

**A study to determine which Human Resource Management Practices
add the most value for Small, Medium, and Micro Enterprises (SMMEs)
in South Africa**



By

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UNIVERSITY *of the*
WESTERN CAPE

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Abstract

Small, medium, and micro enterprises (SMMEs) are a significant source of employment and important drivers of economic growth. South Africa has alarmingly high unemployment and poverty rates, and it is thus vital to encourage the success and growth of SMMEs. South African SMMEs have a high failure rate; one of the key reasons highlighted in literature is a lack of knowledge and skills about efficiently managing human resources.

The primary goal of the study was to determine which human resource management (HRM) practices have the strongest relationship with the performance of SMMEs in Cape Town, South Africa. The study was qualitative in nature and made use of the interpretive paradigm. This enabled an in-depth understanding of why entrepreneurs selected certain HRM practices and not implemented others; the value that entrepreneurs attribute to different HRM practices; and their impact on business performance from the SMME entrepreneur's perspective.

The study comprised of 11 entrepreneurs in the Cape Town area in Western Cape. It was limited to include only entrepreneurs who manage businesses that fit the definition of an SMME. The purposive sampling technique as well as snowball sampling was used to select participants. A semi-structured interview guide was utilised during the interviews. Thematic analysis was used to analyse the transcribed data, from which 13 themes emerged. The study participants were able to share which HRM practices they use within their organisations and why. However, they could not connect the presence of HRM practices in their organisation to impact on business performance. Nevertheless, they did agree that HRM practices enable their employees to service their customers more competently. This in turn leads to an enhanced customer experience.

Customer satisfaction has a direct influence business performance. Therefore, HRM practices have an indirect positive impact on business performance. They also contribute to business performance through indirect factors such as employee loyalty and customer loyalty.

The study results may be useful to SMME owners as it provides guidance in terms of the HRM practices that can be utilised to enhance employee loyalty, customer loyalty, and ultimately business performance.

Keywords: SMMEs, Human Resource Management Practices, Business Performance, Small Medium Micro Enterprises, Training, Recruitment and Selection, Performance Management



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Dedication

I dedicate this thesis to my mommy, Nirene Bailey, who is absolutely the strongest woman I know.



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Thank you, God, for giving me the strength to complete this journey and for blessing my path each step of the way.

I would like to say a huge thank you to my amazing supervisor, Prof. Fatima Abrahams, for providing wonderful academic advice, and being very understanding and compassionate. Thank you for encouraging me when I felt despondent and for all the time and energy you put into this thesis.

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Finally, thank you to my editor, Cherie Maclean, who reminded me to breathe as I took my final steps in this journey. I appreciate your assistance.

The logo of the University of the Western Cape, featuring a stylized classical building with columns and a pediment.

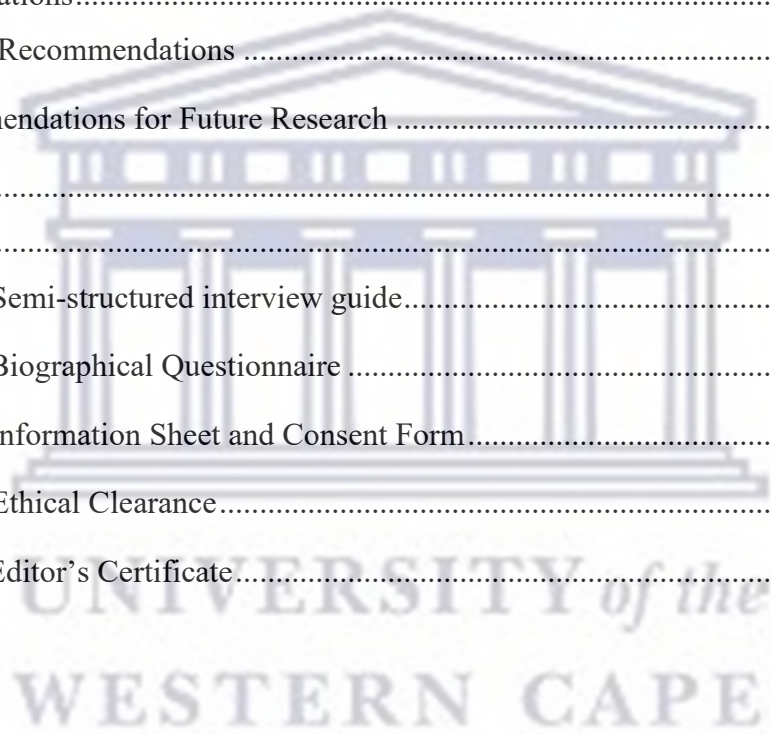
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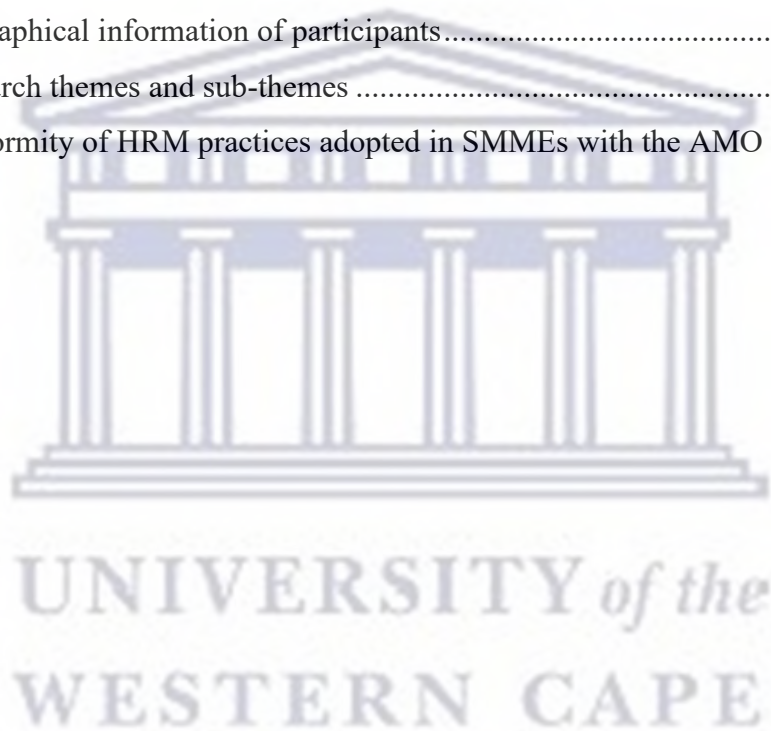
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CHAPTER ONE

INTRODUCTION AND BACKGROUND OF THE STUDY

1.1 Introduction and Background

Small, medium, and micro enterprises (SMMEs) are a significant source of employment and important drivers of economic growth. A SMME is an organisation with 250 employees or fewer (Mokoena, 2017). South African SMMEs account for approximately 34% of the country's Gross Domestic Product (GDP) and employ 50%-60% of the workforce (International Finance Corporation, 2018). During the 2019 financial year, formal SMMEs generated 32% of the business sector's overall turnover of R10.5 trillion (StatsSA, 2020).

The unemployment rate in South Africa is currently an alarmingly high 32.9% (StatsSA, 2023b). With 7.9 million unemployed people (StatsSA, 2023b), South Africa has the highest unemployment rate in the world and the highest in Africa (Trading Economics, 2022a). Moreover, 49.2% of South African adults are living in poverty (StatsSA, 2019). South Africa's GDP grew by just 0.4% in the first quarter of 2023 after a 1.1% decline during the preceding quarter (StatsSA, 2023a). Although South Africa has the third-highest GDP in Africa (Trading Economics, 2022b), the country is lagging behind other developing nations such as China, India, Brazil, and Russia (International Monetary Fund, 2023). Thus, the success and growth of South African SMMEs is imperative.

Unskilled South Africans with low education levels represent the majority of the unemployed and impoverished demographic (StatsSA, 2023b). These individuals consistently represent the majority of unemployed persons between 2015 and 2022 (StatsSA, 2023b). In the first quarter of 2023, those without a matric certificate and those who had obtained only a matric certificate accounted for 40.7% and 48.3% respectively (StatsSA, 2023b).

However, South Africans who have obtained tertiary education account for only 7.5% of the unemployment statistic (StatsSA, 2023b). It is more challenging for unskilled and impoverished individuals to enter the labour force due to low education levels and lack of resources. Labour intensive entities (Maduku & Kaseeram, 2021), like SMMEs are over three times more likely to employ them than large organisations (Bhorat et al. 2018; StatsSA, 2018). Moreover, once they find employment in SMMEs, such individuals are empowered by acquiring new skills and knowledge (Shah & Tewari, 2017). Unfortunately, South African

SMMEs have high failure rates (Asoba & Patricia, 2021). Only two in every seven South African SMMEs survive past the first year of operating (Mokwena, 2021).

More than 75% of South African SMMEs fail within the first three years (Bruwer & Van Den Berg, 2017); the failure rate between the first five to seven years is 70% (Bushe, 2019). In contrast, the failure rate at the five-year mark in Canada is 33.3% (Government of Canada, 2022), and 57.6% in the United Kingdom (Scottish Financial News, 2020). In Malaysia and Ghana, SMME failure rates after five years of operating are 60% (Marmaya et al., 2018) and 40% (Amaglo, 2019) respectively. Thus, compared with other countries around the world, South African SMMEs have one of the highest failure rates (Ncube & Zondo, 2018; USB Management Review, 2018). The reasons for this high failure rate are under-researched in the developing countries context (Bushe, 2019). In addition to high failure rates, South African SMMEs also lack business longevity.

Table 1.1 below provides a business development comparison of different countries. The column labelled ‘total early-stage entrepreneurial activity’ illustrates what percentage of the adult population are entrepreneurs. The column labelled ‘established business ownership rate’ reveals the percentage of the adult population that owns and manages businesses which have provided an income to the owner for more than 42 months.

As Table 1.1 below shows, fewer than half of new South African small businesses subsist and flourish into established enterprises. Moreover, South Africa’s ‘established business ownership rate’ is lower than that of many other developing countries and is lower than the global average. Table 1.1 below also reveals that, despite high unemployment and poverty rates, the South African entrepreneurial intention rate is low. Singh (2020) asserts that total entrepreneurial activity in South Africa is in fact the lowest in the world.

Table 1.1: Business development comparison of different countries

Country	Entrepreneurial intentions rate	Fear of failure rate	Total early-stage entrepreneurial activity	Established business ownership rate
South Africa	11.90	49.79	10.77	3.51
Australia	13.02	47.37	10.52	6.53
Brazil	30.17	35.57	23.30	16.16
Canada	11.86	47.17	18.16	7.44
Chile	57.57	58.07	36.71	10.61
China	21.42	44.65	8.66	9.33
Columbia	35.47	32.69	22.28	4.27
Morocco	41.93	42.52	11.40	7.89
Russia	9.84	45.16	9.33	5.09
Global Average	23.72	41.74	12.81	7.90

Source: *Global Entrepreneurship Monitor (2019). Economy profiles.*

There are numerous reasons for the high SMME failure rate in South Africa. Scholars cite a lack of access to financing (Asoba & Patricia, 2021; Blose & Okeke-Uzodike, 2020; Khoase et al., 2020; Moos & Sambo, 2018; Vuba, 2019); stifling regulations (Mahambehlala, 2019; Nieuwenhuizen, 2019; Singh, 2020); the high crime rate (Mahambehlala, 2019; Singh, 2020), and high interest and tax rates (Blose & Okeke-Uzodike, 2020; Khoase et al., 2020).

Bushe (2019) asserts that, although the literature identifies several reasons for SMME failure in South Africa, they can all be clustered into three categories: entrepreneurial ineptitude, unfavourable external environment conditions and incompetent strategic management. Researchers Mahambehlala (2019) and Moos and Sambo (2018) concur, adding that respondents in their study feel that government support is insufficient. Kriel (2020) concedes that stifling regulations are a major impediment for SMMEs but asserts that entrepreneurial ineptitude is a greater barrier. The author argues that South African SMME owners with entrepreneurial skills are able to overcome macroeconomic obstacles. Zizile and Tendai (2018) postulate that successful South African SMME owners are creative, pioneering and risk-taking visionaries.

One of the key reasons for SMME failure in South Africa and other countries is a lack of knowledge and skills about efficiently managing human resources (Bjelvert & Tornberg, 2019;

Blose & Okeke-Uzodike, 2020; Bushe, 2019; Olusegun et al., 2018; Shah & Tewari, 2017; Swapi, 2019). In fact, issues related to human resources are among the most significant challenges for South African SMMEs (Schroeder, 2019). Moreover, South African entrepreneurs view the country's rigid labour laws as expensive, complex, and stifling impediments on business growth (Nieuwenhuizen, 2019; Swapi, 2019; Vuba, 2019).

Nonetheless, South African SMME owners participating in research by Mahambehala (2019) observe that a major reason for the growth and success of their organisations is the employment of competent staff. This enables them to execute their strategic goals rather than spending time completing operational tasks that they can assign to employees. However, competing with larger organisations for skilled labour remains a significant challenge (Singh, 2020; Swapi, 2019; Vuba, 2019).

Despite the competitive advantage that HRM practices provide to organisations, their implementation in SMMEs is often very informal (Nyamubarwa & Chipunza, 2021; TS & Ramesh, 2022). This is attributed to both limited funding and a lack of HRM expertise (TS & Ramesh, 2022). Since many unskilled South Africans are more likely to be employed by SMMEs, investment in HRM by these organisations is imperative (Asoba & Patricia, 2021). HRM can include a variety of practices, such as training, recruitment and selection, compensation and motivation, which aim to increase the job satisfaction and commitment of employees (Phattarapornpong & Valdez Jr, 2021). This provides the organisation with a competitive advantage (Phattarapornpong & Valdez Jr, 2021).

1.2 Problem Statement

Adopting HRM practices clearly provides organisations, including SMMEs with a competitive advantage. However, given their limited funding and the vast variety of HRM practices that exist, the ability to select the ones that have the most impact on productivity would be beneficial. This would allow SMMEs to adopt HRM practices inexpensively whilst receiving the benefits thereof.

Harney (2021) posits that there is a critical lack of knowledge about HRM practices in SMMEs and a great need for scholars to conduct empirical studies in this area. The author posits that there are four major literary HRM theories and discusses the applicability of each in the context of SMMEs.

Firstly, the universalistic best practice approach theorises that using specific bundles of HRM practices improves business performance. Bushe (2019) posits that, to ensure success, SMME owner managers should use a wide variety of HRM practices simultaneously such as recruitment, selection, training and development, performance evaluation, benefits and remuneration. Similarly, Rambe (2018) advocates for a mix of different HRM practices such as training and development, participative decision-making, and selective recruitment and selection. Harney (2021) states that this school of thought disregards the resource poverty context in which SMMEs operate, and consequently the costs may outweigh any benefits; the interrelatedness of HRM practices reinforcing one another is beneficial.

Secondly, the matching models theory is that the suitability of HRM practices depends on the life-cycle stage and strategy of the organisation. However, in reality, HRM practices in SMMEs are often informal and make use of heuristics and trial-and-error (Harney, 2021). Harney (2021) additionally opposes the notion that different HRM practices match different stages of the SMME life-cycle. The author reasons that the various life-cycle stages occur unsystematically and erratically.

Thirdly, the resource-based approach states that organisations can attain a competitive advantage by nurturing their internal resources, which include their employees (Asoba & Patricia, 2021; Hanggraeni et al., 2019; Harney, 2021; Rambe, 2018). This concept is beneficial to SMMEs, given their labour-intensiveness and resource poverty (Harney, 2021). After conducting quantitative studies with sample sizes of n=1401 and n=152 respectively, Hanggraeni et al. (2019) and Rambe (2018) affirm that internal factors have a strong positive influence on the performance of SMMEs. An important facet of the resource-based view is that it facilitates differentiation from competitors and is sustainable because it is not easily replicable (Hanggraeni et al., 2019; Rambe, 2019). Strengthening the competencies and skills of employees enables SMMEs to compete with larger organisations; it also fosters employee loyalty and commitment (Harney, 2021), enabling employee retention.

Fourthly, the ecological theories perspective considers the external actors that can impact organisations, such as suppliers, consumers, government, and competitors. These factors can have a big impact on market share and profit (Hanggraeni et al., 2019). SMMEs are particularly vulnerable to pressure from high consumption clients and dominant suppliers (Harney, 2019). Thus, the HRM practices that SMMEs adopt may not be because of business strategy but instead from ecological influences. Rambe (2018) avers that a strong focus on internal

capabilities empowers SMMEs to overcome challenges encountered in their external environment.

The universalistic best practice approach, the matching models theory, the resource-based view, and the ecological theories perspective are thus all important considerations in the current study. There is a wide variety of HRM practices to choose from. However, SMMEs have limited resources. Whilst the importance of adopting HRM practices has also been identified by scholars Achieng and Malatji (2022) and Nunden et al. (2022), a practical approach that outlines how to manage employees may be beneficial. Moreover, most of the studies on the influence of HRM practices on SMME performance were conducted in developed countries (Hung et al., 2016). Nearly 90% of businesses operating in developing countries are SMMEs (Muriithi, 2017).

There is therefore a need to conduct a study in a developing country like South Africa to identify the HRM practices that influence SMMEs performance. This study is particularly important in the South African context due to the high unemployment and poverty levels, and the critical need to encourage the survival and growth of SMMEs (Botha et al., 2021). Vishwakarma et al. (2021) aver that some HRM practices are more beneficial to SMME performance than others. The research-initiating question is therefore, “Which HRM practices should SMMEs in Cape Town, South Africa, implement to ensure business success?”



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1.3 Significance of the Study

The primary goal of the current study is to determine which human resource management practices have the strongest relationship with the performance of SMMEs in Cape Town, South Africa. Understanding the factors that contribute to SMMEs success is important, especially in a developing country context such as South Africa. This research will add to the extant body of knowledge, since most studies on small businesses focus on SME's, omitting micro enterprises (Hanggraeni et al., 2019). SMMEs are instrumental in stimulating economic growth and creating employment, which in turn alleviates poverty and crime; the latter of which are pressing socio-economic concerns in the South African context.

Understanding the causes of the high failure rates of SMMEs is vital so that these factors can be mitigated. There is a proven link between HRM practices and business success; however, although a wide array of HRM practices exist, SMMEs have limited resources. Therefore, the essence of this study is to identify the mix of HRM practices that SMMEs should adopt to improve business performance in the South African context.

1.4 Aim of the Research

The primary goal of the current study is to determine which human resource management practices have the strongest relationship with the performance of SMMEs in Cape Town, South Africa.

1.5 The Research Objectives

The specific objectives of the study are to:

- 1.5.1 Determine the HRM practices that have the strongest correlation with improved business performance in the SMME context.
- 1.5.2 Determine if there are specific HRM practices that should be grouped together to maximise increases in business performance of SMMEs.
- 1.5.3 Theorise a best practice model of HRM practices in the SMME context.

1.6 Research Questions

The current study endeavours to answer the following research questions:

- 1.6.1 Which HRM practices are SMMEs adopting? / Which HRM practices are popular amongst SMMEs and why?
- 1.6.2 What are the benefits SMME owners perceive HRM practices to have and do these benefits enhance business performance?
- 1.6.3 Are there specific bundles of HRM practices that enhance business performance when grouped together in the SMME setting?

1.7 Outline of Chapters

This thesis consists of five chapters as illustrated below:

Chapter 1: This chapter provides an introduction and background to the research phenomenon. It discusses the problem statement and significance of the study, and thereby expresses the importance of conducting the research study.

Chapter 2: This chapter presents an in-depth survey of the existing literature related to the key concepts of the research study. Therefore, the variables SMMEs, HRM practices, and business performance are conceptualised. It also discusses the relationship between these three variables.

Chapter 3: This chapter asserts the scientific nature of the study by demonstrating validity and reliability. It includes an explanation of how data was collected, the research design, participant selection, data collection method, data collection procedure, data analysis procedure and ethical considerations adhered to.

Chapter 4: This chapter presents the findings of the study which are deduced from the participants' responses.

Chapter 5: The final chapter of the study summarises how the problem statement identified in Chapter One is addressed, and offers recommendations based on the findings. Limitations are acknowledged. The chapter ends with recommendations for possible future research.

1.8 Conclusion

This current chapter provided the context of the study, illustrated the necessity and significance of the study, and introduced the problem statement. In addition, it specified the research aims and objectives, as well as the research questions, and established the chapter outlines. The next

chapter will provide a literature review on SMMEs, HRM practices, business performance, and the relationship between these three variables.



CHAPTER TWO

LITERATURE REVIEW

2.1. Introduction

The three main variables of this study are SMMEs, HRM practices and business performance. Few studies focus on HRM practices in SMMEs in developing countries, such as South Africa (Hung et al., 2016). In fact, most empirical studies on this topic concentrate on Europe and North America (Harney & Alkhalaf, 2021). Many researchers have conducted studies regarding the impact of HRM practices on business performance in large organisations but very few have been conducted in an SMME setting (Harney & Alkhalaf, 2021; Maheshwari et al., 2020).

This literature review outlines how SMMEs are defined around the world, including South Africa. In addition, the approach that SMMEs use when adopting HRM practices is discussed. Moreover, this chapter summarises how prior similar studies assess business performance. Lastly, the aforementioned three variables are conceptualised, as well as the relationship that exists between them.

2.2. The Definition of an SMME

SMMEs are an important unit of analysis because of their immense contribution to economic growth (Blose & Okeke-Uzodike, 2020; Bruwer & Van Den Berg, 2017; Deepa & Premkumar, 2018; Gawali & Gaddekar, 2017; PwC, 2020). However, the definition of an SMME varies greatly across countries (Abatan, 2018; Blose & Okeke-Uzodike, 2020; Chiromo & Nani, 2019; Khoase et al., 2020; Ncube & Chimucheka, 2019; Olusegun et al., 2018).

