model (E/E model), whose formula is illustrated by equation 2.2 as follows:

\[
E/E = f \{aF (bA x [cB/P x dE/S x eB/S])\} \quad (2.2)
\]

Where:

E/E = entrepreneurship education for start-ups.

F = facilitator’s motivation, skills and knowledge.

A = approaches used by the facilitator,

E/S = entrepreneurial success themes and knowledge.

B/S = business skills and knowledge.

B/P = business plan utilization.

a, b, c, d, and e are constant co-efficients.

The major difference is that this model introduces the facilitator. The skills to be imparted however are similar, with motivation being included in the entrepreneurial success construct, which is the same as van Vuuren and Nieman’s entrepreneurship skills construct but includes leadership and resilience. This model also emphasizes the business plan development and its uses, this listing it as a separate construct and elevating it from being part of a group with the business management skills construct, as in van Vuuren and Nieman’s (1999) model. The current study is about the same idea that for new SMME, entrepreneurship education for start-ups is important and necessary.
Antonites (2003) suggests that training should focus on facilitator’s skills, knowledge and motivation, approaches used by facilitator, entrepreneurial success themes and knowledge, business skills and knowledge and utilization of business plans. Such setups result in good SMME performance. Table 2.2 below adapts the table by Antonites (2003) to focus only on the skills that the entrepreneur needs to be trained according to the two models reviewed above.

**Table 2.2 Skills that the entrepreneur needs**

<table>
<thead>
<tr>
<th>Entrepreneurial Performance (E/P)</th>
<th>Performance Motivation (M)</th>
<th>Entrepreneurial skills (E’S) &amp; success themes</th>
<th>Business skills (BS)</th>
<th>Business plan</th>
</tr>
</thead>
<tbody>
<tr>
<td>Running of business</td>
<td>Motivate</td>
<td>Risk propensity</td>
<td>General</td>
<td>Elements</td>
</tr>
<tr>
<td>Growing the Business</td>
<td>Mentors</td>
<td>Creativity and innovation</td>
<td>Marketing</td>
<td>Preparatio</td>
</tr>
<tr>
<td>Recruitment</td>
<td>Role models</td>
<td>Opportunity identification</td>
<td>Legal</td>
<td>Presentatio</td>
</tr>
<tr>
<td>Increasing Productivity</td>
<td>Role model analysis</td>
<td>Operational</td>
<td>HR</td>
<td></td>
</tr>
<tr>
<td>Increasing Profitability</td>
<td>Leadership</td>
<td>Motivation</td>
<td>Communication</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Attitude of participant</td>
<td>Financial</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Social skills</td>
<td>Cash flow</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>Start-up skills</td>
<td>Networking</td>
<td></td>
</tr>
</tbody>
</table>

Source: (Antonites, 2003)

This study followed Kirzner, (1973); Nieuwenhuizen and Kroon, (2002); and Thornhill and Amit, (2003) to cluster and combine the skills into categories as follows:
The effective business systems and procedures-This includes reporting systems and relationships, measurement systems, reward systems, control mechanism, procedures, business systems, organizational structure, business planning systems and processes & records (Rwigema & Karungu, 1999).

Business linkages-This includes networking, industry clustering business associates and business contacts.

Communication-Which includes clerical and administrative, information, informing, listening, competence in languages used in business and access to relevant information.

Computer literacy - This includes computer systems, internet, email, typing, information and communication technology, ICT applications, information networks and practices computer programming and data-processing (Chapman, 2000; Lawless 2000; Bridges, 2002).

Creativity, innovation and opportunity identification - This includes the ability to innovate, to be alert, to create, to identify and to implement viable business opportunity, (Rogerson, 2001; Clover & Darroch, 2005).

Financial management - This includes working capital management, cash flow management, financial control, costing, forecasting, accounting, capital budgeting, financial analysis, bookkeeping and credit and collection management (Addis 2003; Rwigema & Venter, 2004).
Human Resources Management - This includes leadership, managing personnel, conflict management, employee relations, employee training, delegation, career development, organizational planning, job evaluation, personalities, vision, teamwork and organisational culture.

Legal - This includes regulations, legislation, government requirements, support, business registration, incentives and tax laws (Themba et al., 1999).

Life skills - These includes learning ability and negotiating, ability to handle change, problem solving, ability to handle stress, decision making, and time management (Rowden, 2002; Mayrholer & Hendriks, 2003).

Literacy- includes mathematical numeracy, reading and writing.
Marketing - This includes product pricing, business intelligence, competitors’ knowledge, competitor analysis, customer care, market research, marketing, sales, customer relations promotions, increasing sales, market planning, sales management, direct selling, government tenders, securing contracts, distribution management and international trade (Strydom & Tustin, 2003).

Operations - This includes quality control, production planning, production scheduling and efficient production techniques (Cornwall & Naughton, 2003).

Research and development-This includes market, specific product and technical research.
Risk taking - This includes the founding stage as well as risk management during the life cycle of the SMMEs and the ability to evaluate risks in the start-up (North, 2002; Henry et al., 2005).

Role models - This includes the ability to learn business knowledge from other successful entrepreneurs (North, 2002; Henry et al., 2005).

Securing resources - This includes identifying resources needed to start, run and grow business, securing these and controlling resources for optimal deployment and matching of the resources with short and long term requirements, (Kodithuwakhu & Rosa, 2002; Mayfholef & Hendriks, 2003; Kloisten & Spaeth, 2004).

Self-motivation - This includes self-confidence, perseverance, confidence building, commitment, self-awareness, resilience, confidence building, esteem, self-efficacy motivation, patience, dedication, determination, persistence, resilience, self-confidence, and positive attitude (Henry et al., 2003).

Strategic planning - This includes business plan development, strategy planning, plan implementation, goal orientation, strategy development, strategic awareness, organizing and organizational control (Vesselov, 2002).
Supplier management - This includes value chain, supplier management purchasing, inventory, cost analysis, and stock control (Klofsten & Spaeth, 2004).

Ethnical ability - This includes Knowledge of industry standards and practices vocational training, industrial knowledge and product-specific knowledge on how to
construct product or service, (Kodithuwakhu & Rosa, 2002; Nasser et al., 2003; LeBrasseur et al., 2003).

2.13 DEDUCTIONS FROM THE REVIEW OF RELATED LITERATURE

From these categories and the reviewed related literature above, the propositions and sub propositions on the link between performance and the training of skill derived at were:

**Proposition A1:**

Less successful SMMEs are less likely to have their owners and/or managers trained in the following professional (technical) skills than successful SMMEs:

These are sales management, marketing management, specialist knowledge, functional or operational knowledge, product knowledge, and technical knowledge.

**Proposition A2:**

Less successful SMMEs are less likely to have their owners and/or managers trained in the following personal skills than successful SMMEs:

Communication Skills

Influencing skills, facilitation skills, communication tool usage, negotiation skills, media & stakeholder management, advisory skills, presentation skills and business writing skills.
Interpersonal Skills

Persuasive ability, conflict resolution, networking, active listening, behaviour, cross functional, teamwork, flexibility and diversity, assertiveness and company vision.

Motivational skills

Interpersonal sensitivity, personal motivation, emotional intelligence, resilience, flexibility, excellence and integrity.

Proposition A3:

Proposition A3; some strategic human resource management aspects are most appropriate for SMME business growth and prosperity.

Proposition A4:

Propositions A4: Less successful SMMEs are less likely to show the following Managerial competencies than successful SMMEs in:

Strategic human resources management, strategic management, work organization, budgeting, analytical skills, business acumen, innovation, competitor analysis, financial/resource management, industry knowledge, organizational understanding, action orientation, systems thinking, legal, strategy and business planning, priority management, Marketing. Communication, personal qualities, interpersonal skills, results orientation, managing research and development and operations management.

Proposition A5
Proposition A5: Less successful SMMEs are most likely to show positive impact from training in the following ways than successful SMMEs:

Training improved employee business skills.

Relevant training to business needs was done.

Sales improved due to the skills training.

Product/service quality has improved due to training received.

SMME is growing due to skills training.

Worker confidence and motivation levels were improved after training.

Customer satisfaction improved due to training.

The skills and knowledge received will be of use in the next 5 years.

Training was strategic.

Proposition A6

Proposition A6: Less successful SMMEs are less likely to show growth signs a wide variety factors that cause failure than successful SMMEs.

2.14 CHAPTER SUMMARY

The primary aim of this study was to examine the impact of SHRM on SMME profitability and sustainability. The main goal of this study was to advance a theoretical framework. To advance this framework, the researcher reviewed related literature from books, journals, magazines, the internet, previous research, articles and theoretical models that address this topic. Gaps were identified during the review of related literature. The study proposed a SHRM integrative theoretical
framework that links training to organizational outcomes. Review of entrepreneurship training models that form the framework within which entrepreneurship training programmes target the transfer of certain skills in South Africa was done. Lastly, the chapter developed a summary of what literature says. The next chapter focused on the methodology of the study.
CHAPTER 111 RESEARCH METHODOLOGY AND DESIGN

3.1 INTRODUCTION

This chapter discusses issues such as the research process, the research design, research instruments, data collection procedures and methods, data presentation, analysis and interpretation procedure, reliability and validity of data, ethical considerations and the statistical package. According to Mouton, (2008) research methodology refers to the methods, techniques and procedures that are employed in the process of implementing a research design or research plan. This study used a quantitative approach.

All research is based on assumptions about how the world is perceived and how one can best come to understand it (Trochim, 2002). The assumptions of any research are determined by its entities, such as presuppositions of the searcher (Fielden, 2003), the phenomenon being investigated (Remenyi et al., 1998), the research discipline (Trauth, 2001), and, personality. These entities build a context for any research that guides its development from conception, to philosophy, to methodology, to design and finally implementation (Gerhart, 2008).

3.2 RESEARCH PARADIGM

A research paradigm is a philosophical framework that guides how scientific research should be conducted (Johnson & Onwuegbuzie, 2004; Jill & Roger, 2009; Leech & Onwuegbuzie, 2009). The philosophy is ‘the use of reason and argument in seeking the truth”, (Compact Dictionary and Thesaurus, 1997) People’s ideas about
reality and the nature of knowledge have changed over time and, therefore, new research paradigms are also needed. This is captured in Kuhn’s definition: ‘Paradigms are universally recognized scientific achievements that for a time provide model problem: and solutions to a community of practitioners’ (Kuhn, 1962, p. viii). Positivism was developed by theorists such as Comte (1798-1857), Mill (1806-1873) and Durkheim: 1859-1917). The alternative to positivism can be loosely billed as interpretive; which is based on the principles of idealism, a philosophy associated with Kant (1724-1804) and subsequently developed by Dilthey (1833-1911), Rickert (1863-1936) and Weber (1864-1920).

3.2.1 Positivism

Positivism provides the framework for the way the study was conducted in the natural sciences. The scientific methods are still widely used in social science research today. Positivism is underpinned by the belief that reality is independent of people and the goal is the discovery of theories. Based on empirical research (observation and experiment) knowledge is derived from ‘positive information’ because ‘every rationally justifiable assertion can be scientifically’ rifled or is capable of logical or mathematical proof’ (Walliman, 2001). Researchers conducting business research under a paradigm that stems from positivism still focus on theories to explain and/or predict social phenomena. They still apply logical reasoning so that precision, objectivity and rigour underpin their approach, rather than subjective and intuitive interpretation. The researcher chose the positivist’s paradigm because positivists believe reality is independent of researchers; they assume the act of
investigating social reality has no effect on that reality (Creswell, Vicki & Plano, 2011).

Under positivism, theories provide the basis of explanation, permit the anticipation of phenomena, predict their occurrence and therefore allow them to be controlled. Explanation consists of establishing causal relationships between the variables by establishing causal laws and linking them to a deductive or integrated theory. In this research causal relationship between SHRM and SMMEs are established. Thus, social and natural worlds are both regarded as being bound by certain fixed laws in a sequence of cause and effect. A variable is an attribute of a phenomenon that can change and take different values, which are capable of being observed and/or measured. A theory is a set of interrelated variables, definitions and propositions that specify the relationships among the variables. Since it is assumed that social phenomena can be measured, positivism is associated with quantitative methods of analysis (Jill & Roger, 2009). Drawing on a number of other authors; Creswell et al. (2011) provide a summary of the philosophical assumptions that underpin the two main paradigms, which he refers to as the quantitative and the qualitative paradigms. Jill & Roger (2009) illustrate the differences between Positivism and Interpretive and reveal that, Positivism is quantitative, objective, scientific and traditionalist while Interpretive is qualitative, subjective, humanist and phenomenological.
Table 3.1 Philosophical assumptions

<table>
<thead>
<tr>
<th>Philosophical assumption</th>
<th>Positivism</th>
<th>Interpretive</th>
</tr>
</thead>
<tbody>
<tr>
<td>Ontological assumption (the nature of reality)</td>
<td>Reality is objective and singular, separate from the researcher.</td>
<td>Reality is subjective and multiple, as seen by the participants.</td>
</tr>
<tr>
<td>Epistemological assumption (what constitutes valid Knowledge)</td>
<td>The researcher is independent of that being researched.</td>
<td>Researcher interacts with that being researched</td>
</tr>
<tr>
<td>Axiological assumption</td>
<td>Research is value-free and unbiased.</td>
<td>Researcher acknowledges that research is value-laden and biases are present.</td>
</tr>
<tr>
<td>Rhetorical assumption (the language of research)</td>
<td>Researcher writes in a formal style and uses the passive voice, accepted quantitative” words and set definitions.</td>
<td>Researcher writes in an informal style and uses the personal voice, accepted qualitative terms and limited definitions.</td>
</tr>
<tr>
<td>Methodological assumption (the process of research)</td>
<td>The process is the deductive study of cause and effect with a static design (categories are isolated beforehand research is context free generalizations lead to prediction, explanation and understanding results are accurate and reliable through validity and reliability</td>
<td>The process is the inductive study of mutual simultaneous shaping of factors with an emerging design (categories are identified during the process) Research is context bound Patterns and/or theories are developed for understanding Findings are accurate and reliable through verification</td>
</tr>
</tbody>
</table>

Source: (Creswell et al., 2011; Jill & Roger 2009)
The researcher chose to use the positivist paradigm in this study because:
The positivist approach the researcher was conducting business research under a paradigm that stems from positivism still focus on theories to explain and/or predict social phenomena;
The Ontological assumption - the nature of reality is objective and singular, separate from the researcher; The Epistemological assumption - (what constitutes valid Knowledge) -the researcher was independent of that being researched; Axiological assumption- (the role of values) and research was value-free and unbiased; Rhetorical assumption-(the language of research)-the study used a positivist methodology. Methodological assumption - (the process of research)-The process is the deductive study of cause and effect with a static design (categories are isolated beforehand research is context free generalizations lead to prediction, explanation and understanding Results are accurate and reliable through validity and reliability.

3.3 RESEARCH METHOD

Research method refers to a systematic, focused and an orderly collection of data for obtaining information from Jill and Roger, (2009) to answer a particular research problem or question. There are three general research approaches known as qualitative, quantitative and mixed research methods. According to Jankowicz (1991) the methods and techniques that are most suitable for which research depends on the research problem and its purpose.

Quantitative research, like other research paradigms, has its own set of assumptions. For example, Onwuegbuzie and Leech, (2005) observe that
Quantitative researchers claim that science is rooted in objective verification but do not account for the subjective nature of the researcher's decisions made throughout the stages of the research process. It seeks to understand the facts or causes of phenomena and does not regard the subjective states of a situation (Reichardt & Cook, 1979); In addition, often the epistemological assumptions of positivistic quantitative inquiry are that what happens in one social environment being studied in this method can be generalized to future social situations (Gall, Gall, & Borg, 2003). Further, quantitative research defends positivism and believes in the benefit of hypothetical-deductive procedures (Morales, 1995). Lastly, quantitative research assumes that science is the superior way of understanding, knowing, and predicting human experiences and that the positivistic scientific method rules must be adhered to or the researchers and their findings are disregarded (Stanfield, 2006). In sum, quantitative assumptions regard reality, experience, and situations as quantifiable, as measurable. What is not measurable is not worthy of being reported, and if something is measured, validated and generalizable, then that something is generalized to all population that are similar to what was studied and reported because reality is independent to personal experience (Gall et al., 2003).

Quantitative research generally involves the collection of primary data from large numbers of individual units, frequently with the intention of projecting the results to a wider population (Martins et al., 2006). Managing numbers are an important part of understanding and solving problems. Curwin and Slater (2002) indicate that the quantitative research approach describes inferiors, and resolve problems using numbers. Emphasis is placed on the collection of numerical data, the summary of that data and the drawing of inferences from the data. Measurement is seen as
critically important in quantitative analysis. In this study the ANOVA analysis was used to prove whether a particular independent factor is positively correlated with the failure of the SMME. One way ANOVA uses a single factor, fixed effects model to compare the effects of one factor on a continuous dependent variable.

The researcher chose the quantitative method basing on the strengths of the quantitative method these include: Achieving high levels of reliability of data due to controlled mass surveys, observations, experiments, and other forms of research manipulations (Ratnesar & Mackenzie, 2006); Stating the research problem is very specific and simpler (Frankfort-Nachmias & Nachmias, 1992); Clearly and precisely specifying both the independent and the dependent variables under investigation; Following firmly the original set of research goals, arriving at more objective conclusions, testing hypothesis, determining the issues of causality;

In quantitative research, a noted strength is that what is being studied is not affected by the researcher as he or she is not usually involved with the subject or subjects being studied. This decreases the chances of people’s responses or behaviours being affected or influenced by the outside researcher (Gall, Gall & Borg, 2003). This strength, however, has been questioned by others as it is improbable that no influence at all takes place in research, regardless of the method or paradigm used.

Another strength of quantitative study is that it has been a strong component of a great deal of published research data, and because of its rules, processes, regulations, templates, ubiquity, and other guiding principles are available for researchers to copy, clarify and use their research designs. This means that there is consistency in process and procedure for studies that are labelled causal-
comparative. Quantitative studies are said to be applicable and often the instruments created for quantitative studies are used in further research. Quantitative instruments effectively measure construct that can be used in different social or educational contexts while also being valid and reliable (Creswell et al., 2011).

Johnson and Onwuegbuzie (2004) maintain that the strengths of quantitative research are that tests it and validates theories that are constructed on how and why phenomena happen; the data collection process is quick; data are precise and numerical; it allows for generalizability when data are drawn from fairly large random samples. Ratnesar and Mackenzie (2006) argue that quantitative studies produce sold answers not opinions or common sense answers. For this study the quantitative method enabled eliminating or minimizing the subjectivity of judgment. This allowed longitudinal measures of subsequent performance of research subjects.

Even though the researcher opted for quantitative method, it presented some weaknesses, which were challenges to the researcher: Quantitative method failed to provide the researcher with information on the context of the situation where the studied phenomenon occurs and failure to encourage the evolving of continuous investigation of a research phenomenon. For this study the quantitative method had an inability to control the environment where the respondents provide the answers to the questions in the survey and that there were limited outcomes to only those outlined in the original research proposal due to closed type questions and the structured format.
Burns (2000) notes that one of the weaknesses of quantitative inquiry that sets it apart from qualitative and mixed methods is that it is difficult to read and understand. Gall & Borg (2003), Coldwell and Herbst (2004), and Wright (2006) note that while quantifying information might be the “path of least resistance”, it might also be “the path of least significance”. This criticism relates to quantitative inquiry’s emphasis on statistical significance without regard for the significance of the effects involved (Tashakkori & Teddlie, 1998; Gall & Borg, 2003; Coldwell & Herbst, 2004; and Wright, 2006).

In spite of these weaknesses, Quantitative paradigm (worldviews) is the oldest research methodology (Coldwell & Herbst, 2004) and it is the most dominant. The same went to illustrate that it is used in all types of research, including physical sciences, life sciences, and social sciences. When working in the quantitative paradigm, the research process is seen as an objective, logical and empirical activity using a hypothetical-deductive model. In this study the researcher focused on the relationship between strategic human resources management and small business management. This study used the quantitative research method. The rationale behind using the approach is that what is envisaged to be investigated is taking place in the actual world of Limpopo province, Capricorn district in the Republic of South Africa.

