



**INSTITUTIONAL FACTORS AND THE GROWTH OF SMALL AND MEDIUM  
MANUFACTURING ENTERPRISES IN MIDRAND, SOUTH AFRICA**

*A research report submitted to the Faculty of Commerce, Law and Management, University of  
the Witwatersrand, in partial fulfilment of the requirements for the degree of Master of  
Management in Entrepreneurship and New Venture Creation*

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## **Abstract**

The objective of the study was to examine the influence of the Institutional factors on the growth of SMEs in the manufacturing enterprises in Midrand.

South Africa, like any other country, is facing a huge developmental problem relating to the high failure rate and closing down of SMEs.

A quantitative research methodology was employed hence a structured questionnaire was adopted as a research instrument through Qualtrics. A total of 100 respondents were sampled using purposive sampling as a form of non-probability sampling was employed as a sampling design. Random sampling as a method of selecting a sample from a population in such a way that every possible sample has an equal probability of being chosen was not used due to the time allocated to the study. Moreover, random sampling is complex and time-consuming and the researcher did not have direct access to all SMEs in Midrand area.

The results showed that there is no evidence to support the hypothesis that there is a positive influence in the functions of regulatory institutions on the growth of SMEs in the manufacturing enterprises in Midrand. Therefore, the regulatory institution hypothesis is not supported because the results were silent on how this could be achieved. The results showed that there is an influence of the services provided by Facilitatory Institutions on SME growth, however, there is a need for financial support to enhance the sustainability of SMEs. Some of the implications of the study are that the government must create incentives and facilities that motivate SMEs to export their products to gain foreign currency.

Government must invest in SMEs by providing training and development, benchmarking against other successful countries and ensure sharing of skills and knowledge.

**Keywords:** SMEs, SME growth, Promotional, Regulatory, Facilitatory Institutions.

## **Declaration**

I, Maureen Chibuzor Analo, declare that this research report is my own work except as indicated. It is submitted in partial fulfilment of the requirements for the degree of Master of Management in the field of Entrepreneurship and new venture creation at the University of the Witwatersrand Business School, Johannesburg. It has not been submitted before for any degree or examination in this or at any other University.

Maureen Chibuzor Analo

Signed at.....

On the ..... Day of .....2023.

## **Dedication**

This dissertation is dedicated to God Almighty for His grace, favour and protection. A special dedication to my late parents Mr. Ambrose Okikaduiba Odeigah and Mrs. Maria Ada Odeigah who both saw me start this program but are not present to witness my academic success. I also dedicate this study to my wonderful husband, Andrew Analo for teaching me that nothing great can be achieved without hard work and pain. To my lovely children, Vidal, Vincenzo, Valerio and our princess Vensi for your understanding and cooperation during the duration of this study.

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## **List of acronyms and abbreviations**

|      |   |                                                        |
|------|---|--------------------------------------------------------|
| BBC  | : | Black Business Council                                 |
| BIS  | : | Black Industrialist Scheme                             |
| CIPC | : | Companies and Intellectual Property Commission         |
| DSBD | : | Department of Small Business Development               |
| DTIC | : | Department of Trade, Industry and Competition          |
| EU   | : | European Union                                         |
| EUR  | : | Euros                                                  |
| GDP  | : | Gross Domestic Product                                 |
| NDP  | : | National Development Plan                              |
| NEF  | : | National Empowerment Fund                              |
| NYDA | : | National Youth Development Agency                      |
| OECD | : | Organisation for Economic Co-operation and Development |
| PCA  | : | Principal Component Analysis                           |
| SARB | : | South African Reserve Bank                             |
| SARS | : | South African Revenue Services                         |
| SEDA | : | Small Enterprise Development Agency                    |
| SEFA | : | Small Enterprise Finance Agency                        |
| SMEs | : | Small and Medium Manufacturing Enterprises             |
| TIA  | : | Technology Innovation Agency                           |
| USA  | : | United States of America                               |

## **CHAPTER 1: BACKGROUND AND CONTEXTUALISATION OF THE STUDY**

This chapter provides a background to the study and introduces the concepts discussed thereof. Furthermore, it outlines the value of Small and Medium Enterprises (SMEs) in the South African economy and the challenges facing businesses in the business environment in which they operate. The layout of the Chapter is as follows: In subsection 1.1 the chapter is introduced. Subsection 1.2 provides a theoretical background to the study, 1.2.1 factors affecting the growth or failure of SMEs, 1.2.2 ten common causes of business failure of SMEs, whilst subsection 1.2.3 classifies factors affecting SMEs according to theories. In section 1.3 the context of the study is indicated, 1.4 defines the problem statement, 1.5 clarifies the research purpose, research questions and aim of the study. Section 1.6 presents the conceptual/theoretical definition of terms and 1.7 provides contribution of the study.

### **1.1 Introduction**

The objective of the study was to examine the influence of the Institutional factors on the growth of SMEs in the manufacturing enterprises in Midrand. In South Africa, SMEs contribute a great deal to the country in terms of economic development and employment through new product development and technics (Ayandibu and Houghton, 2017). South Africa has an estimated 2.6 million SMEs. Of these enterprises more than 1.3 million of these businesses are considered micro-enterprises, while 37% of these organisations are formally registered Organisations for Economic Cooperation and Development, (OECD), 2022). Herrington, Kew & Mwanga (2017) attributed the lack of growth of SMEs to factors such as government regulatory policies, red tape, lack of business knowledge or acumen, and global and economic conditions as causes leading to SMEs' failures.

Bushe (2019) stated that over 70% of SMEs in South Africa fail within the first 5-7 years of inception and there is generally no agreement among scholars and experts as to the causes thereof. This is despite the global view that SMEs are a much-needed solution to promote economic development, particularly that they contribute to job creation (reduction of unemployment), poverty eradication, equitable distribution of income and improved lifestyle, amongst others. Sitharam and Hoque (2016) support the view by Bushe (2019) that SMEs have an imperative role to play in the development of the country. A strong SME sector contributes highly to the economy, bolstering the gross domestic product (GDP), by reducing the levels of unemployment and poverty and promoting entrepreneurship activity.

## 1.2 Context of the study

Given the country's geographic location, South Africa is in the ideal position to develop into a regional manufacturing hub. The country is endowed with a very developed manufacturing industry. This is another diversified industry that has so many business opportunities. Manufacturing in South Africa has many facets and considerations one must consider when looking at the industry. It is the 4<sup>th</sup> largest industry in South Africa, and within the sector, the food and beverage category are the biggest player, contributing 26% to the total manufacturing value added. Petroleum and chemical products are second, at 24%, followed by basic iron and steel at 19% (Susa Africa, 2020). The manufacturing industry rebounded in 2018, recording its highest annual growth rate in five years. The food and beverages and automotive divisions were the major drivers behind the rise. However, manufacturers in communication equipment, electrical machinery and clothing failed to perform. Manufacturing production increased by 1.2% in 2018 compared with 2017 (Susa Africa, 2020).

Nonetheless, in the global context, Small and Medium Manufacturing Enterprises (SMEs) play a pivotal role as a significant driver of economic development vital to most economies all over the world, predominantly in developing and emerging countries (Ndiaye, Razak, Nagayev and Ng, 2018). SMEs constitute 99% of all businesses in the European Union (EU), provide about 85% of new jobs, also ensuring two-thirds of the total private sector engagement in the region (European Commission, 2019). SMEs are highly flexible, demonstrating a superior flexibility to technical shifts and a higher promotion of income distribution. Moreover, they have improved adaptability to fluctuations in the market and new customer requirements, whilst their organisational structure permits quick decision-making (Perez-Gomez, Arbelo-Perez and Arbelo, 2018).

Nonetheless, SMEs require financial support to be sustainable in growth opportunities. As a result, strengthening the entrepreneurial spirit in Europe and in creating conditions for the practical development of innovative concepts. The EU established a set of measures together with a modern and coherent policy for SMEs (Yoshino, Taghizadeh-Hesary, 2019). The intention was to support the growth and development of SMEs in close relation to the employment market. SMEs are regarded as the pillar of an economy since they exert a significant role in lessening poverty, employment creation, foreign trade promotion and technique innovation, also contributing meaningfully to the growth of emerging economies (Luo, Wang, Yang, 2016).

### **1.3 Theoretical foundation**

A theoretical framework is a foundational review of existing theories that serves as a roadmap for developing the arguments used by researchers in their process of conducting research. Theories are developed by researchers to explain phenomena, draw conclusions, and make predictions (Remenyi, 2014).

#### **1.3.1 Liability of newness and the legitimacy threshold**

The negative correlation between organizational age and mortality is one of the most well-established relationships in the social sciences (Thornhill and Amit, 2003). Stinchcombe (1965:148) labelled this condition the “liability of newness” in offering the general rule that a higher proportion of new organisations fail than old (O’Toole and Ciuchta, 2019). The liability of newness arises as aspiring entrepreneurs experience both internal challenges, such as learning new roles and establishing routines, and external challenges, such as building social networks and establishing legitimacy in the eyes of key stakeholders and resource providers (Nagy, Rutherford, Truong and Pollack, 2017).

Early empirical examinations of aging effects on organisation mortality rates supported both a monotonic negative effect (Überbacher, 2014) and a non-monotonic, effect termed the liability of adolescence. Research suggest that organisations suffer from a liability of adolescence rather than a liability of newness (Mahmood, 2000). Advances in literature outlined that new organisation face more challenges than existing entrepreneurial ventures when attempting to obtain legitimacy and acquire resources for their entrepreneurial efforts and that they face a legitimacy threshold that they may have to cross in order to remain viable (Rutherford, Tocher, Pollack & Coombes, 2016).

The absence of research focused on the liabilities Stinchcombe described aspiring entrepreneurs face is important because resource providers are likely to be sceptical of committing important resources to aspiring entrepreneurs for their new business ideas because they face novelty on several fronts (Abatecola and Uli, 2016). Specifically, generating convenience-based support is more daunting for aspiring entrepreneurs raising financial capital for their business ideas than for entrepreneurs raising financial capital for their existing businesses. The external problems of relying on the trust of strangers and ties to existing customers and other key stakeholders. The liability of newer than newness (Aldrich and Yang, (2012), are exacerbated for aspiring entrepreneurs seeking support for their new business ideas.

Aspiring entrepreneurs lack objective indicators of the viability of their ideas because they have no history of past performance (Stringfellow, Shaw & Maclean, 2014).

The conceptual framework for factors influencing the sustainable growth of SMEs projects establishes the independent variables, moderating variables as well as the dependent variables. These are discussed in detail in the following section as they are relevant to this research.

### 1.3.2 Classifying factors affecting SMEs according to Theories

According to the National Small Business Act (2019), small enterprise means a separate and distinct business entity, together with its branches or subsidiaries, if any, including cooperative enterprises, managed by one owner or more predominantly carried on in any sector or subsector of the economy classified as a micro, a small or a medium enterprise. Figure 1 demonstrates the theories underpinning SMEs growth.

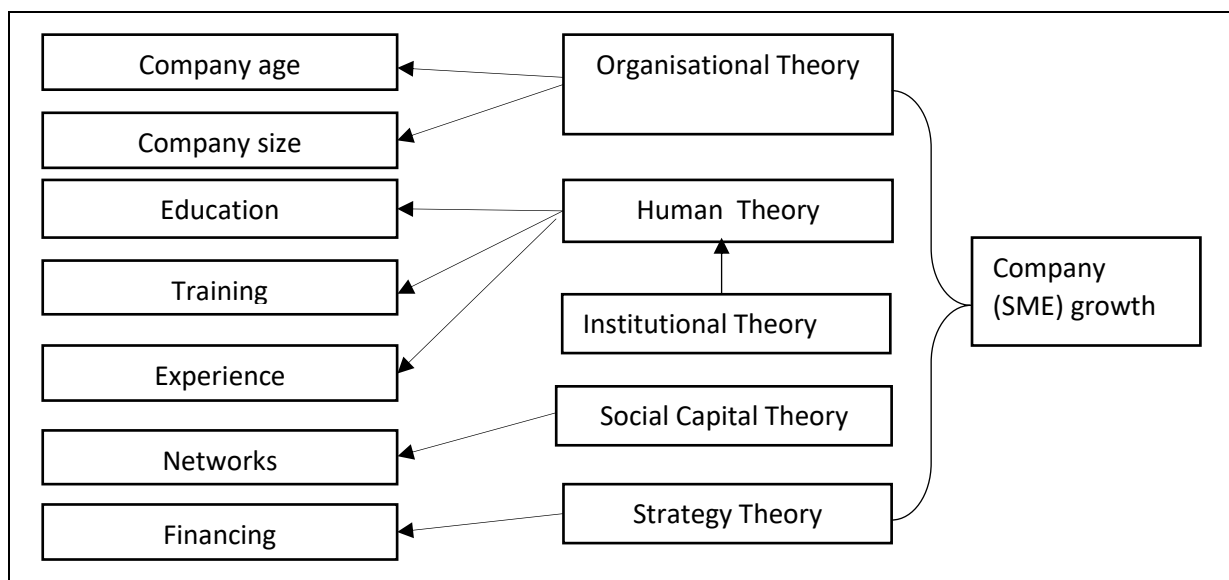


Figure 1: Theories underpinning SMEs growth. Source: Rafiki (2019: 1941)

Figure 1 demonstrates factors impacting SMEs according to theories. The SME's growth through the Organisational Theory may be defined by its age and size which then measures its reputation. For instance, the challenges of an SME may not be equivalent to that of a business that is bigger. Notably, the budget of the SMEs will differ depending on their sizes. The SME Human Theory is defined by training and development initiatives and experience. The growth of SMEs is dependent on the Social Capital Theory through networking as well as through The Strategy Theory in the form of financing (owner's' equity or through borrowings). The following section elaborates on the theories shown in Figure 1.

SMEs are important for the growth of any country's economic growth, but more so in a developing economy like South Africa's (Ullah, 2020). According to (Gupta, Guo, Canever, Yim, Hraw & Liu, 2014) small entrepreneurial firms are considered important for the growth of developing economies. Firms that are growth-oriented can contribute significantly to the economic gain of a country and importance must be placed on the overall growth of SMEs. The term growth as emphasized by Penrose (2009), can have two different connotations. Firstly, it can mean a mere increase in amount, that is when one speaks of growth in output, export, and sales. Secondly, it can also mean an increase in size or improvement in quality because of a process of development.

Even though SMEs grow at a fast rate, however, they are found to have greater constraints than larger enterprises. These constraints include finances, tax, crime, regulatory pressure, corruption, and legal and political pressures, amongst others (Ullah, 2020). Sibiya and Kele (2019) indicate that inefficient institutions have been one of the key factors that has hampered the growth of SMEs in South Africa despite the knowledge of what is required to improve socio-economic factors through SMEs. Manufacturing along with ICT and tourism are key sectors entrusted with the growth of the South African economy, however, since 2014 there has been a lag in growth (SEDA, 2021). Manufacturing is at the centre of the economy and forms 20% of the South African economy including all the linkages to the sector.

To evaluate the impact that Facilitatory Institutions have on the growth of SMEs there is often, the perception of the recipient of the incubation services they receive. Promotional Institutions market these SMEs thereby exposing them to prospective business opportunities and making sure that they are known by those who seek their services and products (Schutte and Barbeau, 2022). Business incubator services assist start-up companies and individual entrepreneurs to develop their businesses by providing a full-scale range of services starting with management training and office space and ending with venture capital financing (Meru and Struwig, 2011). Access to finance is another key element of facilitatory services. SMEs can be fully credit-constrained where they have not had any access to finance, they can also be partially credit-constrained, maybe credit-constrained, or non-credit-constrained where they do not need loans and have the capital required to meet the firm's needs (Marakalla, 2018).

On the other hand, Promotional Institutions are important in creating networks that assist in the establishment, growth, and sustainability of SMEs. Chambers of Commerce and lobbying groups are usually key institutions in assisting SMEs in this important area of business.



The success of SMEs varies in different countries and the institutional view has been good at explaining these differences (Pinho, 2017). The institutional context of a nation influences the type of firms that are created and defines the type of entrepreneurial ventures that may survive in the environment (Arabiyat, Mdanat, Haffar, Ghoneim & Arabiyat, 2019). The Institutional Theory scrutinises the process through which structures become recognised as parameters that direct social behaviour. Furthermore, this assists in understanding why some organisations attain legitimacy by conforming to the standards of institutions in their environment. Institutions are defined as parameters defined by humans with the purpose of governing human interactions. These consist of formal rules such as laws and regulations, for example, customs, traditions or codes of conduct (Singh and Pradhan, 2022).

Ghazali, Mutum and Haleh (2021) acknowledge that there are two branches of the Institutional Theory. These include the sociological/organizational and the economic/political branches. Institutions are characterised by three pillars such as regulative, normative and cultural-cognitive. These pillars are wide-ranging in that they cover strict rules governing behaviour to more intangible rules that guide behaviour (Brundin and Wigren-Kristoferson, 2013). The regulative pillar consists of governmental legislation, industrial agreements and standards that guide behaviour based on rules and sanctions that are enforced by the institutions. The normative pillar is representative of individual and organisational behaviour founded on social, professional, and organisational interaction. The third and final pillar represents models of individual behaviour based on rules that dictate appropriate beliefs and actions (Brundin et al., 2013).

For any of these three pillars to thrive, it is imperative for SMEs to have legitimacy. The concept of legitimacy is defined as a perception or assumption that the actions of an institution are desirable and suitable within socially constructed norms, values or beliefs. For the regulative pillar, legitimacy is gained by complying with the rules, for the normative pillar it is based on conformity to moral standards and for the cultural-social pillar legitimacy is gained by adopting a common frame of meaning or approach (Murithi, Vershinina & Rodgers, 2019). Institutions put pressure to comply with organisations, groups, and individuals through isomorphisms or correlations. Different isomorphisms are associated with each pillar. Coercive isomorphisms are associated with the regulatory pillar and the enforcement of laws. Nonetheless, normative isomorphisms are linked to the normative pillar and pressure people to conform to societal expectations. On the other hand, mimetic isomorphism relates to the socio-

cultural pillar where people act in accordance with shared beliefs and understanding, that is culturally supported (Scott, 2014).

The institutional structure within which activities occur could either make, break or cause setbacks in the success of the activity. This is also applicable in the entrepreneurial context. In developing economies, these institutions have been found to be hindering the growth of businesses resulting in what has been defined as an institutional void (Sydow and Söderlund, 2022). In emerging economies, institutional intermediaries such as business incubators, accelerators and other development institutions are present to fill the gaps institutions fail to deliver on. Informal institutions including families and communities are also integral support structures. It is important to understand the impact of policy and the institutions governing the policy on economic growth. Weak institutions in developing countries coupled with the high necessity of entrepreneurship underpin the importance of understanding this relationship (Sydow and Söderlund, 2022).

#### **1.3.3.1 Institutional Theory constructs underpinning the study**

In the context of promoting the growth of entrepreneurial factors, the following institutions are key dimensions in ensuring the success of organisations namely Facilitatory Institutions, Promotional Institutions, and Regulatory Institutions (Kaynak, 2000). Promotional Institutions are established to create incentives and facilities that motivate SME firms to export their products to gain foreign currency (Kaynak, 2000). Promotional Institutions have the objective of encouraging entrepreneurial activity and supporting the growth and sustainability of SMEs. These are government policies related to trade liberalisation, financial and non-financial assistance, and infrastructures such as water and power supply (Valsamakis, 2012).

