

BUSINESS PRACTICES AS AN IMPLICATION FOR SMEs GROWTH

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DECLARATION

I, the undersigned, Galaletsang Gail Motlhaudi, declare that the dissertation hereby handed in for the qualification Magister Commercii at the University of the Free State, is my own independent work and that I have not previously submitted the same work for a qualification at/in another University/faculty.

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KEY TERMS

Small Medium-sized Enterprise (SME)

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Corporate Entrepreneurship (CE)

Small Medium-sized Enterprise (SME) Growth

ABSTRACT

With the current bleak state of the economy, both in South Africa and globally, resulting in high unemployment and poverty levels, citizens of countries have had to resort to entrepreneurship as a means to generate an income and in turn create jobs. As a result of the quest of financial freedom stemming from entrepreneurship, many small and medium-sized enterprises (SMEs) are established. However, SMEs are faced with high failure rates. This is witnessed in the number of SMEs that rarely make it past the second year of trading, with failure rates as high as 63 percent. As a means to cope with these challenges, scholars have often looked to business practices as an initiative to enhance SME growth. It is as a result that this study purposed to determine which business practices can enhance SME growth. The population used to examine this primary objective consisted of SMEs in the Kimberley, Northern Cape area.

There is an increasing consensus that SME owners and managers should play a pivotal role in nurturing entrepreneurial activity in SMEs so as to compete successfully. Subsequently, corporate entrepreneurship (CE) - a concept that describes the entrepreneurial behaviour inside an established organisation- has received much attention in literature as a means to curb the challenge of SME failure and enhance SME growth. As such, the secondary objectives aimed to evaluate prior studies on business practices, assess theoretical studies on SME growth in South Africa, review theoretical studies on CE, determine which business practices SMEs engage in, empirically identify the determinants of SME growth, determine which dimensions of CE SMEs engage in, determine which key business practices can enhance CE and establish a conceptual framework identifying the relationship between business practices and CE as initiatives to enhance SME growth.

The population of the study consisted of SMEs in the Kimberley, Northern Cape area and a statistical methodology was implemented to address the primary objective and the secondary objectives. The findings revealed that a positive and significant relationship exists between all of the selected business practices selected for the purpose of this study (Human Resource Management practices, Performance Management practices, Change Management practices, Risk Management practices, Marketing practices and Networking practices) and SME growth. Furthermore, the findings reiterated scholars' argument that the implementation of business practices

in SMEs can help increase the level of innovation, creativity and entrepreneurial behaviour, which in essence refers to CE.

A number of recommendations were made at the end of this study that could serve as a guide to formulating and implementing strategies to address the challenges in the study. The emphasis is placed primarily on educational institutions to incorporate the collective implementation of business practices and CE as a means to enhance SME growth in their curriculum; and SME owners and managers to invest in acquiring the right skills set necessary to operate their businesses successfully.

UITTREKSEL

Suid Afrika se huidige swak toestand van die ekonomie het hoë werkloosheidskoerse en armoede-vlakke tot gevolg. Gevolglik het individue tot entrepreneurskap gekeer as 'n metode om inkomste te genereer en indiensnemingsgeleenthede te skep. As 'n resultaat van hierdie soeke na finansiële vryheid in die vorm van entrepreneurskap is verskeie klein-en medium grootte ondernemings (SMEs) gestig. Nieteenstaande is die mislukningskoerse van SMEs hoog wat meebring dat die voordele van entrepreneurskap nie verkry kan word nie. Dit word gesien in die feit dat SMEs dit selde verby die tweede jaar van handel maak met mislukningskoerse so hoog as 63 persent. Ten einde die uitdagings wat entrepreneurs in die gesig staar beter te identifiseer en bestuur het akademië dikwels na ondernemingspraktyke gekyk as 'n inisiatief om SME groei te verbeter. Dit spruit hieruit dat hierdie studie poog om ondernemingspraktyke wat SME groei kan verbeter te bepaal.

Daar is 'n toenemende konsensus dat ondernemingspraktyke 'n kritiese rol moet speel in die koestering van entrepreneuriese aktiwiteite in SMEs ten einde hul in staat te stel om suksesvol te kompeteer. Gevolglik het korporatiewe entrepreneurskap (KE) – 'n konsep wat die entrepreneuriese gedrag binne 'n onderneming beskryf – baie aandag in die literatuur ontvang as 'n metode om die uitdaging van SME mislukking te beperk en SME groei te bevorder. As sulks het die sekondêre doelwitte van hierdie studie gepoog om vorige studies aangaande ondernemingspraktyke te evalueer, teoretiese studies oor SME groei in Suid Afrika te assesseer, teoretiese studies op KE te hersien, te bepaal in watter ondernemingspraktyke SME betrokke raak, empiries die determinante van SME groei te identifiseer, die dimensies van KE waarmee SMEs betrokke is te bepaal, te bepaal watter sleutel ondernemingspraktyke KE kan verbeter en 'n konsepsuele raamwerk te ontwikkel wat die verhouding tussen ondernemingspraktyke en KE identifiseer as inisiatiewe om SME groei te verbeter.

Die populasie van hierdie studie het bestaan uit SMEs in die Kimberley, Noord Kaap area en 'n statistiese metodologie is geïmplementeer om die primêre en sekondêre doelwitte te bereik. Die bevindinge het getoon dat daar 'n positiewe, en beduidende, verhouding bestaan tussen die ondernemingspraktyke wat vir die doeleindes van hierdie studie geïdentifiseer is (Menslike Hulpbron Bestuur-, Die bestuur van verandering-, Prestasie bestuur-, Risiko bestuur-, Bemarkings- en Netwerkpraktyke)

en SME groei. Verder het die bevindinge akademi se argument bewys dat die implementering van ondernemingspraktyke in SMEs kan help met die vlak van innovasie, kreatiwiteit en entrepreneuriese gedrag – wat in wese na KE verwys.

Verskeie aanbevelings is aan die einde van hierdie studie gemaak wat kan dien as 'n riglyn tot die formulering en implementering van strategieë om die uitdagings wat in die studie identifiseer is aan te spreek. Die klem word primêr op die onderriginstellings geplaas om die kollektiewe implementering van ondernemingspraktyke en KE as 'n metode om SME groei te verbeter in hul kurrikulum aan te bied; en SME eienaars en bestuurders om te investeer daarin om die regte stel vaardighede te bekom wat nodig is om hul onderneming suksesvol te bestuur.

TABLE OF CONTENTS

	PAGE
CHAPTER ONE	1
RESEARCH PROPOSAL	
1.1 INTRODUCTION	1
1.2 PROBLEM STATEMENT	3
1.3 OBJECTIVES	5
1.4 CONTRIBUTION OF THE STUDY	5
1.5 RESEARCH METHODOLOGY	6
1.5.1 Literature Review	6
1.5.2 Research Design	7
1.5.3 Population and Sample	8
1.5.4 Sampling Design	8
1.5.5 Data Collection Method	9
1.5.6 Data Analysis	9
1.6 CHAPTER OUTLINE	9
1.7 CHAPTER SUMMARY	10
CHAPTER TWO	11
BUSINESS PRACTICES	
2.1 INTRODUCTION	11
2.2 DEFINITION OF BUSINESS PRACTICES	11
2.3 IMPACT OF BUSINESS PRACTICES ON SME GROWTH	12
2.4 BUSINESS PRACTICES	14
2.4.1 Human Resource Management Practices and SME Growth	14
2.4.2 Performance Management Practices and SME Growth	17
2.4.3 Change Management Practices and SME Growth	19
2.4.4 Risk Management Practices and SME Growth	21
2.4.5 Marketing Practices and SME Growth	23
2.4.6 Networking Practices and SME Growth	24
2.5 BENEFITS AND BARRIERS OF BUSINESS PRACTICES	26
2.6 CHAPTER SUMMARY	28

	PAGE
CHAPTER THREE	29
CORPORATE ENTREPRENEURSHIP (CE)	
3.1 INTRODUCTION	29
3.2 DEFINITION OF CORPORATE ENTREPRENEURSHIP (CE)	29
3.3 IMPACT OF CE ON SMES GROWTH	31
3.4 DIMENSIONS OF CORPORATE ENTREPRENEURSHIP (CE)	33
3.5 FORMS OF CORPORATE ENTREPRENEURSHIP (CE)	34
3.5.1 Traditional research and development (R&D) and SME growth	34
3.5.2 Ad hoc venture teams and SME growth	34
3.5.3 Corporate venturing and SME growth	35
3.5.4 Intrapreneurs and champions and SME growth	35
3.5.5 New product developments and SME growth	36
3.5.6 Acquisitions and take-overs and SME growth	36
3.5.7 Outsourcing and SME growth	36
3.5.8 Hybrid forms and SME growth	37
3.6 BENEFITS AND BARRIERS OF CE	36
3.7 IMPLEMENTATION PROCESS OF CORPORATE ENTREPRENEURSHIP (CE)	37
3.8 MEASUREMENT OF CE	39
3.9 CHAPTER SUMMARY	41
CHAPTER FOUR	42
BUSINESS PRACTICES AND CORPORATE ENTREPRENEURSHIP (CE)	
4.1 INTRODUCTION	42
4.2 BUSINESS PRACTICES AND CORPORATE ENTREPRENEURSHIP (CE)	42
4.3 RELATIONSHIP BETWEEN BUSINESS PRACTICES AND CE	44
4.4 CHAPTER SUMMARY	47

	PAGE
CHAPTER FIVE	48
RESEARCH METHODOLOGY	
5.1 INTRODUCTION	48
5.2 BACKGROUND TO STUDY	49
5.2.1 Research Problem	49
5.2.2 Research Objectives	50
5.3 RESEARCH DESIGN	50
5.3.1 Types of Research Designs	51
5.3.2 Types of Research	51
5.3.3 Selection of Data Collection Method	52
5.4 SAMPLE SELECTION	53
5.4.1 Population	53
5.4.2 Types of Sampling Designs	53
5.4.3 Sample size	57
5.5 DATA COLLECTION	57
5.5.1 Preparations before Data Collection Process	57
5.5.2 Questionnaire Design	58
5.5.3 Ethical considerations	60
5.6 DATA ANALYSIS	61
5.6.1 Reliability Testing	61
5.6.2 Software Used	61
5.6.3 Analysis	62
5.7 CHAPTER SUMMARY	63
CHAPTER SIX	64
DATA ANALYSIS	
6.1 INTRODUCTION	64
6.2 RESEARCH METHODOLOGY	64
6.2.1 Research Problem	64
6.2.2 Sample Group	64
6.2.3 Data Analysis	64
6.3 RESULTS OF THE EMPIRICAL SURVEY	65

	PAGE
6.3.1	Frequencies 65
6.3.2	Descriptives 71
6.3.3	Cross-tabulations and Chi-Square Tests 74
6.3.4	ANOVA 78
6.3.5	Correlations 81
6.3.6	Regression 82
6.4	SUMMARY OF IMPORTANT FINDINGS 85
6.5	CHAPTER SUMMARY 85
CHAPTER SEVEN	85
CONCLUSIONS AND RECOMMENDATIONS	
7.1	INTRODUCTION 85
7.2	RESULTS AND CONCLUSIONS FROM SECONDARY OBJECTIVES 85
7.2.1	Evaluate prior studies on business practices 85
7.2.2	Asses theoretical studies on SME growth in South Africa 87
7.2.3	Review theoretical studies on Corporate Entrepreneurship (CE) 88
7.2.4	Determine in which business practices SMEs engage 89
7.2.5	Determine the determinants of SMEs growth 90
7.2.6	Determine which CE dimensions SMEs engage in 91
7.2.7	Determine which key business practices can enhance CE 91
7.2.8	Establish a conceptual framework showing the relationship between business practices and Corporate Entrepreneurship (CE) as initiatives to enhance SMEs growth 92
7.3	ACHIEVEMENT OF PRIMARY OBJECTIVE 95
7.4	RECOMMENDATIONS 95
7.5	AREA FOR FURTHER RESEARCH 95
7.6	CHAPTER SUMMARY 95
7.7	CONCLUSION TO THE STUDY 96
REFERENCES	96
APPENDIX 1	116

LIST OF FIGURES

	PAGE
Figure 1.1: Conceptual Framework linking Business Practices and Corporate Entrepreneurship to SME growth	4
Figure 2.1: Human Resources Management Practices	16
Figure 2.2: Performance Management Practices	18
Figure 2.3: Change Management Practices	20
Figure 2.4: Risk Management Practices	22
Figure 2.5: Marketing Practices	24
Figure 2.6: Networking Practices	26
Figure 4.1: Relationship between business practices and CE	46
Figure 5.1: Business Research Process	48
Figure 6.1: Age of the respondents	66
Figure 6.2: Business practices amongst males and females	71
Figure 6.3: CE dimensions amongst males and females	72
Figure 7.1: Conceptual Framework linking Business Practices and Corporate Entrepreneurship (CE) to SME growth	91

LIST OF TABLES

	PAGE
Table 2.1: Benefits and barriers of business practices	27
Table 2.2: Business Practices in relation to SME growth	28
Table 3.1: Benefits and Barriers of CE	37
Table 5.1: Types of Exploratory Research Methods	52
Table 5.2: Types of Probability Sampling	54
Table 5.3: Types of Non-probability Sampling	56
Table 6.1: Gender of the respondents	65
Table 6.2: Degree program completed by the respondents	67
Table 6.3: Business Size	68
Table 6.4: Business Age	68
Table 6.5: Sales Growth	69
Table 6.6: Asset Growth	70
Table 6.7: Employment Growth	70
Table 6.8: Business age and Sales growth	73
Table 6.9: Chi-Square Test (Business age and Sales growth)	73
Table 6.10: Business age and Asset growth	74
Table 6.11: Chi-Square Test (Business age and Asset growth)	75
Table 6.12: Business age and Employment growth	75
Table 6.13: Chi-Square Test (Business age and Employment growth)	76
Table 6.14: Business practices and Business age	77
Table 6.15: Business practices and Business age	77
Table 6.16: Corporate Entrepreneurship (CE) and Business age	78
Table 6.17: Tukey HSD Test (Corporate Entrepreneurship [CE] and Business age)	79
Table 6.18: Business practices and CE	80
Table 6.19: Risk taking propensity	81
Table 6.20: Linear Regression (Risk taking propensity)	81
Table 6.21: Business practices and Innovation, Risk taking propensity and Pro-activeness	82
Table 6.22: Multiple Regression (Business practices and Innovation, Risk taking propensity and Pro-activeness)	83

CHAPTER ONE

RESEARCH PROPOSAL

1.1 INTRODUCTION

In a highly turbulent and dynamic economic environment, Small and Medium Enterprises (SMEs) are faced with a rapidly changing competitive environment (Chen, Tzeng, Ou & Chang, 2008). In order to cope and survive with such challenges, it is imperative that SMEs nurture entrepreneurial activity throughout all spheres of their operations to enable them to continuously compete successfully (Sathe, 2003) and maintain a competitive advantage. Since SME owners and managers are the key decision makers in businesses, they have direct control over the day to day operations of their businesses and, as such, they have a complete influence over the formation of the business strategy. It is therefore imperative that they identify and engage in these relevant business practices in order to ensure that entrepreneurial activity is nurtured. The importance of business practices can be seen in the fact that the day to day operations of businesses are often seen as the choices of business practices and thus sets the roadmap for their businesses to move towards the set objectives (Masurel, Montfort & Lentink, 2003; Neneh & Van Zyl, 2012).

Hereafter it follows that business practices are defined as the methods, processes, procedures and rules that are followed by a business in the quest to reach its set objectives (Neneh & van Zyl, 2012). Gamini de Alwis and Senathiraja (2003: 2) are of the opinion that business practices are a means to transform the business' values into practice in order to attain its objectives. This is due to the fact that business practices form part of the business function that coordinates individuals' efforts to achieve objectives through the effective and efficient use of the available resources. Research conducted by Vlachos (2009) identified a positive relationship between the proper implementation of good business practices and the growth of a business. As such, it is vital that SME owners and managers are knowledgeable on the business practices best suited to assist the business in achieving its set objectives and growth.

SME growth contributes to the success of every economy since it creates employment opportunities in society. Dobbs and Hamilton (2007) established that business growth

is the primary driver of economic development, employment and wealth creation worldwide. Additionally, business growth is a vital source of job creation and is regarded as a valuable measure of entrepreneurial success (Edelman, Brush, Manolova & Greene, 2010). Due to the advantageous outcomes of business growth, for both the entrepreneur and the country as a whole, Širec and Močnik (2010) have pointed out that the growth of small businesses has become a vital issue amongst most governments and policy makers around the world. However, despite this, studies (Fatoki, 2013; Olawale & Garwe, 2010; Smit & Watkins, 2012), have shown that SMEs in South Africa do not grow.

Neneh and Smit (2013) established that only a small fragment of SMEs in South Africa display significant growth potential and make a contribution to the creation of jobs. This is confirmed by Herrington, Kew and Kew (2010) who explicate that only one percent of all newly established SMEs in South Africa are likely to grow and survive beyond the first year. Seleetse (2012) also found that SMEs in South Africa fail within the first year of establishment, and in turn, contribute to the growing unemployment rate. Moreover, Willemse (2010) reported that the number of SMEs in South Africa that fail in their fifth year varies between 50 percent and 95 percent and approximately 75 percent of new SMEs do not become established business. Robert (2010) reported that 63 percent of SMEs in South Africa are highly unlikely to survive beyond the second year of trading. In addition, other studies (Machirori, 2012; Neneh & van Zyl, 2012; Fatoki & Garwe 2010; Herrington, Kew & Kew, 2010; Willemse, 2010) indicate that South African SMEs are plagued with low entrepreneurial activity and poor performance rates.

The lack of significant SME growth in South Africa coupled with the high failure rate of SMEs limits the impact that SMEs have on creating employment opportunities, and in turn creates a negative perception concerning the feasibility of entrepreneurship as a career option (Herrington & Kew, 2013). As such, the need to enhance SME growth in South Africa becomes crucial.

1.2 PROBLEM STATEMENT

SMEs in South Africa do not grow and this is a worldwide phenomenon. The lack of SME growth in South Africa has limited the impact these businesses have on the South African economy with respect to wealth- and employment creation as well as economic development. Moreover, the initial low entrepreneurial activity rate, poor SME growth and the alarming failure rates of SMEs, has resulted in few jobs being created. .This becomes a call for concern for South Africa as SMEs are expected to be an essential vehicle to address the challenges of job creation, equitable distribution of income and wealth, sustainable economic growth and economic development (Maas & Herrington, 2007). As such the creation, sustainability and growth of SMEs will be seen as an important component of the solution to South Africa's development issues. Consequently, it is essential to enhance the growth of SMEs.

Nevertheless, SMEs growth, necessitates that SME owners and managers engage in best business practices since the achievement of SME growth is dependent on the successful implementation of business practices. Hence, this study aims to identify the business practices that can assist SME owners and managers to obtain business growth. Having an understanding of business practices will provide a clear framework of how these practices can enhance the growth of SMEs in South Africa. Consequently, it becomes important to examine the various types of business practices that SME owners and managers engage in to increase the growth of SMEs. Authors (Rahman & Sohal, 2001; Prajogo & Sohal, 2003; Lau, Zhao & Xiao, 2004; Neneh & van Zyl, 2012) argue that business practices implemented collectively with corporate entrepreneurship can lead to enhanced SME growth. Therefore this study will, firstly, determine which business practices can enhance SME growth, and secondly identify the relationship between business practices and corporate entrepreneurship (CE) as initiatives to further enhance the growth of SMEs.

Figure 1.1 below displays the conceptual framework that links the key dependent and independent variables for this research study. The conceptual framework is centered on identifying which business practices can instigate SME growth, determining how CE can instigate SME growth and examining how business practices with CE can collectively enhance SME growth. The study will measure the growth of SMEs using particular determinants of growth.

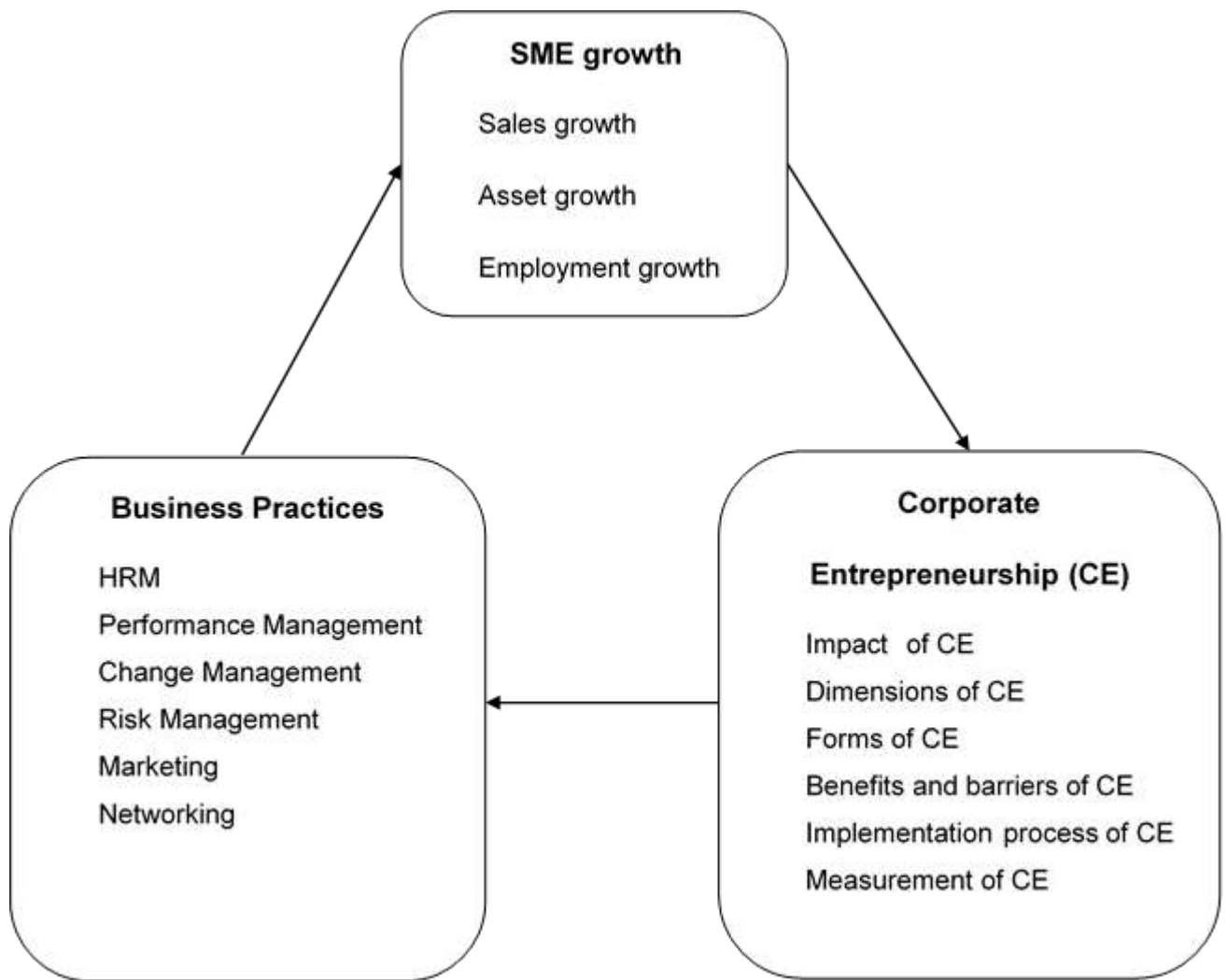


Figure 1.1: Conceptual Framework linking Business Practices and Corporate Entrepreneurship to SME growth

Figure 1.1 displays the business practices that the study will focus on, namely Human Resources Management (HRM) practices, Performance Management practices, Change Management practices, Risk Management practices, Marketing practices and Networking practices. Furthermore, the various aspects of CE that form part of the conceptual framework as a whole are displayed. Finally, Figure 1.1 exhibits the determinants of growth that will be used to measure SME growth, namely: sales growth, asset growth and employment growth.

1.3 OBJECTIVES

Primary Objectives:

To determine which business practices can enhance SME growth.