3.4 RESEARCH DESIGN

A research design provides the glue that holds the research together (Cooper & Schindler, 2008). A research design is the strategy and the plan by which the
research is to be carried out. A design is used to structure the research, to show how all the major parts of the research project, programs and methods, the samples or groups and measures. A design should specify the methods and the procedures for collection, measurement and analysis of research data. Research design refers to the plan and structure of the investigation used to obtain evidence to answer research questions (Mafishi, 2008). Seltiz in Mouton & Marais (2005:32), illustrate the research design as “the arrangement for conditions for collection, and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure”. According to Mafishi, (2008) research strategy is a general plan in which a researcher tries to explain the source of data, seek for answers to the developed research questions, and existing constraints. Several research strategies such as grounded theory, case study, and survey, experiments, ethnography and action research are available to answer research questions (Saunders et al., 2000). Veerayangkur (2002) has classified experiments and survey as quantitative research strategies while the remaining four as qualitative research strategies. Quantitative research methodologies (Codwell & Herbst, 2004) can be observed, exploratory, experimental, cross-sectional, case, field or descriptive.

This study was a descriptive research. Leeds and Ormrod (2001) reveal that descriptive research can be core-relational research, developmental designs, observation studies or survey research. This research used a descriptive survey research design. For this research the basic idea behind a survey methodology was to measure variables by asking people questions and then examining the relationships among the variables. Instead of postal survey or telephone survey, the empirical or the systematic research project used individual surveys of small
business primary numeric data obtained from small business owners or managers, workers, leaders of the association through a survey-type structured questionnaire that was developed and validated.

3.4.1. Surveys

Mouton (2008) defines a survey as a study that is usually quantitative in nature and which aims at providing a broad overview of a representative sample of a large population. In this study which was a positivist study, a descriptive survey methodology was designed to collect primary or secondary data from a sample, with a view to analysing them statistically and generalizing the results to a population. Generally if a researcher is planning to collect secondary research data, it is suggested the researcher should avoid using the term 'secondary research' as it is the data that is distinguished as secondary while the analysis will produce original findings. If the population is small, it is possible to collect data about every member of the population, but this is very expensive and time-consuming for a large population. Therefore, a random sample was chosen to represent an unbiased subset of the population. Statistical methods are used to test the likelihood that the characteristics of the sample are also found in the population (Jill & Roger, 2009).

The study used a longitudinal (Welman, Kruger and Mitchell, 2009) design called the panel design. In the panel design, a sample is drawn that is more or less representative of the relevant population. Measurements are then obtained at different points in time on one or more dependant variable (s). Small business managers were chosen due to the fact that there were many opportunities to access
primary and secondary sources of data in official documents, personnel and personal experience in smaller businesses in question.

This study benefited from the strengths of the survey as summarized by Saunders et al., (2007). It had potential to generalize to large populations if the appropriate sampling design has been implemented and that there was high measurement reliability if proper questionnaire construction and lastly high construct validity of controls have been implemented.

Surveys can be divided into two types that is according to their purpose: For this research the purpose of a descriptive survey was to provide an accurate representation of phenomena at one point in time or at various times (for example consumer survey to investigate customers’ views on new products or services being developed by the business; an attitude survey to investigate the views of employees on a new productivity scheme). An analytical survey is conducted to determine whether there is a relationship between pairs of variables or multiple variables. For this study to carry out this type of survey, it was necessary to develop a theoretical framework from the literature so that the study can identify the dependent and independent variables in the relationship.

Leeds and Ormrod (2001) reveal that descriptive research can be core-relational research, developmental designs, observation studies or survey research. The basic idea behind the survey methodology is to measure variables by asking people questions and then examines the relationships among the variables. Instead of postal survey or telephone survey, the empirical or the systematic research project
will use individual surveys of small business primary numeric data obtained from small business owner-managers, workers, leaders of the association through a survey-type structured questionnaire that will be developed and validated. Simple random sampling was used to select the prospective respondents (Mouton, 2008).

Small business owners and/or managers were chosen due to the fact that there were many opportunities to access primary and secondary sources of data in official documents, personnel and personal experience in smaller businesses in question. Jill & Roger (2009) state that there are several methods for collecting survey data in a positivist study, including postal questionnaires, internet questionnaires, telephone interviews and face-to-face interviews. A survey design can also be used in an interpretive study. In this case, selecting a sufficiently large and unbiased sample for the survey is not crucial, because the aim of the research is not to generalize to the population, but to gain insights from the cases in the sample. Therefore, the researcher could ask for volunteers to participate in the research, which would not be suitable under a positivist paradigm. This study used a survey research design. As a mitigation measure for the weaknesses that are inherent in the descriptive surveys, triangulation was used in this study.

3.4.2 Triangulation

Triangulation involves the application and combination of several research methodologies in one study (Schneider, Elliott, Lo-Biondo-Wood, and Haber, 2003; Taylor, Kermode, and Roberts, 2007). Triangulation provides in-depth data, increases the confidence in the research results as well as enables different
dimensions of the problem to be considered (Barbour, 2001; Jones & Bugge, 2006). There are four common types of triangulation: that is data triangulation that involves persons, space and time; methodological triangulation that involves using more than one methodological strategy during data collection; theory triangulation that uses more than one theoretical perspective to interpret the study phenomenon; and investigator triangulation which uses multiple observers. According to Halcomb and Andrew (2005), the use of multiple data sources and methods to cross-check and validate findings increase the depth and quality of the results and also provides valuable guidance to nursing practice. In the current study the researcher employed methodological and data triangulation.

Methodological triangulation, according to Taylor et al., (2007), involves using two or more research methods in one study at the level of data collection or design. A combination of methods is thought by some to improve the consistency and accuracy of data by providing a more complete picture of the phenomenon (Roberts & Taylor, 2002; Halcomb & Andrew, 2005; Williams, Rittman, Boylstein, Faircloth & Haijing, 2005; Jones & Bugge, 2006). Across-method triangulation involves combining research strategies in this study, for example, data from owners and/or managers interviewed were utilised to reinforce and complement the data from quantitative questionnaires because concepts mentioned by the owners and/or managers were checked during checking of the questionnaires. Using methodological triangulation complementary findings in a study enrich the understanding surrounding the study’s objectives and goals, enhance diversity and make a more valid contribution to theory and knowledge development (Schneider, et al., 2003; Macnee & McCabe, 2008). Morse (1991) cited in Minichiello, Sullivan,
Greenwood, and Axford, (1999) notes that triangulation is a means by which the researcher is able to capture a more complete and holistic portrait of the phenomena under study.

Data triangulation is viewed as the use of multiple sources of data to obtain differing views about a situation in a single study (Roberts & Taylor, 2002; Taylor, Kermode, and Roberts, 2007). Data triangulation can be divided into categories of person, space and time (Roberts & Taylor, 2002; Taylor et al., 2007). Person triangulation implies that data was collected from more than one category of person (Roberts & Taylor, 2002; Halcomb & Andrew, 2005; Taylor et al., 2007). For example, in this study, respondents were owners and managers. Space triangulation involves the collection of data from multiple sites (Begley, 1996; Roberts & Taylor, 2002; Halcomb & Andrew, 2005). In this study, for example, data was collected from 100 SMMEs).

Time triangulation involves researchers collecting data at different points in time such as time of day; at different days of the week, or at different months of the year (Rinaldi, Carpenter & Speziale, 2006). In this study, however, the goal was not to compare respondent knowledge between SMMEs. Instead, the researcher was interested in evaluating an SHRM over time. Therefore, for this study, only two types of data triangulation were utilised: space and person. Multiple data sources help validate the findings by exploring different views of the situation under investigation (Rinaldi, Carpenter & Speziale, 2006; Taylor et al., 2007). For example, in this study, data was collected from various interviews, questionnaires and by reviewing respondent’s documentation within the SMME sector.
3.5 POPULATION OF THE STUDY

Baker (2001), Levy and Lemeshow (2008) and Welman et al. (2009) realize that the population is the study object and consists of elements such as organizations, human products, groups, individuals, and even events. Population also provides the conditions to which these elements are exposed. A research problem therefore relates to a specific population and the population encompasses the total collection of all units of analysis about which the researcher wishes to make specific conclusions. The population for this study comprised entrepreneurs in Limpopo province of South Africa. The researcher obtained a list of contact details of entrepreneurs from these organisations and contacted them at their various business locations to administer the questionnaires. 100 questionnaires were issued. The respondents were mainly owners and /or managers who were actively involved in the day-to-day business operations, which enabled this study to establish which type of business practices they were engaged in. This population group was selected so that the findings could possibly be generalised to other parts of South Africa with similar levels of economic activity in the SMME sector. In order to reach a significant number of entrepreneurs, notable organisations such as the LIMDEV, SEDA and LIBSA databases of SMMEs were used for sampling.

3.5.1 Study Sample

According to SEDA (2008) and LIBSA (2008) there are approximately 1 000 formal small businesses in Limpopo. The various support agencies in the province only keep data relating to the businesses with which they have interacted in the normal
The size of the small business sector in Limpopo is very difficult to quantify. There are currently no reliable estimates on the number of SMMEs operating in the province. Apparently the Department of Economic Development (LEDET) maintains a register of SMMEs. Based on rough estimates available for other provinces (like the Western Cape), the total number of formal and informal SMMEs in Limpopo are 1500, of which two thirds could be “informal”, including subsistence agriculture and mere “survival entrepreneurs”. The sample size for this research was made up of a total of 100 SMMEs the sampling fraction was 10% of the population of about 1000 formal SMMEs in Limpopo Province. Small business owners and/or managers represented the SMMEs in this study.

3.5.2 Sampling Method

Sampling can be probabilistic, or non-probabilistic. Baker (2001), Levy & Lemeshow, (2008) and Welman et al. (2009) define sampling as a systematic method of sample selection. Baker (2001), Levy and Lemeshow (2008) and Welman et al. (2009) maintain that a sample is a selection of units drawn from a larger pool of all elements (the population). In this study, a probability sampling technique called random sampling of the population was utilized (Baker, 2001; Levy & Lemeshow, 2008; Welman et al., 2009) where small business owners and/or managers were selected without focusing any criteria or format. A list of SMMEs was taken from Khula. 100 numbers were randomly selected from a basket. 100 SMMEs with corresponding randomly selected numbers were extracted from the list. A sample was compiled.
Simple random sampling is a probability sampling procedure that gives every element in the target population and each possible sample of a given size, an equal chance of being selected (Levy & Lemeshow, 2008; Welman et al., 2009). It is an equal probability selection method. There are two types of simple random sampling: sampling without replacement and sampling with replacement (Thompson, 2002). In sampling without replacement, after an element is selected from the sampling frame, it is removed from the population and does not return to the sampling frame (Thompson, 2002). In sampling with replacement, after an element has been selected from the sampling frame, it is returned to the frame and is eligible to be selected again (Thompson, 2002). Sampling without replacement tends to be more efficient than sampling with replacement in producing representative samples (Thompson, 2002). It does not allow the same population element to enter the sample more than once (Thompson, 2002). Sampling without replacement is more common than sampling with replacement (Thompson, 2002). It is the type that is the subject of this study.

Simple random sampling was used in this study relying on its major strengths. Notably, among its strengths, it tends to yield representative samples, and allows the use of inferential statistics in analysing the data collected. Compared to other probability sampling procedures, simple random sampling has several strengths that should be considered in choosing the type of probability sample design to use (Levy & Lemeshow, 2008; Welman et al., 2009).

Levy and Lemeshow, (2008) elaborates the advantages of simple random sampling as that each selection is independent of other selections, and every possible
combination of sampling units has an equal and independent chance of being selected. It is generally easier than other probability sampling procedures to understand and communicate to others. Statistical procedures required to analyze data and compute errors are easier than those required of other probability sampling procedures. Statistical procedures for computing inferential statistics are incorporated in most statistical software and described in most elementary statistics textbooks and advanced auxiliary information on the elements in the population is not needed.

On the other hand, simple random sampling has important weaknesses. Compared to other probability sampling procedures, simple random sampling has the following weaknesses, Levy and Lemeshow, (2008) lay the weaknesses as: simple random sampling tends to have larger sampling errors and less precision than stratified samples of the same sample size. Respondents may be widely dispersed; hence, data collection costs might be higher than those for other probability sample designs such as cluster sampling; simple random sampling may not yield sufficient numbers of elements in small subgroups; an appropriate sampling frame may not exist for the population that is targeted. It may not be feasible or practical to construct one and a sampling frame of elements in the target population is required. This would not make simple random sampling a good choice for studies requiring comparative analysis of small categories of a population with much larger categories of the population (Levy & Lemeshow, 2008; Welman et al., 2009).

Inspite of the challenges presented by the simple random sampling method, this study used the probability, simple random sampling which allows every element in
the population to have a known and equal chance of being selected as a subject (Levy & Lemeshow, 2008; Welman et al., 2009). This sampling design has the least bias and offers the most generalizability. Levy & Lemeshow (2008) indicated that simple random sampling allows statistical procedures for computing inferential statistics that are incorporated in most statistical software. Because of these valuable reasons, the researcher confidently chooses simple random sampling in this study.

3.6 DATA COLLECTION INSTRUMENTS

There is an abundance of methodologies and strategies for data collection, collation and analysis available to researchers (Oppenheim, 2000; Rowley, 2002; Corbin and Strauss, 2008). Some methodologies and strategies suit specific philosophical approaches better than others. Moreover, some approaches allow, or even require, multiple methodologies to be applied (Oppenheim, 2000; Corbin and Strauss, 2008). Rowley (2002) mentions that the guiding principle should always be to ensure that the research data retains its expressed validity to the research survey questionnaires were used as research instruments in this study. The major reasons why these instruments were used included the following: It takes a short time to answer such questions for busy people besides this; Corbin and Strauss (2008) state that it is much cheaper than personal interviews as it involve less manpower.

Questions can be subdivided into three types, namely; open-ended or closed questions; multiple choice questions; and dichotomous questions the yes or no questions. This study used closed and open-ended questions (Oppenheim, 2000).
A positivist approach suggests closed questions, which allow the respondent to choose from predetermined answers.

It was realised that closed questions enable the respondents in a survey to make good choice from given several alternatives before them (Oppenheim, 2000; Rowley, 2002; Corbin and Strauss 2008; Levy & Lemeshow, 2008). They also provide a simple mechanism for the researcher to code given information easily for data analysis (Corbin and Strauss 2008; Levy & Lemeshow, 2008). The use of questionnaires is commonly used in conjunction with other methods of collecting data such as personal interviews. Structured questionnaires were used so that all participants were subjected to the same research questions in the same format.

3.7 THE INTERVIEW SCHEDULE

Appendices A and B show the interview schedule which was used in the study. The owners and/or manager’s questionnaire was made up of five main sections, A, B, C, D and E. Section A was on demographic information on owners and/or managers. Section B was on business information showing SHRM in SMMEs. Section C was on showing the need for training in SMMES. Section D was on strategic skills training in SMMEs in South Africa; and Section E was on general information related to SMME limitations on growth and profitability.

The first stage involved compiling a list of questions about the subject that may provide answers to the research questions (Oppenheim, 2000; Jill & Roger, 2009). During this initial stage, discussions were held with the study leader, staff from
Tshwane University of Technology, and different professors who had insight of the subject. The questionnaires were mainly designed with closed ended questions; this choice ensured valid responses and easy comparisons.

The second stage of the design was the pre-testing of the questionnaire (Cooper & Donald, 2008; Burns & Burns 2008; and Jill & Roger, 2009). The reason behind a pre-test was to assure the success of the questionnaire and the research project. Pre-testing refers to the initial testing of the questionnaire by colleagues and students to determine how long it takes to complete the questionnaire. Are questions clearly stated? And is the wording of the questionnaire clear?

3.8 DATA COLLECTION PROCEDURES

3.8.1.1 Validation of the Questionnaire

Validity is the extent to which the instrument measures what it purports to measure (Cooper & Donald, 2008; Burns & Burns 2008). There are many different types of validity, including: divergent validity, concurrent validity, convergent validity, face validity tests, content validity, construct validity, factorial validity, and criterion-related or predictive validity (Cooper & Donald, 2008; Burns & Burns 2008; and Jill & Roger, 2009). This study only used the four common one namely: Face validity; Content validity; Construct validity; and Criterion-related validity:

Face validity is established when one reviewing the instrument concludes that it measures the trait or characteristic of interest in the research (Cooper & Donald,
Content validity refers to the degree to which the instrument fully measures or assesses the construct of interest in a study (Cooper & Donald, 2008; Burns & Burns 2008; and Jill & Roger, 2009). This study tested the instrument to check whether the instrument was covering the constructs on SMME and SHRM by a rational analysis of the instrument by raters (ideally 3 to 5) familiar with the construct of interest. The questionnaire was given to 5 raters at Tshwane University of Technology who reviewed all of the items for readability, clarity and comprehensiveness and they came to some level of agreement as to which items were supposed to be included in the final instrument.

Construct validity is the degree to which an instrument measures the theoretical or trait construct that it is intended to measure in a study (Cooper & Donald, 2008; Burns & Burns 2008; and Jill & Roger, 2009). The instrument in this study was measuring the theoretical constructs on SMME and SHRM integrative theoretical framework. Construct validity was established through the correct design which was the descriptive survey design and use of correct data collection tools namely the questionnaires and the interviews (Cooper & Donald, 2008; Burns & Burns 2008). Construct validity is an ongoing process as one refines a theory in order to make predictions about test scores in various settings.

Criterion-related validity is assessed when one is interested in determining the relationship of scores on a test to a specific criterion (Cooper & Donald, 2008; Burns 2008; and Jill & Roger, 2009). The questionnaire was checked to see if it was indeed measuring what it was designed to measure.
In this study the questionnaire was testing all the owners and/or managers for the same items.

### 3.8.1.2 Pilot Study

Five (5) people were used in the pilot study, they comprised of two (SMME) owners and/or managers as a small cross section of the population to be surveyed, two Professionals and one Director from LIBSA as a potential user of the data. The purpose of the pilot study was to check on the validity and reliability of the research instruments in this research (Cooper & Donald, 2008; Burns & Burns 2008; and Jill & Roger, 2009). A pilot study was conducted by the researcher for the purpose of identifying ambiguous or unclear questions in the questionnaire. The researcher decided to conduct the pilot study on owners and/or managers in different SMMEs.

A pilot study, which is a trial run with a few subjects to assess the appropriateness and the practicality of the procedures and the data collecting instrument used, was conducted. The purpose of the pilot study was to refine the questionnaires so that respondents will have no problem in recording the data. It also enables the researcher to obtain some assessment of the question’s validity and the likely reliability of the data that will be collected (Cooper & Donald, 2008; Burns & Burns 2008; and Jill & Roger, 2009). The pilot study indicated that the questions in the questionnaires were clear and relevant. The pilot study can also assist in detecting weaknesses in the design of a questionnaire (Cooper & Donald, 2008; Burns & Burns 2008; and Jill & Roger, 2009). The statisticians were also very helpful towards developing a questionnaire that could gather valuable information. The supervisors
approved the questionnaires before being sent to the respondents. The questionnaire was accompanied by a covering letter, explaining the purpose of the questionnaire and what was required from the respondents.

Pilot testing the questionnaire was done in the following way:

I. Points checked by the researcher
   Does each question measure what it is intended to measure?
   Were all the words understood?
   Do all respondents interpret the question in the same way?
   Are all response choices appropriate?
   Is the range of response choices actually used?
   Do respondents correctly follow directions?
   Does it create a positive impression that motivates people to respond?
   How long does it take to complete?
   Does it collect the information the researcher wants? (Jill & Roger, 2009).

II. The researcher checked for who where to participate.
   The researcher prepared a “mock-up” questionnaire and cover letter/advance letter and submitted it for review to;
   Professional colleagues;
   Potential users of the data; and
   A small cross section of the population to be surveyed (Jill & Roger, 2009).
III. The researcher conducted the pilot test in three ways,

The researcher watched people as they completed the questionnaire. He gave people the cover letter and questionnaire and asked them to fill it out in his presence. He watched for hesitation, erasures, or skipped questions and he was seeking verbal feedback.

He was having individuals to read the question and then “parrot back” the question using different words. The researcher also read the questions to the respondents “testing” the respondents and observing their reaction. Questions were read smoothly and to be easily understood. In cases where the respondent appeared confused or hesitant to answer, he would find out why.