Organisations such as the Black Business Council (BBC) and the South African Chamber of commerce are examples of Promotional Institutions that champion the interests of selected groups on a national and international scale during policy discussions and trade shows. Facilitatory Institutions assist directly or indirectly in enhancing the operational capabilities of firms. This is achieved by activities such as training, capacity building, business advisory and other forms of support including access to financial services to support business operations (Valsamakis, 2012).

In the South African context, there are several Facilitatory Institutions that provide access to finance and markets for the growth of SMEs and larger organisations. Key facilitatory

organisations in South Africa for the benefit of SMEs include Small Enterprise Development Agency (Seda) and Small Enterprise Finance Agency (SEFA) housed within the Department of Trade Industry and Competition (DTIC). Regulatory Institutions ensure that firms provide goods and services as promised and guarantee that organisations conform to established standards in a country or abroad (Kaynak, 2000). Conformity to standards is achieved through the rule-setting, monitoring and sanctioning activities of regulatory agencies such as the South African Reserve Bank (SARB), Companies and Intellectual Property Commission (CIPC), and the South African Revenue Services (SARS). These are key Regulatory Institutions that ensure all businesses adhere to statutes that govern their operations in South Africa and abroad (Kaynak, 2000).

### **1.3.4 Institutional framework for SMEs growth and competitiveness**

Figure 3 provides significant contributions, to sustain competitive advantage, SMEs should have unique resources. Barney (2009) identified four characteristics of this unique resource as resources should be effective and efficient, rarity takes into account the specificity of the resource, imperfect in-imitable refers to the difficulty to reproduce the resource, and substitutability involves the availability of alternative resource. Urban and Kujinga (2017) argue that a resource, that can be interpreted as asset, competency, organizational processes, information, knowledge or capability is considered to be unique if it is valuable, rare, difficult to imitate and has no close substitute. According to Ada, Kazancoglu and Sagnak (2013), despite increasing globalization, small firms compete mainly in the local, domestic markets or market niches. SMEs frequently face the lack of proper inside resources that makes essential to develop human resources and innovation.

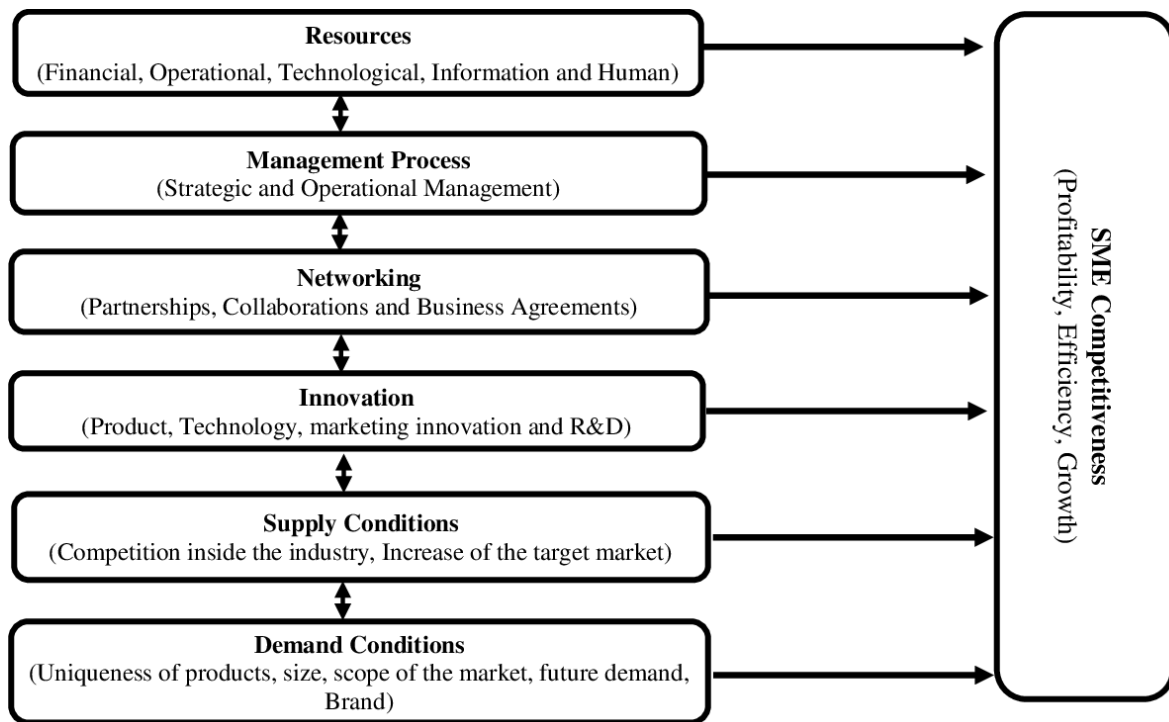


Figure 3: Institutional Framework for SMEs growth and competitiveness. Source: Wisenthige and Gouping (2016:53)

As shown in Figure 3, there are six pillars of competitiveness, which constitute the core competencies of the businesses, physical and human resources on the one hand, innovation, networking, information and management processes on the other hand. Core competencies provide the possibility to be competitive; however, competencies should be adjusted to the other two pillars, to costumers (demand conditions) and to competitors (supply conditions). Competitiveness can be measured basically by relative performances of profitability and efficiency. Other measures such as growth is also frequently applied success criteria of competitiveness (Wisenthige and Gouping, 2016).

South Africa, like any other country in the world, rely on SMEs for economic stability, growth and employment, nonetheless, the effect of regulations and changes impacts dramatically on SMEs' survival and growth. SMEs regard compliance with regulatory requirements as one of the primary impediments to their growth. Relative to their turnover, the cost of compliance is onerous as they often do not have employees or the internal capacity to attend to these and it is expensive to outsource such functions (Krause, Ackermann, Gayoso, Hirtbach, Koppa & Siciliano, 2010). Table 1 provides a summary of institutions regulating SMEs in South Africa.

**Table 1:** List of Institutions regulating SMEs in South Africa

| <b>Name of Institution</b>                                             | <b>Type of Institution</b>  | <b>Nature of Activity</b>                         | <b>Core Objectives</b>                                                                                                                                    |
|------------------------------------------------------------------------|-----------------------------|---------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------|
| Black Business Council (BBC)                                           | Facilitatory/<br>Promotion  | Networking and<br>informational services          | An independent membership-based organisation representing professional, business associations and chambers advocating for transformation in South Africa. |
| Companies and Intellectual Property Commission (CIPC)                  | Regulatory                  | Company and intellectual<br>property registration | Oversees the registration of companies, cooperatives and intellectual property rights and the maintenance thereof.                                        |
| Competition Commission                                                 | Regulatory                  | Fair Trade                                        | Regulates competition between firms in the market                                                                                                         |
| Export Credit Insurance Corporation of South Africa SOC Limited (ECIC) | Facilitatory                | Export insurance                                  | To provide political and commercial risk insurance to South African exporters of capital goods and related services.                                      |
| Industrial Development Corporation (IDC)                               | Facilitatory                | Finance                                           | Maximise development impact through job-rich industrialisation whilst contributing to an inclusive economy.                                               |
| International Trade Administration Commission (ITAC)                   | Regulatory/<br>Facilitatory | Fair Trade                                        | To provide customs tariff assessments, trade remedies, and import, and export control.                                                                    |
| National Empowerment Fund (NEF)                                        | Facilitatory                | Finance                                           | Promotes and facilitates financial and non-financial support for black owned and black managed enterprises.                                               |
| National Metrology Institute of South Africa (NMISA)                   | Regulatory                  | Quality standards                                 | NMISA is therefore responsible for ensuring measurement equivalence with the global system of measurement, the SI.                                        |

|                                                         |                              |                                     |                                                                                                                                                                 |
|---------------------------------------------------------|------------------------------|-------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------|
| National Regulator for Compulsory Specifications (NRCS) | Regulatory                   | Quality standards                   | To develop, maintain and administer compulsory specifications and technical regulations.                                                                        |
| Small Enterprise Financing Agency (SEFA)                | Facilitatory                 | Financial support                   | To foster the establishment, development and growth of SMMEs and cooperatives, and to contribute towards poverty alleviation, job creation and economic growth. |
| Small Enterprise Development Agency (Seda)              | Facilitatory                 | Financial and non-financial support | The agency supports small businesses from ideation to growth stage                                                                                              |
| South Africa Reserve Bank (SARB)                        | Regulatory                   | Exchange control                    | To protect the value of the currency in the interest of balanced and sustainable economic growth in the Republic.                                               |
| South African Bureau of Standards (SABS)                | Regulatory                   | Quality standards                   | Develop and promote South African National Standards                                                                                                            |
| South African Chamber of Commerce (SACCI)               | Facilitatory/<br>Promotional | Information and relational services | To represent the business interests by influencing policy and legislative development and regulation.                                                           |
| South African National Accreditation System (SANAS)     | Facilitatory                 | Quality standards                   | To provide an internationally recognised accreditation system in support of public policy objectives including trade facilitation.                              |
| South African Revenue Services (SARS)                   | Regulatory                   | Revenue collection                  | National tax collection authority                                                                                                                               |
| Technology Innovation Agency (TIA)                      | Facilitatory                 | Scientific support                  | To focus on technology development; from proof of concept to pre-commercialisation                                                                              |

## **1.4 Problem Statement**

South Africa is facing a huge developmental problem relating to the high failure rate that is present among SMEs, this is due to the fact that entrepreneurs are not able to turn their businesses into sustainable businesses (Leboea, 2017). The failure of SMEs could be attributed to management problems such as insufficient management skills or expertise in functional areas such as marketing and human resources and financial knowledge are the major causes of SME failures. Furthermore, management's lack of business competencies results in an inefficient business and therefore effects the competitiveness of SMEs (Bushe, 2019). Moreover, other challenges facing SMEs include lack of managerial skills, lack of finance and support for the development of SMEs and skills development. This had a negative influence on the businesses as well as the implementation of strategies such as Black Economic Empowerment (BEE) strategies designed to help black businesses (Sityata, 2019). If these problems are not addressed, they will influence the failure of SMEs since they (SMEs) are a critical component in contributing to the GDP of the South African economy (Kalidas et al., 2020). Although theory is essential for emerging discipline, such as knowledge of sustainable growth for SMEs in strategic management. Nonetheless, there is lack of sound institutional theory that serves as affirmation for the profitability of SMEs. Moreover, theory is bound to be both intellectual and effective in the context of an adaptive discipline which can be the basis for significant progress (Jelenc, 2009).

## **1.5 Research objectives**

Considering the problem statement, this study addressed the following research objectives:

- To examine the influence of the functions of Regulatory Institutions on the growth of SMEs in the manufacturing enterprises
- To determine the impact the services provided by Facilitatory Institutions have on the growth of SMEs in the manufacturing enterprises.
- To determine the impact of services provided by Promotional Institutions on the growth of SMEs in the manufacturing enterprises.

For the researcher to draw conclusions on the influence of the selected components of the entrepreneurial environment regarding the growth of SMEs in manufacturing enterprises, the following research questions were answered.

### 1.5.1 Research Question

To address the objectives, the study formulates the following research questions:

- I. What influence have Regulatory Institutions' functions had on the growth of SMEs in manufacturing enterprises?
- II. To what extent do the services provided by the Facilitatory Institutions influence the growth of SMEs in manufacturing enterprises?
- III. What influence do the services provided by Promotional Institutions have on the growth of SMEs in manufacturing enterprises?

### 1.6 Conceptual definition of terms

**Table 2:** Conceptual definition of terms

| <b>Conceptual terms</b>                                  | <b>Definition of terms</b>                                                                                                                                                                                                                                                                                                                         |
|----------------------------------------------------------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| <b>Business environment</b>                              | Is defined as factors both inside and outside the organization (SMEs), which influence the continued and successful existence of the organisation. The business environment is considered to play a crucial role in the growth of SMEs (Sitharam and Hoque, 2016).                                                                                 |
| <b>External forces</b>                                   | Are the marginal environmental aspects that impact SMEs businesses within the confines of the industry (Gopaul, 2019).                                                                                                                                                                                                                             |
| <b>Internal environment factors and external factors</b> | Factors inside the business are known as internal environment and factors outside the business are the external environment (Zhang, van Doorn & Leeftang, 2014).                                                                                                                                                                                   |
| <b>Internal environment</b>                              | Include factors in the business environment that are largely controllable by the business. Challenges in the internal environment of a business, include management competency and skills, limited financial knowledge and a lack of business management training and technological capabilities (Fatoki and Garwe, 2010; Kolstad and Wiig, 2015). |
| <b>Small Medium Enterprises (SMEs)</b>                   | SMEs businesses range from very small micro-firms run by one or two persons with very slow growth or no growth to fast growing medium businesses earning millions of dollars with the majority                                                                                                                                                     |

|                   |                                                                                                                                                                                                                                                                                                                                                   |
|-------------------|---------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
|                   | employing as many as 250 employees (Fjose, Grunfeld & Green, 2010).                                                                                                                                                                                                                                                                               |
| <b>SME Growth</b> | The term ‘growth’ can be taken to mean different things. In some instances, it denotes increase in amount, that is, when one speaks of growth in output, export, and sales. At other times, however it is used in its primary meaning implying an increase in size or improvement in quality because of a process of development (Penrose, 2009). |

### 1.7 Contribution of the study

This study examines the relationship between Facilitatory, Promotional and Regulatory institutions and SME growth in the manufacturing sector, hence its importance from the perspective of the developing country. Extant literature on entrepreneurial environment and SME growth focused mostly on developed countries whereas there is little literature on the subject matter in a developing country like South Africa (Sydow, Cannatelli, Giudici & Molteni, 2022). Research on the entrepreneurial environment focused on Europe with a generalised focus on firms with all industries. Where research has been conducted in developing areas, the objective has been to identify contributions to economic growth rather than growth of manufacturing enterprises (Alvarez, Urbano, Coduras & Ruiz-Navarro, 2011).

Furthermore, complements existing literature and knowledge on entrepreneurial environment and the growth of SMEs from a developing country’s perspective Mthimkhulu and Aziakpono, 2015). It addresses gaps within literature and knowledge by providing in-depth information on the selected components of the entrepreneurial environment (Bruwer and Smith, 2018). This adds value to the body of knowledge regarding SME growth in the manufacturing enterprises in Midrand. Furthermore, by covering an empirical examination of the impact of these components of the entrepreneurial environment on the growth of SMEs (Bruwer, 2020).

This study sensitises SMEs to be aware of entrepreneurial environmental issues impeding their business growth and recommends mitigating factors to ensure the profitability of SMEs. To the policymakers, government, academics, and practitioners, this study identifies key areas requiring policy intervention that could contribute to the growth of SMEs and ultimately impact the economy (van Staden, 2022). Lastly, this study outlines the significance of each of the dimensions of the entrepreneurial environment and its effect on SME growth in South Africa.

Moreover, it serves as a benchmark for future studies from a South African perspective by suggesting areas for future research (Department of Small Business Development, 2019a).

### **1.8 Delimitations of the study**

Delimitations of the study refer to the characteristics that limit the scope and describe the boundaries of the study, such as the sample size, geographical location or setting in which the study takes place and population traits (Leedy and Ormrod, 2015). Even though the researcher had a choice to use the three main research designs namely quantitative, qualitative and mixed methods, however, the researcher preferred to use the quantitative research. This was due to time allocated for the study. The other delimitation was the sample size whereby the researcher had the freedom to select any number of respondents but chose to sample 100 respondents. While the researcher could have recruited respondents according to specific demographics such as men, women, ethnic minorities, they ultimately selected respondents based on the cluster of SMEs in Midrand.

### **1.9 Report outline**

The layout of this study is as follows; chapter 1 provides a background and contextualization of the study, chapter 2 reviews literature limited to the research topic and objectives of the study, chapter 3 demonstrates the research methodology that was employed in gathering data for this study, chapter 4 presents the results of the study whilst chapter 5 discusses the results of the study. Lastly, chapter six provides a conclusion based on the research results and a discussion of the study as well as areas for further research.

## **CHAPTER 2: LITERATURE REVIEW**

This chapter reviews existing literature limited to the research topic and research objectives of the study. Sections covered in this chapter include the introduction in section 2.1, 2.2 literature background, 2.3 Factors affecting the growth or failure of SMEs, 2.4 Ten common causes of business failure of SMEs, 2.5 Regulatory Institution, 2.6 Promotional Institutions, 2.7 SME Growth, 2.8 Conceptual framework of hypothesis, and 2.9 Chapter Summary.

### **2.1 Introduction**

Entrepreneurship research has been an attractive field for many researchers from the standpoint of understanding the motivations of entrepreneurs, their cross-national behaviours and the effects of entrepreneurship on an economy (Urbano, Aparicio & Audretsch, 2019). Whilst there has been a lot of work done to understand how institutional factors influence entrepreneurship and the effect of entrepreneurship on economic growth, more research is required to understand the impact institutional factors have on economic growth intermediated by entrepreneurs. In addition to the growth of entrepreneurial ventures, business failure is of concern not only to business owners, but also governments who are often left with the burden of business failure as it often affects the job prospects of citizens and becomes a political issue and negatively influences the GDP (Bushe, 2019).

This study assesses the impact of institutional frameworks in the entrepreneurial environment on the growth of small and medium-scale manufacturing enterprises in South Africa, focusing on SMEs in Midrand. Entrepreneurial ventures are proven to be critical to the economic growth of a country (Martinez-Fierro, Ferrer, & Ruiz-Navarro, 2016). These businesses do not operate in a vacuum but react and are a product of the environments in which they operate (Lee, 2010). In this regard, this study focussed on government institutional support, entrepreneurial and business skill, and non-financial assistance and their impact on the growth of SMEs.

## **2.2 Background to the study**

The business environment is defined as factors both inside and outside the organisation influencing the continued and successful existence of the organisation. It is considered to play a crucial role in the growth of SMEs. Factors inside the business are known as internal environment and factors outside the business are the external environment. In addition, there is extensive research which indicates that the institutional environment in which enterprises exist has an effect on the growth and success of a venture (Bakhtiari, Breunig, Magnani & Zhang, 2020).

When a business, in general, fails, for instance, SMEs, the focus is placed on financial skills and usually not on other issues. It is mostly assumed that businesses fail due to a lack of cash flow, or not enough revenue without thinking of the other contributing aspects such as a lack of entrepreneurial skills, business management skills, and lack of experienced entrepreneurs. The approach to examining the entrepreneurial environment appears to have focused on grouping firms from all industries together rather than adopting an industry-specific approach (Xu, 2010).