Secondary objectives:

- Evaluate prior studies on business practices
- Asses theoretical studies on SME growth in South Africa
- Review theoretical studies on corporate entrepreneurship
- Determine which business practices SMEs engage in
- Empirically identify the determinants of SME growth
- Determine which dimensions of corporate entrepreneurship (CE) SMEs engage in
- Determine which key business practices can enhance corporate entrepreneurship (CE)
- Establish a conceptual framework identifying the relationship between business practices and corporate entrepreneurship (CE) as initiatives to enhance SME growth.

1.4 CONTRIBUTION OF THE STUDY

This study will provide the following contributions:

- SME owners and managers have direct control over the daily operations of the business as they are the primary decision makers in business. The decisions they make with regards to the day to day operations is regarded as their selection of business practices. Due to the fact that the nature of every individual SME is different, it is important for the owners and managers to formulate and implement good business practices that are best suited for their business. Therefore this study therefore seeks to determine which business practices SME owners and managers currently engage in and which business practices can help enhance SME growth.
- Nkosi (2011) states that prior studies have addressed the dimensions of CE that businesses should focus on; however they have failed to suggest what owners and managers should do to ensure that the business' entrepreneurial

activity is a success. Furthermore, Bhardwaj, Sushil & Momaya (2007) explain that while empirical research on the subject of corporate entrepreneurship is relatively rich, a gap still exists between theoretical and empirical knowledge regarding the implementation of CE as a means to enhance growth within SMEs. Therefore, the study will examine empirically which dimensions of CE can enhance SMEs growth.

- Finally, the study will also make a contribution to the ongoing research in South Africa on SMEs. This will be achieved by a) determining which business practices SMEs engage in, b) identifying the determinants of SME growth, c) determining which dimensions of CE SMEs engage in and d) identifying the relationship between business practices and CE as initiatives to enhance SME growth. The findings from this study will add to the current body of knowledge and possibly evoke the formation of new theories and concepts.

1.5 RESEARCH METHODOLOGY

Research methodology is the theoretical analysis of techniques used to evaluate a certain field of study. It can also be defined as the systematic analysis of processes applied to examining a particular body of knowledge (Cooper & Schindler, 2006). According to Quinlan (2011: 217) the term research methodology refers to data gathering techniques or data collection methods. Data gathering techniques are the various procedures used by researchers to collect data required for the study. This section seeks to introduce the research methodology employed by this study. Consequently, the particular way in which the study will be conducted is outlined so as to guarantee the validity and reliability of the research results.

1.5.1 Literature Review

The aim of this study is to determine which business practices can enhance SME growth. Additionally, the study aims to evaluate which business practices can promote CE and thus enhance SME growth. Boote and Beile (2005) stated that a literature

review is an evaluative report of studies found in the literature related to a particular field of study. The review fulfils the role of describing, summarising, evaluating and clarifying this literature.

This study consists of four literature chapters. The first chapter consists of the introduction to the study, the problem statement and the primary and secondary research objectives. Furthermore, the chapter addresses the research contributions of the study, the research methodology and the chapter summary. The second chapter discusses business practices, where-as the third chapter places focus on theoretical studies of CE. The fourth chapter of this study explicates the relationship between business practices and CE with regards to enhancing SME growth.

1.5.2 Research Design

Burns and Grove (2003: 195) define research design as “a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings”. In addition, Allison (2000: 4) states that research design encompasses planning the research procedure and the procedure for data collection. Similarly, Cooper and Schindler (2006) maintain that research design includes the outline of what the researcher intends to do- from formulating the problem statement to finally analysing the data collected.

The research design implemented can be either qualitative or quantitative. Qualitative research makes use of “methods such as participant observation or case studies which result in a narrative, descriptive account of a setting or practice. Sociologists using these methods typically reject positivism and adopt a form of interpretive sociology” (Parkinson & Drislane, 2011). However, for the purpose of this study, the quantitative research design method will be used. According to Cooper and Schindler (2003: 563) “quantitative research is a systematic scientific investigation of quantitative properties and phenomena and their relationship.” The purpose of quantitative research is to formulate theories, models and hypotheses relating to a particular phenomenon.

Moreover, Cant, Gerber-Nel, Nel and Kotze (2005: 29) suggested that there are three types of research namely: exploratory, descriptive and casual. This study will conduct exploratory research which will allow the researcher to gather information in a manner that is informal and unstructured while defining and clarifying the nature of the research problem through the process of gathering preliminary information and formulating ideas on how the research problem can be addressed.

1.5.3 Population and Sample

The population of the study will consist of SME owners from the Kimberley, Northern Cape area. In order to reach a significant number of businesses and entrepreneurs, the Small Enterprise Development Agency (SEDA) database of SMEs (8000+) was used for sampling. However, due to the fact that it is virtually impossible to interview the owners of all SMEs from the Kimberley, Northern Cape area, a representative sample which consists of 250 SMEs will be used. The sample size will assist in simplifying the data collection process thus assuring more precise data from respondents.

1.5.4 Sampling Design

Cooper and Schindler. (2003: 179) define sampling as the process of selecting a sample that is suitable or identifying a segment that is representative of the population with the intention to determine the characteristics of the whole population. Selecting a sample size from the target population allows the researcher to make valid generalisations about the population, which also allows prediction. Due to the fact that it is impossible to gather data on the whole population due to time and cost constraints sampling is imperative. Bryman and Bell (2003: 100) suggest that there are two types of sampling design methods namely probability and non-probability sampling. Probability sampling is a sampling process that makes use of a form of random selection and has four types, namely: simple random sampling, stratified sampling, cluster sampling and systematic sampling (Quinlan, 2011). For the purpose of this study, non-probability sampling will be implemented. Bryman and Bell (2003: 100) state that the types of non-probability sampling include purposive sampling, quota sampling, snowball sampling and convenience sampling. This study will make use of

convenience sampling as it is an inexpensive method that ensures sufficient numbers of a study (Bryman & Bell, 2003: 100). Additionally, convenience sampling will allow the researcher increased speed regarding the data collection process and the ability to generate better accuracy of results while combating time constraints and financial limitations.

1.5.5 Data Collection Method

The entire data collection process encompasses two types of data collection methods, namely: primary data and secondary data. The primary data, which is “data that is primarily or specifically collected to solve the problem or opportunity” (Bothma & Burgess, 2011: 320) follows the quantitative research design method. The secondary data, which is historical data that has already been collected on a particular subject field (Bothma & Burgees, 2011: 320) is made up of an array of academic articles, journals, national and international research papers, was also used as a means to gain more understanding of the research problem. This study will make use of both primary and secondary data.

1.5.6 Data Analysis

Data analysis is the process of scrutinising the collected research data to a controllable format and forming summaries with the use of statistical techniques (Cooper & Schindler, 2003). The data collected through the distribution of questionnaires will be analysed using the Statistical Package of Sciences (SPSS) statistical software. Furthermore, the researcher will interpret the data collected using descriptive statistical tools such as frequency tables, percentages, histograms and charts and inferential statistical tools like cross tabulation, ANOVA, chi-square, Pearson correlation and regression.

1.6 CHAPTER OUTLINE

Chapter 1: This chapter introduces the study, discusses the problem statement, explicates the primary and secondary objectives, states the contribution of the study and outlines the research methodology and concludes with a chapter summary.

Chapter 2: This chapter will focus on theoretical studies on business practices.

Chapter 3: This chapter will focus on theoretical studies on corporate entrepreneurship.

Chapter 4: This chapter will demonstrate how the two major concepts that have been in discussed in Chapter 2 (Business Practices) and Chapter 3 (Corporate Entrepreneurship) can enhance SME growth.

Chapter 5: The research methodology will be discussed in detail in this chapter.

Chapter 6: This chapter will discuss the results obtained from the empirical study in detail.

Chapter 7: The final chapter will provide conclusions and recommendations resulting from the research findings.

1.7 CHAPTER SUMMARY

This chapter presents a general background to this research study through the introduction, problem statement explaining the rationale for this study and a conceptual framework is presented. Subsequently, both the primary and secondary objectives were discussed. Furthermore, the contribution of the study and the research methodology is discussed, and the chapter outline was presented.

CHAPTER TWO

BUSINESS PRACTICES

2.1 INTRODUCTION

In this chapter the term business practices will be discussed in detail and the relationship between business practices and SME growth will be investigated. Upon completing the literature review, six business practices, namely Human Resources Management (HRM) practices, Performance Management practices, Change Management practices, Risk Management practices, Marketing practices and Networking practices will be discussed. Thereafter the benefits and barriers of business practices with regards to SMEs will be thoroughly discussed.

2.2 DEFINITION OF BUSINESS PRACTICES

According to Neneh and van Zyl, 2012 (2012: 119) business practices are defined as “the methods, processes, generally accepted techniques and standards used by a business in the pursuit of objectives to accomplish a set of outlined tasks.” Moreover, Neneh and van Zyl (2012: 121) argue that “good business practices are often a matter of using common sense to determine what works in particular situations”. Gamini de Alwis and Senathiraja (2003: 119) expand on this definition by stating that business practices encompass various means of converting business values into processes so as to attain the set business objectives. Considering these definitions of business practices, it is evident that it is vital for businesses to ensure that the business practices implemented work towards meeting the business’ objectives.

Business practices must enable businesses to achieve their objectives, thus it is evident why researchers (Rahman & Sohal, 2001; Prajogo & Sohal, 2003; Lau, Zhao & Xiao, 2004; Neneh & van Zyl, 2012) argue the existence of a positive relationship between best business practices as well as business performance and growth. Business growth is the process of improving a particular aspect which defines the

business' measure of success and thus it is essential that business owners and managers engage in and implement best business practices tailored for the particular needs of the business, in order to achieve optimal performance and growth.

This study purposes to determine which business practices can enhance SME growth by using three measuring aspects of a growth, namely: sales growth, asset growth and employment growth. The rationale for using these three aspects can be seen in the fact that Delmar, Davidson and Gartner (2003: 189) argue that sales and employment are commonly used in empirical research to measure business growth. Furthermore, research conducted by the Organisation for Economic Co-operation and Development (OECD, 2011) suggests that the increase in assets contributes to economic value and as such can be used as a feasible new source of growth for businesses. SMEs therefore need to direct their efforts towards increasing their assets so as to attain significant asset growth.

To conclude, Dove and Hartman (1996) simply define business practices as “the way we do things and why we do them that way”. It is in the way that SME owners and managers make decisions and conduct the daily operations of the business that ultimately define the correct implementation of best business practices.

2.3 IMPACT OF BUSINESS PRACTICES ON SME GROWTH

From as early as 1996, research conducted by the OECD (1996) has shown that in order for SMEs to grow, it is essential that owners and managers have adequate business and financial management acumen. Included in these acumen is the day to day decisions which SME owners and managers have to make, which is also referred to as business practices (Neneh & van Zyl, 2012: 119). Moreover, Gamini de Alwis and Senathiraja (2003) maintain that business practices consist of ways of transforming business values into practice. Hence, Nezelek and Hidding (2000) argue that a business' business practices are directly related to its growth and performance and consequently it is evident that a direct relationship exists between the implementation of best business practices and the growth of SMEs (Rahman & Sohal., 2001; Prajogo *et al.*, 2003; Lau *et al.*, 2004; Neneh & van Zyl, 2012). Neneh and van

Zyl (2012: 121) reason that each individual business practice has a specific influence on SME growth and performance and that an amalgamation of these business practices will have an enhanced influence on SME growth and performance. Therefore, it is essential for SME owners and managers to strategically implement best business practices to achieve the levels of growth desired (Susman, Jansen & Michael, 2006: 24).

As stated, this study will measure three aspects, namely sales growth, asset growth and employment growth of SMEs as a means to determine business growth. For the purpose of this study, sales growth is defined as “the increase in a company's sales over a particular period of time, usually given as a percentage” (Cambridge University Press, 2015). A study conducted by Collins and Clark (2003) suggests that a positive relationship exists between business practices and business growth, particularly sales growth. Gaur, Kesavan, Raman and Fischer (2007: 480) expatiate on this claim by stating that business experience improved performance during periods of sales growth.

Asset growth is regarded as the escalation of resources controlled by a business from which future economic benefits are expected (Clark & Brown, 2013: 2). Enhancing asset growth poses numerous benefits for SMEs; one of which is the fact that businesses with comparatively higher asset growth are associated with moderately lower risk (Lipson, Mortal & Schill, 2009: 1), and as such it is important that SMEs place emphasis on enhancing their asset growth. Furthermore, asset growth is argued to assist in predicting changes in risk (Lyandres, Sun & Zhang, 2007). This argument is supported by Xing (2008) who states that “return patterns reflect changes in an underlying risk factor associated with asset growth”.

The upsurge in the number of persons who work for financial return or other compensation in a business refers to employment growth (Muhl, 2002: 3). Employment growth is a key indicator of the labour market performance. The Business Employment Dynamics (BED) data show that SMEs account for two-thirds of jobs created (Dalton, Friesenhahn & Talan, 2011: 3). However, SMEs often experience a slow

pace of employment growth as a result of a variety of factors such as “health-care costs faced by employers, structural changes causing some industries to decline, outsourcing of jobs and strong productivity growth” (Schreft & Singh, 2003). An additional barrier to the employment growth of SMEs are regulations that limit the flexibility of labour markets such as non-compete agreements and harsh employment protection legislation (Bosma & Stam, 2012: 9).

For the purpose of this study, these three measuring elements (Sales growth, Asset growth and Employment growth) will be investigated to determine whether or not the SMEs included in this study are implementing business practicing that assist in enhancing business growth. Moreover, these elements will form part in evaluating how business practices and CE can assist in enhancing the growth of SMEs.

2.4 BUSINESS PRACTICES

In this section the business practices included in this study (Figure 1.1, page 4), namely: HRM practices, Performance Management practices, Change Management practices, Risk Management practices, Marketing practices and Networking practices, will be discussed. After a significant literature review, these six business practices were selected due to the fact they have received a noteworthy level of recognition by prior literature with respect to business growth (Premaratne, 2002; Hoyt, Moore & Liebenberg, 2006; Jarventaus, 2007; Aguinis, 2007; Andres, Salinas & Vallejo, 2009).

2.4.1 Human Resource Management Practices and SME Growth

Human Resource Management (HRM) is defined as “a set of distinct but interrelated activities, functions and processes that are directed at attracting, developing, and maintaining (or disposing of) a business’ human resources” (Tocher & Rutherford, 2009: 457). Moreover, Collins, Ericksen and Allen (2005: 123) state that HRM practices are predominantly aimed at effectively managing individuals in a business with regards to enhancing growth. Researcher (Wimbush, 2005: 463) is of the view that HRM practices are regarded as the most valuable asset in any business as it makes a significant difference in a business with regards to growth Pfeffer (1998)

recommended six practices as a means to evaluate the effects of HRM practices on business growth and performance, namely: “(1) employment security (2) selective hiring, (3) self-managed teams and decentralisation of decision making (4) comparatively high compensation contingent on business performance, (5) extensive training, (6) reduced status distinctions and barriers, including dress, language, office arrangements, and wage differences across levels, and (7) extensive sharing of financial and performance information throughout the business”.

Vlachos (2009: 17) proves that the association between HRM practices and business growth is well documented. From as early as 1990, researchers Fesser and Willard (1990) have regarded business growth as an indication of business success and market acceptance. Existing literature (Pfeffer, 1998; Becker & Gerhart, 1996; Guest, 1997; Cardon & Stevens, 2004; Givord & Maurin, 2004; Zhu, 2004) has discovered a positive link between HRM practices, business growth and performance. Moreover, overwhelming evidence (Vlachos, 2009: 18) suggests that growth is driven by specialisation and the division of labour in the processes of generation and attraction/development of technological opportunities. In contrast Subramaniam and Youndt (2005) argue that HRM practices do not have a direct impact on business growth although HRM practices assist SMEs in building intellectual capital, which in turn will lead to added business value creation. Consequently, it is imperative that SME owners and managers should structure and implement HRM practices in such a manner that they organise, lead, train and develop the business' human capital in ways that enhance the development of the business' capabilities as well as its right core competencies (Yaundt, 2000).

De Kok and Hartog (2006) state that SME owners and managers need to understand that HRM practices, new knowledge and creativity are integral to the business' capabilities so as to enhance innovation. To illustrate the importance of this, Shipton, West, Dawson, Birdi and Patterson (2006) recommend that SME owners and managers should promote and sustain innovation particularly where HRM practices are implemented to manage the creation, transfer and implementation of knowledge. In addition, it is essential that SMEs create and maintain an environment that supports the implementation of these new ideas in the workplace (De Kok & Hartog, 2006).

Researchers (Jarventaus, 2007; Fabling & Grimes, 2007: 123; Rizov & Croucher, 2008; Khan, 2010) established that HRM practices have a positive impact on the growth and performance of SMEs.

Figure 2.1 illustrates one of the numerous advantages of implementing HRM practices in SMEs, which is increased entrepreneurial behaviour.

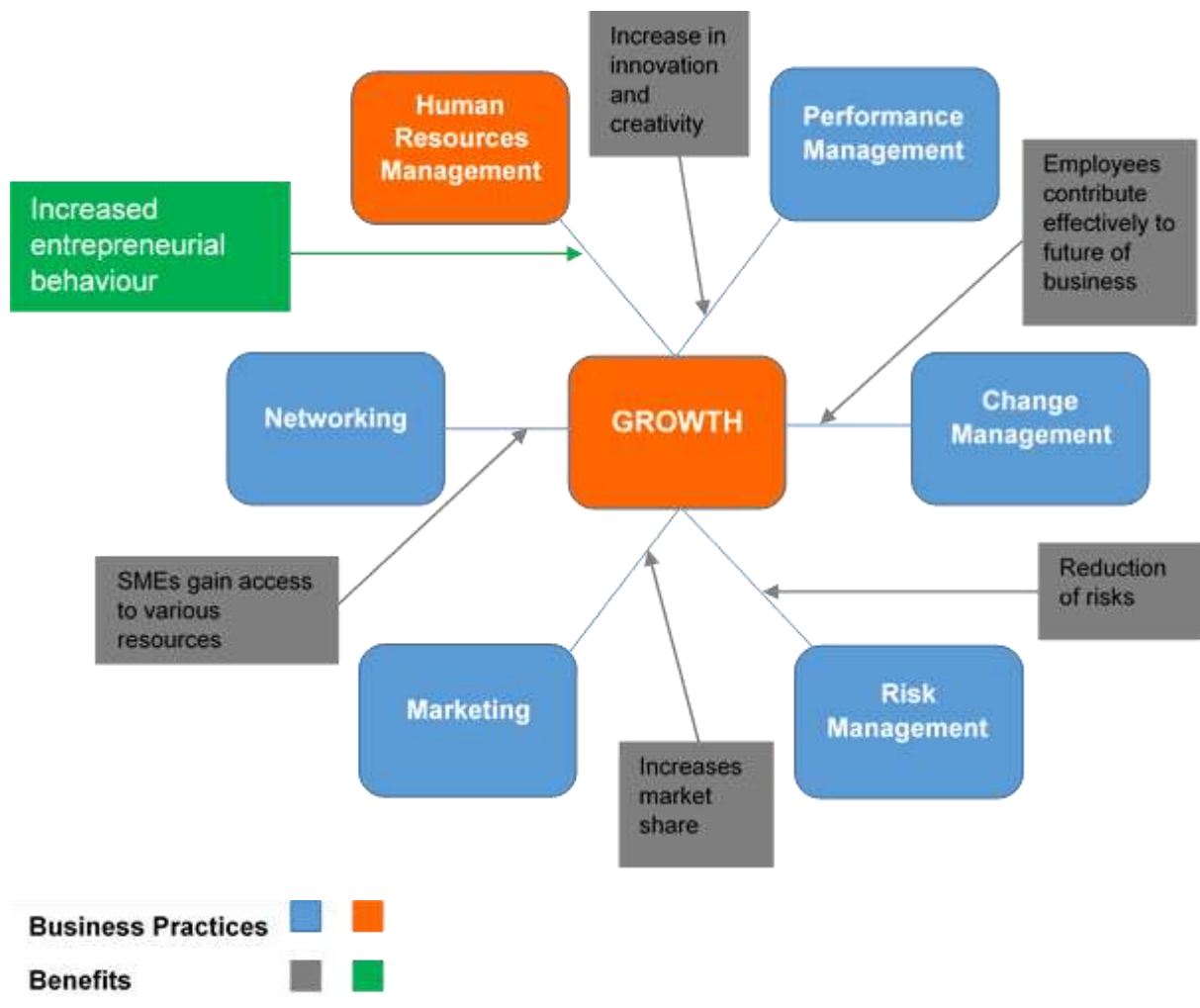


Figure 2.1: Human Resources Management Practices

Increased entrepreneurial behaviour, which is one of the advantages of implementing HRM practices, further assists SME owners and managers to enhance business growth (Dizgah, Gilaninia, Alipour & Asgari, 2011: 494). The next section will display the advantages of Performance Management practices in SMEs.

2.4.2 Performance Management Practices and SME Growth

Aguinis (2007: 76) defines Performance management (PM) as “a continuous process of identifying, measuring and developing the performance of individuals”. Furthermore, Armstrong and Baron (2005: 2) add to this definition by stating that PM is a strategy that is interrelated to all activities of a business; however the implementation thereof is depended on the business’ context and may thus differ from business to business. Cokins (2004: 124) argues that PM practices help SME owners and managers to detect unclear situations earlier and as such enable owners and managers to respond to them swiftly. Furthermore, according to Thomson (1998), from as early as 1972 PM practices have permitted employees to outline their expectations and arrive at an agreement, monitor their own performance, increase motivation and communicate the business’ shared vision. Thus, effective PM practices stimulate a collective approach that has a direct impact on the business’ outcomes, individual performance and development (Savaneviciene & Stankeviciute, 2012).

In the view of Armstrong (2006: 124) a business’ PM system assists in creating a culture of high performance and increased business growth in which business owners, managers and employees accept holistic responsibility for the constant development of their skills. In line with this, Aslam and Sarwar (2010: 4) state that PM practices offer evidence to determine the achievement of anticipated results and of the magnitude to which each member of the business has proficiently completed their work well. In addition, the information gathered by implementing PM strategies serves as a worthy base for providing feedback to business owners and managers and assists employees to proficiently monitor their strengths and weaknesses (Aslam & Sarwar, 2010: 4).

A positive relationship exists between PM practices and SME performance and growth (Aguinis, 2007: 124) and this statement is supported by Vichitdhanabadee, Wilmshurst and Clift (2009: 124) who discovered that for SMEs to survive, grow and succeed in their operations, it is imperative that there exists a continual improvement and development in their performance. This is attained by making sure that SMEs maintain satisfactory resources such as employees, instruments and information, and in turn utilise them to produce greater value for the business.

The implementation of Performance Management practices has numerous benefits, one of which is the increase in innovation and creativity. This is illustrated in Figure 2.2.

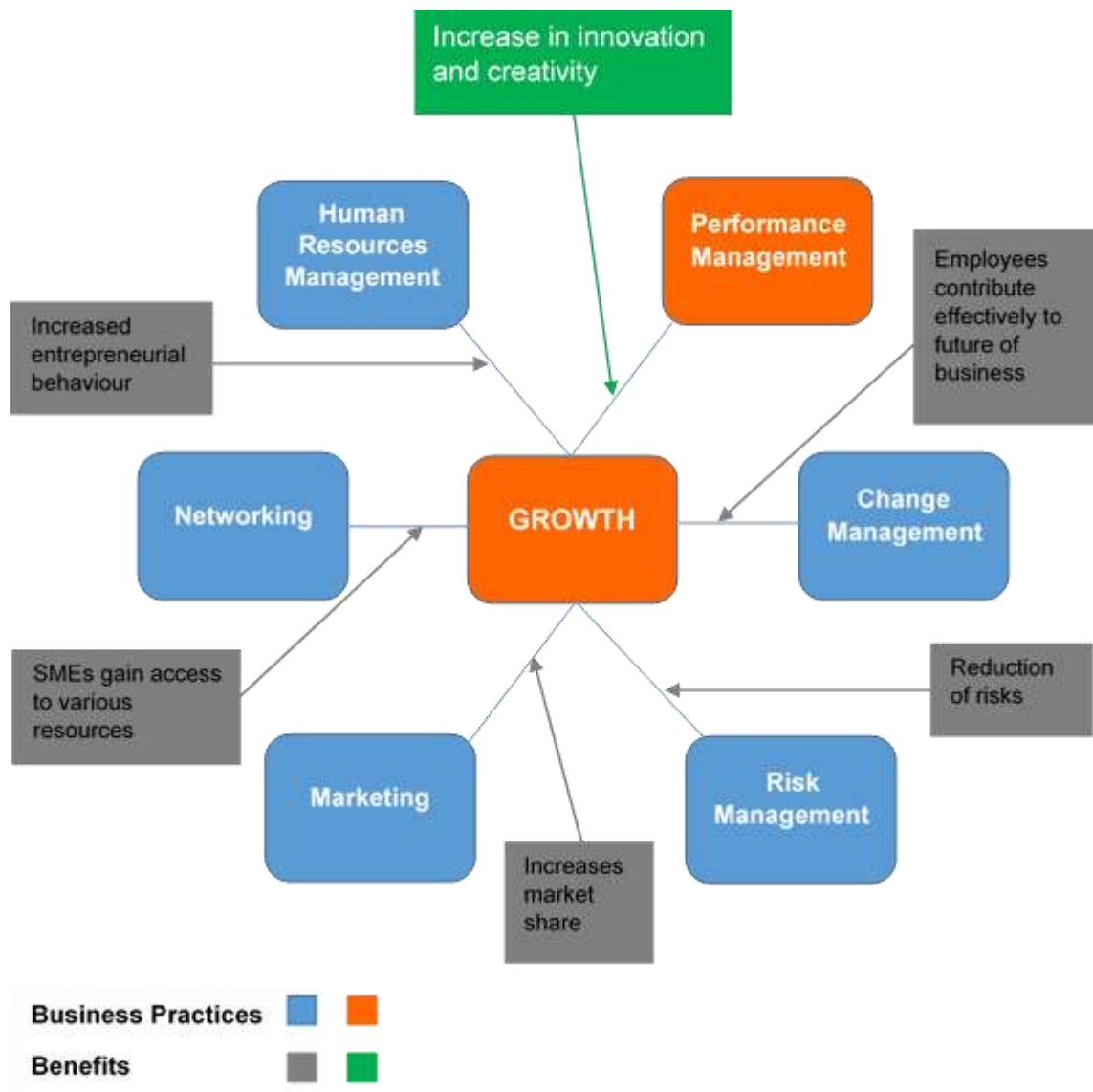


Figure 2.2: Performance Management Practices

Figure 2.2 reiterates one of the benefits of Performance Management practices which is how the evaluation of employees' performance inspires an increased level of innovation and creativity which in turn enhances SME growth (Saunila, 2014: 12). The following section will display the benefits of Change Management practices in SMEs.

2.4.3 Change Management Practices and SME Growth

Change Management (CM) is defined as a systematic approach designed to manage change, from both the business' and the individual's perspective (Lewin, 1951). Seo, Putnam & Bartunek (2003: 78) expands on this definition by defining CM as a process that involves unfreezing, moving and refreezing practices, values and procedures within a business. Moreover, Seo *et al.* (2003: 78) define unfreezing as “the creation of a perceived discrepancy between the existing and ideal state of a business that generates a desire for change and lowers people's resistance to change.” Moving encompasses the development of new attitudes, behaviours and beliefs within a business through several processes such as restructuring, training and educating (Seo *et al.*, 2003: 78). Refreezing refers to the reestablishment of a new state of equilibrium in the business through the stabilising of the new patterns using a variety of support mechanisms (Seo *et al.*, 2003: 78).

CM is also defined as activities that “involve (1) defining and instilling new values, attitudes, norms and behaviours within a business that support new ways of doing work and overcome resistance to change; (2) building consensus among customers and stakeholders on specific changes designed to better meet their needs; and (3) planning, testing and implementing all aspects of the transition from one business structure or business process to another” (Song, 2009). McCarthy and Eastman (2010: 3) describe CM as a structured process that is designed to directly and intentionally manage the human factors that are involved in merely planning and implementing business objectives and more so in the process of behaviour change and attaining the expected.

CM practices often entail that SMEs use common sense to evaluate what works best in particular situations. Every business must therefore ensure that its CM practices evolve and adapt to continue fulfilling the needs of the business which necessitates SME owners and managers to re-examine the operations of the business and in turn determine which operations are most successful (Neneh, 2011: 66). Furthermore, CM entails defining and adopting structure, technologies, procedures and corporate strategies designed to manage changes that are external to the business.

Desired CM is achieved by assisting individuals to have full comprehension of change, to help them internalise change and to prepare them to be effective contributors in the future state of the business. Susman *et al.* (2006: 3) argue that CM practices that are effectively implemented by SME owners and managers can result in innovation and business growth.

When SME owners and managers implement management practices to formally inform employees of the changes that take place in a business and the strategies formulated to manage the change, employees are then able to contribute to the future of the business effectively (Susman *et al.*, 2006: 3). This is illustrated in Figure 2.3.

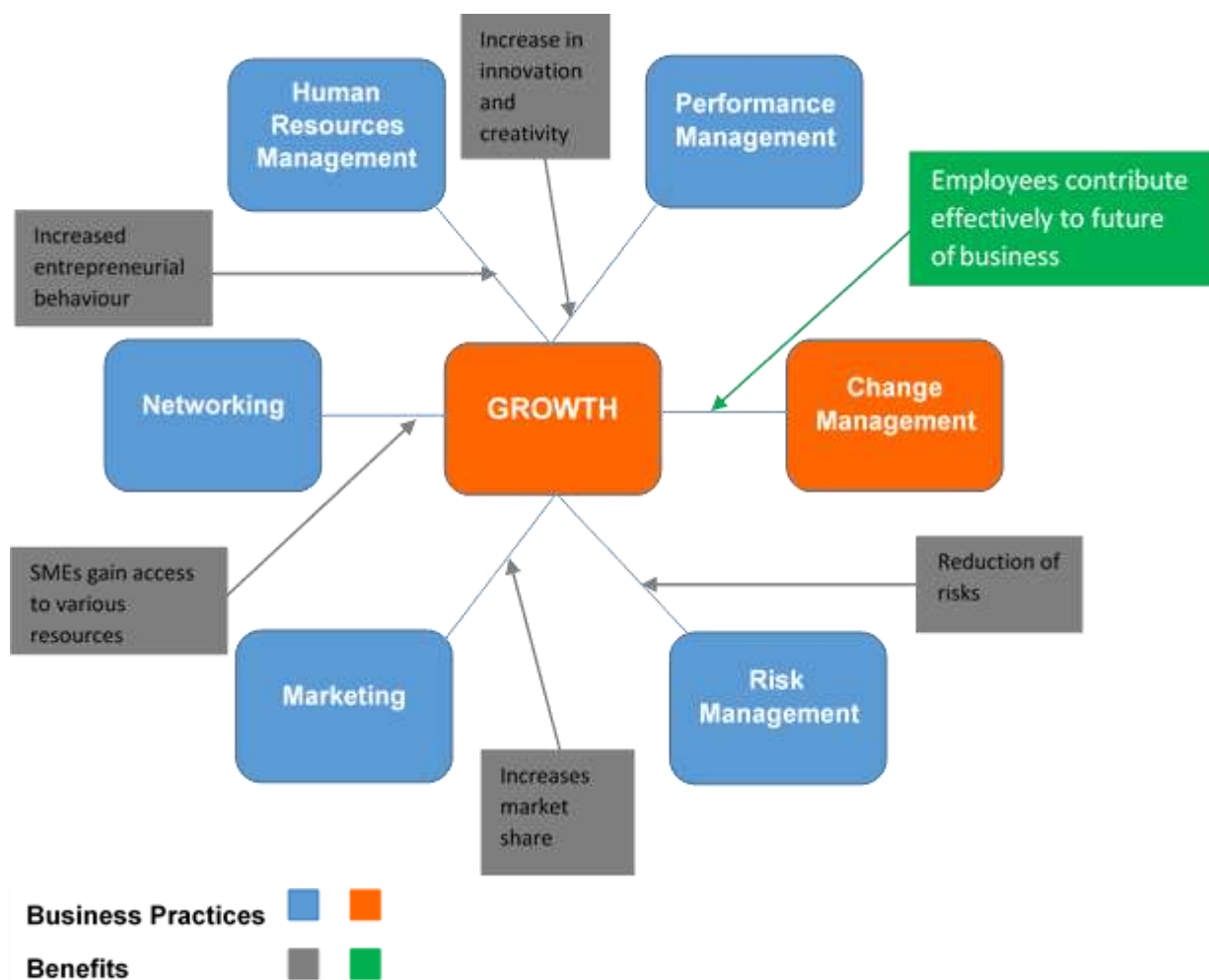


Figure 2.3: Change Management Practices

Figure 2.3 summarises one of the advantages of Change Management practices which is the ability for employees to effectively contribute to the future as a result of being empowered by SME owners and managers to form part of the decision making process of the business. This in turn results in the overall betterment and growth of

the business. The next section displays the advantages of implementing Risk Management practices in SMEs.

2.4.4 Risk Management Practices and SME Growth

It is essential to first have an understanding of what risk entails in order to better comprehend the definition of Risk Management (RM) and RM practices. Risk is defined as “the effect of uncertainty on achievement of objectives” (ISO, 2009). Consequently, a risk is regarded as anything that poses a threat or a restriction on a business to achieve its set objectives. Holton (2004) argues that there are two elements that are necessary for risk to exist. The first element is that of uncertainty regarding the potential results from an experiment and the second element is that the results have to have substance in terms of providing utility.

Researchers (Keizer, Halman & Song, 2002: 213) state that RM encapsulates making decisions on how to best conduct risk management activities of risks involved in a business or a particular project. This process of making decisions encompasses two interrelated processes, namely risk assessment and risk control. Risk assessment involves risk identification, risk analysis and risk prioritisation; while risk control involves risk planning, risk mitigation and risk monitoring. Therefore RM involves various phases of setting objectives that are intended to detect, address, and eradicate risk items before they become threats to the successful operation of the business.

The process of implementing RM practices requires systematic thinking regarding the possibilities of risks, disasters or problems before they occur and in turn putting procedures in place that will assist in avoiding the risk, minimising the impact of the risk, or coping with its impact (Hellmuth, Mason, Vaughan, van Aalst & Choularton, 2011). Multiple studies (Hoyt *et al.*, 2006; Nocco & Stulz, 2006: 8) show evidence that utilising RM practices can increase the performance and growth of SMEs. Ow (2007) went on to emphasise that RM practices ought to be simplified and included in the culture of the business, the normal operations of the business as well as the planning and budgeting processes of the business, in order to attain optimal business growth and performance. As such, it is essential that SMEs execute their RM strategies

properly as a means to enhance their performance and growth. SMEs can achieve this by making use of RM tools that are particularly designed for SMEs (Ow, 2007).

Figure 2.4 displays one of the benefits of the implementation of Risk Management practices, which is the ability to early detect risks and thus device measures to reduce the impact of the risks.

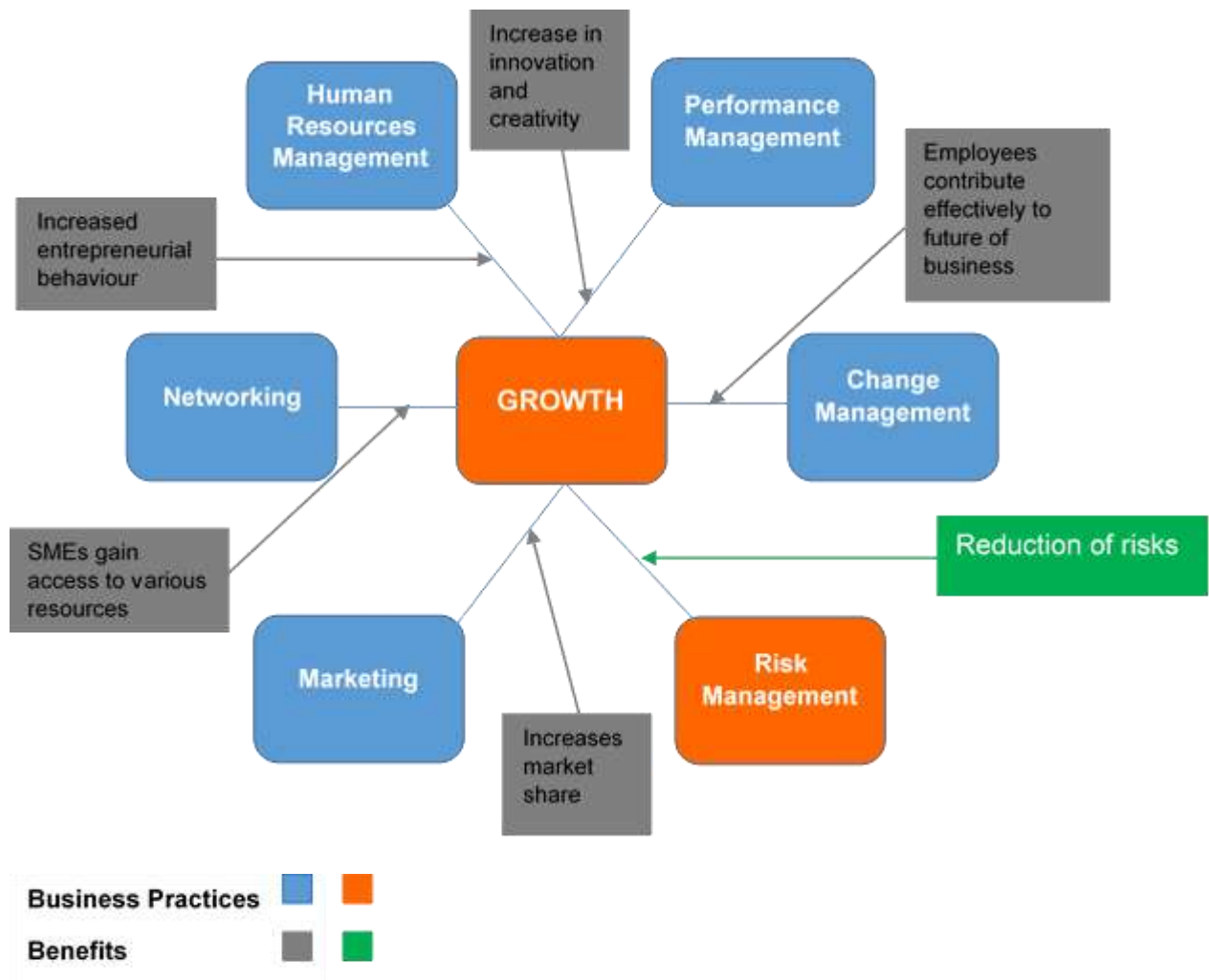


Figure 2.4: Risk Management Practices

The implementation of risk management practices allows SME owners and managers to effectively identify risks as well as reduce their impact on the business significantly (Hellmuth *et al.*, 2011). The following section will display the benefits of Marketing practices in SMEs.

2.4.5 Marketing Practices and SME Growth

Marketing is defined as the business practice that is solely focused on the significance of maintaining an intense appreciation for customers so as to allow the marketer to exceed the needs and wants of the market better than competitors. In turn this will provide the business with a constant competitive advantage (Moloney, Fahy & McAleer, 2005). Considering this, it is clear why Arsalan, Naveed and Muhammad (2011: 99) argues that it is fundamental for every business to engage in effective marketing practices. Ghouri, Khan, Malik and Razzaq (2011: 251) confirms the importance of marketing practices by stating that the proper implementation add excellence to the activities of a business, increase the market share and strengthen the competitiveness of the business.

According to Andres *et al.* (2009: 263) the growth and performance of SMEs are strongly depended on, and directly influenced by, efficient marketing practices. This is reiterated in how researchers (Kumar & Petersen, 2005: 504) discovered seven marketing strategies 1. Choose the right customers, 2) Contact the customers, 3) Send the right message at the right time, 4) Manage multichannel shopping, 5) Manage high-cost Customers, 6) Find and Keep the right customers and 7) Manage loyalty and profitability simultaneously) that can maximise the profitability of SMEs and proliferate their growth rate and performance. Furthermore, Kotler and Armstrong (2010: 51) are of the view that SMEs should make use of the differentiation strategy and place emphasis on marketing so as to effectively distinguish their products and services from those of their competitors. This will then maximise SME growth and business performance as the differentiation strategy is directly linked to the marketing practices of the business.

Marketing practices are formulated and implemented to help a business increase its market share (Vlachos, 2009: 24). Market share is then further used to evaluate a business' marketplace performance which in turn leads to enhanced business growth. Figure 2.5 indicates the main advantage new businesses can obtain through effective implementation of marketing practices.

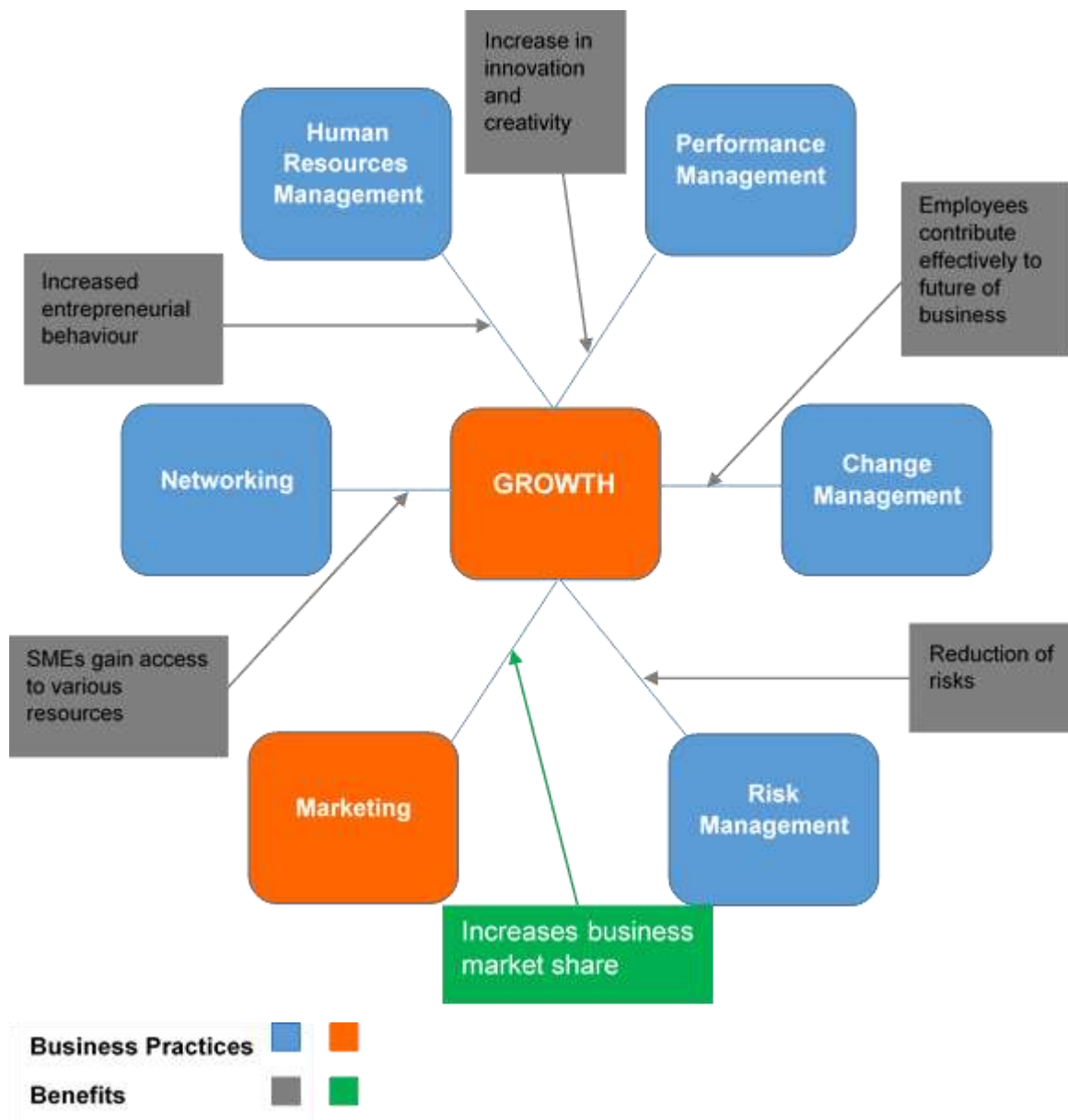


Figure 2.5: Marketing Practices

Figure 2.5 displays one of the advantages that SMEs can attain as a result of implementing Marketing practices, which is a significant increase in the business market share. The next section illustrates the advantage of implementing Networking practices in SMEs.

2.4.6 Networking Practices and SME Growth

Networking is defined as “a set of stable links established for cost effective economic transactions among the networks’ members founded on formal and informal links with

mutual objectives” (Scalera and Zazzaro, 2009: 11). Furthermore, Nieman and Nieuwenhuizen (2009: 192) describe networking as valuable relations established between individuals, groups or business that are utilised to gain access to economic resources that are mandatory in starting and managing a business. Consequently, networking can be regarded as the process of forming a relationship with other business people, potential clients and/or customers that is mutually beneficial.

Premaratne (2002: 2) recognised networking as one of the essential tools that can be used by SMEs to enhance their growth and performance. Additionally, Wincent and Westerberg (2005) discovered that networking practices afford SMEs access to various entrepreneurial opportunities. Furthermore it was discovered that networking practices are regarded as a feasible means to attain a higher degree of entrepreneurial orientation, growth and performance amongst SMEs (Callaghan & Venter, 2011; Wiklund & Shepherd, 2005). The success of SMEs is highly dependent on the networks they establish and interact with as networking allows SMEs to gain access to a variety of resources which they do not possess (Machirori, 2012; Zain & Ng, 2006: 184; Watson, 2007: 852). Andreosso-O'Callaghan and Lenihan (2008: 561) clarify that networks are potential sources of competitive advantage for SMEs as they help minimise transaction cost and maximise knowledge exchange, which in turn results in optimal performance. As such, it is of paramount importance for SMEs to aggressively partake in networking activities, as they assist in enhancing business growth and performance.

The implementation of Networking practices exposes SMEs to a wide array of advantages, one of which being access to a various resources. This is illustrated in Figure 2.6.



Figure 2.6: Networking Practices

The implementation of networking practices contributes immensely to the growth and success of SMEs as they are able to gain access to a variety of resources which they do not possess (Machirori, 2012; Zain & Ng., 2006: 184; Watson, 2007: 852). The next section will outline the benefits and barriers of business practices.

2.5 BENEFITS AND BARRIERS OF BUSINESS PRACTICES

The implementation of business practices allows SMEs to reap numerous benefits. These benefits include increased business growth (Andres *et al.*, 2009; Hoyt *et al.*, 2006; Nocco & Stulz., 2006), superlative business practices (Neneh & van Zyl, 2012) and enhanced entrepreneurial orientation of the business. Furthermore, business practices boost the levels of innovativeness and creativity (Machirori, 2012) among employees and the business as a whole, improve human capital and add value

creation (Yaundt, 2000) and assists SMEs in attaining the objectives they have set (Prajogo *et al.*, 2003). In stark contrast, the impact of business practices can be limited by certain barriers, such as the inability to engage in suitable business practices (Arsalan *et al.*, 2011), failure to implement business practices effectively (Collins, Ericksen & Allen, 2005) and the existence of a hostile working environment (Nieman & Nieuwenhuizen, 2009).

These benefits and barriers of business practices are summarised in Table 2.1.

Table 2.1: Benefits and barriers of business practices

BENEFITS OF BUSINESS PRACTICES	BARRIERS OF BUSINESS PRACTICES
Boosts business growth (Andres <i>et al.</i> , 2009; Hoyt <i>et al.</i> , 2006; Nocco & Stulz., 2006).	Inability to engage in suitable business practices (Arsalan <i>et al.</i> , 2011: 99).
“Best business practices produce superlative business performance” (Neneh & van Zyl, 2012: 118).	Inability to implement business practices effectively. (Collins <i>et al.</i> , (2005: 123)
Increases level of entrepreneurial orientation in the business (Machirori, 2012).	Hostile working environment (Nieman & Nieuwenhuizen, 2009).
Enhances innovativeness and creativity (De Kok & Hartog, 2006).	
Business practices improve human capital and add value creation (Subramaniam & Youndt, 2005).	
Assists SMEs in achieving their set objectives (Prajogo <i>et al.</i> , 2003).	

2.6 CHAPTER SUMMARY

Chapter two purposed to give a holistic understanding of the term ‘business practices’ by defining it as “the methods, processes, generally accepted techniques and standards used by a business in the pursuit of objectives to accomplish a set of outlined tasks” (Neneh & van Zyl, 2012: 119). Thereafter the chapter aimed to clarify the relation between business practices and SME growth in which scholars (Andres *et al.*, 2009; Hoyt *et al.*, 2006; Nocco & Stulz., 2006) suggest that business practices assist in enhancing SME growth. After close review of prior studies and the literature review, it is clear that the six business practices (HRM practices, Performance Management practices, Change Management practices, Risk Management practices, Marketing practices and Networking practices) result in increased SME growth. This is also illustrated in Table 2.2

Table 2.2 Business Practices in relation to SME growth

BUSINESS PRACTICES	OUTCOMES	RELATIONSHIP TO SME GROWTH
Human Resource Management practices	Increased entrepreneurial behaviour	Leads to development of business’ human capital
Performance Management practices	Increase in innovation and creativity	Results in superior productivity levels of business
Change Management practices	Employees contribute effectively to future of business	Allows the business to transition easily into change and quickly reap the benefits thereof
Risk Management practices	Reduction of risks	Assists business in avoiding potential financial losses
Marketing practices	Increases business market share	Enables business to leverage new markets into increased revenue
Networking practices	SMEs gain access to various resources	Increased resources allow for business expansion

CHAPTER THREE

CORPORATE ENTREPRENEURSHIP (CE)

3.1 INTRODUCTION

In an effort to establish what corporate entrepreneurship (CE) is and what it entails, this chapter commences with a discussion on CE. Thereafter, the various dimensions of CE are outlined, followed by the forms of CE and the benefits of CE together with the barriers of CE will be explicated thoroughly. Following this, the implementation of CE and the key roles involved in the entire CE process will be discussed in detail. The chapter will conclude by identifying the tools used to measure CE and outlining a brief chapter summary.

3.2 DEFINITION OF CORPORATE ENTREPRENEURSHIP (CE)

Since 1999, scholars Sharma and Chrisman have identified the popularity and importance of CE; yet numerous misconceptions regarding CE as a concept still exists. Morris and Kuratko (2002), define CE as “a term used to describe the entrepreneurial behaviour inside an established business.” In the same view, Sathe (2003) stated that CE refers to carrying out innovative activities in the form of product, process, and business innovations through the use of entrepreneurial efforts that require business resources. CE has also been defined as “the process by which teams within an established company conceive, foster, launch and manage a new business that is distinct from the parent company but leverages the parent’s assets, market position, capabilities or other resources” (Wolcott & Lippitz, 2007). Morris, Kuratko and Covin (2008) defined CE as the entrepreneurial behaviour inside established mid-sized and large businesses; while Zahra and Garvis (2000) described CE as the totality of a company’s efforts aimed at innovation, pro-activeness and risk taking. These efforts propose an essential means of renewing and revitalising established companies as well as improving their growth and performance.

Vozikis, Bruton, Prasad and Merikas (1999) explained CE as added value creation. This added value creation transpires within an established business. The value can be recognised and capitalised on by adding new products and services. Furthermore, this could be accomplished through the improvement of current products and the optimisation of processes. Lumpkin and Dess (1996) are of the opinion that CE can be utilised as a means to enhance business performance through promoting product and process innovation. Thus, CE allows an incumbent business to fully utilise its resources to capitalise on new opportunities (Yiu & Lau 2008). According to Sebora and Theerapatvong (2009), businesses require continuous innovation, risk taking, and pro-activeness so as to remain competitive.

The term CE constitutes of particular main aspects, which include:

- Entrepreneurial behaviour
- Value creation
- Developing new revenue streams
- Innovation
- Pro-activeness
- Risk taking
- Developing new competitive advantage
- Enhanced business competence
- Increased opportunities
- Internally generated new resource combinations

The term CE has also been referred to as intrapreneurship (Hornsby, Kuratko & Zahra, 2002). Granting that intrapreneurship is slightly related to CE, the two concepts differ significantly (Antoncic & Hisrich, 2004; Sharma & Chrisman, 1999). The difference between CE and intrapreneurship is truly a matter of definition as scholars have suggested a variety of definitions in which the two terms define entrepreneurial activities either at business level or on an individual level (De Jong & Wennekers, 2008). As a means to outline the contrast, intrapreneurship is defined as initiatives taken by employees in business to undertake new business activities. Intrapreneurship focuses on the identification and exploitation of opportunities in incumbent business (De Jong, Parker, Wennekers & Wu, 2011). The term was coined as a reference to intrapreneurs-“in-house entrepreneurs, those dreamers who can increase the speed

and cost-effectiveness of technology transfer from R&D to the marketplace” (Pinchot, 1987). From as early as 1987, Pinchot has referred to intrapreneurs as ‘dreamers that do’. Conversely, CE typically relates to the level of business and makes reference to a top-down approach that business owners and managers can participate in to garner new business, innovations and strategic renewal (Amo, 2006; Sharma & Chrisman, 1999). As a result, this study will focus on CE which is defined as the implementation of innovative activities within a business, motivated by entrepreneurial behaviour.

3.3 IMPACT OF CE ON SMES GROWTH

CE is regarded as a potentially viable means through which SMEs can nurture entrepreneurial activity as well as promote and sustain corporate competitiveness (Bojica & Fuentes, 2012; Armesh, Shahnevazie, Ghalandarzahie & Wei, 2013; Kahara-kawaki, 2011, Olughor, 2014). In the opinion of Ireland, Covin and Kuratko (2009) the presence of CE among SMEs owners and managers leads to positive outcomes such as improved business performance and growth. Crucially, Lassen (2007) postulates that for SMEs to survive it is of paramount importance to constantly manage change, maintain flexibility and remain entrepreneurial; thus both fields of entrepreneurship and strategic management are envisaged to become increasingly intertwined. From as early as 1983, Miller suggested that an entrepreneurial business is “one that engages in product-market innovation, undertakes somewhat risky business, and is first to come up with proactive innovations”. In stark contrast, a non-entrepreneurial business is one that does not place emphasis on innovation, is highly risk averse, and emulates its competitors as opposed to being an industry leader. Given the importance of having an entrepreneurial behaviour within a business, CE is therefore vital to the survival, profitability and growth of every business (Shamsuddin, Othman, Shahada & Zakaria, 2012).

Sakhdari (2014) elucidates that CE plays an important role in enhancing higher levels of SME performance, growth, profitability, and competitive advantage. This is confirmed by other researchers (Kuratko & Audretsch, 2009; Covin, Green & Slevin, 2006; Wiklund & Shepherd., 2005) who affirm that the goal of CE is to generate new economic activity such as a new product, service, process or business development, which will lead to sustainable business growth. Furthermore, Hayton (2005) points out

that CE not only enhances a business' financial performance, but also the non-financial performance due to increased morale of employees, collaboration and a creative working environment. Thus, growth and profitability are performance elements that are regarded as key effects of CE. The relationship between CE and business growth has received extensive support in past research and this is reiterated in how Ferreira (2002) is of the opinion that CE is an essential element of significant business growth. Literature has identified CE as a predictive of the growth of small firms (Covin, 1991) as well as large firms (Covin & Slevin, 1986; Zahra, 1991; Zahra & Covin, 1995; Antoncic & Hisrich, 2004)

Additionally, a relation was discovered between CE and the profitability of large firms as well as small medium-sized business (SMEs) (Covin & Slevin., 1986; Zahra, 1991; Zahra & Covin, 1995). This claim has been further supported by several quantitative studies (Zahra & Covin, 1995; Covin & Slevin, 1989), which link CE to increased growth, increased profitability, or both. Moreover, other researchers (Ireland *et al.*, 2009; Schildt, Maula, & Keil, 2005) have discovered that there exists a positive link between CE and intangible outcomes such as knowledge and skills development. Job satisfaction has also been positively related to a business' internal entrepreneurial environment (Brizek, 2003). Due to the fact that research has proven repeatedly that both tangible assets (business growth and financial gain) and intangible assets (skills development and knowledge) can be attained and increased through the implementation of CE activities within a business, it is argued that CE is of utmost importance in the South African business environment.

South Africa is affected by a turbulent business environment populated by discontinuity and ambiguity due to the fact that it forms part of a global competitive landscape. As such, innovation has been looked to as the key to success in South Africa and it is therefore of paramount importance that South Africans develop their qualities and skills of entrepreneurship and innovation as a means to drive growth in the country (Fraser-Moleketi, 2004). This can be achieved through the creation of an enabling environment centered on entrepreneurship. As such, it becomes imperative for all businesses, particularly SMEs, to adopt CE as a means of promoting

entrepreneurial activity within the business which in turn will lead to business growth and a sustained competitive advantage.

3.4 DIMENSIONS OF CORPORATE ENTREPRENEURSHIP (CE)

Aktan and Bulut (2008) observed the influence of four CE dimensions, namely pro-activeness, risk-taking, innovation, and competitive aggressiveness against business financial performance and growth. The conclusion was that all the correlation coefficients across the four CE dimensions and the financial performance and growth components were positive and significant. The findings thus demonstrated that the financial performance and dimensions of CE showed that the four CE dimensions (pro-activeness, risk-taking propensity, innovations and competitive aggressiveness) significantly and positively influenced business financial performance and growth.

The study conducted by Lekmat and Selvarajah (2008) measured the relationship between CE and business performance in relation to the growth and profitability. Financial performance was measured against the sample on areas related to sales growth, cash flow profitability and market share. The study suggests that CE has a major impact on business performance in terms of financial aspects. A study conducted by Antoncic and Zorn (2004), indicated that the dimensions of CE, namely: new business formation, product, service and process innovation are effective mediators to a business' performance and growth. Additionally, the study illustrated that two thirds of CE dimensions and performance and growth elements were positively and significantly related.

Studies on the dimensions of CE have identified various dimensions of CE to include:

- innovativeness, risk propensity, pro-activeness, corporate venturing and self-renewal (Saly, 2001)
- new business venturing, innovativeness, self-renewal and pro-activeness (Zehir & Eren, 2007)
- innovation, venturing and strategic renewal (Zhang, Wan & Jia, 2008)

- strong risk-taking propensity and innovation (Covin & Slevin, 1991)
- pro-activeness, innovation and risk taking propensity (Sebora & Theerapatvong, 2009).

For the purpose of this study emphasis will be placed on the following dimensions of CE: innovation, risk taking propensity and pro-activeness.

3.5 FORMS OF CORPORATE ENTREPRENEURSHIP (CE)

CE can manifest in various ways and in various divisions in a business, depending on the type of CE a business is pursuing (Nieman & Nieuwenhuizen, 2009). Scholars (Morris & Kuratko, 2002; Sheepers & Hough, 2004) are of the opinion that an existing business can comprise of eight major forms of CE, namely: Traditional research and development (R&D), Ad hoc venture teams, Corporate venturing, Intrapreneurs and champions, New product developments, Acquisitions and take-overs, Outsourcing and Hybrid forms.

3.5.1 Traditional research and development (R&D) and SME growth

Traditional R&D is “creative work undertaken on a systematic basis to increase the stock of scientific and technological knowledge, including knowledge of man, culture and society and the use of this stock of knowledge to devise new applications” (OECD, 1993). The primary focus of traditional R&D is on technical advancement which is pioneered by research. In order for SMEs to be able to compete on a global scale as well as capitalise on the fast technology advancements, it is essential for owners and managers to focus on enhancing their product innovation levels (Laforet, 2008). This can be achieved through the efficient implementation of R&D, which will in turn help sustain and ease the overall operations of SMEs (Ebrahim, Ahmed & Taha, 2010: 1).

3.5.2 Ad hoc venture teams and SME growth

Ad hoc venture teams have also been referred to as cross-functional project teams. These teams mainly implement new product or market introductions and are often lead by product champions (Akgun, Lynn & Bryne, 2004: 42; Howell, Shea & Higgins, 2005). The role of ad hoc venture teams is an important one as they make a direct

contribution to SMEs growth through the successful introduction of newly developed products, services or processes in the business.

3.5.3 Corporate venturing and SME growth

The purpose of corporate venturing is to identify and seize opportunities in the environment that the business is operating in. The particular division in the business responsible for corporate venturing places focus on breakthrough innovations or new strategies to be more competitive in the industry (Altman & Zacharakis, 2003; Husted & Vintergaard, 2004). The division therefore plays the role of an incubator where the new business can be formulated and implemented. Memba, Gakure and Aranja (2012) state that corporate venturing plays an essential role in enhancing the growth of SMEs through the provision of equity capital.

3.5.4 Intrapreneurs and champions and SME growth

Morris and Kuratko (2002: 70) refer to an intrapreneur as a “champion”. Champions are individuals that “formally emerge to actively and enthusiastically promote innovations through the crucial business stages” (Howell *et al.*, 2005). Concepts formulated by champions are often rejected by management (Morris & Kuratko, 2002) and as a result champions have to rely on informal networks before securing support and formal approval for the concept. According to Khan, Budhwani and Shaikh (2011) intrapreneurial activities have a noteworthy influence on the sales, profits and return on investment of SMEs and thus SMEs should engage actively in intrapreneurial activities.

3.5.5 New product developments and SME growth

New product development (NPD) is widely recognised as an essential property of any business (Lam, Chin, Yang & Liang, 2007). The division that deals with the new product developments of a business is usually made up of cross-functional teams that have expertise in project management, engineering and marketing. These teams are therefore responsible for the entire project, from idea generation to final commercialisation (Cooper & Edgett, 2006). In order to survive in the global economy

and achieve optimal growth, it is essential for SMEs to make improvements on their products, services and processes through the exploitation of their intellectual capital in a vigorous network of relations that are focused on knowledge inside and outside their borders (Corso, Martini, Paolucci & Pellegrini, 2003).

3.5.6 Acquisitions and take-overs and SME growth

In the view of Memba *et al.* (2012), the difficulties restricting SMEs' acquisition of financial services comprise of unsuitable legal and regulatory framework. This framework does not give recognition to ground-breaking strategies for the purpose of lending to SMEs. As such, SMEs should make acquisitions and take-overs that are relevant and equally related to the core competencies of the business as well as acquire customers, skills and technologies that complement the business's strategic direction. Often, acquisitions and take-overs result in the restructuring of the acquired business and business rejuvenation targeted at bettering internal processes or the implementation of systems (Smits & Groenevel, 2001; Crossan & Berdrow, 2003; Boyett & Currie, 2004).

3.5.7 Outsourcing and SME growth

Bendor-Samuel (2000) defines outsourcing as "the assignment of work to an outside provider on a job-to-job basis for an agreed fee". The assignment is therefore bound by a contractual agreement that entails a long-term relationship between the provider and user. In a similar view, Lankford and Parsa (1999) define outsourcing as the "procurement of products and services from sources that are external to the business". The act of outsourcing is one that should be implemented by SMEs as it provides the business with the flexibility to respond to market conditions effectively which in turn allows for increased performance and business growth (Gray, Saunders & Goregaokar, 2012).

3.5.8 Hybrid forms and SME growth

Hybrid forms refer to any combination of the above listed forms of CE and as Nieman and Nieuwenhuizen (2009) argues "Any number of hybrid forms is possible". As such,

SMEs should experiment with the different forms of CE in an effort to identify the specific form that is most suitable to their current situation, thus improving entrepreneurial performance and enhances growth.

3.6 BENEFITS AND BARRIERS OF CE

Researchers have studied the benefits and barriers of CE and have discovered them to be as follows:

Table 3.1: Benefits and Barriers of CE

BENEFITS OF CE	BARRIERS OF CE
Improves a business' growth and profitability (Ferreira, 2002).	Lack of motivation within business (Carter & Jones-Evans, 2006).
Helps a business cope with the entrepreneurial challenges (Ireland <i>et al.</i> , 2001).	Limited time allocated for innovation and creativity (Burns, 2008).
Sustains competitive advantage (Covin & Miles, 1999).	Political issues hinder the free flow of communication within a business. Scholars (Sebora & Theerapatvong., 2009; Morris <i>et al.</i> , 2008)
Nurtures entrepreneurial activity (Bojica & Fuentes, 2012; Armesh, Shahnevazie, Ghalandarzahie & Wei, 2013; Kahara-kawaki, 2011, Olughor, 2014).	Business models that are traditional-hierarchy driven (Dess <i>et al.</i> ,1999)
Increases innovation and creativity (Hayton & Kelley, 2006; Sathe, 2003; Dess <i>et al.</i> , 1999).	Business culture that is hostile towards risk (Morris <i>et al.</i> , 2008).
Increases competitive positioning (Miller, 1983; Khandwalla, 1987; Naman & Slevin, 1993).	Hindrances such as procedures, red-tape, personnel limitations, policies, limited managerial autonomy and restrictions to rewards awarded also place severe restrains on entrepreneurial behaviour (Morris & Jones, 1999)
Increases markets (Lumpkin & Dess., 1996).	

3.7 IMPLEMENTATION PROCESS OF CORPORATE ENTREPRENEURSHIP (CE)

Nieman and Nieuwenhuizen (2009) state that the implementation process of CE in a business is a complex one with multiple stages. Therefore, the involvement and support of top management, intense training and capacity development of employees together with the implementation of a formal CE and innovation programme are required.

Each of these stages will now be outlined and discussed:

- a) The first stage in the CE implementation process, outlined by Nieman and Nieuwenhuizen (2009), is that of creating an enabling environment for CE. Researchers have identified the primary internal factors that create an enabling environment for CE; which includes business leadership, availability of resources, structure and processes, and the culture and value system of the business (Covin, 1991; Damanpour, 1991; Zahra, 1991 & 1993; Zahra & Covin., 1995; Goosen, 2002). Hornsby, Kuratko and Zahra (2002) added to the studies of other researchers and formulated an additional set of organisational factors, namely: top management support for CE, work discretion and autonomy of employees, the use of appropriate rewards for CE, the availability of resources and a supportive business structure. The top management support factor for CE refers to managers' willingness to facilitate CE activities within a business; while the extent to which employees are empowered to make decisions about the work they are performing relates to work discretion and autonomy factor. The factor about the appropriate use of resources refers to the motivation of employees to partake in innovative and entrepreneurial behaviour developed through rewards and reinforcement as they spur entrepreneurial activity.

- b) The second stage focuses on capacity development. Otoo, Agapitova and Behrens (2009) define capacity development as "a locally driven process of learning by leaders, coalitions and other agents of change that brings about changes in sociopolitical, policy-related, and organisational factors to enhance local ownership for and the effectiveness and efficiency of efforts to achieve a development goal." In the context of the CE implementation process, however, capacity development, refers to business investing in their human capital across all managerial levels so as to promote entrepreneurial behaviours (Nieman & Nieuwenhuizen, 2009). According to Hornsby *et al.* (2002) the stage of capacity development focuses on structured development interventions which include elements such as an orientation to CE and its relationship to innovation and guidelines for breakthrough ideas using CE techniques; the role of the individual; the role

of the team which includes the initiator, sponsor/facilitator, champion, innovation facilitator, supporter and reactor; and the role of management (top management, middle management and first-level managers and non-managerial staff).

- c) The third and final stage of the CE implementation process is that of formal CE programmes. The purpose of formal CE programmes is to stimulate entrepreneurial behaviour and innovation within a business. The type of forms of CE implemented by a business as part of the formal CE programmes is depended on the opportunities and strengths of the business (Nieman & Nieuwenhuizen, 2009). Scholars (Block & MacMillian, 1993; Howell *et al.*, 2005; Copper & Edgett, 2006; Morris *et al.*, 2008) are of the opinion that formal CE programmes may include one of three processes, namely: corporate venturing, a formal champion's programme and new product development. Corporate venturing encompasses various stages that require the recognition of management and business management (Block & Macmillan., 1993); while a formal champions programmes urges ambitious entrepreneurs from within a business to recommend, formulate, champion and implement new CE initiatives. Finally, new product development is a process that involves the marketing and engineering related expertise of cross-functional teams made up of the business' employees.

3.8 MEASUREMENT OF CE

In an effort to increase entrepreneurship, it is vital that businesses assess and measure the level of entrepreneurial activities taking place internally. As this will allow the businesses to manage their entrepreneurial activities more efficiently. According to Zahra, Jennings and Kuratko, (1999), the internal factors that encourage entrepreneurship within businesses are:

a) Environmental factors

Environmental factors are external to the business and include factors such as (i) industry growth, (ii) customer demands, and (iii) external technological

development that have an influence on CE behaviours and activities in a business.

b) Strategic factors

Strategic factors embody the business' entire competitive orientation which includes various strategies and thus CE is a function of these strategies (Ettlie, 1983).

c) Organisational factors

Organisational factors are internal to the business such as a business' culture, structure and managerial support systems (Hornsby *et al.*, 2002). Antoncic and Hisrich (2004) clarified that organisational factors are particularly important as owners and managers have a direct influence on them. Moreover, Antoncic and Hisrich. (2004) argued that organisational factors revolve predominantly around the individual and that the quintessence of CE encompasses the entrepreneurial behaviour and innovative activities of the individual.

CE can be measured as a strategic or entrepreneurial orientation (Nieman & Nieuwenhuizen, 2009) and as such scholars (Lumpkin & Dess., 1996; Knight, 1997; Hornsby *et al.*, 2002; Ireland *et al.*, 2001) have developed various tools to measure CE. Lumpkin and Dess (1996) developed a tool to measure the entrepreneurial orientation of a business by assessing the dimensions of autonomy and competitive aggressiveness. Knight (1997) then went on to expand on this orientation by assessing levels of innovativeness, pro-activeness and risk taking propensity in a business. Hornsby *et al.* (2002) developed a tool to measure CE within a business which they titled the Corporate Entrepreneurship Assessment Instrument (CEAI). This is an instrument that endeavors to measure the efficiency of a business' climate or key internal factors that have an influence on innovative activities and entrepreneurial behaviour.

The CEAI has several advantages, namely:

- a) as a measurement instrument, the CEAI provides users with a guide to enhance CE activities within a business,

- b) as CE predominantly revolves around the individual and requires the individual's entrepreneurial behaviours and innovative activities, the CEAI measures entrepreneurship at the individual level and
- c) the CEAI is comparatively short-term, which encourages owners and managers to make use of it. Although Hornsby *et al.* (2002) offered some preliminary evidence regarding the reliability and validity of the instrument; it is recommended by Hornsby *et al.* (2002) that further tests of reliability and validity should be conducted.

However, Ireland *et al.* (2009) have suggested a more comprehensive method to measure CE, namely the Entrepreneurial Health Audit. The audit serves as an instrument to identify and address the business' capability to foster sustainable entrepreneurial behaviour and innovative activities as the path to enhanced business growth and performance. The Entrepreneurial Health Audit is conducted using a systematic three-step approach. The first step involves evaluating the business' level of Entrepreneurship Intensity (EI). The second step involves evaluating the climate for CE using CEAI. The final step involves using the first two steps as input to formulate a gap analysis. For the purpose of the study, the CEAI measurement tool will be incorporated into the research methodology as part of the data collection process to help SMEs determine how best to implement this tool so as to effectively measure their level of CE.

3.9 CHAPTER SUMMARY

Predominantly, chapter three purposed to provide a detailed definition of the concept of CE, which is "a term used to describe the entrepreneurial behaviour inside an established business" (Morris & Kuratko, 2002). Additionally, this chapter outlined the impact of CE on SMEs growth, such as enhancing higher levels of SME performance, growth, profitability and competitive advantage. Following this, the various dimensions of CE, of which the study focused particularly on three, namely: innovation, risk taking propensity and pro-activeness, were discussed.

CHAPTER FOUR

BUSINESS PRACTICES AND CORPORATE ENTREPRENEURSHIP (CE)

4.1 INTRODUCTION

This chapter is dedicated to demonstrating how the two major concepts that have been in discussion in Chapter 2 (Business Practices) and Chapter 3 (Corporate Entrepreneurship), can enhance SME growth. Furthermore, this chapter will illustrate how the implementation of both these concepts can assist SMEs in an effort to achieve optimal performance from all the different divisions of the business.

4.2 BUSINESS PRACTICES AND CORPORATE ENTREPRENEURSHIP (CE)

As environments become more intricate and dynamic, it is vital that businesses become more entrepreneurial so as to easily detect new opportunities for continued optimal performance. Corporate entrepreneurship (CE) involves organisational learning, driven by individual commitment, creativity and collaboration (Hayton, 2005: 21) and it is with this that scholars (Hayton, 2005: 140) argue that business practices are an important driver of success. Furthermore, studies (Mustafa, Richards & Ramos, 2013: 17) have discovered that there is a positive relationship between business practices and CE as well as business outcomes (Datta, Guthrie, & Wright, 2003; Subramony, 2009).

Human Resources Management (HRM) practices are a form of business practices that are regarded as important and are frequently implemented by management as a means to attain business objectives (Strandberg, 2009: 6). The framework formulated by Burgelman (1984) supports this argument and proposes that HRM practices are important to CE for two particular reasons. Firstly, HRM practices have an influence on the extent to which employees participate in the activities that are necessary to stimulate knowledge integration. Secondly, extreme HR policies may hinder the

independent strategic behaviours of employees that are needed to participate in the identification opportunities and the acquisition of new knowledge and capabilities.

Another form of business practices, networking practices, suggests that knowledge sharing which is acquired from the networking process, is an important factor in successfully fostering CE (Argote & Ingram, 2000; Hayton, 2005). This is witnessed in how businesses are increasingly becoming dependent on the knowledge sharing behaviour of individual employees to contribute to business effectiveness and CE (Kuratko, Ireland, Covin, & Hornsby, 2005; Hornsby, Kuratko, Shepherd, & Bott, 2009). Marketing practices are another form of business practices that are positively related to CE. With the business environment continually changing, SMEs are faced with unfavourable environmental conditions which require businesses to opt to differentiate their products or services by implementing intensive marketing practices so as to sustain customer loyalty or increase penetration of existing segments (Ferreira, 2002: 14).

Existing literature on entrepreneurship has subliminally stated that there is a positive relation between CE and performance management (Moreno & Casillas, 2008) of a business. This is witnessed in how scholars (Lumpkin & Dess, 1996) have taken note of the fact that CE can be used as a means to enhance the performance of businesses through promoting product and process innovation. As discussed in Chapter 3, there are three primary dimensions of CE that this study focuses on, one of which is the risk taking propensity of SMEs. It is therefore essential that SMEs implement CE in unison with risk management practices, as the total process of CE is one in which established businesses act in innovative, risk-taking and proactive ways (Zahra, 1993; Dess *et al.*, 1999; Bouchard, 2001) to achieve the best possible results.

As change in the business environment takes place rapidly, businesses are compelled to manage the change by becoming more entrepreneurial (Dess *et al.*, 1999; Brazel & Herbert, 1999) in order to perceive and exploit business opportunities. It is with this that it is imperative that SME owners and managers implement change management practices effectively so as to curb the effects of change while nurturing CE and entrepreneurial behaviour in the business.

Scholars are of the view that a growing need exists for CE and innovation to be implemented in business (Hornsby *et al.*, 2002; Ireland, Hitt, Camp & Sexton, 2001) hence driving business growth and implementing new and innovative ideas have become top priorities for businesses in the 21st century (Drucker 2002; Rigby 2003; Planting 2006; Morris, Kuratko & Covin 2008); as such the implementation of CE is of paramount importance in SMEs. This is particularly due to the fact that CE makes use of a behavioural style that encourages innovation (Barringer & Bluedorn, 1999).

Additionally, CE is responsible for motivating innovation in businesses through the exploitation and commercialisation of the new products and services and the examination of potential new opportunities (Guth & Ginsberg, 1990; Kuratko, Hornsby, Naffziger & Montagno, 1990; Stopford & Baden-Fuller, 1994; Thornberry, 2003). However, fostering CE requires an enlightened approach to management to make strategic decisions daily- where these decisions are regarded as the engagement of management in business practices (Hornsby, Kuratko, & Montagno, 1999; Hayton, 2005).

4.3 RELATIONSHIP BETWEEN BUSINESS PRACTICES AND CE

As explicated in Chapter 2, the specific business practices that this study focuses on are HRM practices, Performance Management practices, Change Management practices, Risk Management practices, Marketing practices and Networking practices. The implementation of each of these business practices leads to a particular outcome as demonstrated in the diagrams in Chapter 2 (Figures 2.1-2.6).

The implementation of HRM practices leads to increased entrepreneurial behaviour (Dizgah *et al.*, 2011: 494) while Performance Management practices result in an increase in innovation and creativity (Saunila, 2014: 12). Change Management practices encourage employees to contribute to the future of the business more effectively (Susman *et al.*, 2006: 3) whereas Risk Management practices assist in reducing and mitigating risks (Hellmuth *et al.*, 2011). The implementation of Marketing practices leads to a significant increase in the market share for the business (Vlachos, 2009: 24) while Networking practices allows the business to have access to a variety

of resources which it does not possess (Machirori, 2012; Zain & Ng., 2006: 184; Watson, 2007: 852). When all these business practices are implemented together the outcome is business growth.

Moreover, CE has been looked to as a feasible option to nurture entrepreneurial activity within a business (Bojica & Fuentes, 2012; Armesh *et al.*, 2013; Kaharakawaki, 2011, Olughor, 2014) and to enhance business growth. CE is “a term used to describe the entrepreneurial behaviour inside an established business” (Morris & Kuratko, 2002). As discussed in Chapter 3, studies on the dimensions of CE have identified various dimensions of CE to include:

- innovativeness, risk propensity, pro-activeness, corporate venturing and self-renewal (Saly, 2001).
- new business venturing, innovativeness, self-renewal and pro-activeness (Zehir & Eren, 2007).
- innovation, venturing and strategic renewal (Zhang *et al.*, 2008).
- strong risk-taking propensity and innovation (Covin, 1991).
- pro-activeness, innovation and risk taking propensity (Sebora & Theerapatvong, 2009).

It can then be concluded that innovation, risk taking propensity and pro-activeness have proven to be the most recurring dimensions of CE and as such emphasis will be placed on these dimensions for the purpose of this study. Additionally, it has been argued that the presence of CE among SMEs owners and managers leads to positive outcomes such as improved business performance and growth (Ireland *et al.*, 2009; (Shamsuddin *et al.*, 2012).

Figure 4.1 demonstrates the nexus between business practices and CE which links the key dependent (CE) and independent variables (business practices) for this research study.

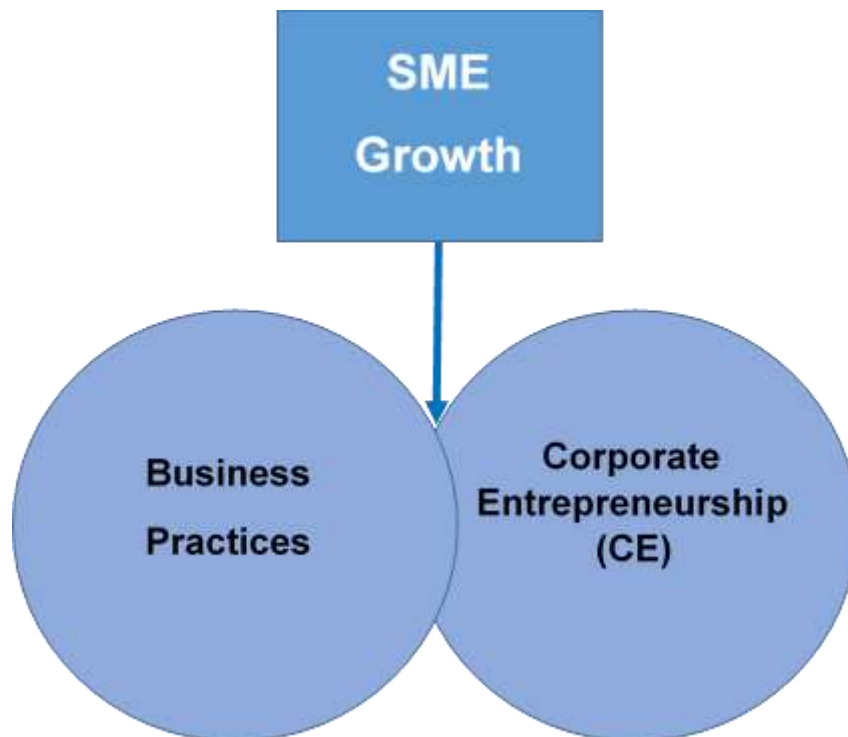


Figure 4.1: Relationship between business practices and CE

As this study purposed to determine which business practices can enhance SME growth, the following business practices were selected after thorough review of existing literature, namely: HRM practices, Performance Management practices, Change Management practices, Risk Management practices, Marketing practices and Networking practices. Additionally, this study aimed to determine how CE can instigate SME growth and how business practices together with CE can collectively enhance SMEs growth. Through an extended literature review on this topic, the relationship between business practices and CE proved to exist, but more so, to be positively correlated (Mustafa *et al.*, 2013: 17) and intertwined. This is witnessed in how the implementation of best business practices in SMEs can help increase the level of innovation, creativity and entrepreneurial behaviour (Dizgah *et al.*, 2011: 494), which in essence refers to CE.

Similarly, the correct implementation of CE contributes positively to the effective engagement in business practices in SMEs as it allows employees to have an improved understanding of the holistic objectives of the business, thus helping achieve the desired outcomes better. The literature provided both in Chapter 2 (Business Practices) and Chapter 3 (Corporate Entrepreneurship) makes it clear that the two concepts are not the same, however they both lead to the same outcome namely: enhanced business growth. This then entails that both business practices and CE are necessary to enhance business growth. Moreover, when these two concepts are implemented in complete unison, optimal business growth can be attained.

4.4 CHAPTER SUMMARY

This chapter purposed to collectively discuss business practices and CE as initiatives of SME growth by placing emphasis on each of the six business practices (Human Resources Management practices, Performance Management practices, Change Management practices, Risk Management practices, Marketing practices and Networking practices) and each of the three dimensions of CE (Innovation, Proactiveness and Risk taking propensity). The relationship between business practices and CE was outlined and illustrated in Figure 4.1, page 47.

CHAPTER FIVE

RESEARCH METHODOLOGY

5.1 INTRODUCTION

In this chapter the research methodology used in the study is outlined in detail. The entire chapter will follow at the hand of these steps displayed below, followed by a brief chapter summary.

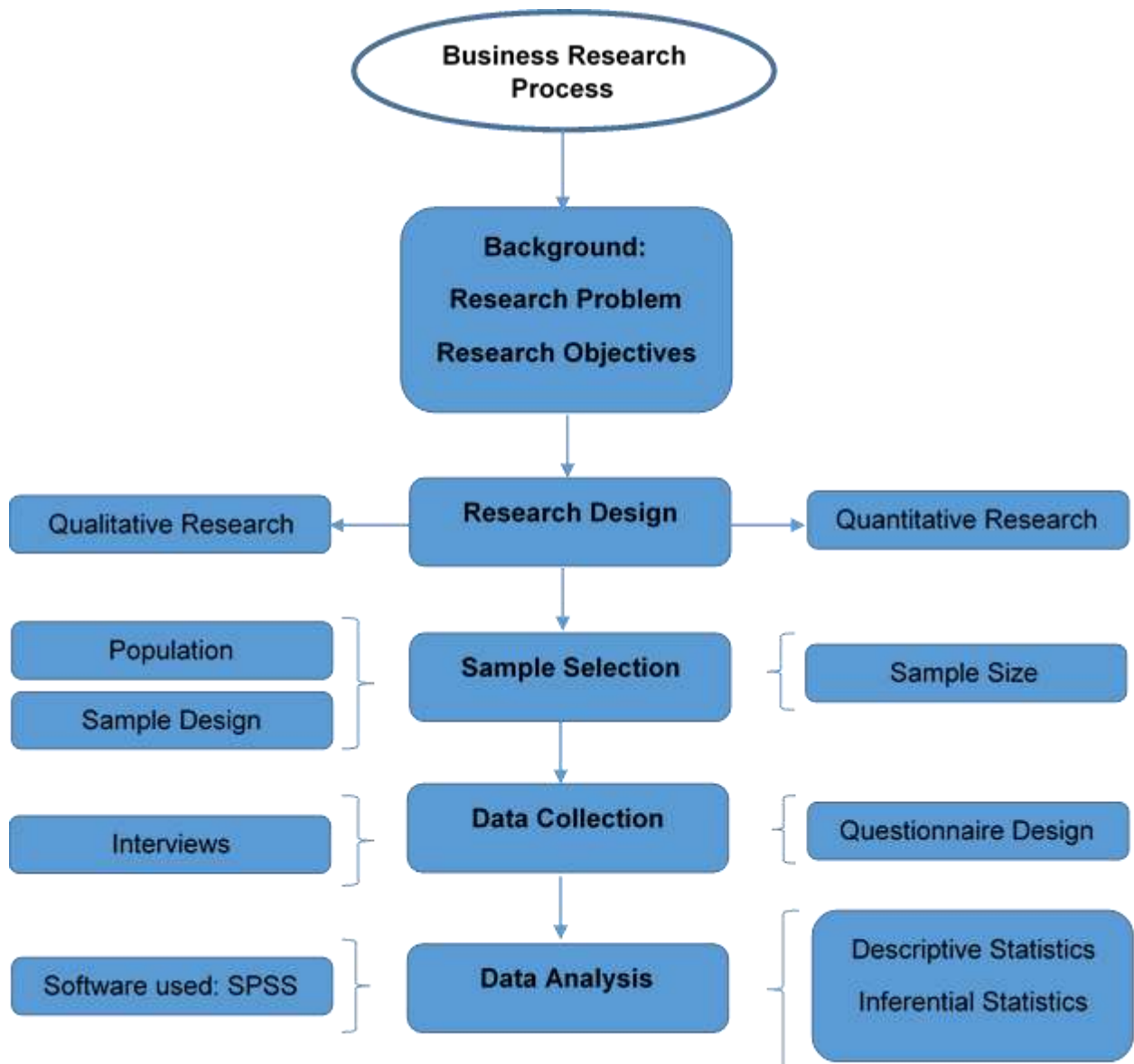


Figure 5.1: Business Research Process

Adapted from Neneh, 2011: 95

5.2 BACKGROUND TO STUDY

5.2.1 Research Problem

SMEs play an essential role in economic growth and innovation in nearly all economies but predominantly in developing countries with immense income distribution and employment challenges, such as South Africa (Schelmelter, Mauer, Borsch & Brettel, 2010). SMEs are the leading source of job creation which in turn contributes positively to economic growth; consequently making a noteworthy contribution to the economic success of nations (Schelmelter *et al.*, 2010). Accordingly, the creation and sustainability of new SMEs are of utmost importance to economic opulence of a country or else it stands the risk of economic stagnation (Fatoki *et al.*, 2010). According to Kongolo (2010) SMEs in South Africa make up approximately 91 percent of the formal businesses, thus contributing between 51 and 57 percent to the GDP and 60 percent of employment.

However, despite their major influence and contribution to economic success, SMEs do not grow (Fatoki, 2013; Olawale *et al.*, 2010; Smit *et al.*, 2012). The lack of SME growth in South Africa limits the impact that SMEs have on the South African economy with respect to wealth creation, employment, and economic development. Moreover, the low entrepreneurial activity coupled with the poor SME growth and alarming failure rates has resulted in few jobs being created. Since South Africa is experiencing high levels of unemployment (which is currently estimated at 24.3 percent) the impact of the poor entrepreneurial performance is clear (Statistics South Africa, 2014). SMEs are expected to be a vital vehicle to address the challenges of job creation, equitable distribution of income and wealth, sustainable economic growth and economic development, consequently SME growth is of paramount importance (Maas & Herrington, 2007). For SMEs to grow, SME owners and managers have to engage in best business practices as the accomplishment of SME growth is dependent on the successful implementation of business practices researchers (Rahman *et al.*, 2001; Prajogo *et al.*, 2003; Lau *et al.*, 2004; Neneh & van Zyl, 2012). As a result, this study seeks to identify which business practices can enhance business growth. Understanding the importance of business practices will provide SME owners and managers with a clear framework on which business practices can fundamentally enhance the growth of SMEs in South Africa. Therefore, it becomes imperative to

examine the various types of business practices that SME owners and managers participate in, in order to enhance SMEs growth.

5.2.2 Research Objectives

The research objectives of the study are as follows:

Primary Objectives:

To determine which business practices can enhance SMEs growth.

Secondary objectives:

- Evaluate prior studies on business practices
- Asses theoretical studies on SME growth in South Africa
- Review theoretical studies on corporate entrepreneurship
- Determine which business practices SMEs engage in
- Empirically identify the determinants of SME growth
- Determine which dimensions of corporate entrepreneurship (CE) SMEs engage in
- Determine which key business practices can enhance corporate entrepreneurship (CE)
- Establish a conceptual framework identifying the relationship between business practices and corporate entrepreneurship (CE) as initiatives to enhance SME growth.

5.3 RESEARCH DESIGN

Research design is defined as “a blueprint for conducting a study with maximum control over factors that may interfere with the validity of the findings” (Burns *et al.*, 2003: 195). Furthermore, research design involves planning the research procedure including the procedure for data collection (Allison, 2000: 4). In addition, Cooper *et al.* (2006) uphold that a research design outlining what the researcher intends to do regarding formulating the problem statement and analysing the data collected.

5.3.1 Types of Research Designs

The research design process is twofold, as research designs can either be Qualitative or Quantitative. Qualitative research utilises “methods such as participant observation or case studies which result in a narrative, descriptive account of a setting or practice. Sociologists using these methods typically reject positivism and adopt a form of interpretive sociology” (Parkinson *et al.*, 2011).

However, for the purpose of this study, the quantitative research design method will be implemented. According to Cooper *et al.* (2003:563) “quantitative research is a systematic scientific investigation of quantitative properties and phenomena and their relationship.” Quantitative research proposes to formulate theories, models and hypotheses relating to a particular phenomenon. Furthermore, Cooper *et al.* (2003: 563) suggest that quantitative research has the following requirements:

- The generation of theories, models and hypotheses
- The formulation of instruments and methods for measurement
- The gathering of empirical data
- The modeling and analysis of data
- The evaluation of results.

5.3.2 Types of Research

Cant *et al.* (2005: 29) suggest that there are three types of research namely: descriptive, casual and exploratory. Descriptive research is used to describe the research problem by answering questions such as who, what, when, where and how (Cant *et al.*, 2005: 30). Researchers often make use of the descriptive research method when they already know and understand the underlying relationships of the research problem. Researchers typically have a general understanding of the research problem however it is still imperative that conclusive evidence that provides answers to the research question so as to determine a course of action is collected. Casual research regulates whether one variable causes or determines the value of another (Cooper *et al.*, 2003: 46). Casual research seeks to make known the cause-and-effect

relationship between dependent and independent variables and can be conducted as a laboratory experiment or a field experiment.

5.3.3 Selection of Data Collection Method

This study will employ exploratory research which will allow the researcher to gather information in a manner that is informal and unstructured. Additionally, the nature of the research problem can be defined and clarified through the process of gathering preliminary information and formulating ideas on how the research problem can be tackled. In the opinion of Cant *et al.* (2005: 30) exploratory research entails that research was initially conducted to define as well as clarify the nature of the research problem through the process of gathering preliminary information and formulating ideas on how the research problem can be addressed. Additionally, Cant *et al.* (2005: 30) explicate that the main aim of this type of research is to paraphrase the problem plainly thus narrowing the scope of the research topic. Furthermore, five types of exploratory research have been identified; these include secondary data analysis, experience survey, pilot studies, case studies and exploratory factor analysis (Cant *et al.*, 2005: 31).

Table 5.1: Types of Exploratory Research Methods

TYPES OF EXPLORATORY RESEARCH METHODS	DEFINITIONS
1. Secondary data analysis	A source of data that is inexpensive and easy and is often used by researchers to gain the background information on a particular situation.
2. Experience survey	An exploratory research technique that is used by researchers who are knowledgeable about a particular research problem or opportunity.
3. Pilot study	Makes use of sampling but does not apply rigorous standards. It is a collective term for any small-scale exploratory research technique.

4. Case study	An exploratory research that purposes to gain information from case studies with similar problems or opportunities and intensively investigates the existing records of one or a few situations similar to the problem.
5. Exploratory factor analysis	Used to determine whether the questionnaire items could be grouped openly and eloquently into smaller groups or factors.

Source: (Cant *et. al.*, 2005: 31)

For the purpose of this study, the secondary data analysis method was implemented in order to determine the business practices that owners and managers can implement to enhance SME growth. Consequently, key business practices that can enhance CE and can be identified. Hereafter, a conceptual framework showing the relationship between business practices and CE as initiatives to enhance SMEs growth can be developed.

5.4 SAMPLE SELECTION

5.4.1 Population

The population of the study will consist of SMEs owners and managers and employees from the Kimberley, Northern Cape. However, a representative sample will be drawn from this population. The sample size will assist in simplifying the data collection process thus ensuring that the researcher integrates and critically examines the data contained. In order to reach a significant number of businesses and entrepreneurs, the Small Enterprise Development Agency (SEDA) database of SMEs (8000+) was used for sampling.

5.4.2 Types of Sampling Designs

In the opinion of Cooper *et al.* (2003: 179) sampling is the process of selecting a sample that is suitable or a segment that is representative of the population with the intention to determine the characteristics of the whole population. Selecting a sample size from the target population allows the researcher to make valid generalisations about the population, which also allow prediction, as it is impossible to gather data on

the whole population because of time and high costs. A number of compelling reasons lead to the selection of sampling for this study such as time constraints, financial limitations, the increased speed regarding the data collection process and the ability to generate better accuracy of results. Bryman *et al.* (2003: 100) suggest that there are two types of sampling design methods- probability and non-probability sampling.

Probability sampling is a sampling process that makes use of a form of random selection and is has four types, namely: simple random sampling, stratified sampling, cluster sampling and systematic sampling (Quinlan, 2011).

Table 5.2: Types of Probability Sampling

TYPES OF PROBABILITY SAMPLING	DEFINITIONS	ADVANTAGES	DISADVANTAGES
1. Simple random sampling	A random sample from the whole population that is highly representative when all subjects participate.	<ul style="list-style-type: none"> • Easily implementable. • All elements in the population have an equal opportunity to be selected in the sampling. • Different sub-groups are likely to provide similar answers. 	<ul style="list-style-type: none"> • Necessitates that all population elements be listed. • Implementation period is longer. • It is expensive as it uses larger sample sizes.
2. Stratified sampling	A random sample from identified groups which ensure that all groups are represented proportionally in the sample.	<ul style="list-style-type: none"> • Adequate representation of different response profiles is ensured therefore there are high chances of obtaining more precise estimate of the population parameter. 	<ul style="list-style-type: none"> • It is expensive as larger samples are required for data collection. • There are high chances of increased error if the subgroups are selected at different rates.

3. Cluster sampling	Entails dividing the population into separate groups called clusters, from which a simple random sample of clusters is selected from the population.	<ul style="list-style-type: none"> • Simple to design and easily implementable • Inexpensive. • It is easy to determine the sampling distribution of mean. 	<ul style="list-style-type: none"> • A list with a monotonic trend can result in a biased estimate.
4. Systematic sampling	Involves selecting a fixed starting point in the larger population then subsequently obtaining observations.	<p>Provides an unbiased estimate of the population parameters if conducted properly.</p> <ul style="list-style-type: none"> • Cost effective. • Can be conducted without a population list. 	<ul style="list-style-type: none"> • Results are difficult to compare and interpret thus leading to lower statistical efficiency.

Source: (Quinlan, 2011)

For the purpose of the study, non-probability sampling will be used. The types of non-probability sampling include purposive sampling, quota sampling, snowball sampling and convenience sampling (Bryman *et al.*, 2003: 100).

Table 5.3: Types of Non-probability Sampling

TYPES OF NON-PROBABILITY SAMPLING	DEFINITIONS	ADVANTAGES	DISADVANTAGES
1. Purposive/Judgmental sampling	Entails the researcher hand picking the subjects on the basis of particular characteristics thus ensuring a balance in the selected groups.	<ul style="list-style-type: none"> • Useful when large samples are not required. 	<ul style="list-style-type: none"> • The opinion of researchers vary regarding the population elements that should be selected.
2. Quota sampling	Ensures the selection of adequate numbers of subjects with appropriate characteristics.	<ul style="list-style-type: none"> • Faster and less costly as it enables the interviewer to interview any individual who is available and fits the criteria. 	<ul style="list-style-type: none"> • The interviewer's own judgement or discretion when selecting respondents largely influences the quality of the data obtained.
3. Snowball sampling	Entails subjects with the appropriate characteristics giving referrals for subjects with similar characteristics.	<ul style="list-style-type: none"> • Used to gain access to populations where the sampling units are difficult to identify. 	<ul style="list-style-type: none"> • The exclusion of significant sections of the population makes the sampling biased in nature.
4. Convenience sampling	An inexpensive method that ensures sufficient numbers of a study based on the convenience of the researcher.	<ul style="list-style-type: none"> • It is convenient as individuals who are in the same place at the same time as the researcher have the possibility of being selected. 	<ul style="list-style-type: none"> • The sample is not representative of the population • No reliable generalisations can be made.

Source: (Bryman *et al.*, 2003: 100)

The study will make use of convenience sampling as it is an inexpensive method that ensures sufficient numbers of a study. Additionally, convenience sampling will allow the researcher increased speed regarding the data collection process and the ability

to generate better accuracy of results while combating time constraints and financial limitations.

5.4.3 Sample size

A sample size of 250 respondents will be used and questionnaires will be distributed to one owner or manager and four employees per SME. This entails that five questionnaires will be distributed to a total of 50 SMEs thus adding up to a total of 250 questionnaires.

5.5 DATA COLLECTION

5.5.1 Preparations before Data Collection Process

In this study, various combinations of primary and secondary data were used. Primary data is defined as “data that is primarily or specifically collected to solve the problem or opportunity” (Bothma *et al.*, 2011: 320) and consists of the use of the quantitative research design method. As such, the primary data collection techniques involved the use of questionnaires completed by SME owners, managers and employees. Secondary data is historical data that has already been collected on a particular subject field (Bothma *et al.*, 2011: 320) and is obtained from an array of existing literature, academic articles, journals, national and international research papers as a means to gain more understanding of the research problem.

a) Primary data

There are three types of primary data, which include observation, experiment and survey (Cant *et al.*, 2005: 88). This study made use of the survey method which can be divided into four major types, namely: interviews, telephones surveys, mail surveys and self-administered surveys (questionnaires). Cooper *et al.* (2003: 326) state that questionnaires are written instruments which the researcher delivers personally to the relevant respondents. The questions are then completed without the presence of an interviewer. Cant *et al.* (2005: 150) explain that there are two basic types of survey questions, namely: open-ended questions (unstructured) and closed-ended questions (structured). For the

purpose of the study, closed-ended questions were used. By definition closed-ended questions avail the necessary information to respondents and provide acceptable responses that the respondents can select from. As mentioned, the primary data consisted of the quantitative research design method to collect needed information, through the use of a well-structured questionnaire. The questionnaire included closed-ended questions which had to be answered by rating on a Likert scale of one (1) to five (5) – where one (1) is Strongly Disagree and five (5) is Strongly Agree.

b) Secondary data

A literature review was conducted in order to acquire knowledge on the subject field of the business practices. Furthermore, the literature review explored the subject of corporate entrepreneurship (CE) as well as which business practices can enhance CE. In the opinion of Cooper *et al.* (2006), primary data is not sufficient when seeking to address a topic from a new angle, hence secondary data was investigated. The investigation of secondary data was done through the use of various sources such as academic articles, journals, national and international research papers, as well as the worldwide web and Google Scholar to acquire additional sources. Both past and current research was taken into consideration as a means to provide an academic and scientific foundation for the theory and attain an understanding of the current perception and knowledge of other researchers.

5.5.2 Questionnaire Design

The questionnaire (Annexure A) used in the data collection process consisted of four sections, namely: Demographics, Growth, Business Practices and Corporate Entrepreneurship.

a) Demographics

This section was used to gather data on the demographic factors of the respondents. These demographic factors included: gender, age category, degree program completed, size of the business (business size) and age of the business (business age).

b) Growth

The growth of the business (SME) in the questionnaire referred to three different categories of growth, namely Sales growth, Asset growth and Employment growth. For all three categories respondents were given the following options to select from, namely Less than 0% (Decreased), 2. 0-10%, 11-40%, 41-80% and 81% or more over a three year period.

c) Business Practices

Business practices are defined as the methods, processes, procedures and rules that are followed by an organisation in the quest to reach its set objectives (Neneh & van Zyl, 2012). For the purpose of the current study six types of business practices were focused on. These business practices include HRM practices, Performance Management practices, Change Management practices, Risk Management practices, Marketing Management practices and Networking Management practices. The business practices categories each had a number of statements/questions to which respondents were required to indicate the extent to which they agree or disagree with the statements/questions. These statements/questions were ranked on a Likert scale of one (1) to five (5) – where one (1) is Strongly Disagree and five (5) is Strongly Agree. Furthermore each business practices category was concluded with an open ended question which respondents were required to answer.

d) Corporate Entrepreneurship

Corporate entrepreneurship (CE) has been defined as “the process by which teams within an established company conceive, foster, launch and manage a new business that is distinct from the parent company but leverages the parent’s assets, market position, capabilities or other resources” (Wolcott *et al.*, 2007). Studies on the dimensions of CE have identified various dimensions of CE. However for the purpose of the study emphasis was placed on three dimensions of CE, namely Innovation, Risk taking propensity and Pro-activeness. Similarly, the dimensions of CE each had a number of

statements/questions to which respondents were required to indicate the extent to which they agree or disagree with the statements/questions. These statements/questions were ranked on a Likert scale of one (1) to five (5) – where one (1) is Strongly Disagree and five (5) is Strongly Agree.

5.5.3 Ethical considerations

Cooper *et al.* (2006) suggest that “Ethics are norms or standards of behaviour that guide moral choices about our behaviour and our relationships with others”. This definition was the core of the data collection process as no participants were harmed or suffered any unpleasant consequences from the research activities (Cooper *et al.*, 2006).

This study is based on acquiring information about the impact of the first glass ceiling on the entrepreneurial intentions of corporate women and thus no harm was inflicted or any privacy or confidentiality invaded. The research was conducted in the most ethical manner and the questionnaires were completed with informed consent and guaranteed confidentiality.

The following ethical guidelines were applied in the research and data collection process:

- Participants were notified of the purpose of the study and what the questionnaire entailed.
- Permission was obtained from the participants regarding completing the questionnaire.
- Participants were informed of the anonymous nature of the questionnaire. This entails that the participant was unnamed and was not required to identify themselves or their ventures.
- Participants were enlightened of the fact that there is no correct or incorrect response and that all responses must be based on their personal opinions or experience.

In addition to the abovementioned ethical guidelines, the researcher ensured that she conformed to all other codes of ethics and codes of conduct that may come up after the research and data collection process.

5.6 DATA ANALYSIS

Data analysis is the process of scrutinising the collected research data to a controllable format and forming summaries with the use of statistical techniques (Cooper *et al.*, 2003).

5.6.1 Reliability Testing

It is important to measure the reliability of business practices and the level of corporate entrepreneurship in SMEs, which will be used to establish relationships between them. As such, data reliability was tested by making use of Cronbach Alpha. Cronbach Alpha is a reliability coefficient that displays how well items are positively correlated to one another (Sekaran, 2000).

“A Cronbach alpha (α) estimates the proportion of variance in the test scores that can be attributed to true score variance” (Neneh, 2011: 173). Cronbach alpha makes an estimate of the proportion of variance that is systematic or consistent in a set of test scores. It can range from 00.0 (if no variance is consistent) to 1.00 (if all variance is consistent) with all values between 00.0 and 1.00 also being possible.

5.6.2 Software Used

The data collected through the distribution of questionnaires will be analysed using the Statistical Package of Sciences (SPSS) statistical software. SPSS is a software used to carry out statistical procedures in the social sciences field and is among the most extensively used programs for statistical analysis in social science. SPSS is used comprehensively by researchers to perform quantitative analysis as it has almost all statistical features available (Coakes, 2005: 5). Furthermore, the researcher will interpret the data collected using descriptive statistical tools and inferential statistical tools.

5.6.3 Analysis

Descriptive statistics are often used to convert raw data into a form that makes it easy to comprehend, interpret, re-arrange and manipulate data to enable the researcher to avail descriptive information (Zikmund, 2003: 473). Furthermore, Zikmund (2003: 473) reinforces that descriptive statistics are also used to summarise information regarding a population or a sample). The descriptive statistical tools used in this study include: frequency tables, percentages, histograms and charts. Inferential statistics are used to make judgment about a population based on the sample (Zikmund, 2003: 473). On the basis of the distribution of descriptive statistics obtained from the study Cross tabulation, Chi-square, one-way analysis of variance (ANOVA), Regression and Pearson Correlation will be used to perform the inferential statistics.

a) Cross tabulation

Hussey and Hussey (1997: 182) define cross tabulation as an inferential statistic used to classify the relation between cross tabulated variables with any form of quantitative data using nominal data. Cross tabulation is a joint frequency distribution of cases that are based on two or more categorical variables and describes two or more variables simultaneously (Michael, 2002: 1).

b) Chi-square

Chi-square is a “non-parametric technique which is used to test the statistical significance of findings by testing for contingency and goodness of fit” (Hussey *et al.*, 1997: 232). Cooper *et al.* (2001: 499) substantiate this by stating that chi-square tests the “differences between observed distribution of data amongst categories and the expected distribution based on the null hypothesis (Ho)”. The null hypothesis (Ho) makes the assumption that two variables are independent of each other whereas the alternative hypothesis makes the assumption that a relationship exists between two variables (Hussey *et al.*, 1997: 232).

c) ANOVA

ANOVA is a particular type of regression analysis that is used for the purpose of a quantitative outcome which has a categorical explanatory variable with two

or more levels of treatment. According to Rutherford (2001: 5-6) ANOVA is used to determine whether the mean dependent variable score acquired in the experimental condition vary considerably. This can be attained by defining which fraction of variation in the dependent variable can be accredited to the manipulation of the experimental variables.

d) Pearson Correlation

A Pearson correlation measures the strength of the linear relationship between a pair of quantitative variables to determine if the variables are correlated. DeCoster (2004) confirms that a linear relationship can be displayed by means of a straight line on a disperse plot between the two variables of interest.

e) Regression

Regression analysis is a statistical tool for the investigation of relationships between variables. Usually, the researcher seeks to ascertain the causal effect of one variable upon another. As with correlation, regression is used to analyse the relation between two continuous (scale) variables (Campbell & Campbell, 2008: 3).

5.7 CHAPTER SUMMARY

In this chapter the research methodology was discussed in detail by outlining the background to the study, research design, sample selection, data collection methods and techniques and data analysis. The background to the study encompassed an overview of the research problem and the research objectives. Additionally, the research design included the use of quantitative research which furthermore entailed using exploratory research as the nature of the study necessitates it. The sample selection incorporated a description of the population of SMEs in the Kimberley, Northern Cape area which consisted of a sample size of 250 SMEs accessed through convenience sampling. The data collection method was a well-structured questionnaire which included closed-ended and open-ended questions using a five point Likert scale which was distributed to respondents while keeping in mind the ethically considerations. Finally, the data analysis was carried out using both descriptive statistics and inferential statistics through the use of the SPSS software.

CHAPTER SIX

DATA ANALYSIS

6.1 INTRODUCTION

The previous chapter (Chapter 5) identified and explored the background of the study, the research design, sample selection, data collection process as well as the data analysis process. The primary objective of this chapter is to report the results and findings following from the empirical study. This entails providing feedback from the data collected on the business practices which can enhance SME growth and which dimensions of corporate entrepreneurship (CE) SMEs should engage in.

6.2 RESEARCH METHODOLOGY

6.2.1 Research Problem

The primary objective that was examined in this study was formulated as follows: To determine which business practices can enhance SME growth. The motivation for formulating the research problem in this manner is to give a better understanding of the importance of business practices in SMEs while determining whether CE dimensions can also assist in enhancing the growth of SMEs.

6.2.2 Sample Group

Through a non-probability convenience sample consisting of SMEs, 250 questionnaires were distributed, all 250 questionnaires were correctly completed and analysed. This represents a 100 percent response rate.

6.2.3 Data Analysis

In the process of conducting the data analysis, Microsoft Excel and the IBM Statistical Package for the Social Sciences (SPSS) version 23 were used. Various formats were used to interpret the data accordingly. This study is an exploratory study. As such, the

essence was to not merely describe the data according to the descriptive statistics, but rather to use the data to paraphrase the problem in question plainly and narrow the scope of the research topic significantly. Microsoft Excel was used to compile the frequency tables and figures (descriptive statistics) and SPSS was used to identify the association between scores on the different traits using Cross tabulation, Chi-square, one-way analysis of variance (ANOVA), Regression and Pearson Correlation.

6.3 RESULTS OF THE EMPIRICAL SURVEY

This section of the chapter will represent and discuss the results of the empirical survey.

6.3.1 Frequencies

Table 6.1: Gender of the respondents

		FREQUENCY	PERCENT (%)	CUMULATIVE PERCENT
Valid	Male	119	47.6	47.6
	Female	131	52.4	100.00
	Total	250	100.00	

The sample size constituted of 119 males and 131 females from the various SMEs. Consequently, males constituted 47.6% of the sample size while females constituted 52.4%. According to the International Labour Organisation (2011), “women are increasingly joining the work force” and this is witnessed in how the number of women in table 6.1 exceed the number of males.

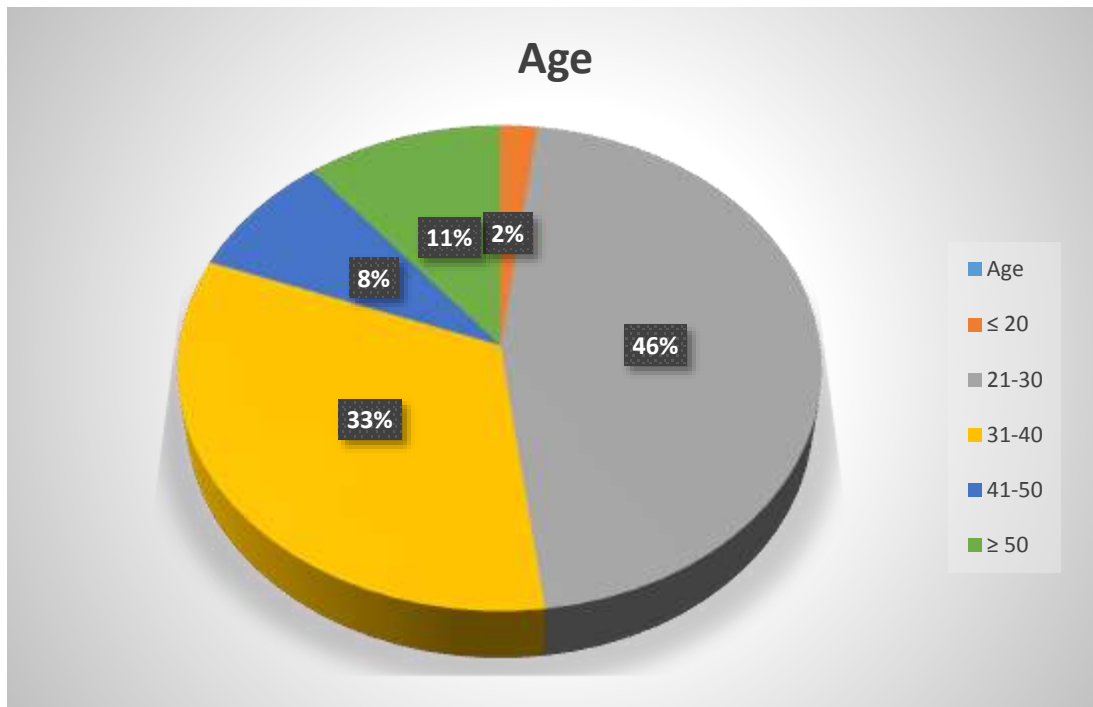


Figure 6.1: Age of the respondents

From figure 6.1 displayed above it can be noted that the most respondents were part of the 21-30 age category with an average of 46%. This age category was then followed by the 31-40 age category with an average of 33%. The age category with the least respondents (2%) was the 20 and under age category followed by the 41-50 age category with 8% of the respondents belonging to it.

Research conducted by the International Labour Organisation (2011) on the state of youth entrepreneurship in the Free State states that the youth that was surveyed showed a “positive attitude towards entrepreneurship. More than half of young men (52.3%) and close to half young women (45.1%) state ‘have own business’ as their preferred career choice” (Kew, Turton, Herrington & Christensen, 2013: 11). This is witnessed in figure 6.1 in how the age category with the most respondents involved in SMEs is the 21-30 age category (46%) which represents the youth.

Table 6.2: Degree program completed by the respondents

DEGREE PROGRAM COMPLETED			
	FREQUENC Y	PERCENT (%)	CUMULATIVE PERCENT
Valid	2	.8	.8
Accounting	30	12.0	12.8
Marketing	31	12.4	25.2
Business Management	29	11.6	36.8
Finance	16	6.4	43.2
Human Resource Management	7	2.8	46.0
Economics	4	1.6	47.6
Engineering	4	1.6	49.2
IT/Computing	5	2.0	51.2
No Degree Program Completed	106	42.4	93.6
Graphic design	2	.8	94.4
Human Movement Science	2	.8	95.2
Interior Design	3	1.2	96.4
Mechanical engineering	2	.8	97.2
Public Admin	3	1.2	98.4
Social Sciences	2	.8	99.2
Wholesale and retail	2	.8	100.0
Total	250	100.0	

Table 6.2 displays that 42.4% of respondents had not completed a degree program. This was followed by respondents with degrees in Marketing with a percentage of 12.4% then Accounting (12%) and Business Management (11.6%). Degrees with the least completion rate were Graphic design, Human movement sciences, Mechanical engineering, Social Sciences and Wholesale and retail with a mere 0.8%.

Table 6.3: Business Size

		FREQUENCY	PERCENT (%)	CUMULATIVE PERCENT
Valid	≤ 5	0	0	0
	50-100	0	0	0
	101-200	250	100.00	100.00
	≥ 201	0	0	0
	Total	250	100.00	

The business sizes of the SMEs all belonged in the 5 to 100 employees range. As per the sample group of the study, this is correct because this was the researcher's initial targeted population.

According to Ayyagari, Beck and Demirgüç-Kunt (2007: 5) in African countries, an SME is a formal enterprise that employs less than 200 employees. This then reiterates the population and sample size of the study as all respondents that completed the questionnaire operated in SMEs with 5 to 100 employees.

Table 6.4: Business Age

		FREQUENCY	PERCENT (%)	CUMULATIVE PERCENT
Valid	0-5	55	22.0	22.0
	6-10	65	26.0	48.0
	11-15	70	28.0	76.0
	≥ 15	60	24.0	100.0
	Total	250	100.00	

Willemsse (2010) observed that the number of SME failures in the first five years is estimated to be 50%. From table 6.4 it can be seen that 28% of the SMEs included in this study have been in operation for 11 to 15 years while 26% have been in operation for 6 to 10 years. The lowest percentage was that of SMEs that have been in operation for 0 to 5 years, followed by SMEs that have been in operation for 15 years and more with 24%. It is important to note that the business ages of the SMEs are evenly spread and as such the difference regarding the number of years the SMEs have been in operation does not vary significantly.

Table 6.5: Sales Growth

		FREQUENCY	PERCENT (%)	CUMULATIVE PERCENT
Valid	Less than 0% (Decreased)	4	1.6	1.6
	0-10%	44	17.6	19.2
	11-40%	122	48.8	68.0
	41-80%	64	25.6	93.6
	≥ 81%	16	6.4	100.0
	Total	250	100.00	

SMEs with 11-40% sales growth constituted 48.8% of all the SMEs of this study. The second highest sales growth was 41-80% which was attained by 25.6% of the SMEs, followed by 0-10% sales growth attained by 17.6% of the SMEs. However, only 6.4% of SMEs attained 81% or more sales growth in the last three years.

While SMEs are the driving force of economic growth and innovation (Schelmelter *et al.*, 2010), Herrington *et al.* (2010) established that only approximately 1% of all newly established SMEs in South Africa are likely to grow. This is witnessed in how a small fraction of the SMEs (6.4%) attained the highest sales growth rate (81% or more).

Table 6.6: Asset Growth

		FREQUENCY	PERCENT (%)	CUMULATIVE PERCENT
Valid	Less than 0% (Decreased)	4	1.6	1.6
	0-10%	75	30.0	31.6
	11-40%	83	33.2	64.8
	41-80%	83	33.2	98.0
	≥ 81%	5	2.0	100.0
	Total	250	100.00	

An equal number of SMEs (33.2%) attained asset growth of 11-40% and 41-80%, followed by the 30% of SMEs that attained 0-10% asset growth. However, only 2% of SMEs attained 81% or more asset growth and of 1.6% SMEs' asset growth was less than 0% or decreased.

Table 6.7: Employment Growth

		FREQUENCY	PERCENT (%)	CUMULATIVE PERCENT
Valid	Less than 0% (Decreased)	12	4.8	4.8
	0-10%	85	34.0	38.8
	11-40%	81	32.4	71.2
	41-80%	63	25.2	96.4
	≥ 81%	9	3.6	100.0
	Total	250	100.00	

The highest percentage of SMEs (34%) had employment growth of 0-10% while the highest employment growth of 81% or more was attained by a mere 3.6% of the SMEs. of SMEs that attained less than 0% employment growth made up 4.8% of all the SMEs. Although SMEs are the leading source of job creation (Schelmelter *et al.*, 2010), the table above indicates that the total sum of employment created by SMEs does not seem to increase significantly or rapidly.

6.3.2 Descriptive statistics

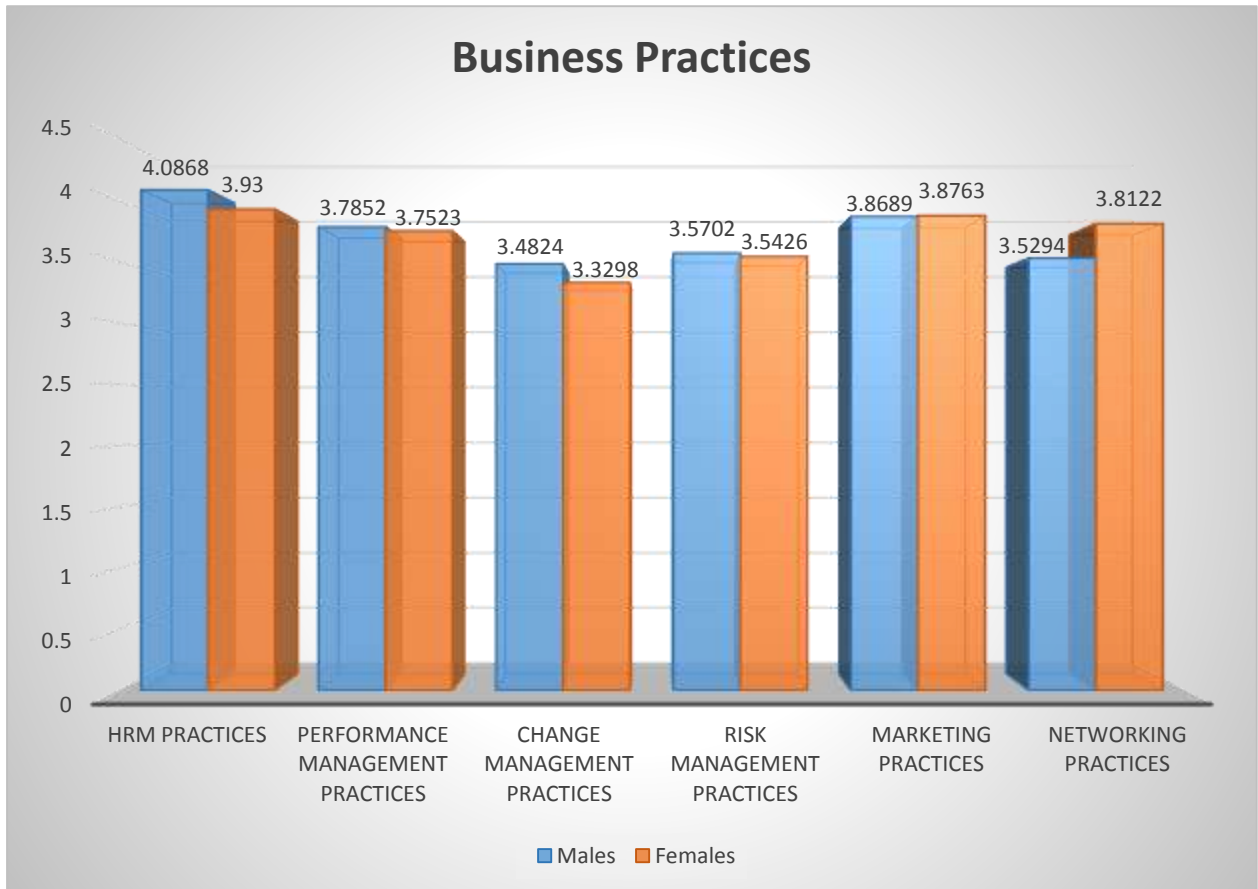


Figure 6.2: Business practices amongst males and females

Figure 6.2 displays the average mean scores of the respondents' view of the existence and implementation of various business practices in the SMEs they are operating in, to which the respondents answered according to a 1-5 Likert scale. Although the mean scores for both male and female respondents are evenly spread, the male respondents scored the higher mean scores across most of the business practices, with HRM practices (4.0868) being the highest mean score. This entailed that the male respondents scored above Neutral on the 1-5 Likert scale.

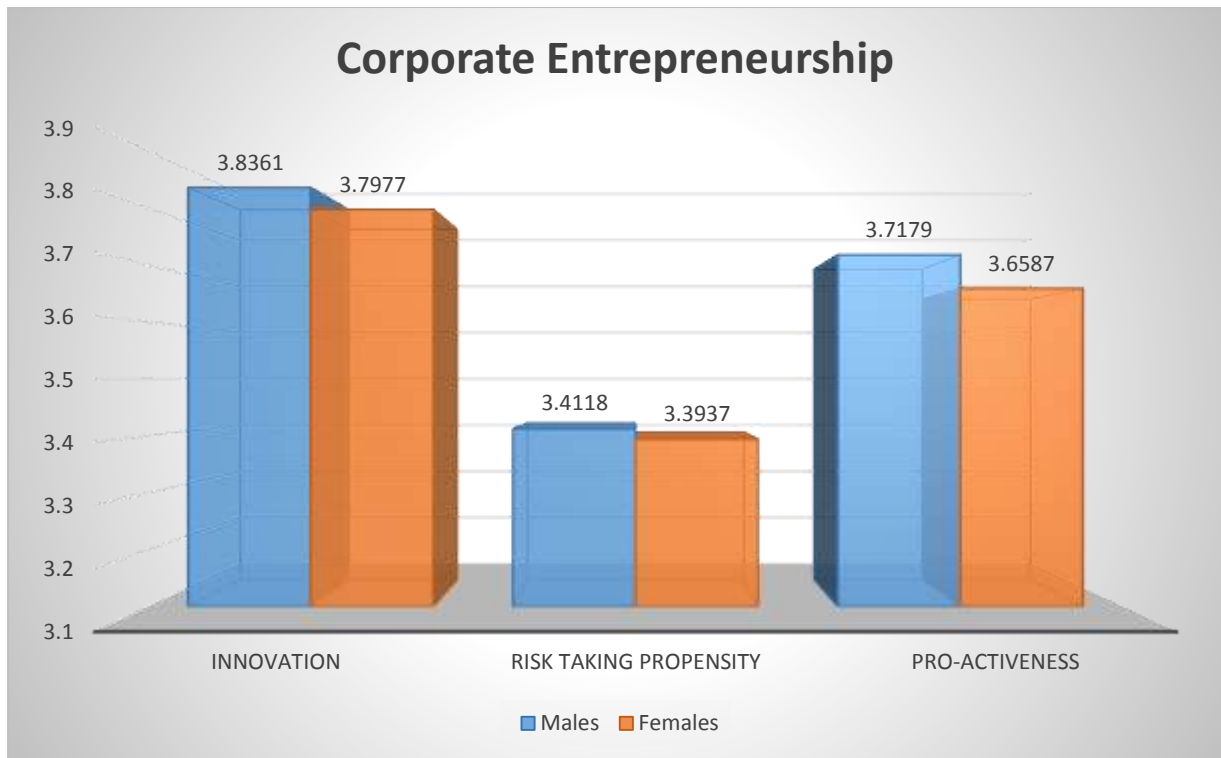


Figure 6.3: CE dimensions amongst males and females

Figure 6.3 displays the average mean scores of the respondents' general view of the dimensions of CE selected in this study. After thorough review of literature, the researcher focused on three specific dimensions of CE namely: Innovation, Risk taking propensity and Pro-activeness, to which the respondents' answers were recorded on a 1-5 Likert scale. The male respondents the highest mean scores across all three dimensions of CE namely Innovation (3.8361), Risk taking propensity (3.4118) and Pro-activeness (3.7179). Although the male respondents had the highest mean scores, neither of the respondents scored anything above Neutral on the 1-5 Likert scale.

6.3.3 Cross-tabulations and Chi-Square Tests

Table 6.8: Business age and Sales growth

Business Age * Sales Growth Cross-tabulation

		Sales Growth					Total
		Less than 0% (Decreased)	0-10%	11-40%	41-80%	≥81%	
Business Age	0-5	3	21	23	7	1	55
	6-10	0	4	31	23	7	65
	11-15	1	7	39	19	4	70
	≥15	0	12	29	15	4	60
Total		4	44	122	64	16	250

Sales growth ■

Firm age ■

Table 6.8 displays the scores of the SMEs' sales growth in relation to business age. The highest total number of respondents (122) stated that their SMEs attained 11-40% sales growth while the least total number of respondents (4) stated that their SMEs attained less than 0% (decreased) sales growth. The highest sales growth of 81% or more was said by the most respondents (7) to have been attained by SMEs in operation for 6 to 10 years. The least sales growth of less than 0% (decreased) was said by the most respondents (3) to have been attained by SMEs in operation for 0 to 5 years.

Table 6.9: Chi-Square Test (Business age and Sales growth)

Chi-Square Tests

	Value	Df	Asymptotic Significance (2-sided)
Pearson Chi-Square	38.810 ^a	12	.000
Likelihood Ratio	38.465	12	.000
Linear-by-Linear Association	5.544	1	0.019
N of Valid Cases	250		

a. 8 cells (40.0%) have expected count less than 5. The minimum expected count is .88.

Table 6.9 displays the relationship between the business age and sales growth of the SMEs. The general standard used for the p-value (significant value) used in this study is 0.05. As such, the p-value in Table 6.9 is .000 which entails that there is less than a 1% chance that the relationship between business age and sales growth transpired by chance. As such it is concluded that a relationship exists between the business age and sales growth of the SMEs.

Table 6.10: Business age and Asset growth

Business Age * Asset Growth Cross-tabulation

		Asset Growth					Total
		Less than 0% (Decreased)	0-10%	11-40%	41-80%	≥81%	
Business Age	0-5	3	27	14	11	0	55
	10-Jun	0	8	32	22	3	65
	15-Nov	1	20	19	30	0	70
	≥15	0	20	18	20	2	60
	Total	4	75	83	83	5	250

Table 6.10 displays the SMEs' business age in relation to asset growth. The highest number of respondents (83) stated that their SMEs had attained 11-40% and 41-80% asset growth. The least number of respondents (4) stated that their SMEs had attained less than 0% (decreased) asset growth. The most number of respondents (3) whose SMEs had attained the most asset growth (81% or more) came from SMEs that had been in operation for 6 to 10 years while the most number of respondents (3) whose SMEs had attained the least asset growth (less than 0%/ decreased) came from SMEs that had been in operation for 0 to 5 years.

Table 6.11: Chi-Square Test (Business age and Asset growth)

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	37.955a	12	0
Likelihood Ratio	40.444	12	0
Linear-by-Linear Association	4.679	1	0.031
N of Valid Cases	250		

a. 8 cells (40.0%) have expected count less than 5. The minimum expected count is .88.

Table 6.11 displays the relationship between the SMEs' business age and asset growth. The p-value from the Chi-Square Test table is .000 which entails that there is less than a 1% chance that the relationship between business age and sales growth transpired by chance. As such it is concluded that a relationship exists between the business age and asset growth.

Table 6.12: Business age and Employment growth

Business Age * Employment Growth Crosstabulation							
		Employment Growth					Total
		Less than 0% (Decreased)	0-10%	11-40%	41-80%	≥81%	
Business Age	0-5	6	20	19	10	0	55
	10-Jun	1	25	19	17	3	65
	15-Nov	3	18	34	13	2	70
	≥15	2	22	9	23	4	60
	Total	12	85	81	63	9	250

Employment growth ■
 Firm age ■

Table 6.12 represents the employment growth of the SMEs in relation to the number of years of operation, referred to as business age. The highest total number of

respondents (85) stated that their SMEs attained 0-10% employment growth while the least total number of respondents (9) stated that their SMEs attained 81% or more employment growth. Only twelve respondents stated that their SMEs attained less than 0% employment growth. The highest employment growth of 81% or more was attained by SMEs in operation for 15 or more years (4 respondents). The least employment growth of less than 0% (decreased) was said attained by SMEs in operation for 0 to 5 years (6 respondents).

Table 6.13: Chi-Square Test (Business age and Employment growth)

Chi-Square Tests			
	Value	df	Asymptotic Significance (2-sided)
Pearson Chi-Square	29.837a	12	0.003
Likelihood Ratio	31.343	12	0.002
Linear-by-Linear Association	5.995	1	0.014
N of Valid Cases	250		

a. 8 cells (40.0%) have expected count less than 5. The minimum expected count is 1.98.

Table 6.13 displays the relationship between the SMEs' business age and asset growth. The p-value from the Chi-Square Test table is .003 which entails that there is less than a 1% chance that the relationship between business age and sales growth transpired by chance. As such it is concluded that a relationship exists between the business age and employment growth.

In conclusion, it can be said that a significant relationship exists between business age and the overall determinants of business growth namely sales growth, asset growth and employment growth as the significant value of each business growth determinant did not occur by chance.

6.3.4 ANOVA

Table 6.14: Business practices and Business age

ANOVA

Business Practices

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	202.022	3	67.341	6.232	.000
Within Groups	2614.821	242	10.805		
Total	2816.843	245			

Table 6.14 above displays the results attained from the one way ANOVA test which is used to determine whether there are any significant differences between the means of three or more independent (unrelated) groups. Between all the business ages, the perception scores of the business practices differ statistically significantly with p-value of .000, which is less than the standard of 0.05.

Table 6.15: Business practices and Business age

Multiple Comparisons

(I) Business Age	(J) Business Age	Mean Difference (I-J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
0-5	10-Jun	-1.74919*	0.61268	0.024	-3.3342	-0.1642
	15-Nov	0.66111	0.59852	0.687	-0.8872	2.2095
	≥15	-0.22526	0.61964	0.984	-1.8282	1.3777
10-Jun	0-5	1.74919*	0.61268	0.024	0.1642	3.3342
	15-Nov	2.41030*	0.57085	.000	0.9335	3.8871
	≥15	1.52393	0.59295	0.052	-0.01	3.0579
15-Nov	0-5	-0.66111	0.59852	0.687	-2.2095	0.8872
	10-Jun	-2.41030*	0.57085	.000	-3.8871	-0.9335
	≥15	-0.88637	0.57831	0.42	-2.3824	0.6097
≥15	0-5	0.22526	0.61964	0.984	-1.3777	1.8282
	10-Jun	-1.52393	0.59295	0.052	-3.0579	0.01
	15-Nov	0.88637	0.57831	0.42	-0.6097	2.3824

*. The mean difference is significant at the 0.05 level.

Table 6.15 displays the results from the Tukey test, which proposes to determine which groups in the sample differ. The Tukey test was conducted in relation to the business practices of SMEs that have been in operation for various number of years, also referred to as the various business age categories. A statistical significant difference exists between businesses that have been in operation for 6 to 10 years and businesses that have been in operation for 0 to 5 years as the p-value is .024. The p-value for businesses that have been in operation for 11 to 15 years in comparison to businesses that have been in operation for 6 to 10 years is .000 which is interpreted as there being a statistical significant difference regarding their business practices.

Table 6.16: Corporate Entrepreneurship (CE) and Business age

ANOVA

Corporate Entrepreneurship

	Sum of Squares	df	Mean Square	F	Sig.
Between Groups	90.515	3	30.172	5.841	0.001
Within Groups	1255.135	243	5.165		
Total	1345.65	246			

Table 6.16 displays the results attained from the one way ANOVA test. From the respondents of the SMEs of various business ages, a significant value (.001) regarding CE, which can be interpreted as there is being real difference between the respondents of SMEs of various business ages and CE was recorded.

Table 6.17: Tukey HSD Test (Corporate Entrepreneurship [CE] and Business age)

Multiple Comparisons

Tukey HSD

(I) Business Age	(J) Business Age	Mean Difference (I- J)	Std. Error	Sig.	95% Confidence Interval	
					Lower Bound	Upper Bound
0-5	6-10	-0.75758	0.41638	0.267	-1.8347	0.3196
	11-15	0.82252	0.41353	0.195	-0.2472	1.8923
	≥15	0.45274	0.42426	0.71	-0.6448	1.5503
6-10	0-5	0.75758	0.41638	0.267	-0.3196	1.8347
	11-15	1.58010*	0.39567	0.000	0.5565	2.6037
	≥15	1.21032*	0.40688	0.017	0.1578	2.2629
11-15	0-5	-0.82252	0.41353	0.195	-1.8923	0.2472
	6-10	-1.58010*	0.39567	0.000	-2.6037	-0.5565
	≥15	-0.36978	0.40395	0.797	-1.4148	0.6752
≥15	0-5	-0.45274	0.42426	0.71	-1.5503	0.6448
	6-10	-1.21032*	0.40688	0.017	-2.2629	-0.1578
	11-15	0.36978	0.40395	0.797	-0.6752	1.4148

*. The mean difference is significant at the 0.05 level.

Table 6.17 displays the results from the Tukey test conducted in relation to the CE of SMEs that have been in operation for various number of years, also referred to as the various business age categories. A statistical significant difference exists between businesses that have been in operation for 6 to 10 years and businesses that have been in operation for 11 to 15 years as the p-value is .000. The p-value for firms that have been in operation for 6 to 10 years in comparison to businesses that have been in operation for 15 or more years is .017 which is interpreted as there being a statistical significant difference between the respondents regarding their views of CE.

6.3.5 Correlations

Table 6.18: Business practices and CE

		Correlations	
		Business Practices	CE
Business Practices	Pearson Correlation	1	.696**
	Sig. (2-tailed)		0
	N	246	243
CE	Pearson Correlation	.696**	1
	Sig. (2-tailed)	0	
	N	243	247

** . Correlation is significant at the 0.01 level (2-tailed).

Table 6.18 displays the test that was conducted on the association between the business practices and the CE of SMEs and the respondents. The Pearson correlation displays that there is a medium to strong association between the respondents' view of business practices and CE. Furthermore, this entails that the respondents are more inclined to implement business practices in collaboration with CE. The significant value is .000 which entails that there is less than 1% that the association happened by chance.

6.3.6 Regression

Table 6.19: Risk taking propensity

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.545 ^a	0.297	0.294	0.61838

a. Predictors: (Constant), Risk Management Practices

Table 6.19 displays the results of the Linear Regression test conducted on Risk taking propensity and Risk management practices. The results state that 29.4% (.294) of Risk taking propensity is explained by Risk management practices, which entails that the remaining 70.6% (.706) is explained by other factors.

Table 6.20: Linear Regression (Risk taking propensity)

Coefficients

Model	Unstandardized Coefficients		Standardized Coefficients	t	Sig.
	B	Std. Error	Beta		
1 (Constant)	1.526	0.188		8.123	0
1 Risk Management Practices	0.524	0.052	0.545	10.15	0

a. Dependent Variable: Risk Taking Propensity

Table 6.20 displays the relationship strength between Risk taking propensity and Risk management practices to be a medium to strong one with a value of 54.5% (0.545) which is significant at the value of .000.

Table 6.21: Business practices and Innovation, Risk taking propensity and Pro-activeness

Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate
1	.645 ^a	0.416	0.414	2.6091
2	.709 ^b	0.503	0.499	2.4129
3	.809 ^c	0.654	0.65	2.01711

a. Predictors: (Constant), Innovation

b. Predictors: (Constant), Innovation, Risk Taking Propensity

c. Predictors: (Constant), Innovation, Risk Taking Propensity , Pro-activeness

Table 6.21 demonstrates the results of the Multiple Regression test conducted on Business practices and the three dimensions of CE, namely: Innovation, Risk taking propensity and Pro-activeness. The results display that from all three models, the third model which encompasses Innovation, Risk taking propensity and Pro-activeness has a stronger explanatory power of 65% (.065) regarding Business practices. This is witnessed in the significant differences between the Adjusted R Square values of all three models.

Table 6.22: Multiple Regression (Business practices and Innovation, Risk taking propensity and Pro-activeness)

. Model		Coefficients			t	Sig.
		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta		
1	(Constant)	11.254	0.865		13.011	0
	Innovation	2.552	0.195	0.645	13.113	0
2	(Constant)	9.448	0.847		11.151	0
	Innovation	1.604	0.232	0.405	6.906	0
	Risk Taking Propensity	1.75	0.271	0.38	6.464	0
3	(Constant)	6.484	0.765		8.471	0
	Innovation	0.484	0.223	0.122	2.173	0.031
	Risk Taking Propensity	0.709	0.248	0.154	2.856	0.005
	Pro-activeness	3.096	0.303	0.602	10.219	0.000

Table 6.22 shows that for every one increase in Innovation, Business practices increase by 0.484 with a significant value of .031; for every one increase in Risk taking propensity, Business practices increase by 0.709 with a significant value of .005 and for every one increase in Pro-activeness, Business practices increase by 3.096 with a significant value of .000.

6.4 SUMMARY OF IMPORTANT FINDINGS

In achieving the purpose of this study, which is determining the business practices that can enhance the growth of SMEs, certain growth measurements were used, namely: Sales growth, Asset growth and Employment growth. According to Table 6.9 (page 85): Chi-Square Test (Business age and Sales growth), Table 6.11 (page. 87): Chi-Square Test (Business age and Asset growth) and Table 6.13: Chi-Square Test (page 88) (Business age and Employment growth) a relationship, which was not by chance, exists between business practices and Asset growth, Sales growth and Employment growth.

The study further purposed to determine which CE dimensions can be implemented in SMEs together with business practices to achieve optimal growth results. The findings for this objective are recorded in Table 6.18 (page 80): Business practices and CE and Table 6.22 Multiple Regression (page 83) (Business practices and Innovation, Risk taking propensity and Pro-activeness) where the Pearson correlation displays that there is a medium to strong association between the respondents' view of business practices and CE and that the Multiple regression reiterates that this association did not occur by chance.

6.5 CHAPTER SUMMARY

This chapter aimed to give a thorough report on the findings by means of data analysis. The various sections of the questionnaire that was distributed to the respondents of various SMEs were tested against each other. These sections include demographic data, business size, business age, business growth (Sales growth, Asset growth and Employment growth), business practices (HRM practices, Performance Management Practices, Change Management Practices, Risk Management Practices, Marketing Practices and Networking Practices) and dimensions of CE (Innovation, Risk taking propensity and Pro-activeness).

Furthermore the sections were tested to ensure that the intended objectives of the study are met. The following chapter will focus on providing conclusions on the main findings and data analysis and recommendations for further research in the field.

CHAPTER SEVEN

CONCLUSIONS AND RECOMMENDATIONS

7.1 INTRODUCTION

This study purposed to determine the business practices can that will lead to enhanced SME growth. Moreover, the effect of the collective implementation of these business practices and corporate entrepreneurship (CE) and whether or not this can further enhance the growth of SMEs was investigated. Empirically, questionnaires were distributed to respondents as a means to evaluate the implementation of business practices in SMEs. The previous chapter, Chapter 6, reported on the findings of the data collected and the analysis thereof. This chapter, Chapter 7, addresses the achievement of the primary objective as well as the secondary objectives, where-after the recommendations and conclusions regarding this study is presented. This chapter will, therefore, build on the results found in Chapter 6 and offer accompanying conclusions and recommendations.

7.2 RESULTS AND CONCLUSIONS FROM SECONDARY OBJECTIVES

A brief discussion of the results and conclusions of the secondary objectives will be outlined in the sections below.

As the primary objective is the core of this entire study, it will therefore be reported on after the secondary objectives so as to adequately summarise the entire purpose of this study as well as place immense emphasis on the achievement of the primary objective.

7.2.1 Evaluate prior studies on business practices

In order to discuss this secondary objective, the existing literature was studied to determine exactly what the term business practices entailed and what the different types of business practices were, particularly in SMEs.

For the purpose of this study business practices are defined as “the methods, processes, generally accepted techniques and standards used by a business in the pursuit of objectives to accomplish a set of outlined tasks” (Neneh *et al.*, 2012: 119). After the completion of the literature study, this thesis focused on six types of business practices, namely: HRM practices, Performance Management practices, Change Management practices, Risk Management practices, Marketing practices and Networking practices. From the available theory, it is concluded that the implementation of these six business practices can enhance the growth of SMEs. Three determinants of business growth, namely: Sales growth, Asset growth and Employment growth were used in order to evaluate the holistic growth of the SMEs. This was addressed in Tables 6.5 Page 69 (Sales growth), 6.6 Page 70 (Asset growth) and 6.7 Page 70 (Employment growth) where a cross tabulation test was conducted regarding these determinants of business growth and business age. These results prove that 32% of SMEs attained 40% and more Sales growth over a three year period, while 35% of SMEs attained 40% and more Asset growth and 29% of SMEs attained 40% and more Employment growth. Therefore, it is concluded that, although not significant, a fair number of SMEs attained overall business growth. This is in fact reiterated by the fact that 1.6% of the SMEs included in this study belonged in the Less than 0% (Decreased) category regarding Sales growth and Asset growth and 4.8% of SMEs belonged in the Less than 0% (Decreased) regarding Employment growth.

7.2.2 Asses theoretical studies on SME growth in South Africa

SME growth contributes to the success of every economy as it creates employment opportunities in society. However, Neneh *et al.* (2013) established that only a small fragment of SMEs in South Africa display significant growth potential and make a contribution to the creation of jobs; thus the majority of SMEs are unable to attain business growth. Hence, Machirori (2012) states that SMEs in South Africa perform weak and suffer from high failure rates. This is further confirmed by Herrington *et al.* (2010) who stated that only 1 percent of all newly established SMEs in South Africa are likely to grow and survive beyond the first year. Moreover, coupled with the fact that SMEs in South Africa do not grow, Willemse (2010) reports that the number of

SMEs in South Africa that fail in their fifth year varies between 50 percent and 95 percent and about 75 percent of new SMEs do not become established businesses.

The findings from the data collection process recorded in tables 6.5 page 69 (Sales growth), 6.6 page 70 (Asset growth) and 6.7 page 70 (Employment growth) display the growth of SMEs over a period of three years. From these findings, it can be deduced that on average most SMEs attained 11-40% overall growth. The number of SMEs that attained 80% or more overall growth exceeded the number of SMEs that attained less than 0% or decreased. Thus it is argued that, SMEs in South Africa are growing in respect to sales, assets and employment levels, although not rapidly.

7.2.3 Review theoretical studies on Corporate Entrepreneurship (CE)

Miller (1983) defined CE as “the activities that an organisation undertakes to enhance its product-innovation, risk-taking, and proactive response to environmental forces.” Zahra *et al.* (2000: 947) view CE as the sum of a company's venturing and innovation activities that assist the business in acquiring new capabilities, improving its performance, entering into new business and developing new revenue streams in both domestic and foreign markets. Castrogiovanni *et al.* (2011: 3) expanded on the definition by stating that CE is a process that takes place within an existing organisation and focuses on the development of particular behaviour that digresses from the traditional way of conducting business.

7.2.4 Determine in which business practices SMEs engage

As businesses vary, so do their practices they implement, however scholars have placed emphasis on particular business practices. Neneh and van Zyl (2012) state that marketing practices, strategic planning practices, human resource management practices, risk management practices, performance management practices and teamwork practices all have a positive influence on SMEs performance. Moreover, a combination of these business practices enhance SMEs performance, consequently SMEs are enabled to attain optimal business performance. Raderbauer (2011) emphasised that the implementation of sustainable business practices correlated with

strategic planning as means to enhance business growth. The relationship between business practices and business growth is well documented (Vlachos, 2009). Furthermore, Vlachos (2009) stated that overwhelming evidence suggests that business growth is driven by the specialisation and division of labour in the processes of opportunities development, which is an integral part of the human resources practices. As such, it is vital for SMEs to implement the best suited business practices in order to accomplish the desired business growth.

The mean scores of male and female SME respondents with regard to these business practices are recorded in Figure 6.2: Business practices amongst males and females, Page 71. The findings display that, in general, the male respondents scored higher mean scores than the female respondents, particularly in relation to the Human Resource Management practices where the mean score was 4.0868 as opposed to 3.9300. However, in general all respondents scored mean scores of Neutral as per the 1 to 5 Likert scale.

7.2.5 Determine the determinants of SMEs growth

Furthermore, this study purposed to determine SME growth through measuring three aspects of a business, namely: Sales growth, Asset growth and Employment growth.

Sales growth refers to the increase in the number of activities specifically formulated to stimulate customer purchase of a particular product or service. A study conducted by Collins and Clark (2003) suggests that a positive relationship exists between business practices and business growth, particularly sales growth. Asset growth is the escalation of resources controlled by a business from which future economic benefits are expected (Clark & Brown, 2013: 2). Enhancing asset growth poses numerous benefits for SMEs; one of which is the fact that businesses with comparatively higher asset growth are associated with moderately lower risk (Lipson *et al.*, 2009: 1), and as such it is important that SMEs place emphasis on enhancing their asset growth. The upsurge in the number of persons who work for financial return or other compensation (Muhl, 2002: 3) in a business refers to employment growth. Employment growth is a key indicator of labour market performance. The Business Employment Dynamics

(BED) data show that SMEs account for two-thirds of jobs created (Dalton *et al.*, 2011: 3).

7.2.6 Determine which CE dimensions SMEs engage in

Studies on the dimensions of CE have identified various dimensions of CE to include:

- innovativeness, risk propensity, pro-activeness, corporate venturing and self-renewal (Saly, 2001).
- new business venturing, innovativeness, self-renewal and pro-activeness (Zehir & Eren, 2007).
- innovation, venturing and strategic renewal (Zhang *et al.*, 2008)
- strong risk-taking propensity and innovation (Covin *et al.*, 1991).
- pro-activeness, innovation and risk taking propensity (Sebora *et al.*, 2009).

However, for the purpose of this study emphasis was placed on the following dimensions of CE: innovation, risk taking propensity and pro-activeness. The data findings displayed in Figure 6.3: CE dimensions amongst males and females Page 72 outline mean scores of the male and female SME respondents to these three dimensions of CE. Overall both male and female respondents scored Neutral scores as per the 1 to 5 Likert scale, which is below Agree but above Disagree.

7.2.7 Determine which key business practices can enhance CE

After an extensive literature review, six business practices were selected due to the fact they have received a noteworthy level of recognition by prior literature with respect to business growth (Premaratne, 2002; Hoyt *et al.*, 2006; Jarventaus, 2007; Aguinis, 2007; Andres *et al.*, 2009). These business practices included HRM practices, Performance Management practices, Change Management practices, Risk Management practices, Marketing practices and Networking practices. The implementation of Human Resource Management practices leads to increased entrepreneurial behaviour (Dizgah *et al.*, 2011: 494) while Performance Management practices result in an increase in innovation and creativity (Saunila, 2014: 12). Change Management practices encourage employees to contribute to the future of the business more effectively (Susman *et al.*, 2006: 3) whereas Risk Management

practices assist in reducing and mitigating risks (Hellmuth *et al.*, 2011). The implementation of Marketing practices leads to a significant increase in the market share for the business (Vlachos, 2009: 24) while Networking practices allows the business to gain access to a variety of resources which they do not possess (Machirori, 2012; Zain *et al.*, 2006: 184; Watson, 2007: 852). The collective implementation of these best business practices in SMEs can therefore help increase the level of innovation, creativity and entrepreneurial behaviour (Dizgah *et al.*, 2011: 494), which in essence refers to CE.

Table 6.18 (page 80): Business practices and CE displays the data findings regarding the relationship between Business practices and CE. The results show a medium to strong relationship between Business practices and CE and that the respondents are more inclined to implement all six business practices in collaboration with CE so as to attain optimal results.

7.2.8 Establish a conceptual framework showing the relationship between business practices and Corporate Entrepreneurship (CE) as initiatives to enhance SMEs growth

A depiction of the conceptual framework formulated to display the link between business practices and CE in relation to the growth of SMEs is shown in Figure 7.1: Conceptual Framework linking Business Practices and Corporate Entrepreneurship (CE) to SME growth Page 91.

Figure 7.1 (page 91): Conceptual Framework linking Business Practices and Corporate Entrepreneurship (CE) to SME growth is based on the assumption that the collaborative implementation of Business practices (Human Resources Management practices, Performance Management practices, Change Management practices, Risk Management practices, Marketing practices and Networking practices) and CE (Innovation, Risk taking propensity and Pro-activeness) can enhance SME growth (Sales growth, Asset growth and Employment growth). Furthermore, Figure 7.1 (page 91): Conceptual Framework linking Business Practices and Corporate Entrepreneurship (CE) to SME growth demonstrates the actual nexus between

business practices and CE which links the key dependent (CE) and independent variables (business practices) for this research study.

An extended literature review on this topic, of business practices and CE, proved that a relationship exists between the two variables and more so, the variables prove to be positively correlated (Mustafa *et al.*, 2013: 17) and intertwined. This is further reiterated by the data findings recorded in Table 6.18 (page 80): Business practices and CE which display the relationship between business practices and CE to be a medium to strong one with less than 1% of that the relationship happened by chance. Furthermore, Figure 7.1 (page 91): Conceptual Framework linking Business Practices and Corporate Entrepreneurship (CE) to SME growth displays the relationship between specific business practices and CE dimensions, namely: risk management practices and risk taking propensity; performance management practices and proactiveness; and marketing practices and innovation, thus reiterating the need for SMEs to implement these business practices and CE dimensions to attain optimal growth.

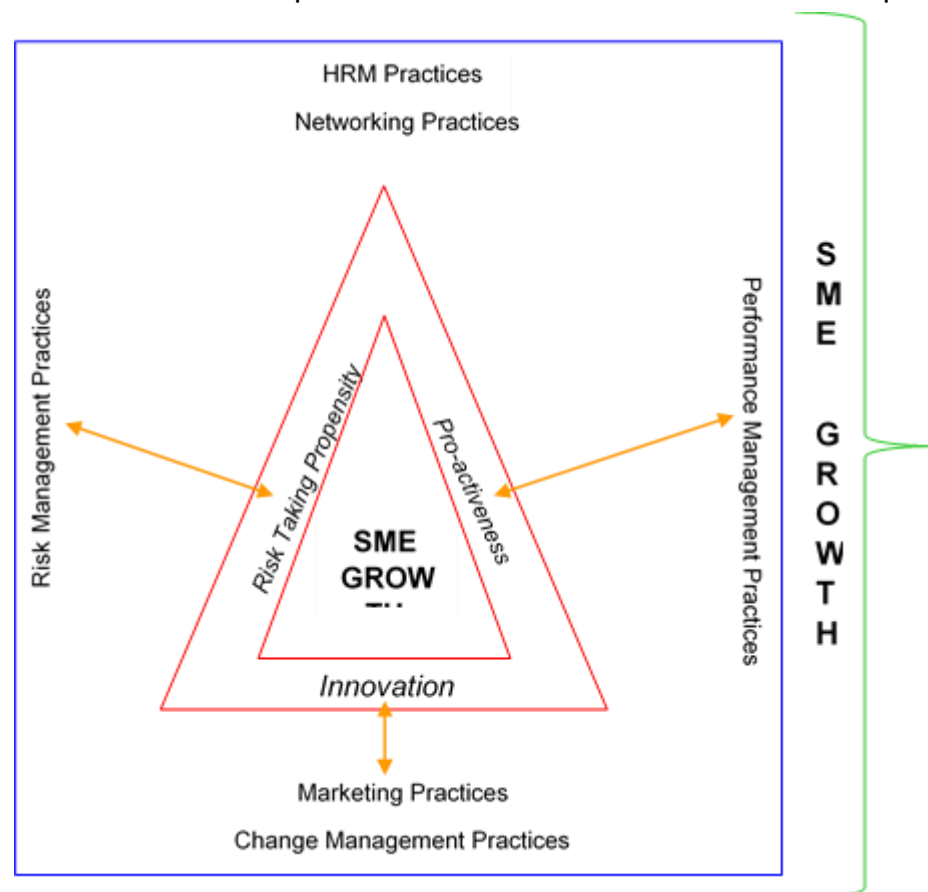


Figure 7.1: Conceptual Framework linking Business Practices and Corporate Entrepreneurship (CE) to SME growth

7.3 ACHIEVEMENT OF PRIMARY OBJECTIVE

The primary objective of the study was to determine which business practices can enhance SME growth in the Kimberley, Northern Cape area. Literature (Dizgah *et al.*, 2011: 494) argues that the implementation of best business practices in SMEs can help increase the level of innovation, creativity and entrepreneurial behaviour, which in essence refers to CE. Similarly, the correct implementation of CE contributes positively to the effective engagement in business practices in SMEs. This is due to the fact that CE allows employees to have an improved understanding of the holistic objectives of the business, thus helping achieve the desired outcomes efficiently. The literature provided in Chapter 2 (Business Practices) and Chapter 3 (Corporate Entrepreneurship) prove that the two concepts investigated in these chapters are not the same, however they both lead to the same outcome namely: enhanced business growth.

7.4 RECOMMENDATIONS

Educational institutions

Entrepreneurial education and training is a concept that has grown rapidly in the past few years as a result of high SME failure rates. The purpose of entrepreneurial education and training is to provide students with the correct knowledge, skills and motivation to encourage entrepreneurial success. As a means to decrease entrepreneurial failure and enhance the growth of SMEs, it is recommended that, in their curriculum, educational institutions not only train on business practices. Rather, educational institutions should also incorporate the implementation of CE and its dimensions in the business operations as prior studies have identified CE as a viable means to attain optimal business growth (Bojica *et al.*, 2012; Armesh *et al.*, 2013; Kahara-kawaki, 2011, Olughor, 2014). By including CE in their curriculum, entrepreneurship students will become well versed in the subject of CE, its dimensions and how to implement it concurrently with business practices so as to achieve enhanced SME growth. As a result, these entrepreneurship students will be able go on to be successful entrepreneurs who operate businesses that attain optimal growth results.

Knowledge about CE as a business growth enhancer

Prior studies and the literature in this study have proven that CE is a viable means to enhance SME growth. As such, it is important for both aspiring and practicing SME owners and managers to equip themselves with adequate knowledge regarding CE, its dimensions and its ability to enhance the growth of a business. Being well versed in the subject of CE will allow SME owners and managers to be acquainted with the benefits of implementing CE in a business and in turn allow them to capitalise fully on these benefits. In addition, SME owners and managers should also equip themselves with the necessary skills needed to effectively implement CE so as to ensure it yields optimal results.

Identify and counter weaknesses in SME

Prior studies together with literature conducted in this study have proven the importance of implementing CE in SMEs as a means to improve business profitability, cope with the entrepreneurial challenges, sustain business' competitive advantage, nurture entrepreneurial activity and ultimately enhance business growth. However, it is also evident that a great percentage of SMEs do not currently implement CE and its dimensions in their daily business operations. Thus, it is important for SME owners and managers to identify areas in the businesses in which CE and its dimensions are not being implemented and in turn take corrective steps regarding putting together a team that can effectively implement CE and its dimensions and assist the business in enhancing its overall growth.

Entrepreneurs' skills set to start and grow businesses

Prior to establishing SMEs, it is of paramount importance that entrepreneurs understand the importance and components of business practices and CE. Thereafter entrepreneurs should spend a significant amount of time investing in their entrepreneurial education and training as well as acquiring all the necessary skills set required to effectively establish and operate an SME successfully. By investing in their entrepreneurial education, entrepreneurs ensure that they are well equipped to establish successful businesses while making a great contribution to the wealth of the business' human capital. This contribution to human capital in turn helps ensure the high quality of the business' performance as well as the business' growth while assisting in decreasing the high failure rates of SMEs in South Africa.

Conceptual framework

Figure 7.1 (page 91) displays a graphic explanation of the core of this study. This Figure 7.1 (page 91) displays a broad spectrum of the implementation of business practices enhances business growth and how on a broader spectrum the additional implementation of CE dimensions also enhances business growth. However the amalgamation of both business practices and CE dimensions not only enhances growth but allows the business to attain optimal growth.

7.5 AREA FOR FURTHER RESEARCH

Inclusion of other Business practices and CE dimensions

This study placed emphasis on six particular business practices (HRM Practices, Performance Management Practices, Change Management Practices, Risk Management Practices, Marketing Practices and Networking Practices) and three particular CE (Innovation, Risk taking propensity and Pro-activeness) as a means to enhance SME growth. However, it is highly recommended that further research be conducted on more business practices and CE dimensions and how the collective implementation of them can further help SMEs attain optimal results and in turn enhance their business growth.

7.6 CHAPTER SUMMARY

This chapter examined the results and conclusions from the secondary objectives, the achievement of the primary objective, recommendations and the areas for further research with respect to the collaborative implementation of business practices and CE dimensions to enhance SME growth. Section 7.1 introduced the chapter, while Section 7.2 discussed the findings of the secondary objectives as per Chapter 6, where the achievement of the study was measured against the research objectives formulated in Chapter 1. On the basis of the achievement of the secondary objectives, it can be concluded that the primary objective of the entire study was also achieved and this is discussed in Section 7.3. The recommendations for SME owners and managers as well as educational institutions that offer entrepreneurial education and training were highlighted in Section 7.4. In Section 7.5 the researcher outlines further areas of research with regards to investigating more business practices and CE

dimensions that SME owners and managers can implement in an effort to enhance business growth in South Africa.

7.7 CONCLUSION TO THE STUDY

This study purposed to determine which business practices can enhance SME growth in the South African context. Through the review of literature and prior studies, the researcher identified predominant business practices that South African SMEs engage in, namely: HRM practices, Performance Management practices, Change Management practices, Risk Management practices, Marketing practices and Networking practices. These business practices proved to play a significant role in the positive performance of SMEs; however they did not address the staggering failure rates of SMEs. It is as a result of these staggering SME failure rates that the researcher looked to Corporate Entrepreneurship (CE). Prior studies observed CE as a viable means to enhance the growth of SMEs (Bojica *et al.*, 2012; Armesh *et al.*, 2013; Kahara-kawaki, 2011, Olughor, 2014). Moreover, the data collected by the researcher demonstrated that the implementation of CE and its dimensions (Innovation, Risk taking propensity and Pro-activeness) is a feasible means that SME owners and managers can use to enhance business growth. However, further research substantiated that the synchronised implementation of business practices and CE leads to enhanced SME growth as well as the decrease in SME failure rates. As such, SME owners and managers ought to select business practices that are best suited for their businesses and implement them in unison with CE and its dimensions to achieve optimal growth results.

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APPENDIX 1

QUESTIONNAIRE

BUSINESS PRACTICES AS AN IMPLICATION FOR SMEs GROWTH

In a highly turbulent and dynamic economic environment, Small and Medium Enterprises (SMEs) are faced with a rapidly changing and fast-paced competitive environment. As such, business practices have been suggested as a feasible means to cope with these challenges. Business practices are defined as “the methods, processes, generally accepted techniques and standards used by a business in the pursuit of objectives to accomplish a set of outlined tasks.” It is with this that this study purposes to identify which business practices can assist SME owners and managers to enhance business growth.

Please note that this questionnaire is anonymous therefore all the information will be kept confidential.

DEMOGRAPHICS

1. **Gender: Please indicate by marking an X.**

Male	1
Female	2

2. **Age group: Please indicate by marking an X.**

≤ 20	1
21 – 30	2
31 – 40	3
41 – 50	4
≥ 50	5

3. What type of degree program did you complete? Please indicate by marking an X.

Accounting	1
Marketing	2
Business Management	3
Finance	4
Human Resource Management	5
Economics	6
Engineering	7
IT/Computing	8
No degree program completed	9
If other, specify: _____ _____	

4. What is the size of the company (business size)?

Micro (less than 5 employees)	1
Small (5 to 100 employees)	2
Medium (101 to 200 employees)	3
Large (201 or more employees)	4

5. How long has the company been operational (business age)?

0 – 5 years	1
6 – 10 years	2
11 – 15 years	3
15 years or more	4

GROWTH

6. To what extent has the sales growth changed over a (3) year period?

Less than 0% (decreased)	1
0 – 10%	2
11 – 40%	3
41 – 80%	4
81% or more	5

7. To what extent has the Asset Growth increased compared to competitors over a three (3) year period?

Less than 0% (decreased)	1
0 – 10%	2
11 – 40%	3
41 – 80%	4
81% or more	5

8. To what extent has the Employment Growth increased compared to competitors over a three (3) year period?

Less than 0% (decreased)	1
0 – 10%	2
11 – 40%	3
41 – 80%	4
81% or more	5

BUSINESS PRACTICES

To what extent do you agree with the statements? Please indicate by marking an X.

Human Resources Management (HRM) Practices						
(A set of distinct but interrelated activities, functions and processes that are directed at attracting, developing and maintaining (or disposing of) a business' human resources)						
No.	Question	(1) Strongly Disagree	(2) Disagree	(3) Neutral	(4) Agree	(5) Strongly Agree
9.	The business implements HRM practices					
10.	HRM practices motivate employees to work harder					
11.	HRM practices increase the quality of the business' human capital					
12.	HRM practices build the intellectual capital of the business					
13.	HRM practices lead to added business value creation					
14.	HRM practices enhance the development of the business' capabilities					

15. How are HRM practices implemented in the business?

Performance Management (PMM) Practices						
(A continuous process of identifying, measuring and developing the performance of individuals)						
No.	Question	(1) Strongly Disagree	(2) Disagree	(3) Neutral	(4) Agree	(5) Strongly Agree
16.	The business implements PM practices					
17.	The business has Key Performance Indicators (KPIs)					
18.	The business frequently evaluates the performance of employees					
19.	The business rewards and incentivizes employees that perform well					
20.	PM practices motivate employees to work harder					
21.	The business' PM practices stimulate a collective approach that has a direct impact on the business' outcomes, individual performance and development					
22.	The business' PM system assists in creating a culture of high performance and increased business growth					
23.	The business' PM practices offer evidence to determine the achievement of anticipated results					
24.	The business' PM practices serve as a worthy base for feedback to business owners and managers and assists employees to proficiently monitor their strengths and weaknesses					

25. How are PM practices implemented by the business?

Change Management (CM) Practices						
(A systematic approach designed to manage change, from both the business' and the individual's perspective)						
No.	Question	(1) Strongly Disagree	(2) Disagree	(3) Neutral	(4) Agree	(5) Strongly Agree
26.	The business effectively implements CM practices					
27.	The business embraces changes that comes as a result of external factors					
28.	The business encourages change internally					
29.	Business owners and managers communicate all changes with employees					
30.	CM practices motivate employees to formulate strategies to manage change					

31. How are CM practices implemented by the business?

Risk Management (RM) Practices						
(A series of phases of setting objectives that are intended to detect, address and eradicate risk items before they become threats to the successful operation of the business)						
No.	Question	(1) Strongly Disagree	(2) Disagree	(3) Neutral	(4) Agree	(5) Strongly Agree
32.	The business effectively implements RM practices					
33.	RM practices are included in the culture of the business					
34.	RM practices are included in the normal operations of the business					

35.	RM practices are included in the planning and budgeting processes of the business					
36.	The business' RM practices assist in achieving the business' set objectives					
37.	The implementation of RM practices contributes to the increase of the business' growth					
38.	RM practices motivate employees to work towards mitigating risks					

39. How are RM practices implemented by the business?

Marketing Practices						
(A business practice that is focused on maintaining an intense appreciation for customers so as to allow the marketer to exceed the needs of the market better than competitors and in turn provide the business with a constant competitive advantage)						
No.	Question	(1) Strongly Disagree	(2) Disagree	(3) Neutral	(4) Agree	(5) Strongly Agree
40.	The business effectively implements marketing practices					
41.	The marketing practices add excellence to the activities of the business					
42.	The marketing practices assist in increasing the business' market share					
43.	The marketing practices strengthen the business' competitiveness					
44.	The marketing practices contribute to the business' profitability					

45. How are marketing practices implemented by the business?

Networking Practices						
(A set of stable links established for cost effective economic transactions among the networks' members founded on formal and informal links with mutual objectives)						
No.	Question	(1) Strongly Disagree	(2) Disagree	(3) Neutral	(4) Agree	(5) Strongly Agree
46.	The business effectively implements networking practices					
47.	The networking practices allow the business to form relationships that are mutually beneficial					
48.	The business' networking practices afford SMEs access to various entrepreneurial opportunities					
49.	Networking allows the business to gain access to a variety of resources which it does not possess					
50.	Networking practices encourage employees to engage in networks that benefit the business positively					

51. How are networking practices implemented by the business?

CORPORATE ENTREPRENEURSHIP

To what extent do you agree with the statements? Please indicate by marking an X.

Innovation						
(A predisposition to engage in creativity and experimentation through the introduction of new products)						
No.	Question	(1) Strongly Disagree	(2) Disagree	(3) Neutral	(4) Agree	(5) Strongly Agree
52.	The business places emphasis on introducing new technology					
53.	The business places strong focus on Research and Development (R&D) activities					
54.	The business invests heavily on new product development					
55.	The business is open to outside ideas that can lead to new business opportunity					
56.	Innovation and creativity form part of the business strategy					
57.	Employees are encouraged to generate new innovative ideas					
58.	Business owners and managers are involved in fostering innovation					
59.	Rewards and incentives are awarded to creative and innovative individuals					

Risk taking propensity						
(The inclination of an entrepreneur to endure taking risks that are financial, personal and/or even social)						
No.	Question	(1) Strongly Disagree	(2) Disagree	(3) Neutral	(4) Agree	(5) Strongly Agree
60.	The business' Research and Design division has a culture of introducing new products in the complex market					
61.	The business takes bold actions by venturing into unknown business environments					

62.	The business shows a great deal of tolerance for high risk projects and rewards individuals for taking calculated risks					
63.	The business strives to be the first in the market with new products and/or services while the future remains unknown					
64.	The business encourages freedom to grow and sometimes fail (no punishment for failure)					
65.	The business embraces entrepreneurial behaviour					
66.	Business owners and managers are entrepreneurial role models					

Pro-activeness						
(An opportunity-seeking, forward-looking perspective characterized by high awareness of external trends and events and acting in anticipation thereof)						
No.	Question	(1) Strongly Disagree	(2) Disagree	(3) Neutral	(4) Agree	(5) Strongly Agree
67.	The business is leading in introducing new products/services ahead of competitors					
68.	The business is leading in new market identification					
69.	The proactive individuals in the business are rewarded					
70.	The business continually strives for market share through proactive sales					
71.	The business always foresees potential environmental changes and future demands ahead of the competitors					
72.	Employees are encouraged to take action on their new ideas					

73.	The business structure supports proactive division through a recognition system					
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Thank you for your participation.