3.8.1.3 Testing Reliability

Reliability is an assessment of the reproducibility and consistency of an instrument collected (Cooper & Donald, 2008; Burns & Burns 2008; and Jill & Roger, 2009; Basilevsky 2009). For self-completion questionnaires, two aspects of reliability were examined. The research assessed test–retest reliability by asking people to complete the questionnaire on two separate occasions approximately 2 to 3 weeks apart, assuming that their circumstances were not changed in the interim. The two sets of responses were then compared statistically using weighted Kappa for categorical data and Spearman’s Rank Correlation Coefficient for continuous data (Cooper & Donald, 2008; Burns & Burns 2008; and Jill & Roger, 2009; Basilevsky 2009). The researcher determined the internal consistency of the questionnaire by asking a question or questions in more than one way during the survey. The
responses given were then compared as before. Basilevsky (2009) argues that reliability of the measuring instruments should be carried out to mainly to understand the data whose characteristics were found to be normal during descriptive analysis. In addition to being tested for normality, the data were tested for reliability and validity using factorial design (Cooper & Donald, 2008; Burns & Burns 2008).

3.8.2 Statistical Factor Analysis (Cronbach Alphas)

Statistical Factor analysis was used for measuring instruments validity and reliability (Cooper & Donald, 2008; Burns & Burns 2008; Basilevsky, 2009). The Cronbach Alphas coefficient using SAS was determined for the items in each factor. Cronbach’s Alpha is the most important reliability estimate because it measures the internal consistency and the degree to which the research instrument items are homogeneous and that they reflect the same underlying construct (Cooper & Donald, 2008; Burns & Burns 2008; Basilevsky, 2009).

Table 3.2 Cronbach Alphas scale: all variables used in the study

<table>
<thead>
<tr>
<th>Case Processing Summary</th>
<th>No</th>
<th>Percentage %</th>
</tr>
</thead>
<tbody>
<tr>
<td>Cases</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Valid</td>
<td>100</td>
<td>100.0</td>
</tr>
<tr>
<td>Excluded</td>
<td>0</td>
<td>.0</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100.0</td>
</tr>
</tbody>
</table>

List wise deletion based on all variables in the procedure. Factor analysis is used primarily for data reduction, then secondarily for construct development and the investigation of variable relationships (Basilevsky, 2009).
Factor analysis was used as a narrowing device, to allow the selection of prominent variables from large groups, providing simplification of outstanding variables and replacing them with separate smaller numbers of hypothetical variance (Cooper & Donald, 2008; Burns & Burns 2008; Basilevsky, 2009). Factor analysis was used in this study for data reduction, easy usage plus structure validation and reliability checks. It also assisted in classifying and refining questions and ensuring meaningful results (Basilevsky, 2009). The factorial design was used because a number of factors are involved. The method allowed for the analysis of independent variables and the dependant variables in this study. This helped to save money, time and resources. This study is multi-dimensional and so it is reasonable to study dimensions and their relationships simultaneously, instead of studying one variable at a time.

3.8.2.1 Reliability Statistics

<table>
<thead>
<tr>
<th>Cronbach’s Alpha</th>
<th>No of items</th>
</tr>
</thead>
<tbody>
<tr>
<td>0.957</td>
<td>42</td>
</tr>
</tbody>
</table>

The alpha coefficient for the 42 Strategic human resources management variables used in the study is 0.957, this suggest that the items in the study have relatively high internal consistency (Cooper & Donald, 2008; Burns & Burns 2008; Basilevsky, 2009). Basilevsky (2009) accepts that a reliability coefficient of 0.70 or higher is considered acceptable in most social science research situation.
### Table 3.3 FACTOR ANALYSIS - CRONBACH ALPHAS

<table>
<thead>
<tr>
<th>Item</th>
<th>Scale Mean if Item Deleted</th>
<th>Scale Variance if Item Deleted</th>
<th>Corrected Item Total Correlation</th>
<th>Cronbach’s Alpha if Item Deleted</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialist knowledge</td>
<td>118.53</td>
<td>472.151</td>
<td>.390</td>
<td>.957</td>
</tr>
<tr>
<td>Technical knowledge</td>
<td>118.82</td>
<td>470.876</td>
<td>.454</td>
<td>.956</td>
</tr>
<tr>
<td>Functional/Operational</td>
<td>118.55</td>
<td>464.876</td>
<td>.522</td>
<td>.956</td>
</tr>
<tr>
<td>Marketing knowledge</td>
<td>118.32</td>
<td>470.846</td>
<td>.474</td>
<td>.956</td>
</tr>
<tr>
<td>Product Knowledge</td>
<td>118.13</td>
<td>472.882</td>
<td>.414</td>
<td>.957</td>
</tr>
<tr>
<td>Sales Knowledge</td>
<td>118.40</td>
<td>463.677</td>
<td>.484</td>
<td>.956</td>
</tr>
<tr>
<td>Budgeting</td>
<td>120.11</td>
<td>469.816</td>
<td>.537</td>
<td>.956</td>
</tr>
<tr>
<td>Analytical skills</td>
<td>121.00</td>
<td>474.283</td>
<td>.477</td>
<td>.956</td>
</tr>
<tr>
<td>Business skills</td>
<td>120.86</td>
<td>475.394</td>
<td>.391</td>
<td>.957</td>
</tr>
<tr>
<td>Competitor skills</td>
<td>121.01</td>
<td>477.101</td>
<td>.436</td>
<td>.956</td>
</tr>
<tr>
<td>Financial/Resource Mgt</td>
<td>121.10</td>
<td>477.465</td>
<td>.381</td>
<td>.957</td>
</tr>
<tr>
<td>Industry Knowledge</td>
<td>119.45</td>
<td>461.624</td>
<td>.487</td>
<td>.957</td>
</tr>
<tr>
<td>Work organisation mgt</td>
<td>119.90</td>
<td>459.444</td>
<td>.540</td>
<td>.956</td>
</tr>
<tr>
<td>Org. Understanding</td>
<td>120.75</td>
<td>472.553</td>
<td>.541</td>
<td>.956</td>
</tr>
<tr>
<td>Project Management</td>
<td>120.73</td>
<td>470.664</td>
<td>.573</td>
<td>.956</td>
</tr>
<tr>
<td>Innovation</td>
<td>120.31</td>
<td>464.661</td>
<td>.698</td>
<td>.955</td>
</tr>
<tr>
<td>Strategic Management</td>
<td>120.47</td>
<td>468.656</td>
<td>.681</td>
<td>.955</td>
</tr>
<tr>
<td>Action Orientation</td>
<td>120.00</td>
<td>456.465</td>
<td>.694</td>
<td>.955</td>
</tr>
<tr>
<td>Systems Thinking</td>
<td>120.72</td>
<td>461.396</td>
<td>.623</td>
<td>.955</td>
</tr>
<tr>
<td>Legal</td>
<td>118.60</td>
<td>454.667</td>
<td>.732</td>
<td>.955</td>
</tr>
<tr>
<td>SHRM</td>
<td>120.56</td>
<td>463.380</td>
<td>.765</td>
<td>.955</td>
</tr>
<tr>
<td>Strategy and planning</td>
<td>120.67</td>
<td>461.799</td>
<td>.714</td>
<td>.955</td>
</tr>
<tr>
<td>Research development</td>
<td>120.18</td>
<td>454.210</td>
<td>.720</td>
<td>.955</td>
</tr>
<tr>
<td>Operations mgt</td>
<td>120.11</td>
<td>457.553</td>
<td>.722</td>
<td>.955</td>
</tr>
<tr>
<td>Marketing</td>
<td>120.30</td>
<td>455.556</td>
<td>.676</td>
<td>.955</td>
</tr>
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<td>Communication</td>
<td>119.65</td>
<td>467.098</td>
<td>.630</td>
<td>.955</td>
</tr>
<tr>
<td>Personal Qualities</td>
<td>119.62</td>
<td>466.400</td>
<td>.553</td>
<td>.956</td>
</tr>
<tr>
<td>Interpersonal Skills</td>
<td>119.12</td>
<td>464.571</td>
<td>.616</td>
<td>.955</td>
</tr>
<tr>
<td>Results Orientation</td>
<td>120.04</td>
<td>469.615</td>
<td>.605</td>
<td>.956</td>
</tr>
<tr>
<td>Managing People</td>
<td>119.43</td>
<td>467.035</td>
<td>.612</td>
<td>.956</td>
</tr>
<tr>
<td>Business &amp;Entrepreneurial</td>
<td>120.08</td>
<td>469.589</td>
<td>.512</td>
<td>.956</td>
</tr>
<tr>
<td>Self-Management</td>
<td>119.37</td>
<td>465.448</td>
<td>.653</td>
<td>.955</td>
</tr>
<tr>
<td>Leadership Competencies</td>
<td>119.50</td>
<td>464.838</td>
<td>.612</td>
<td>.956</td>
</tr>
<tr>
<td>Skills level improved</td>
<td>118.49</td>
<td>465.586</td>
<td>.682</td>
<td>.955</td>
</tr>
<tr>
<td>Business needs</td>
<td>119.13</td>
<td>445.185</td>
<td>.601</td>
<td>.957</td>
</tr>
<tr>
<td>Sales improved</td>
<td>118.60</td>
<td>455.879</td>
<td>.670</td>
<td>.955</td>
</tr>
<tr>
<td>Product quality improved</td>
<td>118.60</td>
<td>455.879</td>
<td>.670</td>
<td>.955</td>
</tr>
<tr>
<td>SMME is growing</td>
<td>118.33</td>
<td>464.304</td>
<td>.681</td>
<td>.955</td>
</tr>
<tr>
<td>-----------------</td>
<td>--------</td>
<td>---------</td>
<td>------</td>
<td>------</td>
</tr>
<tr>
<td>Worker motivation</td>
<td>118.27</td>
<td>473.250</td>
<td>.634</td>
<td>.956</td>
</tr>
<tr>
<td>Customer satisfaction</td>
<td>118.46</td>
<td>466.857</td>
<td>.646</td>
<td>.955</td>
</tr>
<tr>
<td>skills useful - next 5yrs</td>
<td>118.47</td>
<td>466.353</td>
<td>.656</td>
<td>.955</td>
</tr>
<tr>
<td>Training was strategic</td>
<td>118.12</td>
<td>474.511</td>
<td>.498</td>
<td>.956</td>
</tr>
</tbody>
</table>

Cronbach alpha for the factor = 0.95

The acceptable threshold of Cronbach Alphas ranges from 0.600 to 0.999 and indicates reliability (Athadye, 2003; Cooper & Schindler, 2008; Cooper & Donald, 2008; Burns & Burns 2008). The Cronbach Alphas value of 0.957 was obtained for all the variables used in this study (Athadye, 2003; Cooper & Schindler 2008). The Cronbach Alphas for all the factors was acceptable at 0.957 which indicated that the instruments actually measured the concepts aimed to be measured and signified testing the statistical and substantive significance. The researcher found out that the research instruments used were reliable because all the respondents clearly understood all the questions on the interview schedule and the survey. The data were provided by the same respondents after a re-test in two weeks’ time. Respondents also managed to be internally consistent by providing same responses to the same questions asked more than once in different ways.

### 3.8.2.2 Lay-out Testing acceptance

Qualitative methods were used to assess the acceptability of a questionnaire. The researcher asked the subjects included in the pilot study to write their comments about the questionnaire on a separate sheet and asked them over the telephone about the problems they encountered while answering the questionnaire during the validity testing. It was a good idea to ask respondents in the pilot study how long it
took them to complete the questionnaire. Respondents indicated that they strongly accepted the questionnaire, they did not encounter problems in both filling in the questionnaire and answering questions during the interview and that it took them less than ten minutes to complete the questionnaire.

3.8.2.3 Design a coding team

Coding is the process of converting questionnaire data into meaningful categories to facilitate analysis (Williams, 2003). It is important to discuss the coding scheme for the questionnaire with a statistician at this stage so that any mistakes can be rectified before one goes to the printers (Williams, 2003). The researcher in this case discussed the coding scheme for the questionnaire with a statistician from the University of Limpopo. The numbers within the boxes should correspond to the variables in the database where the responses will be stored. It was a good idea to test the coding scheme and data entry process during the pilot study, so as to rectify problems before the commencement of the main study.

3.8.2.4 Data cleaning

The quickest way to clean the data was to produce frequency figures for each question and examining the outliers (Williams, 2003; Cooper & Donald, 2008; Burns & Burns 2008). Simple cross-tabulations were used to identify nonsensical responses. The researcher checked through each completed questionnaire after receiving it, to check for missing data. The researcher realized that no data was
missing during the checking indicating that the respondents fully understood the questionnaire.

3.8.3 Questionnaire Survey

These were hand delivered to small business owners and /or managers and returned after completion directly from the respondents to the researcher. This was done to ensure a high return rate of responses.

3.8.3.1 Advantages of Questionnaires

For this study the interviewer explained the study, answered questions, and designated a household respondent, in contrast to mail. Response rates were very high and tended to be like those of personal interview studies. Trained interviewing staff was not required. There were more opportunities for respondents to give thoughtful answers and consult records or other family members than in personal or telephone interview surveys. This was very important and necessary in this study.

3.8.3.2 Disadvantages of Questionnaires:

A field staff is required (albeit perhaps a less thoroughly trained one than would be needed for personal interviews) (Dillman (2007) and de Leeuw, Dillman, and Hox (2008); Floyd & Fowler (2009). For this study the procedure cost more as compared to personal interviews.
3.8.4 Personal Interviews

Non-scheduled but planned interviews were carried out with 25% of the respondents who were saved initially with questionnaires as a means of triangulation. Owners and/or managers, workers or representatives from associations were asked the same questions as a means of getting the truth and correct information.

3.8.4.1 Advantages of Personal Interviewing:

Some sample of designs can be implemented best by personal interviews area probability samples. For this study the advantages of personal interviewing as noted by Dillman (2007) and de Leeuw, Dillman, and Hox (2008); Floyd and Fowler (2009) are that the procedure was the most effective way of enlisting cooperation from the respondents. The advantages of interviewer administration such as probing for adequate answers, answering respondent questions and following complex instructions accurately were realized. The researcher benefited mostly from using multi-method data collection including self-administered sections on paper, visual cues, and observations. Finally confidence and rapport building were realised.

3.8.4.2 Disadvantages of Personal Interviewing:

For this research it was more costly than the alternatives. Trained interviewers who were geographically near the sample were needed. The total data collection period
was longer than telephone procedures. Some samples were more accessible by some other mode.

### 3.8.5 Document Analysis

According to Saunders, Lewis and Thornhill (1997:158-9) secondary data “… include both raw data and published summaries…. Payroll details, copies of letters, minutes of meetings and accounts of sales of goods or services”. He went further to state that secondary data included “… both qualitative and quantitative data… compiled data which has received some form of selection or summarising…mostly used in case-study and survey type research. The use of the secondary data enhanced the case study research because it enabled triangulation to take place increasing the credibility and reliability of the research. Secondary data were collected from relevant small business development materials. The material is included in the discussion document on the Strategy for Policy for SMMEs, the White Paper on the National Strategy for the Development and Promotion of Small Business in South Africa (2007) and the Carana Corporation Final Report (1999). This study used unstructured interviews. Fontana and Frey (2005) and Lofland et al. (2006) and Sekaran & Bougie (2010) point out that the main aim of unstructured interviews in a research is to elaborate some preliminary issues to the surface so that the researcher can establish what variables need further in-depth investigation. Primary data were collected by means of unstructured interviews held by respondents who either offered support to or dealt directly with small business development. The number of participants to be interviewed depended on ‘data saturation’ in repeating themes that focused on the topic under review (Fontana and Frey, 2005 and Lofland...
et al., 2006 and Sekaran & Bougie, 2010). The researcher decided to include in the interview sample, 20% of the members of each stratum (Cooper & Donald, 2008; Burns & Burns 2008; Sekaran & Bougie, 2010). Brief notes were taken during the interview and they were written in detail immediately after each interview. Five senior business association representatives and fifteen small business practitioners were interviewed.

3.9 DATA PRESENTATION, ANALYSIS, AND INTERPRETATION PROCEDURES

Fontana and Frey (2005) and Lofland et al. (2006) and Sekaran and Bougie (2010) state that data analysis involves breaking down of collected data to developing patterns, summarising, to a manageable size and applying appropriate statistical techniques. In quantitative research the aim of data analysis is to break down collected data into constituent parts in order to obtain answers to research questions (Terre Blanche & Durheim, 2002 and Lofland et al., 2006 and Sekaran & Bougie, 2010). Scales responses or questionnaires require the analyst to derive various functions as well as to explore relationships among variables. Furthermore, researchers must interpret the results focusing on the research questions or determine if the results were consistent with their propositions and theories; and make recommendations based on the interpretation of results (Cooper & Schindler, 2008 and Sekaran & Bougie, 2010). Mafishi (2008) describes the analysis as a process of resolving data into its constructive components, to reveal its characteristics, elements, structure. The procedure in data analysis is: preparing data for analysis; exploring the data; analysing the data; and representing the data analysis (Creswell & Clark, 2007; Cooper & Schindler, 2008).
3.9.1 Preparation of the data

Data analysis begins with editing and coding of the data. Editing included checking of data collection forms for omission, legibility and consistency in classification as well as discarding of completed responses that have missing data; identifying potential error in data collection and discussing its implications (Zikmund, 2003). The coding of the data included code development, coding of data, accommodating "Don’t know" responses. Transcripts were analysed using content analysis, a method used for coding both words and phrases dependent upon participants’ responses which allows open ended questions to be analysed systematically. Thereafter data were entered into a user friendly and a retrievable database or spread sheet and statistical software. The study questionnaires were in the SPSS statistical package and which was used to compile descriptive and inferential statistics. The methods which were used in this research are: Descriptive statistics; Correlations; t-tests and ANOVA. The reason of using descriptive statistics in this study is that descriptive statistics are a group of statistical methods used to summarise, describe or display quantitative data which have adopted a positivist paradigm (Codwell & Herbst, 2004).

3.9.2 Descriptive Statistics

In order to have a deeper understanding of the data collected, descriptive statistical techniques should be used to describe characteristics of the population or samples (Fontana and Frey, 2005 and Lofland et al., 2006 and Sekaran & Bougie, 2010). In this study the descriptive statistics were aimed at describing the data by investigating
the distribution of the scores for each variable in determining whether the scores on different variables were related to each other as concurred by Terre Blanche and Durheim (2002). The reducing of the data sets allowed for easier interpretation. It was important to carry out the analysis because it provided a broad biography of the data under study. This enabled the contextualizing of the results.

This statistical method provided information that helps in deciding whether the central location value could be regarded as a reliable representative value of all observations in the data. According to Cooper & Schindler (2008) descriptive statistics are used to point out the location tendency (mean, median and mode), spread (variance, standard deviation, range, inter-quartile range) and shape (skewness and kurtosis).

The arithmetic average or mean (X) comprised a point which coincided with the sum of the scores divided by the number of scores (Dimantopolous & Schlegelmilch, 2002). The standard deviation (S) showed the variation about the average of the data (Dimantopolous & Schlegelmilch, 2002). Calculating the standard deviation of the theoretical distribution of the sample reflected how far the sample means could be derived from the population means.

### 3.9.3 Inferential Statistics Tests

Weiss and Weiss, (2012) maintain that inferential statistics are the mechanism used to draw specific conclusions about the population. Inferential statistics enables the researcher to draw conclusions about a given population in the study based on data
obtained and analysed from samples (Weiss and Weiss, 2012). While the descriptive analysis allowed the researcher to generalize from the sample to the population (Weiss and Weiss, 2012). In this study, inferential statistics were the method used to draw specific conclusions about SMMEs in Limpopo province.

**Figure 3.1: The process for establishing statistical significance**

Establish Hypothesis→ Choose test→ Select level of confidence→ conduct the test

Source: Cooper and Schindler (2008)

### 3.9.4 Chi-Square Test

The test is appropriate for situations in which a test for differences between samples is required especially where the population is viewed as only two cases such as successful and less successful and all observations fall into one or the other of these categories (Cooper & Schindler, 2008). Chi-square test is used to see whether or not two different samples are different enough in some characteristic or aspect of their behaviour to allow for the generalization that the population from which the sample drawn is also different in behaviour or characteristic (Cooper & Schindler, 2008). The chi-square test is the most widely used non-parametric test of significance that is useful for tests involving nominal data (Cooper & Schindler, 2008). The chi-square test is used to test for significant differences between the observed distribution of data among categories and the expected distribution based on the null propositions (Cooper & Schindler, 2008). In this study, chi-square tests were used to find out if
there is a relationship between two nominal variables such as SMME growths and sustainability or whether they are independent of each other.