In South Africa, regulatory support developed to benefit the SME sector goes back as far as 1996 with the introduction of the Small Business Act, followed by the Small Business Amendment Act of 2003 (Saah and Musvoto, 2020). The enactment of the Small Business Act in 1996 triggered the introduction of other laws and policy documents such as the National Empowerment Act of 1998, The Accelerated and Shared Growth Initiative for South Africa and the National Development Plan (NDP) (Nieuwenhuizen, 2019). The department of trade, industry and competition (DTIC) established the black industrialist scheme (BIS) policy in 2015 with two key objectives; to increase and accelerate the participation of black industrialists in the economy and create multiple pathways for black industrialists to enter strategic and targeted industrial sectors and value chains (Bosiu, Nsomba & Vilakazi, 2019).

### 2.3 Factors affecting the growth of SMEs

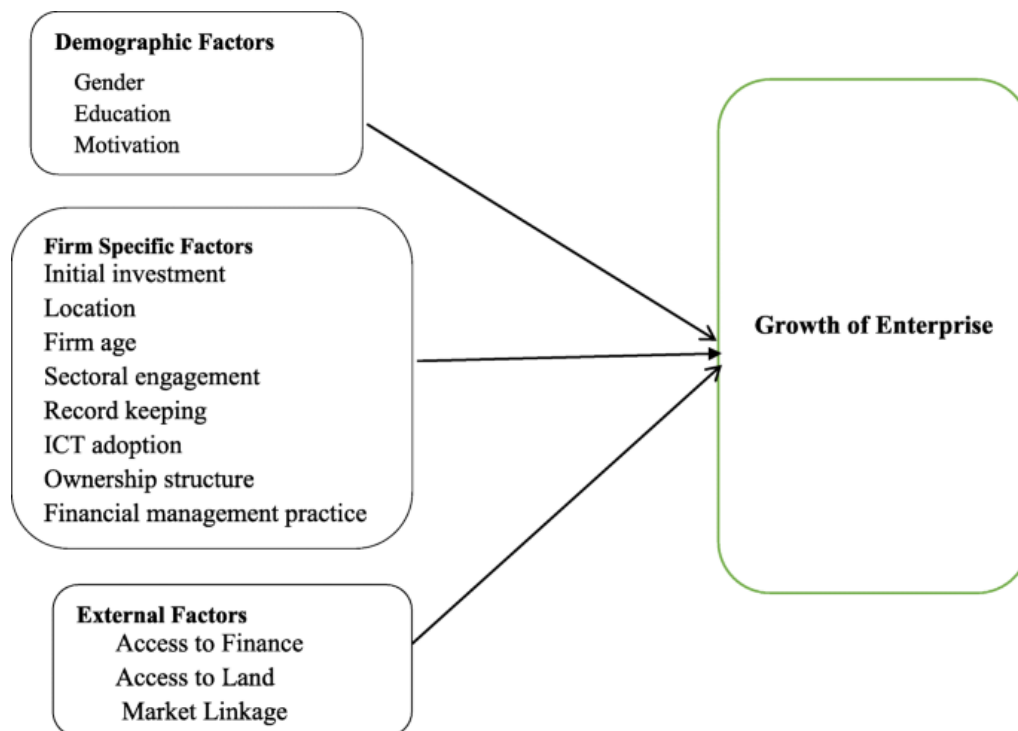


Figure 4: Factors affecting the growth of SMEs. Source: (Meressa, 2020:7)

As shown in figure 4, numerous factors affect the growth or failure of SMEs and these may include demographic issues such as the gender, education, motivation of customers to buy and pay the services offered by the SMEs. These are very critical for the profitability and sustainability of SMEs, as well as firm specific factors such as the location of SMEs. Its age in the industry, ownership structure might affect its resistance to challenges in the business sector. External factors that might affect the SMEs may include access to funding (gearing model), access to land and market linkage. For example, is the SME funded via owner's equity or through banking institutions? If it is financed through credit from banking institutions, there will be a need to pay back the loan even if the SME runs into a profit or loss unlike when finance is through the owners' equity.

Even though Figure 4 provides the factors affecting the growth of SMEs, however, the framework by Denton (2020), as indicated in Figure 8, provides a detailed perspective (conceptual framework) for the failure of small businesses. The argument by Rafiki (2019)

shows that in the current global economy, SMEs cannot function in isolation but must be aligned to international requirements hence the need for networking as per the social capital theory. Factors impacting the success or failure of SMEs in Midrand include but are not limited to the following: age of the SMEs and its reputation, the size of the SME and its clientele as well as equity or network. Training and education variables are measured by whether the owner-managers have attended any formal education; participated in any formal training program; become a member of any trading, commerce organization, association; received financing from banks or otherwise (Rafiki, 2019).

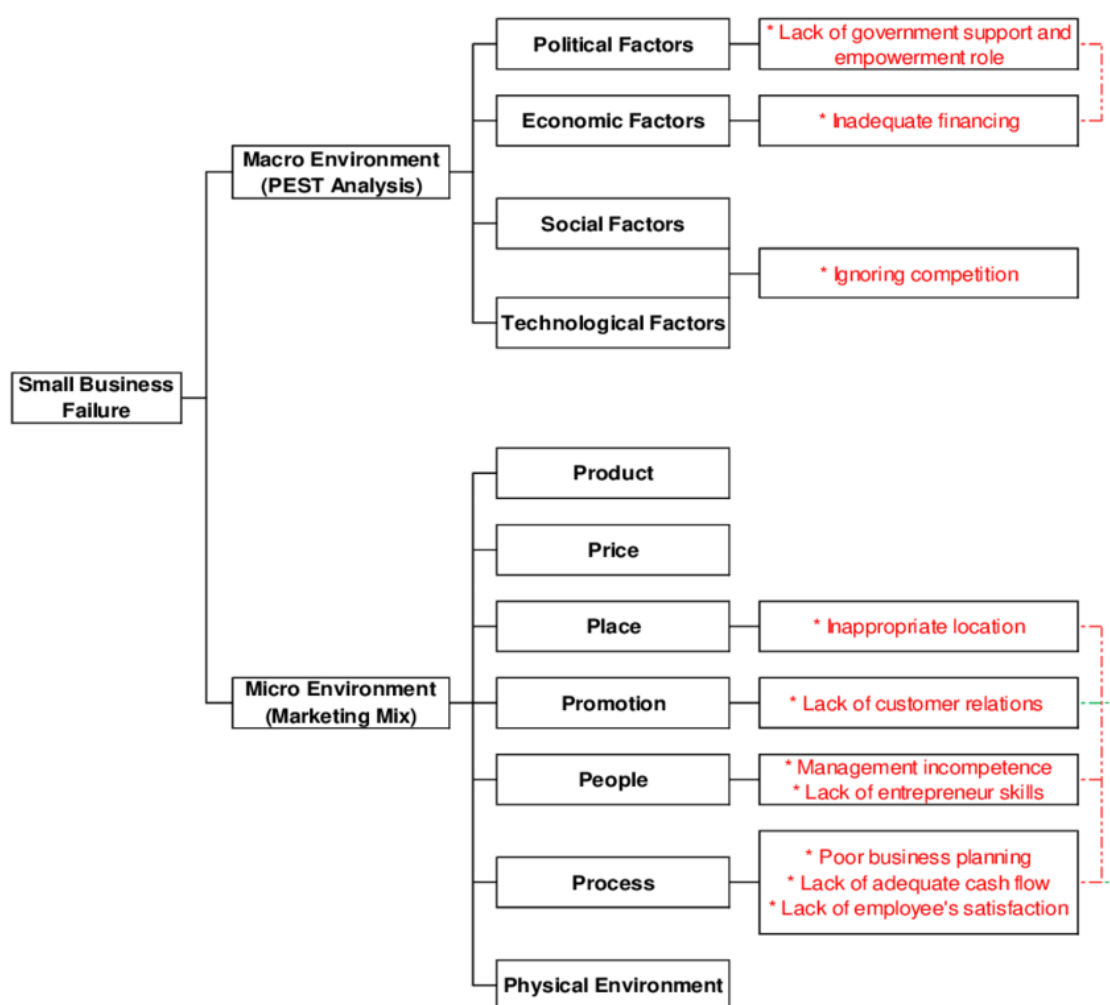


Figure 5: Conceptual framework for the failure of small businesses Source: (Denton, 2020:1782)

As demonstrated in Figure 5, the analysis by Denton (2020) shows that the failure of SMEs could be alluded to both macro and micro environmental factors. Macro issues entail lack of support from government (political), lack of financial support (economic), as well as social and technological factors. For instance, most businesses must be online or marketed digitally and

this requires financing. On the other hand, micro environmental factors include the competitiveness of products and services offered by the SMEs, price, value and location. However, most SMEs fail due to lack of advertising, poor management practices such as lack of entrepreneurial skills and knowledge. Other micro factors are process related and these include poor business planning practices, lack of adequate cashflow and poor employee morale (Denton, 2020).

## **2.4 Ten common causes of business failure of SMEs**

The following strategic common causes of business failure were identified as common causes of SMEs failure, and these include:

- **Failure to understand the target market and customers**

SMEs need to understand their competitive marketplace as well as customers' buying habits or trends. Moreover, SMEs must know who their customers are and how much they are willing to pay for the products and services (Fortenberry, 2013).

- **Opening a business in an industry that is not profitable**

Sometimes, even the best ideas cannot be turned into a high-profit business. It is important to choose an industry where business can achieve sustained growth. Lessons were learned from the dot-com era that is, for businesses, to survive and to be sustainable, they must have positive cash flow (revenue from sales). This means that it takes more than a good idea and passion to be sustainable (Ratten, 2023).

- **Failure to understand and promote products & services**

Derbyshire and Giovannetti (2017) argue that SMEs must clearly define their value proposition. That is, what is the value that they are providing to customers? Once this is defined and understood, SMEs need to ask themselves if they are communicating effectively to inform customers thereof (marketing strategy).

- **Inadequate financing**

SMEs require cash flow to float them through the sales cycles and flow of business. Running the bank accounts dry is responsible for a good portion of business failure. Cash is king, and

many SMEs quickly find that borrowing money from lenders can be challenging (Cant and Wiid, 2013).

- **Lack of entrepreneurial mindset**

Cowdrey (2012) established that even though it is difficult to single out a definition of mindset, let alone entrepreneurial mindset, one cannot underplay its influence in business failure. Furthermore, identified the entrepreneurial mindset as a missing ingredient in business success and attributed much of business failures to lack of the entrepreneurial mindset. Bushe (2019) argues that an entrepreneurial mindset consists of the following nine attributes: a clear and achievable vision, a vision where all the resources may not be in their control, self-awareness, confidence, self-motivation, a willingness to take calculated risks, a willingness to listen to others, a lack of fear of failure and a willingness to work hard.

- **Overdependence on a single customer**

SMEs must be worried whenever they lose reliable and big customers and when these major customers do not return to buy again. That is, would their businesses thrive without such customers? If the answer is no, they might consider diversifying their customer base by redefining their strategic plan (Olsen, 2019).

- **No customer retention strategy**

Be aware of how customers influence your business. Are you in touch with them? Do you know what they like or dislike about you? Understanding your customer's forwards and backward can play a major role in the development and execution of your strategy (Best 2005).

- **Lack of industry experience**

Industry experience relates to either the business or its founders' knowledge of the industry in which the business operates, that is, understanding the dynamics, factors and determinants of success (Bushe, 2019). Predominantly, there are three industry sectors: primary industries that focus on primary activities that extract raw materials from the ground or natural environment, such as mining, agriculture, forestry, fisheries and so on; secondary industries that focus on transforming natural resources into usable or consumable goods and services, such as manufacturing, engineering, processing and beneficiation; and, finally, tertiary industries that provide civic and commercial services that often provide services to get processed goods and services to the consumer and are often called aids to trade (Bushe, 2019).

- **Lack of proper planning**

SMEs should understand that planning is vital to their success as a business. They need to have direction as per their vision and projections. Having a comprehensive and actionable strategy allows SMEs to create engagement, alignment, and ownership in their businesses. It is a clear roadmap that shows where you have been, where you are, and where you are going next (Kindström, Carlborg & Nord, 2022).

## **2.5 Regulatory Institution and SME Growth**

The regulatory pillar of institutional theory facilitates or hinders entrepreneurial activities by informing the level of risk involved in starting a business (Audretsch, Belitski & Cherkas, 2021). The institutional environment of a nation consists of both formal and informal elements that are differentiated by what is codified compared to things that are common practice. Institutions not only influence the level of entrepreneurship but also the quality and outcomes of businesses including their productivity (Morched and Boujelbene, 2021). Formal institutions develop and enforce a regulatory policy which includes, but is not limited to tax policy, licensing, permits and the enforcement of contracts (Chowdhury, Audretsch & Belitski, 2019).

Regulatory Institution develop and enforce policies and regulations guiding this environment. In most countries, there are explicit policy objectives focusing on the creation of an environment that increases the performance and employment creation of SMEs. Bakhtiari et al., 2020). There are many forms of regulations such as market regulation, fiscal regulation, as well as laws regarding bankruptcy. Moreover, property rights are also considered an essential element of regulatory institutions (Langevang, Hansen & Rutashobya, 2018).

The regulatory pillar is represented by a combination of regulation and direct government interventions relating to the supply side of entrepreneurship and increased productive entrepreneurship in developing countries (Langevang, et al., 2018). As argued by Silimela (2022) the weak institutional foundations in developing countries coupled with their greater need for entrepreneurship make it important to study and understand the impact of institutions of SMEs.

Key factors that are considered as constraints in the South African environment government bureaucracy entail B-BBEE standards, restrictive labour laws and rigid tax laws (Botha, Smulders, Combrink & Meiring, 2021). Nieuwenhuizen (2019) identified red tape that is costly

to SMEs, frequent changes in the regulatory environment, the cost of compliance, and the overlap of and conflicting regulatory requirements. These are all contributing factors influencing the failure of SMEs. Furthermore, different registrations required with the CIPC, SARS, and the Department of Labor serve as barriers impeding the startup and growth of SMEs due to their costs and onerous requirements.

**H1:** *There is a negative influence of Regulatory Institutions on SME growth*

## **2.6 Facilitatory Institutions**

As identified in Table 1 there are various Facilitatory Institutions made available to SMEs. There are two prominent types that support SMEs in starting and growing, namely business incubators and finance institutions. Business incubators provide start-ups with support to overcome business challenges such as office space, human resources, skills development, and access to the market (Hewitt and van Rensburg, 2020). The concept began in the 1950s in the United States of America (USA) as part of the Batavia Industrial Centre, it has since been supported by many countries around the world as the best practice in developing businesses especially survivalist businesses (Lose and Khuzwayo, 2021).

Businesses provide a number of services including physical workspaces, administrative support, training and skills development, access to professional skills and finance and access to networks (Hewitt and van Rensburg, 2020). In South Africa, the Department of Small Business Development (DSBD) has created an ecosystem that consists of various agencies namely Small Enterprise Development Agency (SEDA), Small Enterprise Finance Agency (SEFA), Technology Innovation Agency (TIA), National Empowerment Fund (NEF), and the National Youth Development Agency (NYDA) (Msimango-Galawe and Hlatshwayo, 2021).

Incubators are known to improve SME performance and innovation through the services they provide (Haleem, Jehangir & Ullah, 2019). Entrepreneurs also attach great value to business incubation services (Meru and Struwig, 2011). South Africa has both public and private sector incubators that have varying objectives and recruitment criteria. The public sector network is one that has been developed by SEDA and private business incubators in the South African context including Shanduka Black Umbrellas and Red Bull Amaphiko Academy (Klonaridis and de Klerk, 2017). There are operational differences between public and private sector

incubators, particularly in recruitment. Private sector incubators search for profitability, growth potential, a bankable business plan and an emphasis on the temperament of the entrepreneur. In the public sector, incubator programs focus on businesses of any size and recruit entrepreneurs who are sensitive to the empowerment agenda focusing on businesses that benefit previously disadvantaged groups (Rogerson, 2018).

There has been a great deal of focus on the shortcomings of these organisations, particularly a critique that the organisations do not have strong criteria to measure the success of SMEs in their programs (Lose, 2019) and their contribution to the failure of SMEs in the country. There is also a need to do longitudinal research on the effects that incubators have on the success of SMEs. Within the incubation process, a key outcome is growth and one of the services provided is to assist SMEs in finding seed capital for the early stages of business and further investment to grow once a minimum viable product has entered the market (Meru and Struwig, 2011).

There are many elements that contribute to a supportive business environment. In the South African context, research identified access to finance, and failure of government programs to support and stimulate the success of SMEs as a key constraint (Peter et al., 2019). Facilitatory Institutions such as the SEFA and the NEF are mandated by legislation to facilitate the process of accessing funding. Even though there are mandates to provide finance to organisations, it has been proven that it is difficult for businesses to access the required investment and working capital to thrive (Tala, 2021).

In South Africa, the following tools have been identified to determine eligibility for finance these include the financial statement rule, the asset-based rule, credit scoring and relationship lending (Tala, 2021). The asymmetry of the information required by institutions using these rules and the information that is made available by SMEs is one of the key factors that makes it difficult for SMEs to access finance from these institutions. It is therefore a priority for SMEs to have adequate accounting systems to ensure they have sound financial statements and legally register businesses so that credit bureaus can verify credit history (Saah and Musvoto, 2020).

**H2:** *There is a positive influence of the services provided by Facilitatory Institutions on SME growth.*

## **2.7 Promotional Institutions**

It is widely acknowledged that whilst financial support is important for the launch and growth of an entrepreneurial venture, it is not enough. Non-financial support is intended to boost SMEs performance and comes in various ways including training, consulting and advisory services, mentorship, marketing assistance and business linkages (Lwesya, Mwakalobo & Mbukwa, 2021). Other forms of support provided to entrepreneurs include access to networks, advice on internal processes, policy advocacy and market access (Owusu, Cudjoe & Poku, 2017). Promotional institutions market and promote locally, nationally, and internationally and represent small businesses by lobbying business interests of SMEs (Tiwasing and Sawang, 2022).

Chambers of commerce also provide access to institutional networks and access to resources such as business contacts and market information. These organisations also reduce the risk of international expansion and lead to a positive growth toward international entrepreneurship (Costa, Soares & de Sousa, 2017). Furthermore, they provide promotional activities for firms including trade fairs and missions plus access to information (Costa et al, 2017). There are a number of benefits that are passed on to businesses that join a chamber of commerce networks namely internal and external social benefits, confidence benefits, and special treatment benefits (Noel and Lockett, 2014).

Confidence benefits are bestowed to owners who join a chamber to bolster their firm's credibility. Social benefits are passed on to businesses by expanding the network of the firm and strengthening internal relationships within the organisation. However, special treatment benefits are passed on to members of these organisations by giving them access to special programs, events and initiatives that expand their networks, access to markets and business skills. (Noel and Lockett, 2014). These organisations provide social and business network and also assist in knowledge sharing. The chambers of commerce are considered as key enablers of innovation, learning and can help with enhancing a business's resource controls and productivity. This access to the services that chambers of commerce is found to positively contribute to the success and growth of SMEs in developing economies (Tiwasing and Sawang, 2022).

**H3:** *There is a positive influence of services provided by Promotional Institutions on SME growth*

## 2.8 Conceptual framework of hypothesis

There are numerous elements that affect the growth of an SME. The quality of institutions in the entrepreneurial environment has received increasing interest in understanding how they impact the growth of SMEs. In this study, the aim is to understand how various institutions namely Regulatory, Facilitatory and Promotional institutions impact SME growth.