In Canada, for example, the definition for a small organisation is one that employs between 1 and 99 people and a medium-sized organisation employs between 100 and 499 people (Government of Canada, 2022). By contrast, in New Zealand's publication of Ministry of Business, Innovation and Employment, 2021, Hikina Whakatutuki uses four categories to define SMMEs, namely micro (1-5 employees); small (6-19 employees); small-medium (20-49 employees); and medium-large (50 employees or more).

However, in Tanzania, organisations with 1–4 employees are micro enterprises; those with 5–49 employees are small enterprises, and those with 50–99 employees are medium enterprises (Bjelvert & Tornberg, 2019). Similarly, in neighbouring Uganda, a small business consists of 5–50 employees, and a medium-sized business consists of 50–100 employees (Mutumba et al., 2020). In Trinidad and Tobago, an enterprise with between 6 and 25 employees is small, and a medium enterprise has between 26 and 50 employees (Singh et al., 2017). Thus, there is great disparity in definitions amongst different countries. Crehan (2020) asserts that there are currently more than 50 different definitions for what constitutes a small business in use worldwide.

In addition, researchers around the world use different acronyms to refer to micro, small and medium size enterprises. Indonesia uses the acronym “UMKM” which is unique to that region (Hamdan, 2021; Lumunon et al., 2021; Suparlinah et al., 2019; Untari et al., 2019). Although most European countries use the acronym ‘SME’ to denote small and medium enterprises, Brazil uses it to refer to small and micro enterprises instead (Smits et al., 2018). Furthermore, Brazil uses a turnover limit to classify organisations as opposed to the employee count (Smits et al., 2018).

However, in some developing countries such as Angola, Bangladesh, India, Nigeria, Namibia, Tanzania and Zanzibar, a different acronym is used to refer to micro, small and medium enterprises, i.e., MSME’s (Nanwani & Deshpande, 2020; Nath, 2019; Republic of Namibia Ministry of Industrialisation, Trade and SME development, 2016/17; PwC, 2020).

There are also variations relating to which measures to use when determining if an enterprise qualifies as an SMME. Nigeria uses three different categories to classify organisations into micro, small or medium, such as the number of employees, annual turnover, and total assets (PwC, 2020). In contrast, Namibia uses only the number of employees and annual turnover for classifying purposes (Republic of Namibia Ministry of Industrialisation, Trade, and SME development, 2016/17). Ndabeni et al. (2019) contend that, despite the existence of several variations of definitions, scholars should use only two variables to determine if an organisation is micro, small, medium, or large, i.e., turnover and employee count.

Many authors use the ‘SME’ acronym, denoting small to medium enterprises, but include micro-enterprises in their research (Amaglo, 2019; Ayandibu & Vezi-Magigaba, 2021; Dobbstein et al., 2020; Hung et al., 2016; Marmaya et al., 2018; Matejun, 2017; Meyer &

Meyer, 2017; Muriithi, 2017; Mutumba et. al., 2020; Ncube & Chimucheka, 2019; Saifuddin, 2020; Sedyastuti et al., 2021; Virk, 2017; Xhafka & Avrami, 2021). Several researchers use the two terms interchangeably (Deepa & Premkumar, 2018; Nanwani & Deshpande, 2020; Ncube & Chimucheka, 2019; Nieuwenhuizen, 2019; Nyamubarwa & Chipunza, 2019; Restrepo-Morales et al., 2019; Lose & Mapuranga, 2022; Suparlinah et al., 2019; USB Management Review, 2018).

Thus, many authors offer different definitions of an SMME. Collings and Wood (2018) and Harney and Alkhalaf (2021) urge for consistency in mainstream literature regarding an SMME definition. Moreover, Harney and Alkhalaf (2021) note that, in addition to the lack of a single universal definition for SMMEs, scholars fail to distinguish between newness and smallness, as well as between entrepreneurs and SMME owners/managers. Consequently, an understanding of the most recent South African definition is essential for the purposes of the current study.

The South African Department of Small Business Development updated its definitions for SMMEs in 2019. They exclude total gross asset value and use two delineating factors to classify if a business fits the description of an SMME, i.e., total annual turnover and number of full-time employees. Moreover, definitions apply differently to various sectors, as illustrated in Table 2.1 below.

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Table 2.1: The new national small enterprise act thresholds for defining enterprise size classes by sector

Sectors or sub-sectors	Size or class of enterprise	Number of full-time employees	Total annual turnover in rands
Agriculture	Medium	51 – 250	≤ 35 million
	Small	11 – 50	≤ 17 million
	Micro	0 – 10	≤ 7 million
Mining and Quarrying	Medium	51 – 250	≤ 210 million
	Small	11 – 50	≤ 50 million
	Micro	0 – 10	≤ 15 million
Manufacturing	Medium	51 – 250	≤ 170 million
	Small	11 – 50	≤ 50 million
	Micro	0 – 10	≤ 10 million
Electricity, gas and water	Medium	51 – 250	≤ 180 million
	Small	11 – 50	≤ 60 million
	Micro	0 – 10	≤ 10 million
Construction	Medium	51 – 250	≤ 170 million
	Small	11 – 50	≤ 75 million
	Micro	0 – 10	≤ 10 million
Retail, motor trade and repair services	Medium	51 – 250	≤ 80 million
	Small	11 – 50	≤ 25 million
	Micro	0 -10	≤ 7.5 million
Wholesale	Medium	51 – 250	≤ 220 million
	Small	11 – 50	≤ 80 million
	Micro	0 – 10	≤ 20 million
Catering, accommodation and other trade	Medium	51 – 250	≤ 40 million
	Small	11 – 50	≤ 15 million
	Micro	0 – 10	≤ 5 million
Transport, storage and communication	Medium	51 – 250	≤ 140 million
	Small	11 – 50	≤ 45 million
	Micro	0 – 10	≤ 7.5 million
Finance and business services	Medium	51 – 250	≤ 85 million
	Small	11 – 50	≤ 35 million
	Micro	0 – 10	≤ 7.5 million
Community, social and personal services	Medium	51 – 250	≤ 70 million
	Small	11 – 50	≤ 22 million
	Micro	0 – 10	≤ 5 million

Source: South African Department of Small Business Development (2019). Revised Schedule 1 of the National Definition of Small Enterprise in South Africa.

This current study aims to add to the body of knowledge about a developing country such as South Africa, and it is therefore relevant to use a South African definition for SMMEs. For that reason, the study conforms to the definition of a SMME provided by the South African Department of Small Business Development. The data collection occurred in Cape Town, South Africa.

It is evident that scholars use quantitative variables such as annual turnover and employee count to distinguish between micro, small, medium, and large organisations. Although this is a universally accepted practice, Matejun (2017) points out that SMMEs differ from their larger counterparts in both quantitative and qualitative aspects. Section 2.2 has illustrated the quantitative characteristics of SMMEs; their qualitative characteristics are discussed in Section 2.2.1.

2.2.1 Characteristics of SMMEs

SMMEs possess attributes that distinguish them from larger organisations (LEs). Based on an empirical comparative study (n=1784), Matejun (2017) theorises that SMMEs can be distinguished from large organisations based on five characteristics as displayed in Table 2.2 below. Although Matejun (2017) uses the “SME” acronym in the below table, the study includes micro enterprises. As mentioned in the preceding section, some authors use the term SME (small to medium enterprises) but include micro-enterprises in their research. Matejun (2017) adds that outlier organisations also exist although they are in the minority. An outlier is an organisation that is an SMME but has the attributes of a large organisation, and vice versa.

Table 2.2: Matejun's model of areas and qualitative features differentiating enterprises according to their size

Characteristic Features	SMEs	LEs
Area of Management		
Level of management centralization	Centralization	Decentralization
Strategic approach to the company's development	Intuitive and short-term	formalized and long-term
Information system in the company	Simple and informal	complex and formal
Area of Structure		
Relations between ownership and management	Unity of ownership and management	separation of ownership and management
Organizational structure	Simplified and low formalized	Complex and strongly formalized
Area of Specialization		
Scope of duties in the company	Broad scope, varied duties	Narrow scope, specialized duties
Returns to scale	Small possibilities of application	large possibilities of application
Area of Autonomy		
Relations with other entities	High level of independence from other entities	Limited level of independence of other entities
Sources of financing	Own, internal	Third party, external
Area of Scope of Operations		
Market coverage	Local/regional	National/ International
Competitive arena	Market niche	Broad competitive arena

Source: Matejun, M. (2017). Characteristic features of small business and large firms: An empirical comparative study. *Journal of administrative and Business Studies*, 3(4), 192-203.

The differences depicted in Table 2.2 above are similar to the findings of other researchers. Scholars Mahambehlala (2019), Mittal et al. (2018), Ndabeni et al. (2019) Olusegun et al. (2018) concur on the theme of centralised management in SMMEs. The authors assert that the SMME owner has a central role in the organisation and enjoys total and unopposed control of business decisions.

Moreover, the culture of an SMME derives from the values and management style of the owner (Nath, 2019; Nyamubarwa & Chipunza, 2019). Thus, the success or failure of an SMME depends on the quality of leadership that the owner provides. Bhorat et al. (2018) observe that most South African SMME owners have low education levels; many of them have not completed secondary education. Zhou and Gumbo (2021) postulate that older SMME owners are more profitable than younger SMME owners.

Other authors also comment on the informal and simplistic nature of SMMEs. Because of a flat organisation structure and open-door policies, relationships between SMME employees and the owner are often close-knit (Bjelvert & Tornberg, 2019; Nath, 2019; Primc & Čater, 2016; Shah & Tewari, 2017).

There is typically no trade union presence in SMMEs (Islam & Jabber, 2018; Shah & Tewari, 2017). The SMME owner typically adopts a paternalistic stance with their employees (Pittino et al., 2016, as cited in Nyamubarwa & Chipunza, 2019). As such, the owner might offer their

employees extra assistance in the form of interest-free loans to assist with weddings, medical problems or school fees for their children (Shah & Tewari, 2017).

There is also a strong emphasis on teamwork in SMMEs (Kriel, 2020; Nath, 2019). These informal close-knit relationships foster loyalty and commitment (Wiesner & Innes, 2010, as cited in Nyamubarwa & Chipunza, 2019) and many SMME employees have long tenures spanning many years with the organisation (Shah & Tewari, 2017).

Swapi (2019) describes the workplace culture in SMMEs as flexible and favourable. Despite this, SMME owners encounter many incidents of staff stealing their stock (Mahambehlala, 2019) which is a symptom of employee dissatisfaction (Nurjaya et al., 2020).

Islam and Jabber (2018) and Shah and Tewari (2017) aver that the majority of SMME employees are casual workers, and the few employees who are permanent perform tasks that are crucial to the running of the business (Shah & Tewari, 2017). Zhou and Gumbo (2021) report that permanent employees contribute three times more to the productivity of SMMEs than temporary employees. Casual workers are typically paid in cash, daily, whereas permanent staff are paid via EFT on a monthly basis (Shah & Tewari, 2017). The absence of a formal employment contract in favour of a verbal contract is common in SMMEs (Islam & Jabber, 2018).

A key difference between large and small organisations is the amount of available resources. Although not cited as a significant difference in Table 2.2 above, many other authors (Harney & Alkhalaf, 2021; Kurniasih et al., 2020; Maheshwari et al., 2020; Nath, 2019; Nyamubarwa & Chipunza, 2019; Shah & Tewari, 2017; Suparlinah et al., 2019) remark that a key differentiating trait of SMMEs is a lack of financial capital.

Therefore, costs related to macroeconomic factors such as tax laws, labour laws and interest rates are more of a financial hindrance to small organisations than to large organisations (Meyer & Meyer, 2017; Mittal et al., 2018). In fact, a study claims that South African SMME owners perceive macroeconomic factors (financing issues, crime, and poor infrastructure) to be more burdensome than many other business obstacles (Meyer & Meyer, 2017). This study contradicts other studies which identify financing issues as the most pertinent obstacle (Meyer & Meyer, 2017).

However, South Africa's macroeconomic factors strongly impact microeconomic factors (Bhorat et al., 2018). Thus, adverse macroeconomic conditions exacerbate financing issues. Consequently, SMMEs are typically not situated in central business districts (Ayandibu & Houghton, 2017a; Bhorat et al., 2018), where rental property is expensive.

Most SMME owners operate their businesses from their residential premises (Islam & Jabber, 2018; Makhija & Goel, 2019; Mokoena, 2017). This affords minimal operating costs and proximity to customers (Moos & Sambo, 2018). Ayandibu and Houghton (2017a) postulate that this is due to lifestyle preferences and/or because a business opportunity arises in that geographical area.

Thus, SMMEs promote economic activity in underdeveloped, impoverished areas by creating employment opportunities and effecting poverty alleviation (Deepa & Premkumar, 2018; Islam & Jabber, 2018; Schroeder, 2019; Tumiwa et al., 2020).

In addition to experiencing resource poverty, SMMEs often operate in extremely fragmented markets; this eliminates opportunities for cost leadership strategies and enhances competitive pressures (Bhorat et al., 2018; Kriel, 2020). Accordingly, efforts to use the limited resources as efficiently and cost-consciously as possible are intensified amongst SMMEs (Kleist, 2019).

SMME owners lack the funds to purchase business intelligence used by their larger counterparts and often rely on their intuition to make business decisions (Matejun, 2017; Mittal et al., 2018). Furthermore, SMMEs are more familiar with their customers on a more personal level than large organisations are (Kriel, 2020).

It is also common for SMME employees to perform multiple job roles at once without clearly defined roles and responsibilities (Hung et al., 2016; Matejun, 2017; Mittal et al., 2018). SMMEs are characterised as flexible and informal, allowing them to respond quickly to issues, opportunities and changes, whereas in larger organisations, processes and change occur less quickly due to bureaucracy (Ayandibu & Houghton, 2017b; Kriel, 2020; Matejun, 2017; Nyamubarwa & Chipunza, 2019).

As indicated in the discussions in the current and previous paragraphs, the SMME characteristics cited in Table 2.2 are similar to assertions by other scholars. However, the other scholars add that these SMME characteristics are due to resource poverty whereas Table 2.2 supplied by Matejun (2017) does not.

A possible solution for the resource poverty is gaining access to finance. Borat et al. (2018) asserts that most organisations, regardless of their size, use credit facilities such as loans to grow and progress. However, it is very challenging for SMMEs to access credit (Bhorat et al., 2018; Khoase et al., 2020; Mahambehala, 2019; Mokoena, 2017) due to their lack of financial records (Mahambehala, 2019; Vuba, 2019). SMMEs rarely retain comprehensive financial records (Dlova, 2017; Mahambehala, 2019; Moos & Sambo, 2018; Tumiwa et al., 2020).

The literature postulates two reasons for this. Firstly, it is not mandatory (Nketsiah, 2018). Secondly, SMME owners may not possess the necessary skills required to do it (Bhorat et al., 2018; Dlova, 2017; Gawali & Gadekar, 2017; Kurniasih et al., 2020; Mahambehala, 2019; Nketsiah, 2018; Singh, 2020; Vuba, 2019), nor have the money to outsource it. Moreover, due to the high interest rates that banks impose, many SMME owners in South Africa opt for loans from their friends and family or use their personal savings (Mahambehala, 2019).

Collings and Wood (2018) and Nyamubarwa and Chipunza (2019) remark that there are two opposing views on the characteristics of SMMEs. The ‘bleak house’ standpoint describes labour practices in SMMEs as exploitative with lengthy working hours, low pay, and high levels of conflict.

By contrast, the ‘small is beautiful’ standpoint describes labour practices in SMMEs as mutually beneficial with well-paid employees and an enjoyable work environment. This perspective describes an informal family-like atmosphere with accommodating work arrangements and open communication that fosters employee loyalty and commitment.

Many authors criticise these bipolar perspectives as a crude oversimplification of SMME characteristics (Collings & Wood, 2018). The latter writers note that levels of job satisfaction and commitment amongst SMME employees vary from one organisation to the next. These writers conclude that organisation size may not influence the “bleak house” and “small is beautiful” characteristic generalisations at all. They hypothesise that other influential factors can instead be leadership styles, the nature of the sector in which the organisation operates, and/or the SMMEs position in the market.

2.3 Conceptualising HRM Practices

Boxall and Purcell (2000) as cited in Cuéllar-Molina et al. (2019) define HRM as the business function that encompasses the decisions on how employees and the organisation will interact with one another. HRM improves the competencies of employees, enabling organisations to become more competitive (Nabetin & Pabangou, 2020; Nzonzo & Matashu, 2014; Riana et al., 2020). HRM practices are the various tools that an organisation can use to direct its employees' efforts, attitudes, and skills toward the attainment of the goals of the organisation (Rasool et al., 2019).

However, after conducting an extensive systematic literature review, Boon et al. (2019) observe that theorists have failed to define clearly what an HRM practice is and have instead provided examples of what HRM practices are. Moreover, there is no clear consensus as to what is, and is not, an HRM practice (Boon et al., 2019). For example, some authors include factors such as trust, climate, and loyalty in the HRM practice construct. Such factors contaminate the construct and the validity of findings, however, because they are not HRM practices in themselves, but are the anticipated outcomes of an HRM practice.

A wide range of HRM practices exist. Since SMMEs have limited financial resources, they are less likely to engage in HRM practices (Mutumba et al., 2020). It is thus important to discern which HRM practices are the most impactful for SMMEs. Scholars Úbeda-García et al. (2018) opine that the HRM practices which organisations use should (a) motivate their employees, (b) ensure that they have the ability to perform their jobs and (c) provide them with opportunities to flourish in their jobs.

It is imperative that each single HRM practice which an organisation utilises has synergy with all the other HRM practices used; this is to achieve the strategic goals of the organisation in question, with the ultimate goal of increasing performance and profitability (Boon et al., 2019; Harmaz, 2019; Úbeda-García et al., 2018).

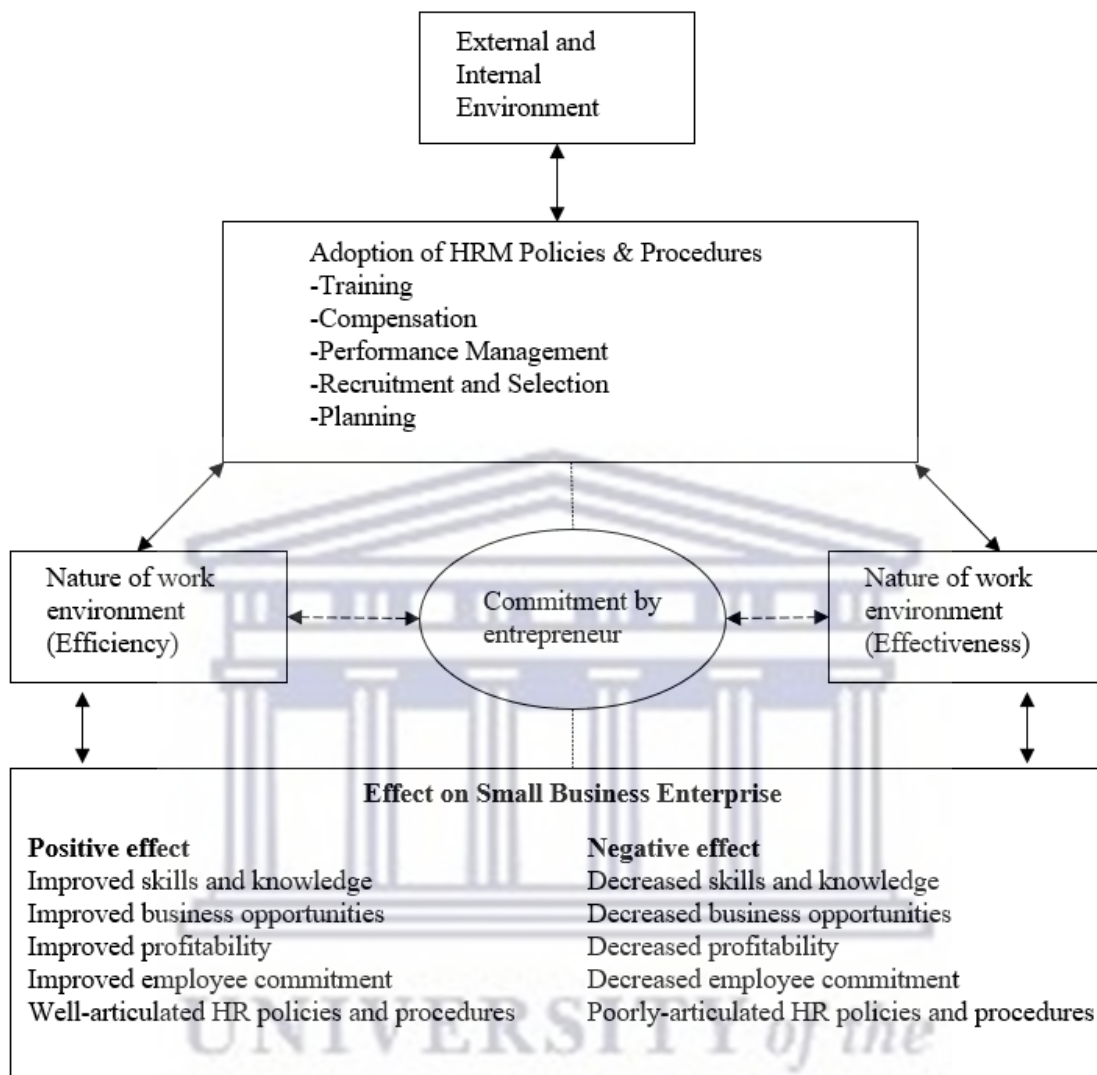
According to a systematic review of the literature performed by Boon et al. (2019, p. 12), the most used HRM practices are “training/development (89%), participation/autonomy (71%), incentive compensation (69%), performance appraisal (66%), selection (58%), and job design (50%).” However, the study did not control for the size of the organisation. Boon et al. (2019) opine that future research on HRM practices must include the aforementioned six practices, as they are highly correlated with high-performance organisations.