3.9.5 T-test

During this process it is assumed that the two samples are drawn from normal distributions (William, Zikmund, Babin and Carr, 2012; Weiss and Weiss, 2012; and Verma, 2012). The null proposition about the differences between groups is normally stated as \( U_1 = U_2 \) or \( U_1 - U_2 = 0 \). In many cases comparisons are between two sample means \( (X_1 - X_2) \). According to (William, Zikmund, Babin and Carr, 2012) the \( t \)-test is used to test a proposition stating that the mean scores on some variation will be significantly different for two independent sample groups. The \( t \)-test has more tail area than that found in the normal distribution (Cooper & Schindler, 2008). In this study the \( t \)-test was used to measure the significant differences and similarities between these two sub-samples regarding their perceptions of SHRM skills importance and owner and/or manager business management competence.

3.9.6 One-Way Analysis of Variance

ANOVA is called the analysis of variance (William, Zikmund, Babin and Carr, 2012; Weiss and Weiss, 2012). Scheffé (1999) and Verma (2012) propose ANOVA as the statistical tool for testing the null proposition such that the means of several populations are equal. The testing of two independent variables calls for the introduction of ANOVA. ANOVA is used to test the main and interaction effects of categorical variables on a continuous dependence variable controlling for the effects
of selected other continuous variables which co-vary with the dependent (Verma, 2012). William, Zikmund, Babin and Carr (2012), Weiss and Weiss (2012) and Verma (2012) indicate that ANOVA is mainly been used for three purposes: in experimental research, to control factors which cannot be randomized, but which can be measured on an interval scale. In regression models, to fit regressions where there are both categorical and interval. In observational designs, to remove the effect of variables which modify the relationship of the categorical independents to the dependents?

3.9.6.1 Independent Factor

Rutherford (2012) states that one way ANOVA uses a single factor, fixed effects model to compare the effects of one factor on a continuous dependent variable. In a fixed effects model the levels of the factor are established in advance and the results are not generalized to other levels of treatment (Rutherford, 2012). Jackson and Brashers (1994) indicates that to use ANOVA certain conditions must be met by the current research: the samples must be randomly selected from the normal population and the population must have equal variance. In this study the ANOVA analysis was used to prove whether a particular independent factor was positively correlated with the failure of the SMME.

3.10 ETHICAL ISSUES

3.10.1 Ethical Issues in Survey Research
This section summarizes the procedures for managing surveys ethically. Like all research that involves human subjects, the researcher needs to concentrate in an ethical manner in which the research is being carried out. The researcher was ethical by getting the consent of respondents to take part in the study, while the privacy of the respondents was maintained (Welman, Kruger, and Mitchell, 2009). The researcher translated his personal ethics and sound business ethics (De Vos, 2008). Like all social research, surveys should be carried out in ways designed to avoid risks to interviewees, respondents, and participants. To maximise positive outcomes of the research process and be able to make the survey feasible, a guideline should ensure that no subjects suffers adverse after effects as a result of the survey (De Vos, 2008; Welman et al., 2009).

The researcher is ultimately responsible for ensuring that the research processes are maintained with the highest integrity and dignity (De Vos, 2008; Welman et al., 2009). The researcher will be ethical by getting the consent of participants to take part in the study, while the privacy of the participants will not be invalid (Welman et al., 2009). The researcher translated his personal ethics, sound business ethics and maintained ethical principles as raised by De Vos, (2008). The participants’ anonymity was maintained, identity of all participants was protected. The security of the participants was guaranteed. This was made possible by not putting the participants in a dangerous situation (De Vos, 2008; Welman et al., 2009). The researcher prepared an informed consent form where participants were expected to sign. Informed consent means explaining to the participants the nature of the research. The consent form was prepared in a simple manner in that it clarified everything expected by the participant before engaging himself / herself in the
research study. Finally, the research did not intentionally and deliberately falsify any information or citation and was at all costs acknowledging the ideas of the authors.

3.11 CHAPTER SUMMARY

This chapter provided an outline of the methodology used in this study. In summary, this chapter focused on the research methodology, the research philosophy, research approaches, research strategies, data collection methods, data analysis, triangulation, pilot study and ethical issues. The following chapter focuses on data disintegration (analysis) and interpretation.
CHAPTER IV DATA PRESENTATION, ANALYSIS AND INTERPRETATION

4.1 INTRODUCTION

The previous chapter described research methodology; study design, study population, sampling, data collection tools, techniques, and lastly statistical tests that were employed in data analysis namely chi-square tests, one-way ANOVA tests, reliability and validity concerns were also discussed. Questionnaires and interview schedule were identified as data collection tools. Data was presented, analysed and interpreted in this chapter.

The purpose of chapter four was to present the research results. The literature revealed the need for the SMME owner and/or managers to have a set of SHRM competencies to be successful in business. The related literature review highlighted the importance of related relevant training programmes that can help SMMEs raise their skills. The key motivation behind this study was to assess the impact of Strategic Human Resources Management in small enterprises on profitability and sustainability in Limpopo Province in South Africa.

The main reason was to understand what makes small enterprises successful. This chapter presents analyses and interprets the results. The first section provides data from the demographic profile of the respondents. The second section provides data from the business demographics of the respondents. The third section provides the research results. The first set of results is on business demographics. The second set of results focuses on the significant differences between successful and less
successful SMMEs. The chi-square tests and one way analysis of Variance (ANOVA) were used (William, Zikmund, Babin and Carr, 2012; Weiss and Weiss, 2012; and Verma, 2012). The third set of results comprised of the correlation analysis used to test the strength of the relationship between competence and training received. The fourth and last set of results was on the impact of strategic human resources management on SMME profitability and sustainability.

4.2 RESPONSE RATE

100 questionnaires were sent out and the response rate was 100%. All the respondents were willing to contribute in the research by providing relevant information.

4.3 SECTION A: PERSONAL DEMOGRAPHICS

Introduction

The personal demographic variables for which information was obtained included gender, age, level of education, ethnic groups, and work experience. The following demographic data were obtained from 100 respondents who completed the questionnaire.

4.3.1 Discussion on question A.2

What is your gender?
Table 4.1: Gender of SMME Owner/Manager

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percentage (%)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>40</td>
<td>40</td>
<td>40</td>
</tr>
<tr>
<td>Female</td>
<td>60</td>
<td>60</td>
<td>60</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 4.1 shows that, 60% were females and 40% of the respondents were male. Results indicate that most SMME owners and/or managers were females. The results from this study on gender contradict with the related literature in that the 2001 GEM Report noted that entrepreneurial activity amongst men was almost twice that of women. Female involvement in entrepreneurship has remained constant over time, despite a number of initiatives undertaken by government. In the African context, Cameroonian women entrepreneurs managed 57% of small and micro businesses. This is almost similar to the results given in this study of South African women owners and/or managers managing 60% of SMME.

In support the results, a study commissioned by the DTI (DTI, 2005) highlighted that although women in South Africa make up half of the business force; their contribution has not been adequately nurtured. DTI, (2005) indicated that the majority of South African women entrepreneurs operate within the personal services, retail, craft, and hawking sectors. According to KPMG (2006) women in South Africa make up 52% of the adult population. 41% are considered to be the active working population and only 14, 7% are working in management positions.
4.3.2 Discussion on question A.3

Indicate your Ethnic group?

Table 4.2: Ethnic groups

<table>
<thead>
<tr>
<th>Ethnic group</th>
<th>Frequency</th>
<th>Percentages (%)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Black</td>
<td>67</td>
<td>67</td>
<td>67</td>
</tr>
<tr>
<td>White</td>
<td>23</td>
<td>23</td>
<td>23</td>
</tr>
<tr>
<td>Coloured</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Indian</td>
<td>3</td>
<td>3</td>
<td>3</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Table 4.2 exhibited that the majority of the owners and/or managers of SMME were Black 67%, followed by Whites 23%, then Coloured 7%, and Indian 3%. In support of the results Berry, von Blotnitz, Cassim, Kesper, Rajaratman, and van Seventer, (2002) discovered that there were 1.6 to 3 million SMMEs in South Africa, the majority of which were owned by blacks. A document known as a strategy for Broad Based Black Economic Empowerment (BBBEE) was released in 2003 this was mainly aimed at having a substantial increase in the number of black people who have ownership, and control of existing and new enterprises in the priority sectors of the economy that government has identified in its microeconomic reform strategy.

4.3.3 Discussion on question A.4

Indicate your age group?
Table 4.3: Age of SMME owner Manager

<table>
<thead>
<tr>
<th>Age in years</th>
<th>Frequency</th>
<th>Percentages (%)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>20-29</td>
<td>45</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>30-39</td>
<td>32</td>
<td>32</td>
<td>32</td>
</tr>
<tr>
<td>40-49</td>
<td>16</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>50-59</td>
<td>7</td>
<td>7</td>
<td>7</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 4.3 showed that the respondents were requested to give their ages in years. The respondents’ ages ranged between 20 and 59 years. The mean age of the respondents is (M = 39.05) years with a standard deviation of (SD = 7.92). The majority of the respondents were aged between 20 to 39 years. In support of these results the influence of age on entrepreneurial activity tends to be very similar throughout GEM countries, peaking amongst 25 – 34 year olds and then declining as age increases (GEM, 2010). The table below shows the Involvement in early-stage entrepreneurial activity in support of the results.

Table 4.4: Involvement in early-stage entrepreneurial activity

<table>
<thead>
<tr>
<th>AGE</th>
<th>2005</th>
<th>2006</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-24 years</td>
<td>16%</td>
<td>22%</td>
<td>17%</td>
<td>17%</td>
<td>20%</td>
</tr>
<tr>
<td>25-34 years</td>
<td>30%</td>
<td>31%</td>
<td>27%</td>
<td>26%</td>
<td>36%</td>
</tr>
<tr>
<td>35-44 years</td>
<td>25%</td>
<td>24%</td>
<td>23%</td>
<td>28%</td>
<td>24%</td>
</tr>
<tr>
<td>45-54 years</td>
<td>14%</td>
<td>13%</td>
<td>24%</td>
<td>21%</td>
<td>14%</td>
</tr>
<tr>
<td>55-64 years</td>
<td>15%</td>
<td>10%</td>
<td>9%</td>
<td>8%</td>
<td>6%</td>
</tr>
</tbody>
</table>

Source; GEM, 2010
South Africans aged between 25 and 44 years are clearly the most entrepreneurial active, accounting for between 50% and 60% of all early-stage activity. This trend was reflected in this research. The influence of age on entrepreneurial activity tends to be very similar throughout GEM countries (GEM, 2010). The prevalence of early stage entrepreneurial activity tends to be relatively low in the 18—24 year cohort, peaks between 25—34 year olds. This then declines as age increases with the sharp decrease reflecting the interaction between the need to start a business, which tends to reduce with age, and perceived skills but this tends to increase with age as depicted by South Africa’s TEA involvement over the period 2005—2010. This trend is similar to that found in the overall GEM (2010) sample.

4.3.4 Discussion on question A.5

How long have you been in SMME management?

Table 4.5: Experience in SMME management

<table>
<thead>
<tr>
<th>Experience</th>
<th>Frequency</th>
<th>Percentages (%)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>0 - 5 years</td>
<td>45</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>6 - 10 years</td>
<td>30</td>
<td>30</td>
<td>30</td>
</tr>
<tr>
<td>11 - 15 years</td>
<td>16</td>
<td>16</td>
<td>16</td>
</tr>
<tr>
<td>16 - 20 years</td>
<td>4</td>
<td>4</td>
<td>4</td>
</tr>
<tr>
<td>21 years and above</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Table 4.5 showed that the experience in SMME management was measured in years. The experience ranged from, 0 to above 21 years. The mean value (M = 10.5)
indicates that the majority of the respondents were in the middle of their professional careers.

While previous business experience and age are certainly related, Baron and Markman (2000) argue that each characteristic will uniquely impact on the development of HRM skills. In support of the result, one of the many benefits of social competence for small-firm owners and managers is a better ability to attract and select human resource (Baron & Marksman, 2000, 2003). It is theorized that social competence accumulates over time through the development of social skills such as impression management, social adaptability, social perception, and persuasiveness (Baron & Markman, 2000, 2003). As a result, it is argued by Baron and Markman (2003) that older owners, regardless of previous experience in a similar business, will have had more time to develop and perfect social skills and accumulate social competence. This additional social competence will better equip older owners and/or managers to deal with human resources for better outcomes.

An entrepreneurial orientation may contribute to higher performance by facilitating a firm’s capacity to identify innovative opportunities with, target premium market segments, potentially large returns and obtain first mover advantages (Lumpkin & Dess, 1996; Wiklund & Sheperd, 2005). Research has shown, however, that new SMMEs are often unsuccessful in translating a good entrepreneurial orientation into higher performance because of a lack of strategic human resources (Hitt, Ireland, Camp, & Sexton, 2001).
Baron and Markman (2003; Liao & Welsch, 2005; DeCarolis & Saparito, 2006;) notes that owners and managers become more experienced within their firms and industries, they will become more likely to accumulate higher levels of social competence. Research by (Baron & Markman, 2003; DeCarolis & Saparito, 2006) has established how cognitive biases make some entrepreneurs more successful than others through how entrepreneurs think, reason, and reach decision.

One of the many theorized benefits of a high level of social competence is a better ability to attract and select employees. Empirical research has provided support for the results. For example, in a study of firms with less than 500 employees, it was found that owners and managers with previous experience were more successful than their counterparts (Miller & Toulouse, 1986). Likewise, in a study of small manufacturing firms, it was found that successful entrepreneurs had prior experience in related industries (Steiner & Solem, 1988).

Crook, T. Russell; Todd, Samuel Y.; Combs, James G.; Woehr, David J.; Ketchen Jr., David J. (2011) reveal that theory at both the micro and macro level predicts that investments in superior human capital generate better firm-level performance. However, human capital takes time and money to develop or acquire, which potentially offsets its positive benefits. Indeed, extant tests appear equivocal regarding its impact.
4.3.5. Discussion on question A.6

What is your highest qualification?

Table 4.6: Educational Qualification

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Frequency</th>
<th>Percentages (%)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Grade 8</td>
<td>6</td>
<td>6</td>
<td>6</td>
</tr>
<tr>
<td>Grade 12</td>
<td>37</td>
<td>37</td>
<td>37</td>
</tr>
<tr>
<td>Certificate/ Diploma</td>
<td>52</td>
<td>52</td>
<td>52</td>
</tr>
<tr>
<td>Degree</td>
<td>5</td>
<td>5</td>
<td>5</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Table 4.6 showed that the Education qualification was measured by the level of qualification and the respondents were required to state their educational level. The majority of the owners and/or managers had certificates and diplomas.

The importance of education as a predictor of individuals who believe they have the skills to start a business, the possibility that the business will survive beyond start-up phase and the likelihood that the business will be an opportunity-driven business (GEM, 2010). One of the most important determinants of a country’s competitiveness is its human talent – the skills, education and productivity of its workforce (Omerzel & Antoncic 2008). Boeker (1997) found that formal education, experience and set of skills are important for the firm performance. Omerzel and Antoncic (2008) indicate that entrepreneur knowledge significantly contributes to the performance of SMME. Sandra King-Kauanui, Su Dang Ngoc, and Catherine Ashley-Cotleur, (2006) found out that training, performance appraisal and incentive compensation have positive effects on Vietnamese SME performance, with incentive compensation having the
greatest impact.

The 2010 GEM report in South Africa clearly showed that people with Grade 12 (7, 8%) and those with Certificates and Diplomas (Tertiary) education (12, 3%) were significantly more likely to own and manage a start-up than those who have never been to school (4, 3%). Having a tertiary qualification significantly increased the probability that a person would be the owner-manager of a new firm, which had managed to survive beyond the start-up phase.

Rasool and Botha (2008) state that South Africa had come last in global studies in literacy and reading, as well as in mathematics and science. African countries like Ghana, Botswana, Morocco and Tunisia have been outperforming it. The 2010 GCR indicated that a lack of basic education can limit business development by making it increasingly difficult for firms to drive themselves up the value chain and produce more sophisticated or value-intensive products. It is therefore of concern that South Africa ranks 125th out of 139 countries with respect to the quality of its education. With respect to the quality of maths and science education, South Africa is ranked 137th out of 139 countries. The lack of accessible research and development has been highlighted by the national experts as an important factor constraining entrepreneurship in the country (Rasool and Botha, 2008). The lack of scientifically and mathematically literate people will decrease the potential South Africa has to remain competitive in a knowledge economy (Rasool and Botha, 2008).
4.4 SECTION B: BUSINESS DEMOGRAPHICS

Introduction

Business demographics report information about the respondents’ businesses. The business demographics variables for which information was obtained included the number of years in retail business (experience), the number of employees, annual income and the location. The following Business information data were obtained from 100 respondents who completed the questionnaire.

4.4.1 Discussion on question B.7

How long have your SMME been in the Retail Business?

Table 4.7: Experience in retail business

<table>
<thead>
<tr>
<th>Experience in retailing</th>
<th>Frequency</th>
<th>Percentages (%)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>Less than 5 years</td>
<td>45</td>
<td>45</td>
<td>45</td>
</tr>
<tr>
<td>5 years and more</td>
<td>55</td>
<td>55</td>
<td>55</td>
</tr>
<tr>
<td>Total</td>
<td>100</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

Fatoki and Odeyemi (2010) indicate that to improve the related experience of new SME owners should learning from peers or mentorship approach can be instituted by government agencies to help new SMMEs. New SMMEs should look at using non-executives at an early stage to bring external expertise and guide investment decisions.
In addition, entrepreneurs need to attend seminars and trade fairs and join trade associations. Owners of new SMMEs have to take greater responsibility for their own learning. Therefore, they need to create a positive attitude towards entrepreneurship and training. The personal involvement of the entrepreneur in gathering the relevant information and in the writing of the business plan is critical to learn about the industry and to the success of the new venture. Entrepreneurs also need to acquire business and financial management skills if they want to get the required funding from investors.

An empirical study by Soriano and Castrogiovanni, (2012) on education and experience and the success of SMMEs in South Africa showed that experience impact positively on SMME performance

### 4.4.2 Discussion on question B. 10(a)

**Where is your business located?**

**Table 4.8: Business location**

<table>
<thead>
<tr>
<th>Location</th>
<th>Frequency</th>
<th>Percentages (%)</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>City centre</td>
<td>22</td>
<td>22</td>
<td>22</td>
</tr>
<tr>
<td>Township</td>
<td>13</td>
<td>13</td>
<td>13</td>
</tr>
<tr>
<td>Suburb</td>
<td>39</td>
<td>39</td>
<td>39</td>
</tr>
<tr>
<td>Rural area</td>
<td>18</td>
<td>18</td>
<td>18</td>
</tr>
<tr>
<td>Others</td>
<td>8</td>
<td>8</td>
<td>8</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>
Table 4.8 showed that five different types of business environments were selected for data collection. The majority of the SMME involved were from Suburbs 39%, city centre 22%, rural area/village 18%, townships 13% and others 8% (Industrial area).

Table 4.8 shows that 22% of the SMMEs were in town as compared to 78% either in townships, suburbs, rural areas, or in other places. Driver et al. (2001) in the GEM reports have consistently shown that individuals located in major urban areas were far more likely to be involved in entrepreneurial activity than those in rural areas. Driver et al. (2001) the GEM report indicated that in the metro area nearly 10% of adults were engaged in a start-up or new firm, compared to fewer than 2% in rural areas. Lack of entrepreneurial activity in rural areas has been established in GEM reports. Driver et al. (2001) argue that the entrepreneurial activity in rural areas is affected by lower levels of management skills, the lack of infrastructure development and very small markets (Driver et al., 2001). The lack of an enabling environment within rural areas will need to be addressed by government organizations as a means of addressing poverty in and migration from rural areas.

Location has an impact on the market potential and growth opportunities of new firms (Dahl and Sorenson, 2007). Gilbert (2008) points out that the geographical area where the firm is established has implications for its access to markets and resources. Dahl and Sorenson (2007) note that location also impacts on the market potential and growth opportunities of new firms. Firms located in city centres may therefore have higher chances of success than those located in rural areas. In this study 22% of the SMMEs have higher chances of success leaving the majority of 78% being prone to failure.
The South African Presidency (2008) indicated that crime was higher in rural areas compared to urban areas. This is very relevant to this study. Geographical proximity to either critical buyers or suppliers produces a form of enhanced environmental scanning that enables new firms to more easily identify and exploit growth opportunities in the market (Dahl and Sorenson, 2007). Location affects the market prospects of new firms (Dahl and Sorenson, 2007). Given the prevalent rural character of much of the province of Limpopo, it makes sense that the majority of small enterprises are located in the rural areas and townships. Furthermore, the majority of the unemployed people in the province live in rural areas and as such, it follows that these people have little buying power, thereby resulting in limited demand for goods and services offered by local SMMEs (Phillips & Wade, 2008).