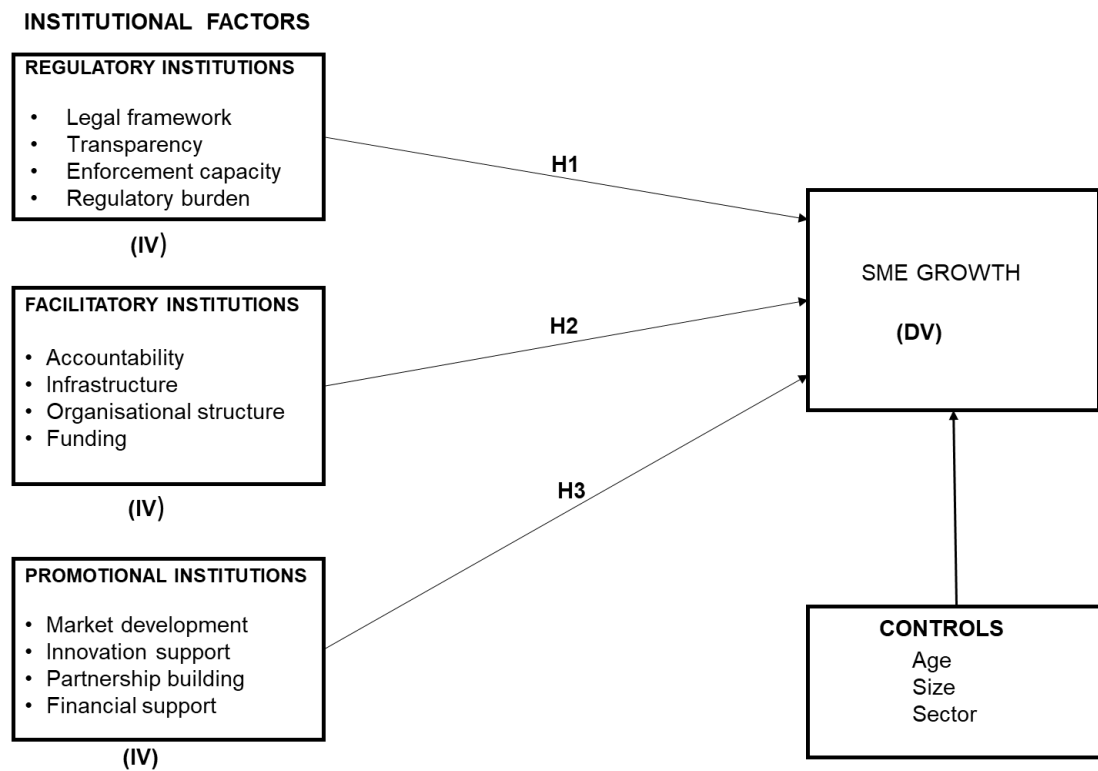


Figure 6: Conceptualisation from literature review (Source: Researchers' Own Construct)

The following hypothesis can be deduced from Figure 6:

**H1:** *There is a negative influence of Regulatory Institutions on SME growth.*

**H2:** *There is a positive influence of the services provided by Facilitatory Institutions on SME growth*

**H3:** *There is a positive influence on services provided by Promotional Institutions on SMEs growth in manufacturing industries.*

There are several factors influencing the entrepreneurial environment in which a business thrives. Research indicates that the institutional environment is critical for the success of small businesses. There are various types of institutions that make an impact on the operations and sustainability of an SMEs.

## **2.9 Chapter Summary**

Institutions (normative or social) have an influence on the creation and sustainability of a business. Social norms and scripts provide people with the motivation to become entrepreneurs, whilst normative rules and laws inform the ease of doing business and sustaining a venture over time. The study sought to understand how certain environmental factors, namely government institutional support, entrepreneurship skills, business skills and non-financial assistance, affect the growth of SMEs. Government institutions are important in creating an environment for businesses to thrive; however, institutional voids can impact the success of businesses creating inefficiencies in the market. In addition to the regulatory environment of an institution, it is vital to consider individual skills required by owners and staff of SMEs.

Entrepreneurial skills inform the vision and strategy creation of a business, while business skills are critical for the day-to-day functioning of the business. Although financial needs are usually top of mind in ensuring a business is functional, non-financial needs also must be addressed. These needs can be met through training, mentorship, access to markets and advisory services. The abovementioned skills and interventions have been proven to have a positive impact on the development of SMEs and economies overall, there have also been some inconclusive views.

## **CHAPTER 3: RESEARCH METHODOLOGY**

This Chapter discusses the research methodology that was employed in addressing the aim and research objectives of this study. Subsection 3.1 outlines the research methodology/paradigm, 3.2 research design, 3.3 population and sampling design, 3.3.1 population, 3.3.2 sample and sampling method, 3.4 the research instrument, 3.5 procedure for data collection, 3.6 data analysis and interpretation, 3.7 validity and reliability of research, 3.7.1 external validity, 3.7.2 internal validity, 3.7.3 reliability, and 3.8 conclusion.

### **3.1 Research methodology**

According to Creswell (2009), researchers typically follow two main methods in conducting research namely quantitative and qualitative methods, or a combination of both. Quantitative research focuses on the collection and analysis of quantifiable data, to test theories by examining the relationships that are identified among the variables, generating numeric data that can be analysed using statistical methods (Creswell, 2009). Quantitative research is defined by Creswell and Poth (2018) as a research strategy that emphasises quantification in the collection and analysis of data, which entails a deductive approach to the relationship between theory and research, for which the accent is placed on the testing of theories. On the other hand, qualitative research focuses on understanding and exploring the meaning ascribed to a social situation or human condition (Asenahabi, 2019). Qualitative research is concerned with rich and detailed description, understanding and insight as opposed to measurement in quantitative research (Leedy and Ormrod, 2015).

This study adopted a quantitative research approach hence a positivism research paradigm was used. Boateng (2014) argued that quantitative research helps in establishing the relationship that exists between facets of a phenomenon by measuring and presenting the empirical results in the form of numbers and statistics. Hence, the use of this approach in this study is to test the impact the entrepreneurial environment has on SME growth in the manufacturing enterprises in Midrand. The quantitative approach assisted in the rigorous analysis of statistical data to achieve the research objectives and hypotheses, thus aiding in the establishment of the entrepreneurial environment and SMEs growth relationship. The quantitative approach could be performed by using either the experimental design such as an experiment or the non-experimental design such as surveys (Creswell, 2009).

This study adopted the survey strategy as a method of gathering primary data from respondents due to its appropriateness for social scientists, that is, gathering data from populations too large for direct observation (Leedy and Ormrod, 2015). The choice of this research strategy becomes necessary since it can be used to suggest likely reasons for a relationship between dependent and independent variables (Green and Salkind, 2018). Accordingly, the survey strategy is adopted to statistically test the impact that the entrepreneurial environment has on SME growth in the manufacturing enterprises using descriptive inferential statistics.

According to Leedy and Ormrod (2015), there are advantages of using the survey research such as the following:

- the researcher is able to gather data from a large number of respondents,
- it is cost-effective,
- it is relatively easy to administer,
- a broad range of data can be collected by using this survey method,
- it can be remotely administered through email, mobile devices, or telephonically and,
- they are relatively free from several types of errors.

Disadvantages of the survey research method are that the reliability of the survey data may be dependent on the factors that the respondents may not give an honest and accurate answer, the respondents may not feel comfortable in providing answers that could be presented in an inauspicious manner and the ability to reach the respondents may be challenging (Green and Salkind, 2018). The other disadvantage of using questionnaires is that the majority of people who receive questionnaires do not complete them. In most instances, most people assume that taking part in a survey takes their time hence they may not be interested. Most people or respondents who take part in the survey are not necessarily representative of the originally selected sample (Leedy and Ormrod, 2010).

An inductive research approach is initiated from a specific observation to broader generalization and theory (Mitchell, 2018). It is sometimes referred to as the bottom-up approach (Dudovskiy, 2018). The assertion by Mitchell (2018) shows that the process begins by looking at a specific observation, measuring, monitoring patterns and regularities, formulating tentative assumptions that can be explored, and finally drawing conclusions and

theories. Mitchell (2018) elaborates that the inductive approach is the direct opposite of the deductive approach. This is because the deductive approach functions from a general perspective to a more specific point and it is sometimes referred to as a top-down approach (Dudovskiy, 2018).

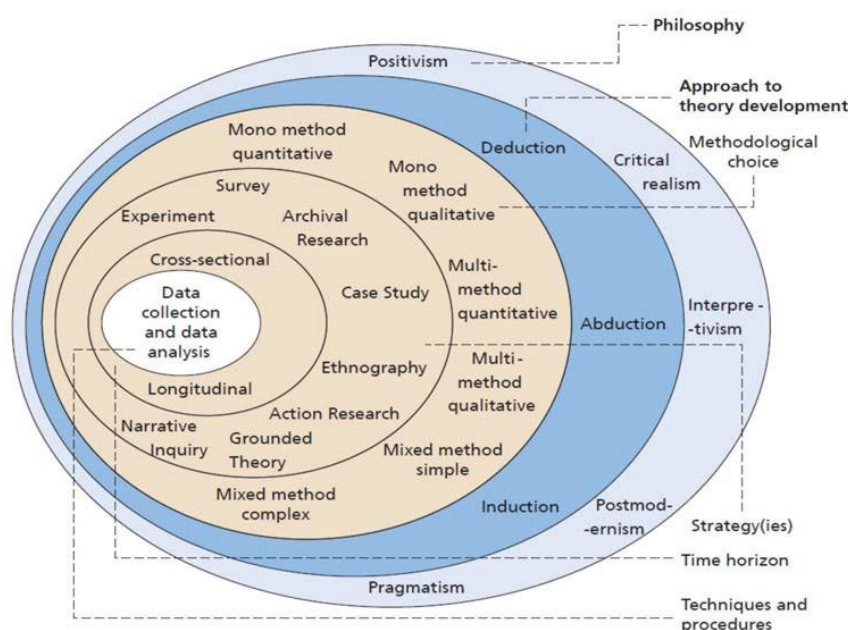


Figure 7: The research onion Source: Saunders et al. (2016:164)

Figure 7 illustrates the research approaches, strategies as well as research techniques.

The outermost layer is the theory that has two (2) major sets: ontology and epistemology. In this instance, positivism can be defined as a research approach that is based on the ontological doctrine that reality is independent of the observer (Leedy and Ormrod, 2015). In the case of this study, ontology is a systematic philosophy, in this case evaluating the entrepreneurial environment and the growth of SMEs in Midrand. Hence, an ontological philosophy was employed in this study (Saunders *et al.*, 2016). Moreover, the axiological perspective of a research paradigm, as intended by this study, is aimed at depicting the level of consistency, reliability or otherwise reconstructing or extending the previously held theories or construction (Remenyi, 2014). Cross-sectional design (also called a social survey design), is closely connected in most people's minds with questionnaires and structured interviews. The more generic-sounding term cross-sectional is preferable (Bryman and Bell, 2011). Therefore, this

study employed the cross-sectional research design to gather data relating to the views from the SMEs industry through the questionnaires.

### **3.2 Population and sample**

According to Remenyi (2014), a population sample is a subset of the population being studied and there are different ways of determining the sample.

#### **3.2.1 Population**

Raosoft online sample size calculator was used to determine the sample size for this study specifically Midrand. Sample size determination or estimation is the act of choosing the number of observations or replicates to include in a statistical sample. The sample size is an important feature of any empirical study in which the goal is to make inferences about a population from a sample. In practice, the sample size used in this research was basically determined based on the cost, time, or convenience of collecting the data, and the need for it to offer sufficient statistical power (Leedy and Ormrod, 2015).

The population consisted of SMEs belonging to the manufacturing industries based in Midrand. These firms (SMEs) are legally registered with the Companies and Intellectual Property Commission (CIPC). Furthermore, being members of the manufacturing circle or small enterprise development agency (SEDA). The population was informed by the fact that these organisations are part of the main institutional bodies regulating the activities of SMEs in South Africa (SEDA, 2022). A total population of 100 respondents from SMEs located in Midrand were sampled and these included respondents from industries such as food and beverages, basic and fabricated metal products, timber and furniture, rubber and plastics, chemical and pharmaceuticals respectively, and glass and related products.

#### **3.2.2 Sample and sampling method**

Sampling involves selecting representative elements of a population based on an empirical analysis and using them to make inferences about the whole population (Leedy and Ormrod, 2015). In research, achieving a representative sample of a population is especially important, as it is typically impossible to obtain responses from the general population being researched. Sampling techniques are grouped into two; probability and non-probability sampling (Thomas, 2021). Non-probability sampling was used to select respondents who formed part of this study

to collect data. The assertion by Leedy and Ormrod (2015) shows that in non-probability sampling, the researcher cannot predict or ensure that each element of the population will be included in the sample. Therefore, purposive sampling as a form of non-probability sampling was used in this study. Random sampling as a method of selecting a sample from a population in such a way that every possible sample has an equal probability of being chosen was not used due to the time allocated to the study. Moreover, random sampling is a complex and time-consuming and the researcher did not have direct access to all SMEs in Midrand area. Nonprobability sampling is a sample selection process in which some members (respondents) of the population have a greater chance of being selected than others. Moreover, some members of the population have little or no chance of being sampled or selected Leedy and Ormrod (2015). Having sampled different SMEs in the manufacturing sector, the researcher could not guarantee that all sampled respondents would answer the questionnaire that was distributed through Qualtrics.

**Table 3:** Sampling frame for SMEs in Midrand

| <b>Type of respondents (SMEs based in Midrand)</b> | <b>Number to be sampled</b> |
|----------------------------------------------------|-----------------------------|
| Food and beverages                                 | 15                          |
| Basic and fabricated metal products                | 15                          |
| Timber and furniture                               | 15                          |
| Rubber and plastics                                | 15                          |
| Electronics                                        | 15                          |
| Glass and related products                         | 10                          |
| Chemical and pharmaceuticals                       | 15                          |
| <b>Total number of respondents</b>                 | <b>100</b>                  |

*Source: Researcher's Own Construct*

The researcher sampled 15 respondents from Food and beverages, Basic and fabricated metal products, timber and furniture, rubber and plastics, chemical and pharmaceuticals respectively, and 10 respondents from Glass and related products. However, the researcher had no way of predicting or ensuring that each element of the population (SME) would participate in the study or form part of the sample. This is because some of the respondents could ignore the survey upon receipt thereby affecting the response rate (Leedy and Ormrod, 2015).

### 3.3 The research instrument

Structured questionnaires were used as research instruments to collect data from the respondents. Furthermore, Leedy and Ormrod (2015) suggest that questionnaires may save the researcher travel expenses by using email which is typically cheaper than lengthy long-distance telephone calls. For the purposes of this study, a questionnaire was administered to obtain the opinions of the respondents on the impact of entrepreneurial environment on the growth of SMEs in Midrand. Since SEDA has a pool of SMEs, they were contacted through email to distribute the survey, along with the manufacturing small businesses.

**Table 4:** Measures used in the study

| Construct                                                                                                      | Literature sources                                                                                                                                                                                              | Dimensions                                                                                                                                           | Comment on Instrument                                                                                                                      |
|----------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------------|
| Institutional Theory (IV)<br><br>Measured on 7-point Likert scale: 1='Strongly disagree' to 7='Strongly agree' | Audretsch, Belitski and Cherkas, 2021.<br>Morched and Boujelbene, 2021.<br>Langevang, Hansen and Rutashobya, 2018.<br>Hewitt and van Rensburg, 2020.<br>Lose and Khuzwayo, Lwesya, Mwakalobo and Mbukwa, 2021). | <ul style="list-style-type: none"> <li>– Regulatory Institution.</li> <li>– Facilitatory Institution.</li> <li>– Promotional Institution.</li> </ul> | The instrument is divided into sections A, B and C. The questionnaire is structured and will provide answers to the postulated hypotheses. |

Nunan, Malhotra and Birks (2020) identified four instruments that can be used in gathering primary data in a research study. These include respondent observation, personal interviews, telephone interviews and self-administered questionnaires. In this research study, the self-administered questionnaires were adopted. As compared to the other research instruments, the questionnaires are cheaper, especially if data is to be collected over a wide geographical location. There is also ease of administering questionnaires since responses are limited to stated alternatives (Leedy and Ormrod, 2015). In addition, the standardized nature of self-administered questionnaires aids in the comparison of different responses of respondents whilst presenting a sense of anonymity (Saunders *et al.*, 2016).

The structured questionnaire, as a research instrument, was developed based on reviewed literature from Chapter 2. These scales were adapted for the study in line with their wide recognition and acceptability in the entrepreneurial environment and business growth as well as the impact on SMEs in Midrand. As a result, the instrument is divided into three sections (Section A, B and C). Section A is aimed at establishing background information of the firm regarding its year of establishment, manufacturing industry sector, form of business, respondents' position, and size of the firm.

Section B was based on the three components of the Institutional Theory aimed at assessing respondents' views on the influence of the three dimensions of the Institutional Theory on the growth of their firm. Each of the three components are treated as variables and the questionnaire was designed using the 7-point Likert-scale. The response options range from "strongly disagree" to "strongly agree". Section C focused on basic demographic data that include age, gender, and highest educational qualification. The questionnaire was hosted on Qualtrics with an email invitation detailing the objectives of the study. In addressing ethical concerns, the researcher provided an online link giving consent to the respondents to accept or decline taking part in the study.

### **3.4 Procedure for data collection**

Primary and secondary sources are two generally accepted sources of data collection. Primary sources contain data generated by the researcher for the specific purpose of addressing a current study (Thomas, 2021). The assertion by Remenyi (2014) shows that "primary" implies data gathered from or acquired by the researcher themselves. Before this activity, primary data would not have been analysed or published. In contrast, Leedy and Ormrod (2015) observe that secondary data means data obtained from one or more people's descriptions or interpretations of primary data related to an unobservable phenomenon. As a result, this study utilised primary data that was collected by the researcher from the respondents (SMEs based in Midrand) with the aid of structured questionnaires. These SMEs included companies dealing in food and beverage; Spa and medical aesthetics, wood products, basic and fabricated metal products, clothing and footwear, rubber and plastics, wearing apparel, chemical and pharmaceuticals. Figure 8 reveals the research process, and sampling technique that was used in this study.

