

## Review

# A literature review of small and medium enterprises (SME) risk management practices in South Africa

Yolande Smit\* and J. A. Watkins

Department of Internal Auditing and Management Accounting, Cape Peninsula University of Technology, South Africa.

Accepted 3 January, 2012

**The inherent characteristics of small and medium enterprises (SMEs) afford these enterprises the potential to absorb unskilled labour and to nurture and develop entrepreneurial skills. However, in the South African economy, these benefits are not forthcoming due to the high failure rate of SMEs. The impediments to SME success includes numerous and varied obstacles. Studies conducted confirmed SME owner-managers ignorant pertaining to the risks their enterprise face with risk management techniques deployed reactively and ineffectively. By embedding a structured approach to enterprise risk management within SMEs, potential benefits such as reducing the over-management of risks and organisational alignment towards the SME's vision can be realised.**

**Key words:** Small and medium enterprises (SMEs), risk, risk management, strategic risk management.

## INTRODUCTION

Small and medium enterprises (SMEs) operate in the same environment as their larger counterparts, but without the associated benefits such as adequate capital and extended human resources of the larger organisations. SMEs encounter increasing competitive pressure fuelled by globalisation, legislation and the relaxing of trade barriers, as well as an increase in market expansion due to emerging technologies and innovation. Small and medium enterprises often flourish on their adaptability and agility such as their close proximity to their customers, their openness towards new ways of working, and their risk taking approach, but many micro, small and medium enterprise are susceptible to major external shocks (Berry, 2002; Laforet and Tann, 2006). Although SMEs experience difficulties in absorbing and coping with these obstacles, they need to develop an ability to deal with the ever increasing challenges, that is, risks faced by the organisation (Leopoulos, 2006).

SME owner-managers need to escalate the importance of risk identification and minimisation in their

organisations or they can suffer catastrophic consequences if they are ill prepared for the outcome of a possible risk. This entails that entrepreneurs in SMEs need to be conversant with risk identification and analysis to manage risks from a diverse range of sources (Schultz, 2001). By incorporating risk management into SMEs operations, SMEs are better equipped to exploit their resources, thereby enabling organisations to transform an expenditure activity into an activity that can yield a positive return (Kirytopoulos et al., 2001; Banham, 2004).

## DEFINING SMALL AND MEDIUM ENTERPRISES (SMEs)

Although the term SME or SMME is used interchangeably worldwide, there is no common definition of these terms. The geographical placement of SMEs as well as country specific legislation influences the numerous SME definitions (Leopoulos, 2006). In South Africa, the National Small Business Act 102 of 1996 (South Africa, 1996) amended by Act 29 of 2004 (South Africa, 2004) categorise small organisations into four categories namely micro enterprises, including survivalist enterprises; very small enterprises; small enterprises;

\*Corresponding author. E-mail: [smity@cput.ac.za](mailto:smity@cput.ac.za). Tel: +27 (0) 21 864 5264, +27 (0) 84 423 275. Fax: +27 (0) 21 864 5262.

and medium enterprises. The differentiating factor between these categories, excluding micro enterprises, is the number of employees. For micro enterprises, the criterion is turnover level (South Africa, 1996, 2004; Von Broembsen, 2003).

### **Importance of small and medium enterprises (SMEs) to the economy**

The importance of small businesses is recognised in numerous African countries such as Togo, Uganda, Ghana, Cote d'Ivoire, Nigeria, Kenya, Malawi, Burkina Faso, as well as others. According to Rwigema and Karungu (1999), SMEs are dominant in numbers in most economies. In First World countries like the United States of America and the United Kingdom, small enterprises play an important role in the economy, accounting for an estimated one third of industrial employment and a lower percentage of output. In Third World countries where SMEs dominate economically active enterprises, the SMEs prosperity is considered far more important than in First World countries (Rwigema and Karungu, 1999).

The activities of SME enterprises in Africa (Rogerson, 2001a), is of vital importance for the promotion of economic growth, job creation and the mitigation of poverty. However, research conducted on SMEs in Africa by Mead and Liedholm (1998) confirmed that on average, there are more SME closures than expansions, with approximately only 1% of micro enterprises growing from five or less employees to ten or more. It has long been debated that SMEs are pivotal to employment creation and economic growth, particularly in countries such as South Africa that has a high unemployment rate, estimated at up to 40% (Friedrich, 2004; Watson, 2004).