According to Henderson (2000), small businesses in rural areas often suffer from a serious image problem. This could be attributed to the fact that many small businesses in rural areas are home-based and as such, many people disregard them as genuine entrepreneurs, considering them survival activities. According to Cocks and Pretorius (2002), an empirical study conducted in the Limpopo province, found that the following two factors are likely to affect the ability of small businesses to grow in rural areas: the existence of properly developed commercial areas and the existence of basic infrastructure facilities, which is usually much better in the urban areas.
4.4.3 Discussion on question B10a

What is the range of your business’s turnover every year?

Bar Graph 4.1: SMME annual turnover

Bar graph 4.1 shows that the majority comprising of 24% of the SMMEs got between R51,000 to R300,000 turnover per year, 21% got above R6 million turnovers per year.
year, 20% got between R1 million and R6 million, 19% SMMEs realized below R50 000 turnover per year, and 16% got between R301 000 and R1 million turnover per year. Results show that there is a normal distribution between successful and less successful SMMEs. In support of these results, extending the concepts of liability of smallness and newness, (Maas & Herrington, 2007) show that many firms with more financial slack should experience fewer SHRM problems. For example, in an 8-year longitudinal study, high-performing firms tend to have highly satisfied employees, while low-performing firms had less-satisfied employees (Schneider, Hanges, Smith, & Salvaggio, 2003). Furthermore, it is also generally accepted that low-performing, cash-strapped owners and/or managers have difficulty in attracting, developing, and retaining quality employees (Kanungo & Mendonca, 1992; Dess & Lumpkin, 2003).

According to Maas and Herrington (2007) in the GEM survey, South Africa’s TEA is below the average of all other countries, despite the fact that the list of countries represents countries at different levels of development. It could be stated that there is a marked difference between successful and less successful SMMEs and that an average income of a successful SMME is between R301 000 and R1 million.

4.5 SECTION C: STRATEGIC HUMAN RESOURCES MANAGEMENT

Introduction

Strategic human resources management shows information about the respondents’ strategic skills training data. The strategic skills training data variables for which information was obtained included: specialist knowledge, technical skills, functional/operational knowledge, marketing skills, product knowledge, sales
knowledge, budgeting skills, business skill knowledge, competitor analysis skills, financial/resources management skills, analytic skills, industrial knowledge, work organizational understanding skills, project management skills, innovation skills and strategic management skills.

4.5 THE EFFECTS OF LACK OF SHRM SKILLS ON SMME GROWTH

4.5.1 RESEARCH QUESTION 1

To what extent has the lack of adequate and appropriate strategic human resource management, business and technical skills affected the growth of SMMEs.

4.5.1.1 Sub- research question 1.1

Which of the professional (technical) skills would you regard as most important to your business among the following, sales management, marketing management, product knowledge, specialist knowledge, functional/operational knowledge and technical knowledge?

Table 4.9: The level of importance of professional (technical) skills to business

<table>
<thead>
<tr>
<th>Technical Skills</th>
<th>Very Poor</th>
<th>Poor</th>
<th>Satisfactory</th>
<th>Good</th>
<th>Very Good</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialist knowledge</td>
<td>2%</td>
<td>3%</td>
<td>22%</td>
<td>46%</td>
<td>27%</td>
</tr>
<tr>
<td>Technical knowledge</td>
<td>1%</td>
<td>2%</td>
<td>47%</td>
<td>32%</td>
<td>18%</td>
</tr>
<tr>
<td>Functional/Operational</td>
<td>0%</td>
<td>4%</td>
<td>41%</td>
<td>15%</td>
<td>40%</td>
</tr>
<tr>
<td>Marketing knowledge</td>
<td>0%</td>
<td>1%</td>
<td>23%</td>
<td>37%</td>
<td>39%</td>
</tr>
<tr>
<td>Product Knowledge</td>
<td>0%</td>
<td>1%</td>
<td>18%</td>
<td>28%</td>
<td>53%</td>
</tr>
<tr>
<td>Sales Knowledge</td>
<td>1%</td>
<td>14%</td>
<td>10%</td>
<td>28%</td>
<td>47%</td>
</tr>
</tbody>
</table>
Table 4.9 shows that the responses from SMMEs on the level of importance of the professional (technical) skills to business was that almost all the technical skills were very important. SMMES showed that the most important professional/technical skill was product knowledge with 53% followed by sales knowledge 47%, then functional/operational knowledge 40%, then marketing knowledge 39%, then specialist knowledge 27%, and lastly technical knowledge with18% in support of the results.

Proposition A1:

Less successful SMMEs are less likely to have been trained in the following professional (technical) skills than successful SMMEs.

Applying the accepted rule that the proposition is acceptable if only the p< 0.05. If the p value is > than \( \alpha = 0.05 \); it must be rejected; the results are summarized:

- Proposition A1.1: Specialist Knowledge 000 Accepted
- Proposition A1.2: Technical Knowledge 000 Accepted
- Proposition A1.3: Functional/Operational Knowledge 000 Accepted
- Proposition A1.4: Marketing Management 000 Accepted
- Proposition A1.5: Product Knowledge 000 Accepted
- Proposition A1.6: Sales Management 000 Accepted

Proposition A1: was accepted

In support of the results, it was pointed out that many black entrepreneurs struggle to take their businesses from a survivalist or micro level to the next phase. This is due to one or more of the following factors; lack of access to capital, lack of collateral, lack of education, training and experience (Broad-Based Black Economic Empowerment Act, The Code of Good Practice, 2007). Rwigema and Venter, (2004)
reveal that Globalisation contributes to overall job loss, and discourages the creation and growth of SMME. These are unable to compete on equal footing with large corporations for a stake in the global market.

The 2001 GEM report showed that only 26% of South African adults had the knowledge, skills, and experience required to start a business. Black South Africans and women were the least likely to believe they had the skills necessary to start a business, but the most dramatic differences were by educational level. Adults with tertiary education were more than twice as likely to believe that they had the ability to start a business, compared to those without a matric. Individuals with matric were also more likely to believe they had the ability to start a business, but the difference was less significant. The 2003 report showed that not only is the number of South Africans that have the knowledge, skills and experience required to start a business low, but the proportion of young men who believed that they had the skills to start a business was also much lower than in other developing countries.

YTKO, (2003); Wei, (2006) and Wright et al. (2008), narrate that basing on the levels of knowledge, skills, and abilities that are needed for a certain task, individuals with different types and levels of knowledge, skills, and abilities perform differently in a similar environment and job. According to Wright et al. (2008), individual’s contributions to firms may differ and this supports the idea that human resources may create value for the firm. A study by Fin mark Trust (2007) on the international experience of SMME banks, notes that a number of developing economies have established SMME banks; While these banks were set up primarily to address the challenge of access to finance by SMMEs, they have recognised that
non-financial assistance, such as training in basic business skills, technical advice, linkages to markets, and mentoring is essential. The report indicates that as SMMEs grow; they need stronger management, better governance and typically, more equity capital. It could be stated that professional (technical) skills are very important for SMME to remain profitable, competitive and to grow.

4.5.2 Sub- research question 1.2

Mention the business and entrepreneurial skills that one would observe in your SMME and how do you rate them?

Table 4.10: Level of business and entrepreneurial skills in SMMEs

<table>
<thead>
<tr>
<th>Business Skill</th>
<th>Very Poor</th>
<th>Poor</th>
<th>Satisfactory</th>
<th>Good</th>
<th>Very Good</th>
</tr>
</thead>
<tbody>
<tr>
<td>Budgeting</td>
<td>16%</td>
<td>34%</td>
<td>49%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>Analytical skills</td>
<td>62%</td>
<td>30%</td>
<td>8%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Business skills</td>
<td>53%</td>
<td>34%</td>
<td>13%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Competitor skills</td>
<td>58%</td>
<td>39%</td>
<td>3%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Financial Management</td>
<td>70%</td>
<td>25%</td>
<td>4%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>Industry Knowledge</td>
<td>13%</td>
<td>17%</td>
<td>40%</td>
<td>16%</td>
<td>14%</td>
</tr>
<tr>
<td>Organisational management</td>
<td>30%</td>
<td>10%</td>
<td>34%</td>
<td>26%</td>
<td>0%</td>
</tr>
<tr>
<td>Organisational understanding</td>
<td>39%</td>
<td>51%</td>
<td>10%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Project Management</td>
<td>39%</td>
<td>50%</td>
<td>10%</td>
<td>1%</td>
<td>0%</td>
</tr>
<tr>
<td>Innovation</td>
<td>22%</td>
<td>41%</td>
<td>37%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Strategic Management</td>
<td>21%</td>
<td>59%</td>
<td>20%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Action Orientation</td>
<td>15%</td>
<td>49%</td>
<td>11%</td>
<td>25%</td>
<td>0%</td>
</tr>
<tr>
<td>Systems Thinking</td>
<td>58%</td>
<td>14%</td>
<td>24%</td>
<td>4%</td>
<td>0%</td>
</tr>
<tr>
<td>Legal</td>
<td>6%</td>
<td>0%</td>
<td>25%</td>
<td>40%</td>
<td>29%</td>
</tr>
<tr>
<td>SHRM</td>
<td>32%</td>
<td>46%</td>
<td>22%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Strategic business planning</td>
<td>47%</td>
<td>27%</td>
<td>26%</td>
<td>0%</td>
<td>0%</td>
</tr>
<tr>
<td>Research and development</td>
<td>28%</td>
<td>34%</td>
<td>20%</td>
<td>18%</td>
<td>0%</td>
</tr>
<tr>
<td>Operations management</td>
<td>20%</td>
<td>39%</td>
<td>27%</td>
<td>14%</td>
<td>0%</td>
</tr>
<tr>
<td>Marketing</td>
<td>33%</td>
<td>33%</td>
<td>19%</td>
<td>15%</td>
<td>0%</td>
</tr>
</tbody>
</table>
Table 4.10 shows that the majority of SMME in Limpopo had very poor business and entrepreneurial skills. The majority, about 50 to 97% of the SMME owners and/or managers interviewed indicated that they were very poor in:

- Budgeting skills 50%
- Analytical skills 92%
- Business skills 87%
- Competitor skills 97%
- Financial Management skills 95%
- Organisational Understanding 90%
- Project Management 89%
- Innovation 63%
- Strategic Management 80%
- Action Orientation 64%
- Systems Thinking 72%
- SHRM 78%
- Strategy & business planning 74%
- Research and development 62%
- Operations management 59%
- Marketing 66%

One of the most significant reasons for the failure of SMMEs is their passive application of essential business and management practices (Alasadi & Abdelrahim, 2007; Ladson and Van Duren, 2007). Ladson and Van Duren (2007) strongly argued that training for small business owners/managers as well as their subordinates allows them to acquire the necessary skills to ensure the survival and success of their business. Alasadi and Abdelrahim, (2007) and Aguis and Kraiger, (2009)
propose that entrepreneurship training and education acts as a facilitator for entrepreneurial activities, with the main focus on stimulating entrepreneurial activity and performance.

The importance of entrepreneurship education and training is well established. From an economic perspective, education is seen as a critical factor in promoting long term employment and economic growth (Alasadi & Abdelrahim, 2007; Ladson and Van Duren, 2007). In South Africa, Herrington and Wood (2003) point out that lack of education and training has reduced management capacity in SMMEs in South Africa and one of the reasons for their high failure rates. This suggests that managerial competency will impact on access to finance by new SMMEs.

The other group of SMMEs which constituted from 16% to 39% of the respondents revealed that they were very poor in: strategic human resources management, strategic management, innovation, project management, systems thinking, industry knowledge, work and organizational priority in management, organizational understanding, action orientation, legal, operations management, marketing and research and development. Results show that the majority of SMMEs in Limpopo had very poor business and entrepreneurial skills. In support of the results according to Ladson and Van Duren, (2007) in South Africa 50% of all small businesses eventually fail. The level of the importance of business and entrepreneurial skills shown by the respondents was very poor. This limits the full range of knowledge, skills, and abilities an individual can use to produce a given set of outcomes. Thus SMMEs in Limpopo lack necessary business and entrepreneurial skills.
In support of the results, Maas and Herrington (2010) in a GEM report on skills base indicated that the owners lack of business knowledge and skills for example Lack of marketing skills which is the inability to maintain and develop business relationships and a lack of basic business skills leading to a need to use costly outsourcing, is limiting the ability of businesses within the services sector to maximize growth opportunities. The ever-decreasing pool of suitably skilled and experienced staff and other contractors is a serious constraint on business activity (Maas and Herrington, 2010). In addition, Ladson and Van Duren, (2007) point out that in South Africa 50% of all small businesses eventually fail. It could be stated that SMMEs fail because they lack important business and entrepreneurial skills.

4.5.3 Sub-research question 1.3:
How would you rate the competencies of your workers in Communication, Interpersonal, and Motivational

Table 4.11: Managerial Competency Levels

<table>
<thead>
<tr>
<th>Managerial Skills</th>
<th>Very Poor</th>
<th>Poor</th>
<th>Satisfactory</th>
<th>Good</th>
<th>Very Good</th>
</tr>
</thead>
<tbody>
<tr>
<td>Communication skills</td>
<td>0%</td>
<td>35%</td>
<td>53%</td>
<td>8%</td>
<td>4%</td>
</tr>
<tr>
<td>Personal Qualities</td>
<td>0%</td>
<td>38%</td>
<td>49%</td>
<td>4%</td>
<td>9%</td>
</tr>
<tr>
<td>Interpersonal Skills</td>
<td>0%</td>
<td>22%</td>
<td>25%</td>
<td>50%</td>
<td>3%</td>
</tr>
<tr>
<td>Results Orientation</td>
<td>0%</td>
<td>68%</td>
<td>23%</td>
<td>8%</td>
<td>1%</td>
</tr>
<tr>
<td>Managing People</td>
<td>1%</td>
<td>19%</td>
<td>62%</td>
<td>12%</td>
<td>6%</td>
</tr>
<tr>
<td>Business/Entrepreneurial</td>
<td>0%</td>
<td>77%</td>
<td>13%</td>
<td>5%</td>
<td>5%</td>
</tr>
<tr>
<td>Self-Management</td>
<td>0%</td>
<td>25%</td>
<td>42%</td>
<td>32%</td>
<td>1%</td>
</tr>
<tr>
<td>Leadership Competencies</td>
<td>0%</td>
<td>36%</td>
<td>34%</td>
<td>28%</td>
<td>2%</td>
</tr>
</tbody>
</table>
Table 4.11 shows that the minority of the SMMEs have good managerial competencies communication 4%, personal qualities 9%, interpersonal skills 3%, interpersonal skills 3%, results orientation 1%, managing people 6%, business &entrepreneurial 5%, self-management 1%, and leadership competencies 2%.

Chi square Test

4.5.3.1 Proposition A 4:

Proposition A4: Less successful SMMEs are less likely to show the following Managerial Competencies than successful SMMEs in:

Proposition A4.1: Communication
Proposition A4.2: Personal Qualities
Proposition A4.3: Interpersonal Skills
Proposition A4.4: Results Orientation
Proposition A4.5: Managing People
Proposition A4.6: Business &Entrepreneurial
Proposition A4.7: Self-Management
Proposition A4.8: Leadership Competencies.

Applying the acceptance rule that the proposition is acceptable if only the p< 0.05. If the p value is > than α=0.05; it must be rejected; the results are summarized:

Combined results for Satisfactory and Poor
Proposition A4.1: Communication 88% Accepted
Proposition A4.2: Personal Qualities 87% Accepted
Proposition A4.3: Interpersonal Skills 47% Rejected
Proposition A4.4: Results Orientation 91% Accepted
Proposition A4.5: Managing People 82% Accepted
Proposition A4.6: Business &Entrepreneurial 90% Accepted
Proposition A4.7: Self-Management 67% Accepted
Proposition A4 was accepted

In support of these results Mandal, Venta and El-Houb (2008) note that best business practices produce best performance. This study also explains that there are several ways through which business practices can be established in specific areas, which can lead to outstanding business performance. Mandal et al., (2008) reveal that the implementation of business practices based on the use of quality management principles and tools in business management will lead to a systematic improvement in business performance, especially where key practices in business excellence are applicable to all functional areas in an enterprise.

The various reasons for the high failure rate of SMMEs in South Africa have been established and range from mainly shortage of management skills (Willemse, 2010) to lack of access to finance (Willemse, 2010; Fatoki, 2010). Herrington and Wood (2003) established that lack of education and training has reduced management capacity in new firms in South Africa and is thus one of the reasons for the low entrepreneurial creation and the high failure rate of new ventures. Van Tonier (2010) notes that the success rate of SMMEs in South Africa is not impressive simply because of a lack of proper business management practices, lack of skilled labour, brain drain, unavailability of financial skills, lack of performance analyses of business operations and incompetent senior managers.

South Africa dropped from 44th position to 52nd position out of 59 countries in the 2011 IMD World Competitiveness Yearbook, and there is thus a need for South African SMMEs to become better equipped to survive in the long run if they want to
remain a force in the economic growth and development of the country. Analouei and Karami (2003) added that the major reasons for SMME failure is related to managerial causes such as the lack of strategic thinking and long-term planning. Martin and Staines (2008) examine the importance of management competence in small firm success. Managerial competencies are very important to the survival and growth of new SMMEs. They find lack of managerial experience, skills and personal qualities as well as other factors such as adverse economic conditions, poorly thought out business plans and resource starvation are found as the main reasons why new firms fail. The distinguishing feature of high growth and low growth small firms is the education, training and experience of managers.

Lyles et al. (2004) find out that managerial competency as measured by the managerial experience, start-up experience, entrepreneurial experience, education of the founder and functional area experience positively impact on new SMME performance. Other studies by Smallbone and Welter (2001) and Hisrich and Drnovsek (2002) concur with Lyles et al. (2004) findings that managerial competencies as measured by start-up experience, knowledge of the industry, manager’s educational level, and managerial experience positively impact on the performance of new SMMEs. In South Africa, Herrington and Wood (2003) point out that lack of education and training has reduced management capacity in new firms in South Africa. This is one of the reasons for the low level of entrepreneurial creation and the high failure rate of new ventures. It could be stated that less successful SMMEs are less likely to reflect important managerial competencies than successful ones.
Table 4.12: Positive association between the adoptions of strategic resources based view (RBV) approach to management of HR and SMME experiencing growth

The Pearson Chi-Square

<table>
<thead>
<tr>
<th>Chi Square tests</th>
<th>Value</th>
<th>df</th>
<th>Asymp.Sig.(2-sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>65.777</td>
<td>12</td>
<td>.000</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>74.519</td>
<td>12</td>
<td>.000</td>
</tr>
<tr>
<td>Linear-by-Linear</td>
<td></td>
<td></td>
<td>.000</td>
</tr>
<tr>
<td>N of Valid Cases</td>
<td>100</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

Confidence interval: 95% \( \alpha = 0.05 \)

a. 10 cells (50.0%) have an expected count of less than 5. The minimum expected count is 0.64.

The test used the 95% confidence level meaning that the p value must be lower than 0.05.

The results are:

The Pearson Chi-Square showed a significance of \( p < 0.0001 \) which was less than the minimum expected of .64. Results show that lack of adequate and appropriate strategic human resource management, business and technical skills affected the growth of less successful SMMEs. It could be stated that there is a positive association between the adoptions of strategic (RBV) resources based view approach to management of HR and SMME experiencing growth and that the adoptions of strategic (RBV) impacts positively on SMMEs.
4.6 SECTION D: LINK OF HR TRAINING TO SMME PROFITABILITY

Introduction

Perks and Struwig (2005) indicate four most important groups of skill important for an entrepreneur in starting a successful business: management, technical, personal and business operations skills. This section tests the link of HR training to profitability focusing on the four categories of skills needed by SMME owner and/or manager.

4.6.1 RESEARCH QUESTION 2

In what ways are human resources training and development linked to SMME profitability?