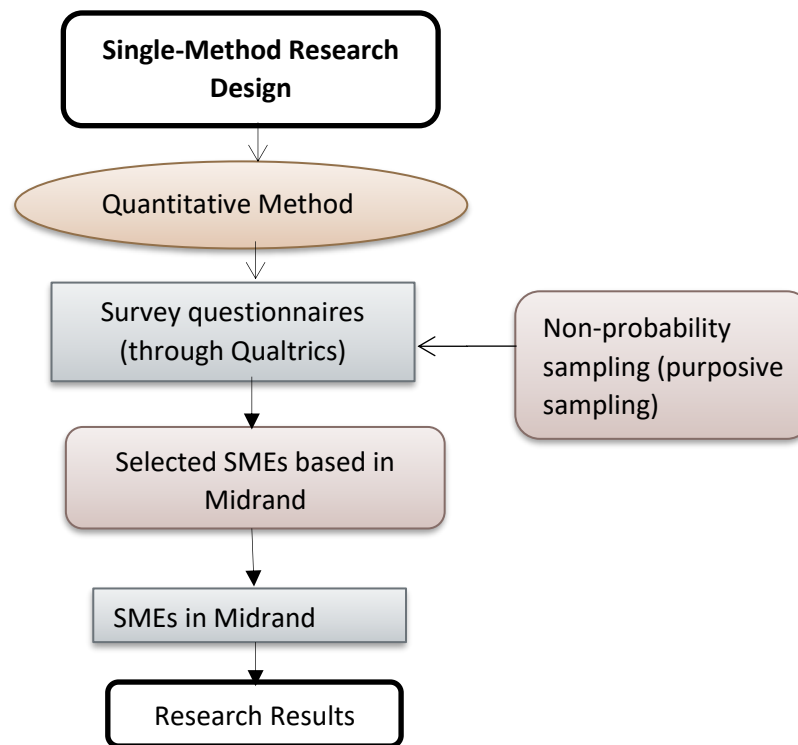


Figure 8: The research process. Source: Researcher's Own Construct

As depicted in Figure 8, a single research technique (quantitative) was utilised. Structured questionnaires as a data collection instrument were hosted on Qualtrics. Selected SMEs included SMEs in Midrand as this enabled the researcher to collect reliable and valid data. In addition, this assisted in linking theory and practice and to draw informed conclusions of the study.

### 3.5 Data analysis and technique

Multiple regression as a data analysis technique was used. It yields an equation in which two or more independent variables are used to predict the dependent variable. However, an independent variable's accuracy in predicting a correlated dependent variable does not necessarily indicate a cause-and-effect relationship (Leedy and Ormrod, 2015).

### 3.6 Validity and reliability

Validity determines whether the researcher is actually studying the phenomenon being investigated. There are numerous forms of validity including face validity, content validity, criterion validity, and construct validity (Remenyi, 2014; Leedy and Ormrod, 2015). Factor

analysis as a statistical tool for measuring validity was utilised to measure the validity of the measurement items. This analysis is very useful when designing new scales and measures rather than existing ones (Pallant, 2005; Leedy and Ormrod, 2015).

Nonetheless, reliability is the consistency with which a measurement instrument achieves a specific, consistent outcome when the subject being studied has not changed (Leedy and Ormrod, 2015). No matter what research methodology is adopted, the researcher must consider the general validity of his/her approach for the purpose thereof. That is, the likelihood that it will yield accurate, meaningful, and credible results that can potentially assist the researcher in addressing the research problem. The researcher's effort would be worth their time and effort to the extent that the researcher is able to draw meaningful and defensive conclusions from the collected data. Two main types of validity include external validity and internal validity (Leedy and Ormrod, 2015). In ensuring validity for this research, collected data was analysed using the SPSS version 26 to arrive at the results and conclusions of the study. This means that the researcher was not able to manipulate or influence the results thereof.

### **3.6.1 External validity**

External validity is the extent to which results obtained apply to situations beyond the study itself. In other words, the extent to which the conclusions drawn can be generalised to other contexts. Even though this study is focused on the impact of the entrepreneurial environment on the growth of SMEs manufacturing enterprises in Midrand, however, the study may be generalised to similar industries in South Africa and other developing countries.

### **3.6.2 Internal validity**

The internal validity of the study is the extent to which the design and data yielded permit the researcher to draw accurate conclusions about cause and effect and other relationships within the data (Leedy and Ormrod, 2015). As a result, inferential statistics was adopted for this study as a quantitative method (research design). In ensuring validity in this study, the relationship between the entrepreneurial environment and SME growth, a statistical tool was adopted for the analysis of data gathered from the field. Collected data was analysed using SPSS version 26. Inferential and descriptive statistics were used to present the respondents' mean, demographics and standard deviation. Factor analysis was used to validate the measurement instruments after which new factors were created for each of the independent variables by

computing the mean of the items within each variable in order to achieve a singular factor for each independent variable. This singular factor was then used in the subsequent statistical analyses.

### **3.6.3 Reliability**

Reliability test evaluates the precision and accuracy of estimation scales (Cooper and Schindler, 2014). It refers to matters of consistency and how these are measured (Bryman and Bell, 2011). Hence to ensure reliability in this study, the various constructs postulated in the conceptual framework were examined for normality and reliability using Cronbach's Alpha. Furthermore, to test the hypotheses on the relationship between the entrepreneurial environment and SME growth, a multiple regression model was estimated using SME growth as the dependent variable and the various dimensions of Institutional Theory as the independent variable.

### **3.7 Ethical considerations**

Ethical considerations are important in research as the researcher ought to consider how people involved in the research are being treated (Leavy, 2017; Khan, Hussien & Alam, 2021). The study ensured that there was no harm to respondents, as the recorded responses were anonymous. The respondents were given the option to provide their email address to share an infographic of the results. Other than emails from interested respondents, no personally identifiable information was requested. The respondents were given ample information through the consent form, and this was achieved through a survey invitation email (see Appendix C) sent to respondents providing details of the research objectives, confidentiality of responses, and voluntary participation, as well as the researchers' contact details. The questionnaire information page (see Appendix B) provides details of the respondents' right to participate or not to participate and information on the implications of submitting the survey.

The researcher considered ethical considerations since this study involved humans as per the University's ethical guidelines. Leedy and Ormrod (2015) advise that whenever human beings or other creatures with the potential to think, feel, and experience physical or psychological distress are the focus of the investigation, researchers must carefully examine the ethical implications of what we are proposing to do. In adhering to the ethical matters, the researcher did the following:

- **Protection from harm** – the researcher provided the respondents with a participation information sheet that was attached to the online questionnaire stating that the identity or personal details of the respondent would not be disclosed during or after the completion of this study (Leedy and Ormrod, 2015).
- **Informed consent** - the researcher provided respondents with an online consent form which provided an option for respondents to click (accept or not accept) before they participated in the study. The consent form indicated that the respondents have a right to participate or not to participate in this study. The respondents had a right to withdraw at any stage of this study. Stringer (2014) suggests that a researcher should provide written information about the aims, purposes and processes of the study. In addition to that, a researcher has to gain written acknowledgement of the respondents' willingness to participate in the study.
- **Right to privacy** – the researcher informed the respondents in writing that their personal details would not be disclosed. Pseudonyms were used in the research report to protect the identity of the respondents (Leedy and Ormrod, 2015).
- **Honesty with professional colleagues** – the researcher reported the results of this study in a complete and honest fashion, without misrepresenting or intentionally misleading the readers of this study (Leedy and Ormrod, 2015).
- **Permission to conduct research** – the researcher requested permission to conduct research from the SMEs in Midrand. Permission letters were sent out to the SMEs requesting written permission to conduct the study hence confirmation was received to proceed with the study. The researcher complied with the Wits Business School ethical requirements by applying for ethical clearance thereof from the Wits Business School ethics committee. The ethics certificate has been attached as per Appendix D.

## CHAPTER 4: PRESENTATION OF RESULTS

### 4.1 Introduction

This chapter comprises the analysis, presentation and interpretation of the findings resulting from this study. Subsection 4.1 provides data screening and quality, 4.2 demographic information of the respondents, 4.3 Validity test, 4.4 reliability analysis, 4.5 descriptive and correlation, 4.6 regression analysis results, 4.6.1 assumptions of regression, and 4.7 Hypothesis Testing. The results of this study are based on the data gathered from 125 respondents who completed the survey through Qualtrics.

### 4.2 Data Screening and Quality

**Table 5:** Shows the missing data analysis of all rating questions.

| Univariate Statistics                                              |     |      |                |         |         |                              |      |
|--------------------------------------------------------------------|-----|------|----------------|---------|---------|------------------------------|------|
|                                                                    | N   | Mean | Std. Deviation | Missing |         | No. of Extremes <sup>a</sup> |      |
|                                                                    |     |      |                | Count   | Percent | Low                          | High |
| Q8_1                                                               | 125 | 3.95 | 2.011          | 0       | .0      | 0                            | 0    |
| Q8_2                                                               | 125 | 4.39 | 1.875          | 0       | .0      | 0                            | 0    |
| Q8_3                                                               | 121 | 4.85 | 1.696          | 4       | 3.2     | 6                            | 0    |
| Q8_4                                                               | 119 | 4.33 | 1.790          | 6       | 4.8     | 0                            | 0    |
| Q9_1                                                               | 124 | 5.06 | 1.630          | 1       | .8      | 5                            | 0    |
| Q9_2                                                               | 123 | 5.07 | 1.551          | 2       | 1.6     | 2                            | 0    |
| Q9_3                                                               | 122 | 4.06 | 1.829          | 3       | 2.4     | 0                            | 0    |
| Q9_4                                                               | 122 | 5.12 | 1.535          | 3       | 2.4     | 1                            | 0    |
| Q9_5                                                               | 98  | 5.58 | 1.362          | 27      | 21.6    | 7                            | 0    |
| Q10_1                                                              | 124 | 5.27 | 1.548          | 1       | .8      | 4                            | 0    |
| Q10_2                                                              | 122 | 5.55 | 1.361          | 3       | 2.4     | 13                           | 0    |
| Q10_3                                                              | 123 | 5.50 | 1.501          | 2       | 1.6     | 8                            | 0    |
| Q10_4                                                              | 122 | 5.41 | 1.359          | 3       | 2.4     | 10                           | 0    |
| Q10_5                                                              | 122 | 5.42 | 1.419          | 3       | 2.4     | 14                           | 0    |
| Q10_6                                                              | 121 | 5.25 | 1.416          | 4       | 3.2     | 1                            | 0    |
| Q11_1                                                              | 125 | 5.07 | 2.222          | 0       | .0      | 0                            | 0    |
| Q11_2                                                              | 125 | 4.78 | 2.131          | 0       | .0      | 0                            | 0    |
| Q11_3                                                              | 125 | 4.87 | 2.578          | 0       | .0      | 0                            | 0    |
| Q11_4                                                              | 124 | 4.64 | 2.366          | 1       | .8      | 0                            | 0    |
| Q11_5                                                              | 125 | 5.68 | 2.491          | 0       | .0      | 0                            | 0    |
| a. Number of cases outside the range (Q1 - 1.5*IQR, Q3 + 1.5*IQR). |     |      |                |         |         |                              |      |

Little's MCAR test: Chi-Square = 197.869, DF = 162, Sig. = .029

Missing value analysis excluding Q9.5.

**Table 6:** Missing data analysis excluding Q9.5

| Univariate Statistics                                                                                                                 |     |      |                   |         |         |                              |      |
|---------------------------------------------------------------------------------------------------------------------------------------|-----|------|-------------------|---------|---------|------------------------------|------|
|                                                                                                                                       | N   | Mean | Std.<br>Deviation | Missing |         | No. of Extremes <sup>a</sup> |      |
|                                                                                                                                       |     |      |                   | Count   | Percent | Low                          | High |
| Q8_1                                                                                                                                  | 125 | 3.95 | 2.011             | 0       | .0      | 0                            | 0    |
| Q8_2                                                                                                                                  | 125 | 4.39 | 1.875             | 0       | .0      | 0                            | 0    |
| Q8_3                                                                                                                                  | 121 | 4.85 | 1.696             | 4       | 3.2     | 6                            | 0    |
| Q8_4                                                                                                                                  | 119 | 4.33 | 1.790             | 6       | 4.8     | 0                            | 0    |
| Q9_1                                                                                                                                  | 124 | 5.06 | 1.630             | 1       | .8      | 5                            | 0    |
| Q9_2                                                                                                                                  | 123 | 5.07 | 1.551             | 2       | 1.6     | 2                            | 0    |
| Q9_3                                                                                                                                  | 122 | 4.06 | 1.829             | 3       | 2.4     | 0                            | 0    |
| Q9_4                                                                                                                                  | 122 | 5.12 | 1.535             | 3       | 2.4     | 1                            | 0    |
| Q10_1                                                                                                                                 | 124 | 5.27 | 1.548             | 1       | .8      | 4                            | 0    |
| Q10_2                                                                                                                                 | 122 | 5.55 | 1.361             | 3       | 2.4     | 13                           | 0    |
| Q10_3                                                                                                                                 | 123 | 5.50 | 1.501             | 2       | 1.6     | 8                            | 0    |
| Q10_4                                                                                                                                 | 122 | 5.41 | 1.359             | 3       | 2.4     | 10                           | 0    |
| Q10_5                                                                                                                                 | 122 | 5.42 | 1.419             | 3       | 2.4     | 14                           | 0    |
| Q10_6                                                                                                                                 | 121 | 5.25 | 1.416             | 4       | 3.2     | 1                            | 0    |
| Q11_1                                                                                                                                 | 125 | 5.07 | 2.222             | 0       | .0      | 0                            | 0    |
| Q11_2                                                                                                                                 | 125 | 4.78 | 2.131             | 0       | .0      | 0                            | 0    |
| Q11_3                                                                                                                                 | 125 | 4.87 | 2.578             | 0       | .0      | 0                            | 0    |
| Q11_4                                                                                                                                 | 124 | 4.64 | 2.366             | 1       | .8      | 0                            | 0    |
| Q11_5                                                                                                                                 | 125 | 5.68 | 2.491             | 0       | .0      | 0                            | 0    |
| a. Number of cases outside the range (Q1 - 1.5*IQR, Q3 + 1.5*IQR).<br>Little's MCAR test: Chi-Square = 131.777, DF = 139, Sig. = .656 |     |      |                   |         |         |                              |      |

The Little's MCAR test: Chi-Square = 131.777, DF = 139, Sig. = .656 indicates that the missing cases were appearing at random since the p-value was greater than 0.05. This implies that the missing values could be imputed. Multiple data imputation was conducted to replace the missing values (Leedy and Ormrod, 2015).

### 4.3 Demographic Information

From the sample size studied, the role dominating in the business is owner (owner=40%). Implying that most of the respondents in the survey are business owners, followed by managers

(26,40%) and non-managers (25,60%). The minority of the respondents are both owners and managers.

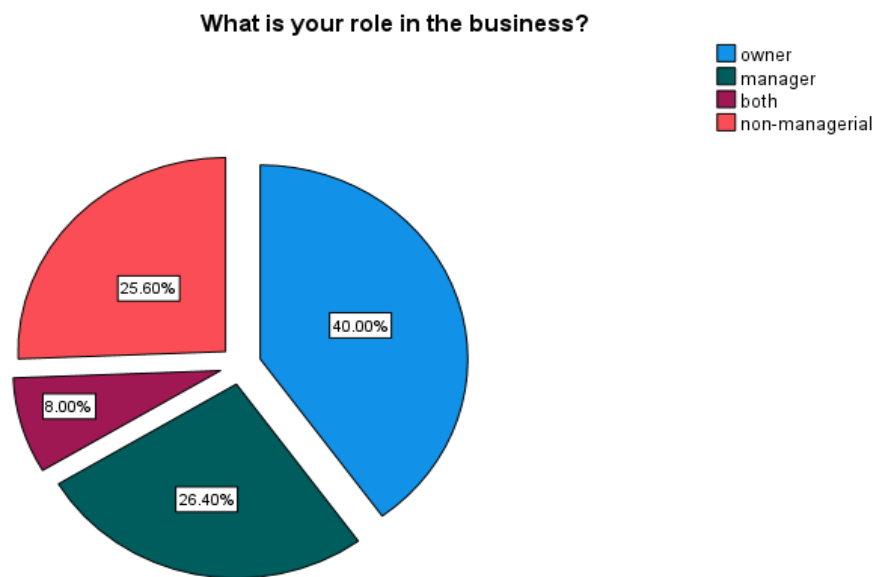


Figure 9: Disaggregation by role in business

From the 125 respondents of the study, 56.80% respondents are male and 39.20% are females. The remaining 4% of the respondents indicated that they were non-binary.

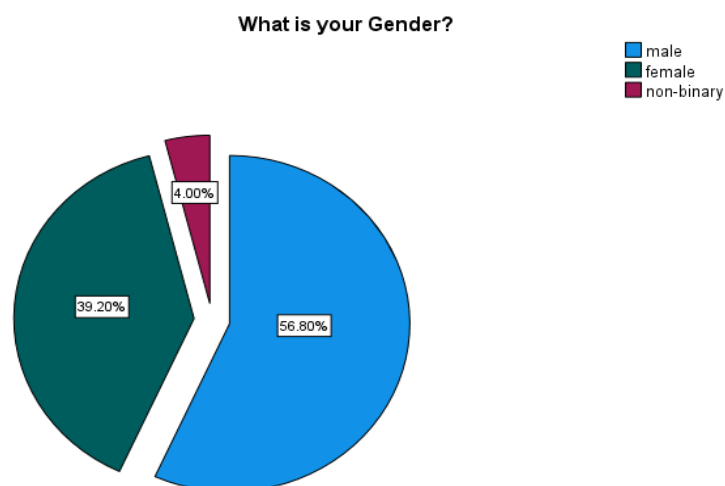


Figure 10: Demographic profile of respondents

Majority of the respondents were between the ages of 35-44 accounting for 37.60% of the total, followed by respondents aged between 25-34 (25.60%) and 45-54 (24.80). Only 0.80% of respondents over 65 participated in the study.

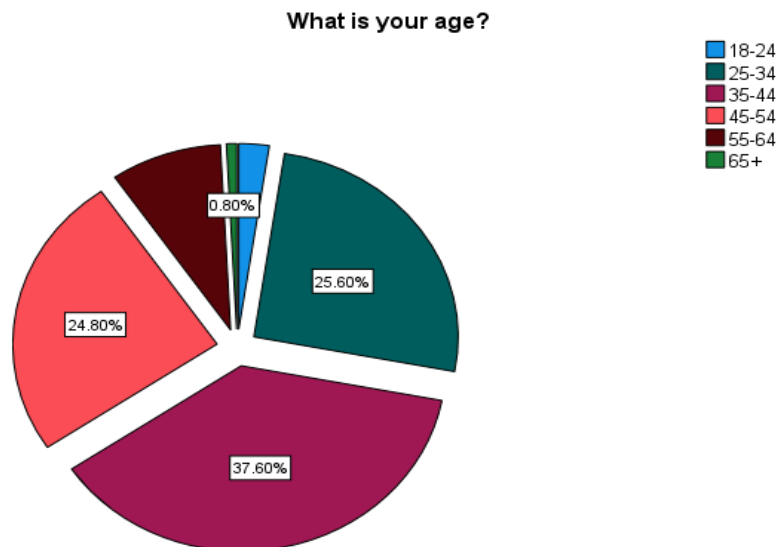


Figure 11: Disaggregation by age

Looking at the educational level of the respondents, approximately 40% have degrees, 16% of a master's degree and 11% have certificates. Only a few respondents with 3.2 % have PHDs and secondary school without matric respectively.