Upgrading the roles of the SME sector in the South African economy to improve economic growth through increasing competitiveness, and by generating employment and redistributing income (Rogerson, 2004, 2006), has been the focus of new development policies since the democratic transition (Berry et al., 2002; GCIS, 2002). In order to aid in the facilitation of the SME environment, the South African government tabled the National Small Business Act of 1996 amended with Act 29 of 2004 to provide equal standing to SME enterprises (Rwigema and Venter, 2004; Ntsika, 2001) in South Africa's economy. The vital role the SME sector plays in the South African economy in addressing sustainable development, was highlighted by the 2003 Human Development Report (UNDP, 2003) for South Africa (Rogerson, 2004).

In South Africa, it is estimated that 90% of all formal businesses are small, medium or micro enterprises (Rwigema and Karungu, 1999). The SME sector is one of the largest contributors to the South African economy. The SME is not only seen as an employment creator, but this sector also acts as an absorbent of retrenched people coming from the private and public sector

(Ntsika, 2001).

Although the SME sector is responsible for 75% of new jobs, largely due to the emergence of new micro enterprise formations, it compares poorly to Asian countries where SME employment contribution is estimated at 80% (Friedrich, 2004; Watson and Godfrey, 1999). Even in countries less developed than South Africa, their SME sector contributes a much higher proportion to the GDP and employment (UNDP, 2003; OECD, 1997<sup>1</sup> cited by Watson and Godfrey, 1999). It is noted that the majority of South African SMEs are micro and survivalist enterprises which show no signs of enterprise growth due to inadequate firm dynamics, resulting in SMEs conservative contribution to employment compared to other countries. Even in dynamic South African SMEs, it seems that a 'jobless growth' strategy (Kesper, 2000) is employed.

The South African government has identified the SME sector as the means to achieve accelerated economic growth. However, this objective was not achieved partly due to the high failure rate of 80% of enterprises (Watson, 2004; Van Niekerk, 2005) in the SME sector. As SMEs growth depends to a larger extent on the macro economic growth, it can be said that the slack micro economic growth of the past few years has inhibited entrepreneurial performance and therefore SMEs to grow to their full potential (Watson, 2004; Berry et al., 2002). SME failure can further be partly ascribed to the lack of management skills. South African SMEs do not aspire to corporate governance best practices such as the non-compulsory implementation of King III (King, 2009). Risk management, a component of King III, is therefore, also regarded as an optional organisational activity, and not as a vital component to organisational success.

### **Critical success factors for small and medium enterprises (SMEs)**

Caution should be levied against viewing SMEs as smaller versions of larger enterprises as SMEs do not in any regard resemble large organisations. Generally, SMEs experience a scarcity of resources (Wong, 2005; Jun and Cai, 2003) such as time, financial and human resources.

Studies have identified a number of factors that influence enterprise expansion and success. A fundamental element (McGrath and King, 1996; Rogerson, 2001a) that has a positive impact on an organisation's growth is the depth of "human capital" or "brain power". The importance of human capital as a critical success factor was also confirmed in a study conducted on African enterprises where it was determined that successful entrepreneurs more likely

<sup>1</sup> Small Business Research and Policy 1997b, Organisation for Economic Co-operation and Development (OECD). Retrieved August 10, 2004 from <http://strategic.ic.gc.ca/epic/internet/insbrp-rppe.nsf/en/rd00259e.html>

have education and training beyond the primary school level (Rogerson, 2001a). The merit of this finding is based on the argument that entrepreneurs with a greater level of education and training are more able to adapt their business to the ever changing business environment. In a study conducted on enterprise success factors in SMEs Gauteng, South Africa, it was concluded that a lack of technical and managerial skills (Brink et al., 2003; Rogerson, 2008) impedes on business development. Research conducted on SME failures in South Africa revealed that failure was primarily caused by a lack of management skill and training. This finding is confirmed (Rogerson, 2008) by 90% of a sample of 1000 entrepreneurs who believe that SME failure is due to a lack of managerial skills. However, taking the importance of training and skill into account, it is cautioned by Rogerson (2008) that skills are not the only or even primary answer to the challenges facing SME development.

It can be gleaned from various literature sources (Berger and Udell, 2001; Reynolds and Lancaster, 2006; Bank of England, 2001) that a high percentage of small organizations fail in the first five years of trading, often as a result of over trading and financial strain. Access to finance has therefore featured prominently in a number of studies as a constraint on SME development. According to Rogerson (2001b) and Skinner (2005), a lack of credit is a major constraint experienced by emerging African SME entrepreneurs, who is depended on personal savings or loans from relatives and friends, as the source of their start-up capital. Finance, skills, business training and less rigid regulations are the key elements to promote entrepreneurship, to enhance the enterprise environment, to improve competitiveness and capacity in the SME enterprise (Rogerson, 2008).

### **Problems experienced by small and medium enterprises (SMEs)**

SME owner-managers are most conversant with their enterprises, but are frequently not able to identify all the factors impacting on their enterprise activities and/or overrate the significance of external factors, while underrating internal weaknesses (Kesper, 2000). According to Naicker (2006), problems experienced by SMEs can be categorised as follows:

- i. Economic based problems: SMEs success is tied in with the local economic conditions as the SME sectors market growth is usually at the same rate as the macro economy as a whole, therefore, if there is an economic downturn, SMEs will usually also experience difficulty (Berry et al., 2002).
- ii. Enterprise based problems: Internal factors such as human resource problems encompassing poor staff planning, multi-functional management, high employee

turnover rate, inadequate trained employees, low productivity and difficulties in recruiting quality staff (Rogerson, 2004; Beaver, 2002; Williamson, 2000; Lighthelm et al., 2002; Watt, 2007) are impediments to SME success. It is argued that the role of labour, labour markets and skills levels are the most important factors contributing to small enterprise growth (Berry et al., 2002).

Managerial skills not only influence owners perceptions regarding their business, but various literature sources (Watson, 2004) acknowledge that a lack of managerial skills and training is an important cause of enterprise failure (Naicker, 2006) complimented by lack of experience and lack of organisational culture acting as an impediment to the establishment of SMEs. The owner-managers characteristics (O'Gorman, 2001) can also act as a barrier to growth in that the personality, managerial skills and style including the entrepreneur's and/or management's negative attitude towards change can negatively influence an enterprise (Leopoulos, 2006; Naicker, 2006).

South African bankers are less inclined to finance SMEs (Pretorius and Shaw, 2004), due to their perceived high level of risk and a weak expected return (St-Pierre and Bahri, 2006) and this is emphasised by the South African micro enterprise surveys, with the inaccessibility to finance listed as one of the primary external constraints faced by SMEs. Some of the factors that contribute to the complex financing problem are the insufficient knowledge of the SME entrepreneur, for example, their inability to draw up a business plan; the lenders inability to determine the SMEs credit risk attributed to their lack of enterprise information; and general communications issues (Berry et al., 2002) leading to low levels of entrepreneurship and a high failure rate (Kotze and Smit, 2008) of South African SMEs (Rajaram, 2008).

It is therefore important to develop an effective and efficient process whereby all SME dimensions is evaluated when measuring the borrower's risk. The development of a more inclusive SME risk measurement framework will enable lenders to make rapid and objective decisions based on the actual business environment, while SME management cannot criticise the banking environment of over-valuing the risk. At present, few risk evaluation models exists that allows for an overall evaluation of SME risk. The lack of suitable risk models is emphasised by the banking sectors continued reliance on financial models where information is derived by way of financial statements, as this information is considered more objectives than information obtained from other sources.

iii. Industry related problems: According to Naicker (2006) and Haug and Brown (1999), market related factors that exerts the most negative influence on enterprise success are increase competition, limited market size, low demand, inefficient marketing, poor competitor understanding, poor location and market understanding

and the inability to identify the target market (Naicker, 2006; Watt, 2007). South African SMEs are hampered by a structural problem, in that, South African SMEs, contrary to SMEs in other developing countries, do not complement larger organisations with specialised products or services, but they compete with larger enterprises in the same product markets (Rogerson, 2004), albeit for different consumer segments. For SME owner-managers it is important to identify the most problematic areas in managing their small enterprise. By identifying the problem areas, owner-managers can address problems through education, training and information gathering activities (Huang and Brown, 1999).

## EXPLOITING RISK

According to Plourd (2009), the importance of risk management is now escalated above issues such as long-term and short-term financing constraints. Proclaiming the existence of a risk management strategy is insufficient, enterprises need to actively engage in risk management practices to address the convergence of major risks as experienced in the current economic climate where the credit crisis risk, fluctuating commodity prices, increased government debt, rising unemployment and declining consumer spending are impacting individually and combined, on enterprises.

The use of enterprise risk management (ERM) can be viewed as a business competency enabling managers to optimise opportunities associated with risks (Hofmann, 2009). ERM should apply basic risk management activities, embedding the risk champion's knowledge of exposures, across the entire scope of an enterprise's risks such as strategic risks, operational risks, financial risks and regulatory compliance risks (Engle, 2009), and should not be reduced to a process based solely on risk formula's (Bradford, 2009).

A structured risk management approach enables an enterprise to pursue its strategies aggressively and efficiently as management can anticipate the risk exposure of each activity engaged in, thus achieving more acceptable results at a reduced cost (Ntlhane, 1995).

### Risk management for small business

Risk and risk management is a major concern for all companies, especially small and medium sized enterprises which are particularly sensitive to business risk and competition (Alquier and Lagasse, 2006). In SMEs, the risk management function usually resides with the owner's assessment of threats and opportunities pertaining to the enterprise (Watt, 2007). Although risk management principles are common to all types of enterprises, the owner-manager's risk perception and his

attitude towards risk management influences the adequacy of the enterprise's risk management actions deployed (Ntlhane, 1995).

Implied in SME, risk management is the core principle that entrepreneurial or management focus should be focussed at recognising future uncertainty, deliberating risks, possible manifestations and effects, and formulating plans to address these risks and reduce or eliminate its impact on the enterprise (Ntlhane, 1995). One of the skills required of entrepreneurs is the ability to identify and analyse risks to ensure that advantage is taken of calculated risks (Watson, 2004). According to Watt (2007), SME owner-managers should take regard of the following steps in their risk management process:

- i. Establishing the SMEs risk strategy
- ii. Determining the SMEs risk appetite
- iii. Identification and assessment of risk
- iv. Prioritising and managing risks

The fact that a risk is beyond the control of the owner-manager, does not absolve the owner-manager from the need to anticipate the risk, and reducing the impact of the risk occurrence to achieve organisational goals. Owner-managers should furthermore take cognisance of managerial risks that arise as a result of the owner-managers own actions when planning and executing business strategies (Berkeley et al., 1991). South African SMEs owner managers should be educated in risk management principles, risk handling techniques available and risk control programmes that can be used, but care should be taken in the application of risk management principles, as although risk principles are common to all types of enterprises, the application thereof differs substantially between small and larger enterprises. However, many SMEs practice intuitive risk management when they assess the risk involved in decisions (Ntlhane, 1995; Dupre, 2009).

### Components of risk in small and medium enterprises (SMEs)

Determining the components of total risk in SMEs is complex due to SMEs great heterogeneity as well as difficulty in separating property from management (St-Pierre and Bahri, 2006). Entrepreneurs have implied (St-Pierre and Bahri, 2006), inconsistent (LeCornu et al., 1996), and in certain instances, unique (Naffziger et al., 1994) objectives that exerts both direct and indirect influences on management practices, rendering comparisons between SMEs difficult. Information derived by way of financial data analysis cannot yield all the dimensions of enterprise performance, as emphasised by St-Pierre and Bahri (2006). Strategic information such as quality, client satisfaction, and innovation reflects the enterprise's competitiveness and performance, but are

not forthcoming in the income earned. Cumby and Conrod (2001) emphasises that long term sustainable financial performance is attributable to non-financial factors like client loyalty, employee satisfaction and internal processes. This view is affirmed by Ittner and Larcker (1998) who states that the investment in intangible assets, that is, client satisfaction, is not accommodated in the accounting data. The same argument applies to the risk of an enterprise that is difficult to understand if attention is solely directed at the financial statements. Through the incorporation of non-financial data, the problems associated with the manipulation of financial statements are reduced. By following a systematic approach and by taking into account both financial and non-financial information related to the organisation, an enhanced understanding of SME risks can be achieved (St-Pierre and Bahri, 2006).

### **Small and medium enterprises inadequately manage their risk**

Few SME owners and managers are risk aware and they focus their risk actions on "loss control" programmes in areas of fire, safety, security, health, and quality assurance. These "loss control" programmes are overseen either by the entrepreneur or other management along with their other duties; therefore, increasing the chance of mismanagement as adequate time is not spent on the risk function. As no structured risk identification is undertaken by SMEs, SMEs assume unaware or unplanned risk exposure to their limited financial resources. Control measures implemented to counter risk are ineffective as controls are reactive and non-automated (Ntlhane, 1995).

To limit the effect of risks on the enterprise, risks need to be managed/controlled once it has been identified. In SMEs, the control of risk exposure is construed reactively, holding disastrous consequences for the enterprise as losses are taken on while the enterprise is ill prepared to finance the loss. In most SMEs, risks are left unmanaged till they realise, only then spurring on action to address it (Ntlhane, 1995).

Through interviewing, Ntlhane (1995) confirms that SME owners and managers are not versed in the availability and use of risk reduction techniques (that is, risk elimination/avoidance, reduction, transfer or acceptance) to reduce the adverse effects of risks on the enterprise. It can be gleaned from the interviewee results that entrepreneurs prefer avoiding risks, but they fail to take into account that every risk action undertaken by them has an effect on the risk pattern. Thereby, although a specific risk is avoided, the probability or impact of other risks may change and new and potentially serious risks can be created. The study identified that entrepreneurial actions are centred on avoiding risk, rather

than devising risk control methods. This impedes on the economic progress of a country as every business can be defined by its ability to take on greater risks. Apart from risk avoidance, the study identified risk transfer as the alternative risk technique used by SMEs, whereby insurance brokers were contracted to undertake all risk actions, that is, risk identification, risk assessment, risk control and risk financing. Risk retention techniques whereby risks are financed by internal reserves such as current income are little known and rarely applied in SMEs (Ntlhane, 1995).

### **CONCLUSION**

The impediments to SME success are numerous and varied, and include inherent organisational obstacles such as poor managerial skills and education and training; industry-related problems such as the entrepreneur's inability to understand market expectations, and poor market access; and economy-based obstacles such as interest rate fluctuations.

SME owner-managers are primarily responsible for the management of their enterprises' activities. Studies conducted confirmed SME owner-managers' ignorance pertaining to the risks their enterprises face from internal and external sources, including risks emanating from entrepreneurial actions. SME risk management techniques are primarily limited to risk avoidance actions, and to a lesser extent, risk transfer through insurance activities. Most risk activities tend to be construed reactively, thereby affecting the availability of enterprise resources in addressing these risks.

By embedding a structured approach to enterprise risk management within SMEs, potential benefits such as cost reductions, reducing the over-management of risks and organisational alignment towards the SME's mission and objectives can be realised.

### **Rationale for developing a strategic risk management strategy**

Entrepreneurs operate in a macro, micro and market environment that is affected by numerous internal and external influences which continuously change. These 'change factors' enable an entrepreneur to identify opportunities and threats (Watson, 2004). It is therefore essential that an entrepreneur has the capability to evaluate decisions to determine the enterprise's future strategy (Watson, 2004). Strategic risk management enables SME owner-managers to objectively evaluate their actions. One of the difficulties encountered in risk management is that most risk assessments are linked to a specific discipline which is not necessarily known by owner-managers. Furthermore, owner-managers may be able to identify the obvious risk, but their depth of risk

knowledge may impede on their activities to identify indirect risks, or to take cognisance of the inter-connectness of risks (Watt, 2007).

Watson (2004) emphasizes that owner-managers should develop a risk strategy to avoid, reduce or respond to potential risks. It is therefore essential that owner-managers are equipped with the necessary skills to compare risks and to identify appropriate risk strategies in adequately addressing these risks. Depending on the specific circumstances, owner-managers should engage in actions limiting the probability of risk occurrence, or if need be, to plan strategies that maximise the probability of recovery (Watt, 2007).

By embedding a strategic risk management strategy in the SMEs processes, significant advantages can be achieved, such as (Watt, 2007):

- i. It ensures that the SMEs activities are aligned to its mission and objectives, and not diverted by external influences.
- ii. It ensures that organisational activities comply with industry best practices and that regulative compliance is achieved.
- iii. It may provide legal protection if difficulties occurs.
- iv. It may result in cost savings by reducing insurance expenses.

Strategic risk management facilitates an effective risk approach by prioritising risks, thereby reducing surprises, and directing the focus on important risks. This has the effect of reducing the possible over-management of insignificant risks. In the risk management process, management should be aware that risk actions should be tailored to the specific needs of the enterprise taking into account its resources, needs and opportunities that prevail. Although risk assessment should be a comprehensive function, guard should be taken into devising an excessive risk strategy (Watt, 2007). Given the size and managerial structure of SMEs, the process of establishing and using a strategic risk management function is relatively simple given the close relationship between owners, managers and operators of the enterprise. Compared to larger enterprises, it is easier for SME executive management to embed a risk management policy and to be routinely and actively involved in the application of the strategic risk management policy, especially if these activities is seen as a performance enhancing processes (Watt, 2007).

In a study conducted by Friedrich (2004) on South African SMEs, it is emphasised that personal initiative consisting of the owner's characteristics such as being a self-starter, having a proactive approach, specifically regarding risk management, and persistent actions, is a vital key to enterprise success. In addition to a proactive business approach, innovation and learning, goal setting and achievement orientation was linked to enterprise success. Where SME owners follow a reactive business approach including reactive risk management practices,

the enterprise was more likely to fail.

SME owner managers need to be aware that through joint discussion of risk with SME employees, which include an effective feedback process and a risk valuation process, organisational trust is established. The way of conducting risk management, that is, the shape of the risk management process will depend on all the participants risk propensity as well as the situational control that is exercised at present. Therefore, risk tolerant participants may prefer an informal risk review process, while risk adverse participants will favour comprehensive contractual arrangements (Beckett, 2005). Through experience, it has been gleaned that:

- i. The creation of a positive organisational risk culture whereby all participants concerns are understood and experiences are shared, is facilitated through a constant evolving process of risk identification and the planning of containment strategies.
- ii. Through joint proactive identification of risks, and by employing holistic risk management practices, management can establish a positive environment to deal with all issues.

Regardless of the risk propensity of the participants, a structured approach to risk management will assist in providing a goal orientated and consistent risk management process (Beckett, 2005).

## REFERENCES

- Banham R (2004). Enterprising View of Risk Management. *J. Account.*, 197(6): 65-71.
- Bank of England (2001). Quarterly Report on Small Business Statistics. Bank of England, London, January: pp 1-46.
- Beaver G (2002). *Small Business, Entrepreneurship and Enterprise Development*. Harlow: Pearson Education.
- Beckett RC (2005). Collaboration now a strategic necessity. *Handb. Bus. Strategy*, 6(1): 327-332.
- Berger AN, Udell G (2001). Small business credit availability and relationship lending: the importance of bank organisational structures. *FEDS Working Paper No 2001-36*. [Online]. <http://ssrn.com/abstract=285937> [10/4/2010].
- Berkeley D, Humphreys PC, Thomas RD (1991). Project risk action management. *Constr. Manag. Econ.*, 9: 3-17.
- Berry A (2002). The role of the small and medium enterprise sector in Latin America: implications for South Africa. *Unisa Latin American Report*, 18(1): 4-14.
- Berry A, Von Blotnitz M, Cassim R, Kesper A, Rajaratnam B, Van Seventer DE (2002). The Economics of SMMES in South Africa. *T. & I. Policy Strategy*, December, 2002.
- Alquier BAM, Lagasse TMH (2006). Risk management in small- and medium-sized enterprises. *Prod. P. & C.*, 17(3): 273-282.
- Bradford M (2009). Sovay turns risk into opportunity. *Bus. Ins.*, 43(20): 4-28.
- Brink A, Cant M, Ligthelm A (2003). Problems experienced by small business in South Africa. [Online]. <http://sbaer.uca.edu/research/icsb/2003/230.doc> [13/4/2010]
- Cumby J, Conrod J (2001). Non-financial performance measures in the Canadian biotechnology industry. *J. Intel. Cap.*, 2(3): 261-272.
- Engle P (2009). Enterprise risk management time. *Ind. Eng.*, 41(5): 20.
- Friedrich C (2004). Taking it personally: The crucial success factor for small businesses is its entrepreneurs. *Finance. Week*, 51, December.
- GCIS (2002). *Government Communications South Africa Yearbook*

- 2001/2002. [Online]. <http://www.govza/yearbook/2001/economy> [3/3/2010]
- Hofmann MA (2009). Interest in enterprise risk management is growing. *Bus. Ins.*, 43(18): 14-16.
- Huang X, Brown A (1999). An analysis and classification of problems in small business. *Int. Small Bus. J.*, 18(1): 73-85.
- Iltner CD, Larcker DF (1998). Are nonfinancial measures leading indicators of financial performance? An analysis of customer satisfaction. *J. Account. Res.*, 36(3): 1-35.
- Jun M, Cai S (2003). Key obstacles to Edi success: from the US small manufacturing companies' perspective. *Ind. Manag. Data Sys.*, 103(3): 192-203.
- Kesper A (2000). Failing or not aiming to grow? Manufacturing SMMEs and their contribution to employment growth in South Africa. T. & I. Policy Sect. Working Paper. 15: 1-36.
- King K (2009) refer to the Institute of Directors Southern Africa.
- Kirytopoulos K, Leopoulos V, Malandrakis C (2001). Risk management: A powerful tool for improving efficiency of project oriented SMEs. Proceedings of the 4<sup>th</sup> SME International Conference. 2001. Denmark.
- Kotze L, Smit A (2008). Personal Financial Literacy and Personal Debt Management: The Potential Relationship With New Venture Creation. *SAJESBM*, 1(1): 35-50.
- Laforet S, Tann J (2006). Innovative Characteristics of Small Manufacturing Firms. *J. Small Bus. Entrep. Dev.*, 13(3): 363-380.
- LeCornu MR, McMahon RGP, Forsaith DM, Stanger AMJ (1996). The small enterprise financial objective function. *J. Small Bus. Manag.*, 34(3): 1-14.
- Leopoulos V (2006). Editorial. *Prod. Plan Cont.*, 17(3): 225-228.
- Ligthelm AA, Cant MC (2002). Business Success Factors of SMEs in Gauteng: A proactive entrepreneurial approach. Research Report 311, Faculty of Economic and Management Science, UNISA Bureau of Market Research.
- McGrath S, King K (1996). Learning to Compete: African Education, Training and Small Enterprise Development in the Era of Globalisation. *Int. J. Urban Lab. Leis.*, 2(2): 1976-96. [Online]. <http://www.ijull.co.uk/vol2/2/000016.htm> [26/3/2010]
- Mead DC, Liedholm C (1998). The Dynamics of Micro and Small Enterprises in Developing Countries. *World Dev.*, 26(1): 61-74.
- Naffziger DW, Hornsby JS, Kuratko DF (1994). A proposed research model of entrepreneurial motivation. *Entrep. Theor. Pract.*, 18(3): 29-42.
- Naicker NI (2006). Factors contributing to women being successful in the SMME sector. A mini dissertation submitted in partial fulfilment of the requirements for the degree Masters in Business Administration in the Faculty of Management at the University of Johannesburg.
- Ntlhane KE (1995). The application of risk management principles to smaller enterprises. A research report submitted in partial fulfilment of the requirements for the degree of Masters of Business Administration in the Faculty of Management at the University of the Witwatersrand.
- Ntsika Enterprise Promotion Agency (Ntsika) (2001). State of Small Business Development in South Africa. Annual Review 2001 [Online]. <http://www.transformationaudit.org.za/research-database/government-1/other-government-output/2000-2006/2001ntsika/> [3/3/2010].
- O'Gorman C (2001). The sustainability of growth in small and medium-sized enterprises. *Int. J. Entrep. Behav. Res.*, 7(2): 60-75.
- Plourd K (2009). Rethinking risk. *CFO*. January: 66-69.
- Pretorius M, Shaw G (2004). Business plans in bank decision-making when financing new ventures in South Africa. *South Afr. J. Econ. Manag. Sci.*, 7(2): 221-241. [Online]. [http://www.journals.co.za/ej/ejour\\_ecoman.html](http://www.journals.co.za/ej/ejour_ecoman.html) [3/3/2010]
- Rajaram R (2008). A need analysis of financial management and accounting skills in the SME sector in KwaZulu-Natal. A research report submitted in fulfilment of the requirements for the degree of Master of Commerce in the School of Management at the University of KwaZulu-Natal.
- Reynolds PL, Lancaster G (2006). A scheme to increase profitability in entrepreneurial SMEs. *J. Small Bus. Entrep. Dev.*, 13(3): 395-410.
- Rogerson CM (2001a). Growing the SMME Manufacturing Economy of South Africa: Evidence from Gauteng Province. *J. Contemp. Afr. Stud.*, 19(2): 267-291.
- Rogerson CM (2001b). In search of the African miracle – debate on successful small enterprise development in Africa. *Habit Int.*, 25: 115-142.
- Rogerson CM (2004). The impact of the South African government's SMME programmes: a ten year review (1994-2003). *Dev. South. Afr.*, 21(5): 765-784.
- Rogerson CM (2006). The Market Development Approach to SMME Development: Implications for Local Government in South Africa. *Urban Forum*, 17(1): 54-78.
- Rogerson CM (2008). Tracking SMME Development in South Africa: Issues of Finance, Training and the Regulatory Environment. *Urban Forum*, 19(1): 61-81.
- Rwigema H, Karungu P (1999). SMME development in Johannesburg's Southern Metropolitan Local Council: an assessment. *Dev. South. Afr.*, 16(1): 101-124.
- Rwigema H, Venter R (2004). *Advanced Entrepreneurship*. Cape Town: Oxford University Press.
- Schultz AG (2001). Risk assurance model for the small medium and micro enterprise sector. A dissertation submitted in partial fulfilment of the requirements for the degree of Master Technologiae in the Faculty of Management at the Cape Technikon.
- Skinner C (2005). Constraints to Growth and Employment in Durban: Evidence from the Informal Economy. Research Report No. 65, School of Development Studies, University of KwaZulu-Natal, Durban.
- South Africa (1996). National Small Business Act, No. 102 of 1996. Notice No. 1901, 27 November. [Online]. <http://www.info.gov.za/view/DownloadFileAction?id=70848> [2/10/2009]
- South Africa (2004). National Small Business Amendment Act, No. 29 of 2004. Government Gazette, 461 (25763), November. [Online]. [http://www.acts.co.za/national\\_small\\_business\\_act\\_1996.htm](http://www.acts.co.za/national_small_business_act_1996.htm) [27/1/2010]
- St-Pierre J, Bahri M (2006). The use of the accounting beta as an overall risk indicator for unlisted companies. *J. Small Bus. Entrep. Dev.*, 13(4): 546-561.
- UNDP see United Nations Development Programme
- United Nations Development Programme (UNDP) (2003). The challenge of sustainable development in South Africa: unlocking people's creativity. South African Development Report, 2003. Cape Town: Oxford University Press.
- Van Niekerk L (2005). Information security risk management in the South African Small, Medium and Micro Enterprise Environment: The Peculium Model. A dissertation submitted in fulfilment of the requirements for the degree of Master of Science in Informatics in the Faculty of Science of the University of Johannesburg.
- Watt J (2007). Strategic risk management for small businesses. [In: Reuvid, J. (ed.). *Managing Business Risk 2<sup>nd</sup> Edition – a practical guide to protecting your business*. London – Philadelphia: Kogan Page].
- Watson GEH (2004). A situational analysis of entrepreneurship mentors in South Africa. A dissertation submitted in fulfilment of the requirements for the degree Masters of Commerce in Business Management at the University of South Africa.
- Watson LM, Godfrey NF (1999). Entrepreneurial Support for Rural Small, Medium and Micro Enterprises (SMMEs) in South Africa. University of South Africa (UNISA) & Council for Scientific and Industrial Research (CSIR), South Africa. [Online]. <http://161.31.108.27/research/icsb/2005/119pdf> [23/7/2008]
- Williamson IO (2000). Employer legitimacy and recruitment success in small business. *Entrep.: Theory Pract.*, 25(1): 27.
- Wong KY (2005). Critical success factors for implementing knowledge management in small and medium enterprises. *Ind. Manag. Data Syst.*, 105(3): 261-279.