Table 4.13: The extent training impacted positively on business

<table>
<thead>
<tr>
<th>Annual turnover of SMME</th>
<th>Grade 8</th>
<th>Grade12</th>
<th>Certificate Diploma</th>
<th>Graduate</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>R50 000</td>
<td>5</td>
<td>14</td>
<td>0</td>
<td>0</td>
<td>19</td>
</tr>
<tr>
<td>R51 000 to R300 000</td>
<td>4</td>
<td>10</td>
<td>9</td>
<td>0</td>
<td>23</td>
</tr>
<tr>
<td>R301 000 to R1 Million</td>
<td>0</td>
<td>4</td>
<td>10</td>
<td>0</td>
<td>14</td>
</tr>
<tr>
<td>Above R1 Million to R6 Million</td>
<td>0</td>
<td>3</td>
<td>17</td>
<td>0</td>
<td>20</td>
</tr>
<tr>
<td>Above R6 Million</td>
<td>0</td>
<td>6</td>
<td>14</td>
<td>4</td>
<td>24</td>
</tr>
<tr>
<td>Total</td>
<td>9</td>
<td>37</td>
<td>50</td>
<td>4</td>
<td>100</td>
</tr>
</tbody>
</table>

Table 4.13 shows that 9 owners and/or managers had grade 8 qualification and recorded the lowest average income of between R50 000 and R300 000 as compared to 4 graduate owners and/or managers who recorded the highest average
annual income of above R6 million. This is between 20 to 120 times the lowest annual incomes.

Table 4.14: Annual turnovers of SMMEs vs. SMME Training Sessions

How often does the SMME / sent hold training sessions

Cross Tabulation

<table>
<thead>
<tr>
<th></th>
<th>Value</th>
<th>df</th>
<th>Sump. Sig. (2sided)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Pearson Chi-Square</td>
<td>97.357</td>
<td>12</td>
<td>.000</td>
</tr>
<tr>
<td>Likelihood Ratio</td>
<td>97.357</td>
<td>12</td>
<td>.000</td>
</tr>
<tr>
<td>Linear-by-Linear Association</td>
<td>50.079</td>
<td>1</td>
<td>.000</td>
</tr>
<tr>
<td>No of Valid Cases</td>
<td>21</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

A15 cells (75.0%) have expected count less than 5. The minimum expected count is 1.12. The test used the 95% confidence level meaning that the p value must be lower than 0.05. Pearson Chi-Square showed a significance of (p < 0.001) which was less than the minimum expected of 1.12 Results show that the frequency of training of SMME affected SMME turnover. There was an impact on the SMME training frequency on SMME annual turnover. A statistical significance reveals that there is positive co-relationship between frequency of training and SMME annual turnover. The results are that Training has a positive impact on SMME annual turnover because of worker qualification and frequency in training.
Table 4.15: Link between frequency of training and SMME annual turnover

<table>
<thead>
<tr>
<th>Annual turnover of SMME</th>
<th>Frequency of Training</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Weekly</td>
</tr>
<tr>
<td>± R50 000</td>
<td>0</td>
</tr>
<tr>
<td>R51 000 to R300 000</td>
<td>0</td>
</tr>
<tr>
<td>R301 000 to R1 Million</td>
<td>0</td>
</tr>
<tr>
<td>Above R6 Million</td>
<td>11</td>
</tr>
<tr>
<td>Total</td>
<td>11</td>
</tr>
</tbody>
</table>

Table 4.15 shows that 13 SMME owners and/or managers who train yearly get an income of between R50 000 to R300 000. The 7 who train Quarterly get an average income of R50 000 to R300 000. The 69 who train monthly get an average income of R301 000 to R1 Million and the 11 owners and/or managers who train Weekly get an average income of above R6 Million. There was a statistical significance showing positive association between the adoptions of strategic (RBV) resources based view approach to management of HR and SMME experiencing growth. The results imply that more SMMEs that are successful have received training in more skills. It might also be the case that more SMMEs that are successful can afford the training more than less successful ones.

In support of these results, according to a GEM report, individuals holding a tertiary qualification are more likely to own and manage a start-up business than those without Grade 12. Furthermore, holding a tertiary qualification significantly increases the probability that an individual will be an owner-manager of a business which has survived the start-up phase.
According to Driver et al. (2001), only fourteen per cent of entrepreneurs with tertiary level education are necessity-driven. In addition, fifty per cent of the expert informants were of the opinion that education and training was one of the most important factors hampering entrepreneurial activity in South Africa.

Formal classroom teaching also has a critical role to play in developing and nurturing entrepreneurial skills. At present, public schools in South Africa teach economic and management sciences as one of the eight learning areas, with strong emphasis on entrepreneurship. However, because most teachers or facilitators lack entrepreneurial skills themselves, there is no guarantee that entrepreneurship will be taught effectively within the classroom (Driver et al., 2001). After all, the facilitator is an all-important factor in the realisation of success of entrepreneurial and small business teaching (Pretorius, 2001). Cocks and Pretorius (2002) found that there is a significant relationship between the success of start-ups and the quality of education and training received. Only very, few of the service providers in South Africa, and in particular Limpopo, offer adequate business training programmes.

A survey conducted by Ladzani and Van Vuuren (2009) found that only three of the eleven (27%) service providers listed in the Limpopo directory of SMME service providers actually did provide business, entrepreneurial and performance motivation training. It could be stated that there is a positive association between the adoptions of strategic resources based view (RBV) approach to management of HR and SMMEs experiencing growth and that training impacts positively on SMMEs.
4.6.2 Sub- research question 2.1

Name the training courses which you and your workers have undergone?

Respondents showed that they received courses in the following areas:

Profit Principles, manager’s survival kit, product knowledge, business know how, sales management, store management, strategic human resource management, technological skills, business management, computer literacy and personal skills. Perks and Struwig, (2005) mention that entrepreneurial dynamism is the financial, intellectual and physical abilities that affect the success of the entrepreneur.

These are the skills necessary in order to make a success of a business venture. It could be stated that there was a lot of training in SMMEs in Limpopo province, strongly indicating the appreciation of Strategic Human Resources Management in SMMEs.

4.7 SECTION E – SHRM ASPECTS MOST APPROPRIATE FOR SMME GROWTH

Introduction

This section focuses on Strategic human resource management aspects such as technical, personal, and business skills test them and find out the most appropriate aspects for SMME business growth.
4.7.1 RESEARCH QUESTION 3

Which strategic human resource management aspects are most appropriate for SMME business growth?

**Proposition A5**: stated that less successful SMMEs are most likely to show positive impact from training in the same ways than successful SMMEs:

- Proposition A5.1: Skills level of employees has improved due to the training received;
- Proposition A5.2: Training received was relevant to the business needs;
- Proposition A5.3: Sales improved due to the training received;
- Proposition A5.4: Product/ service quality has improved due to training received;
- Proposition A5.5: SMME is growing due to the training received;
### Table 4.16 Strategic Human Resource Management Aspects For SMME Business Growth.

<table>
<thead>
<tr>
<th>Aspect</th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Skills level of employees have improved due to training received</td>
<td>.757</td>
<td>4</td>
<td>.189</td>
<td>.817</td>
<td>.518</td>
</tr>
<tr>
<td>Training received was relevant to your business needs</td>
<td>.764</td>
<td>4</td>
<td>.191</td>
<td>.832</td>
<td>.508</td>
</tr>
<tr>
<td>Sales improved due to the training received</td>
<td>.545</td>
<td>4</td>
<td>.136</td>
<td>.779</td>
<td>.541</td>
</tr>
<tr>
<td>Product quality has been improved due to training received</td>
<td>.545</td>
<td>4</td>
<td>.136</td>
<td>779</td>
<td>.541</td>
</tr>
<tr>
<td>Worker motivation and confidence levels improved due to the training received</td>
<td>.346</td>
<td>4</td>
<td>.086</td>
<td>1.00</td>
<td>.409</td>
</tr>
<tr>
<td>Customer satisfaction improved due to training.</td>
<td>.049</td>
<td>4</td>
<td>.613</td>
<td>.655</td>
<td>.655</td>
</tr>
<tr>
<td>The skills and knowledge gained will be of use in the next 5 years</td>
<td>.759</td>
<td>4</td>
<td>.175</td>
<td>.411</td>
<td>.411</td>
</tr>
<tr>
<td>Training was strategic</td>
<td>.922</td>
<td>4</td>
<td>.175</td>
<td>.323</td>
<td>.323</td>
</tr>
<tr>
<td>SMME is growing due to the training received</td>
<td>.077</td>
<td>4</td>
<td>.284</td>
<td>.888</td>
<td>.888</td>
</tr>
</tbody>
</table>

Between Groups | Within Groups | Total
Applying the acceptance rule that the proposition is acceptable if only the $p < 0.05$ if the $p$ value is $> \alpha=0.05$; it must be rejected;

The results are summarized:

Proposition A5.1: 0.518 rejected
Proposition A5.2: 0.508 rejected
Proposition A5.3: 0.541 rejected
Proposition A5.4: 0.541 rejected
Proposition A5.5: 0.409 Rejected
Proposition A5.6: 0.655 Rejected
Proposition A5.7: 0.411 Rejected
Proposition A5.8: 0.323 Rejected
Proposition A5.9: 0.888 Rejected

**Proposition A5 was rejected**: that less successful SMMEs are most likely to show positive impact from training in the same ways than successful SMMEs.

In support of the results the majority of South Africa’s SMMEs are micro- and survival enterprises (Rogerson, 2008). These businesses show little sign of enterprise growth. The fact that strategic management practices are more common among SMMEs with optimal performance confirms the results of the study by Wang et al. (2010), who established that strategic planning practices are more common in better-performing SMMEs. The vital role of these are practices in influencing the performance of SMMEs, and the fact that more than 50% of SMMEs do not carry out strategic planning, emphasises the need for SMMEs to intensify the implementation of these practices, alongside the other five business practices.
Researchers (Rahman & Sohal, 2001; Prajogo & Sohal, 2003; Lau, Zhao & Xiao, 2004) identified a positive relationship between best business practices and business performance. Furthermore, a study by Pushpakumari and Wijewickrama (2008), relating to both large firms and SMMEs, constantly emphasizes the relationship between business practices, management activities and firm performance. It could be stated that successful SMME owner and/or managers do training and development, performance management and industrial and work–place relations in their SMME than less successful SMME.

The owner-managers characteristics can also act as a barrier to growth in that the personality, managerial skills and style including the entrepreneur and/or management’s negative attitude towards change can negatively influence an enterprise (Leopoulos, 2006; Naicker, 2006; Pansiri & Temtime, 2008).

4.7.2 Sub-research question 3.1

Is your SMME is not growing? If this is true, what are the factors that cause the failure?

Proposition A6

Proposition A6; states that less successful SMMEs are less likely to show signs of poor growth than successful SMMEs.

This is due to a number of factors that cause the failure:
Research interviewees’ responses indicate that several factors were affecting the growth of their SMME. The factors which were common amongst the majority of the SMME were:

Poor marketing strategy, high price, poor product quality, wrong strategy—wide and thin, opening too many branches, absenteeism, lack of communication, lack of training, poor training, lack of human resources, poor services by workers, budgeting skills, competition, long working hours, poor customer services, lack of staff motivation, lack of cooperation from workers, lack of necessary skills and lack of technological knowledge.

**Proposition A6 was accepted.**

Nieman (2001) and Rogerson (2005) refer entrepreneurial opportunity to external factors that influence the magnitude of SMMEs to survive and grow. He same gave examples of access to financial resources, market saturation, business opportunity, and overall public image all these factors impinge on entrepreneurial opportunity.

In support of these results, according to Mutezo (2005), the investment levels in the SMME sector are incapable of achieving the growth levels envisaged in its macro-economic strategies. According to Cocks and Pretorius (2002), an empirical study conducted in the Limpopo province found that the following two factors are likely to affect the ability of small businesses to grow:

- the existence of basic infrastructure facilities which is usually much better in the urban areas; and
• The existence of properly developed commercial areas.

SMMEs in rural areas operate under conditions characterised by poor or non-existent infrastructure. For example, small business owners have to travel long distances to do their banking, in addition, they may lack electricity supply, have a poor transport infrastructure and maybe largely cut-off from suppliers.

The SBP survey (2005) showed that 40% of small firms report constraints on growth as a result of the regulatory burden from the state (Pretorius et al, 2005). The following are examples of the reasons cited for the reluctance to take on more staff: time-consuming labour regulations, inappropriate labour laws and strict rules and regulation. It has been argued by (Lange et al., 2000; Pretorius, 2001; Ladzani & van Vuuren, 2002; Nasser et al., 2003) that obtaining and developing entrepreneurial competence in SMMEs is more important than provision of direct consulting support, and financial resources to owners and/or managers of SMMEs.

It can also be stated that some SMMEs do not show signs of growth due to poor marketing strategy, high price, poor product quality, wrong strategy—wide and thin, opening too many branches, absenteeism, lack of communication, lack of training, poor training, lack of human resources, poor services by workers, budgeting skills, competition, long working hours, poor customer services, lack of staff motivation, lack of cooperation from workers, lack of necessary skills and lack of technological knowledge (Miller et al., 2003; Pretorius et al, 2005).
4.8 SECTION F: SHRM STRATEGIES THAT ENABLE SMMES SURVIVAL

Introduction

Literature indicates that some Strategic Human Resources Management aspects are most appropriate for SMME business growth. In this section the following aspects were tested: financial resource management, business skills, sales knowledge, product knowledge, marketing knowledge, budgeting skills, project management knowledge, specialist knowledge, technical knowledge, functional/operational knowledge, analytical skills, competitor skills, industry knowledge, work and organizational priority in management and organizational understanding.

4.8.1 RESEARCH QUESTION 4
What are the proper ways to implement HR strategies in SMME business that enable SMME survival?

Table 4.17 Strategic Human Resources aspects necessary to implement HR strategies in SMME business that enable SMME survival

<table>
<thead>
<tr>
<th></th>
<th>Sum of Squares</th>
<th>df</th>
<th>Mean Square</th>
<th>F</th>
<th>Sig.</th>
</tr>
</thead>
<tbody>
<tr>
<td>Specialist knowledge</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>29.627</td>
<td>4</td>
<td></td>
<td>7.407</td>
<td>14.394</td>
</tr>
<tr>
<td>Within Groups</td>
<td>48.883</td>
<td>95</td>
<td></td>
<td>.515</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>78.510</td>
<td>99</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Technical knowledge</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>23.515</td>
<td>4</td>
<td></td>
<td>5.879</td>
<td>12.267</td>
</tr>
<tr>
<td>Within Groups</td>
<td>45.525</td>
<td>95</td>
<td></td>
<td>.479</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>69.040</td>
<td>99</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Functional/Operational knowledge</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>37.725</td>
<td>4</td>
<td></td>
<td>9.431</td>
<td>15.325</td>
</tr>
<tr>
<td>Within Groups</td>
<td>58.465</td>
<td>95</td>
<td></td>
<td>.615</td>
<td></td>
</tr>
<tr>
<td>Total</td>
<td>96.190</td>
<td>99</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Marketing knowledge</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>30.358</td>
<td>4</td>
<td></td>
<td>7.590</td>
<td>21.407</td>
</tr>
<tr>
<td>Within Groups</td>
<td>33.682</td>
<td>95</td>
<td></td>
<td>.355</td>
<td></td>
</tr>
<tr>
<td>Category</td>
<td>Total</td>
<td>df</td>
<td>Mean</td>
<td>Median</td>
<td>P-Value</td>
</tr>
<tr>
<td>----------------------------------</td>
<td>---------</td>
<td>-----</td>
<td>------</td>
<td>--------</td>
<td>---------</td>
</tr>
<tr>
<td><strong>Product Knowledge</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>23.103</td>
<td>4</td>
<td>5.776</td>
<td>.432</td>
<td>.000</td>
</tr>
<tr>
<td>Within Groups</td>
<td>41.007</td>
<td>95</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Sales Knowledge</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>61.517</td>
<td>4</td>
<td>15.379</td>
<td>.633</td>
<td>.000</td>
</tr>
<tr>
<td>Within Groups</td>
<td>60.123</td>
<td>95</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Budgeting</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>26.506</td>
<td>4</td>
<td>6.626</td>
<td>.318</td>
<td>.000</td>
</tr>
<tr>
<td>Within Groups</td>
<td>30.244</td>
<td>95</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Analytical skills</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>10.104</td>
<td>4</td>
<td>2.526</td>
<td>.324</td>
<td>.000</td>
</tr>
<tr>
<td>Within Groups</td>
<td>30.736</td>
<td>95</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Business skills</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>8.137</td>
<td>4</td>
<td>2.034</td>
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<tr>
<td>Within Groups</td>
<td>41.863</td>
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<tr>
<td><strong>Competitor skills</strong></td>
<td></td>
<td></td>
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</tr>
<tr>
<td>Between Groups</td>
<td>3.822</td>
<td>4</td>
<td>.956</td>
<td>.283</td>
<td>.013</td>
</tr>
<tr>
<td>Within Groups</td>
<td>26.928</td>
<td>95</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Financial/Resource Management</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>2.575</td>
<td>4</td>
<td>.644</td>
<td>.363</td>
<td>.140</td>
</tr>
<tr>
<td>Within Groups</td>
<td>34.465</td>
<td>95</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td><strong>Industry Knowledge</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>20.609</td>
<td>4</td>
<td>5.152</td>
<td>1.267</td>
<td>.004</td>
</tr>
<tr>
<td>Within Groups</td>
<td>120.381</td>
<td>95</td>
<td></td>
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<tr>
<td><strong>Work organisational and priority in management</strong></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>28.904</td>
<td>4</td>
<td>7.226</td>
<td>1.134</td>
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<tr>
<td>Within Groups</td>
<td>107.736</td>
<td>95</td>
<td></td>
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<td><strong>Organisational Understanding</strong></td>
<td></td>
<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>8.187</td>
<td>4</td>
<td>2.047</td>
<td>.341</td>
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<tr>
<td>Within Groups</td>
<td>32.403</td>
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<td><strong>Project Management</strong></td>
<td></td>
<td></td>
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<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>8.521</td>
<td>4</td>
<td>2.130</td>
<td>.391</td>
<td>.001</td>
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<tr>
<td>Within Groups</td>
<td>37.189</td>
<td>95</td>
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<td></td>
<td></td>
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<tr>
<td><strong>Innovation</strong></td>
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<td></td>
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<tr>
<td>Between Groups</td>
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<td>.241</td>
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<tr>
<td>Within Groups</td>
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<tr>
<td><strong>Strategic Management</strong></td>
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<td></td>
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<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>2.543</td>
<td>4</td>
<td>.636</td>
<td>.405</td>
<td>.188</td>
</tr>
<tr>
<td>Within Groups</td>
<td>38.447</td>
<td>95</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Action Orientation</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>2.982</td>
<td>4</td>
<td>.745</td>
<td>1.072</td>
<td>.597</td>
</tr>
<tr>
<td>Within Groups</td>
<td>101.858</td>
<td>95</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Systems Thinking</strong></td>
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<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>2.012</td>
<td>4</td>
<td>.503</td>
<td>.939</td>
<td>.536</td>
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<tr>
<td>Within Groups</td>
<td>89.228</td>
<td>95</td>
<td></td>
<td></td>
<td>.710</td>
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<tr>
<td><strong>Legal</strong></td>
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<td></td>
</tr>
<tr>
<td>Between Groups</td>
<td>2.085</td>
<td>4</td>
<td>.521</td>
<td>1.094</td>
<td>.753</td>
</tr>
<tr>
<td>Within Groups</td>
<td>103.955</td>
<td>95</td>
<td></td>
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</tr>
</tbody>
</table>
Table 4.17 results show that some Strategic Human Resources Management aspects are most appropriate for SMME business growth. These are: specialist knowledge, technical knowledge, functional/operational knowledge, marketing knowledge, product knowledge, sales knowledge, budgeting, analytical skills, business skills, competitor skills, financial/resource management, industry knowledge, work and organizational priority in management, organizational understanding and project management.

**Proposition A3:**

Proposition A3; Stated that strategic human resource management aspects such as specialist knowledge, technical knowledge, functional/operational knowledge, marketing knowledge, product knowledge, sales knowledge, budgeting, analytical skills, business skills, competitor skills, financial/resource management, industry knowledge, work and organizational priority in management, organizational
understanding and project management are necessary to implement HR strategies in SMME business that enable SMME survival.