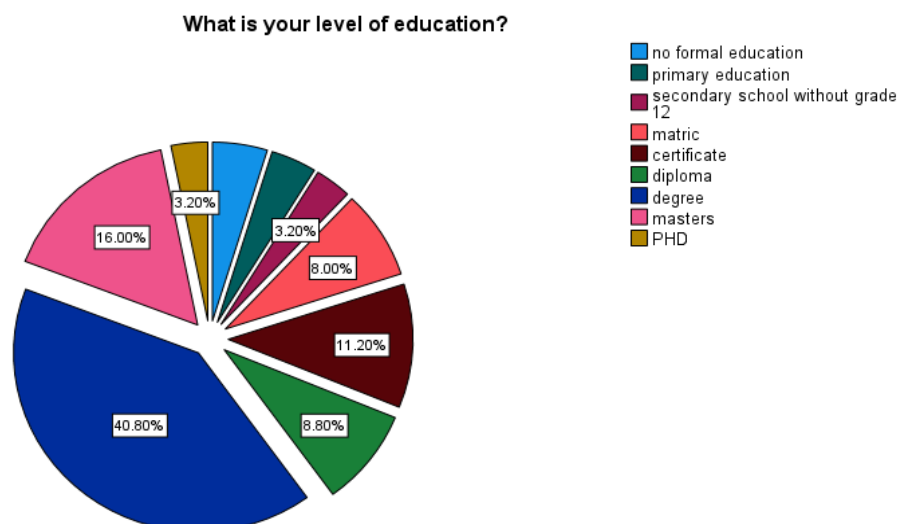


Figure 12: Disaggregation by Level of education

#### 4.4 Validity Test

Tables 7 and 8 shows the results of the validity test. KMO and Bartlett's test is conducted to examine the strength of the partial correlation between the variables.

**Table 7:** Sample Adequacy

| <b>Table 7: KMO and Bartlett's Test</b>          |                    |         |
|--------------------------------------------------|--------------------|---------|
| Kaiser-Meyer-Olkin Measure of Sampling Adequacy. |                    | 0.756   |
| Bartlett's Test of Sphericity                    | Approx. Chi-Square | 443.617 |
|                                                  | Df                 | 36      |
|                                                  | Sig.               | <0,001  |

Generally, a KMO value above 0.5 is considered acceptable, suggesting that the sample is moderately suitable for factor analysis. The chi-square value associated with Bartlett's Test is 443.617. The degrees of freedom (df) for the test are reported as 36. The significance level is indicated as <0,001, which means the p-value is less than 0.001 (Creswell, 2017). A significance level of <0,001 suggests there is evidence indicating the correlation matrix is not an identity matrix and is therefore suitable for factor analysis. Overall, the results of the KMO measure and Bartlett's Test indicate that the sample may have some limitations in terms of its adequacy for factor analysis, but the significant result of Bartlett's Test suggests that there is a relationship between variables and supports the use of factor analysis (Remenyi, 2014).

#### Total Variance Explained

Table 8 shows the total variance explained where the goal is to extract factors that explain the underlying variance in a set of observed variables.

**Table 8:** Total Variance Explained

| Factor | Initial Eigenvalues |               |              | Extraction Sums of Squared Loadings |               |              | Rotation Sums of Squared Loadings <sup>a</sup> |
|--------|---------------------|---------------|--------------|-------------------------------------|---------------|--------------|------------------------------------------------|
|        | Total               | % Of Variance | Cumulative % | Total                               | % Of Variance | Cumulative % | Total                                          |
| 1      | 3.088               | 34.312        | 34.312       | 2.702                               | 30.026        | 30.026       | 2.566                                          |
| 2      | 2.434               | 27.049        | 61.361       | 1.952                               | 21.685        | 51.711       | 2.180                                          |

|                                                                                                      |      |       |         |  |  |  |  |
|------------------------------------------------------------------------------------------------------|------|-------|---------|--|--|--|--|
| 3                                                                                                    | .885 | 9.829 | 71.191  |  |  |  |  |
| 4                                                                                                    | .671 | 7.458 | 78.649  |  |  |  |  |
| 5                                                                                                    | .537 | 5.965 | 84.614  |  |  |  |  |
| 6                                                                                                    | .474 | 5.272 | 89.885  |  |  |  |  |
| 7                                                                                                    | .418 | 4.641 | 94.526  |  |  |  |  |
| 8                                                                                                    | .337 | 3.742 | 98.268  |  |  |  |  |
| 9                                                                                                    | .156 | 1.732 | 100.000 |  |  |  |  |
| Extraction Method: Principal Axis Factoring.                                                         |      |       |         |  |  |  |  |
| a. When factors are correlated, sums of squared loadings cannot be added to obtain a total variance. |      |       |         |  |  |  |  |

## Scree Plot

A scree plot is a graph of eigenvalues or singular values that demonstrates the portion of total variance represented by the principal components. It is used in principal component analysis (PCA) to determine the number of principal components to retain (Remenyi, 2014). A scree plot is a type of screen plot that shows the eigenvalues for each individual principal component on the y-axis and the number of factors on the x-axis. The plot of a screenplay is the sequence of events that acts as the backbone of the story (Leedy and Ormrod, 2015).

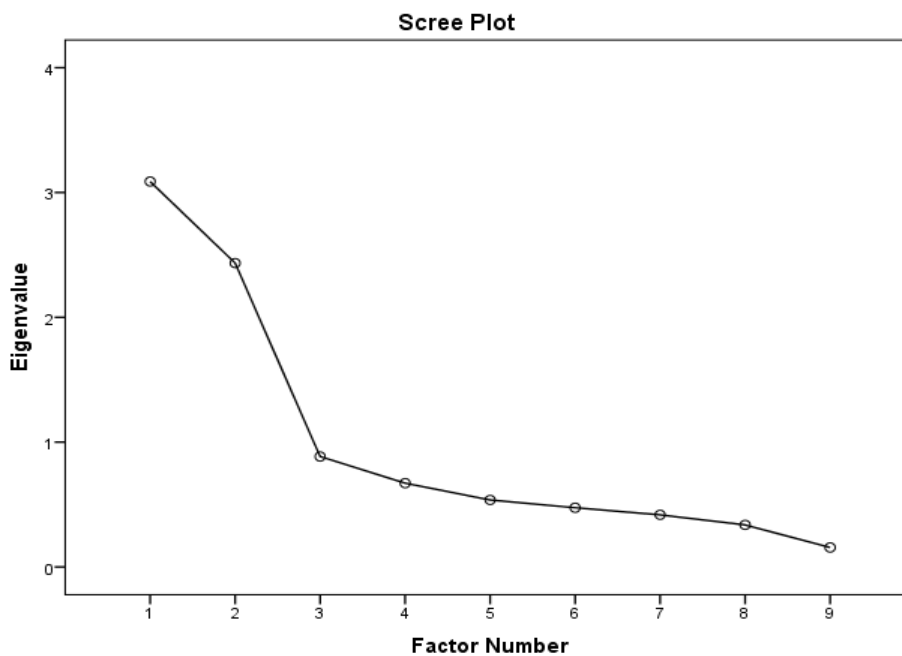


Figure 13: Scree Plot

According to the graph above, there are two factors retained in the scree plot. Factors to the left (before the 2<sup>nd</sup> -factor number) of this point are considered meaningful or significant, while those to the right (after the 2<sup>nd</sup>-factor number) are considered less important (Leedy and Ormrod, 2015).

**Table 9:** Pattern Matrix

| Construct               | Pattern Matrix <sup>a</sup>                                                                                                                  |        |      |
|-------------------------|----------------------------------------------------------------------------------------------------------------------------------------------|--------|------|
|                         | Item/ Statement                                                                                                                              | Factor |      |
|                         |                                                                                                                                              | 1      | 2    |
| Business Growth         | Q11._3 Business growth - Our company has witnessed an increase in the number of employees within the past three years                        | .931   |      |
|                         | Q11._2 Business growth - We have achieved our sales objective within the past three years                                                    | .801   |      |
|                         | Q11._4 Business growth - We have room for more full-time workers in the coming months in the company                                         | .788   |      |
|                         | Q11._1 Business growth - Our company has experienced a steady increase in sales within the last three years                                  | .600   |      |
| Promotional Institution | Q10_4 Promotional Institution - Technical assistance and technology development remains a challenge.                                         |        | .795 |
|                         | Q10_5 Promotional Institution - Financial support such as tax reduction and subsidies from the central and local government are not provided |        | .690 |
|                         | Q10_3 Promotional Institution - Lack of Foreign Direct Investment (FDIs).                                                                    |        | .668 |
|                         | Q10_6 Promotional Institution - Lack of Strategic partnerships with stakeholders.                                                            |        | .593 |
|                         | Q10_2 Promotional Institution - Lack of Government intervention and subsidies to business.                                                   |        | .449 |
|                         | Extraction Method: Principal Axis Factoring.<br>Rotation Method: Promax with Kaiser Normalization.                                           |        |      |
|                         | a. Rotation converged in 3 iterations.                                                                                                       |        |      |

There were valid constructs for Business Growth and Promotional Institutions but there were no valid constructs for Regulatory Institutions and Facilitatory Institutions.

The Promotional Institution statements were all negatively worded, implying that agreement with the statements indicates a lack of support while the business growth statements were positively worded implying that agreeing with a statement means that there was business growth.

#### 4.5 Reliability analysis

Cronbach's Alpha values were computed to assess the reliability of scale of the valid constructs from EFA (Bryman and Bell, 2011).

**Table 10:** Reliability

| Construct               | No of Items | Cronbach's Alpha | Reliability level |
|-------------------------|-------------|------------------|-------------------|
| Business Growth         | 4           | .858             | Good              |
| Promotional Institution | 5           | .773             | Acceptable        |

Both constructs had acceptable reliability as all Cronbach's Alpha values were greater than 0.7 (Cooper and Schindler, 2014).

#### 4.6 Descriptive and correlation

Table 6 shows the descriptive statistics and correlation analysis which presents the descriptive measures and Pearson correlation coefficients between SME Growth, and services provided by Promotional Institutions (Scott, 2014).

**Table 11:** Correlation and descriptive statistics

|                            | Descriptive Statistics |                |          |          | Pearson's Correlation |         |       |         |
|----------------------------|------------------------|----------------|----------|----------|-----------------------|---------|-------|---------|
|                            | Mean                   | Std. Deviation | Skewness | Kurtosis | 1.                    |         | 2.    |         |
|                            |                        |                |          |          | R                     | p-value | r     | p-value |
| 1. Promotional Institution | 5.39                   | 1.02           | -.964    | .742     | 1                     | -       | -.119 | 0.186   |
| 2. Business Growth         | 4.83                   | 1.95           | -.129    | -1.202   | -.119                 | 0.186   | 1     | -       |

There was a weak and negative correlation coefficient between services provided by Promotional Institutions variable and Business Growth ( $r = -0.119$ ,  $p\text{-value} = 0.186$ ).

#### 4.7 Regression analysis results

Tables 7 and 8 shows a regression model, which is used to assess the significance of the regression coefficients and the overall fit of the model.

**Table 12: ANOVA**

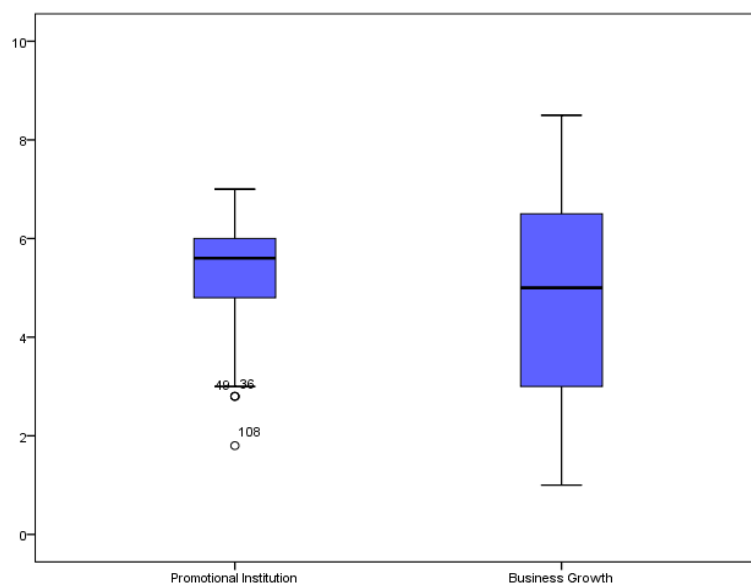
| Model                                              |            | Sum of Squares | Df  | Mean Square | F     | Sig.              |
|----------------------------------------------------|------------|----------------|-----|-------------|-------|-------------------|
| 1                                                  | Regression | 6.728          | 1   | 6.728       | 1.772 | .186 <sup>b</sup> |
|                                                    | Residual   | 467.015        | 123 | 3.797       |       |                   |
|                                                    | Total      | 473.743        | 124 |             |       |                   |
| a. Dependent Variable: Business Growth             |            |                |     |             |       |                   |
| b. Predictors: (Constant), Promotional Institution |            |                |     |             |       |                   |

**Table 13: Model Summary**

| Model                                              | R                 | R Square | Adjusted R Square | Std. Error of the Estimate | Durbin-Watson |
|----------------------------------------------------|-------------------|----------|-------------------|----------------------------|---------------|
| 1                                                  | .119 <sup>a</sup> | .014     | .006              | 1.94856                    | 2.059         |
| a. Predictors: (Constant), Promotional Institution |                   |          |                   |                            |               |
| b. Dependent Variable: Business Growth             |                   |          |                   |                            |               |

## 4.7.1 Regression Assumptions

### 4.7.1.1 Test for no outliers

*Figure 14: Test for no outliers*

No extreme outliers dictated as there are no values with asterisks outside the whiskers of the box plots.

## I. Linearity

The correlation between Promotional Institutions and Business Growth ( $r = -0.119$ ,  $p\text{-value} = 0.186$ ) was none -zero, indicating that there was a linear relationship, although the relationship was not significant ( $p\text{-value} > 0.05$ ). This indicates that there was linearity (Saunders et al., 2016).

This graph does not show linearity by normality.

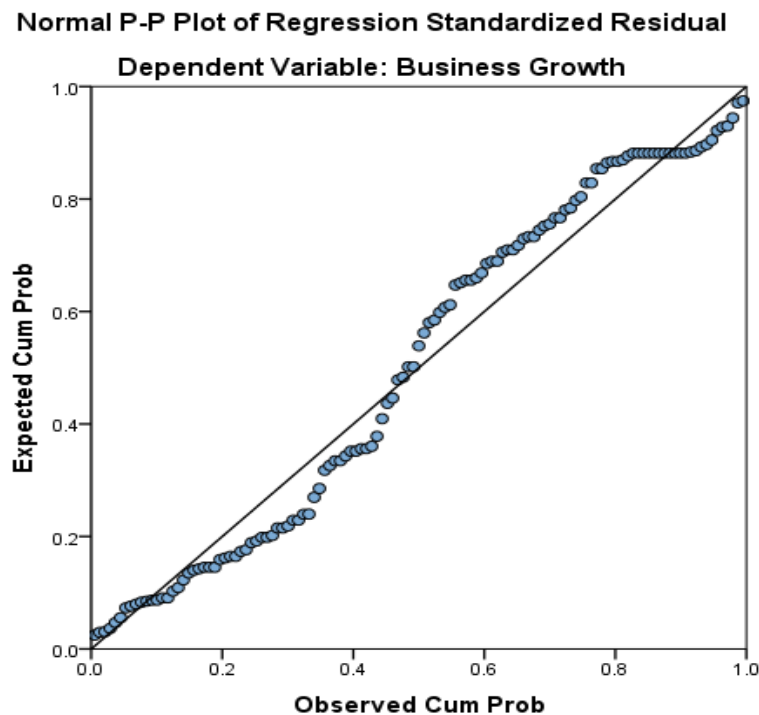


Figure 15: Linearity

In the graph above, the points appear to form a roughly linear pattern, this suggests a linear relationship between the variables. This supports the assumption of linearity (Leedy and Ormrod, 2015).

## I. Homoscedasticity

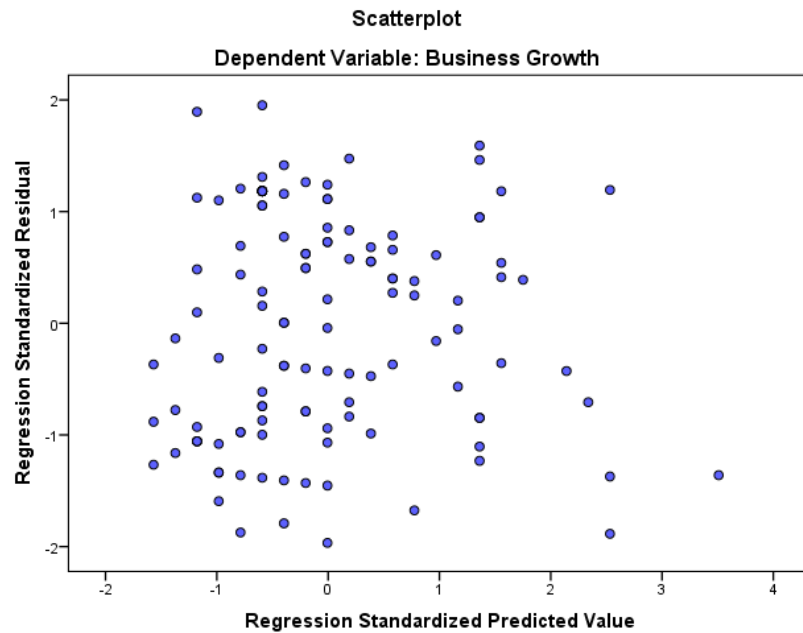


*Figure 16: Homoscedasticity*

The graph above shows a random dispersion of points, which implies that the variability of the residuals is relatively constant across different levels of the predicted values. This means that the assumption of homoscedasticity is met (Creswell, 2017).

## II. Normality

The two constructs can be considered to be normally distributed since the kurtosis values were within acceptable ranges between -7 and +7, and the skewness was also within the acceptable range between -2 and +2 (Leedy and Ormrod, 2015).

## 4.8 Hypothesis testing

**Table 14:** Coefficients

| Model                                  |                         | Unstandardized Coefficients |            | Standardized Coefficients | T      | Sig. |
|----------------------------------------|-------------------------|-----------------------------|------------|---------------------------|--------|------|
|                                        |                         | B                           | Std. Error | Beta                      |        |      |
| 1                                      | (Constant)              | 6.061                       | .938       |                           | 6.462  | .000 |
|                                        | Promotional Institution | -.227                       | .171       | -.119                     | -1.331 | .186 |
| a. Dependent Variable: Business Growth |                         |                             |            |                           |        |      |

H<sub>1</sub>: There is a positive influence of the services provided by Promotional Institutions on SME growth.

H<sub>2</sub>: There is an influence on Regulatory Institutions and SMEs growth in manufacturing industries.

H<sub>3</sub>: There is an influence on Faciliatory Institution and SMEs growth in manufacturing industries.