Moreover, researchers (Alaradi & Sankar, 2019; Boon et al., 2019) suggest that future research should investigate which mix or group of HRM practices would add the most value to organisations, while also mitigating financial loss. Boon et al. (2019) note that these practices would be different for smaller organisations compared to more established, larger organisations.

Nzozzo and Matashu (2014) published a model depicting the HRM practices used by South African SMME owners which the authors believe are most impactful to business performance. Although the model has not been tested empirically, there is great overlap with the practices endorsed by Boon et al. (2019). The HRM practices recommended by Nzozzo and Matashu (2014) are HR planning, recruitment and selection, compensation, training and development and performance management. Figure 2.1 below displays the model.



Figure 2.1: HRM Centric model for small business enterprises



Adapted from: Nzonzo, J.C., & Matashu, M. (2014). An insight into the human resource management practices adopted by entrepreneurs in South Africa. *Journal of small business and entrepreneurship development*, 2(3), 73-87.

While there are various theoretical frameworks about which specific HRM practices should be bundled together, the Ability-Motivation-Opportunity (AMO) model is a popular guideline (Boon et al., 2019; Li et al., 2020). It is applicable to, and suitable for the SMME setting (Bjelvert & Tornberg, 2019; Ismail et al., 2017b; Ntlhanngoe & Chipunza, 2021). Scholars Li et al. (2020) assert that the AMO model is widely accepted and adopted because it is much more comprehensive and generalisable than other theories.

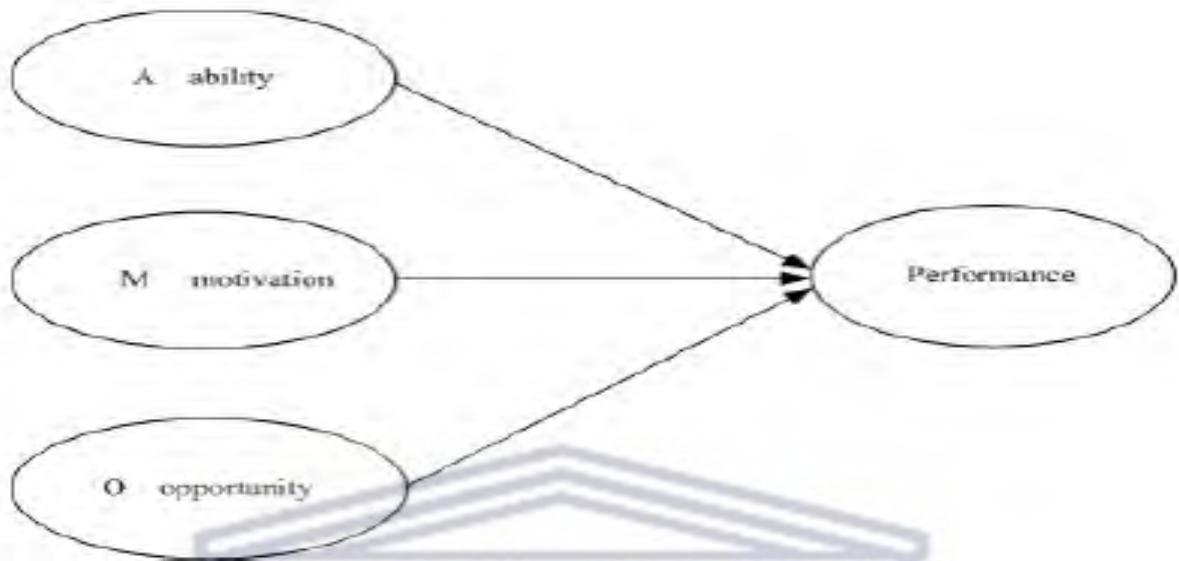
According to the AMO model, HRM efforts should focus on Ability-enhancing, Motivation-enhancing, and Opportunity enhancing practices (Boon et al., 2019; Li et al., 2020; Marin-Garcia & Tomas, 2016; Nor & Abdullah, 2020). Ability-enhancing practices include learning, training and development efforts, and selection of competent employees (Boon et al., 2019). Examples of Motivation-enhancing practices include reward, internal promotion, commission, performance management efforts, and employment security (Boon et al., 2019). Lastly, Opportunity-enhancing practices focus on aspects such as participation in decision-making, teamwork efforts, information sharing and job design (Boon et al., 2019). According to Li et al. (2020), the components of the AMO model holistically and accurately depict the factors necessary to influence individual performance in organisations.

Despite its popularity, the use of the AMO model in organisations has decreased over time (Boon et al., 2019). Cuéllar-Molina et al. (2019) report that, while there is no consensus among scholars about which HRM practices to include in an organisation's HRM system, organisations that use the AMO model to decide which HRM practices to adopt in their organisations are more efficient and more profitable. Furthermore, if SMMEs do adopt the AMO model for their organisations, it is likely to be more informally adopted, and on a smaller scale, than in larger organisations (Cuéllar-Molina et al., 2019). Figure 2.2 below depicts the AMO model.

The logo of the University of the Western Cape, featuring a stylized building facade with columns and the text "UNIVERSITY of the WESTERN CAPE" below it.

UNIVERSITY of the
WESTERN CAPE

Figure 2.2: AMO Model



Li, N., Jung, G. Y., & Kim, H. H. (2020). *A Study on the Effect of Transformation Leadership on the Job Performance of Employees by AMO Model*. *Journal of the Korea Convergence Society*, 11(1), 41-50.

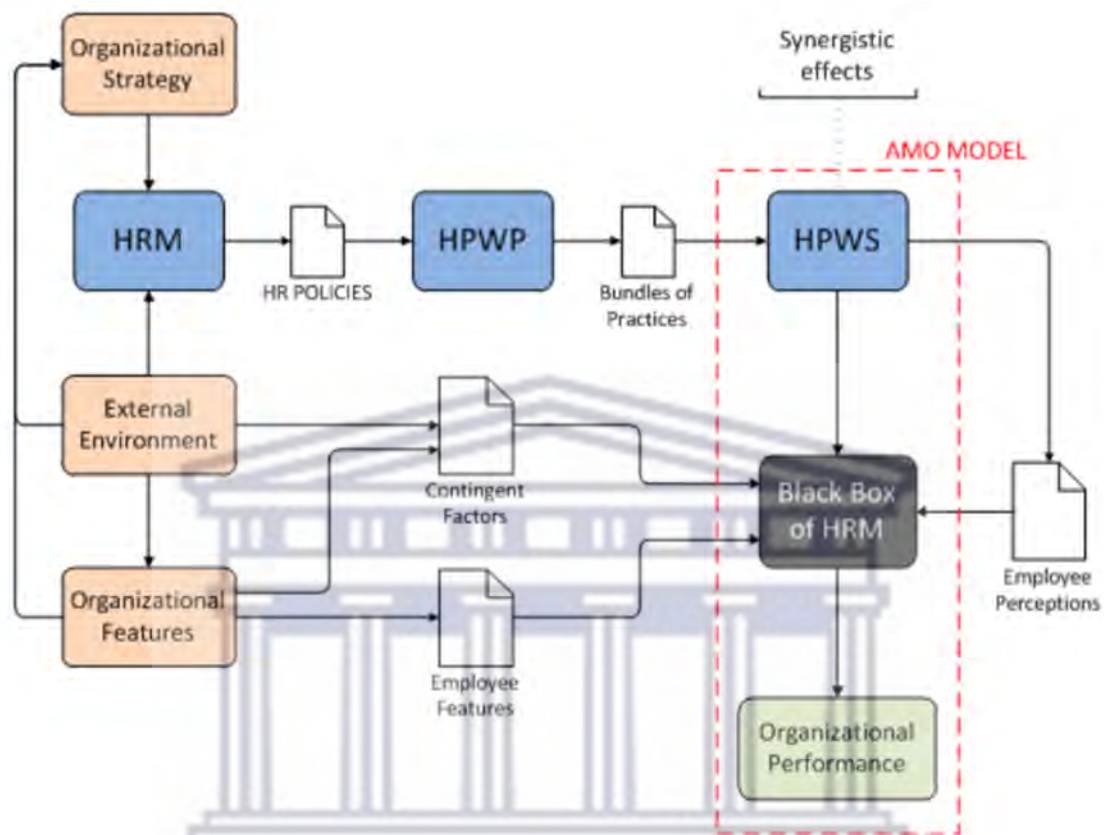
The theory that underpins the current study is the Ability-Motivation-Opportunity (AMO). The four major literary HRM theories introduced in section 1.2 establishes the importance of adopting multiple HRM practices in the SMME context. However, the AMO model provides a simplistic framework for determining which categories of HRM practices have a direct relationship with an increase in performance for organisations. Since the current study endeavours to determine which HRM practices add the most value for SMMEs, this framework provides a guideline for which ones specifically to focus on. The AMO framework therefore enables the current study to narrow down which HRM practices to focus on when conducting data from study participants, in order to find out which HRM practices they are utilising.

Figure 2.3 below by authors Marin-Garcia & Tomas (2016) which follows is a suitable conceptual framework for the current study for several reasons. Firstly, it depicts the strategic nature of HRM. The strategic goals of the organisation determine which competencies employees should improve on. The external environment in which the organisation operates, as well as organisational features (e.g., organisation size, culture, and industry) also influence decisions about which HRM practices are suitable.

Secondly, the model in Figure 2.3 illustrates that organisations should use multiple high performance work practices (HPWPs), rather than just one or two HRM practices at a time. When used in combinations or groups, HPWPs are referred to as high performance work systems (HPWS). Furthermore, the authors postulate that HRM practices should be organised within the AMO framework, i.e., organisations should make use of a combination of ability-enhancing, motivation-enhancing, and opportunity-enhancing practices. Figure 2.3 also emphasises the synergistic nature of the AMO model.



Figure 2.3: Conceptual framework: using the AMO model to strengthen the relationship between HRM and business performance



Source: Marin-Garcia, J. A., & Tomas, J. M. (2016). Deconstructing AMO framework: A systematic review. *Intangible Capital*, 12(4), 1040-1087.

Lastly, this study will make use of the model depicted in Figure 2.3 because it indicates that there is a relationship between the presence of HRM practices and increases in business performance. The model also shows that HRM practices do not directly impact business performance; instead, the authors theorise that there are mediating variables between HRM practices and business performance. However, there is no consensus about what the mediating variables are. This gap in the literature is referred to as the Black Box of HRM. Section 2.5 of the current study discusses it further.

2.3.1 The Nature of HRM Practices in SMMEs

Despite their importance, there is very little data on SMMEs and their operations because SMME owners are hesitant to participate in research endeavours (Hanggraeni et al., 2019; Makhija & Goel, 2019). Nonetheless, USB Management Review (2018) reports that it is challenging SMME owners to find proficient, dependable, and dedicated employees that are

also affordable. Furthermore, younger employees lack tenacity (USB Management Review, 2018). Employee issues that SMMEs experience are absenteeism, poor punctuality and a general disinterest in the business (USB Management Review, 2018). Some common employee-related issues in SMMEs are stealing, high absenteeism and turnover rates, alcoholism, insubordination and fighting (Mahambehlala, 2019; Shah & Tewari, 2017).

Mutumba et al. (2020) theorise that using a variety of HRM practices that motivate employees, provide adequate training and fair wages results in better employee retention. However, in practice these problems are resolved with the SMME owner issuing warnings or dismissals to the transgressor (Shah & Tewari, 2017). Although this is a reactive response, for the majority of SMMEs, survival of the business, as opposed to HRM, is their main concern.

South African SMME owners do indeed perceive HRM to be invaluable to business success (Asoba & Patricia, 2021). However, resource constraints can mean that other business activities have to take priority (Anuradha & Ramesh, 2020; Bjelvert & Tornberg, 2019; Mohiya et al., 2020). Such activities include marketing to attract a bigger client base to generate more income, and gaining access to financing, such as loans (Maheshwari et al., 2020; Nath, 2019; Thulo, 2019)

Thus, SMMEs typically underrate HRM. Mutumba et al. (2020) assert that HRM is less of a concern during the early stages of a business but becomes more of a priority as the SMME grows and establishes itself. Ntlhanngoe and Chipunza (2021) report that SMMEs start using HRM practices mainly for two reasons: (1) the owner decides to champion implementing HRM-related initiatives, and/or (2) the owner is attempting to resolve a presenting business issue with HRM-related initiatives.

In the first instance, the owner has prior work experience in a corporate environment which uses HRM and/or the SMME owner is educated. In the latter instance, a trusted peer has used HRM practices successfully, and the SMME owner replicates those initiatives (Ntlhanngoe & Chipunza, 2021).

Interestingly, SMME owners in the same industry often form informal networks and provide each other with support and advice despite being market competitors (Tam & Gray, 2016). Therefore, the presence of HRM practices in SMMEs depends on whether the owner believes that it can be useful for the organisation. Nath (2019) reports that SMMEs in the service industry invest more heavily in HRM practices than their manufacturing SMME counterparts.

Nonetheless, the way in which an SMME context uses HRM practices varies greatly from organisation to organisation (Forth & Bryson, 2019).

The best practices recommended for large organisations are not suitable for use in SMMEs because of their contrasting qualitative characteristics (Nyamubarwa & Chipunza, 2019). Also, the manner in which SMMEs practise HRM is different to that of their larger counterparts (Nyamubarwa & Chipunza, 2019; Short, 2019). Despite resource poverty, SMMEs employ a larger workforce to buffer the high absenteeism plaguing these organisations (Shah & Tewari, 2017). The paragraphs which follow further discuss the nature of HRM practices in SMMEs.

Due to the small number of employees in a SMME, a dedicated HRM department is unnecessary (Nath, 2019). As discussed in Section 2.2.1, the reality of resource poverty translates to employees performing multiple job roles at once. Although employees have job descriptions for their main job function, they also assist in other job functions (Bjelvert & Tornberg, 2019). For example, the SMME owner commonly fulfils the role of a HRM person, despite them not being an HRM expert (Islam & Jabber, 2018; Nath, 2019; Shah & Tewari, 2017; Singh et al., 2017). Furthermore, an employee who is not an expert in HRM-related matters might have to fulfil the role of an HRM person, in addition to the job role that that employee is already fulfilling (Shah & Tewari, 2017).

Scholars also surmise that when HRM is implemented in SMMEs, it is informal, haphazard, random (Maheshwari et al., 2020; Nath, 2019; Nzonzo & Matashu, 2014; Shah & Tewari, 2017) and rarely linked to the organisation's strategic intent (Alaradi & Sankar, 2019; Shah & Tewari, 2017). The lack of proper HRM policy documentation serves as a testament to the informal and ad-hoc approach of SMMEs (Nath, 2019).

Contrariwise, Bjelvert and Tornberg (2019) postulate that SMME owners and their employees have regular meetings about how to resolve business problems and improve performance. This indicates that HRM initiatives are linked to the organisation's goals. Another study by Nieuwenhuizen (2019) reports that most South African SMME owners prefer to outsource the payroll and industrial relations aspect of their operations to a specialist firm. This helps to ensure compliance to the complex labour regulations and enable the entrepreneur to concentrate on their core business.

Informal HRM practices such as employing family members are common in SMMEs (Bjelvert & Tornberg, 2019; Shah & Tewari, 2017) because the owner feels that family can be trusted

with sensitive tasks, such as handling cash payments (Shah & Tewari, 2017). This confidence extends to employees who have long tenures with the organisation, thereby proving their trustworthiness and loyalty (Shah & Tewari, 2017).

Bushe (2019) notes that employees who are also family and friends can become tough to control, and this can lead to the organisation's failure. Additionally, when settling for family and friends, the organisation circumvents the opportunity to acquire candidates who are more competent, and thus more valuable (Ayandibu & Houghton, 2017b). Nzonzo and Matashu (2014) also criticise the informal approach to recruitment and selection typical of SMMEs. They posit that it leads to hampered creativity and lack of variety in terms of collective skillset. Nyamubarwa and Chipunza (2019) add that an informal HRM process makes SMMEs seem less credible to prospective employees.

Conversely, an informal approach can be advantageous. Shah and Tewari (2017) assert that informal recruitment measures such as referrals are favoured due to low time and resource related costs. Due to the high turnover rates in SMMEs, a simple and informal selection process is necessary because it enables filling a vacancy quickly (Shah & Tewari, 2017). Since the job roles have low skill level requirements (Anuradha & Ramesh, 2020; Shah & Tewari, 2017), an arduous selection process is unnecessary, making informality more appropriate for SMMEs (Shah & Tewari, 2017).

In addition, referral recruits have interpersonal links to the organisation and are therefore more likely to be loyal. Referrals allow both candidates and the employer to find out more about each other beforehand. This reduces turnover rates, as well as costs related to recruitment and selection. Referrals are popular amongst SMMEs (Nyamubarwa & Chipunza, 2019; Nath, 2019; Nzonzo & Matashu, 2014) because of their low cost (Nyamubarwa & Chipunza, 2019). Another reason may be that the SMME owner feels cynical towards outsiders (Nzonzo & Matashu, 2014; Shah & Tewari, 2017).

Nath (2019) found the selection practices of 103 manufacturing SMMEs to be scientific. Respondents in the study relayed that they tailor the selection process to include practical tests relevant to the competency requirements of the successful incumbent. They also compensate candidates for their time during assessment days.

In addition, as opposed to a stressful formalised performance-appraisal process, SMME owners (Nath, 2019) use a cheaper, less apprehensive approach. The informal nature of relationships

amongst owners and their employees allows for informal day-to-day conversations that serve the same purpose as an appraisal. Moreover, SMME owners are promptly cognisant of problems as they arise and are therefore able to resolve them quickly. Furthermore, the informality eliminates the expectation of promotions, which are unlikely to be fulfilled due to limited potential for advancements in a flat hierarchy (Shah & Tewari, 2017).

Informal appraisals are also much less time-consuming (Steijvers et al., 2012, as cited in Nyamubarwa & Chipunza, 2019). Despite resource poverty and a lack of a formal performance appraisal process, all employees receive bonuses, although those who are high performers will receive a bigger bonus (Shah & Tewari, 2017). Employees in SMMEs also receive non-monetary rewards such as gifts and free lunches (Bjelvert & Tornberg, 2019).

A key impediment for South African SMMEs is a shortage of skilled labour (Bhorat et al., 2018; Leboea, 2017), as was discussed in Section 1.1. A popular HRM practice in the SMME context is training and development. Shah and Tewari (2017) postulate that training and development initiatives are popular amongst SMMEs because they enable employees to perform multiple jobs across different functions. In this way, the impact of resource poverty can be minimised.

The SMME audience who favours learning that can be applied immediately in the workplace (Short, 2019) can view formal theoretical training programmes, typical in large organisations, as superfluous. In contrast to the trendy and broad learning interventions offered in large organisations, training in SMMEs is focused, problem-specific (Cunningham & McGuire, 2019; Shah & Tewari, 2017), and job-specific (Nath, 2019; Shah & Tewari, 2017). Their training initiatives are informal, in-house, and short-term (Cunningham & McGuire, 2019; Shah & Tewari, 2017). SMMEs typically emphasise learning from peers (Nath, 2019; Shah & Tewari, 2017; Short, 2019). Moreover, SMMEs seldom make use of external trainers because of the perception that external trainers lack credibility, since they are not privy to the specific issues that the SMME faces (Short, 2019).

2.4. Conceptualising Business Performance

In order to measure the value that SMMEs get from implementing HRM practices, if any, a determination must be made about how business performance is measured. Business performance can be defined as the achievement of organisational goals as determined by management (Kurniasih et al., 2020). Despite the importance of SMMEs as the drivers of Africa's economic growth, very little research about the factors that influence their performance exists (Makhija & Goel, 2019).

Measuring performance is an important business activity as it can help entrepreneurs make decisions and plan the strategies of the organisation (Taouab & Issor, 2019). Although there is also no clear agreement in the available literature about how business performance is defined, and how the construct should be measured, many scholars agree that financial indicators are not the only methods that should be used (Fowowe, 2017; Masocha, 2019; Restrepo-Morales, et al., 2019; Taouab et al., 2019). Researchers (Makhija & Goel, 2019; Smitha & Mendon, 2019) opine that, since the financial records of SMMEs tend to be unreliable and insufficient, non-financial records should instead be analysed.

Although Ncube and Chimucheka (2019) concur and assert that subjective measurement is appropriate for SMMEs, the scholars analyse both types of data in their research. Hanggraeni et al. (2019) note that since SMME owners are directly involved in their organisations, their assessment of their own company's performance is accurate and reliable. South African scholars Ayandibu and Vezi-Magigaba (2021) made use of non-financial records exclusively to measure SMME performance in their study.

A more holistic assessment of business performance includes three different perspectives, namely, financial indicators, non-financial indicators, and a subjective approach (Makhija & Goel, 2019; Restrepo-Morales et al., 2019). The latter method measures performance based on the subjective opinion of the entrepreneur. Oni et al. (2019) opine that SMMEs should encompass both financial and non-financial measures when assessing business performance. The former may include indicators such as sales growth, return on investment and gross revenue, whilst the latter may include measures such as revenue growth, employee satisfaction, customer satisfaction, and the growth in the number of employees that the organisation employs (Oni et al., 2019).

There are several examples of financial and non-financial measures, as displayed in Table 2.3 below. (Although the authors use the SME acronym, their definition includes micro enterprises).