Applying the accepted rule that the proposition is acceptable if only the $p < 0.05$. If the $p$ value is $> α=0.05$; it must be rejected;

The results are summarized:

<table>
<thead>
<tr>
<th>Proposition</th>
<th>Knowledge Area</th>
<th>$p$ Value</th>
<th>Acceptance</th>
</tr>
</thead>
<tbody>
<tr>
<td>A3.1</td>
<td>Specialist knowledge</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>A3.2</td>
<td>Technical knowledge</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>A3.3</td>
<td>Functional/operational knowledge</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>A3.4</td>
<td>Marketing knowledge</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>A3.5</td>
<td>Product Knowledge</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>A3.6</td>
<td>Sales Knowledge</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>A3.7</td>
<td>Budgeting</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>A3.8</td>
<td>Analytical skills</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>A3.9</td>
<td>Business skills</td>
<td>0.002</td>
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</tr>
<tr>
<td>A3.10</td>
<td>Competitor skills</td>
<td>0.013</td>
<td>Accepted</td>
</tr>
<tr>
<td>A3.11</td>
<td>Financial/resource management</td>
<td>0.140</td>
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</tr>
<tr>
<td>A3.12</td>
<td>Industry Knowledge</td>
<td>0.004</td>
<td>Accepted</td>
</tr>
<tr>
<td>A3.13</td>
<td>Work organisational</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>A3.14</td>
<td>Organisational Understanding</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>A3.15</td>
<td>Project Management</td>
<td>0.000</td>
<td>Accepted</td>
</tr>
<tr>
<td>A3.16</td>
<td>Innovation</td>
<td>0.188</td>
<td>Rejected</td>
</tr>
<tr>
<td>A3.17</td>
<td>Strategic Management</td>
<td>0.597</td>
<td>Rejected</td>
</tr>
<tr>
<td>A3.18</td>
<td>Action Orientation</td>
<td>0.710</td>
<td>Rejected</td>
</tr>
<tr>
<td>A3.19</td>
<td>Systems Thinking</td>
<td>0.370</td>
<td>Rejected</td>
</tr>
<tr>
<td>A3.20</td>
<td>Legal</td>
<td>0.753</td>
<td>Rejected</td>
</tr>
<tr>
<td>A3.21</td>
<td>Strategic human resources</td>
<td>0.458</td>
<td>Rejected</td>
</tr>
<tr>
<td>A3.22</td>
<td>Strategy and business planning</td>
<td>0.235</td>
<td>Rejected</td>
</tr>
<tr>
<td>A3.23</td>
<td>Research and development</td>
<td>0.134</td>
<td>Rejected</td>
</tr>
<tr>
<td>A3.24</td>
<td>Operations management</td>
<td>0.276</td>
<td>Rejected</td>
</tr>
<tr>
<td>A3.25</td>
<td>Marketing</td>
<td>0.235</td>
<td>Rejected</td>
</tr>
</tbody>
</table>
Results also show that some Strategic Human Resources Management aspects are not appropriate for SMME business growth and prosperity. Some of these are: marketing, strategic human resources management, strategy and business planning, strategic management, innovation, systems thinking, action orientation, legal, research and development and operations management.

In support of these results Analoui and Karami (2003) add that managerial causes are the major reasons for SMME failure, such as the lack of long-term planning and strategic thinking. Kelliher and Reinl (2009) emphasised that SMMEs should inculcate their valuable resources in their main business strategies, and apply the strategies using best business practices as a way to improve their long term performance, this would ensure ensuring long-term business survival and success. It can be concluded that the theoretical and applied discipline of Strategic Human Resource Management demonstrates relevance not only for large organizations but also for growing SMMEs. Van Tonder (2010) notes that the unimpressive success rate of SMMEs in South Africa is due to lack of financial skills; brain drain; lack of skilled labour; lack of proper business management practices; analysis and evaluation skills of business performance/operations and incompetent managers.

4.9 A STRATEGIC HUMAN RESOURCES MANAGEMENT INTEGRATIVE THEORETICAL FRAMEWORK

This study advanced a Strategic Human Resources Management Integrative Theoretical Framework that incorporates a multiple stakeholder perspective,
horizontal and vertical linkages along with Resource Based View (RBV) in SMMEs that provides SMMEs with necessary tools to show and evaluate important primary linkages of SHRM in SMMEs.

The RBV provides a conceptual perspective from which organizational can focus on internal organizational resources as a strong basis for sustainable competitive advantage in competitive environment.

The Multiple Stakeholder Perspective recognizes the dynamic and multidimensional as well as the multilevel nature of the strategic management process. A multiple stakeholder approach provides a theoretical framework that can enhance the ability to define and measure organizational effectiveness.

SAT provides a framework in which organization is aligned that is the degree to which an organization’s culture, strategies and design are cooperating to achieve the same desired goals and objectives. SAT is proposed to enhance organizational effectiveness, the achievement of organizational goals and objectives and create competitive advantage.

SRPT maintains a strong theoretical framework that incorporates three critical elements related to alignment theses are time; conditions internal to the organization; and conditions external to the organization.
4.10 CHAPTER SUMMARY

The purpose of this chapter was to present the empirical research results. The literature revealed the need for the SMME owners and/or managers to have a set of SHRM competencies to be successful in business. This chapter provided a summary of the data analysis and interpretation of the research results based on the responses from the respondents who completed the quantitative research questionnaires.

The first section of this chapter reports on the demographic profile of the respondents. The personal demographic variables for which information was obtained included gender, age, level of education, ethnic groups, and work experience.

The second section focused on the business demographics of the respondents. Business demographics report information about the respondents’ businesses. The business demographic variables from which information was obtained included the number of years in retail business (experience), the number of employees, annual income and the location.

The third section provided the research results. The first set of results was on business demographics. The report provided information on the respondents’ strategic skills training data. The strategic skills training data variables for which information was obtained included: strategic management skills, marketing skills, business skills, budgeting skills, technical skills, sales knowledge, project
management skills, product knowledge, specialist knowledge, functional/operational knowledge, competitor analysis skills, financial/resources management skills, analytic skills, industrial knowledge, work organizational understanding skills and innovation skills.

The second set of results focused on the significant differences between successful and less successful SMMEs with the chi-square tests and one way analysis of Variance (ANOVA). The final set of results comprised of the correlation analysis used to test the strength of the relationship between competence and training received. The fourth section of this chapter provided general information on open ended questions from the respondents regarding the impact of strategic human resources management on SMME’s profitability and sustainability. The final sections presented an Integrative Theoretical Framework that incorporates a multiple stakeholder perspective, horizontal and vertical linkages along with Resource Based View.
CHAPTER V THESIS SUMMARY, CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

The previous chapter provided data presentation, analysis and interpretation. The purpose of the previous chapter was to present the empirical research results. This chapter provides thesis summary, conclusions and recommendations.

5.2 SUMMARY OF CHAPTERS

Chapter one introduced the study by looking at the background information. SMMEs are increasingly recognized as a leading vehicle for economic development, revenue generation, a major source of employment, innovation and technological advancement in both developed and developing states. About 90% of business opportunities in Africa are SMMEs (Van Tonder, 2010; Neneh & Van Zyl, 2013). SMMEs contribute more than 50% of employment and Gross Domestic Product.

Van Tonder (2010) and Neneh & Van Zyl (2013) established that more than six out of ten new businesses fail within the first 18 to 24 months and identified factors such as poor management, inadequate financing and poor planning as the main causes of small business failure in South Africa. Van Tonder (2010) and Neneh & Van Zyl (2013) revealed that in South Africa the number of SMMEs that fail in their fifth year varies between 50% and 95%. About 75% of new SMMEs do not become established firms; this is one of the highest statistics in the world. The various reasons for the high failure rate of SMMEs in South Africa have been established. The most important reasons are shortage of management skills and lack of access
to finance. Ladzani and Van Vuuren (2009) and Ladzani (2010) state that lack of education and training has reduced management capacity in new firms in South Africa and is thus one of the reasons for the low rate of entrepreneurial creation and the high failure rate of new businesses. Van Tonder (2010) and Neneh and Van Zyl (2013) notes that the success rate of SMMEs in South Africa is not impressive simply because of lack of financial skills, brain drain, lack of skilled labour, a lack of good business management practices, lack of performance analyses and evaluation and incompetent owners and/or managers. SMMEs were encouraged to apply their valuable resources in their core business strategies, and implement the strategies using best business practices as a means to enhance their performance, thereby ensuring long-term survival and success. This clearly shows that SMMEs are still plagued by high failure rates and poor performance levels despite their many contributions.

A survey conducted by Ladzani and Van Vuuren (2009) and Ladzani (2010) found that only three of the eleven (27%) service providers listed in the Limpopo directory of SMME service providers actually did provide business, entrepreneurial and performance motivation training.

The problem statement is that high failure rate in South African Small, Medium and Micro Enterprises is caused by lack of Strategic Human Resource Management skills.

The primary aim of this study was to examine the impact of SHRM on SMME profitability and sustainability. The main purpose of this study was to advance a
Strategic Human Resource Management Integrative Theoretical Framework for examining the impact of SHRM on the effectiveness of Small Micro and Medium Enterprise

The study objectives were:

(a) To identify the impact of Strategic Human Resource Management (SHRM) on SMME survival and growth.

(b) To demonstrate how SMME owners/managers deal with training and development, performance management, industrial and work–place relations.

(c) To investigate, the relationship between training and development and SMME profitability.

(d) To draw up recommendations that small business human resources managers can implement in strategically managing human resources.

One hundred SMMES in Limpopo province were considered in the survey as the sample of the study. This research was limited to examining strategies and theories for SHRM in SMMEs; using sample selections of SMMEs in the trading sector in Limpopo province; and the research does not cover exhaustive economical analysis of SMMEs. First, the population of the study was only in Limpopo Province; therefore, the researcher could not claim generalization of the results. Second, since the method indicated that responding was voluntary, it could be that a lot of important information could have been sought those who were not selected to complete the questionnaires even though the response rate was 100%. Third given the use of cross sectional data, no causal inference can be made in concerning the relationships in this study even if the relationships illustrated were based on theory. Fourth, this study provided a current snapshot of the human resource-related issues
and concerns of South African SMMEs. Given the huge expanse of South Africa, it would be impossible to generalize widely beyond this sample.

The last limitation is that the American/British viewpoints were represented in this study. The respondents realised that the Western management theories and practices may not be entirely applicable to South African business environment. They also recognised the dangers of trying to imitate alien concepts without adaptation. The research methodology and design which were used were elaborated. The researcher was ultimately responsible for ensuring that the research processes were maintained with the highest integrity and dignity. The investigation was divided into five distinguished but related chapters. Relevant terms were defined.

Chapter two reviewed related literature. Useful concepts such as SMME, SHRM and HRM Practices were illustrated. The first review section was, on relevant research philosophies applicable to the management and entrepreneurial fields of study. The second review section was on the Theoretical Framework. The third review section was on the SMME contest in South Africa. The fourth review section was on the SHRM theories. Theoretical foundations such as a Resource Based View Theory, the Multiple Stakeholder Perspective Theory, and Strategic Reference Point Theory were reviewed. The fifth review section was on HRM Practices. The sixth review section was on Human Capital. The final review section was of the Theories and Models of Training.
Chapter three provided a described the methodology used in this study. This chapter dealt with issues such as the research paradigm, research method and research design, research instruments, data collection procedures and methods, presentation of data, data analysis and interpretation, pilot study, ethical considerations and the statistical package. Positivism was the research paradigm used. It was used as a philosophical framework to guide how research was conducted. In this positivist study, a survey methodology was used to collect both primary and secondary data from a sample, with a view to analysing them statistically and generalizing the results to a population. The Research Method used was the quantitative research method. The sample size was made up of 100 SMMEs. This study used the probability, simple random sampling design to select the sample. Survey Questionnaires were used as research instruments. This study used closed and open-ended questions. Five (5) (SMME) owners/ managers were used as respondents in the pilot study. The purpose of the pilot study was to check on the reliability and validity of the research instruments used in this research.

In this study was questionnaires were hand delivered to small business managers and returned directly to the researcher after completion by the respondents this was the the most suitable data collection procedure. Non-scheduled but planned interviews were carried out with 25% of the respondents who were initially saved with questionnaires. This was done as a means of triangulation. Secondary data were collected from relevant small business development materials. This study used unstructured, face-to-face interviews. In this study the procedure in data analysis was preparing data for analysis, exploring the data, analyzing the data, representing the data analysis. While the descriptive analysis allowed the researcher to generalize
from the sample to the population; inferential statistics allowed the research to draw conclusions about the population on the basis of data obtained from samples.

Chi-square tests were used to find out if there is a relationship between two nominal variables such as SMME growths and sustainability or whether they are independent of each other. The t-test was executed to measure the significant differences and similarities between these two sub-samples regarding their perceptions of skill importance and owner competence. One way Analysis of Variance (ANOVA) analysis was used to prove whether a particular independent factor is positively correlated with the failure of the SMME. Data and methodical triangulation were used. The researcher translated his personal ethics, sound business ethics and maintained ethical principles. The participants’ anonymity was maintained and identity of all participants was protected. The security of the participants was guaranteed.

Chapter four presented, analysed and interpreted the result of this study. The first section provided data from the demographic profile of the respondents. The second section provided data from the business demographics of the respondents. The third section provided the research results. The first set of results was on business demographics. The second set of results focused on the significant differences between successful and less successful SMMEs with the chi-square tests and one way analysis of Variance (ANOVA). The fourth set of results comprised of the correlation analysis used to test the strength of the relationship between competence and training received. The final set of results was on the impact of strategic human resources management on SMME’s profitability and sustainability.
5.3 SUMMARY OF RESULTS

The results were derived from four separate but related areas:
The effects of lack of SHRM skills on SMMES growth;
Link of HR Training to SMME Profitability;
SHRM aspect most appropriate for SMME growth and prosperity; and
SHRM Strategies that enable SMMEs Survival. The results provided solutions to the four research questions which guided the study.

5.3.1 EFFECTS OF LACK OF SHRM SKILLS ON SMMES GROWTH

5.3.1.1 On testing the level of importance of professional (technical) skills to business results show that the level of importance of the professional (technical) skills to business was that almost all the technical skills were very important. Owners and/or managers showed that the most important professional/technical skill was product knowledge with 53% followed by sales knowledge, then functional/operational knowledge 40%, marketing knowledge 39%, then specialist knowledge 27%, and lastly technical knowledge with 18%. The range between 18% and 53% shows that owners and/or managers of SMME lack important professional/technical skill.

5.3.1.2 On testing the level of importance of professional (technical) skills to business the results are: Applying the accepted rule that the proposition is acceptable if only the p< 0.05. If the p value is > than \( \alpha = 0.05 \); it must be rejected; The results are summarized:
Proposition A1.1: Specialist Knowledge 000 accepted
Proposition A1.2: Technical Knowledge 000 accepted
Proposition A1.3: Functional/Operational Knowledge 000 accepted
Proposition A1.4: Marketing Management 000 accepted
Proposition A1.5: Product Knowledge 000 accepted
Proposition A1.6: Sales Management 000 accepted

**Proposition A1:** Less successful SMMEs are less likely to have been trained in the following professional (technical) skills than successful SMMEs.

On testing the level of business and entrepreneurial skills in SMMEs results shows that the majority of SMME in Limpopo had very poor business and entrepreneurial skills. The majority, about 50 to 97% of the SMME owners and/or managers interviewed indicated that they were very poor in:

- Budgeting skills 50%
- Analytical skills 92%
- Business skills 87%
- Competitor skills 97%
- Financial Management skills 95%
- Organisational Understanding 90%
- Project Management 89%
- Innovation 63%
- Strategic Management 80%
- Action Orientation 64%
- Systems Thinking 72%
- SHRM 78%
- Strategy & business planning 74%
- Research and development 62%
- Operations management 59%
- Marketing 66%
The results show that most owners and/or managers lack very important Strategic Human Resources Management and business management skills such as: analytical skills, financial management skills, SHRM, project management, organisational understanding and marketing skills which have an impact on SMME survival and growth. This shows that there is a positive association between the adoptions of strategic resources based view (RBV) approach to management of HR and SMME experiencing growth.

5.3.1.3 On testing the managerial competency level in SMMEs results shows that very few owners and/or managers SMMEs, have good managerial competencies: communication 4%, personal qualities 9%, interpersonal skills 3%, results orientation 1%, managing people 6%, business & entrepreneurial 5%, self-management 1% and leadership competencies 2%. The results which range from 1% to 9% of the owners and/or managers SMMEs who have good managerial competencies are very low for these owners and/or managers to be effective to help SMMEs to grow.

The Chi-square test carried out on the Link of HR Training to SMME Profitability results show that:

Applying the acceptance rule that the proposition is acceptable if only the p< 0.05. If the p value is > than $\alpha=0.05$; it must be rejected;

The results are summarized:

Combined results for Satisfactory and Poor:

Proposition A4.1: Communication 88% accepted
Proposition A4.2: Personal Qualities  
87% accepted

Proposition A4.3: Interpersonal Skills  
47% rejected

Proposition A4.4: Results Orientation  
91% accepted

Proposition A4.5: Managing People  
82% accepted

Proposition A4.6: Business & Entrepreneurial  
90% accepted

Proposition A4.7: Self-Management  
67% accepted

**Proposition A4 was Accepted:** that there is a statistical significance that shows positive association between the adoptions of strategic (RBV) resources based view approach to management of HR that is training and SMME experiencing growth.

Results show that lack of adequate and appropriate strategic human resource management, business and technical skills due to lack of training affected the growth of SMMEs. There is an impact of training on SMME annual turnover as a result of worker qualification.

**5.3.2 LINK OF HR TRAINING TO SMME PROFITABILITY**

**5.3.2.1** A test was carried out to find out the extent training impacted positively on business. Results show that there is an effect of training on SMME owner and/or manager. The poorest educated group of 9 owners and/or managers had grade 8 qualification and recorded the lowest average income of between R50 000 and R300 000 as compared to the well educated group of 4 graduate owners and/or managers who recorded the highest average annual income of above R6 million per annum. Poorly educated managers produce between 20 to 120 times lower annual incomes. There is an impact on the SMME training level on SMME annual turnover.
5.3.2.1 Link of HR Training Frequency to SMMEs Profitability

On testing Link of HR Training Frequency to SMMEs Profitability Results show that the 13 SMME owners and/or managers who train yearly get an income of between R50 000 to R300 000, the 7 who train Quarterly get an average income of R50 000 to R300 000, the 69 who train monthly get an average income of R301 000 to R1 Million and the 11 owners and/or managers who train Weekly get an average income of above R6 Million. Results show that the frequency of training of SMME affected SMME turnover. A

Pearson Chi-Square test was carried out the result is:

Pearson Chi-Square showed a significance of (p < 0.001) which was less than the minimum expected of 1.12. There was a statistical significance that shows that there is positive association between frequency of training and SMME annual turnover. There was an impact on the SMME training frequency on SMME annual turnover.

Proposition A2 was accepted: that training has a positive impact on SMME annual turnover as a result of worker qualification and frequency in training.

5.3.2.2 Training courses undertaken by SMMEs Workers

On testing to find out the Training courses undertaken by SMMEs Workers, results show that SMME managers received courses in the following areas:
Profit Principles, manager’s survival kit, product knowledge, business know how, sales management, store management, strategic human resource management, technological skills, business management, computer literacy and personal skills.

In the Chi Square test carried out the results show that:

The results are:

The Pearson Chi-Square showed a significance of \( p < 0.0001 \) which was less than the minimum expected of .64. Results show statistical significance that lack of adequate and appropriate strategic human resource management, business and technical skills affected the growth of less successful SMMEs.

5.3.3 SHRM ASPECT MOST APPROPRIATE FOR SMME GROWTH

A test was carried out to out whether those less successful SMMEs were most likely to have their owners and/or managers trained in technical, personal, and business skills than successful SMMEs.