The results showed that although the hypothesis indicates that there is a positive influence of the services provided by Promotional Institutions ( $\beta = -0.119$ , t-value = -1.331, p-value = 0.186) on SME growth was supported, it was not significant. The hypothesis was supported because the coefficient of Promotional Institutions ( $\beta = -0.119$ ) was negative and the statements of Promotional Institution were negatively worded. The outcome was not significant since the p-value (0.186) was greater than 0.05 (Boateng, 2014). This implies that the null hypothesis could not be rejected, meaning that there was no sufficient evidence at 5% significance level to suggest that there is a positive influence of the services provided by Promotional Institutions on SME growth.

The other 2 hypotheses were not tested as there were no valid constructs for Regulatory Institution, and Facilitatory Institutions.

#### **4.9 Summary of Results**

This chapter presented the analysis, presentation and interpretation of the findings resulting from this study. Overall, the results of the KMO measure and Bartlett's Test established that the sample may have some limitations in terms of its adequacy for factor analysis, but the significant result of Bartlett's Test suggested that there is a relationship between variables thereby supporting the use of factor analysis. The Cronbach's Alpha coefficient indicated a moderate level of internal consistency reliability hence indicating that there is some level of consistency amongst the items. Regarding Regulatory Institutions and SME growth, the study established that there is evidence to support the hypothesis that there is a positive influence between efficient Regulatory Institutions and SME growth. Furthermore, the results showed that the independent variable (Promotional Institutions) significantly influence the dependent variable (SME growth). Moreover, the results indicated that there is no sufficient evidence to support the hypothesis that there is a positive influence between the services provided by Facilitatory Institutions and SME growth. The study identified gaps between theory and practice as shown in chapter 2.

## **CHAPTER 5: DISCUSSION OF THE RESULTS**

This chapter discusses and explains the results of the study and links them with reviewed literature from Chapter 2 to provide a detailed analysis.

### **5.1 Introduction**

Subsection 5.1 introduction, 5.2 provides a demographic profile of the respondents, 5.3 provides a discussion pertaining to Hypothesis 1, 5.4 discussion pertaining to Hypothesis 2, 5.5 discussion pertaining to Hypothesis 3, and 5.6 provides a conclusion. The research problem for this study indicated that South Africa is facing a huge developmental problem relating to the high failure rate amongst SMEs. Reviewed literature establishes that some of the causes of the failure of SMEs include but are not limited to the following: insufficient management skills, lack of expertise in functional areas such as marketing and human resources, lack of financial knowledge, lack of business competencies resulting in an inefficient business thereby impacting competitiveness. Moreover, other challenges entail a lack of managerial skills, lack of finance and support for the development of SMEs and skills development. The study intended to address the following research questions:

- What impact have Regulatory Institutions' functions had on the growth of SMEs in manufacturing enterprises?
- To what extent do services provided by the Facilitatory Institutions influence the growth of SMEs in manufacturing enterprises?
- What effect do the services provided by Promotional Institutions have on the growth of SMEs in manufacturing enterprises?

### **5.2 Demographic profile of respondents**

The demographic data suggests that from the sample size studied, a high number of business owners participated in the study followed by managers and the least were non-managers. This shows that the sampling frame and targeted area (Midrand) was relevant for the purposes of this study. The demographic data shows that a high number of the respondents are male, followed by females, with a very smaller percentage being non-binary. The fact that most respondents are male could be attributed to the demographic nature of the SMEs business in Midrand. Furthermore, the study included all types of genders namely males, females and non-

binary and therefore was not discriminatory to any specific group of respondents. However, the difference is that there are a few non-binary respondents involved in the SMEs business compared to other genders.

Looking at the education level of the respondents, the data suggest that a high number of respondents have a master's degree with a lower number having certificates. However, a few respondents have PhDs, and this could be attributed to the challenging nature and difficulties of attaining PhDs at University level as well as having a few academics registering at that level. On the other hand, few respondents have secondary school without matric and this could be attributed to the fact that there are no restrictions in venturing into SMEs business in terms of qualifications.

This is consistent with the argument by Beins (2009) that without the inclusion of demographic information in a study, researchers' risk assuming the stance of absolutism, which assumes that the phenomena of interest are the same regardless of culture, and race (Hammer, 2011). Provision of comprehensive information about participant characteristics allows researchers to move toward to a position of universalism which distinguishes that there could be universal psychological processes that manifests differently depending on the culture, race and ethnicity of the respondents (Beins, 2009).

Furthermore, demographic information in a study applies to the study of biological factors as well. In other words, researchers cannot assume that no differences exist amongst groups until this underlying hypothesis has been proven (American Psychological Association, 2010). In addition, a detailed description of participants allows readers and researchers to determine to whom research findings generalise and permits comparisons to be made across replications of studies (Beins, 2009). It also provides information needed for research syntheses and secondary data analyses. As a result of these analyses, gaps in existing bodies of research can be identified as well as universals and variations that occur within and between populations (Ray, 2020).

### **5.3 Discussion pertaining to Hypothesis 1: Regulatory Institution on SME growth**

Regarding Hypothesis 1, the results of the study indicated that there is no evidence to support the hypothesis that there is a positive influence in the functions of regulatory institution on the growth of SMEs in the manufacturing enterprises in Midrand. This is consistent with the argument by Audretsch et al. (2021) that the regulatory pillar of Institutional Theory could facilitate or hinder entrepreneurial activities by informing the level of risks involved in starting a business. Morched and Boujelbene (2021) also argued that the institutional environment of a nation consists of both formal and informal elements that are differentiated by what is codified compared to things that are common practice. Therefore, Regulatory Institutions not only influence the level of entrepreneurship but also the quality and outcomes of businesses including their productivity.

Although Chowdhury et al. (2019) argued that formal institutions develop and enforce a regulatory policy which includes, but is not limited to tax policy, licensing, permits and the enforcement of contracts, however, the results of the study did not indicate how this enhances SME growth. Bakhtiari et al. (2020) argued that Regulatory Institutions develop and enforce policies and regulations guiding this environment. In most countries, there are clear policy objectives focusing on the creation of an environment that increases the performance and employment creation of SMEs, nonetheless, this is not the case in South Africa. Langevang et al. (2018) maintained that there many forms of regulations such as market regulation, fiscal regulation, and laws regarding bankruptcy. Moreover, property rights are also considered an essential element of Regulatory Institutions, however, the results of the study did not indicate any link on how this aspect could promote SME growth.

The regulatory pillar is represented by a combination of regulation and direct government interventions relating to the supply side of entrepreneurship and increased productive entrepreneurship in developing countries (Langevang, et al., 2018). As argued by Silimela (2022) weak institutional foundations in developing countries coupled with their greater need for entrepreneurship make it important to study and understand the impact of institutions of SMEs. Reviewed literature identified key factors regarded as regulatory constraints impacting SMEs growth in the South African environment and these include government bureaucracy, B-BBEE standards, restrictive labour laws and rigid tax laws (Botha et al., 2021). Furthermore, Nieuwenhuizen (2019) identified red tape that is costly to SMEs, the frequent changes in the

regulatory environment, the cost of compliance, and the overlap of and conflicting regulatory requirements, as contributing factors influencing the failure of SMEs. Furthermore, different registrations required with the regulatory agencies such as CIPC, SARS, and the Department of Labour serve as barriers impeding the startup and growth of SMEs due to their costs and onerous requirements. Even though it could be argued that the relationship between SME growth and Regulatory Institutions is unlikely to have occurred by chance alone, however, most SMEs do not conform to regulatory standards because they do not want to pay taxes as well as membership fees. Although conformity to standards is achieved through the rule-setting, monitoring and sanctioning activities of regulatory agencies such as the SARB, CIPC, and the SARS, nonetheless, most SMEs fall outside a certain tax bracket stipulated by SARS, for instance, salon businesses do not file their tax returns they are not regarded as worthy to be monitored by SARB. Furthermore, there is lack of consistency in enforcement and monitoring from Regulatory Institutions possibly because they do not have ample capacity to manage the spiralling SMEs that come into existence (Kaynak, 2000).

#### **5.4 Discussion pertaining to Hypothesis 2: Facilitatory Institution on SME growth**

Regarding Hypothesis 2, the results of the study and reviewed literature indicated that there is an influence of the services provided by Facilitatory Institution on SME growth. Although it is widely acknowledged that whilst financial support is important for the launch and growth of SMEs, most SMEs struggle to access financial aid from the South African government. Non-financial support is intended to boost SMEs performance and comes in numerous ways including training, consulting and advisory services, mentorship, marketing assistance and business linkages (Lwesya, Mwakalobo & Mbukwa, 2021). Other forms of support provided to entrepreneurs include access to networks, advice on internal processes, policy advocacy and market access (Owusu, Cudjoe & Poku, 2017). This type of support is a key function of Promotional Institutions. They are a network of small businesses that connect businesses locally, nationally, and internationally and represent small businesses as government lobbyists who promote business interests (Tiwasing and Sawang, 2022).

Chambers of commerce also provide access to institutional networks and access to resources such as business contacts and market information. These organisations help reduce the risk of

international expansion and lead to a positive growth toward international entrepreneurship (Costa, Soares & de Sousa, 2017).

Furthermore, chambers of commerce provide promotional activities for firms including trade fairs and missions help give access to information (Costa et al, 2017). There are several benefits that are passed on to businesses that join a chamber of commerce network namely internal and external social benefits, confidence benefits, and special treatment benefits (Noel and Luckett, 2014). Confidence benefits are bestowed to owners who join a chamber to bolster their firms' credibility. Social benefits are passed on to businesses by expanding the network of the firm and strengthening internal relationships within the organisation. However, special treatment benefits are passed on to members of these organisations by giving them access to special programs, events and initiatives that expand their networks, access to markets and business skills. (Noel and Luckett, 2014).

### **5.5 Discussion pertaining to Hypothesis 3: Promotional Institution on growth**

The results of the study showed that there is a positive influence of the services provided by Promotional Institutions on SME growth, hence it was not significant. The outcome was not significant since the p-value (0.186) was greater than 0.05 (Boateng, 2014). This implies that the null hypothesis could not be rejected, meaning that there was no sufficient evidence at 5% significance level to suggest that there is a positive influence of the services provided by Promotional Institutions on SME growth.

This is consistent with the argument by Kaynak (2000) that Promotional Institutions are established to create incentives and facilities that motivate SMEs firms to export their products to gain foreign currency. Valsamakis (2012) stated that Promotional Institutions have the objective of encouraging entrepreneurial activity and supporting the growth and sustainability of SMEs. However, Valsamakis (2012) argued that Promotional Institutions encourage the sustainability of SMEs because if that was the case, most SMEs would not be struggling and closing down. In contrast, the study agrees with the argument by Meressa (2020) that numerous factors affect the growth or failure of SMEs, and these may include demographic issues such as the gender, education, motivation of customers to buy and pay for the services offered by the SMEs. These are very critical for the profitability and sustainability of SMEs.

It could be argued that non-financial support is intended to boost SMEs performance and comes in various ways including training, consulting and advisory services, mentorship, marketing assistance and business linkages as argued by Lwesya, Mwakalobo & Mbukwa (2021), not all SMEs have access to such services. Although the argument by Owusu, Cudjoe and Poku (2017) reveals that other forms of support provided to entrepreneurs include access to networks, advice on internal processes, policy advocacy and market access, however, most SMEs are not part of these business networks thereby hindering their business growth.

Furthermore, the argument by Costa et al. (2017) shows that chambers of commerce provide access to institutional networks and to resources such as business contacts and market information to those SMEs who hold the chamber of commerce membership, meaning those who subscribe and pay annual membership fees. This implies that all SMEs who do not hold such membership cannot access services from the chamber of commerce. This is validated by Noel and Luckett (2014) who argued that there are several benefits that are passed on to businesses that join a chamber of commerce network namely internal and external social benefits, confidence benefits, and special treatment benefits.

Special treatment benefits are passed on to members of these organisations by giving them access to special programs, events and initiatives that expand their networks, access to markets and business skills. (Noel and Luckett, 2014). These organisations provide social and business networks and assist in knowledge sharing. The chamber of commerce is considered as key enablers of innovation, learning and can help with enhancing a business's resource controls and productivity. Even through access to services, the chamber of commerce is found to positively contribute to the success and growth of SMEs in developing economies, nonetheless, this access to the above benefits is only for a few SMEs who are able to acquire the necessary membership (Tiwasing and Sawang, 2022).

The other 2 hypotheses were not tested as there were no valid constructs for Regulatory Institutions, and Facilitatory Institutions. This is consistent with the view by Hewitt and Van Rensburg (2020) who argued that two prominent types of Facilitatory Institutions that support SMEs in starting and growing, namely business incubators and finance institutions. Business incubators provide start-ups with support to overcome business challenges such as office space, human resources, skills development, and access to the market. Haleem, Jehangir & Ullah (2019) opined those incubators are known to improve SME performance and innovation

through the services they provide. Entrepreneurs also attach great value to business incubation services (Meru and Struwig, 2011).

Even though provision is made for business incubators and finance institutions to assist SMEs, nevertheless, not all SMEs have access to such support. Moreover, the capacity of business incubators cannot accommodate all SMEs. To make things worse, finance institutions have stringent conditions which SMEs have to go through before they can get financial assistance. For example, most SMEs are not financially viable meaning that they cannot provide proper business plans or financial statements for financial institutions to determine their financial stability and sustainability.

The Cronbach's Alpha coefficient indicated a moderate level of internal consistency reliability hence indicating that there is some level of consistency amongst the items. Cronbach's alpha is a measure of internal consistency or reliability of a set of scale or test items. It indicates how closely related the items are as a group, and how well they measure the same concept. A high value for alpha does not mean that the measure is one-dimensional, but rather that the items are consistent with each other (Remenyi, 2014). Therefore, the Cronbach's Alpha coefficient ensures the reliability and consistency of the testing instruments used and the result of the study thereof.

As argued by Leedy and Ormrod (2015) reliability of a measuring instrument is the consistency with which a measurement instrument yields a certain, consistent result when the entity being measured has not changed. Furthermore, the reliability test evaluates the precision and accuracy of estimation scales (Cooper and Schindler, 2014). It refers to matters of consistency and how these are measured (Bryman and Bell, 2011). Hence to ensure reliability in this study, the various constructs postulated in the conceptual framework were examined for normality and reliability using Cronbach's Alpha. Furthermore, to test the hypotheses on the relationship between the entrepreneurial environment and SMEs growth, a multiple regression model was estimated using the SMEs growth as the dependent variable and the various dimensions of Institutional theory as the independent variable. Furthermore, the results showed that the independent variable (Promotional Institutions) significantly influence the dependent variable (SMEs growth). The correlation between Promotional Institutions and business growth was none -zero, indicating that there was a linear relationship, although the relationship was not significant. This indicates that there was linearity (Saunders et al., 2016).

The data indicated that both constructs (Promotional Institutions variable and business growth) had acceptable reliability as all Cronbach's Alpha values were greater than 0.7 thereby indicating a moderate level of internal consistency reliability. Overall, this indicates that there is some level of consistency amongst the items. Cronbach's alpha is a measure of internal consistency or reliability of a set of scale or test items. It indicates how closely related the items are as a group, and how well they measure the same concept. A high value for alpha does not mean that the measure is one-dimensional, but rather that the items are consistent with each other. Therefore, a higher Cronbach's Alpha coefficient ensures the reliability of the test instruments used and assumes that the results of the study are reliable (Remenyi, 2014; Leedy and Ormrod, 2015).

## **5.6 Conclusion**

Based on the results of the study on Hypothesis 1, the results showed that there is no evidence to support the hypothesis that there is a positive influence in the functions of regulatory institutions on the growth of SMEs in the manufacturing enterprises in Midrand. This is inconsistent with reviewed literature that Promotional Institutions are established to create incentives and facilities that motivate SMEs firms to export their products to gain foreign currency. Furthermore, Promotional Institutions have the objective of encouraging entrepreneurial activity and supporting the growth and sustainability of SMEs. Regarding Hypothesis 2: Facilitatory Institutions and business growth, it can be concluded that there is an influence on the services provided by Facilitatory Institutions on SME growth. Although it is widely acknowledged that whilst financial support is important for the launch and growth of SMEs, most SMEs struggle to access financial aid from the South African government. Regarding Hypothesis 3, Regulatory Institutions on SME growth, it can be concluded that there was no sufficient evidence to suggest that there is positive influence of Regulatory Institutions on SME growth. Moreover, even though it could be argued that the relationship between SME growth and Regulatory Institutions is unlikely to have occurred by chance alone, however, most SMEs do not conform to regulatory standards because they do not want to pay taxes as well as membership fees.

Although conformity to standards is achieved through the rule-setting, monitoring and sanctioning activities of regulatory agencies. Consequently, the null hypothesis was rejected,

and it is concluded that there is evidence to support the hypothesis that there is a positive influence between efficient Regulatory Institutions and SME growth. Moreover, the results showed that the independent variable (Promotional Institutions) significantly influence the dependent variable (SMEs growth). The correlation between Promotional Institutions and business growth was none zero, thereby demonstrating that there was a linear relationship. The data indicated that both constructs (Promotional Institution variable and business growth) had acceptable reliability as all Cronbach's Alpha values were greater than 0.7 thereby indicating a moderate level of internal consistency reliability. Overall, this indicates that there is some level of consistency amongst the items. Cronbach's alpha is a measure of internal consistency or reliability of a set of scale or test items. It indicates how closely related the items are as a group, and how well they measure the same concept.

## **CHAPTER 6: CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS**

### **6.1 Introduction**

This chapter draws conclusions, implications, and recommendations of the study. Subsection 6.1 introduction, 6.2 conclusions of the study, 6.3 implications and recommendations, 6.4 limitations of this study, and 6.5 suggestions for further research.

### **6.2 Conclusions of the study**

It could be concluded that this study sensitised SMEs to be aware of entrepreneurial environmental issues impeding their business growth and recommends mitigating factors to ensure their profitability as well as their sustainability. To the policymakers, government, academics, and practitioners, this study identified key areas requiring policy intervention that could contribute to the growth of SMEs and ultimately impact the economy. Furthermore, this study outlined the significance of each of the dimensions of the entrepreneurial environment and its effect on SME growth in South Africa. Moreover, it serves as a benchmark for future studies from a South African perspective by suggesting areas for future research.

It can be concluded from the study that there is a gap between theoretical constructs for instance, the Institutional Theory indicates that the institutional context of a nation influences the type of firms that are created and defines the type of entrepreneurial ventures that may survive in the environment (Arabiyat, Mdanat, Haffar, Ghoneim & Arabiyat, 2019). The Institutional Theory scrutinises the process through which structures become recognised as parameters that direct social behaviour. Furthermore, this assists in understanding why some organisations attain legitimacy by conforming to the standards of institutions in their environment. Institutions are defined as parameters established by humans with the purpose of governing human interactions. These consist of formal rules such as laws and regulations, for example, customs, traditions, or codes of conduct (Singh and Pradhan, 2022). However, there is a gap between human interactions and the results of the study especially on how SMEs should deal with their human capital.

With reference to results pertaining to Hypothesis 1: Regulatory Institutions and SME growth, the results showed that there is no evidence to support the hypothesis that there is a positive in the functions of regulatory institutions on the growth of SMEs in the manufacturing enterprises.