Table 2.3: Business performance measures for SMEs

SME Performance		References
Financial Performance	Non-Financial Performance	
Market share; Profit growth; Return on investment; Sales growth; Return on asset; Operation cost	New product development; Innovation; Customer satisfaction; Customer retention	Gharakhani and Mousakhani (2012)
Sales growth; Return on equity	Productivity; Employee turnover rate; Quality improvement	Fabi et al. (2009)
Market share; Profit growth; Sales growth	Productivity; Production efficiency; New product development; Employee turnover rate	Hooi and Ngui (2014)
Operation cost	Productivity; Production efficiency; Employee turnover rate	Ecuyer and Raymon (2017)

Source: Wuen, C. H., Ibrahim, F., and Ringim, K. J. (2020,). *The Impact of Human Resource Management Practices on SMEs Performance: An Exploratory Study in Brunei Darussalam. International Journal of Asian Business and Information Management (IJABIM)*, 11(2), 68-87.

Alternatively, another scholar (Masocha, 2019) asserts that business performance should be assessed using three factors, namely financial performance, employee satisfaction and customer satisfaction. The Balanced Scorecard is a suitable performance measurement tool for all businesses including SMMEs (Kirsten et al., 2015).

The Balanced Scorecard consists of financial measures as well as non-financial measures, namely customers, internal business processes, and learning and growth perspectives; it therefore encompasses a more holistic picture of the organisation's performance (Kaplan & Norton, 1992, as cited in Erasmus et al., 2019; Kirsten et al., 2015; Taouab et al., 2019).

The financial perspective evaluates the important financial indicators of success (Kaplan & Norton, 1992, as cited in Erasmus et al., 2019; Taouab et al., 2019). The organisation's customer perspective evaluates factors that customers view as important, such as price, product quality, and service expected (Kaplan & Norton, 1992, as cited in Erasmus et al., 2019; Taouab et al., 2019). The internal processes perspective assesses the organisation's value chain (Taouab et al., 2019). Lastly, the innovation and learning perspective assesses how the organisation can continue to develop and grow its human resources (Taouab et al., 2019).

The Balanced Scorecard aids users of the tool in identifying key performance indicators derived from the organisation's vision (Kaplan & Norton, 1998). Table 2.4 below depicts examples of key performance indicators that can be used.

Table 2.4: Examples of key performance indicators for use in Balanced Scorecard perspectives.

Financial Measures	Customer Measures	Process Measures	Learning and Growth Measures
Account receivable turnover	Advertisement costs as a percentage of sales	Average producing time of orders	Average years of service
Average payment period for payables	Brand recognition	Capacity usage rate	Communication among employees and departments
Cost reductions in key areas	Complaints resolved on first contact	Internal rate of return on new projects	Employee productivity
Debt to total assets ratio	Customer complaints	Labour utilisation rate	Employee satisfaction
Economic value added (EVA) Operating income	Customer loyalty	Number of new patents	Employee suggestions accepted and implemented
Percentage change in sales revenue	Customer satisfaction	Number of new products and services	Ethics violations in the work place
Return on equity	Market shares of each product/service type	Number of on-time delivery	Information system investments
Return on total assets	Marketing costs as a percentage of sales	Purchase returns frequency	Leadership development
	Number of customers lost	Quantity of defected units	Number of cross-trained employees
	Number of new customers	R&D costs as a percentage of sales	Number of employee suggestions
	Rate of sales returns	Ratio of new products/services to all orders	Outstanding number of applications for employment
	Response time per customer request	Reworked units	Quality of work environment
	Sales volume in each sales channel	Set-up times	Time spent to ¹ employee training
	Total market share of the company	Time to replace or repair the defected products	
	Total sales volume in quantities	Warranty claims	

Adapted from: Coskun, A., & Bayyurt, N. (2008). Measurement frequency of performance indicators and satisfaction on corporate performance: a survey on manufacturing companies. European Journal of Economics, Finance and Administrative Sciences, 13(1), 79-87.

¹ The published article includes this typo.

The non-financial perspectives refer to leading measures because improvements in these areas lead to improvements in financial measures (Malagueño et al., 2018). Moreover, this tool makes it easier to ascertain how HRM practices contribute to the organisation's success (Perramon et al., 2016, as cited in Aryani & Setiawan, 2020). The key performance indicators direct the behaviours and tasks of employees at all levels of the organisation, informing all stakeholders of what is necessary for organisational success (Benková et al., 2020).

The current study will make use of the Balanced Scorecard to measure business performance. The questions in the interview guide will probe respondents about how the human resource management practices that they use impact on each of the four performance perspectives. This is further discussed in Chapter Three of the current study.

2.5 The Relationship between SMMES, HRM Practices, and Business Performance

SMMEs may have minimal resources but can benefit substantially from using HRM practices (Ayandibu & Houghton, 2017a; Deepa & Premkumar, 2018; Dobrosavljević & Urošević, 2020; Nath, 2019). In spite of this, one of the main reasons for the high failure rate of SMMEs is their inability to leverage HRM practices as discussed in Section 1.1. Cuéllar-Molina et al. (2019) posit that SMMEs adopt HRM practices only if the SMME owner believes that investment therein adds value to the business.

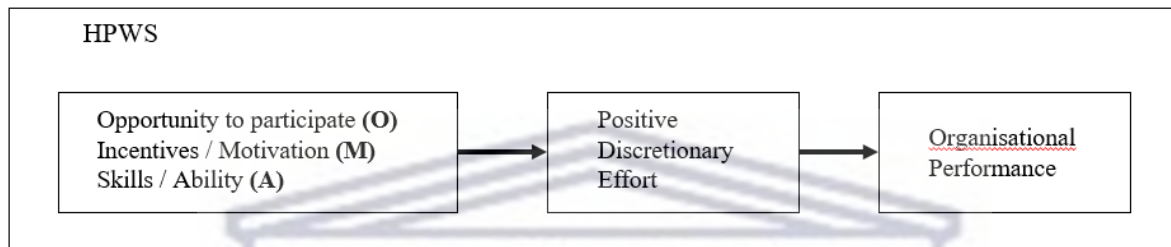
Nonetheless, HRM is an important contributor to the success of SMMEs (Nath, 2019). Scholars report positive correlations between HRM practices and SMME performance. Forth and Bryson (2018) posit that although SMMEs are less likely to use HRM practices, those that do are more profitable than those which do not. Their research claims that training and development and performance-related reward have a particularly strong correlation with business performance in SMMEs.

Scholars posit that SMMEs which invest in recruitment practices to attract skilled employees (Kirsten et al., 2015) are more profitable and productive than SMME competitors that do not. There is a strong link between HRM practices and the profitability and sustainability of SMMEs (Alaradi & Sankar, 2019; Nath, 2019). There is thus great value in SMMEs utilising HRM practices.

Thus, there appears to be a clear and direct relationship between HRM practices and business performance. However, scholars (Mutumba et al., 2020; Shahzad et al., 2019) posit that HRM

organised within a high-performance work system (HPWS) such as the AMO framework can facilitate SMME performance but is not the direct cause thereof. The authors postulate that HRM encourages employees to exert positive discretionary effort, which refers to going above and beyond what is expected (Marin-Garcia & Tomas, 2016). This in turn improves business performance. Figure 2.3 below depicts the amended AMO model.

Figure 2.3: Modified AMO model



Adapted from: Marin-Garcia, J. A., & Tomas, J. M. (2016). Deconstructing AMO framework: A systematic review. *Intangible Capital*, 12(4), 1040-1087.

This phenomenon is known as the Black Box between HRM and business performance. The first citation of this term in this thesis is in Section 2.3. It refers to the unknown intermediary links that facilitate the value creation between these two variables (Lai et al., 2017; Úbeda-García et al., 2018). In spite of extensive research, this issue remains unresolved (Ismail et al., 2017a; Lai et al., 2017). The links that authors propose are work-related attitudes, namely job satisfaction and employee commitment (Mutumba et. al., 2020; Nor & Abdullah, 2020).

Utilising bundles of HRM practices encourages employee commitment in SMMEs (Cantele, 2018; Li et al., 2019) which is a critical success factor for these types of organisations (Mabhungu & Van Der Poll, 2017). Attaining employee commitment is important because when employees are loyal and dedicated to their organisation, they are willing to work hard to achieve the organisation's goals (Cantele, 2018; Ismail et al., 2018). This translates to lower absenteeism rates, a lower turnover rate, punctuality, and higher productivity such as less faulty goods produced. When employees are competent and committed, customers are more likely to be highly satisfied, leading to higher profitability for the organisation (Cantele, 2018; Ismail et al., 2018).

Investigations in the South African context yield similar results. Browning (2006) posits that employee commitment partially mediates the relationship between HRM practices and higher

levels of employee productivity. Browning (2006) also asserts that selection, training, and performance appraisal appear to have a stronger relationship with productivity than development, pay, rewards, and management support. Respondents relay that training boosts confidence when dealing with clients and makes employees feel empowered.

According to Browning (2006), respondents convey that a fair and objective selection process assures them that decisions were just and impartial. Respondents also impart that performance appraisal is an invaluable opportunity for recognition, acknowledgement and to communicate their input to management. A conclusion is thus that employee perceptions and attitudes about the HRM practices elicit feelings of commitment and loyalty to the organisation and its goals.

In addition, researchers Gile et al. (2018) discuss this phenomenon in a systematic review of empirical studies in Sub-Saharan Africa, mostly South Africa. The majority of these studies investigate the relationship between performance and bundles of ability-enhancing, motivation-enhancing, and opportunity-enhancing HRM practices, instead of just one single HRM practice. These authors posit that there are four categories of mediating variables between HRM practices and business performance. The first category is employee performance outcomes, and includes factors such as increases in job satisfaction, reduced absenteeism, and lower turnover rates. The second category is team performance outcomes based on the ability of employees to work together to achieve their organisation's goals. The third category is organisational performance outcomes related to reduced errors and improvements in service quality. The fourth category is client outcomes and refers to client satisfaction. It is thus not merely the presence of HRM practices, but their influence on employee attitudes and behaviours as well, that have an effect on organisational performance.

Nath (2019) notes that, although HRM practices are present in SMMEs, their design and implementation is largely undocumented; it exists mostly in the mind of the SMME owner, due to time poverty. Moreover, SMMEs seldom formally assess the effectiveness of the HRM practices that they are using (Shah & Tewari, 2017). Nonetheless, numerically quantified HRM practices can determine their value relative to business performance.

However, both managers in SMMEs and scholars studying SMMEs find that describing the advantages of HRM practices in their organisations qualitatively is more effective and insightful (Hanggraeni et al., 2019 Short, 2019). Insights about the perceptions and experiences of SMME owners regarding how HRM impacts business performance are thus vital. Interviews

with the entrepreneurs elicit them best, because they are able to share their views regarding how HRM practices benefit their organisation.

2.6 Conclusion

This chapter presented published information on the three main variables of the study and the relationship that exists between them. The discussion confirms that the link between HRM practices and organisational performance is applicable to both large and smaller organisations. However, large and smaller organisations face different challenges and operate in very different contexts. Therefore, the manner in which SMMEs implement HRM practices differs from large organisations because of their contextual differences. The Balanced Scorecard emerges as a suitable measure of business performance as it encompasses a holistic perspective of both financial and non-financial measures.

The literature confirms that SMMEs should make use of a variety of HRM practices that complement and reinforce each other. However, the literature does not specify exactly which mix of HRM practices will yield the most return on investment for SMMEs. The current study's attempt to add to this body of knowledge will be useful to SMMEs, given their resource poverty realities. The next chapter will explain the methods used to collect data for the study.



CHAPTER THREE

RESEARCH METHODOLOGY

3.1 Introduction

The research questions that were posed in Chapter One aim to ascertain (1) which HRM practices are currently being used by SMMEs; (2) their perceived value for business performance; and (3) if certain HRM practices should be grouped together to maximise their effect on business performance. Topics that will be discussed are the research design, sample, and data collection procedure, as well as ethical considerations.

3.2 Research Design

This study is qualitative in nature and makes use of the interpretive paradigm. This type of research design enables the researcher to probe respondents about their subjective understanding of a phenomenon (Saunders et al., 2016). The interpretive approach enables the researcher to generate deeper knowledge of organisational realities by highlighting and appreciating how respondents understand experiences and actions (Fossey et al., 2002; Saunders et al., 2016).

In addition to the interpretive paradigm, the phenomenological approach was utilised. This approach focuses on the perspectives and opinions that respondents have about their natural settings, so that the researcher can garner common themes about the units of analysis (Fossey et al., 2002).

In the context of the current study, the researcher endeavoured to gain an in-depth understanding of (1) which HRM practices SMME owners are selecting and the reasons for their choices; (2) the value that entrepreneurs attribute to different HRM practices; and (3) the impact of various HRM practices on business performance from the SMME owner's perspective. The emphasis is thus on the beliefs and perceptions of the SMME owners who participated in the study.

Following Saunders et al. (2016), this study used a semi-structured interview guide. It allowed the researcher to invite further discussion based on the themes that arose during the interview. The qualitative research design of in-depth semi-structured interviews were used in the current

study. Conducting interviews are useful when the intention is to gain an understanding of a phenomenon through the personal experiences of the research participants.



3.2.1 Data Analysis

During semi-structured interviews, numerous themes and sub-themes may arise. By using thematic analysis, the researcher will discuss these themes and sub-themes. Thematic analysis is a technique that enables the researcher to gather an understanding on the experiences, thoughts, or behaviours across a data set (Kiger & Varpio, 2020). This method is appropriate for the interpretive research design, which was explained in Section 3.2, because it captures the participant's subjective viewpoint of the phenomenon. According to Kiger and Varpio (2020), thematic analysis is most commonly conducted using a six-step framework that was popularised by Braun and Clarke (2006), and is summarised as follows:

Step one – Familiarisation and immersion: This involved repeatedly reading the transcripts to get a holistic view of the entire dataset. In the current study, the researcher repeatedly listened to the audio recordings of the interviews and manually typed the transcripts to accomplish this. She read through the completed transcripts twice, as well as the notes that she took during the interviews.

Step two – Generating initial codes: During this step, notes are made on possible items of significance by identifying recurring ideas or patterns. Identification entails assigning codes to the data accompanied by relevant excerpts of responses from the research respondents.

Step three – Searching for themes: The next step is to identify themes and subthemes by grouping similar thoughts and opinions together. The researcher reduced the number of themes which emerged initially so that the only ones which remained provide insights that address the research questions.

Step four – Reviewing themes: During this step, the codes and themes identified are reviewed to confirm that there is no overlap between themes, and to ensure that themes have sufficient supporting data. The researcher read the transcripts in their entirety again to confirm that the themes which were identified adequately represent the entire dataset and provide insights into the research questions.

Step five – Defining and naming the themes: For the penultimate step, the researcher reviewed the themes to ascertain that they are an accurate representation of the data, and that theme names are suitable.

Step six – Producing the report/manuscript: In the final step, the researcher compiled a data analysis report, and presents it in Chapter Four of the current study.

3.3 Population and Sample

A population is the complete collection of all the units of analysis (persons, events, or objects) that share a characteristic which the researcher wants to study (Babbie, 2014). The population of interest of the current study includes all the SMME owners in the Cape Town area of South Africa who make use of three or more HRM practices in their organisation and have been operating for five years or longer. Thus, only entrepreneurs who manage businesses which fit the description of an SMME were invited to participate in the study.

The researcher used the definition of an SMME that South Africa supplied in its Department of Small Business Development (2019) publication. This definition broadly states that, to qualify as an SMME, the organisation needs to (1) have fewer than 250 employees, and (2) report an annual turnover that is less than an amount determined by the South African Department of Small Business Development. Table 2.1, in Section 2.2 shows how the amount varies from sector to sector.

The decision to exclude SMMEs that have been operating for less than five years is guided by the literature; it postulates that most South African SMMEs fail within their first five to seven years of operating (Bushe, 2019). Furthermore, SMMEs that have been operating for five years or more are better suited for the purposes of the current study; as discussed in Chapter Two, older SMMEs are more likely to make use of HRM practices than their younger counterparts. This exclusion is based on the rationale that SMMEs that have survived beyond 5 – 7 years are more likely to remain operational. Since the current study aims to determine which HRM practices will help aid SMME survival and growth, it is useful to illicit only the perspectives of those owners who have survived the most turbulent life stages.

SMME owners who do not use HRM practices at all, or who use only one or two, were excluded from the study. This decision was guided by the second research objective stated in Section 1.5 which is to determine if there are specific HRM practices that should be grouped together to maximise increases in the business performance of SMMEs. This decision was also guided by the third research objective illustrated in Section 1.5 which is to theorise a best practice model of HRM practices in the SMME context. In addition, this decision was guided by the third research question indicated in Section 1.5 of this study, whereby the researcher undertakes to

determine if there are specific bundles of HRM practices that enhance business performance when grouped together in the SMME setting. It is thus suitable for the researcher to engage with SMME owners who employ at least three HRM practices in bundles as opposed to only one or two. This exclusion is based on the study's aim to gather insights on HRM practices that were adopted as well as their value from the perspective of the SMME owner.

This study is also restricted to the view of the entrepreneurs regarding which HRM practices add financial and non-financial value to their businesses. Thus, this study excludes the views of employees who work at SMMEs and any other stakeholders. This exclusion is based on the SMME owner having a holistic view of both the financial and non-financial impact of the HRM practices employed. This is because this participant has access to sensitive information, such as financial statements, that other stakeholders such as employees would likely not have access to.

Saunders et al., (2016) define a sample as a smaller group within the population. It is necessary to draw a sample because it is not feasible to gather information from every single unit of analysis in the population. This study employed the purposive sampling technique to select respondents. A purposive sample is not representative of the population, but it allows the researcher to select participants who will be particularly informative (Babbie, 2014; Fossey et al., 2002; Neuman, 2005, as cited in Saunders et al., 2016).

In this study, the researcher used purposive sampling by selecting SMME owners in Cape Town, South Africa to participate who indicated that (a) their business had existed for a minimum of five years and (b) they used three or more HRM practices. The researcher also made use of snowball sampling. This sampling technique allowed the researcher to find more participants based on the referrals of the initial respondents (Saunders et al., 2016). The sample size in this study is eleven participants. Due to the researcher using this sampling technique, participants referred peers from their business network.

3.4. Data Collection Procedure

Before starting the data collection procedure, the researcher obtained ethical clearance from the Humanities and Social Sciences Research Ethics Committee (HSSREC) to conduct the study.

The researcher used semi-structured interviews and made use of an interview guide. SMME owners are involved in the day-to-day management of their businesses and have access to business performance indicators (both financial and non-financial). Although the researcher was unable physically to observe the non-financial and financial value that HRM practices add to SMMEs, entrepreneurs of these businesses were able to report on their own observations of these variables. For example, an entrepreneur may observe less absenteeism after introducing certain HRM practices to the SMME.

Only entrepreneurs who manage businesses that conform to the definition of an SMME were invited to participate in the study. The researcher extended invitations to participate in the research study only to entrepreneurs operating for at minimum 5 years. Therefore, prior to being invited to an interview, entrepreneurs were asked to indicate the age of their business. All of the entrepreneurs that the researcher had access to were from the 'Catering, Accommodation, and Other Trade' industry.

The researcher used the South African definition of a SMME provided in its Department of Small Business Development publication (2019), which was presented in Section 2.2.1 of Chapter Two. The entrepreneurs confirmed that they conform to the threshold provided, namely that they employ fewer than 250 people and that their annual turnover is less than or equal to 40 million rand. Respondents were asked to complete, a consent form. It explained the purpose of the study and addressed ethical considerations, such as guaranteeing anonymity and confidentiality. The respondents were also asked to complete a biographical questionnaire. It included their age, gender, the highest educational qualification that they had obtained, the number of years they have been operating as an entrepreneur, and the nature of trade of the organisation. The sample consisted of five females and six males. The biographical information relating to the participants is presented in Table 3.1 below.

Table 3.1: Biographical information of participants

Participant	Age	Gender	Highest completed level of education	Age of business	Nature of enterprise
P1	Between 41 – 50	Female	Undergraduate degree	Between 11 – 15	Catering, Accommodation, and Other Trade
P2	Between 31 – 40	Female	Postgraduate degree	Between 11 – 15	Catering, Accommodation, and Other Trade
P3	Between 51 – 60	Male	Higher Certificate	21 or longer	Catering, Accommodation, and Other Trade
P4	Between 31 – 40	Female	Undergraduate degree	Between 11 – 15	Catering, Accommodation, and Other Trade
P5	Between 31 – 40	Male	Diploma	21 or longer	Catering, Accommodation, and Other Trade
P6	Between 31 – 40	Female	Undergraduate degree	Between 6 – 10	Catering, Accommodation, and Other Trade
P7	Between 20 – 30	Female	Matriculated	Between 16 – 20	Catering, Accommodation, and Other Trade
P8	Between 51 – 60	Male	Matriculated	21 or longer	Catering, Accommodation, and Other Trade
P9	Between 51 – 60	Male	Matriculated	Between 16 – 20	Catering, Accommodation, and Other Trade
P10	Between 20 – 30	Male	Matriculated	Between 6 – 10	Catering, Accommodation, and Other Trade
P11	Between 31 – 40	Male	Matriculated	21 or longer	Catering, Accommodation, and Other Trade

The interview guide containing the questions that were to be asked during the interview was emailed to respondents beforehand. This gave respondents an opportunity to read and decide if they were willing to continue participating in the study. The researcher constructed the questions included in the interview guide, and her supervisor reviewed them to confirm their appropriateness. The questions in the interview guide were led by the research questions of the current study. The specific questions asked were structured using the AMO framework in the existing literature, which is also the theoretical framework of this study.

The researcher conducted a pilot study with two SMME owners to ascertain the length of time it would take to complete an interview, and to determine if the questions would be easy to understand. She used an interview guide (Appendix A) and the questions were open-ended. The pilot study affirmed that the questions were easy to understand, and they did not need rephrasing.

The semi-structured interviews were conducted in 2021 during the coronavirus pandemic. Due to the social distancing restrictions, all interviews took place via Zoom meetings at a time which was convenient to both the researcher and the entrepreneur. The interviews were all conducted in the English language. An interpreter was not used since all participants were fluent. Although participants did not struggle with responding to the questions in the interview guide, probes were used and these are outlined below each question in Appendix A. The audio and video of the interviews were recorded and transcribed verbatim.

3.5 Principles of Qualitative Research

The quality of a qualitative research design is established by ensuring trustworthiness (Babbie & Mouton, 2008). Trustworthiness is equivalent to validity and reliability (Babbie & Mouton, 2008). Trustworthiness encompasses four criteria, namely credibility, transferability, dependability, and confirmability (Babbie & Mouton, 2008).

Credibility is equivalent to internal validity (Saunders et al., 2016). To satisfy the credibility criterion, the researcher must ensure that the depictions of the phenomena match what respondents meant to say (Saunders et al., 2016). In other words, the researcher must check that what is being reported on accurately reflects what respondents meant to say. In the current study, the researcher ensured credibility by summarising for the respondents the data that was collected from them and interpreted. Respondents then confirmed that an accurate depiction of their realities was captured.

Transferability is equivalent to external validity (Saunders et al., 2016). To satisfy the transferability criterion, the results of a study should be generalisable to other people in the population, in other contexts, and over different periods of time. (Bengtsson, 2016; Saunders et al., 2016). The findings of the current study are generalisable to SMMEs in the Cape Town area only but may be applied to SMMEs in different industries within the Western Cape Province.

Dependability is equivalent to reliability and refers to the consistency of the findings (Saunders et al., 2016). In the current study, the researcher ensured dependability by enlisting the assistance of a subject matter expert to code the themes in the data. The codes and themes determined by the subject matter expert were then compared with those that the researcher created.

Finally, confirmability refers to the objectivity of the researcher (Babbie & Mouton, 2008). In this study, the researcher ensured confirmability by asking a peer, who is knowledgeable about the topic of the current study, to review all interview transcripts, notes, audio and video recordings, and other relevant data-collection material. The peer advised the researcher on potential biases, subjectivity, and misinterpretation.

3.6 Ethical Considerations

Ethical considerations are the moral guidelines that researchers must observe when conducting their studies. Ethical conduct is very important in research, especially in the social sciences where the researcher is interacting with people. Adherence to ethical considerations ensures that the participants are respected and protected and upholds the integrity and validity of the research (Bhandari, 2022). Ethical guidelines are further discussed below:

3.6.1 Informed Consent and Voluntary Participation

Prior to collecting data from participants, researchers typically acquire their consent. This entails outlining key factors of the study on a consent form and requesting that participants review and sign it (Halai, 2006). Factors include advising participants of the purpose, advantages, drawbacks, and funding of the study when inviting them to participate (Bhandari, 2022; Halai, 2006; Qu & Dumay, 2011; Wiles, 2012). This information affords participants the opportunity to decide if they want to participate or not (Wiles, 2012).

In addition, participants must have freedom of choice about whether or not they want to partake in the study. They must not feel coerced and must also be able to withdraw from the study at any time (DiCicco-Bloom & Crabtree, 2006; Halai, 2006). In the current study, the researcher explained the purpose of the study to SMME owners and requested their signature on an informed consent form. Respondents were also informed that they could withdraw from the study at any time.

3.6.2 Confidentiality and Anonymity

Researchers must protect participants by ensuring that throughout the study they remain unidentifiable (Bhandari, 2022; Halai, 2006). Confidentiality and anonymity are important because some participants might express unpopular opinions that could negatively impact them if their statements were linked back to them (DiCicco-Bloom & Crabtree, 2006). In the current study, all the information that participants imparted was regarded as strictly private and confidential. All information provided by the participants was stored in a file on the researcher's laptop that is password protected.

3.6.3 Non-maleficence

An important tenet of conducting research is to protect participants from any form of harm (Saunders et. al., 2016; Qu & Dumay, 2011). This principle is essential; therefore, a research board or governing body reviews academic research proposals to assess the level of risk to participants (Qu & Dumay, 2011). Researchers should avoid posing any form of disturbing or uncomfortable questions to avoid causing undue distress to participants (Saunders et al., 2016; Qu & Dumay, 2011). While conducting interviews for the current study, the researcher was polite and respectful to all respondents and refrained from making judgemental remarks at all times.

The researcher respected the time of all participants by ensuring punctuality during agreed-upon time slots and remaining within the agreed-upon time allocation for interviews. In addition, the participants were not exposed to any harm because of their participation. During the semi-structured interviews, the researcher respected the participants and stopped any line of questions that participants deemed uncomfortable or sensitive.

3.7 Conclusion

This chapter described the Research Design, including the data analysis process which was explained in detail so that it may be replicated by other researchers if so desired. The population sample was discussed as well. The data collection procedure was explained, and the importance of trustworthiness was emphasised. The ethical considerations were also discussed. In the next chapter, the findings and results of the study will be discussed.

CHAPTER FOUR

FINDINGS AND DISCUSSION

4.1 Introduction

The objective of this study has been to answer three research questions relating to Human Resource Management (HRM) practices in Small, Medium, and Micro Enterprises (SMMEs). Firstly, the study aimed to identify which HRM practices are popular among SMMEs and why. Secondly, it sought to determine the benefits of HRM practices from the SMME owners' perspective, and whether or not they enhance business performance. Finally, the study investigated whether specific bundles of HRM practices, when grouped together, have a positive impact on business performance in the SMME context. Through this research, a better understanding of the HRM practices in SMMEs and their impact on business performance can be gained.

This chapter contains the discovery of insights from the interviews conducted to answer the research questions, as well as a discussion thereof. It includes the main themes and sub-themes that arose from the thematic analysis process.

4.2 Research Findings

Numerous themes and sub-themes emerged from the interview process. Although SMMEs use a multitude of HRM practices, their approach is colloquial and bears minimum costs. This is consistent with assertions by other authors (Bjelvert & Tornberg, 2019; Nath, 2019; Primc & Čater, 2016; Shah & Tewari, 2017).

The main motivation for adopting HRM practices is to enhance the customer experience by enhancing the competencies of their employees. However, it is also evident that SMME owners are empathetic and paternalistic towards their employees. Owners adopt HRM practices that allow them to show appreciation to their employees for what they perceive is loyalty and hard work. It corresponds with the 'small is beautiful' viewpoint introduced by authors Collings and Wood (2018) and Nyamubarwa and Chipunza (2019) that was discussed in Section 2.2.1 of the current study. This perspective noted that the SMME approach to employee management fosters open communication and a family-like culture, resulting in employee loyalty and commitment.

Table 4.1 displays the themes and sub-themes below. The sections that follow discuss them further.



Table 4.1: Research themes and sub-themes

Main Theme	Sub-theme
HR Expertise	<ul style="list-style-type: none"> • Prior management experience
Training	<ul style="list-style-type: none"> • In-house training, done by the SMME owner • Lower level of skillset • On-the-job training
Recruitment and Selection	<ul style="list-style-type: none"> • Social media, referrals, word-of-mouth and at-the-gate recruitment • Employees perform multiple job roles • Prior experience and a positive attitude prioritised over formal qualifications • A trial basis method used • Observations
Performance reviews	<ul style="list-style-type: none"> • Instantaneous, not periodically scheduled • Regular, general, informal meetings
Workplace Culture	<ul style="list-style-type: none"> • Close-knit
Rewards	<ul style="list-style-type: none"> • Intrinsic motivation • Various extrinsic rewards used • Performance-based bonuses • Gratitude • Extra money • Recognition and praise
Career progression	<ul style="list-style-type: none"> • Limited
Job security	<ul style="list-style-type: none"> • Casual staff • Permanent staff
Team meetings	<ul style="list-style-type: none"> • Regular • Open to suggestions and feedback
Job enrichment	<ul style="list-style-type: none"> • Teamwork • Autonomy limited • Job enlargement
HRM practices enhances the customer experience	<ul style="list-style-type: none"> • Employees' loyalty and competence • Good workplace culture
HRM practices promote employee loyalty	<ul style="list-style-type: none"> • Trust, open communication and accountability • Empathy for employees • Socio-economic factors • Open-door policy
HRM practices need to be bundled	<ul style="list-style-type: none"> • Depends on the situation • Chain reaction • Positive culture and teamwork

In SMMEs, the SMME owner commonly fulfils the role of a HRM person, despite not being an HRM expert (Islam & Jabber, 2018; Nath, 2019; Shah & Tewari, 2017; Singh et al., 2017).

This literature therefore corresponds with findings from the current study; the participants are all owners of SMMEs, and the majority manage the HRM aspect of their business themselves. The respondents who do not do so outsource it to their spouse, who is also involved in the day-to-day management of the business. P9 said *“Oh, I do all of those. I do the recruiting, the paying, the pay as you earn for all of those people, I do, I manage tax as well in my space”*.

Multiple scholars referenced the subject of resource poverty as a characteristic of SMMEs (Harney & Alkhalaf, 2021; Kurniasih et al., 2020; Maheshwari et al., 2020; Nath, 2019; Nyamubarwa & Chipunza, 2019; Shah & Tewari, 2017; Suparlinah et al., 2019). Participants in the current study also mentioned resource poverty. P2 stated *“Being a small business, I’m obviously multi-tasking so there’s no money to still employ human resource managers and stuff like that, because it’s a small business ... I basically do the whole lot yeah”*. P10 concurred, noting that *“An entrepreneur has to be all-rounder”* and P5 noted *“It’s a small business, we don’t need a HR lady now that’s just solely there to that”*. Nath (2019) agrees that due to the small number of employees in a SMME, a dedicated HRM department is unnecessary.

4.2.1 HRM Expertise

Although most of the participants do not have a formal qualification in HR, some of them have HRM knowledge from prior careers in management. P1 said *“I have experience being a manager so ... in middle management you do a lot of HR appointments, you do recruitment and selection ... you do a bit of IR ... you do performance assessments, appraisals ... you do ... job descriptions ... so you do quite a broad range of HR activities when you are in middle management”*. P2 reported *“I’ve been in management positions where we obviously went for training, uhm in terms of dealing with staff and how to deal with conflict and how to, how to handle staff, so I’ve been in the corporate environment”*.

However, the majority of participants do not have any HR-related qualifications or experience, and some of them therefore use the services of a qualified expert. P5 divulged *“So I have an external labour lawyer and a, labour, uhm, he’s not a, I have a lawyer and I have, like a labour consultant as well. So, all my documents, everything goes through to them, and if I need to do a formal grievance or any written warnings or whatever, they draft a letter for me and then I will obviously consult with the staff”*. P7 relayed *“My bookkeeper ... does the UIF’s and the payslips, he does the COIDA, he does all of those and he also does, he can do the reference checks and SARS-related things and tax-related things yeah”*.

4.2.2 Training

Training in SMMEs is focused, problem-specific (Cunningham & McGuire, 2019; Shah & Tewari, 2017) and job-specific (Nath, 2019; Shah & Tewari, 2017). It comprises informal, and in-house, short-term initiatives (Cunningham & McGuire, 2019; Shah & Tewari, 2017). All of the participants provide their employees with training. Consistent with the literature, the majority provide informal in-house training that is job-specific and problem-specific, since the objective is for employees to acquire competence for a specific role.

In many instances, the SMME owner personally trains employees. P1 said *“The staff that I have, I had to train them myself”*. Similarly, P2 noted *“Uhm, you know, the staff that I have, obviously it’s people in the community that I trained ... The staff that I have was obviously trained by myself, and partly by my wife as well. So I think they have the proper training because we’ve been in the catering industry for, from school so we obviously got the skills to train other people”*.

Only one participant indicated that staff are also sent for training with an external trainer who provides formal accredited training. P1 noted *“I trained from there and I would then send them on specific courses to assist them further”*.

Participants expressed that providing training is necessary because the people whom they employ generally have a lower level of skillset at first. P10 stated *“We work with people that, in the 21 years that I’m doing the hiring, I probably had, 1 or 2 people had matric. Most of them didn’t finish school. Less than matric, so they didn’t finish school. You take, the best guy that I had, he and his wife, they probably just finished primary school”*. P1 reported *“They didn’t start off with the skillset that I needed but what worked for me was people with a good attitude and a good work ethic”*.

The level of experience required when recruiting employees depends on the job role, but the majority of participants indicated that they do recruit people with no experience at all. P2 noted *“I mean, like, the one lady came there, I mean I’m now taking the lady that cooks for me, I mean she came there with no experience, no knowledge of catering and whatsoever. I trained her to become the main cook. The other lady worked in a clothing shop, I mean she now does all the cold prep – like the salads and stuff like that, sees that the chicken is grilled. She was never exposed to it. Uhm, the other lady that works on the other side does all the ordering and the issuing of groceries and making sure that the stuff is set out if there’s a big function”*.

Nevertheless, in instances where the employee has experience, they are still provided with training to orientate them with the SMMEs processes and systems. P5 voiced *“We’ll take them through the policies, we’ll take them through the new system, obviously everybody works with different systems, and how the company works on a day-to-day basis”*.

In addition, all of the participants also indicated that they provide on-the-job training, and many indicated that during training an important quality is that the employee displays an eagerness to learn. P4 said *“So it would be on a, on-the-job training basically so it wouldn’t be a specific day or hour set aside, it would be on the job training, so it’s a very fast-paced industry ... uhm so it would be on the job training”*. P8 expressed *“It’s mostly I would say on-the-job training”*. P9 noted *“We teach on the job, we train on the job”*.

4.2.3 Recruitment and Selection

Participants use a variety of recruitment methods. Many use more than one type of recruitment method such as referrals and social media advertising, including WhatsApp and Facebook. This finding aligns with the existing literature, as authors Shah and Tewari (2017) assert that informal recruitment measures such as referrals are favoured, due to low time and resource related costs.

P1 said *“You know what, it’s mostly referrals. It’s just mostly referrals, because it’s a small business”*. Correspondingly, P4 noted *“Okay, so obviously, it’s a small business and we go on referrals... So it would really go on referral basis and very close to home so very close to, in the area (where we live). So, yeah”*. P6 said *“Normally we go via WhatsApp or Facebook or any social media. In the past we used newspaper, but not anymore though”*. P8 stated *“I put an ad on my WhatsApp”*.

Word-of-mouth is also a popular technique as well as at-the-gate recruitment. P6 added *“Sometimes it will be a normal, just talking, and asking people, or people come here and they ask ‘Don’t you have a job for me?’”*. Correspondingly, P10 said *“Sometimes they come past here, they ask for a job and sometimes I see that they, they just walking up and down the road, and I’ll just ask them, look, are they available”*.

P2 commented *“Look here, to be honest with you, the people that is, that I’ve employed is basically people that lived in the area, and had no skills and I obviously went that route in terms of training them and using them. So I’ve never used gumtree to employ people or stuff”*

like that". Likewise, P5 noted *"A lot of the time it's through word of mouth, randomly they will email or you will hear from another industry, someone's looking for a job"*.

Participants also expressed that they find employees through having informal conversations with people whom they encounter. A small minority make use of other recruitment avenues such as community radio advertisements and an agency. Some participants expressed that when recruiting they identify scholars who attend home economics classes at school, and are therefore more likely to have an interest in working in the sector. Most hire inexperienced people without any formal qualifications, unless it is a legal requirement to perform the role, such as a driver needing to have a valid driver's licence.

A small minority of participants have formal job descriptions, whereas most do not and require their employees to have the capability to perform multiple job roles. P5 said *"Yes, we go through (the job description) in detail. So obviously the interviews they will get a brief description, then once they get the job, we'll go through a thorough description and which they obviously need to fulfil"*.

In contrast, P4 said *"We don't have formal job descriptions ... they know exactly what they have to do, so yeah, I don't think that there's a need for that"*. Likewise, when asked about job descriptions, P10 stated *"Well, it's all in my mind. I know exactly what must happen because what I do is I train them. As we work I do the training, because, you see these guys are not interested in paperwork, they are not interested. I've tried so many times and it's, if you operate like we operate, just keep it simple for them, don't make it complicated because that's the time they switch off"*.

Also, P7 said *"The one that manages the warehouse, he can drive as well so because the business is so small you don't have really 'job descriptions-job descriptions'. But the lady that does the accounts, that's in the office, that's her department, so she sees to client services, she sees to my HR, she sees to the basic bookkeeping, yeah"*.

Similarly, when asked about job descriptions, P8 noted *"Not really in a sense, uhm, because they are so versatile, they go wherever I need them in other words"*. P11 explained *"It's very hard to give a job description to somebody so generally when you employ somebody you give them the full rundown of what it entails. Yes, my secretary is my secretary, that's what she does, the PA does what she, but in the same breath, if I'm on site and I'm busy with a function,*

a PA won't just stand there with her notes, she'll get involved and pick up a crate and set a table when she has to".

These assertions indicate a lack of a formal employment contract. They support the literary ideology that the absence of a formal employment contract -- in favour of a verbal contract -- is not uncommon in SMMEs (Islam & Jabber, 2018). Furthermore, scholars (Hung et. al., 2016; Matejun, 2017; Mittal et al., 2018) also averred that employees typically perform multiple job roles at once without clearly defined roles and responsibilities. This is similar to the expectations of the research participants, who indicated that their employees need to be multi-skilled and flexible.

According to The Small Enterprise Development Agency (2019) and Vuba (2019), the shortage of skilled workers in South Africa presents a significant challenge to the success of SMMEs. Vuba (2019) argues that SMMEs face stiff competition from larger organisations in attracting highly skilled individuals, as the latter can offer better compensation packages and growth opportunities.

Scholars (Bhorat et al., 2018; Moyo, 2019; Schenk, 2017; StatsSA, 2018) concur that SMMEs tend to employ less skilled workers at a higher rate than larger organisations. The present study's research findings suggest that SMMEs do so out of choice, rather than necessity. This is because the study participants reported placing a higher value on experience and attitude of employees than on their qualifications. P5 expressed *"I've had previous experience hiring this top person that worked so well, and she was, I mean not worked well, she had a major qualification in events, whatever, and no experience and at the end of the day it didn't work out so for me at the end of the day was loyalty, how long they worked in a company, and how, just how eager they are to learn"*.

P11 voiced *"(An employee's) attitude and personality, and loyalty (is more important to me than qualifications). Diploma is a piece of paper"*. P2 said *"You know you can have the degrees whatever, but if your attitude towards your job is wrong, then that doesn't work for me. Because, I mean, you can come in there with a (bad) attitude and it can disrupt the whole business in terms of people now not working as a team, because of this one person having a (bad) attitude, and I mean we had somebody like that, uhm, in our business and she caused so much havoc and people were scared to come to work, because of this one person having a*

(bad) attitude ... it costed a lot of talking with this person, but eventually I had to get rid of her. Because it wasn't good for the business".

The majority of participants conveyed that to ascertain if a recruit is a good fit for the job, they hire people on a trial basis first. P6 said *"So I put them on a trial basis"*, while P8 stated *"We usually just put them on a 3-months' probation and then from there we take it"*. P11 noted *"We generally give you a 3-month trial. And if it works, it works for both of us then you stay on"*. During this trial period -- the length of which varies from participant to participant -- SMME owners observe the behaviour of recruits. Important considerations are if the recruit has a good attitude and has people skills.

Participants also said that they assess if the person displays characteristics of loyalty, dependability, and trustworthiness. P1 mentioned *"You know what, you want people that you can trust. That's a big thing. You can't make a mistake. You actually can't afford to make a mistake"*. P2 commented *"Uhm, to be honest with you, I look at people's attitude first of all. And I look at their willingness to learn as well. Uhm, and I think people's attitude plays a big role in the success of the business"*. P3 said *"If someone is hardworking and willing to learn and then I'll take them on. I made sure that everyone was people friendly so that they would be able to keep a conversation or deal with people if needs to be"*. P4 noted *"I think it's values that you look at, for example honesty, transparency"*.

There is no test or checklist against which these attributes are assessed. Instead, participants asserted that since they are very involved in their businesses and have interpersonal relationships with their clients, they have a great sense of which individual would be a good fit by observing them while they work. P1 lamented *"I'm completely hands-on ... so for me, I feel I have a better understanding of what my customers need and what I need to supply them ... you know ... I make sure that (my employees) have what the customer needs"*. P9 said *"We physically work with them and we expect them to learn as they go, so if already somebody doesn't catch it when we are busy doing it, they are already eliminated in a sense"*. P10 stated *"You see, what happens with me is, as they do the work, I'll watch them"*.

The selection process that participants use is thus not scientific, but rather intuitive. This also supports literary findings by scholars Matejun (2017) and Mittal et al. (2018) that SMME owners rely on their intuition for decision-making rather than empirical data. Furthermore, these findings are consistent with those of author Binghay (2012), who posits that the use of

robust selection tools such as detailed job analysis and psychological tests is very rare in an SMME setting.

4.2.4 Performance Reviews

Participants expressed that their hands-on approach to managing their business enables them to raise areas of improvement instantly. The communication style of participants is very direct. P7 said *“If I watch them and then if I watch how, even the lady that speaks on, the receptionist, if I hear her speak on the phone, and I hear, okay that tone wasn’t right then I’ll address her, then I’ll tell her okay, you must always address the client in this way or in that way”*. P4 noted *“We address (performance issues) head-on and there is no formal progressive discipline in terms of that. It is, you either perform or you are not performing”*.

Similarly, P11 stated *“You have to address issues immediately”*. P6 said *“I’m a person like this, if something is wrong (regarding an employee’s performance), I would tell you direct”*. This corresponds with the findings of Nath (2019) who asserted that, instead of scheduled performance reviews, SMME owners are promptly cognisant of problems as they arise and are therefore able to resolve them quickly.

Only one participant conducts periodic formal performance reviews, whereas the remainder all hold regular informal meetings with employees during which they address general issues. These take place in a team setting. P2 stated *“Look here, we have a thingy that we do, in the morning and we do ... it’s like a short meeting ... what is expected of each one. I would call them in before we start work ... this is expected, this is what we are going to do for today. Uhm, before we leave work, we then discuss the work for the next day ... what is needed ... so that everybody is on the same page”*.

However, individual performance issues are addressed directly with the individual employee concerned. P2 said *“I would then call in that person (with the performance issue), sit them down and tell them what I am unhappy about, and why I’m unhappy, and how can we fix it that it doesn’t happen again”*.

4.2.5 Workplace Culture

Many authors (Bjelvert & Tornberg, 2019; Nath, 2019; Primc & Čater, 2016; Shah & Tewari, 2017) report that relationships between SMME employees and the owner are close-knit.

Correspondingly, SMME owners who participated in the current study try to create a fun, relaxed work environment, and many participants articulated that the workplace culture is one in which the workforce feels like family. P1 said *“I mean they also do have fun at these events, so they really dance and have fun with each other”*. P11 said *“Our business runs as a family so you become part of a family, it’s not only as boss and worker”*.

Likewise, P2 noted *“I think we are more like a family instead of a business-business man”*. P6 also spoke about the importance of a positive workplace culture saying *“It starts by the whole team, because we believe in teamwork. And that’s why we like that going out together as a team because it motivates them in a positive direction and most of the time it’s, to motivate them is not too hard”*.

One of the participants also said that it is important that the leader leads by example so that employees are inspired by, and mimic, their employer’s work ethos. P2 verbalised *“I suppose it depends also how you work with your staff. It’s got a lot to do with, you as a leader needs to set the example and if you are motivated, they ... it rubs off, off on them also”*. This sentiment is in line with scholars Nath (2019) and Nyamubarwa and Chipunza (2019) who postulate that the culture of an SMME derives from the values and management style of the owner.

4.2.6 Rewards

Participants noted that, although they try to motivate their employees with extrinsic rewards, it is important that they have their own intrinsic motivation too. P1 said *“My experience has been that if people don’t have a work ethic then it’s difficult to incentivise them, to motivate them every day. We all have our bad days, you know, so we human ... things in your personal life impact on how you perform or how you feel or how motivated you are to provide for your family”*. P2 noted *“Uhm ... it takes very little of me to motivate them. I mean I ... to be honest with you, I have a very good bunch of people working with me ... they just motivate themselves in a lot of ways”*.

P11 remarked *“Hmmm. Well, there’s different ways for motivation. You can, we’ve got incentive-based motivation, we’ve got loyalty-based motivation, and you’ve got, the most important thing is, if you love what you are doing, you don’t need motivation. So we try and figure the staff out is whether they love what they are doing ... it’s that extra effort that they put into their job. A job is a job but when you put in that extra effort in it, that’s when you get to know that somebody is passionate about their work”*.

Nonetheless, owners offer a variety of extrinsic rewards to employees, such as food incentives, end-of-year staff parties, vouchers, and gifts. P1 remarked *“There’s always quite a good amount of food that’s excess so they always get to have at least or most of the time, I’d say 80% of the time they get to take food home”*.

P6 noted *“There’s a lot of competition out there so it’s important for us to give not only 100% but I need 200% from each other, from each and every one of my staff, see, so that they can perform at their best and I believe sometimes buying them a chocolate helps put a smile on their faces. People love chocolates, even men love chocolate, women love chocolate but not spoiling too much”*.

P8 said *“I buy them gifts now and then, you know for Women’s Day and such stuff”*. P10 mentioned *“We do (incentivise), not big though, we would have our end-of-year parties, if there’s birthdays, we would give them whatever we can, and yeah, if they did a good job we’d give them a little bit extra (money)”*. P11 expressed *“I’ll buy the guys lunch or some, some mini-incentive, not over and above your salary incentive”*. This corresponds with findings by Bjelvert and Tornberg (2019) who stated that employees in SMMEs receive non-monetary rewards such as gifts and free lunches.

As a way of thanking employees for their efforts, the participants most often give performance-based bonuses at the end of the year, and sporadically add extra money when paying wages. Components that determine if an employee will get a bonus include the individual’s consistency, hard work, and business performance. The theme of loyalty also arose once again, as well as using monetary incentives to show gratitude towards employees.

Participants expressed that providing end-of-year bonuses is an opportunity for them to thank loyal employees, and to gain even more loyalty from those employees. P1 noted *“You will get a bonus if your performance was consistent ... late-coming, minimal, just you know, just the basics, if that was done consistently, if your attendance is like 90% then you would know, okay, you know what you will be getting this that and the other. If it fell below like 60% attendance and you’re late-coming, you’re sick whenever without letting us know you’re not going to be able to make it. If anything falls below about 60% then you must realise that, you know what, you just didn’t get there this year so based on that, this is what your bonus or incentives will look like”*.

P2 expressed *“I think we, it’s a strange set up in terms of how I work, uhm, you know we ... I would put something extra in their wages like on a weekly basis, or, you know, it ... sometimes I would just sort of, surprise them and stuff like that. I mean, we can have how a bad year, but I mean, we, I still try and manage to give them a bonus to, you know, for the work that they did for the year. So yes, and then there’s the odd occasions that you put a bit of extra in. They would sometimes remind me, ‘Oh, I hope the boss is going to pay us with his heart today’. So that is, because ... it’s ... I think we are more like a family instead of a business man”*.

P4 conveyed *“If we see that, listen here, this person is actually really invested and really taking this as, like we value the company because it’s our family business, then we are going to compensate and show you in the form of monetary, like giving you a money incentive; here’s something, thank you for going that extra mile; so they also feel valued and they can see that we value them and we can see them yeah, so yeah”*.

P6 noted *“I think the most important thing for any person is money, unfortunately, is money, because if you show your staff basically, look here you’ve been working for me now for a while, I can maybe, I don’t increase your wages, but I just put something extra in the packet to say thank you. I think that gives a lot of motivation to people nowadays, see people don’t like too much gifts nowadays, they like, give me some money because I can do more”*.

P7 voiced *“I try my best. I’d rather go home with nothing but I try my best to give my people holiday money or even a bonus ... (because) they helped me, so they help my business a lot...early mornings, late nights and I see how they work and I really do appreciate them being there, the times that they work for me the mornings, the early mornings, the late evenings, coming in on a public holiday so I feel it’s just ethical to give them a bonus or a holiday pay.”*

P9 remarked *“At our staffing parties, everyone gets bonuses”*.

Although Vinayachandran (2022) contends that bonuses and incentives in SMMEs are limited because profits are much smaller, the remarks from participants align with the literary contentions by Shah and Tewari (2017). The latter assert that, despite resource poverty and a lack of a formal performance appraisal process, they award all employees bonuses; high performing employees will receive a bigger bonus. However, the manner in which bonuses are awarded is consistent with assertions by scholar Binghay (2012), who notes that instead of using rigorous pay levels or job grades as guidelines, the allocation of bonuses in SMMEs are simply at the subjective discretion of the SMME owner.

Furthermore, participants provide their employees with bonuses to convey appreciation for hard work, loyalty, and consistency. This corresponds with findings by author Nath (2019) who notes that rewards systems in SMMEs aim to show gratitude for the dedication, commitment, and consistent efforts of employees.

One of the participants also indicated that their employees are able to make use of the services offered by the organisation at no charge. Although most participants indicated that their employees prefer monetary rewards, non-monetary rewards are also given to employees in the form of recognition and praise.

P5 stated *“We do employee of the month or we split the departments and say who was the best in the warehouse or whatever, so they would get, like, I wouldn’t give them chocolates or presents because at the end of the day they preferred money. So I asked them, but I would give them vouchers, like food vouchers or money vouchers and that was something that they, it was very good, because they worked towards being the best in their department, yeah”*. P6 said *“Most of the time you come into the meetings and you compliment them (in the presence of their colleagues) (on) where they did good”*.

4.2.7 Career Progression

Mixed responses were received when participants were asked about prospects for employee career growth. Some of the participants said that there was no scope for it, since their business is small. P2 voiced *“I think that, the people that work for me is already pensionable age, so yes, they don’t have any ... what’s the word I’m looking for ... they not really looking for promotions and stuff like that”*.

In contrast, other respondents said that, since their business is small and growing, there are opportunities for career progression, mainly for employees with longer tenures. Author Vinayachandran (2022) concludes that employees who have been working for 20-25 years have greater career progression prospects than those with shorter tenures, and this is in line with the current research findings.

P5 expressed *“I’m very, that is my job at the end of the day, I want to empower the people within my company other than just getting new people”*. P7 noted *“Most of my managers ... worked with me since they’ve been like 17 or 18, actually all of them ... they’ve been long with me”*.

P8 said *“So like our business grows I cannot always do, and I always speak to them, I cannot always do everything, H.R, admin, meetings, you know, so there is growth that you don’t need to be a waiter forever, do you know what I mean. So there is growth, yeah, there is growth. Some of them become like, my manager, she’s been with me for 3 years, she’s a manager, she runs the show now so I would say there is career development yes ... before she was a manager she was a waiter”*.

P9 noted *“Look, ultimately lots of them are trying to become, like, how can you say, more senior, lots of them feel like they’ve been here long so they are more senior than the other but we have promoted, probably three of them who get, like, a major salary difference to the others just based on their performance so to weigh it up, it’s like crunch time, when it’s time to deal with a client or crisis mode, that’s, whoever shines, gets the win there. Whoever can deal with a crisis”*.

P9 continued to say that other aspects, such as being punctual and reliable, are also considered when making promotion decisions. P11 said *“We’ve had guys that have started working as cleaning staff, they’ve moved up to being drivers and team leaders ... loyalty plays a big part”*.

The observations expressed by the participants are consistent with the research conducted by Shah and Tewari (2017), which indicates that numerous SMME employees have lengthy tenures with the company. In Vinayachandran's (2022) investigation, it was determined that older employees are more inclined to have prolonged tenures in comparison to their younger colleagues.

4.2.8 Job Security

Participants employ a mix of casual and permanent staff. The sentiment around which type is preferred over the other garnered mixed responses as well. Some noted that permanent staff are more reliable, while others said that it is more cost-effective to employ on a casual basis. P7 said *“I don’t really get that (employee-related) problems (such as late-coming and absenteeism) with permanent staff”*.

P8 noted *“There is more security in other words for me and stability for me in a permanent person ... Stability-wise and reliability”*. P9 stated *“(with the casual staff) it’s a lot of young kids, when the sun is out, they are all at the beach, then I’m like, looking for staff, so it’s a bit of a headache and staffing that don’t come in and like, so with the older staff then it’s, they like, are like babysitting and no one to watch their child, so they are quite unreliable this way because they only come when they need the money and they go when they don’t need the money so if they were on a permanent, they will basically be fine to come so that they can get paid at the end of the month so I prefer a more permanent paying staff”*.

Another consideration that arose was that of seasonality. Many respondents noted that their core employees are permanent whereas casual staff are hired as needed, such as during busier periods. This corresponds with the literature whereby Islam and Jabber (2018) and Shah and Tewari (2017) aver that the majority of SMME employees are casual workers. The few permanent employees perform tasks that are crucial to the running of the business (Shah & Tewari, 2017).

Furthermore, Zhou and Gumbo (2021) reported that permanent employees contribute three times more to the productivity of SMMEs than temporary employees. Shah and Tewari (2017) found that casual workers are typically paid in cash, daily, whereas permanent staff are paid via EFT on a monthly basis. P7 supported this assertion saying, *“The bookkeeper would do payslips for permanent staff (whereas casual staff are paid in cash)”*.

4.2.9 Team Meetings

Bjelvert and Tornberg (2019) postulate that SMME owners and their employees have regular meetings about how to resolve business problems and improve performance. All participants except one have regular team meetings with their employees. The frequency varies from

participant to participant; some only have them on a weekly basis whereas others have them as often as every day.

Nath (2019) posited that the informal nature of relationships amongst owners and their employees allows for informal day-to-day conversations that serve the same purpose as an appraisal. Similarly, the participants of the current study communicated that the purpose of the team meetings are for the SMME owners to plan for the week ahead, to resolve any internal issues -- including squabbles amongst employees -- and to motivate the team.

P4 stated *“Every Friday they have a ‘Toolbox Talk’, so where they come together, they chat about what’s, because it’s such a small business, there’s a lot of, sometimes can be a lot of infighting, this one (says something that upset someone else) and so we try and sort it out, yeah ... it’s to address matters at hand that it doesn’t fester and it doesn’t bubble over into the next week”*. P9 relayed *“Whenever we have a meeting, it’s more motivational, that’s why it’s done in a group”*.

Participants conveyed that two-way communication is important and that they have an open-door policy. P2 expressed *“It’s ... you know, I always say, you know at the end of the day, I cannot lead if I don’t have the right followers as well. So, the business doesn’t depend upon me, it depends upon each one of them as well. So, yes, they raise their opinions and their concerns as well in those (daily) meetings that we have”*. P2 further noted *“They can walk (into my office) 24/7, I mean whenever there’s something bothering them or if they are unhappy about something, they have the freedom to approach me. Uhm, there’s no qualms about it”*.

P5 expressed that *“(The meetings are an) open forum”*. P6 stated *“I do have regular staff meetings because there’s always points just to keep them updated and that you can be on par with your staff, like you asked me earlier on that how do I keep my staff motivated, it’s also by keeping meetings but not long meetings, half an hour, sometimes 15 minutes meetings just to give them that motivation to do better”*. P11 said the purpose of the meetings is *“to reflect on what has happened in the last week, to iron out issues that happened or motivation for the next week.”*

Most participants said that they are open to suggestions and feedback from all employees. P6 noted *“I love hearing other people’s ideas ... I have to see things through your eyes to understand you and vice versa but if I’m going to come with my own ideas, it’s almost like, there’s no path for you growing, there’s going to be no room for you growing because you only*

have your way or the high way". P7 said *"If I'm going to ignore (employee suggestions) and just think everything is my way then I won't go forward"*. P8 expressed *"Obviously they are on the job and they know what works and what doesn't work and I am there to make their lives a little bit more easier"*.

However, some also revealed that most suggestions come from senior employees whereas others are too shy. P1 said *"Most of the time people are very shy and they don't like ... they just want to be told what to do and they get on with it, but you get different personalities. Some like being given a platform"*. Some participants expressed that their employees do not give suggestions and feedback, but rather simply do their jobs. P4 mentioned *"I don't think their mental capacity allows them to do that, I'm sorry. The mentality is they are working, they are working to get paid"*. One of the participants also mentioned that while they are open to feedback, their suggestions are not always implemented because it is not financially feasible.

4.2.10 Job Enrichment

The participants employ people who are not performing strategic roles. Therefore, information-sharing in teams is limited to sharing information and co-ordinating so that the client's needs and specifications are met. Co-ordination is vital because employees work in a scenario in which their work impacts the tasks that their colleagues need to execute (Sumantri et al., 2021). P1 shared *"The waiters are mostly in teams and groups because they have to share what's happening, and they have to inform one another of a specific requirement or issues happening. In the kitchen, everybody is focused on what they need to do and then it's just about how they need to bring it together in the end. They focus on what their particular task is. Because if everybody does what is needed, then it will come together at the end. So I'll coordinate everything"*.

Similarly, P2 stated *"I think they (are) more of a team-team. Uhm, yeah. I think if the one struggles, you know, or if the one is overloaded with work, the others try and help, to make the load easier for the day. I mean there's times that I also jump in if it is very busy. My wife also comes in if it's very busy, so yes, I think it's more of a team situation"*. P5 said *"(the different departments) interlink obviously to make sure that the end product goes to the customer"*. Nonetheless, teamwork and alignment with the same goals is not only encouraged but perceived as vital to the success of the organisation. This is consistent with the findings of

scholars Kriel (2020) and Nath (2019) who asserted that there is a strong emphasis on teamwork in SMMEs.

Employees have some autonomy, but the client's instruction or product specification must be adhered to. P1 stated *"So they have freedom to do, as long as the result is the same and it's consistent. So, obviously we have menus, we have specific recipes, we have specific images of how things have to look. How you arrive at that point is no problem. As long as when we test our product, the look and taste is exactly the same, there's no problem."* P2 said *"If there's a way that I maybe do something and you come along and you maybe have a way of doing it a bit quicker, then we can implement it because then it's saving time"*.

Likewise, P8 noted *"I also need to give them room to grow. I can't always, my way is not always maybe the best way so I also need to give them a little bit of leeway for them also to grow, in other words."* P9 expressed *"Uhm ... to a certain degree they have freedom, like if I like something decorated a certain way, and they think it looks better and it does look better, we give them, so they have the freedom to express it, yeah, but we have to get confirmation first before we do anything that's out of the client's request. But sometimes if it really works better we do it that way and the client sometimes always loves it, so yes, there is freedom to voice their ideas."* P11 voiced *"We are not always onsite, so they have carte blanche to do what is necessary to fulfil the client's obligation"*.

According to Islam and Jabber (2018), the more proficient SMME employees are given autonomy. This is consistent with comments from some of the current study's participants who highlighted that managers are entrusted with autonomy rather than general staff. P5 said *"We have procedures in place that they need to follow so no. For managers, yes, if they feel that they want to come up with better processes, there has been times where my systems didn't work for them because they are doing the job at the end of the day. And we changed it, so yeah."* P6 expressed *"Uhm, see there is where managers is important ... sometimes you can allow your staff to have a certain decision but majority of the time, the leader should rule in that aspect"*.

P7 stated *"They can make their decisions but somehow I feel that before, they first run it through management then they'll do it. They always run it through management I notice so that's why I say, you need managers because the staff that's under the managers would always need assistance. They are always going to ask questions; they are always going to need help"*.

While Vinayachandran (2022) found that job rotations are commonplace in SMMEs, the participants shared that job enlargement, instead, is encouraged. This enables employees to upskill to the benefit of both them and the organisation. P4 noted *“So we have an employee that is a long-standing employee. And he used to pack orders for us and we identified that he’s quite, that he can work on a computer. And so what we did was, okay, he can start taking orders, not only just packing the orders but taking orders on as well, so he started working on the computer, he started giving people quotations so yeah”*.

P5 said *“A lot of the times you will see the cleaner or the packer will come and assist the client because she knows exactly what to do, how to set the table, what colours or whatever, so yeah”*. P7 expressed *“I like to see people that can take on more responsibilities or bigger tasks ... that’s my future event managers, my future, you can just rely on someone”*. P8 stated *“If I see they have the ability to take on a little bit more, I definitely will give them more because I will take them out of their comfort zone”*.

4.2.11 HRM Practices Enhance the Customer Experience

All of the participants expressed that HRM is important. However, they associate the concept of HRM with labour law only, and not encompassing the multitude of HRM practices they use, such as training, recruitment, and rewards. The participants noted that being compliant with basic employment laws is vital so that employers are able to protect themselves from loss of income. P1 said *“You know, things like Basic Conditions of Employment, you have to know these things. People have to know it ... how much sick days is allowed ... what are the regulations around maternity leave, short-time, UIF payments, your SARS, you have to know these things, so that you are protected and also if you are doing what is legally required of you, so that you can avoid any CCMA cases”*.

The main goal of every participant is to ensure that they provide a positive customer experience. Participants conveyed that they have employed the HRM practices that they use to ensure that employees are competent, productive, loyal, and motivated, in order to achieve the aforementioned main goal. P2 noted *“It is necessary to do it (training), because otherwise, you’re either going to lag behind or people aren’t going to do their work properly as well”*.

P4 stated *“I think that, you know the thing is that, if we are not going to invest time in these employees and show that we value them, there can be many times that they can just not send orders through, say we are fully booked, they can refer them to (our competitors) so it is very*

good to have your ear on the ground in terms of where they are at, so yeah ... (We are) not there all the time, so we can only see on the cameras how they interact, we can't hear, we can see. So they could be maybe angry of something that's bottled up and we don't address it and it could be taken out on our customers. Sometimes maybe they don't feel like working or they are just not happy with something and turn people away, we will never know. So that is why it's really good to just hash out, yeah".

P6 said *"You know, I believe in, happier people leads up to more production ... if you don't treat the staff right then they would end up doing wrong things and that can cause into negative, for your clients".* P7 expressed *"It's probably the way I conduct my business but it's basically getting it through to your staff that, make the client happy at all costs and obviously it comes again back to training the staff how to work. How to work with clients, because remember it's not only me working with clients, so it's me and my whole crew so I have to train them".*

P8 disclosed *"Look if my, in my line of business, word of mouth is the best form of advertising. So if I incentivise my staff and I have regular meetings with them to motivate them, they will give a better service to the client. So clients, they will then tell their friend, 'you know, I was here and I had this great experience' so I would say yes it does make me money".*

P9 verbalised *"Happy staffing leads to happy servicing...with the staffing, there's less chances of them messing up knowing that they might not get that (incentive) so they ... they always try their best, so then they'll get their incentive, so that's why ultimately mistakes are sometimes not even there. So everything that makes the business better, we do".* P11 noted *"Loyalty always brings in more money. Knowledge and know-how enhances the staff to perform better, indirectly it would bring in more money".*

Creating a culture in which employees feel happy is important so that they adopt a positive attitude when interacting with clients. Using HRM practices to cultivate a hospitable and professional disposition within employees allows the organisation to build a favourable reputation with clients. The return on investment can be observed through customer loyalty and customer referrals.

P1 said *"If people weren't happy working with me, my customers would know that. People talk, you know and uhm, there's a footprint that will be left with your customer. The person working with you. You know when, when people are happy or they comfortable in the working space, it conveys, you know, uhm, you might not see it directly but indirectly, it comes across ... the way*

the waiters work, they take themselves seriously, they're always on time, they always meet, so that tells you something about the business. Not only the product, it's just the general attitude of your staff. It conveys a lot".

P2 noted *"You know, we've built up quite a good reputation with a lot of our customers and they will always comment in terms of how nice the food is, and you know, how happy they are with our service. So I think that that is partly because of the training that you do with them ... at the end of the day, if you feel, I mean you as a staff member, if you are happy in the environment that you work, it shows in your work as well. I mean, we did a function last week and the gentleman came up to me and he said, you know, he can taste in the food, there was a lot of love in it, and I think that is just the way they ... uhm, they are happy to be at work".*

P6 mentioned *"(my employees) always come with a smile and I always learn them to interact with their clients".* P7 said *"(my clients know) they will get the same service, they will get the same smiles, they will get the same speedy response ... because the guests see how quick we are, how fast we are, the cleanliness, the smiles, and, we obviously get referrals".*

P9 conveyed *"My staffing ... they are more friendly to the customer, they are more upbeat, they are positive, they are not like, you know, because lots of them come from homes that, things aren't going well, they are going through their own walks in life so they can come here and feel safe and feel like it's a family, homely unit, by us so they're not in that, sort of dark space and taking it with to ... to our customers".*

4.2.12 HRM Practices Promote Employee Loyalty

Most participants said that the HRM practices that they use encourage employee loyalty. Building good relationships with employees encourages trust, enables open communication, and enhances the employees' sense of accountability.

P2 stated *"I think having this talks with them on a daily basis, it makes them feel part of the whole process and part of the company, and you are not working in isolation. You know, you involve them in terms of the business ... uhm and I think they feel that, you know, because they feel they are part of it, they take it personal, if I could put it that way ... I think because you've given them that opportunity to work and to better themselves, they are obviously very loyal. I mean, you can ask my wife as well, those two (managers), the business stands there in Mitchell's Plain, but they look after it in terms of opening it up, switching on the lights, making*

sure the alarm is set and blah blah blah. I don't even have to go in there so they take responsibility for the work, or for the business as well".

P3 imparted *"Say we had maybe now a busy weekend, so we busy the Friday, the Saturday and the Sunday so now, they all feel like they worked hard or whatever, so now you can say, look here, the Monday you can take off or a Monday, work half day in order for them to recuperate or to rest after that. So they feel that, okay they are appreciated and they are given that time to take for themselves".*

P8 expressed *"You know, any human being, if you show a little bit of concern or you show them that you do care for them, obviously they will think twice not to come work, because they know what predicament are they putting you in, if they don't come work".*

These findings correlate with scholars Wiesner and Innes (2010) as cited in Nyamubarwa and Chipunza (2019) who asserted that the informal close-knit relationships between SMME owners and their employees foster loyalty and commitment.

According to USB Management Review (2018), common employee issues that SMMES experience are absenteeism, poor punctuality and a general disinterest in the business. Participants in the current study noted that while there are employee-related issues related to punctuality, it is important to them that they empathise with their employees' circumstances.

P5 said *"When you have staff meetings you can discuss with them and when, like I say, when my staff is late, I am very strict on that, late and whatever, I can, I don't mind every now and again and when it's bus strikes or whatever then it's fine, but if they late they get warnings, but before that obviously verbal warnings and then they give them warnings, I'm very strict on that. So, it's important that when you employ managers or whoever is sitting with the staff, that they feel comfortable having the conversation if they are having any issues and why they are having them or whatever, yeah".*

P6 stated *"When you have people, when you have staff, you don't know what circumstances they come out of. And you don't know, you get domestic abuse, you get unhappiness, you get all of that, whatever, so, and that's why I say it's very important to see things to other people's side as well, so it's important that to keep them motivated that's right, and having the teamwork but at the end of the day, that's why I believe in going out with them sometimes, just to cheer them up and you won't believe it, I had staff here that have never been in Waterfront, see so you'll be quite surprised so I think the more you let staff gel, they become, they talk to one*

another sometimes about their problems so it's almost like they don't want to stay away from their work because they feel somehow it's like a family, see, so that's why it's important, I believe in having that get-together and talking to them about T.V shows. So it's important for us to also have normal conversations just, don't talk business the whole day”.

P9 shared *“We do punish hey, we punish for late-coming so no, we actually send them home or we take off their pay so they don't, they try not to do it the next time so they constantly trying to make it an effort to come to work on time. But also in the back of that, a lot of them use public transport so ... because they do public transport, we must factor in their travel time, we must factor in their leaving their home time”.*

P11 verbalised *“The supervisors watch the people and also their timesheets and things like that would give you an indication of late-comings and things like that but in the same breath, if, there's always reason why you are late, I mean we, if the bus is late or the train is late it's not his fault, he may have gone to the hospital first to see his wife or the husband or something like that so in that aspect we are quite flexible in listening to you first, to reason, but I mean if you are late every Monday morning then there's a problem and you are going to (have it deducted from their salary)”.*

Although frequent employee-related issues in SMMEs are stealing, high absenteeism and turnover rates, alcoholism, insubordination and fighting (Mahambehlala, 2019; Shah & Tewari, 2017), the study participants also noted that socio-economic issues are a pertinent factor in the employee-employer relationship.

P1 said *“Uhm ... you know what, the economy and the socio-economic conditions, they, people find themselves in all has a massive influence on how they respond to uhm, to their work if they uhm ... but I think it does help, because my style of management or teaching or working with people is ... we all, we work together. Nobody works for somebody else, you know. You don't work for me, I don't work for you. We all have different roles. I'm a very ... just straightforward person, that I think has helped”.*

P4 revealed *“We've ... many people we have dismissed due to being under the influence of alcohol at work. If I look at our staff turnover, every single person that worked there has stolen from us so...our goal is to upskill the youth of our community. Unfortunately we bear the brunt of that through people that have said that they have reformed and they are not using drugs anymore and then we see our cutlery has gone missing, chafing dishes are gone missing, so*

that is something that we have to look into. So no, it doesn't impact loyalty ... I think that once, I think employing the right people would stop the stealing ... I think if the company becomes more structured and rigid, having, performing a more rigorous recruitment process and if, if (my spouse) or I are stationed permanently at the office, it would be different".

The comments made by P4 coincide with the findings of Mahambehlala (2019) who posited that SMME owners encounter many incidents of staff stealing their stock. P10 disclosed *"Uhm, you see their only loyalty lies in when they get another job. They'll only use the opportunity until they get something better. And you must remember it's not the highest point, it's not the highest paid job"*

Participants try to create an inclusive, and positive environment in the workplace for their employees. Participants prioritise resolving any issues that their employees have as quickly and directly as possible, by adopting an open-door policy. P1 said *"I want (my employees) to be happy and comfortable. Because, when working, the time that we spend together, you know, needs to be productive. It needs everybody's input. If there is a problem, I don't allow it to fester. If there's a bit of an issue, I always say, you know what, if you want to write me a letter, if you want to send me a text, do what is comfortable. Communicate in a way that is comfortable for you, and let's get to the bottom of what the issue is"*.

P2 mentioned *"I think having the daily meetings, if there's issues, you can resolve it instead of it, like, how can I say ... instead of it festering and now they must wait 'til they have a monthly staff meeting, then only all these issues get raised whereas if you sit down with them daily and you discuss whatever is there, and if I'm unhappy or they are unhappy, that's an opportunity then to let them know ... Uhm, so yes, uhm, I think it's important that you, that you sit down with your staff on a daily basis ... it's important that you have those set times where you can interact with the staff and that you don't work past one another or, yeah"*.

P3 shared *"It's an open-door policy. If you maybe feel there's someone bothering you, not bothering you but there's something that you need, or there's something that, then its open-door. You can come speak to me"*. P5 noted *"My staff, we have a very, like, open relationship, if they don't like something they can even phone me on my cell phone or whatever and they are more than welcome to do that. They've done it millions of times. So it's important to just have an open relationship with them so they feel comfortable whenever they want to have a discussion"*.

P8 expressed *“I will say, I always tell them that if they are not happy with something, they always need to come speak to me. Because there’s nothing that I can do if I don’t know about it”*.

P9 opined *“It’s just always better to be hands on with the staff directly, so hearing what they have to say, dealing with their insecurities, if they don’t feel safe in the environment, try to make them feel safe, if they don’t feel, if they don’t feel protected and that kind of thing, if they don’t feel secure, those are all things you must do for staffing to help them become better, first as humans, and then secondly to your business so if somebody comes in and they cry and they are sobbing, we always try and dive into their personal first, so I do think HR, although it’s very technical and there’s a lot of formalities involved to follow, the one thing that I will stress is that you have to be in touch with your staff always and listen and also hear their complaints hey, not hear them but action improvements, that’s the only way your business grows with your staff, because ultimately, and we believe it as a family, we are nothing without our staff ... so our staff is very important to us and we are nothing without them, and this is what we express to them every year at our year-end functions, we are very grateful that they are around still another year and a business is nothing without it’s people so that’s the main, well, so we have to please those people and that’s what we try and do”*.

4.2.13 HRM Practices Need to be Bundled

All of the participants feel strongly that all the HRM practices that they use are important to the success of their organisation. P2 said *“I would say ... it is almost like the one isn’t more important than the other one”*. P5 noted *“I think they are all important to be honest. You can’t neglect the one, you know”*. Also, P8 stated *“I would say having all of it because it’s to your benefit in every way ... I think as far as you can implement it, you should”*. They reported that they implement the ones that they feel best suits the situation or resolves the issue at hand.

P1 divulged *“I use specific ones where I, if I feel that, you know what, something ... I would apply the principle that I think suits the situation ... whatever gets the results, or the best result”*. Similarly, P10 shared *“I also have my way of ... that I think is, solves the issue within my situation. It’s not always by the book because sometimes you don’t, a lot of things is not written in the books. It comes with experience”*.

Furthermore, participants said that the various HRM practices that they use enhance different aspects of their organisation, and collectively enhance their ability to provide a positive

customer experience. P4 stated *“Uhm, I think that holistically if we look at the company, and uhm, all of them have to be used. I think prioritising performance is a main one for me, but I think it all links together. HR is black and white in many ways and I feel that with performance, if you deal with your performance as a, in a box, like you box everything, you deal with your performance, that will lead to incentives, you deal with incentives, that will lead to people increasing and improving their productivity, that will mean that they will not be absent, they will not be late because they are happy at work, so I think that it all has a chain reaction”*.

P6 vocalised *“I think they all need to be, need to coincide somehow. It’s important that you should have the teambuilding, in order to have a better impression of staff, it’s good for them to go out and clear their minds, it’s good to have meetings, because to keep them all on par and know what your expectations is because that is the recipe of having a great success in your business, because if your staff is not right, your business can’t be successful”*.

P7 noted *“I believe you should give back to your staff because without them I wouldn’t have been able to do all the work ... and training is very important. Training takes a lot of stress off of myself as well, because if my staff is not properly trained I can’t possibly be by every single event and at the warehouse at the same time. So it works like a well-oiled machine so if the cooks know what to do at the warehouse and the guys know what to do by the events then I can be at another event or I can be wherever and they will know what to do, so you need your staff to know what to do”*. P9 mentioned *“I think that they all go hand in hand”*.

Participants struggled to select the most critical HRM practices because they believe that all are necessary to succeed. P5 argued *“I believe they are equally all important. I would say they are equally all, I can’t, I can’t choose one over the other. Training is important ... rewards to them are important ... because it makes them work harder, so they all play a vital role”*. P8 stated *“I think it all works together, I think it all works together to be honest. I don’t think there’s one that is more preferable, higher than the other one”*.

However, (a) recruiting people who have positive attitudes; (b) training so that employees are competent; (c) maintaining regular communication and (d) showing gratitude by rewarding employees with incentives were reported as vital. P3 noted *“If the customer feels that the customer is basically put on a pedestal, the customer will always come back to you and she will always refer someone to you because of the service that she got”*.

P5 expressed *“If you don’t train them then you can’t expect them to succeed or to do the job correctly so training is very important”*. P7 stated *“Train your staff, speak to your staff, communicate with your staff, train your staff well, it takes a lot of stress off of you. And find the right person for the job obviously”*. P8 said *“If they are not properly trained, they can’t do the job”*. P10 remarked *“For me, the one that really appreciates the training and wants to learn from it will receive the rewards afterwards in terms of the way you treat them or the way you promote them and things like that, because the performance of the training will come out in the one that makes use of the training. You will see the difference in the person’s behaviour and the way they do their work”*.

P11 remarked *“Communication is very important, that is the most important, if you are able to communicate openly with your staff, you get more results out of it”*.

A positive culture and the ability to work together well as a team were also highlighted as important. P1 shared *“The money is important but they also have to be comfortable and happy where they work. If they just have an enjoyable working environment -- that is very important. Because the, you know the, I’m specifically thinking about the waiters now. They enjoy the event, they enjoy themselves, they enjoy being together ... but they are, there to get paid, so at the end of the day, that is important as well, but like I say, it has to be a good working environment”*.

4.3 Conclusion

This chapter discussed the key themes that arose from the coding process. The themes provided insights into which HRM practices SMMEs are adopting and why; their perceived benefits and how they enhance business performance and, finally, which HRM practices should be grouped together.

The thirteen main themes that arose from the research findings are (1) HR, Expertise; (2) training; (3) recruitment and selection; (4) performance reviews; (5) workplace culture; (6) rewards; (7) career progression; (8) job security; (9) team meetings; (10) job enrichment; (11) HRM practices enhances the customer experience; (12) HRM practices promote employee loyalty, and (13) HRM practices need to be bundled.

Themes one through eight revealed which HRM practices SMME owners use and why. Although their application is informal and simplistic, they are fruitful because they are cost-effective, maximise efficiency and solve the issues unique to the SMME experience.

Although the study participants were asked directly if their HRM practices lead to reduced costs, such as reducing employee turnover, they could not connect the presence of HRM practices in their organisation to impact on business performance. They could not provide a definitive response.

However, they did agree that HRM practices enable their employees to service their customers more competently, leading to an enhanced customer experience. Customer satisfaction has a direct influence business performance. Therefore, HRM practices have an indirect positive impact on business performance. Themes nine and ten revealed that these HRM practices contribute to business performance through indirect factors such as employee loyalty and customer loyalty. Theme eleven showed that SMME owners believe that all of the HRM practices that they use are important to use altogether as they reinforce each other.

The next chapter reviews this study's findings and makes recommendations for SMME owners regarding which HRM practices add the most value to organisational performance.

CHAPTER FIVE

DISCUSSION, RECOMMENDATIONS AND CONCLUSION

5.1 Introduction

This study sought to determine which HRM practices have the greatest impact on the business performance of SMMEs in Cape Town, South Africa. This chapter consists of conclusions to the Research Objectives that were presented in Chapter One. The limitations and recommendations for future research are also highlighted in this chapter.

5.2. Research Overview and Summary of Findings

This study sought to find answers to the following research questions:

- (1) Which HRM practices are SMMEs adopting / which HRM practices are popular amongst SMMEs and why?
- (2) What benefits SMME owners perceive HRM practices to have and whether these benefits enhance business performance?
- (3) Are there specific bundles of HRM practices that enhance business performance when grouped together in the SMME setting?

Qualitative research was conducted to gain answers to these research questions through semi-structured interviews with 11 participants. Thereafter, thematic analysis, from which themes and sub-themes arose. Purposive sampling and snowball sampling was used to gather insights from SMME owners in Cape Town, South Africa. Their organisations had each existed for a minimum of five years and they used three or more HRM practices.

The themes uncovered are: HRM expertise; training; recruitment and selection; performance reviews; rewards; workplace culture; career progression; job security; team meetings; job enrichment; HRM practices enhances the customer experience; HRM practices promote employees' loyalty; and HRM practices need to be bundled.

The first theme is HRM expertise. While most participants do not have a formal HRM-related qualification, many of them have relevant knowledge that they learnt during their prior careers in managerial positions. Some participants make use of an expert to handle HRM-related matters.

The second theme refers to the training which SMME owners give their employees. Participants indicated that they themselves provide in-house, on-the-job training to employees. They view their provision of training as a necessity because their employees have a lower level of skillset.

The third theme indicates that participants make use of a variety of recruitment practices that are cost-effective and allow vacancies to be filled quickly. Furthermore, when determining the suitability of candidates, more emphasis is placed on a positive attitude and any prior experience than on formal qualifications. After selection, new employees are not provided with a formal job description and the expectation is for them to fulfil multiple job roles. Owners employ new people on a trial basis, during which time they are assessed based on personal traits such as their disposition.

The fourth theme reveals that there are no formal scheduled performance reviews. Instead, regular, general informal meetings are held and for some participants these occur as frequently as every day. Since SMME owners are hands-on managers within their organisations, any performance issues are addressed on the spot.

The fifth theme is workplace culture. It is important to the research participants that they create a good workplace culture in which their employees feel comfortable and welcome. It is also important for the SMME owner to lead by example, such as by demonstrating a strong work ethic that inspires their employees.

The sixth theme is rewards. It shows that although participants believe that employees should be self-motivated, they nonetheless offer both intrinsic and extrinsic rewards. Intrinsic rewards that participants mentioned was an inclusive, social workplace culture as well as recognition and praise. Extrinsic rewards mentioned included gifts, vouchers, and performance-based bonuses.

The seventh theme shows limited career progression because the organisation is small, and yet it is still attainable because the business is growing.

The eighth theme is that of job security. Participants employ a mix of permanent and casual staff and they mentioned the benefits and shortfalls of both groups.

The ninth theme indicates that team meetings occur regularly and serve many purposes. They enable the participants to plan for the week ahead, to resolve any internal issues such as squabbles amongst employees, and to motivate the team. Participants also shared that they are very open to suggestions and feedback from their employees.

The tenth theme, job enrichment, reveals that teamwork is considered essential to achieving common goals. Information-sharing in teams is limited to sharing information and coordinating so that the client's needs and specifications are met. Employees have limited autonomy, provided that the client's instructions are adhered to. Some participants noted that managers, rather than general staff, are entrusted with autonomy. Job enlargement is encouraged, enabling employees to upskill so that they are able to perform multiple job roles, thereby benefitting both them and the organisation.

The eleventh theme shows that participants feel HRM is important to the success of their organisation because it increases employee loyalty and competence. A good workplace culture also has a positive impact on how employees engage with customers. Thus, HRM impacts on employees' ability to better service clients, indirectly generating more revenue for the organisation, through customer loyalty and referrals.

The twelfth and penultimate theme indicates that although HRM practices promote employee loyalty, cognisance of the socio-economic challenges that employees experience is important. The benefits of building good relationships with employees, and having an open-door policy is that it fosters trust between parties, thus enabling open communication and enhances employees' sense of accountability.

The thirteenth and final theme shows that participants feel strongly that all the HRM practices that they make use of are necessary for success, but they select ones that best suit their situation. The participants also communicated that HRM practices together have a chain reaction and reported that it is difficult to select only one as more important than others. Nonetheless, recruiting people with positive attitudes, training to build competence, regular communication, and providing rewards to motivate employees are viewed as vital. Facilitating a positive workplace culture that encourages teamwork is also viewed as important.

5.3 Discussion of Results

5.3.1 HRM Practices Used in SMMEs

The thematic analysis revealed that SMMEs use a variety of HRM practices. They conform to the AMO model, a theoretical framework discussed in Section 2.3 and briefly in Section 2.5. This model posits that ability-enhancing, motivation enhancing and opportunity-enhancing HRM practices must be adopted simultaneously in order to have an effect on business performance. Table 5.1 below depicts how the HRM practices popular amongst SMMEs fit the AMO Model.

Table 5.1: Conformity of HRM practices adopted in SMMEs with the AMO model

AMO model factors	HRM practices adopted in SMMEs
Ability-enhancing practices: strengthening the skills and knowledge of employees in the organisation	<ul style="list-style-type: none"> • Training • Recruitment and selection • Performance reviews
Motivation-enhancing: encouraging good behaviour and high-performance levels from employees	<ul style="list-style-type: none"> • Performance reviews • Workplace culture • Rewards • Career progression • Job security
Opportunity-enhancing: giving employees platforms to use their skills	<ul style="list-style-type: none"> • Team meetings • Job enrichment

While the application of HRM practices can be characterised as informal, adoption is purposeful. The main intention of all the participants of the study is to fulfil their clients' needs. Thus, owners investing in employees is paramount since the employees liaise directly with clients and impact the client experience. Therefore, the HRM practices that can enhance the client experience are the ones that owners adopt, rather than being simply a tick-box exercise.

For example, in agreement with previous research findings from Borhat et al. (2018) and StatsSA (2018), the current study can conclude that a high volume of unskilled and impoverished individuals are able to find employment at SMMEs. In addition, this study concurs with assertions made by Shah and Tewari (2017) who noted that, once employed by SMMEs, people are empowered by acquiring new skills and knowledge. However, employees

are trained so that they can appropriately satisfy client obligations. Conformity to regulatory requirements or societal conventions are secondary objectives.

Furthermore, the current study is in agreement with findings from scholars Bjelvert and Tornberg (2019), who postulate that SMME owners and their employees have regular meetings about how to resolve business problems and improve performance. Participants in the current study conveyed that they have open communication with their employees regarding issues and work together to find solutions. This indicates that HRM initiatives are linked to the organisation's goals and are not random and haphazard. It contradicts statements from multiple authors (Maheshwari et al., 2020; Nath, 2019; Nzonzo & Matashu, 2014; Shah & Tewari, 2017) who claimed that HRM practices are randomly selected.

There are clear differences in the way HRM is conducted in SMMEs compared with larger organisations. Assertions from prior research that competing with larger organisations for skilled labour remains a significant challenge (Singh, 2020; Swapi, 2019; Vuba, 2019) is, however, negated. Large organisations put a lot of emphasis on attracting candidates with appropriate educational qualifications. In contrast, the SMME participants in the current study showed that they favour prior experience and a positive attitude instead. Thus, even though the application of HRM practices is different to that of larger organisations, in that they are much more informal and cost effective, they are still valid and important contributors to organisational success. The focal point is always to improve the customer experience.

5.3.2 Benefits of HRM practices in SMMEs

The participants conveyed that HRM practices benefit business performance by encouraging employee loyalty and growing customer loyalty. Although employee loyalty has an indirect impact on business performance it impacts customer loyalty which consequently impacts business performance.

Previously explained in Section 2.3 and further discussed in Section 2.5, the 'Black Box' of HRM conceptualises the unknown intermediary links that facilitate value creation between HRM practices and business performance. Previous literature has proposed that work-related attitudes, namely job satisfaction and employee commitment, are mediating variables (Mutumba et. al., 2020; Nor & Abdullah, 2020). Thus, the current study concurs that the impact of HRM practices on business performance is indirect but also adds to existing knowledge about the 'Black Box'.

The first mediating variable proposed in the current study is ‘Employee Loyalty’, which corresponds with those previously identified by scholars. Participants emphasised that it is important to them that their employees feel that the workplace is a positive environment, especially since many of them come from challenging backgrounds. It is important that employees feel heard and understood by both their employer and colleagues. There is an emphasis on frequent team meetings, during which open communication is encouraged. Participants displayed a need to assist underperforming employees swiftly by openly discussing the issues encountered and solving them together.

Participants vocalised that providing adequate training to every employee and offering rewards are important, so that employees feel confident and motivated in their jobs. Each of the HRM practices that SMME owners implement are so that employees have the right competencies and the right attitude to meet the client’s expectations. As P9 vocalised “*Happy staffing leads to happy servicing*”. This in turn impacts ‘Customer Loyalty’, which is the second mediating variable. Customer satisfaction is directly linked to business performance; retaining existing customers and attracting new ones through referrals leads to increases in income generated for the organisation.

5.3.3 Bundling of HRM Practices in the SMME Setting

The current study affirms that SMME owners view the adoption of HRM practices as important and valuable. Moreover, despite experiencing resource poverty, all participants endorsed the use of more than one HRM practice. It was highlighted that each practice contributes to enhancing the employees’ abilities to meet customer expectations. Using only one HRM practice is not sufficient to address all aspects of an employee’s required competencies. While training might enhance their abilities, incentives are important to keep them motivated.

Although these findings validate the AMO model as a theoretical framework, participants selected the HRM practices based on their business needs as opposed to prescribed best practices. As illustrated in Table 5.1, all of the participants made use of the same HRM practices in their businesses. Their approach was similar in that it was hands-on and informal.

This study is unable to prescribe a best practice model of HRM practices in the SMME context. The reason is that SMME owners react intuitively, based on what they perceive will enable employees to better service customers. It is highly unlikely that an SMME owner will adopt a

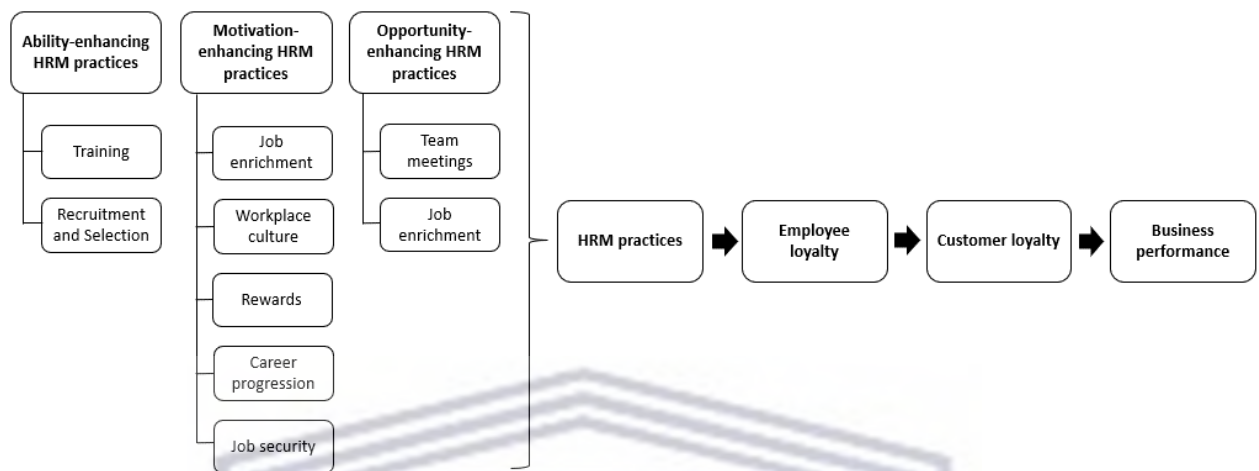
HRM practice unless the owner views it as a tangible solution to an immediate business challenge.

However, all participants voiced that the HRM practices which they use collectively do positively impact on employee loyalty, and thus on customer loyalty, and subsequently on business performance. Therefore, this study can confirm that HRM practices which are selected should encompass all three aspects of the AMO model.

The current study has highlighted that HRM practices have an indirect link with business performance. This aligns with the framework proposed by Marin-Garcia and Tomas (2016) that was introduced in 2.3.1, as Figure 2.4. Figure 5.1 below is the empirical framework of the current study. The HRM practices that the participants indicated that they make use of are outlined in the model and they are categorised according to Ability-enhancing, Motivation-enhancing and Opportunity-enhancing. The model can be used as a guideline by other SMME owners who are uncertain of which HRM practices to adapt. The participants indicated that the HRM practices identified have a positive impact on their employee loyalty, which consequently impacts customer loyalty. An increase in customer loyalty then leads to an increase in business performance. The relationship between the four variables is demonstrated in Figure 5.1 below:



Figure 5.1: Relationship between HRM practices, employee loyalty, customer loyalty, and business performance



5.4 Limitations of the Study

This study made use of the snowballing technique; consequently, all of the study participants operate in the same industry, namely ‘Catering, accommodation and other trade’. Generalisability is therefore limited to this industry, as opposed to SMMEs collectively. Participants consisted of six males and five females.

The small total sample size of eleven participants is a further limitation. A larger sample size would further enhance the validity of the study through data saturation (Morse et al., 2002). Several SMME owners were invited to participate in the study, but many declined despite anonymity and confidentiality assurances. Those who indicated their willingness to participate were very busy because they manage their businesses during the day and have personal obligations after working hours, such as family commitments. Therefore, the participants were sent reminders of the interview and some of the interview sessions needed to be rescheduled.

Despite this, all interviews with the study participants were conducted between 29 April 2021 and 01 June 2021 online using Zoom. Although online methods are cost-effective and save time for both participants and the researcher, they can impede rapport and the ability to interpret non-verbal cues (Lo Iacono et al., 2016).

5.5 Recommendations

General recommendations and recommendations for future research are offered, and these are supplemented with literature to endorse the transferability to other SMME settings.

5.5.1 General Recommendations

Some of the SMME owners expressed that they encounter issues of employees being under the influence of alcohol during working hours and their stealing. While there are many recruitment methods used by participants, only one participant mentioned the use of reference checks when selecting employees. It might be useful for SMME owners to conduct thorough reference checks beforehand, as this will provide insight into the trustworthiness, reliability and general character of the candidates.

Many participants expressed that they hire inexperienced people and scholars, and that developing and uplifting members in their community is important to them. Consequently, these types of individuals may not be able to provide professional references. However, character references could still be obtained from objective sources such as their teachers, youth leaders or other community leaders. Although this is an additional cost and time burden on the SMME owner, it may be worth exploring to avoid the employee issues communicated. Conducting background checks is highly beneficial for SMMEs because it can prevent appointment of unqualified, unreliable, dishonest, or otherwise unsuitable candidates (LexisNexis, 2018).

The current study offers a best practice model of HRM practices in the SMME context (Figure 5.1 above). Although SMME owners adopt HRM practices intuitively, based on their specific business needs, this study affirms that the AMO model is relevant to the South African SMME context. The research findings indicate that implementing effective HRM practices can result in increased employee loyalty, which in turn can lead to increased customer loyalty. Increased customer loyalty can then translate into improved business performance. Therefore, there appears to be a link between HRM practices and overall business success. It is recommended that the adoption of HRM practices outlined in figure 5.1 may be especially beneficial for South African SMMEs that are newly established. Although they have fewer resources, initial implementation on a smaller scale might help decrease the high failure rate of SMMEs in South Africa.

The HRM practices adopted are implemented to try to ensure that customer expectations can be met and exceeded, in order to build customer loyalty. Additionally, the manner in which HRM practices are adopted is informal and inexpensive. The value of HRM in relation to business performance is indirect. HRM has a direct impact on employee loyalty. Employee loyalty is attained when there is open communication, their views are heard and valued, and the workplace culture is positive. Throughout the study, participants shared inexpensive methods for fostering employee loyalty that newer SMMEs can explore replicating. These include encouraging a culture of open communication and ensuring that each employee feels valued and heard. This can be promoted by having open discussions between the owner and employees.

Furthermore, training is critical as it equips employees with the competencies required to satisfy customers, and rewards are an important motivator. There is a strong emphasis on having a positive attitude when interacting with customers. Employee loyalty results in customer loyalty since it positively impacts the type of service the customer receives. Customer loyalty is the variable that has a direct impact on business performance since loyal customers generate more money through referrals and repeat business transactions. It is recommended that newly established SMMEs take the time to properly train employees as this will enable them to be competent in their jobs. Based on the findings of this thesis, inexpensive rewards also appear to be a strong motivator amongst SMME employees, such as giving a chocolate to the top performer for the week.

5.5.2 Recommendations for Future Research

Studies that include different sectors and geographical locations have enhanced generalisability and validity (Jena & Ghadge, 2021; Maheshwari et al, 2020). It is recommended that future research consider this variable This is therefore a facet that future research on this subject might consider.

Based on the findings in this study, a consideration for possible future research on which HRM practices add the most value to SMMEs in Cape Town, South Africa, would be the inclusion of participants from more than one sector. This will increase the generalisability of the findings. Another consideration is to replicate the study using a larger sample of participants operating in various different sectors; this will further increase the generalisability of the findings.

Possible future research might also include the perspectives of both the SMME owners and their employees on the impact of HRM practices on productivity. SMME owners' responses would be central because they have a holistic view of business performance, including financial and non-financial indicators. This additional viewpoint might be useful for triangulation of the research findings, which refers to getting information from multiple different sources when studying a phenomena.

In order to increase validity and reliability, previous scholars have opted to include viewpoints from multiple sources experiencing a phenomenon (Noble & Heale, 2019). For example, in their studies relating to HRM practices in SMMEs, different scholars (Maheshwari et al., 2020; Prohimi et al., 2022) collected data from both the SMME owners and their employees, to validate the data.



5.6 Conclusion

This study sought to determine which HRM practices add the most value to SMMEs in Cape Town, South Africa. Since SMMEs have an immense positive impact on socio-economic factors, it is important to understand the variables that contribute to their success. This is an especially relevant topic in a developing country like South Africa, which has a high SMME failure rate, as well as high unemployment and poverty rates.

As discussed in Section 1.2, Harney (2021) highlighted that more research that is empirical is needed on the HRM practices adopted in SMMEs, especially in a developing country context. The current study adds to the existing body of knowledge from a South African perspective and can affirm that SMME owners view HRM as important.

Moreover, the current research contrasts with assertions from scholars (Anuradha & Ramesh, 2020; Bjelvert & Tornberg, 2019; Mohiya et al., 2020) that the resource poverty faced by SMMEs limits them from utilising HRM practices. Instead, the research findings from the current study demonstrate that HRM practices are viewed as instrumental to the organisation's success, as it increases employee satisfaction and therefore customer satisfaction.

The current study adds knowledge about which HRM practices are being used by SMMEs. They are training; recruitment and selection; performance reviews; workplace culture; rewards; career progression; job security; team meetings and job enrichment.

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Appendix A: Semi-structured interview guide

1. Who manages the HR practices at your company?
2. Does the person have any HR-related qualifications or experience?
3. Do you feel that your staff have the right skills to keep your customers happy?
 - 3.1. Do you use job descriptions?
 - 3.2. How do you recruit employees?
 - 3.3. How do you decide which employee to hire after interviewing them?
 - 3.4. Do you train your employees?
 - 3.5. What type of training do you do with employees?
4. How do you motivate your staff to do their best?
 - 4.1. How do you review employee performance?

⁸ The published article includes this typo.

- 4.2. How do you incentivise or reward your employees?
- 4.3. Are there opportunities for promotion or career growth for employees?
- 4.4. Are your staff employed on a permanent or casual basis?
5. Do you hold regular staff meetings with your employees?
 - 5.1. Are you open to listening to suggestions and feedback from your employees?
6. Do your employees work in teams and make their own decisions regarding how they perform their work tasks?
 - 6.1. Do you allow employees to take on more tasks and more responsibilities or do you prefer that they stick to the job you hired them for?
7. In your opinion, does HR cost more money or help your company make more money?
 - 7.1. Has the HR practices that you use improved sales?
 - 7.2. Has the HR practices that you use reduced costs in your business?
 - 7.3. Have the HR practices that you use resulted in customers who owing you money paying you back quicker?
8. Does using HR practices help keep customers happy?
 - 8.1. Do you feel that the HR practices that you use have any impact on customer loyalty?
 - 8.2. Do you feel that the HR practices that you use have an impact on customer complaints?
 - 8.3. Do the HR practices that you use help you attract new customers?
9. Do you think HR has an impact on employee issues such as absenteeism and resignations at your company?
 - 9.1. Do the HR practices that you use make your employees more loyal?
10. Do you think your employees are happy with the HR practices that you are using?
 - 10.1. Do you think the HR practices that you use makes your employees more productive?
11. Do you think that using different HR practices is better than using only one HR practice?
12. Which HR practices would you say are most important to the success of your company?

Appendix B: Biographical Questionnaire

Section A: Biographical questionnaire

For statistical purposes, please provide the following information about yourself. Please mark the appropriate response with an X.

1. Your age (years)

1. Below 20	
2. Between 20 – 30	
3. Between 31 – 40	
4. Between 41 – 50	
5. Between 51 – 60	
6. Over 60	

2. Your gender

1. Male	
2. Female	

3. Your highest completed level of education

1. No formal education	
2. Grade 1 – 7	
3. Grade 8 – 11	
4. Matriculated	
5. Higher Certificate	
6. Diploma	
7. Undergraduate degree	
8. Postgraduate degree	

4. Your business's age (years)

1. Less than 1	
2. Between 1 – 5	
3. Between 6 – 10	
4. Between 11 – 15	
5. Between 16 – 20	
6. 21 and longer	



FACULTY OF ECONOMIC AND MANAGEMENT SCIENCES

DEPARTMENT OF INDUSTRIAL PSYCHOLOGY

INFORMATION SHEET FOR RESEARCH PARTICIPANTS

Dear Participant,

I, Ray-Jessie Bailey, am a student currently registered for the M.Com Industrial Psychology Programme at the University of the Western Cape (UWC). A requirement for the degree is a research thesis in which I have chosen the following topic:

A study to determine which human resource management practices add the most value for small to medium enterprises (SMEs) in South Africa

Please take time to read through this information sheet carefully for you to be knowledgeable about what is required of you as a research participant in this study.

1. Participation and withdrawal

Your participation in this research project is voluntary and your responses will be treated as confidential. You have the right to withdraw at any time during this research process.

2. Confidentiality

The information gathered from this study will include data retrieved from the interview. Please also note that the interviews will be audio-recorded and discarded once the

researcher has transcribed the interviews. Please note that neither your name nor that of your organisation you represent will be included in the report. The information that will be gathered in this research process will only be seen by me, my research supervisor, and the examiner (s). Your anonymity is of utmost importance and will be maintained throughout the study.

3. Objective of the study

In addition, your participation will assist me to achieve the objective of the study which is to determine which human resource management practices have the strongest relationship with the performance of SMEs in Cape Town, South Africa. This will be done by identifying the mix of HRM practices that SMEs should adopt to improve business performance in the South African context.

4. Potential risks and discomforts

What are the risks of this research? There are no perceived risks involved in participating in this research project. From the beginning, aims and objectives will be clear. If you do feel discomfort or that there will be any risk to yourself, please feel free to contact my supervisor or the HOD.

5. Identification of investigators

Should you have any questions regarding this study or wish to report any problems you have experienced related to the study, please contact:

3125447@myuwc.ac.za or my supervisor at fabrahams@uwc.ac.za or my Head of Department at bmahembe@uwc.ac.za . Or the Humanities and Social Sciences Ethics Committee on 021 9592948/49/88- email: research-ethics@uwc.ac.za.

Thank you for participating in my study



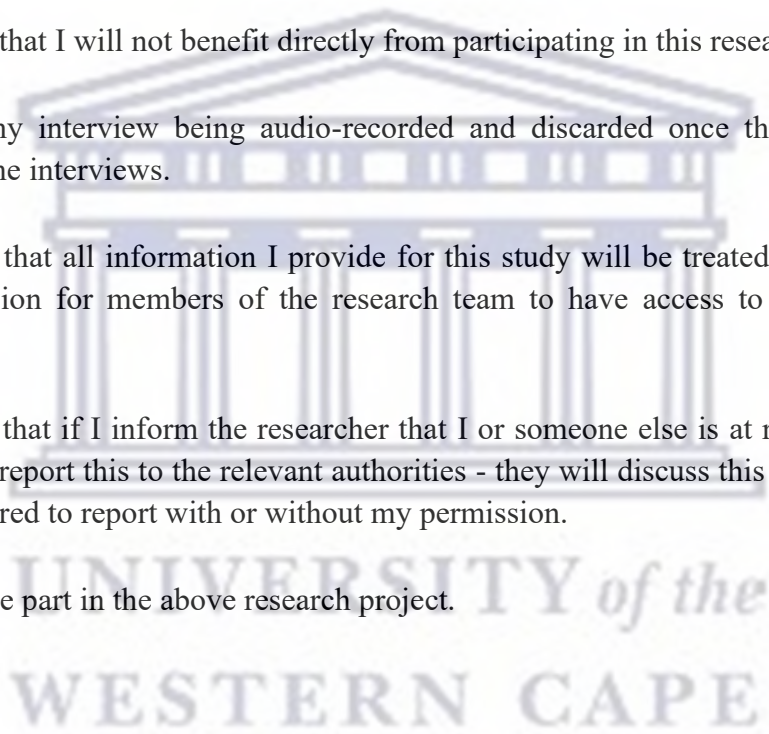


DEPARTMENT OF INDUSTRIAL PSYCHOLOGY

CONSENT FORM FOR RESEARCH PARTICIPANTS

Consent to take part in research

- I confirm that I have read and understood the information sheet explaining the purpose and nature of the study and I have had the opportunity to ask questions about the project.
- I understand that even if I agree to participate now, I can withdraw at any time or refuse to answer any question without any consequences of any kind.
- I understand that I will not benefit directly from participating in this research.
- I agree to my interview being audio-recorded and discarded once the researcher has transcribed the interviews.
- I understand that all information I provide for this study will be treated confidentially. I give permission for members of the research team to have access to my anonymised responses.
- I understand that if I inform the researcher that I or someone else is at risk of harm they may have to report this to the relevant authorities - they will discuss this with me first but may be required to report with or without my permission.
- I agree to take part in the above research project.



Name of Participant <i>(or legal representative)</i>	Date	Signature
---	------	-----------

Lead Researcher	Date	Signature
-----------------	------	-----------

Thank you for participating in my study.

<p>Researcher:</p> <p>Ray-Jessie Bailey</p>

<p>Supervisor:</p> <p>Professor Fatima Abrahams</p>

<p>HOD: Department of Industrial Psychology</p> <p>Contact: (021) 959 2212</p>
--

Appendix D: Ethical Clearance



UNIVERSITY of the
WESTERN CAPE



01 June 2020

Mr R-J Bailey
Industrial Psychology
Faculty of Economic and Management Science

Ethics Reference Number: HS19/10/43

Project Title: A study to determine which human resource management practices add the most value for small to medium enterprises (SMEs) in South Africa.

Approval Period: 29 May 2020 – 29 May 2021

I hereby certify that the Humanities and Social Science Research Ethics Committee of the University of the Western Cape approved the methodology and ethics of the above mentioned research project.

Any amendments, extension or other modifications to the protocol must be submitted to the Ethics Committee for approval.

Please remember to submit a progress report by 30 November each year for the duration of the project.

The permission to conduct the study must be submitted to HSSREC for record keeping purposes.

The Committee must be informed of any serious adverse event and/or termination of the study.

Ms Patricia Josias
Research Ethics Committee Officer
University of the Western Cape

Director: Research Development
University of the Western Cape
Private Bag X 17
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Tel: +27 21 959 4111
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NHREC Registration Number: HSSREC-130416-049

FROM HOPE TO ACTION THROUGH KNOWLEDGE.

Appendix E: Editor's Certificate



Cherie Maclean, B.Soc.Sci. (UNP)

Editor of Academic Works

CERTIFICATE OF ENGLISH EDITING

Certificate number rjb310823 issued on 31st August 2023

This certificate confirms that I edited the manuscript listed below

MANUSCRIPT TITLE

A Study to Determine which Human Resource Management Practices Add the Most Value to Small, Medium and Micro Enterprises in South Africa

AUTHOR

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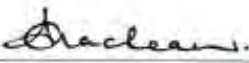
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Supervised by Professor Fatima Abrahams

Department of Industrial Psychology at the University of the Western Cape

The proofreading service included checking for and correcting where necessary the sentence and paragraph structure, spelling, grammar, punctuation, and consistency in alphanumeric presentation. The editing service included checking for adherence to the supervisor's rules for the referencing system; coherence and relevance of narrative to the research title and purpose; section headings; formatting; layout; figures; tables; and a writing style that is appropriate for an academic paper. The student followed my suggestions. The service did not include checking for plagiarism.

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