**Proposition A5**

Proposition A5.1: Skills level of employees has improved due to the training received;
Proposition A5.2: Training received was relevant to the business needs;
Proposition A5.3: Sales improved due to the training received;
Proposition A5.4: Product/ service quality has improved due to training received;
Proposition A5.5: SMME is growing due to the training received;
Proposition A5.6: Worker motivation & confidence levels improved due to the training received;
Proposition A5.7: Customer satisfaction improved due to training;
Proposition A5.8: The knowledge and skills received are going to be of use in the next 5 years;
Proposition A5.9: Training was strategic.
Applying the acceptance rule that the proposition is acceptable if only the $p < 0.05$ if the $p$ value is $>$ than $\alpha = 0.05$; it must be rejected;

The results are summarized:

Proposition A5.1: 0.518 rejected
Proposition A5.2: 0.508 rejected
Proposition A5.3: 0.541 rejected
Proposition A5.4: 0.541 rejected
Proposition A5.5: 0.409 rejected
Proposition A5.6: 0.655 rejected
Proposition A5.7: 0.411 rejected
Proposition A5.8: 0.323 rejected
Proposition A5.9: 0.888 rejected

**Proposition A5 was rejected:** that less successful SMMEs are most likely to show positive impact from training in the same ways than successful SMMEs.

Results show that there was a positive impact of training in successful SMMEs as compared to less successful ones. Skills level, sales, product quality, SMME growth, worker motivation & confidence levels, customer satisfaction and the knowledge and skills received did improve due training received by SMME in successful SMMEs as compared to less successful ones.

5.3.3.1 Factors that cause failure of SMMEs

5.3.3.1 On testing as to whether some SMMEs were not growing, results showed that it was true and that there are the factors that cause the failure. Research
interviewees’ responses indicate that several factors were affecting the growth of their SMME. The factors which were common amongst the majority of the SMME were:

Poor marketing strategy, high price, poor product quality, wrong strategy – wide and thin, opening too many branches, absenteeism, lack of communication, lack of training, poor training, lack of human resources, poor services by workers, budgeting skills, competition, long working hours, poor customer services, lack of staff motivation, lack of cooperation from workers, lack of necessary skills and lack of technological knowledge.

**Proposition A6 was accepted**: that less successful SMMEs are less likely to show signs of poor growth than successful SMMEs.

### 5.3.4 SHRM STRATEGIES THAT ENABLE SMMES SURVIVAL

Results from the Analysis Of Variance Test (ANOVA) carried out to find out what are the proper ways to implement HR strategies in SMME business to enable SMME survival shows that:

Applying the accepted rule that the proposition is acceptable if only the p < 0.05. If the p value is > than \( \alpha = 0.05 \); it must be rejected;

The results are summarized:

- **Proposition A3.1**: .000 Accepted
- **Proposition A3.2**: .000 Accepted
- **Proposition A3.3**: .000 Accepted
- **Proposition A3.4**: .000 Accepted
- **Proposition A3.5**: .000 Accepted
Results also show that some Strategic Human Resources Management aspects are not appropriate for SMME business growth and prosperity. Some of these are: innovation, strategic management, action orientation, systems thinking, legal, strategic human resources management, strategy and business planning, research and development, operations management, and marketing.

Proposition A3 was Accepted: that strategic human resource management aspects such as sales knowledge, business skills, financial/resource management, budgeting, analytical skills, specialist knowledge, technical knowledge,
functional/operational knowledge, marketing knowledge, product knowledge, competitor skills, industry knowledge, project management work and organizational priority in management, and organizational understanding are necessary to implement HR strategies in SMME business that enable SMME survival. It can be concluded that the theoretical and applied discipline of Strategic Human Resource Management demonstrates relevance not only for large organizations but also for growing SMMEs.

5.4 CONCLUSIONS

It can be concluded that:
Lack of Strategic Human Resources Management skills affects owners and/or managers in managing SMME growth.

Training has a positive impact on SMME annual turnover as a result of worker qualification level and frequency of training per given period.

Training in SMME is taking place in important areas such as: profit principles, manager’s survival kit, product knowledge, business know how, sales management, store management, strategic human resource management, technological skills, business management, computer literacy and personal skills in SMME, indicating the appreciation of Strategic Human Resources Management. Well planned training programmes together with the Education for improved Entrepreneurial Performance Model (ED for an EP model) impact positively on (SMME) business performance.
Strategic Human Resources Management practices play a role in the implementation of different firm SMME strategies through strategic management, strategic human resources management, strategy and business planning, operations management, marketing, product quality, skill level, action orientation, systems thinking, legal, sales, research and development and innovation. SMME growth, worker motivation & confidence levels, customer satisfaction, the knowledge and skills received, performance management and industrial workplace relations are strategic human resource management aspects that are most appropriate for SMME business growth and prosperity.

SMME fail due to certain factors. These are poor marketing strategy, high price, poor product quality, wrong strategy wide and thin, opening too many branches, absenteeism, lack of communication, lack of training, poor training, lack of human resources, poor services by workers, budgeting skills, competition, long working hours, poor customer services, lack of staff motivation, lack of cooperation from workers, lack of necessary skills and lack of technological knowledge cause failure on some SMMEs and these SMMEs do not show positive signs of growth.

Strategic human resource management aspects are necessary to implement HR strategies in SMME business that enable SMME survival are: sales knowledge, business skills, financial resource management, functional/operational knowledge, specialist knowledge, technical knowledge, analytical skills, marketing knowledge, product knowledge, budgeting, competitor skills, work and organizational priority in management, industry knowledge, organizational understanding and project management. The theoretical and applied discipline of Strategic Human Resource
Management demonstrates relevance not only for large organizations but also for successful, growing and sustainable SMMEs.

5.5 RECOMMENDATIONS

This sub-section outlines the following recommendations that were identified during the course of the study:

5.5.1 SMME owners and/or managers to use Strategic Human Resources Management Theoretical Integrative Framework to accurately explicate and evaluate the primary linkages of SHRM.

5.5.2 SMME owners and/or managers to use SHRM as the primary means through which they communicate organizational goals, priorities, and behavioural requirements.

5.5.3 Based on the model advanced by the study it is recommended that SMME skills development and training programs should apply a combination model1 model 2 as described by equation 2.1 and 2.2.

5.5.4 SMME training should be broad, incorporating technical, entrepreneurship and business skills.

5.5.5 New entrepreneurs should undergo rigorous skills training prior undertaking entrepreneurship. These skills would guarantee them business success.
5.5.6 Existing SMMEs should determine their training needs by analysing their strengths and weaknesses in each of the business skills. Having done so they should enrol in outcome based skills development program which can be accessed through training or mentorship.

5.5.7 All interested parties who focus on entrepreneurship development such as non-governmental organizations, tertiary institutions, mentors, community-based organizations and training organisations should be in a position to be able to determine the level of competence for each trainee manager in each learning area.

5.5.8 Policy makers should weigh whether the recipients are aware of the skills needed so that after training they are being equipped with the skills that will enable them to engage in entrepreneurial action.

5.6 FURTHER RESEARCH

Mitchelmore and Rowley (2010) and Jain (2011) indicated that the field of entrepreneurship is young with a few people teaching and or researching in the field. It is anticipated that the results of this study will induce further research in this area. Further research that could come out of this study includes:

Furthering research can be done to show the core relationship between human resource practices and organizational performance in SMME. More research can disclose how each human resource practice contributes to on organizational performance.
Further studies need to explore how human capital can supplement an organization’s strategy and also to examine the impact that human capital can have on organizational performance.

Further research is needed to scrutinize how individual-level training outcomes result because most models of training end up with the transfer of individual-level outcomes to the training context and there is little theoretical development.

Previous research has examined organisational effectiveness issues as a cluster such as multiple stakeholder perspective and horizontal and vertical linkages. Further research should investigate them individually.

Many previous studies have focused their attention on large organisations. Further studies should survey the relationship between SMME resources and capabilities.

The three modes of theorizing are configurationally, contingency, and universal the universal perspective stipulates that some human resource practices are always better than others and that SMMEs should adopt these best practices. Studies have examined the universal perspective, the contingency perspective and the configurationally perspective individually Further studies should examine all the three models in one study.

Further studies are recommended that will extend or replicate these results through statistical validation of the integrated model as presented by equations 2.1 and 2.2 Such studies can compare different industries and different areas (inter-industry,
cross-cultural or inter-city comparisons), studies that further break down competence area constructs into individual skills.

It is vital that further studies that will examine additional factors related to the success and failure of SMMEs. Further important studies are needed surveying supporting skills in all the stages of the entrepreneurial process.

Mathematical models which will quantify the importance of each skill and qualify the relationship between skill acquisitions and the productivity of the SMMEs. This would give guidelines on the intensity of training and the combination of functional and enterprising skills that should be targeted towards SMMEs for optimum impact.
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BI B L I O G R A P H Y


APPENDICIES

APPENDIX A

RESEARCH QUESTIONNAIRE

QUESTIONNAIRE FOR THE SMME- CASE STUD’Y – PHD STUDIES (D-Phil in Business Studies)
DEPARTMENT – BUSINESS MANAGEMENT
FACULTY OF COMMERCE AND LAW

Dear Respondent

Introduction

The candidate Jealous Sungwa (Mr) student no P1037 156 L and ID no 58-07252 F 26 , Pass Port No- BN 871 871 is carrying out a research on Small, Medium and Micro, Enterprises (SMMEs) on the impact of strategic human resources management (SHRM) on the profitability and sustainability of Small, Medium and Micro Enterprises in Limpopo province in South Africa as fulfilment of the requirements for (D-Phil) Doctor of Philosophy in Business Studies to Zimbabwe Open University (ZOU).

Questionnaire Objectives

The goal of this survey is to gather quantitative information and data on SHRM in SMMEs in Limpopo province and to analyse SHRM practices and systems across SMMEs to determine aspects of SHRM that can develop and create competitive advantages for the SMMEs.

Questionnaire Methodology

The survey is in the form of a questionnaire, with the target group of SMME Owners and/or managers and executives, in addition to line management managers. The questionnaire comprises “tick the box” questions and “open-ended” questions.

Contacts

Should you meet any difficulty in filling the questionnaire, please do not hesitate to contact the researcher at sungwaj@tut.ac.za or +27742455251

Thank you in advance for your time and professional response to the questionnaire.
### SECTION A - DEMOGRAPHIC INFORMATION

1. Name of SMME...

2. Gender (tick appropriate box)

<p>| | |</p>
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<thead>
<tr>
<th></th>
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<tbody>
<tr>
<td>2.1</td>
<td>Male</td>
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<td>2.2</td>
<td>Female</td>
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</table>

3. Your ethnic group

<p>| | |</p>
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<tbody>
<tr>
<td>3.1</td>
<td>Black</td>
</tr>
<tr>
<td>3.2</td>
<td>White</td>
</tr>
<tr>
<td>3.3</td>
<td>Coloured</td>
</tr>
<tr>
<td>3.4</td>
<td>Indian</td>
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<tr>
<td>3.5</td>
<td>Other (specify)</td>
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</table>

4. What is your age?

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<tbody>
<tr>
<td>4.1</td>
<td>Below 20 years</td>
</tr>
<tr>
<td>4.2</td>
<td>21 – 30 years</td>
</tr>
<tr>
<td>4.3</td>
<td>31- 40 years</td>
</tr>
<tr>
<td>4.4</td>
<td>41-50 years</td>
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<tr>
<td>4.5</td>
<td>Above 50 years</td>
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5. Total experience of SMME management (Tick appropriate box)

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<tbody>
<tr>
<td>5.1</td>
<td>0-5yrs</td>
</tr>
<tr>
<td>5.2</td>
<td>6-10yrs</td>
</tr>
<tr>
<td>5.3</td>
<td>11-15yrs</td>
</tr>
<tr>
<td>5.4</td>
<td>16-20yrs</td>
</tr>
<tr>
<td>5.5</td>
<td>Above 21yrs</td>
</tr>
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</table>

6. What is your highest qualification?

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<tr>
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<tbody>
<tr>
<td>6.1</td>
<td>Grade 8</td>
</tr>
<tr>
<td>6.2</td>
<td>Grade 12</td>
</tr>
<tr>
<td>6.3</td>
<td>Cert or Diploma</td>
</tr>
<tr>
<td>6.4</td>
<td>Degree</td>
</tr>
<tr>
<td>6.5</td>
<td>Post Grad</td>
</tr>
</tbody>
</table>
SECTION B: BUSINESS INFORMATION

7. How long have been in Retail Business?

7.1 Less than 5 years
7.2 5 years or more

8 What form of business do you operate?

8.1 Sole Ownership
8.2 Partnership
8.3 Close Corporation
8.4 Company (PTY)
8.5 Business Trust
8.6 Unregistered
8.7 Other, (specify)

9 How many people are working for your SMME?

9.1 Male
9.2 Female


10 (a) Where is your business located?

10a.1 City centre
10a.2 Township
10a.3 Suburb
10a.4 Rural area/Village
10a.4 Industrial site

10b Indicate your annual turnover of your SMME:

10b.1 Below or equal to R50 000 per year
10b.2 R51 000 to R300 000 per year
10b.3 R301 000 to R1 Million per year
10b.4 R1.1 Million to R6 Million per year
10b.5 Above R6 Million per year
11 What are the highest levels of qualification for your workers?

<table>
<thead>
<tr>
<th>Qualification</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>11.1 Grade 8 or below</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.2 Grade 12</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>11.3 Certificate or diploma</td>
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<td></td>
<td></td>
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<tr>
<td>11.4 Graduate</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>11.5 Post graduate</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>11.6 Other, Specify</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>Total</td>
<td></td>
<td></td>
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</tbody>
</table>

12 How many of your workers including you have undergone SMME related training?

<table>
<thead>
<tr>
<th></th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
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<tbody>
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<td>12.1</td>
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<tr>
<td>12.2</td>
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<tr>
<td>Total</td>
<td></td>
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</table>

13 How often do you send/ hold SMME training sessions?

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<tbody>
<tr>
<td>13.1 weekly</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>13.2 monthly</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>13.3 quarterly</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>13.4 Yearly</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>13.5 Other, Specify</td>
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<td></td>
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</table>

SECION C. STRATEGIC HUMAN RESOURCES MANAGEMENT

14 Show the level of importance of the following professional (technical) skills to your business.

<table>
<thead>
<tr>
<th>Skill</th>
<th>Very poor</th>
<th>Poor</th>
<th>Satisfactory</th>
<th>Good</th>
<th>Very good</th>
</tr>
</thead>
<tbody>
<tr>
<td>14.1 Specialist Knowledge</td>
<td></td>
<td></td>
<td></td>
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<tr>
<td>14.2 Technical Knowledge</td>
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<td>14.3 Operational Knowledge</td>
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<td>14.4 Marketing Management</td>
<td></td>
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<tr>
<td>14.5 Product Knowledge</td>
<td></td>
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<td>14.6 Sales Management</td>
<td></td>
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</tbody>
</table>
15 How many of your workers have been trained in the following personal skills

<table>
<thead>
<tr>
<th>Competencies</th>
<th>Skills trained</th>
<th>Male</th>
<th>Female</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>Communication</td>
<td>15.1 Influencing Skills.</td>
<td></td>
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<td></td>
<td>15.2 Stakeholder Management</td>
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<td></td>
<td>15.3 Negotiation Skills</td>
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<td></td>
<td>15.4 Presentation Skills</td>
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<td></td>
<td>15.5 Communication tool usage</td>
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<td></td>
<td>15.6 Advisory Skills</td>
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<td></td>
<td>15.7 Business Writing</td>
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<td></td>
<td>15.8 Facilitation Skills</td>
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<tr>
<td>Interpersonal skills</td>
<td>15.9 Persuasive ability</td>
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<tr>
<td></td>
<td>15.10 Active listening</td>
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<td></td>
<td>15.11 Conflict Resolution</td>
<td></td>
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<td></td>
<td>15.12 Cross Functional Teamwork</td>
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<tr>
<td></td>
<td>15.13 Flexibility &amp; Diversity</td>
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<td></td>
<td>15.14 Networking</td>
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<td></td>
<td>15.15 Assertiveness</td>
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<td>15.16 Company vision</td>
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<tr>
<td>Motivational</td>
<td>15.17 Interpersonal sensitivity</td>
<td></td>
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<td>15.18 Excellence &amp; Integrity</td>
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<td></td>
<td>15.19 Flexibility</td>
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<td></td>
<td>15.20 Resilience</td>
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<td></td>
<td>15.21 Personal Motivation</td>
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<td></td>
<td>15.22 Emotional Intelligence</td>
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<td>Total</td>
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<td></td>
<td>Business &amp; Entrepreneurial skill</td>
<td>1</td>
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<td>16.1</td>
<td>Budgeting</td>
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<td>16.2</td>
<td>Analytical Skills</td>
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<td></td>
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<tr>
<td>16.3</td>
<td>Business Acumen</td>
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<td>Competitor Analysis</td>
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<td>16.5</td>
<td>Financial/Resource Management</td>
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<td>16.6</td>
<td>Industry Knowledge</td>
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<td>16.7</td>
<td>Work Organisation</td>
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<td>16.8</td>
<td>Organisational Understanding</td>
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<td>16.11</td>
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<td>SHRM</td>
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<td>16.16</td>
<td>Strategy and business planning</td>
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<td>16.17</td>
<td>Research and development</td>
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<td>16.18</td>
<td>Operations management</td>
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<td>16.19</td>
<td>Marketing</td>
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Please rate the level of your SMME business and entrepreneurial skills
17 Please rate your Managerial Competency.

<table>
<thead>
<tr>
<th>Competencies</th>
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<th>2</th>
<th>3</th>
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<tbody>
<tr>
<td>17.1 Communication</td>
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<td>17.2 Personal Qualities</td>
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<td>17.3 Interpersonal Skills</td>
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<td>17.4 Results Orientation</td>
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<td>17.5 Managing People</td>
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<td>17.6 Business &amp; Entrepreneurial</td>
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<td>17.7 Self-Management</td>
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<td>17.8 Leadership Competencies.</td>
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</table>

**SECTION D- LINK OF HR TRAINING TO SMME PROFITABILITY**

18 To what extent has training impacted positively on your business?

<table>
<thead>
<tr>
<th>The impact noted</th>
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<th>2</th>
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<tbody>
<tr>
<td>18.1 Skills level of employees has improved due to the training received.</td>
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<td>18.2 Training received was relevant to your business needs</td>
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<td>18.3 Sales improved due to the training received.</td>
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<td>18.4 Product/ service quality has improved due to training received</td>
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<td>18.5 SMME is growing due to the training received</td>
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<td>18.6 Worker motivation &amp; confidence levels improved due to the training received.</td>
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<td>18.7 Customer satisfaction improved due to training</td>
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</table>
18.8 The knowledge and skills received are going to be of use in the next 5 years

18.9 Training was strategic

SECTION E - SHRM ASPECTS MOST APPROPRIATE FOR SMME GROWTH AND PROSPERITY

19 if your SMME is not growing, list the factors that cause the failure in your business.

SECTION F - GENERAL INFORMATION

20. Please fill in the table below showing all the training you and workers have received.

<table>
<thead>
<tr>
<th>Name of course/training</th>
<th>Name of service provider/trainer</th>
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Thank you for your cooperation and participation.
Please indicate if you would be interested in receiving a copy of the finalized research work for future use and reference.

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<tr>
<th>YES</th>
<th>NO</th>
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APPENDIX B

INTERVIEW SCHEDULE

SECTION 1
DEMOGRAPHIC INFORMATION

1.1 What is the name of your business?
1.2 Do you have a recruitment policy in your company that includes affirmative action?
1.3 What is your experience in SMME management?
1.4 For how long have you been in business?
1.5 What is your highest qualification?

SECTION 2
BUSINESS INFORMATION

2.1 How long have you been in Retail Business?
2.2 What form of business do you operate?
2.3 How many people are working for your SMME?
2.4 What is the range of your business’s turn over every year?

SECTION 3
NEED FOR TRAINING

3.1 What is the highest level of qualification for your workers?
3.2 How many of your workers including yourself have undergone SMME related training?
3.3 How often do you hold SMME training sessions?
SECTION 4

STRATEGIC SKILLS TRAINING

4.1 Which of the professional (technical) skills would you regard as most important to your business among the following, Specialist Knowledge, Technical Knowledge, Functional, Operational Knowledge, Marketing Management, Product Knowledge, and Sales Management?

4.2 How would you rate the competencies of your workers in terms of communication, interpersonal relationships, and motivation? How many of your workers have been trained in these personal skills?

4.3 Please mention the business and entrepreneurial skills that one would observe in your SMME and how do you rate them?

4.4 To what extent has training impacted positively on your business?

SECTION 5

GENERAL INFORMATION

5.1 Name the courses or training which you and your workers have undergone?

5.2 Is your SMME is not growing? If this is true, what are the factors that cause the failure?

Thank you for your cooperation and participation.