Therefore, the regulatory institution hypothesis is not supported because the results were salient on how this could be achieved. As a result, there is a gap between the organisation theory and the results. The organisation theory focuses on the relationships between organisations and their environment. It also assesses the effects of those relations on how organisations operate. This theory proposes ways through which SMEs for instance, are able to deal with challenges from both internal and external market demands. In simple terms, organisation theory is everything regarding organisations. In organisation theory, the objective aim is to understand organisations and improve them. There are numerous different organisation theories such as the Division of Labour, Bureaucratic Theory, Rational System Perspective, and the Contingent Theory (Market Business News, 2023).

Moreover, results of the study indicated that the relationship between SME growth and Regulatory Institutions is unlikely to have occurred by chance alone, however, most SMEs do not conform to regulatory standards because they do not want to pay taxes as well as membership fees. Although conformity to standards is achieved through the rule-setting, monitoring and sanctioning activities of regulatory agencies.

The regression model for Hypothesis 1 indicated a correlation between Promotional Institution and Business Growth ( $r = -0.119$ ,  $p\text{-value} = 0.186$ ) was none -zero, indicating that there was a linear relationship, although the relationship was not significant ( $p\text{-value} > 0.05$ ) thereby supporting linearity. It could be concluded that there is a positive influence of the services provided by Promotional Institutions on SME growth is supported. The hypothesis was supported because the coefficient of Promotional Institutions was negative, and the statements of Promotional Institutions were negatively worded. The outcome was not significant since the  $p\text{-value}$  was greater than 0.05 (Boateng, 2014). This implies that the null hypothesis could not be rejected, because there was no sufficient evidence at 5% significance level to suggests that there is a positive influence of the services provided by Promotional Institutions on SME growth.

On the other hand, there is a gap between the results and the social capital theory. This is because the term social capital refers to a positive product of human interaction. The positive outcome may be tangible or intangible and may include favours, useful information, innovative ideas, and future opportunities. Social capital is not held by an individual, but instead appears in the potential between social network connections amongst individuals. It can be used to

describe the contribution to an organization's success that can be attributed to personal relationships and networks, both within and outside an organization. It can also be used to describe the personal relationships within a company that help build trust and respect among employees, leading to enhanced company performance (Gannon and Roberts, 2020). As a result, it can be concluded that there should be a link between the social capital theory and Promotional Institutions wherein they could assist SMEs in dynamic and productive human capital.

Although the other 2 hypotheses were not tested as there were no valid constructs for Regulatory Institutions, and Facilitatory Institutions, it could be concluded based on reviewed literature, that there is a gap between the results and Strategic Management Theory. This is because Facilitatory Institutions must be strategic in providing SMEs with strategics of gaining competitive advantage to gain profitability. According to Omalaja and Eruola (2011), complementary to the concept of policy is what is known in modern management parlance as strategy. Strategy is the broad determination of the goals of an undertaking and the specification of alternative courses of action to be taken to achieve the predetermined goal of the undertaking. Omalaja and Eruola (2011) elaborate that corporate strategy is the determination of the basic long-term goals of an enterprise and the adoption of courses of action and allocation of resources necessary to carry out the goals. Consequently, strategy provides a broad concept of the firm's business, set forth specific guidelines through which the firm can remain competitive and to surpass its rivals

Mills et al. (2003) suggest that strategic management theories stem from the systems perspective, contingency approach and information technology approach to corporate management. The pursuit of competitive advantage is indeed an idea that is at the heart of much of the strategic management literature. Understanding sources of sustained competitive advantage has become a major area of study in strategic management. The resource-based theory stipulates that in strategic management, the fundamental sources and drivers to firms' competitive advantage and superior performance are mainly linked with the attributes of their resources and capabilities which are valuable and costly-to-copy.

### **6.3 Implications and recommendations**

- Since Promotional Institutions are established to create incentives and facilities that motivate SMEs firms to export their products to gain foreign currency, by implication, these opportunities must be transparent, available, and accessible to all SMEs than merely to a selective few.
- Government policies relating to trade liberalisation, financial and non-financial assistance and infrastructures such as water and power supply (electricity) must be available to enhance SMEs businesses.
- Since Regulatory Institutions such as SARS, SARB, CIPC, ensure that firms deliver goods and services as promised, and ensure that organisations conform to established standards both within in a country and abroad, it is crucial that regulations and policies are conducive to supporting the profitability and development of SMEs.
- Since SMEs add value to South Africa's GDP, therefore, it is recommended that the government must invest in SMEs by providing training and development. Moreover, benchmarking against other successful countries and ensuring that there is sharing of skills and knowledge.

### **6.4 Limitations of the study**

- The sampling frame was limited to the manufacturing industry, mainly SMEs companies based in Midrand. This means that other areas falling out of Midrand were excluded from the study.
- The results of the study cannot be generalised to all industries in South Africa since the study focussed on SMEs in the manufacturing industry in Midrand area.
- One of the weaknesses as a limitation to the study is that the other two hypotheses were not tested as there were no valid constructs for Regulatory Institutions, and Facilitatory Institutions.

- The times frame allocated to study was also a restriction thereby limiting the sampling frame.

## **6.5 Suggestions for further research**

Future research should focus on all industries instead of SMEs in the manufacturing industry, and the sampling frame must be wide enough to include all provinces in South Africa to ensure generalisability. Furthermore, the hypothesis must include a variety of variables that should be tested for the future study. Regarding Hypothesis 1: Regulatory Institutions on SME growth, the results of the study indicated that there was no sufficient evidence to suggest that there is a positive influence of Regulatory Institutions on SME growth, therefore, further study must investigate reasons why regulatory institutions are not enhancing the growth of SMEs, assess if there are regulations or any red tape impacting SMEs thereof. Regarding Hypothesis 2: Facilitatory Institution and business growth, further study should investigate efficient funding models and skills needs for SMEs and provide solutions thereof. These could include training, consulting and advisory services, mentorship, marketing assistance and business linkages. Other forms of support provided to entrepreneurs include access to networks, advice on internal processes, policy advocacy and market access. Moreover, investigate a network of small businesses that could connect businesses locally, nationally, and internationally and represent small businesses as government lobbyists who promote business interests. Regarding Hypothesis 3: Promotional Institutions and business growth, further study should investigate efficient ways of creating incentives and facilities that motivate SMEs firms to export their products to gain foreign currency. Furthermore, ways in which Promotional Institutions can enhance entrepreneurial activity to support the growth and sustainability of SMEs.

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## Appendix A: Consistency Matrix

| Research Title: Entrepreneurial Environment and the Growth of Small and Medium Manufacturing Enterprises in Midrand                                   |                                                                                                                                                                                           |                                                                                                              |                                                                                                                                      |                                                                       |                                                                                                                  |                                      |                                                                                                              |
|-------------------------------------------------------------------------------------------------------------------------------------------------------|-------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------------------------------------------------------------------------------|-----------------------------------------------------------------------|------------------------------------------------------------------------------------------------------------------|--------------------------------------|--------------------------------------------------------------------------------------------------------------|
| Main Objective: To establish to what extent the entrepreneurial environment influences the growth of small and medium-scale manufacturing businesses. |                                                                                                                                                                                           |                                                                                                              |                                                                                                                                      |                                                                       |                                                                                                                  |                                      |                                                                                                              |
| Sub-Objectives                                                                                                                                        | Literature Review                                                                                                                                                                         | Hypothesis                                                                                                   | Research Questions                                                                                                                   | Variables (Independent & dependent)                                   | Sources of Data                                                                                                  | Type of Data                         | Data Analysis                                                                                                |
| To examine the influence of efficient Regulatory Institutions on the growth of SMEs in the manufacturing enterprises                                  | Shu, De Clercq, Zhou, & Liu, 2019; Sibiya & Kele, 2019                                                                                                                                    | <b>H1:</b> There is a negative influence of efficient Regulatory Institutions on SME growth                  | What impact have Regulatory Institutions' functions had on the growth of SMEs in manufacturing enterprises?                          | <b>IV 1: Regulatory Institutions</b><br><br><b>DV 1: SME Growth</b>   | Self-Administered Cross-sectional Survey: Questionnaire<br><br>Regulatory Institution Q8<br><br>SME Growth Q11   | Ordinal Data<br>7-point Likert Scale | IBM SPSS v 26<br><br>Validity (Exploratory Factor Analysis)<br><br>Reliability (Cronbach's Alpha)            |
| To determine the impact the services provided by Facilitatory Institutions have on the growth of SMEs in the manufacturing enterprises                | Astuti, Supanto & Supriadi, 2019; Kanaan-Jebna, Alabdullah, Ahmed, & Ayyasamy, 2022; Ukah, & Atah, 2021; Koryak, Mole, Lockett, Hayton, Ucbasaran, & Hodgkinson, 2015; Eunice Abdul, 2018 | <b>H2:</b> There is a positive influence of the services provided by Facilitatory Institutions on SME growth | To what extent have the services provided by the Facilitatory Institutions affected the growth of SMEs in manufacturing enterprises? | <b>IV 2: Facilitatory Institutions</b><br><br><b>DV 2: SME Growth</b> | Self-Administered Cross-sectional Survey: Questionnaire<br><br>Facilitatory institution Q9<br><br>SME Growth Q11 | Ordinal Data<br>7-point Likert Scale | Correlation<br><br>Multiple Regression<br><br><br>BM SPSS v 26<br><br>Validity (Exploratory Factor Analysis) |

|                                                                                                                                  |                                                        |                                                                                                          |                                                                                                                           |                                                              |                                                    |                                      |                                                                              |
|----------------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------|----------------------------------------------------------------------------------------------------------|---------------------------------------------------------------------------------------------------------------------------|--------------------------------------------------------------|----------------------------------------------------|--------------------------------------|------------------------------------------------------------------------------|
|                                                                                                                                  |                                                        |                                                                                                          |                                                                                                                           |                                                              |                                                    |                                      | Reliability (Cronbach's Alpha)<br><br>Correlation<br><br>Multiple Regression |
| To determine the impact of services provided by Promotional Institutions on the growth of SMEs in the manufacturing enterprises. | Bruwer & Smith, 2018; Nana, Van Staden & Coetzee, 2021 | <b>H3:</b> There is a positive influence of services provided by Promotional Institutions on SME growth. | What effect do the services provided by Promotional Institutions have on the growth of SMEs in manufacturing enterprises? | IV 3: Promotional Institution<br><br><b>DV 3:</b> SME Growth | Promotional Institution Q 10<br><br>SME Growth Q11 | Ordinal Data<br>7-point Likert Scale |                                                                              |

## Appendix B: Survey Questionnaire

### Dear Respondents

This questionnaire is aimed at examining the entrepreneurial environment and its impact on the growth of small and medium-scale manufacturing enterprises in Midrand. The survey will take approximately 15-20 minutes to complete. By clicking the button below, you agree to participate in the research project entitled:

#### **"ENTREPRENEURIAL ENVIRONMENT AND THE GROWTH OF SMALL AND MEDIUM MANUFACTURING ENTERPRISES IN MIDRAND"**

Undertaken by the researcher named: Maureen Chibuzor Analo, by completing then submitting this survey, you acknowledge the following: I have voluntarily agreed, and without coercion to participate in this study I have been given full information about this study in the form of the respondent information sheet and contact details of the researcher. I understand that I can withdraw from the study at any time without giving reasons and without penalty. Details relating to anonymity and confidentiality have been explained and I understand these. I will have the opportunity to ask any questions. If you have any questions, please do not hesitate to contact the researcher using the contact details at the end of this page.

#### **Project contact details for further information:**

Name of Researcher: Maureen Chibuzor Analo

Name of Supervisor: Dr. Jabulile Msimango-Galawe

Supervisor: email address: jabulile.msimango-galawe@wits.ac.za

- ☐ Yes I consent, begin the study
  - ☐ I do not consent, I do not wish to participate
-

## **Section A: General Information on respondents**

Q1 What is your role in the business?

- ☐ Owner
- ☐ Manager
- ☐ Both
- ☐ Non-Managerial

Q2 What is your Gender?

- ☐ Male
  - ☐ Female
  - ☐ Non-binary / third gender
-

Q3 What is your age?

- ☐ 18-24
- ☐ 25-34
- ☐ 35-44
- ☐ 45-54
- ☐ 55-64
- ☐ >65
- ☐

Q4 What is your level of education?

- ☐ No formal education
  - ☐ Primary school
  - ☐ Secondary school (without Grade 12)
  - ☐ Matric (Grade 12)
  - ☐ Certificate
  - ☐ Diploma
  - ☐ Degree
  - ☐ Masters
  - ☐ PHD
- 
-

## **Section B: Background of the Firm**

Q5 What is the size of your SME?

- ☐ Micro
- ☐ Small
- ☐ Medium

Q6 What is the age of your business?

- ☐ 0-5 years
  - ☐ 6-10 years
  - ☐ 11-20 years
  - ☐ 21-30 years
  - ☐ 31 years and above
-

Q7 Which of the Manufacturing industries does your firm belong to?

- ☐ Food and Beverages
- ☐ Basic and fabricated metal products
- ☐ Clothing and footwear
- ☐ Rubber and Plastics
- ☐ Apparel and Clothing
- ☐ Chemical and Pharmaceuticals
- ☐ Construction

**Q8 Section C: Regulatory Institution**

Please indicate the extent to which you agree or disagree with the following statements by ticking the corresponding number on the 7-point scale below: with 7= Strongly Agree, 6= Agree, 5= Somewhat agree, 4= Neither agree nor disagree, 3= Somewhat disagree, 2= Disagree, 1= Strongly agree

|                                                                                                                  | 1                     | 2                     | 3                     | 4                     | 5                     | 6                     | 7                     |
|------------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Time spent in registering a business with the Companies and intellectual Property Commission (CIPC), is too long | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Policies governing small businesses are clear and easy to follow.                                                | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Fines issued for non-compliance for small businesses are high.                                                   | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Legal and operational requirements for SMEs, are reasonable and easy to comply with.                             | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

## 9 Section D: Facilitatory Institution

Please indicate the extent to which you agree or disagree with the following statements by ticking the corresponding number on the 7-point scale below: with 7= Strongly Agree, 6= Agree, 5= Somewhat agree, 4= Neither agree nor disagree, 3= Somewhat disagree, 2= Disagree, 1= Strongly agree

1      2      3      4      5      6      7

There is lack of business advisory and administrative support ☐ ☐ ☐ ☐ ☐ ☐ ☐

There is lack of technical training and assistance. ☐ ☐ ☐ ☐ ☐ ☐ ☐

The Facilitatory Institution assisted in achieving managerial capacity building in the past three years. ☐ ☐ ☐ ☐ ☐ ☐ ☐

The lack of cooperation among stakeholders is a challenge ☐ ☐ ☐ ☐ ☐ ☐ ☐

The provision of utilities and structural support (e.g., transportation system, road networks, electricity, and energy) is a challenge.

### Q10 Section E: Promotional Institution

Promotional Institutions offer a range of services that can help businesses reach their target audiences, increase brand awareness, and achieve their marketing goal. Please use the 7-point scale to indicate the extent to which you agree or disagree with the following statements in relation to what promotional institutions offer.

|                                                                                                               | 1                     | 2                     | 3                     | 4                     | 5                     | 6                     | 7                     |
|---------------------------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Lack of access to credit and financial capital.                                                               | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Lack of Government intervention and subsidies to business.                                                    | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Lack of Foreign Direct Investment (FDIs).                                                                     | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Technical assistance and technology development remain a challenge.                                           | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Financial support such as tax reduction and subsidies from the central and local government are not provided. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Lack of Strategic partnerships with stakeholders.                                                             | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |

Q11. Please indicate your level of satisfaction with your business growth in the last three years: from the years 2019 -2023 (excluding the COVID-19 period), by ticking the corresponding number on the 7-point scale below.

|                                                                                               | 1                     | 2                     | 3                     | 4                     | 5                     | 6                     | 7                     |
|-----------------------------------------------------------------------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| Our company has experienced a steady increase in sales within the last three years.           | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| We have achieved our sales objectives within the past three years.                            | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| Our company has witnessed an increase in the number of employees within the past three years. | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| We have room for more full-time workers in the coming months in the company.                  | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> | <input type="radio"/> |
| We have had to lay off workers within the past three years.                                   |                       |                       |                       |                       |                       |                       |                       |

## **Appendix C: Informed Consent**

### **Survey Invitation Email**

From: 584633@students.wits.ac.za

To: Email Distribution List

EMAIL SUBJECT:

Survey on Entrepreneurial Environment and the growth of small and medium scale manufacturing enterprises in South Africa: A focus on selected SMEs in Midrand.

I am writing to request your participation in an academic research survey for my master's dissertation. The topic is "ENTREPRENEURIAL ENVIRONMENT AND THE GROWTH OF SMALL AND MEDIUM MANUFACTURING ENTERPRISES IN MIDRAND" Your responses to this survey will help me establish how the dimensions of the Institutional theory (Regulatory Institution, Promotional Institution and Facilitatory Institution) impact the growth of SMEs in South Africa's manufacturing industries.

The survey will take approximately 10-15 minutes to complete. Please click on the link below to go to the survey website (or copy and paste the link into your internet browser).

Survey link: <https://wits.eu.qualtrics.com/>

Your participation in the survey is completely voluntary and all your responses will be kept confidential. No personal identifiable information will be associated with your responses to any reports of these data. Approval to conduct this survey has been received from the Ethical Approvals Board of the University of Witwatersrand for this research and herewith attached. Should you have any comments or questions, please feel free to contact me at Researchers' Email Address.

Thank you very much for your time and cooperation.

Yours sincerely

Maureen Analo

MSc Entrepreneurship & New Venture Creation Candidate,

Wits Business School, South Africa.

## Appendix D: Ethics Clearance

Graduate School of Business Administration  
University of the Witwatersrand, Johannesburg



Wits Business School Ethics Committee  
Constituted under the University Human Research Ethics Committee (Non-Medical)

### Ethics Clearance Certificate

Ethics protocol number: WBS/EN584633/375

*This certificate is only valid with a legitimate ethics protocol number and signed by the Researcher (below).*

|                           |                                                                                                                   |
|---------------------------|-------------------------------------------------------------------------------------------------------------------|
| Project title             | Entrepreneurial environment and the growth of small and medium manufacturing enterprises in Gauteng, South Africa |
| Investigator / Researcher | Mrs Maureen Chibuzor Analo                                                                                        |
| Nature of Project         | MM in Entrepr & New Venture Creation                                                                              |
| Decision of the Committee | Approved, provided stakeholders and participants are guaranteed anonymity and confidentiality.                    |
| Issue Date of Certificate | 2023-01-20                                                                                                        |
| Expiry date               | Date of submission of the project / research report                                                               |
| Chairperson               | Prof Anthony Stacey<br>+27 11 717 3587<br>+27 82 880 4531<br>anthony.stacey@wits.ac.za                            |

#### Declaration by Researcher

*One copy must be signed by the Researcher and returned to the Chairperson of the Wits Business School Ethics Committee.*

I fully understand the conditions under which I am authorized to carry out the abovementioned research and I guarantee to ensure compliance with these conditions. Should any departure to be contemplated from the research procedure as approved I undertake to resubmit the protocol to the Committee.

Signature

02/02/2023  
Date:

