AN INVESTIGATION OF FACTORS DRIVING SMALL AND MEDIUM ENTERPRISES GROWTH IN ZIMBABWE

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DECLARATION

I, Desmond K Marufu, do hereby declare that this dissertation is the result of my own investigation and research, except to the extend indicated in the Acknowledgements, References and by comments included in the body of the report, and that it has not been submitted in part or in full for any other degree to any other university.
Dedication

To Dorothy, the love of my life, and my late dear sister, Sharon.
ACKNOWLEDGEMENTS

I would like to express my deepest gratitude to Dr. Gumbe for his dedicated support, guidance and invaluable insights both as my Lecturer and Supervisor. To him I am greatly indebted.

To my family, especially my mum, thank you so, so much. Its been a long road, but I can assure you, things will be good soon. To all my friends, thank you for all your support. You are the greatest.

Marshall, thanks for the inspiration.

Uncle Charle, you are such a good man, thanks for going out of your way.
Simba Matsika, thanks for letting me abuse your good naturedness. Thanks big time.

Above all, Glory be to God!!!
ABSTRACT

Small and Medium Enterprises (SMEs) are a vital part of economies in both the developed and developing countries playing roles in the economy by creating employment, poverty alleviation, and act as a means of channeling resources to the disadvantaged. Since independence, Government has come up with a number of policy initiatives geared towards growing the sector, but despite these efforts have experienced high level of failure. The purpose of the study was to outline and analyse the factors driving SME growth.

Literature of the internal and environmental growth factors as well as SME growth strategy was surveyed centered on the objectives of the study. Questionnaires were distributed to SMEs around Harare. Primary data was analysed alongside secondary data from historical records. Interviews were held with SME experts to reinforce data collected. Major findings emphasized the importance of characteristics of the entrepreneur and strategic orientation as the drivers of SME growth. Characteristics of the firm and external factors were found to have minimal impact on growth.

The study concluded that to achieve growth entrepreneurs must focus on strategic behaviour. There is need for business owners to move to other avenues of financing growth. Government must step its policies to include growth of SMEs. Further studies are suggested in areas of change management to enable entrepreneurs adopt modern and more efficient ways of doing business and in the end enhancing their growth.
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<tr>
<td>CZI</td>
<td>Confederation of Zimbabwe Industries</td>
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<td>ESAP</td>
<td>Economic Structural Adjustment Programme</td>
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<td>MSMED</td>
<td>Ministry of Small and Enterprises Development</td>
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<td>SEDCO</td>
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1  CHAPTER ONE

1.1  INTRODUCTION

Small and Medium Enterprises (SMEs) are a vital part of economies in both the
developed and developing countries. They play major roles in the economy by creating
employment, poverty alleviation, and act as means of channelling resources to the
disadvantaged and promoting entrepreneurship, amongst many other contributions.
SMEs are viewed as an alternative vital vehicle for growth especially in the developing
economies.

The advent of globalisation and technological advancement has diminished the
importance of economies of scale, once an advantage enjoyed exclusively by large
businesses. This situation has created a situation where the irrelevance of economies of
scale has broken entry barriers for SMEs enabling them to seize opportunities in their
respective markets.

SMEs perform a crucial role as innovators. Their competitiveness resides in an inherent
ability to innovate, re-engineer and customise technologies to produce products and
services in response to rapidly or suddenly changing market dynamics, which creates
demand. This is not easily achieved by big business. Owing to their small size, SMEs
respond to market demand quicker by introducing new approaches to production,
management, marketing and productivity. All these glowing accolades make the
development, growth and success of SMEs a priority. In response, most governments
especially in developing countries have come up with a plethora of measures and
policies ensuring the growth of this vital sector.

Despite all these policies and billions of dollars in incentives, investments, loans and
grants, the performance of this sector has remained a major headache for policy
makers, researchers, governments and entrepreneurs. There is a high rate of SME
business failures around the world, averaging around 85% in Zimbabwe (Mpofu, 1995).
The objective of this study is not to dwell on SME business failure, but to analyse the
factors that have contributed to those SMEs that have managed to thrive and grow in that same environment.

The fact that some SMEs are more successful in business than others is amongst the most influential questions in entrepreneurship research. There is consensus that there are a number of factors, related to the entrepreneur, the firm and the business environment, that influence and determine SME growth. This study outlined and analysed the internal and factors driving SME growth as well as the strategies employed to achieve the growth. It is hoped that lessons learnt and observations and conclusions made will form the basis for coming up with novel solutions that will enable struggling and failing SMEs to overcome obstacles to growth and in turn transform themselves into growth enterprises.

1.2 BACKGROUND OF STUDY

1.2.1 Government SME Policies since Independence

The SME industry in Zimbabwe has grown in leaps and bounds since the country attained its independence in 1980. The dawn of this new era meant that there was need for government to come up with new economic policies, amongst which included a policy on small businesses. Mpofu (1995) however observed that by 1990, Zimbabwe had not yet formulated a clear and systemic policy for the promotion of SMEs, clearly evident from major policy documents drawn up since independence. Some of the observations from the major policy documents drawn up by the Government of Zimbabwe since independence are as follows:

1.2.1.1 ZIMCORD (1981)
The document had an explicit focus on rehabilitation of mainly rural businesses destroyed during the protracted war of independence. Its main driving strategy was centred on promotion of cooperatives to transform the economy to socialist ownership in a view to gaining economic control. There was no mention of small businesses.

1.2.1.2 Transitional National Development Plan (1982-5)
This policy document followed on more or less the same tone set by its predecessor, ZIMCORD. The state actually viewed SMEs as petty bourgeoisie, encouraging businesses to form cooperatives. The document mentioned the promotion of small businesses in the rural areas under the banner of community development projects. It was also concerned with the decentralisation of industrial activities to growth points.

1.2.1.3 1st Five Year National Development Plan (1986-90)
This document continued with the theme set by the first two policy documents. However, for the first time, government acknowledged the importance of small businesses, though at a marginalised level. The document specifically mentioned the establishment of small scale enterprises and industrial cooperatives capable of using local raw materials as well as indigenous technology. All this was to be effected through the just established Industrial Development Corporation, SEDCO, Zimbabwe Development Bank and all local authorities. The document also mentions the setting up of industrial estates whose main objectives were:-

- Decentralisation of industry
- Increased indigenous participation in the economy
- Development of entrepreneurial skills
- Proving competition to existing monopolies
It also introduced fiscal incentives such as tax rebates and other inducements to encourage increased participation in the sector. This document lacked clarity on the direction SMEs were to take.

1.2.1.4 ESAP (1991)

For the first time, government seemed to begin to recognise the important role SMEs would play in the mainstream economy. ESAP was driven mainly by monetary and fiscal policy, trade liberalisation, economic deregulation and social dimension. These measures were meant to foster growth in the SME sector. For example, trade liberalisation was meant to benefit SMEs through increased access to critical affordable imported inputs at reduced tariffs. Deregulation meant small businesses now had access to previously restricted sectors such as transport. However the intended growth targets of SMEs under ESAP were not achieved because Government did not consult the sector prior to formulating the document. References to SMEs were thus limited to broad expectations that trade liberalisation and deregulation would somewhat benefit SMEs.

1.2.1.5 ZIMPREST (1996-2000)

It was defined by many observers as being the second phase of ESAP. This was a period characterised by an unstable economy. Government had just introduced a fixed exchange rate as a monetary policy measure. At this time inflation was starting to balloon, unemployment soaring and massive collapse of mainstream industry. This period saw a massive growth in the number of SMEs. However this growth was not a direct result of a deliberate Government policy but was an avenue for many to escape from unemployment after massive retrenchments experienced during this period.

1.2.1.6 Zimbabwe Millennium Economic Recovery Programme
This comprehensive and yet vague (with regards to SMEs) document had the main objective of negating the fundamental causes of inflation and to resolve an economic environment characterised by low interest rates to enable:

- Sustainable investment capacities
- Stable real incomes
- Poverty mitigation

Although the policy provided for the availing of concessionary financing schemes for the production sector, it largely ignored the SME sector.

1.2.1.7 Post Zimbabwe Millennium Economic Recovery Programme

According to UNDP (2010) despite the proven contribution of SMEs to employment creation, sustainable poverty reduction and national economic growth, the size and characteristics of the SME sector in Zimbabwe is not clearly comprehensible due to the lack of reliable current statistics and data. The only significant research efforts and surveys on the SME sector were concentrated in the 1990s. This coincided with the period when the Economic Structural Adjustment Programme (ESAP) was adopted. Government has since come up with numerous policies which however have still fallen short with regards to providing a holistic approach towards SME development and growth.

Government has adopted several comprehensive policy frameworks and action plans for the SME sector. The major thrust behind these policies was to capacitate the SME sector by assisting start-ups and as well as reinforcing their longer-term growth and competitiveness. These efforts, due to lack of comprehensive, reliable and tangible data, did not yield the intended objectives. This is echoed by Simpson et al (2010) who
states that in order for the policy frameworks and action plans to be effective, there is need for the governments to first invest heavily in comprehensive countrywide surveys such as the GEMINI studies that would generate credible and current data.

Renewed efforts on liberalisation of the economy around 2007-8 and the subsequent dollarisation of the economy brought about a much needed semblance of stability to the Zimbabwean economy. These moves impacted both positively and negatively on SMEs, and it is important to understand the nature of such correlation.

1.2.2 SMEs Background

Zimbabwe’s economy is in need of accelerated and sustainable growth. To achieve this growth there all sectors of the economy must be able to contribute to this effort, with the SMEs being the most crucial. Throughout the post Industrial Revolution era it has been proven that infant industries were the major factor contributing to the success of industrialization in Europe (Rostow, 1960). Elsewhere, the growth and success of the Asian Tigers resulting from export led strategies has been credited to improvements in SME productivity and size (Singh, 1999). In Zimbabwe on the contrary, a cocktail of factors and circumstances have curtailed the growth and development of SMEs, evidenced by high failure rates. According to SEDCO (2004) 85% of SME established within a period of three years would have succumbed to business failure. Sixty per cent of those would have seized to exist within the first year, according to the same report. The degree of SME business failure is an area of grave concern not only to government, but for all stakeholders. Efforts must be invested in finding lasting solutions to transform SMEs into growth entities. This means research efforts must not only dwell on investigating causes of SME failure, but proceed to look into factors driving those SMEs that have managed to thrive.

The socio economic development of many developing countries is centred on the SME sector (UNDP, 2000). The Zimbabwean economy is driven by an SME sector that has the formal and informal dimensions. This is against a backdrop of a degenerating economy in the past decade, which has witnessed massive company shutdowns and
deteriorating economic fundamentals. Storey (1994) states that SMEs form the foundation upon which the development of a competitive domestic private sector is based. In manufacturing, the development of an innovative SME sector has the largest potential, since the country has an over dependency on exporting primary unprocessed goods. The fact that there are SMEs that are thriving and driving the Zimbabwean economy, has prompted this study to examine the factors that promote SME success especially considering the volatile nature of the country’s economy.

1.3 RESEARCH PROBLEM

SEDCO (2004) reported that only about 15% of SMEs are likely to survive after five years. This therefore implies that about 85% of SMEs collapse. EMPRETEC (2012) also cited more or less the same figures in their annual report, painting almost the same bleak picture as reported by SEDCO eight years earlier. Numerous other reports from elsewhere in the world have not shown glowing report cards as well, with United States Small Business Unit reporting a survival rate of 35%. The major thrust in entrepreneurial research is therefore concerned with identifying and analysing the factors that have influenced the growth and success of SMEs in an environment plagued by high business failure of their peers. However the majority of surveys have concerned themselves with barriers to growth as opposed to investigating factors promoting growth.

The growth of SMEs in Zimbabwe is constrained by a multitude of internal and external factors. This coincides with a time where the same are supposed to be geared to steer the country’s economy to growth. World Bank (2009) cited adequacies in management capabilities, technology and innovation, lack of financial resources and effects of globalisation as some of the internal and external factors inhibiting the growth of SMEs. The government has also contributed though some inhibitive laws, regulations and policies such as various forms of taxes and levies have tended to constrain the growth of SMEs.
Due to restricted access to finance, the majority of SMEs in the country face problems in ensuring availability of funds for expansions and working capital. SMEs do not enjoy the same economies of scale enjoyed by their larger and more prominent counterparts. As a result they are unable to compete with these large firms and consequently their growth and success is inhibited leading to possible failure. SMEs in Zimbabwe have also largely been negatively affected by globalisation, lack of technological capacity and lack of capacity to undertake Research and Development.

Having taken note of all these general factors negatively impacting the success and growth of SMEs in Zimbabwe, statistics have continued to also show that there are some that are thriving in that same environment. This study concentrated on those SMEs that have managed to overcome barriers to growth and have been the lifeline of the Zimbabwean economy.

1.4 OBJECTIVES OF THE STUDY

As already alluded to in the previous section, different studies have managed to identify a plethora of factors that have resulted in the high failure rate of SMEs. It is however felt that not enough research has been carried out to determine why some firms have managed to flourish, grow and succeed. The overall objective of this study is to critically examine the factors that have resulted in growth and success of SMEs in an environment dominated by mostly failure thereof.

1.4.1 Specific Objectives

In order to fully address the issue of business growth/success amongst SMEs the study was guided by the following specific objectives:-

1. Outline and analyse the internal factors driving the success and growth of small businesses in Zimbabwe
2. Outline and analyse the external factors driving the success and growth of small businesses in Zimbabwe
3. Examine the importance of strategy to the growth of SMEs
4. Examine strategies SMEs can utilise to promote growth in order to push up the success rate of SMEs, currently pegged at around 15%

1.5 RESEARCH QUESTIONS

1. What are the internal key success factors of SMEs in Zimbabwe?
2. What are the internal key success factors of SMEs in Zimbabwe?
3. Does strategy influence the growth of SMEs
4. What strategies drive SMEs success and growth?

1.6 JUSTIFICATION

As with many developing countries, there is limited research and scholarly studies about the SME sector in Zimbabwe, specifically with regards to SME growth and success. There is a lack of theoretically grounded understanding of factors underlying small business growth and success. Given this scenario, an understanding of the dynamics of SMEs is necessary not only for the development of support programmes for SMEs, but also for the growth of the economy as a whole. Given the importance of small businesses to the Zimbabwean economy against the backdrop of their dismal performance, it justified and made it imperative for a study such as this one to be carried out.

The study dissected the factors affecting growth and success of SMEs allowing for scrutiny of the effects of each identified factor, thus consequently enabling tailor made solutions for SMEs that have failed, for those in distress and those that are growing. Significant amounts of research regarding business growth have tended to regard firm growth as being exclusively hampered by external factors such as lack of funding, competition and unfriendly government policies amongst others. As a response to such findings, several initiatives and programmes in Africa have tended to focus on solving
environmental problems, such as providing government assistance, examining the role of banks, and providing infrastructure and competition (external factors), while ignoring the roles of individuals running the SME and other factors emanating from within the SMEs themselves (UNDP, 2000). Although great strides have been made in addressing external factors affecting SME growth, there still has been little impact on the overall underlying problem. There is need to refocus studies on growth factors using a different perspective and approach. This study made a holistic evaluation of the business environment, internal factors and external factors with the realisation that they all contribute to the growth and success of SMEs or lack thereof.

This study was also influenced by the present economic climate prevailing in Zimbabwe. Unemployment figures are rising in the country and the economy, despite the illusion of stability in the past five years, has been in decline. Given the economic situation that Zimbabwe is in where large scale enterprises are finding it difficult to operate because of the recession, a solution might lie in the SMEs. The government’s commitment to the SME sector can also be noticed by the government’s creation of the Ministry of Small and Medium Enterprise Development (MSMED) in 2002 and in subsequent cabinets to date. Thus it should be noted that a positive relationship exists between the performance of SMEs and the general economic performance. Many SMEs tend to enjoy good business when the GNP growth rate declines, as they are more flexible and easily able to adjust to declines (Simon, 2001). With this in mind, the study contributed in making recommendations and novel avenues of improving the success rates of SMEs.

The Indigenisation policy adopted by government is surely going to witness a rise in prominence with regards to the role played by SMEs in the Zimbabwean economy. Without necessarily going into the merits or demerits of this approach, investments from the traditional international sources are not going to flow in as much as needed. The economy has actually witnessed massive disinvestments manifested by the number of closures of big companies. It is against this backdrop that the role of SMEs is
considered crucial and with it, the relevance of this study, as it recommended avenues and solutions aimed at fostering growth thereof.

### 1.8 RESEARCH PROPOSITION

For the internal and external growth factors to have a positive impact on SME growth, they depend on the strategies employed by the entrepreneur.

### 1.9 SCOPE OF THE STUDY

This research study was intended to draw information from SMEs from all sectors of the Zimbabwean economy such as agriculture, mining, service and manufacturing. Due to time, logistical and financial constraints, the survey was restricted to Harare’s central business district, Granitesite, Workington and Willowvale industrial areas. Because of being restricted in the confines of the city, it was not possible to include the SMEs in mining and agriculture. Apart from surveying SMEs, this study also drew insights from the country’s biggest support agency for SMEs, SEDCO.

### 1.10 STRUCTURE OF THE STUDY

This research will cover the following areas:

**Chapter 1 - Introduction**

This section covers the introduction, problem background and problem statement, research objectives, research rationale, proposition, study scope and the research questions.

**Chapter 2 – Literature Review**
This part of the research covers the literature review. This is a review of relevant literature pertaining to the defining SMEs, theoretical framework on SME growth, factors driving SME growth and an outline of SME growth strategies. All relevant sources are cited and an in-depth critique of the models and theories will be provided.

Chapter 3 – Research Methodology

This section basically focuses on the tools and methods that were adopted to carry out the research. Issues of sample size, the research design, data presentation methods, data analysis and data collection methods will be covered.

Chapter 4 – Results and Discussion

Data collected is analysed the results are presented graphically to give a visual impression. This section also covers the interpretation and discussion of results.

Chapter 5 – Conclusions and Recommendations

This last chapter of the research focuses on making conclusions and recommendations based on the research results. The last area touches on the weaknesses of the study and suggestions for future research.
CHAPTER TWO

2 LITERATURE REVIEW

2.1 INTRODUCTION

This section surveys a wide range of literature on the subject of SME growth with particular attention to growth factor. It provides the theoretical framework for the study. The purpose of this section is to weigh the views of leading authors/theorists on the subject of small firm growth. The chapter makes attempts to establish the relationship between various growth factors and firm growth. Focus will also be placed on strategies that SMEs can utilise to achieve growth.

2.2 SMALL TO MEDIUM ENTERPRISES

The world economy is dominated by SMEs and they take leading roles in those economies. There is a broad consensus that a vibrant SME sector is one of the principal driving forces in the development of a market economy. The major driving force behind the success of the Asian Tigers was the emergence of a vibrant small business sector accounting for almost 85% of employment and output. According to Holt (1992), the Silicon Valley is dominated by the largest number of successful SMEs, making it a model for many policymakers around the globe. Through SMEs private ownership and entrepreneurial skills are stimulated. Because they are flexible they can easily adapt to changes in market demand and supply. Their capacity in generating employment is well documented. A vibrant SME sector contributes towards economic diversity and the export potential of a country.

2.2.1 Defining Small and Medium Enterprises

There is no single uniformly acceptable definition of a small business. This is so because a small firm in one industry and one in another industry might have different
levels of capitalization, sales and employment from a small firm in another industry. Thus, definitions which are objective in nature (considers size such as number of employees, sales, profitability, net worth etc) at a sectoral level, mean that in some sectors all firms may be regarded as small while in other sectors there are no possibly firms which are small (Storey 1994). McMahon et al (2001) referred to defining a small business as a ‘vexing and enduring difficult’ and went on to indicate that small enterprises are easier to describe than to define in precise terms. What small enterprises in fact have in common and what sets them apart from large enterprises, are other less tangible attributes that are more difficult or even impossible to measure. They have however summarized a common view that small firms are best identified by their inherent characteristics

In the past twenty years debate has raged on with regards to coming up with a “universally accepted” working definition amongst major policy makers. For example, the European commission developed a term called small and medium enterprise (SME). The SME sector is disaggregated into three components:

- Micro enterprises: those with between 0 and 9 employees
- Small enterprises: those with 10 to 99 employees
- Medium enterprises: those with 100-499 employees

This definition bases itself to the number of employees in a firm and it is of an advantage since it does not vary according to the sector of the enterprise. Another advantage of the definition is that it regards employees less than 100 being a small business which is more appealing given the rise of productivity which have taken place in the last quarter of a century or so. Moreover, the definition recognizes that the SME group is not homogeneous since distinctions are made between micro, small and medium-sized enterprises (Storey 1994).

According to USAID (1994), each country, institution and economic sector has their own definition for their convenience usually based on the following factors:
Reasons for existence
- Objectives and goals
- Amount and nature of resources
- Size of the economy

The USAID report further goes on to state that countries usually adopt definitions created by the government or dominant agencies such as Small Businesses Agency (USA), Small Enterprise Development Agency (South Africa) and Small Enterprise Development Corporation (Zimbabwe)

2.2.2 Zimbabwean Definition

In Zimbabwe, like everywhere else, the SME sector definition has been plagued with the problem of clarity. For instance, stakeholders have battled for long to distinguish between “informal or micro-sized enterprises” and small-scale enterprises. To that extent, the SME sector in Zimbabwe has been prone to varied labelling: “micro and small enterprises” or MSEs (USAID, 1991) and “micro, small and medium enterprises” or MSMEs and also referred to as “small, micro, and medium enterprises: or SMMEs (Gelb, et al., 2009; Zimbabwe, 2002a).

For the Ministry of Small and Medium Enterprises in Zimbabwe, small businesses are collectively categorised and defined under the short form SMEs, for small and medium enterprises. In general they are defined as enterprises which are registered or incorporated in line with the Companies Act with anywhere between 6 to 100 workers’ (Zimbabwe, 2008: 20). Due to the inflationary pressures experienced in Zimbabwe it has been a challenge to define SMEs based on asset value, turnover, sales and owners equity, amongst other numerous monetary yardsticks (EMPRETEC 2013). According to the EMPRETEC Annual Report (2012), the use of number of employees presents the following advantages:
Small Enterprise Development Cooperation (SEDCO) (2011) defined an SME as a business with not more than 100 permanent employees. The report went on to make categorisations based on that umbrella definition as follows:

1. any registered enterprise employing less than fifty permanent employees is defined as small
2. medium enterprises are those registered businesses employing less than 100 workers
3. those unregistered businesses employing less than five people are deemed micro enterprises

SEDCO has done away with many categorisations based on capital and turnover base after the adoption of multi-currency system in Zimbabwe as it posed valuation challenges. In its newsletter, The Confederation of Zimbabwe Industries (CZI) Newsletter (2010, April) presented their definition based on the SEDCO format. They however added the dimension of turnover. They classified a small business as one with a turnover of US$4 million and up to US$4.5 million for a medium scale enterprise.

2.3 SMALL BUSINESS GROWTH

In discussing business growth it is essential to bring the concept of business growth into clear perspective. Growth refers to a change in size or magnitude from one period of time to another (Wiklund 1998). Penrose (1959) further goes on to state that the term
growth has two meanings: it sometimes merely denotes a change in amount and, at other times, implies an increase in size or improvement in quality. For a simple measure of success for a business, growth has been used (Storey, 1994). Brush (1992) suggests that to access the performance of small firms, it is more appropriate to use grow as a measure. Moreover, to achieve all financial goals of a business, growth is an important precondition (Storey, 1994).

Considerable attention has over the last two decades been given to SME growth has from researchers and policy makers around the world (Storey, 1994). Different experts and researchers alike have given divergent views on the subject. There is no integrated theoretical model on firm growth has been borne because of divergence in theoretical, empirical perspectives and interpretations. The complexity of the phenomenon of growth itself has not made things easy. Different researchers, authors and policy makers define growth using different criterion. This view is shared by Delmar et al. (2003) who states that the heterogeneous nature of growth is reflected in businesses as they expand along different dimensions and show many different growth patterns over time. Gibbs and Davies (1991) casts doubts over the promulgation of such a theory anytime soon.

Firm growth is a central focus area in strategy, organizational and entrepreneurship research. As mentioned earlier, much research effort has been targeted particularly at investigating the factors affecting firm growth, but to date there is no comprehensive theory to explain which firms will grow or how they grow, Garnsey (1996). It seems that not even very strong explanatory factors have been identified, though various explanatory approaches have been presented. As much as there is no single comprehensive theory explaining business growth, especially SME growth, Storey (1994) attest to the fact that there is however wide consensus that growth SMEs have a special importance in the economy. The need to see SMEs grow and increase their contributions has grown over the last two decades, especially in developing nations, where SMEs are believed to contribute significantly to employment, poverty alleviation
and ownership of productive sectors and yet high failures of SME failures are rampant (Rondinelli et al, 1993; Duncan, 1993).

2.4 THE THEORETICAL FRAMEWORK FOR SME GROWTH

Due to the heterogeneity of entrepreneurship theories, researchers have at least come to a consensus that there is no single theory that can explain firm growth. As a consequence, a large number of theories have been developed to explain aspects of SMEs growth and attempt to bring the subject into clearer perspective. These theories have distinguishing underlying assumptions they make about the growth process according to Dobbs and Hamilton (2007). O'Farrell and Hitchens (1988) are among the pioneering authors who have reviewed theories of small firm growth. They identified three main groups of theories namely:

2.4.1 The stochastic model

According to Dobbs and Hamilton (2006), first attempts to understanding growth phenomena in SMEs were made using stochastic models, which have their roots in the field of economics. Because stochastic models assume that there is a multitude of factors influencing growth, it is difficult to accurately determine and identify the ones with a dominant effect to be used to explain growth (Davis. 1987). According to Vivarelli (2005), the growth of firms cannot be predicted using any group of variables because it is assumed to be perfectly random. David S. Evans (1987) disputes the basis of stochastic models because they assume that growth is independent of any other factors,

2.4.2 The static equilibrium approach

This deterministic approach focuses on identifying a set of internal and external variables that can explain the growth of SMEs. It focuses on identifying characteristics, strategies and practices that are significantly associated with growth (Barringer et al,
According to Dobbs and Hamilton (2006) this approach only focuses on partial explanations on growth rates, leaving considerable unexplained variables. One of the most noted weaknesses of the static model approach is the absence of robust empirical validity hence impairs its practicality and validity.

2.5 THE STAGES MODEL

This model has over the years gained prominence over the two approaches stated above and this paper will adopt it to explain SME growth and bringing it into clearer perspective. The stages model represents the complex and dynamic nature of growth phenomena. It is likened to the biology life-cycle analogy, exhibiting the different states that a firm is assumed to pass through as it passes the different stages, of existence, growth, take off and maturity (Storey, 1994). Accordingly Scott and Bruce (1987) add that these multistage models use various organisational characteristics to explain organisational growth and development. Collectively, these models suggest that the organisation may progress sequentially through major steps of development (e.g. birth, start-up, survival, growth and maturity).

The stages model, maps a firm’s characteristics, challenges, practices and attributes into separate successive stages. When Churchill and Lewis (1982) developed their famous model and conceived a 5-stage model, the study of the growth of SMEs gained momentum. In this model they depicted that SMEs progress through different stages of growth (existence, survival, success, take-off, and maturity). The evolution of the main
five characteristics of the firm throughout the five stages is shown as follows:

![Stage Diagram]

Source: Own adaptation of Churchill and Lewis (1987) Model

2.5.1 Stage 1: Existence/Conception

A small business at this stage is challenging, especially since the owner is doing most of the work. One of the largest challenges is obtaining customers and delivering on the product or service in order to survive. This stage is defined by the sole intention of survival and features minimal levels of formal planning and defining of systems. Many businesses fail at this stage.

2.5.2 Stage 2: Survival

The business in this stage is now a more efficient working entity with survival still a dominant agenda. The model provides that the business will have a simple organisational structure under the leadership of the owner. The business has a small workforce, with a limited level of formal planning. Profit will be a major driver to the next stage.

2.5.3 Stage 3: Success
Once systems are established and profits are consistent, the small business is now successful. The choice becomes continue to grow or maintain the success created until this point. Having systems in place is a vital difference between Survival and Success stages. The owner at this will work through his management team and will develop strategies intended to have him maintain control over operations. The reason for weaning the owner from major tasks is for continued growth as well as the opportunity to sell.

2.5.4 Stage 4: Take Off (Growth)

In this stage, the small business now requires increase in capital in order to accommodate the higher volumes of customers. This means more staff, more equipment and materials and better processes. At this stage, a small business has the chance to be a big company. However, if mismanaged, the small business could fail as a result of poor cost management of expenses over revenue. At this stage Churchill and Lewis posit that many owners end up being unsuccessful in their quest to manage the business. A pivotal stage, a failure at take off normally occurs due to attempts at growing the business to rapidly or the inability to have effective delegation.

2.5.5 Stage 5: Maturity

The owner and the business are completely distinct. The business has a decentralised structure and appropriate well functioning systems in place. There are sufficient resources to sustain profitability and the main agenda is to ensure a twin pronged combination of an entrepreneurial spirit and response flexibility is embraced for the achievement of more growth. Churchill and Lewis note that failing to do so will result in ossification leading to risk avoidance and stifled innovation.

As earlier pointed out and illustrated by Churchill and Lewis, the stages models suggest that a small firm moves from one stage to another in pursue of growth. Scott and Bruce
(1987) went further to come up with their own version of the stages model clarifying the role which top management plays, the management style and the organization of structure change.

Table 2.1 Table showing growth stages and management styles

<table>
<thead>
<tr>
<th>STAGE</th>
<th>TOP MANAGEMENT ROLE</th>
<th>MANAGEMENT STYLE</th>
<th>ORGANISATIONAL STRUCTURE</th>
</tr>
</thead>
<tbody>
<tr>
<td>INCEPTION</td>
<td>Direct supervision</td>
<td>Entrepreneur Individualistic</td>
<td>Unstructured</td>
</tr>
<tr>
<td>SURVIVAL</td>
<td>Supervised supervision</td>
<td>Entrepreneurial administrative</td>
<td>Simple</td>
</tr>
<tr>
<td>GROWTH</td>
<td>Delegation Coordination</td>
<td>Entrepreneurial, co-ordinate</td>
<td>Functional Centralised</td>
</tr>
<tr>
<td>EXPANSION</td>
<td>Decentralised</td>
<td>Professional, administrative</td>
<td>Functional Decentralised</td>
</tr>
<tr>
<td>MATURITY</td>
<td>Decentralised</td>
<td>Watchdog</td>
<td>Decentralised Functional/product</td>
</tr>
</tbody>
</table>

Source: Scott and Bruce (1987)

2.6 Shortcomings of the Stages Growth Model

Even though it has become very common to view small firm growth as a life-cycle development process through which a firm passes, these stage models have however drawn a fair share of criticism. A number of authors have come out and pointed out
certain shortcomings in viewing SME growth using the growth cycle inclination. Amongst the most prominent, is Storey (1994) who presented a comprehensive critique of stage models of SME development. In his critique he acknowledges four notable weaknesses outlined as follows:

- Not all firms begin at stage 1 and move through to stage 5. This is so because a significant number of small businesses cease to trade fairly early in their lifetime, so never progress beyond stage 1 or 2.
- A firm may well have a management style which is more or less advanced than the stage, for example of its organisational structure. The management roles do not move in parallel as assumed in the table.
- Firms may achieve a particular stage, most notably Survival, and never have any intention of moving beyond that stage. This is supported by the notion that not all SME owners have the growth intent. Hence, not all firms move from stage 1 to stage 5, even if they continue to exist.
- The defining assumption on which advocates of the stages theory such as Scott and Bruce (1987) or Churchill and Lewis (1983) base their model is that a movement from one stage to another is triggered by a point of crisis. This position has essentially remained an untested – and possibly un-testable hypothesis.

Despite all this criticism seemingly throwing doubts over the credibility, relevance and value of the stages model, it remains a vital point of reference for explaining small business growth.

2.7 FACTORS AFFECTING SME GROWTH

Although the subject of SME growth has raised substantial interest from researchers, policymakers and authors, there is no consensus in coming up with a unitary theory explaining SME growth. The same position exists in attempts to explain factors
promoting SME growth. According to Delmar (1997), although there has been much interest in understanding small firm growth, there is still not much of a common body of well-founded knowledge about the causes, effects or processes of growth.

As much there is lack of coherent consensus in explaining small firm growth, a substantial amount of effort has been devoted in identifying specific factors influencing their growth. For the sake of this study, the factors are going to be classified as internal/endogenous and external/exogenous.

2.7.1 Internal/Endogenous Factors

Storey (1994) identifies three key internal influences on the growth rate of a small firm as being:

- the entrepreneur
- the firm itself
- the strategic decisions taken by the firm

Storey (1994) illustrates these factors as follows:
Figure 2.1 Storey’s Internal Factors framework

According to Storey (1994), these three components, the entrepreneur, the firm and the strategy need to combine properly in order that the firm achieves growth. A firm might have these three essential elements of the entrepreneur, the firm and strategy, but it is only where all three combine that the growth is achieved. Deficiencies in the internal environment are a major cause of SME failure with over 65% of failures attributed to be firm based (Dackel and Ligthelm, 2005.)

Each of the three essential components identified by Storey (1994) as being the foundation for SME growth broadly define the internal or endogenous factors influencing SME growth. The table below tries to summarise and illustrate the different elements under each of the three core components:

### Table 2.2 Internal Growth Factors

<table>
<thead>
<tr>
<th>THE ENTREPRENEUR’S CHARACTERISTICS</th>
<th>THE FIRM’S CHARACTERISTICS</th>
<th>STRATEGY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Age</td>
<td>Size</td>
<td>Marketing Strategy</td>
</tr>
<tr>
<td>Gender</td>
<td>Sector</td>
<td>Management Training</td>
</tr>
<tr>
<td>Education</td>
<td>Legal Form</td>
<td>Technical Resources</td>
</tr>
<tr>
<td>Management Experience</td>
<td>Location</td>
<td>Internationalisation</td>
</tr>
<tr>
<td>Prior Self Employment</td>
<td>Ownership</td>
<td>Planning</td>
</tr>
<tr>
<td>Family Upbringing</td>
<td>Age</td>
<td>External Advice and Support</td>
</tr>
<tr>
<td>Prior Experience</td>
<td></td>
<td>Workforce Training</td>
</tr>
</tbody>
</table>
2.7.1.1 The Entrepreneur

A number of studies have noted that top of the factors important for small business growth is the entrepreneur. According to Man et al (2002), the entrepreneur’s demographics are often cited as one of the most influential factors related to the performance and competitiveness of an SME. Studies by Smallbone et al (1995), and Storey (1994) highlighted the importance of the entrepreneur, relating to his commitment to lead and grow the business and access to resources to grow the business. Man et al (2002) states that the entrepreneur’s demographics are influential to the performance of an SME and its competitiveness. Some of the key demographics of the entrepreneur that enable business growth are as follows:

2.7.1.2 Age

Empirical studies have tended to show that the age of the entrepreneur plays a crucial role on the success of the business. There is evidence that there is a positive correlation between age and experience which in turn has an impact on business success. Studies in the USA have cited the optimal age of most successful
entrepreneurs to be between 22 and 45 years (GEM, 2005). Starting a business too early is associated with most failures due to lack of experience, whilst starting too late will also lead to minimal growth due to diminished abilities linked with old age and lack of energy and drive. According to Bygrave (1997) successful entrepreneurs possess the optimism and energy of youth and experience that comes with age. The younger owner/manager is inclined to take risks because he has the necessary motivation, energy and commitment to work (Storey 1994).

2.7.1.3 Gender

In Africa, cultural factors have tended to stifle and inhibit the entrepreneurial ambitions of woman. Anderson et al (2007) argue that gender is rooted in social institutions and results in patterns within society that structure relationship between women and men and that give them differing positions of advantage and disadvantage within the institutions. Women are generally predisposed to lacking the same opportunities to build experience and capacity to resources as the ones afforded to their male counterparts. According to Pederson (1998) in African society women roles are limited to household chores and men are thought to be the ones who should be involved in income generating projects.

The proportion of female owned and run business is much smaller compared to that of males. Because the proportion of firms owned by men exceeds those owned by women result most research done on gender has tended to focus on the male owner/managers, (Chell, 2001).Women have tended to have limited access to finance, stringent collateral requirements and constrained by women’s double duties (obligations of the household and business) (Riding and Swift, 1990) There are however other studies that do not concur with the significance of gender on business success.

2.7.1.4 Education

Rigwema and Venter (2004) state that education forms the basis through which all knowledge can be gained. Having a basic education plays a vital role in building the
foundation of any aspiring entrepreneur consequently enhancing their chances not only for survival but for further growth. Basic education provides basic numeracy and literacy forming the foundation for further specialised training in other business related disciplines (Carter and Jones-Evans, 2000). Rodgers (2001) suggests that education enables the entrepreneur to enhance some personal attributes crucial for him to foster the growth of their business. Some of these attributes positively correlated to education are:

- problem solving ability
- identifying market opportunities
- strategic disposition
- resource mobilisation
- effective communication

Clover and Darroch (2005) also point out that education is thought to increase intrinsic motivation and energizer behaviours, and the more enterprise education an individual receives, the greater the possibility of the SME’s success. As much as education has largely been seen to enhance entrepreneurial abilities, there is however a school of thought that has provided the contrary position that associate degreeed owner/managers of SMEs with lower rates of growth than those less well educated (Hall, 2000).

2.7.1.5 Need for Achievement/Growth Orientation

In general entrepreneurs go into business driven by varying reasons, motives and in response to an assortment of circumstances. One important position to take note of from the onset is that not all entrepreneurs go into business with the ultimate motivation for growth. These motives can be broadly classified as being pull and push factors. McCormick and Pedersen, (1996) identified some of the pull factors driving entrepreneurs to decide to go into business as follows:
they have identified a market opportunity
the need to fully utilise skills and realise full potential
to generate more income,
desire for independence

Other pull factors that may attract entrepreneurs into business are financial incentives, pursuing a passion, previous work experience and family culture acting as a role model (DATI, 2000). Some of the push factors that drive instead of attract entrepreneurs into venturing to start their own businesses are:

- unemployment
- retrenchment /retirement
- death of a breadwinner
- disaffection with the owner’s previous employment

According to McCormick and Pedersen (1996), if the entrepreneur’s reasons for starting the business originated in “pull” or opportunity driven motivates rather than “push” or necessity driven motivates, the resulting enterprise is more likely to grow. Naturally entrepreneurs who decide to go into a business as a result of being attracted to opportunities rather than pushed or driven by circumstances are more inclined to growth. This notion is brought into context by a Smallbone et al (1995) study which hypothesised that a business that is begun with ‘positive’ motives (e.g., spotting a market gap) is more likely to grow than one begun with ‘negative’ motives (e.g., disaffection with the owner’s previous employment).

2.7.1.6 Prior Experience

Prior experience can be expressed into three main forms namely prior work experience, prior business ownership/management experience and industry specific experience. A number of recent studies have attempted to tie the entrepreneur’s previous
management experience in a previous business ownership or employment-to the growth orientation of the firm. Results from these studies initially found no concrete relationship between experience and growth, with Storey (1994) hypothesising that for a variety of reasons, business owners who previously owned other businesses may be inherently more cautious than those unburdened by such experience and may therefore not have a growth objective. However more recent studies have come out with a converse hypothesis, showing a positive correlation between prior experience and growth. Such studies as one by Iacobucci and Rosa (2005) are of the premise that ownership/management experience is considered to be a resource in itself to the extent that it that can steer the firm towards growth-related opportunities whilst helping it to avoid growth-related pitfalls. It follows therefore that entrepreneurs with prior management experience are thought to be better equipped to steer and forge growth than those established by individuals without that experience.

McCormick and Pedersen (1996) also found that entrepreneurs with no previous occupation began firms which were relatively small and remained in the smallest category whilst on the other hand it was found that the largest enterprises were almost entirely set up by entrepreneurs with previous experiences either in manufacturing or in the retail trade. Previous failures also form part of prior experience since such experiences can help entrepreneurs steer away the same pitfalls that they would have encountered previously. In this regard Deakins and Feel (1998), states that the ability to assimilate experience and at the same time learning from it, is one key factor influencing the entrepreneurial process.

2.7.1.7 Family Upbringing

According to Bolton and Thompson (2004), family upbringing and background is crucial to the success of the entrepreneur. Elements of family support towards entrepreneurial success come in a number of varying dimensions. A stable family environment in itself is a basic starting point. According to McCline et al (2000), well educated parents who
encourage independence and self reliance confer on their offspring, an early advantage, whilst wealthy parents in addition can assist with financial resources (Venter, 2004). According to Fairlie and Robb (2005), individuals with prior family business experience may incorporate their experiences to their own ventures. Garvan and O’Cinneide (1994) suggest that to be a successful entrepreneur, it is desirable to come from two learned entrepreneurial parents, get an adequate education and gain valuable work experience.

2.7.2 FIRM CHARACTERISTICS

Firm demographics have a large bearing on firm survival, a view shared by Panco and Korn (1999) who concur that company demographics are factors that may affect firm success. Firm characteristics define the relationship between firm growth and the organization of the business as it transforms and grows from a newly established enterprise into a more established one. A brief explanation of company demographics factors is given as follows:

2.7.2.1 Age of the firm

The age of a small business has an effect on its success in a number of ways. To start with it has been shown that younger firms are typically concerned with growing emanating from their need to survive. This is better explained by Kangasharju (2000) who points out that younger SMEs are more eager to grow rapidly in order to be better able to guard against unforeseen environmental stresses, although however caution has been raised with respect to this proposition. Carter and Jones-Evans (2000) note in that respect that discontinuities in small firm growth shows that a firm’s age is not a reliable predictor of its growth propensity. Recent studies have however brought a new dimension that relates firm age to growth inclination. Just like with the case of the entrepreneur, age relates to experience, which is invaluable to firm growth. Firm age is positively related to its chances of survival and consequently, growth. This is supported by Davila et al (2003) who state that older firms possess greater growth potential
because of experience, access links, reputation, and market legitimacy and for those reasons are more inclined for growth than do younger firms who lack some of those qualities.

2.7.2.2 Sector

Any economy is made up of different sectors, such as service, manufacturing, agriculture and mining. These different sectors present different dynamics to different players operating in them. Such dynamics include capital intensiveness, entry and growth barriers, markets, expertise, and regulations, to mention a few. All these different dynamics have an effect on efforts to foster growth with regards to SMEs. The sector in which a firm operates is considered an influential factor on the growth processes in small firms. Different sectors present unique opportunities for small business growth as well as the rate thereof. According to Smallbone et al (1995) different sectors, due to their unique circumstances achieve different growth rates. There has been a significant number of studies on the relationship between sector and growth rates. They confirmed and concur that there exist significant differences between sectors in terms of the typical growth rates of the firms (Hakim, 1989). He further points out that only a few studies show sector variables not to be significant.

2,7,2,3 Location

Location plays a vital role and is significantly connected to the business’s growth orientation. Business owners choose to locate their businesses after considering the benefits and constraints those respective locations bring about in the short and long term. According to Robson and Bennet (2008) location tends to be conceived of in an urban-rural split and both types of locations have been identified as potential sources of both benefits and constraints. Some of the major considerations that influence the decision to locate businesses in certain areas are:

- market
- raw materials
• labour
• infrastructure
• transport and logistics
• finance

Each location at which a business decides to operate from might offer advantages in one dimension and a constraint in another (Robinson and Finlay 2007). Generally such dynamics make it difficult to determine the likely impact of the location on growth behaviour and patterns. In modern day business the importance of location as a determinant of business growth is no longer huge especially with the advent of the internet and subsequently, globalisation (EMPRETEC, 2012).

2.7.2.4 Size

Firm size has a positive correlation to growth due to actual and perceived positive attributes that larger SMEs hold over the smaller ones. De Villias (1997) points out that SMEs exist in an environment with constraints that affect them differently from larger competitors in the same industry and location. Lipsey (1995) further states that larger firms are better positioned for growth because of their advantage of having economies of scale. From a psychological perspective, customers, suppliers, funders and other stakeholders tend to perceive larger firms in a better light than the smaller ones. This places the bigger firms in a better position for growth. Besser (1999) states that larger firms with the capacity to support communities through ethical social responsibility efforts manage to usually manage to build a positive image, which consequently positively impacts on their further growth and success. However, on the contrary, Miller (2002) points out that SMEs perceived to be capitalist sharks by the markets and communities they serve may not have the same advantages.

There are certain sectors however in which size is not an essential determinant of growth. Smaller firms especially in the technology sector have been seen to achieve higher growth rates. One good example is that of Whatsapp Inc. The company is much
smaller in size compared to giants in the industry such as Google and Yahoo, but since its launch in 2009 has grown to a staggering value of over $10 billion. According to Harrison and Watson (1998) the ability and innovative capacity and flexibility of SMEs, their simple organisational structure, their low risk and receptivity are the essential features facilitating them to achieve high growth rates.

2.7.3 STRATEGIES

2.7.3.1 Business management practices/strategies
Strategy is broadly encompassed in managerial actions that business owners/managers take in their day to day running of their business from commencement of business. They form an arsenal of tools and weapons at the disposal of entrepreneurs to react to the general business environment with regards to opportunities, threats and trends. Strategies also enable SMEs to plan on how best to utilise their available resource in order to maximise output and consequently growing their business. To support this notion Kraus et al. (2006) state that the ability of a business to plan its development around a realistic analysis of its resources is typically held in the management literature to be indicative of the firm’s ability to survive and grow. Anderson (2001) adds that a growing company is characterised by dynamic strategic qualities and behaviour which entails to continuously manage all aspects of its existence, such as its workforce, suppliers, market, financial management, and competition. By utilising strategic analysis, a firm is able to streamline its internal structures and at the same time react to threats and maximise on opportunities presented by the external environment.

A brief review of the key factors that fall under the strategy auspices of growing SME are as follows:

2.7.3.2 Management training
For the success of an SME, competent management skills are a prerequisite. Management competence is principally a function of abilities and skills, capabilities and know-how (Markman and Baron, 2003). In order to achieve a competitive advantage and growth successful SMEs ride on the competence of management whose skills and abilities must be continually enhanced. This is done through training, which can be in house or offered by external experts. According to Alarape (2007), managerial competencies may be developed in-house, or “bought” in via the firm’s recruitment practices but as with workforce training, empirical studies have positively, but not conclusively associated management training with the subsequent growth of small businesses. Competent management enables small business owners/managers to effectively and efficiently:

- Identify market opportunities
- Set up realistic and attainable goals
- Come up with competitive plans
- Mobilise and manage resources
- Manage industrial relations
- Respond to market needs

According to Dreisler et al (2003) these factors enable SMEs to achieve overall industry and market efficiency that results in growth thereof.

2.7.3.3 Workforce training

This is closely tied to management training. A number of studies have been commissioned in an attempt to connect the level of training afforded a firm’s employees to the firm’s propensity to grow and the majority of which have confirmed that SMEs with an expressed growth intention most likely to invest in training (Savery and Luks (2004). Conversely they also found a trend where businesses tended to disinvest from training with reduced production. This lends credence to the typically positive association that is made between the existence of employee training and small firm growth (Storey, 1994).
2.7.3.4 Marketing strategy

Marketing strategy is centred on the knowledge of the market, customers, competition, understanding trends and how best to sell the business’ products and services. Perrault et al (2010) emphasise this view by stating that marketing strategy is broadly understood to provide an articulation of a firm’s best use of its resources and the tactics to achieve its marketing goal in a given market. There is a highly accepted notion that SMEs are hotbeds for innovation in SME literature. Most SMEs lack the capacity both in terms of size and scale and do not enjoy economies of scale that larger businesses would have acquired and built over time. As a result SMES are not able to base their marketing strategy on pricing or product volumes. In order for them to succeed and achieve growth, their marketing strategies are mostly based on innovation inspired product differentiation and targeting specific niches instead of mass markets. This view is supported Ram et al. (1997), who state that marketing strategies in small firms tend to centre on varying degrees of differentiation, often involving new product development and/or positioning the firm to operate in profitable niches.

2.7.3.5 Internationalization

This factor relates to what effect establishing international links by small businesses has on their growth. Internationalisation refers to a process by small businesses of incremental ‘stages’ whereby they gradually become involved in exporting and other forms of international business (Czinkota, 1982). The past twenty five years has ushered a new dawn characterised by the transformation of the world market into a global village. This has been enhanced by factors such as:

- The explosion of the internet
- Improved communication infrastructure
- Collapse of political, economic and cultural barriers
Exporting is one of the more basic modes of entry for firms seeking new international markets. It has to be noted however that not a significant number of SMEs do not export and many of those that do face distinctive constraints that impede their performance in this area (Storey, 1994). On the contrary however, it has been noted that companies that did achieve growth during the hyperinflationary era of 2006-8 in Zimbabwe, had an aspect of international link, with respect to export markets or sourcing raw materials (SEDCO 2010). Other studies, such as one by Snell and Lau (1994), have confirmed positive correlation between increased export orientation and small firm growth. As discussed earlier, small firms use their innovation abilities to develop new products for which they seek new niche markets as a strategy to compete against their larger counterparts. Part of this strategy involves SMEs seeking new opportunities in the markets beyond their borders. B Lau (1994) identifies new market development (that is internationalisation) as a viable strategy for rapid small firm growth. In order for an export oriented internationalisation strategy to lead to growth, it must be based on the small business’ ability to identify opportunities and other such pull factors as opposed to reacting to push factors. Bilkey and Tesar (1977) note that if small firms’ export behaviour is essentially unplanned and reactive, with firms responding to unsolicited orders or enquiries rather than pursuing proactive strategies, they would not achieve the desired growth intentions.

2.7.3.6 External advice and support

Any firm big or small always encounters situations in which it needs to consult resources outside its own existence. External advice and support generally defines a small business’ need for direct prop up from individuals or agencies from outside the organization coming through at different capacities. Some serve the purpose of fulfilling regulatory obligations, problem solving, business realignment, training, general advice and legal advice amongst an array of numerous other services. According to Blackburn et al. (2010), small businesses generally desist from seeking formal external support, mostly because they perceive such services to be beyond their scope and cost. Storey
(1994) however is clear in his analysis when he points out that firms that seek outside expertise experience higher growth than those that do not.

2.7.3.7 Technical resources

A firm’s possession and use of technical resources can be a valuable tool aiding in particular the implementation of a firm’s growth objectives. Specifically, the possession of technical resources can be a moderating factor in overcoming disadvantages associated not only with size but with market experience (Lee et al., 2012). Other things being equal, a small business that adopts greater levels of technological sophistication can be expected to grow more rapidly than a similar firm that does not. In this context however, a key issue will revolve around an acceptable generic definition or benchmark for “technology” since its use as a basis for competitiveness is not uniformly employed by small firms in all sectors.

2.7.3.8 Planning

Planning as a managerial discipline has always been held with high regards in business literature. Basically for every facet of business to function well, it entails planning. Planning involves aspects such as goal setting, time management, resource planning and business plans. Earlier studies suggested that planning did not take priority amongst SMEs but noting also that the trend has changed over time. Formal planning is indeed a vital factor for growth as noted by Masurel and Smith (2000) who state that where formal, long-range planning is practiced, it is positively associated with a greater propensity for growth behaviour. As small business evolve through the stages of growth and increase in size and capacity, the greater need for planning also increases.

2.7.3.9 Financial resources

This is a crucial factor influencing SME growth and it has arguably received the greatest attention in literature with the majority citing the factor as being the most crucial to small business growth. Financial resources are essential in many dimensions such as access
to funds, use and management thereof and equally important the form of financial resources a business opts to use. Key to enabling financial resources to foster business growth is financial management. Botha (2006) notes that financial management includes functions such as:

- Understanding accounting principles
- Resource mobilisation
- Bookkeeping
- Credit management
- Cost management
- Payroll and cash flow management
- Tax computation

These affect the small business’ ability to implement growth opportunities.

Due to personal attachments they would have built from business inception, most business owners are reluctant to seek external finance which they may perceive to dilute their ownership and threaten their autonomy. Small business owners are noted for their unwillingness to share ownership this way, as a result losing opportunities for funding their growth intentions (Burns, 2001). He proceeds to note that small businesses in which the owners are willing to share equity tend to be reported to be more likely to grow than businesses that express a reluctance to share equity.

2.8 EXTERNAL/ENVIRONMENTAL FACTORS DRIVING SME GROWTH

The three tier framework provided by Storey (1994) which identifies the entrepreneur, the firm characteristics and strategy provided a basis for identifying and discussing the elements that form internal factors promoting small business growth. In line with the objectives of the study, this sub section gives insight to the external or environmental factors promoting SME growth. This also guides the study proposition which proposed
that it is the combination of internal and external factors that can fully explain the
dynamics of small business growth.

Simpson et al (2004) defines the environmental elements as factors external to the
business that present situational variables that may facilitate or inhibit entrepreneurship
at start up and going up the business’ life cycle. These exogenous factors are crucial for
growth as they present opportunities, threats and information affecting the business
regardless of how well aligned the internal factors are. As much as these external
factors are beyond the control of the businesses, large or small, it is their ability to react
to and manage them that determines ultimate growth. This ability is in turn defined by
the business’ internal structure and conditions. To this effect, Sha (2006) pointed out
that it is crucial that the owner or manager be aware of these external variables to
minimise any negative effects and be able to swiftly adapt to these changes in order to
take advantage of possible opportunities as well as to ward off any threats. SMEs must
be fully aware of changes occurring in the external environment that occur in the form of
economic, social, political, technological and international arenas.

2.9   Macro economic factors

The state of an economy is a major determinant for the success of any business, large
or small. The economic climate presents both challenges and opportunities for all
players. As with all businesses, SMEs face challenges posed by the economic climate
in a country as the economic factors have a direct impact on the consumption patterns
of consumers and significantly affects all businesses in all sectors (Fatoki & Garwe,
2010). It is crucial to note at this juncture that no matter how well the internal dynamics
(the entrepreneur, the firm and strategy) of a business are aligned, the ultimate growth
and success of firms will be determined by the interrelationship between internal and
external factors. The various elements of the macroeconomic environment that
determine SME growth are identified and briefly discussed as follows:
2.9.1 Business environment

A stable economic environment is crucial for the growth of small businesses. It creates conditions that are conducive for entrepreneurs to utilise opportunities such an environment offers. According to OECD (2002) a stable economic environment results in business growth as it promotes and supports a vibrant entrepreneurial culture. Positive features of the business environment of a country provide SMEs with opportunities for growth and expansion (Hirsh and Peters, 2002). The period coinciding with the dollarization of the Zimbabwean economy brought about a semblance of stability after the volatile hyperinflationary period prior to that (EMPRETEC, 2012). That stability brought about much needed opportunities for many small businesses.

2.9.2 Interest rates

Simply put, interest rates equate to the cost of borrowing money on one hand and the incentive for saving on the other. According to Lithely and Cant (2002) interest rates are the major determinant for access to financial resources. Naturally as much as low interest rates make saving unattractive, they facilitate access to capital and other financial resources needed to stimulate business growth. Finance plays a major role for any business, large or small. Finance is utilised by businesses for an array of different purposes depending on where it lies in relationship to the business life cycle. Many studies have alluded to small business failure as being linked to lack of funding. Storey (1994) further elaborates this position by stating that sometimes small businesses lack funding not because it is not there, but cannot afford it. He was referring to the fact that the various funders for businesses might be present but because interest rates do not make economic sense. For example The Independent (2013) quotes the average prime lending rate for banks advancing facilities for projects was around 43% as of the second week of February 2014. In an economy where margins on sales are as low as 5%, it would not be worthwhile borrowing at such a heavy cost. The point being brought out is
that lack of funding does not necessarily refer to the non-availability of the actual funding but as well as the prohibitive conditions attached to the said funds.

2.9.3 Inflation

Inflation defines the rate of price changes. It has been found that controlled inflation is good for an economy as it forms the basis for growth. An economy with no inflation represents no growth as demand and supply remain constant and characterize stagnation (Lipsey, 1995). However, if inflation spirals out of control, it erodes the value of money rendering the currency of the respective country weak. In the case of small businesses, inflation has a negative impact on expenditure and increases the cost of production, without giving a boost to the business. While a large scale enterprise may be able to bear the brunt of inflation to some extent, the same cannot be said about SMEs.

The effect of inflation on small business investment occurs directly and indirectly. In a hyperinflationary environment it is difficult to determine value of goods and services, which results in increased uncertainty. Viviers et al. (2001) supports this view by stating that when inflation makes nominal value uncertain, investment planning becomes difficult. Because of the uncertainty businesses are unable to operate according to their business plans. Viviers et al. 2001 go on to state that businesses may be reluctant to enter into contracts when inflation cannot be predicted making relative prices uncertain. Investment will be negatively affected by the reluctance to enter into contracts over time and business growth is affected. If inflation remains unchecked over time, it will inhibit investment and result in financial recession (Hellerstein, 1997). Inflation also has a damaging effect on the credit market. It contracts the supply of credit available to fund SMES and consequently impacting negatively on their growth.

2.9.4 Exchange rates
There is no consensus in literature on the real impact of exchange rates on small business growth. Exchange rates relate to and impact on business in different ways depending on the type of venture the firm is involved in. Businesses that have a direct interest on exchange rates are those that are involved in the international market, either as exporters or importers. A weak local currency works well for net exporters than it does for importers and the inverse is true. A weak local currency makes its exports attractive on the international market but less suitable for the domestic market. This view was brought into context by Lithely and Cant (2001) who mentioned that the weakened South African rand created massive opportunities for exporters but meant there was less capital for the local market. It is important to note the intricate interdependence between inflation, interest and exchange rates.

2.9.5 Taxation

Taxation is a fiscal measure taken by governments as a way of collecting revenue from various players in an economy, including SMEs. As a rule all registered entities have an obligation to pay taxes imposed on them. Since for this study we defined an SME as a registered entity, it is vital to discuss the impact taxation has on their growth. Taxes constitute a significant cost centre for small businesses. According to Viviers et al (2002) high taxes and value added tax rates increase the cost of doing business. As a result some businesses might deliberately avoid growing to certain levels in order to remain in lower tax thresholds. In Zimbabwe there is no policy that differentiates tax rates for large established corporate and SMEs (Ishengoma and Kappel, 2007)

2.9.6 Access to Financial Resources

Businesses regardless of scale or size need adequate and appropriate financial resources in order to achieve their goals. Finance is required for different reasons by business to meet varying obligations such as:
Financial resources must be available for SMEs to fulfil these obligations at favourable conditions and price. This is expressed by Ishengoma and Kappel (2007), who states that the availability of appropriate economic resources is essential for business growth. The availability of financial resources is vital for entrepreneurs for various reasons. According to Robertson et al (2003) enables entrepreneurs to implement their strategies, acquire raw materials, attract quality personnel, marketing and generally put entrepreneurial ideas into practice.

Small businesses in the early stages of the business life cycle find it difficult to mobilise financial resources, a sentiment echoed by Bari et al (2005) when he stated that because of their weak reputation, poor financial systems and higher per unit cost of lending earning them a higher risk profile, younger SMEs experience higher challenges in getting credit.

Another dimension of access to financial resources by SMEs relates to their knowledge of the different forms of funding available to them. It is interesting to note that a significant number of small business owners tend to regard bank loans and related facilities such as overdrafts as the only form of funding available to them. According to Kapour et al, (1997) small business owners are especially reluctant to venture into alternative forms of funding because of lack of information, whilst others are unwilling to bring in outsiders in fear of diluting their ownership to the business.

2.9.7 Political institutional factors
In developing most nations like Zimbabwe, the state plays a large role in the development of SMEs. It sets the tone by introducing business friendly laws and regulations that are pro small business in an effort to try to even out the playing field as the small firms compete for space against the large enterprises. Themba et al (1999) points out that the political environment and legal framework in a country is a major enhancer in the development of entrepreneurship. The major elements of political institutional factors are as follows:

2.9.8 Macroeconomic policy

Macroeconomic policies are guided by legislation, regulations and laws. Policies that are pro small business are a major driver for entrepreneurship. Clover and Darroch (2005) state that macroeconomic policies, regulations and legislation are factors that can make or break SME growth. Themba et al (1999) identified the following elements as some of the factors that could drive entrepreneurial growth:

- Trade policies
- Labour issues
- Investment
- Tax policies
- Incentives for small business growth
- Measures that reduce the cost of doing business by SMEs

According to (OECD, 2005) SME development strategy hinges upon the ability of governments to implement sound macroeconomic policies. These policies are implemented through simplified legal and regulatory frameworks, good governance, abundant and accessible finance, suitable infrastructure, supportive education and as well as capable public and private institutions. On the contrary Nasser et al (2003) reveal that hostile external environment created by ill conceived macroeconomic policies result in legal and regulatory constraints which stifle entrepreneurship and increases the cost of doing business.
2.9.9 Government support

Governments especially in the developing nations have in recent years begun to realise the vital role played by small businesses in aspects such as employment creation and poverty alleviation. Amin and Banerjee (2007) state that SMEs are regarded as the engine of economic growth in all economies of the world. For this reason many governments regard SME development as a priority. This had led to many governments in both the developed and developing economies to come up with policies that ensure that SME growth is brought to the fore. According to Storey (1994) because they make a major contribution which appears to be increasing over time to private sector output and employment, many countries have special policies and programmes on SMEs.

In Zimbabwe, the government has come up with many different policy pronunciations on SMEs since independence. The most visible forms of government support are the existence of a Ministry dedicated to SME development and various agencies such as SEDCO and EMPRETEC. A lot of improvement is however needed if these institutions are to fully commit to SME growth. Firstly because of budgetary constraints growth SMEs are not able to access funding from government. The size of funds tends to match the needs of micro enterprises as opposed to grown and maturing SMEs. The array of services offered by the major government and non governmental agencies are also only aligned way below the needs of growth SMEs (CZI, 2010). Nasser (2003) emphasises that government and public support programmes in their various forms must ensure that SMEs grow beyond the incubation and early survival stages.

2.9.10 Markets

Any enterprise, large or small that is established, must have a market to which it delivers its goods and service and in turn derive revenue, profits and ultimately growth. When entrepreneurs first establish their businesses it is assumed that they would have taken into account the best market segment for their products or services. Shane and
Venkataraman (2004) argue that choosing a market with growth potential is a major factor influencing SME growth. This means entrepreneurs should take careful planning and intense consideration on issues relating to the markets they intend to venture into. There are a number market related factors that entrepreneurs must consider with regards to the market. The choice of markets is expected to be guided by the internal factors and characteristics of the entrepreneur, the firm and its strategies (Viviers et al 2001). Some of these factors are demand, competition, market accessibility and location. These factors have an intertwined relationship, with one depending and determining the other.

Access to viable and stable markets is a very crucial factor for SME growth and success. Accessibility to markets is determined by a number of factors such as the ability to overcome barriers, adequate information, logistics and quality of product and service offerings. Tuslin (2003) cites the access to export markets as a major driver for SME success.

As entrepreneurs craft their product and service offerings it is crucial that they ensure that there is adequate and sustained demand. Kangasharju (2000) mentions that market demand for the SME’s products is a huge determinant for its success. It should be emphasised that the demand for a product should be stable and sustained for it to stimulate growth.

As small businesses grow, so does the context of the market domain they operate in. there is increased competition as other businesses enter that same market. The business has to compete with many dimensions of competitors both physical and virtual. Nienman (2006) suggests that an analysis of the impact of competitors and counter competition intelligence and strategies and actions are crucial for the survival of the SMEs.

2.10 SME GROWTH STRATEGIES
2.10.1 Strategy

The previous section concentrated on analysing the internal and external (environmental) factors that drive SME growth. This section will survey literature on the actual strategies that SMEs use to achieve growth. Whilst the previous section was centred on what drives the growth, this section goes further to give an analysis of how the growth is achieved. One of the objectives of this study is to determine the kind of strategies SMEs adopt to achieve growth. Garnsey (1996) much of the research effort to date has been targeted particularly at investigating the factors affecting firm growth, there is no comprehensive thrust to explain how these factors are put into practice to achieve the growth. Gupta (2001) adds that as soon as an entrepreneur understands the factors that influence business growth, the next step should be determining how to achieve it.

2.11 Defining Growth Strategy

A strategy is a well planned, deliberate course of action taken by an individual or business to achieve specific goal and objectives. According to Dollinger (2006) it is the determination of the basic long term goals and objectives of an enterprise and the adoption of courses of action and the allocation of resources necessary to carry out these objectives. Ireland (2001) sees strategy as a pathway to move a concept or an idea from the inventive state to the actual positioning in a competitive environment whilst Thompson and Strickland (2001) refer to it as a roadmap to the planned by result. Every business operates guided by different strategies to achieve different goals such as pricing strategies, cost management strategies, human resources strategies, investment strategies and growth strategies. So a growth strategy is a specific plan of action aimed at achieving business expansion and growth.

Thompson and Strickland (2001) refer to a growth strategy a strategic plan formulated and implemented for expanding firm’s business. Growth plans are especially important for smaller businesses because they get easily affected even by smallest changes in
the marketplace. Despite most SMEs’ attitude that strategic planning is for large business it is just as essential for them. It gives a formal direction to the business. Strategic planning takes care of the additional efforts and resources required for faster growth. Different type of growth strategies are available each having advantage and disadvantage of its own and can adopt different strategies at different points of time. Every firm has to develop its own growth strategy according to its own needs.

2.12 FORMS OF GROWTH

A growth strategy that an SME adopts is determined by the form of growth the firm intends to achieve. Growth strategies can be inward oriented or extroverted in nature. There are two broad growth dimensions that define the kind of growth strategy that a business will adopt, namely organic and inorganic growth.

2.12.1 Organic Growth

Organic growth occurs when a business expands from within and is also termed internal growth. It results in an increase in the size and resources of the firm at a slower pace as it is planned and slow. This view is echoed by Bruner (2004)’s assertion that organic growth is a process spread over a few years. There are a number of avenues through which an SME can achieve growth from within. Some of the most defined forms are:

- Asset replication
- Exploitation of technology
- Concentrating on growing market share through customer relationship schemes
- New technology
- New products
- Ploughing back of its profits into the business every year.

Through increases in the sales of existing products or by adding new products, internal growth may take place. According to Bruner (2004) organic growth is defined by increased capacity in the business. Compared to inorganic growth, rate of expansion of
the business is slower. Gupta (2001) observed that a significant number of small businesses are more comfortable with the organic form of growth as comparatively little change in the existing organization structure occurs. He adds that they find it easier to manage as it is less complicated, can be planned and managed easily as the business is slowly transformed over time. The following strategies are utilised by entrepreneurs to achieve internally driven growth:

- Market penetration
- Product development
- Market development
- Diversification

In order to bring these strategies into clearer context, the Ansoff Matrix will be adopted.

![Image of Ansoff Matrix]

Source: Adapted from H. Igor, Ansoff, Corporate Strategy, 1965,

**Figure 2.3 Internal growth strategies**
2.12.1.1 Market Penetration

This is a strategy that matches the firm’s existing products to its current existing market share. In order to achieve desired growth, the strategy has emphasis on increasing the sale of the existing and known product offering. This can be achieved through a mix of avenues such as aggressive promotions or simply increasing awareness of the product through the provision of more information on the product, thus stimulating renewed interest in the product. This is intended to make the firm penetrate deeper into the market to capture a larger share of the market.

2.12.1.2 Market Development

As the name implies, resources are channelled towards creating new markets for the firm’s existing product offering. The objective is to expand the firm’s sales revenue by exploiting new markets. This can be achieved by promotion and massive advertising. A new market can be a new geographical area or simply a different demographic within the same geographic market the product has already been on offer.

2.12.1.3 Product Development

There are instances when businesses need to react to the dynamic and evolving nature of markets. They do so by making changes to their product offerings in reaction to such changes. The firm aims to achieve growth by developing improved products for the present market.

These three above strategies are referred to by Kotler (2000) as intensive growth strategies. Dollinger (2006) points out that intensive growth strategies offer the following advantages:

- Growth achieved is slow and the business owner is in control
- Resources used are from within the business hence not much need for often expensive external funding
- Ensures that resources are efficiently and effectively utilised
- Minimal changes occur in the organisation and management systems of the business.

The intensive growth strategy has a number of limitations that might disadvantage those pursuing such a strategy. Because of its conservative nature businesses pursuing this strategy loses the possibility of exploiting many business opportunities by restricting its operations to the present products and markets. Ansorff (1965) also point out that growth is very slow and it takes a long time for growth to actually happen.

### 2.12.1.4 Diversification

Diversification is a business development strategy in which a business introduces a new line of products that are inherently different from its existing offering (Raw, 1986). Diversification is usually adopted when a business realises it is no longer viable to grow through intensive product based strategies. Bruner (2004) stated that beyond a certain point, it is no longer possible for a firm to expand in the basic product market. A local example of diversification is Econet's introduction of Ecocash which is a money transfer product. A firm seeks increased sales by developing new products for new markets. Products added may be different but sometimes complementary. For example, Old Mutual, an insurance concern diversified into mutual funds whilst several formerly exclusively commercial banks have diversified into merchant banking and insurance. The difference between intensive growth strategy and diversification is that whilst under the former, the firm increases the production and sale of existing products, under the latter there are new and different products on offer (Ansorff, 1965).

The distinction between intensive growth strategy and diversification strategy must be carefully noted. In the case of intensive growth, the firm increases the production and sales of its existing products. But in case of diversification, there is addition of new products and new markets.
2.12.1.4.1 Advantages of Diversification

Companies that adopt diversification as a strategy are obviously liberal in their approach evidenced by their outward approach towards product development. Companies have increasingly adopted diversification strategy due to the following reasons:

- Companies that are ready to venture into new products are obviously proactive in taking up new opportunities. Such companies can more effectively utilize its managerial personnel, marketing network, research and development facilities
- A company that has a wide range of products increases its overall competitiveness.
- If one line of products suffers the effects of a recession, the company always has a fallback option cushioning it from the related shocks
- Diversification puts a company in a position where it enjoys economies of scale since the strategy results in increased size

2.12.1.4.2 Limitations of Diversification

Diversification requires large outlays of financial resources, which might make the strategy out of the reach of most small businesses that lack the level of required outlays required for sustained new product development and marketing thereof. The strategy places a huge burden on business owners and top management as their functions and responsibilities increase because of need to handle new product, technology and markets constantly. This may result in inefficient operations. The cost of technology for product development is usually beyond the reach of many SMEs. The obsession with new product development and marketing makes it difficult for businesses to build lasting relationships and build customer loyalty.
2.12.2 Inorganic Growth

Inorganic growth is a business expansion strategy that involves business proprietors looking outward for growth partners. It is sometimes referred to as acquisition strategy. External growth strategies refer to external growth by takeovers, mergers and acquisitions. According to Bruner (2004) the process of growth is fast and allows immediate utilization of acquired assets. For this study the major strategy explored is that of mergers and acquisitions

2.12.2.1 Mergers and Acquisitions

A merger is an inorganic growth strategy in which two companies join up to form one single company. It takes two form namely acquisition merger and amalgamation. In an acquisition merger acquiring firm retains its name and its identity, and it acquires all of the assets and liabilities of the acquired firm. The acquired firm legally ceases to exist as a separate business entity. In an amalgamation or consolidation, a new firm is created and both the acquiring and the acquired firm terminate their legal existence and become part of a new firm. Here, the distinction between the acquirer and the target firm is not crucial.

2.12.2.1.1 Advantages of a merger

Thompson and Strickland (2001) cite the following advantages of mergers:

- Because a merger creates a bigger company it offers possibilities of economies of large-scale operations.
- If the companies that merge offer different products, the new company will enjoy benefits of diversification
- More efficient use of resources can be made
- Distressed companies be rehabilitated by merging them with healthier companies thus saving them from closure
- Mergers often open opportunities to cheaper companies with existing customers and goodwill
• Offers quicker avenues to newer markets
• It can provide access to scarce raw materials and distribution network and managerial expertise

As much as mergers offer numerous advantages, they have their limitations. Not all mergers result in the desired and expected efficient companies especially if not enough research and due diligence would have been carried out prior to the merger. They often create monopolistic monsters often operating against the interest of the society and the country.

Not much in terms of empirical studies has been carried out relating inorganic growth strategies as a choice for SME growth. The strategy seems to be more pronounced for large established corporate. Dermott (2013) provides an insight on the issue when he identified the following reasons why mergers have not work as well for SMEs in his study on Ireland. He states the level of investments involved in mergers and acquisitions is well beyond the capacities of most SMEs. Dermott also states that most SMEs are just unfamiliar with the strategy. There is a lack of information amongst most SMEs and there is a general lack of readiness and willingness by business owners to merge with others.

2.13 Summary

This chapter presented views from various authorities guided by the Storey’s three pronged framework on the factors driving firm growth. It went further to highlight all elements of firm growth, highlighting the relationship of each with firm growth. The chapter ended by analysing the various strategies available to SMEs who intend to grow.
CHAPTER THREE

3 METHODOLOGY

3.1 INTRODUCTION

This section presents and analyses the concept of the philosophical basis of research and describes how the study was conducted, the methods used and the limitations of the various methods used. It also looked at the nature of study, research design, sampling and sources of data.

3.2 Research Design

Research design is the grand plan for conducting a research investigation; it specifies the data that is needed and the procedures for collecting, processing and analysing the data, (Hague 2003). It is the detailed blueprint used to guide the research study towards its objectives. The researcher gathered data from SMEs, EMPRETEC, Small Enterprise Development Corporation (SEDCO) as well as from historical data and literature. This was achieved through the use of questionnaires and interview questions.
3.3 Research Philosophy

A belief about the way in which data about a phenomenon should be gathered, analysed and used defines a research philosophy. The term epistemology (what is known to be true) as opposed to doxology (what is believed to be true) encompasses the various philosophies of research approach (Levin, 1988). According to Wegner (2001) getting the most useful information to key decision makers in the most cost-effective and realistic fashion is the overall goal in selecting basic business research method. The basic research methods present an overview of research methods used, how to apply them and how to analyse, interpret and report results. According to Saunders and Thornhill (1997), the research methodologies can be divided into positivism (quantitative) and phenomenological (qualitative).

3.4 POSITIVISM PARADIGM

Positivists believe that reality is stable and can be observed and described from an objective viewpoint without interfering with the phenomena being studied (Levin, 1988). Positivism or quantitative research is the scientific approach, which emphasises on highly structured methodology and quantifiable observations that lead to statistical analysis, (Saunders, Lewis and Thornhill, 2003). Positivism has a long and rich historical tradition with the use of mathematical numbers and large samples to test theories. The approach seeks to explain and predict what happens in the social world by searching for regularities and causal relationships between its constituents elements (Wallace and O’Farrell, 2003).

In causal relationships, two entities are linked in such a way that the action of one causes an effect in the other. Furthermore, the positivist researcher believes that the scientific method is the way to proceed to validate knowledge, and that it can be applied to managerial problems to derive laws similar to those produced by researchers in engineering and the pure science such as physics and chemistry.
3.4.1 CRITICISMS OF THE POSITIVIST APPROACH

Positivism has been subjected to increasing criticism, especially in the social sciences, where many researchers regard it as an approach that does not lead to convincing explanations of phenomenon in the field of business and management. For example, some positivist academics fall into the trap of misplaced rigor (O’Farrell and Wallace, 2003). In this condition they believe that they can compensate for measurement weaknesses by increased methodological strength by the use of advanced statistical techniques.

In some ways these are fair criticisms. In most cases, a specific research method has to be designed for an individual research programme, and it is not always possible to transfer a paradigm from science and engineering research directly into management and business research. There is also no doubt that the belief systems of managers have an impact on the data generated in positivist research.

3.5 PHENOMENOLOGICAL PARADIGM

A phenomenologist contends that reality is fully understood only through the subjective interpretation of and intervention (Chisnall, 2001). This paradigm is non-mathematical and uses non-mathematical procedures when analysing and interpreting findings. It uses words, very qualitative when describing issues. Burns (2006) noted that the study of phenomena in their natural environment is key to the interpretivist philosophy, together with the acknowledgement that scientists cannot avoid affecting those phenomena they study. They admit that there may be many interpretations of reality. They add that these numerous interpretations are part of the scientific knowledge being sought.
Phenomenology is the main alternative paradigm to positivism. A primary driver behind the phenomenological approach is that the world analysed by positivists is not the everyday world we actually experience.

Although positivism has led to many major scientific advances such as the jet engine, space travel, computers and numerous other breakthroughs, it has limitations in explaining, for example, why some firms succeed whilst some fail, why some employees are more motivated than others and why some firms are not profit maximisers whilst some are.

Phenomenology is holistic. An induction approach develops as the research proceeds. Phenomenologists may deploy a wide variety of data sources and methods such as case study, personal experience, interviews, life histories, participant observation, and historic documents, in order to deepen their understanding of their subject matter. Early collection of evidence suggests how to proceed to the subsequent phase of evidence collection, as does the interpretation of it. Objective reality can never be captured; but complex descriptions emerge and a diagrammatical descriptive model may be developed. The use of multiple methods or triangulation, is an alternative to validation.

3.5.1 CRITICISM OF THE PHENOMENOLOGICAL APPROACH

Several critics have pointed out what they regard as weaknesses in the phenomenological paradigm. Giddens (1976) argues that no specific person can process detailed knowledge of anything more than the particular section of society in which he or she participates, so there is still remains the task of converting into an explicit and comprehensive body of knowledge that which is known only in a partial way by actors themselves. Phenomenologists have gone too far in rejecting scientific
procedures of verification and giving up hope of discovering useful generalisations about behaviour.

The phenomenological approach is holistic and not reductionist, thereby permitting more complex problems to be investigated. It may incorporate not only as many of the variables as possible but also the characteristics of the setting and the nature of the researcher. Like positivist research, however, such investigation needs to be replicated before meaningful generalisations can be made. It is more difficult to replicate such holistic studies, and there is likely to be a greater variation in the results and the greater risk of error.

3.6 PROPOSED RESEARCH APPROACH

Due to the complex nature of the data to be collected and analysed in the proposed study, the researcher will utilise triangulation. This approach involves the conscious combination of quantitative (POSITIVIST) and qualitative (PHENOMENOLOGY) methodologies as a powerful solution to strengthen a research design where the logic is based on the fact that a single method can never adequately solve the problem of rival causal factors. Data triangulation implies the collection of accounts from different participants in a prescribed setting, from different stages in the activities of the setting and, if appropriate, from different sites of the setting (Banister et al 1994). It also entails the cross-checking of the consistency of specific and factual data items from various sources through multiple methods at different times. In this research study data triangulation entailed the comparison and collation of qualitative data received from structured interviews with two major SME support organisations SEDCO and EMPRETEC with/and quantitative data from the questionnaires that were be distributed to at least 120 SMEs. Using this dual approach does not result in a single, clear-cut, consistent picture, but rather presents a challenge to improve comprehension of the various reasons for the existence of inconsistencies between the two sets of data.
(Patton 1990). Triangulation is seen by the researcher not only as a tool, but also a solution in our complex world to provide valid and reliable data.

3.7 POPULATION

The population by definition is a collection of all individuals whom the researcher is interested in obtaining information and making inferences on (Bryman, 1988). Gill and Johnson (1996) divide the population into the target and the study populations. The actual population to which the researcher wishes to generalise is the target population. However, due to logistical and possibly economic reasons, this population is not readily available. Thus the researcher is only able to generalise based on a study population or a representative sample (Saunders, 1997).

The difference between the attributes of interest in the study population and the corresponding attributes in the target population is called the study error. It is therefore of paramount importance to have a sample that is representative of the target population. In order to be able to achieve that, a good sampling method would have to be used. In this study, the population from which data was obtained by way of questionnaires consisted of 120 SMEs. Further data was collected from two SME support organisations namely EMPRETEC and SEDCO.

3.8.1 SEDCO and EMPRETEC

These are the country’s two largest SME support organisation offering a wide range of services aligned with SME development and growth. They are involved in the training of entrepreneurs and potential entrepreneurs with managerial skills and other skills such as bookkeeping, human resource management and marketing and communicating skills to operate their business ventures. As an initiative of the Government of Zimbabwe and the United Nations Development Programme (UNDP), EMPRETEC was born out of the need to build and nurture a high quality growth oriented community of Zimbabwean.
SEDCO on the other hand, is leading the way in the development of small enterprise development as it reaches out to emerging businesses in Zimbabwe’s small, but vibrant economic sector. It falls under the Ministry of Small and Medium Enterprises Development. The two organisations maintain updated information on all affiliated. The information includes addresses, nature of business, and age of businesses amongst other important details. Further to prior enquiries and contact with the organisations, the researcher was provided with a list of businesses that have been in operation for at least four years. This was in line with the objectives of the study of attempting to establish the factors that have enabled the SMEs to thrive and grow beyond three years.

**TABLE 3.1 Population Vs Sample**

<table>
<thead>
<tr>
<th>DATA SOURCE</th>
<th>POPULATION</th>
<th>SAMPLE</th>
</tr>
</thead>
<tbody>
<tr>
<td>EMPRETEC</td>
<td>100</td>
<td>60</td>
</tr>
<tr>
<td>SEDCO</td>
<td>75</td>
<td>60</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>175</strong></td>
<td><strong>120</strong></td>
</tr>
</tbody>
</table>

In keeping with the objectives of the study, the researcher’s target population for purposes of data collection was centred on SMEs operating in all sectors of the economy. As shown by the table above, the sample used was drawn from two databases provided by EMPRETEC and SEDCO. While the population in terms of subjects is scattered throughout Zimbabwe, logistical and time constraints restricted the researcher to sample in Harare central business district and industrial sites of Granitesite, Workington and Willowvale.
3.9 SAMPLING IN GENERAL

Sampling is the act, process, or technique of selecting a suitable sample, or a representative part of a population for the purpose of determining parameters or characteristics of the whole population, (Hague 2003). The purpose of sampling is to draw conclusions about populations from samples. Inferential statistics enables researchers to determine a population`s characteristics by directly observing only a portion (or sample) of the population, (Groebner, 2001). Sampling techniques are methods by which the researcher can derive a sample from a population. A sample is a selection from the population. Various types of sampling plans are divided into ones based on probability sample (where the probability of selection of each respondent is known) and non-probability samples (where it is not known). The most common sampling methods in social science are as follows:

3.9.1 Random sampling

Any sort of sampling where, in advance of the selection of the sample, each member of the population has a calculable and non-zero chance of selection.

3.9.1.1 Simple random sampling

- The same as the above but with additional constraints:
  - Each member of the population has the same chance of selection, and
  - The relative chance of selection of any two members of the population is not affected by knowledge of whether a third member has or has not been selected. In practice, this essentially means drawing names out of a hat or some other random method.

3.9.1.2 Stratified sampling
The population is divided into non-overlapping groups, or strata. Samples are drawn from each stratum separately and results pooled. For example, you may choose proportional size of strata for Arts, Science, and Divinity students within a given University.

3.9.1.3 Multi-stage sampling

In a two-stage sample, the population is divided into a number of non-overlapping "first stage units". A sample of these "first stage units" is drawn, and then in the second and final stage individuals are taken from within the units. This can be repeated for three stage or four stage sampling.

3.9.1.4 Systematic sampling

This simply involves, for example, asking every third person who happens to come along, or calling at every fifth house. Systematic sampling is often used instead of a simple random sampling. It is also called an nth name selection technique. After the required sample size has been calculated, every nth record is selected from a list of population members (Gill and Johnson, 1991). However, it has to be stressed that the list does not have to follow any order that is hidden. This method is simple and allows any member to have an equal chance of being selected. The random sample that does not follow any hidden order also reduces the error margin by ensuring that issues such as volunteer bias does not confound the findings.

3.9.1.5 Cluster sampling

This is a special case of multi-stage sampling. It may be that a certain geographical area can be described as largely middle-class, another as largely working-class. In this case, clusters may be selected from each such area, and as many people as possible included in the sample.
3.9.1.6 Quota sampling

Interviewers are instructed to interview whomever they chance across, subject to quota controls, typically of age, sex, and social class.

3.9.1.7 Opportunity/Convenient sampling

Simply put, if the researcher is interested in the views of football supporters, s/he might position themselves in a place where he or she is likely to come across football supporters. It may be that only those with strong opinions are willing to co-operate, so the sample may be unrepresentative.

3.9.1.8 Random route sampling

The researcher plans a route and questions individuals who happen to come along. The route can be planned in order to gain information from certain types of people. There is no guarantee that this will produce a representative sample, so it is generally considered to be a very haphazard method.

3.9.1.9 Snowball sampling - This is generally used when you require a lot of information, quickly, just in order to get started on a piece of research: for example, to find out about behaviour of individuals in a certain company or the habits of a certain group such as habitual drug-users. A researcher may select several key people for interview and these may lead on to further important contacts to be interviewed.

3.9.2 SAMPLING

3.9.2.1 Sampling type and technique

The proposed study utilised the probability sampling method. A probability sampling method is any system of sampling that utilises some form of random selection. The probability sampling type ensures that every SME firm in the population has an equal
chance of being selected for the purposes of the survey. The sample will be randomly selected from the population of SMEs in Harare Central Business District, Willowvale, Workington and Granitesite. Random sampling is unique in that each member has an equal probability of being included in the sample (Roberts-Lombard, 2002:112). The sample will be drawn from the population drawn EMPRETEC and SEDCO databases.

3.10 DATA COLLECTION METHODS

Three data collection methods were generally utilised for this study, namely the questionnaire method, personal interviews and an analysis of historical data.

3.10.1 QUESTIONNAIRE METHOD

Questionnaires were used as the primary method of data collection used to get information on factors that have resulted in survival and growth of the SMEs to be studied. The questionnaire consisted of both open ended and closed questions. The advantage of open-ended questions is that more information is obtained and this increases the depth of the responses (Crotty, 1998). While the closed questions restrict the respondent to the subset of prepared answers, it allows for ease of analysis of data. A questionnaire is easy to administer (can be mailed or hand-delivered) and it can be administered in a relaxed atmosphere. However, the questionnaire method has several disadvantages. For example, if the questionnaire is posted or hand-delivered, the researcher does not have direct control over the respondents and some subjects may fail to complete thus leading to a low response rate. Furthermore, the researcher will not be available to answer to queries and this may lead to poor quality responses.

3.11 INTERVIEW METHOD

The face-to-face personal interview method was used to acquire informed responses from authorities and experts at EMPRETEC and SEDCO. The interviews enabled the researcher to get an in depth analysis of the issues in line with the objectives of the
proposed study. The interviews also served to get information that could reinforce the questionnaire results on the possible reasons for reasons for the survival of the SMEs in an environment characterised by high incidences of business failure.

Personal interviews constitute another source of primary data. During a personal interview, a researcher is able to benefit from non-verbal cues, the ability to clarify issues and there is a high response rate (Saunders, 1997). However, both interviewee and interviewer biases are possible during a personal interview. For example, an interviewer may nod their head in agreement thereby reinforcing a certain point which may in turn affect the responses to other related questions. Similarly, an interviewee may assume that the interviewer will be happy with certain responses and such biases may affect the quality of results.

3.12 DOCUMENTATION REVIEW METHOD

A documentation review strategy (historical data) was also used to complement the information from the interviews and questionnaires particularly on SMEs that were previously on SEDCO and EMPRETEC books but would have succumbed to business failure. SEDCO in particular have comprehensive historical information about failed SMEs, information on government policies relating to SME policies and substantial amounts of literature specific to Zimbabwe. The major advantage of the use of historical data is that it does not interrupt operations and the information is readily available (Cohen and Manion, 1985). Furthermore, there are no biases that are brought in. However, there are several challenges with this approach. At times, information gathering can take a long time and in some instances the records may be incomplete. The researcher is also restricted to what already exists and one has to be very clear of what they are looking for otherwise the wrong data can be obtained.

3.13 DATA COLLECTION

Self administered questionnaires were distributed to representatives of SMEs sampled from the SEDCO and EMPRETEC databases. The researcher was given an
introductory letter for ease of contact with research subjects. Since the targeted SMEs were affiliated to these organisations, this letter improved openness from the part of the SMEs. The questionnaire covered issues related to internal and external growth factors, growth strategies, demographics and various other aspects relating to SME growth.

Taking into cognisance the fact that triangulation was used, the study also made use of qualitative data to complement the quantitative data coming from questionnaires. The qualitative data was drawn from face to face interviews. Two interviews were held with experts from EMPRETEC and SEDCO. Information on SME business failure was obviously not available from SMEs because they would have seized to exist. That is where the two organisations came in because they have respective records on the failed SMEs. They also provided expert insight and analysis on the issue. Historical records was also utilised to reinforce the data collected from the questionnaires and face to face interviews.

3.14 DATA ANALYSIS AND PRESENTATION

In the study, data collected was tabled and grouped for analysis. Tables and figures were originated using Microsoft Excel before copying to the data presentation chapter for easy scale drawing and structuring.

3.15 SUMMARY

The chapter’s overall objective was to discuss the research methodology utilised by this study. The study outlined the research philosophy adopted, discussing the theoretical foundations and discussing the strengths and weaknesses of each. The sampling method and the organisation of the survey were comprehensively discussed. The chapter provided detailed insight on data collection techniques used for the study whilst justifying the use of all approaches used.
CHAPTER FOUR

4 RESULTS AND DISCUSSION

4.1 INTRODUCTION

This chapter discusses the response rate and the findings of the research. It focuses on the analysis and interpretation of the data collected using the questionnaires. Data collected will be broken up and grouped into various elements relating to the objectives of the study. The results from the data will then be interpreted and discussed in light of the models, concepts and arguments presented in the literature review section. The findings must be relevant to the objectives of the research. Descriptive statistics such as tables, pie charts and bar charts were used to aid the analysis of data. The advantage of using descriptive statistics in the form of bar chart and tables is that visual impression aids in bringing the results into clearer context.
Since the main objective of the study was to analyse the factors driving SME growth, the questionnaire analysis was guided by Storey’s (1994) three pronged framework. The results are grouped, analysed and discussed under three elements namely the characteristics of the entrepreneur, the firm and the strategies for all the internal factors driving SME growth. The same is then done for external factors. The last section looks at the strategies employed by the SMEs.

The questionnaire consisted of 21 questions

4.2 RESPONSE RATE

From the population of 175 SMEs that have in operation for five years and older, a sample of 120 SMEs was drawn and questionnaires were distributed. Eighty two questionnaires were collected out of the 120 giving a response rate of 68.3%. Out of the 82 questionnaires collected 4 were incorrectly completed whilst the other 5 were incompletely filled, leaving a total of 73 fit for analysis. The response rate was negatively impacted by a number of reasons. At some companies the questionnaires could not be obtained or returned and the reason mostly given was that the owner of the business was not around. In some instances the supposed respondents claimed that because of time constraints, they never got a chance to complete them. Other reasons were due to communication breakdowns and in a few instances, logistical challenges on the part of the researcher. The researcher was of the opinion that a response rate of 68.3% was adequately representative of the population. Thus according to Schuyler and William (1996), the quality of the sample rather than the size makes statistical inference work. Similarly, Saunders (2000) noted that the sample is supposed to be representative of the population if the results are to be generalised to other settings.

4.3 RESULTS

4.3.1 CHARACTERISTICS OF THE ENTREPRENEUR

This section will analyse the relationship between the demographics of the entrepreneur and establish each factor’s influence on SME growth.
### Entrepreneur’s Age

Table 4.1 Frequency Table showing ages of respondents

<table>
<thead>
<tr>
<th>Age</th>
<th>Number</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>18-30</td>
<td>14</td>
<td>19.1</td>
</tr>
<tr>
<td>31-40</td>
<td>26</td>
<td>35.6</td>
</tr>
<tr>
<td>41-50</td>
<td>23</td>
<td>31.5</td>
</tr>
<tr>
<td>51 and over</td>
<td>10</td>
<td>13.6</td>
</tr>
<tr>
<td>Total</td>
<td>73</td>
<td>100</td>
</tr>
</tbody>
</table>
The results show that 19.1% of entrepreneurs are aged between the ages of 18-30, 35.6% are aged between 31 and 40, whilst a further 31.6% lie between the age of 41-50 and 13.6% where above 50 years old. It is evident from this result that the majority of the entrepreneurs in the survey are between the ages of 31 and 50 constituting 67% of the entrepreneurs. According to a survey carried out by GEM (2005) in the United States the majority of entrepreneurs in growth SMEs was shown to lie between the ages of 22 and 45. This result from the survey shows significantly similar results. As much as age is related to experience, there are sectors like the Information Technology, where it was observed that the entrepreneurs had started very young riding on innovation guiding their product offerings.

### 4.2.1.2 Gender of Entrepreneurs

Table 5.2 Frequency table showing Entrepreneurs’ gender

<table>
<thead>
<tr>
<th>Gender</th>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Male</td>
<td>59</td>
<td>80.82</td>
</tr>
<tr>
<td>Female</td>
<td>14</td>
<td>19.18</td>
</tr>
</tbody>
</table>
Of the 73 entrepreneurs, the result show that 80.82% were male respondents whilst 18.82% were female. This shows a very huge gap in the number of more male entrepreneurs compared to women. It portrays a position that women are significantly lagging behind their male counterparts in business.

The statistics are in tandem with literature and surveys carried out elsewhere, especially with regards to women’s status and roles in African society. Anderson et al (2001) point out that gender is rooted in social institutions and results in patterns within society that structure relationship between women and men and that give them differing positions of advantage and disadvantage within the institutions (Anderson et al 2001). Still on the subject of women, Pederson (1998) however points out that women are more involved in entrepreneurship ventures more on a household level in the form of micro income generating projects. Those projects however happen to fall below the scope of this study.

<table>
<thead>
<tr>
<th>Total</th>
<th>73</th>
<th>100</th>
</tr>
</thead>
</table>

**Figure 5.2 Gender of Entrepreneurs**

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4.3.1.3 Educational Qualifications

Table 4.3 Frequency table showing Entrepreneur’s educational Qualifications

<table>
<thead>
<tr>
<th>QUALIFICATION</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>Postgraduate</td>
<td>8</td>
<td>10.9</td>
</tr>
<tr>
<td>Degree</td>
<td>28</td>
<td>39.3</td>
</tr>
<tr>
<td>Diploma/Certificate</td>
<td>33</td>
<td>45.2</td>
</tr>
<tr>
<td>High School</td>
<td>4</td>
<td>5.6</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>73</strong></td>
<td><strong>100</strong></td>
</tr>
</tbody>
</table>

Figure 4.3 Entrepreneurs’ Educational Qualifications

10.9% of respondents held a postgraduate qualification, 38% had a degree, whilst 45.2% had a diploma or certificate and just 5% only had received up to high school education. It is very clear from these results that all the respondents had some education of some kind and specifically 95% held a certificate or better. Education is
shown to be an important variable as a characteristic of the entrepreneurs. This is in line with the literature reviewed. Rigwema and Venter (2004) assert that education forms the basis through which all knowledge can be gained. Education plays a vital role in building the foundation of any aspiring entrepreneur consequently enhancing their chances not only for survival but for further growth. This is supported by Carter and Jones-Evans (2000) who suggest that having a basic education plays a vital role in building the foundation of any aspiring entrepreneur consequently enhancing their chances not only for survival but for further growth. Education on its own, it should be noted, does not guarantee success. It is however essential because it enhances the entrepreneurs’ attributes important for them to foster growth. Specifically it enables the entrepreneur to enhance problem solving abilities, numeracy, develop strategies, innovation and communication.

4.3.1.4 Family Upbringing

Table 4.4 Frequency Table on Family Upbringing

<table>
<thead>
<tr>
<th>STATUS</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESSENTIAL</td>
<td>17</td>
<td>23%</td>
</tr>
<tr>
<td>NEUTRAL</td>
<td>4</td>
<td>6%</td>
</tr>
<tr>
<td>NOT ESSENTIAL</td>
<td>52</td>
<td>71%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>73</td>
<td>100</td>
</tr>
</tbody>
</table>
Figure 4.4 Pie Chart showing importance of family upbringing

Results show that 23% attested to the importance of family upbringing, 6% were neutral on the issue whilst a staggering 71% felt that family background did not influence entrepreneurship or success thereof. Those who considered family upbringing were of the view that it mattered if the venture they would eventually run was a family business or at least connected to one. The majority of respondents (71%) felt that family upbringing was not an influence probably because they would have not come from families who previously had businesses. The overall result is contrary to the literature identified, where a number of authors were of the view that coming from an entrepreneurial family had an influence on entrepreneurship hence driving business growth. According to Bolton and Thompson (2004), family upbringing and background is crucial to the success of the entrepreneur. Fairlie and Robb (2005) added to the view by stating that individuals with prior family business experience may incorporate their experiences to their own ventures.
4.3.1.5 Prior Experience

Figure 4.5 Frequency Table showing importance of prior experience

<table>
<thead>
<tr>
<th>STATUS</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESSENTIAL</td>
<td>57</td>
<td>78%</td>
</tr>
<tr>
<td>NEUTRAL</td>
<td>7</td>
<td>10%</td>
</tr>
<tr>
<td>NOT ESSENTIAL</td>
<td>9</td>
<td>12%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>73</td>
<td>100</td>
</tr>
</tbody>
</table>

Figure 5.5 Importance of Experience on SME growth
Experience was taken to encompass prior working experience, prior business ownership and prior industry experience. 78% of owners/manager were of the view that prior experience had played a major role in their business successes, whilst 12% did not view experience as an essential factor. 10% were not certain whether they were in the positions they are in business because of experience or some other factors. The result is generally in agreement with the literature availed for the study.

Accordingly Iacobucci and Rosa (2005) pointed that ownership/management experience is considered to be a resource in itself to the extent that it can steer the firm towards growth-related opportunities whilst helping it to avoid growth-related pitfalls. It follows therefore that entrepreneurs with prior management experience are thought to be better equipped to steer and forge growth than those established by individuals without that experience. McCormick and Pedersen (1996) also weighed in by suggesting that entrepreneurs with no previous occupation began firms which were relatively small and remained in the smallest category whilst on the other hand it was found that the largest enterprises were almost entirely set up by entrepreneurs with previous experiences either in manufacturing or in the retail trade.

### 4.3.1.6 Entrepreneurs Growth Orientation

**Table 4.6 Reason for going into business**

<table>
<thead>
<tr>
<th>REASON</th>
<th>YES (%)</th>
<th>NO (%)</th>
</tr>
</thead>
<tbody>
<tr>
<td>Recognised Opportunities</td>
<td>82%</td>
<td>18%</td>
</tr>
<tr>
<td>Ambition to Grow</td>
<td>75%</td>
<td>25%</td>
</tr>
<tr>
<td>Fully utilise expertise</td>
<td>78%</td>
<td>22%</td>
</tr>
</tbody>
</table>
Figure 4.6 Reasons for starting the business

The question assigned factors identified in literature as being push and pull factors. According to the results 82% of the entrepreneurs surveyed, 82% where driven by recognising opportunities, 75% identified the need for independence, whilst 78% revealed that the need to grow drove their decision to venture into their businesses. On the other hand 39% identified unemployment (including retrenchment), 30% were merely driven by the need to make more money whilst 17% where driven by circumstances such as being the breadwinner or taking over a family business.

From these results it can be observed that the majority of the surveyed entrepreneurs identified more with pull factors than with push factors. Literature and previous studies
have pointed out that entrepreneurs who are attracted by opportunities on the market are more bound to start growth oriented businesses than those that react to circumstances and find solace in starting businesses. According to McCormick and Pedersen (1996), if the entrepreneur’s reasons for starting the business originated in “pull” or opportunity driven motivates rather that “push” or necessity driven motivates, the resulting enterprise is more likely to grow. Smallbone (1985) also hypothesised that businesses that owe their inception to positive motives such as spotting gaps in the market are more likely to grow than those started for reasons such as employee dissatisfaction.

### 4.3.2 CHARACTERISTICS OF THE FIRM

Similarly to the analysis made for characteristics of the entrepreneur, this section of the questionnaire looked at firm demographics

#### 4.3.2.1 Age

Table 4.7 ages of the SMEs surveyed

<table>
<thead>
<tr>
<th>AGE</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>5-7</td>
<td>33</td>
<td>30%</td>
</tr>
<tr>
<td>8-10</td>
<td>26</td>
<td>45%</td>
</tr>
<tr>
<td>10-15</td>
<td>11</td>
<td>18%</td>
</tr>
<tr>
<td>Over 15</td>
<td>3</td>
<td>7%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>73</td>
<td>100</td>
</tr>
</tbody>
</table>
Of the SMEs surveyed, 30% have been in operation for 5-7 years, 45% fall between 8 and 10 years, 18% are between 10 and 15 years and 6% were found to be over 15 years. The main objective of this study was to identify the main drivers of growth and the target population surveyed was defined to be SMEs that had passed the five year hurdle. So in that regard the sample surveyed is in line with the objectives of the study. The results are also in line with the general view exhibited in the literature. For example, Davila et al (2003) state that older firms possess greater growth potential because of experience, access links, reputation, and market legitimacy and for those reasons are more inclined for growth than do younger firms who lack some of those qualities.

4.3.2.2 Sector

Figure 4.8 Sectors operated in
Figure 4.8 Sectors

Since a random sample was used to select the participating SMEs effort was put on ensuring that the sample would be representative of all sectors. According to the results 38% were in manufacturing, 16% in agriculture, 20% in retailing, mining weighed in at 9%, 10% in service and 5% were in unspecified sectors. In the methodology, it was mentioned that the survey could not accommodate the mining and agricultural sectors. It was, however, discovered that there were other SMEs not directly involved in these
two sectors but still classified thereof because they provided support to the sectors. For the survey, the service sector included SMEs in Information Technology, Insurance, Finance and Consulting. The results from the survey showed that manufacturing was the highest represented sector. This however does not really give the conclusion that it is the sector with the highest growth, but because of the areas surveyed being dominated by those in that sector.

The results of the survey do not significantly show a recognisable trend in as much as the relationship between sector and growth is concerned. In as far as the results show, any SME in any sector can grow, and the literature reviewed is more concerned with the relationship between growth rates and the sector. Smallbone et al (1995) show that there are significant differences amongst sectors in terms of the typical firm growth rates. Hakim (1989) also concur with this view by citing a number of studies carried out to identify the influence of a firms sector on the growth of the firm. The studies reveal that there are significant differences between sectors in terms of the typical growth rates.

4.3.2.3 Location

Table 4.9 Table showing location of SMEs

<table>
<thead>
<tr>
<th>LOCATION</th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>HARARE CBD</td>
<td>26</td>
<td>35%</td>
</tr>
<tr>
<td>Workington</td>
<td>19</td>
<td>26%</td>
</tr>
<tr>
<td>Willowvale</td>
<td>13</td>
<td>18%</td>
</tr>
<tr>
<td>Granitesite</td>
<td>15</td>
<td>20%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>73</td>
<td>100</td>
</tr>
</tbody>
</table>
Results show that 35% of SMEs surveyed operate from the CBD, 26% in Workington, 18% were located in Granitesite and 21% in Willowave industrial area. Despite the fact that the survey was restricted to Harare instead of the whole country, results still show a more or less even distribution of successful SMEs. The results show that entrepreneurs’ decisions to locate their business in certain locations are dependent on various factors. Robinson and Finlay (2007) point out that each location at which a business decides to operate from might offer advantages in one dimension and a constraint in another. They add that such dynamics make it difficult to determine the likely impact of the location on growth behaviour and patterns. The result does not significantly reveal the relationship between the location of a business and its growth prospects. Globalisation has also broken a lot of barriers and has diminished the importance of location as a decision variable that impacts on SME growth. The internet and improvements in logistical systems for example means one no longer needs to locate their business within the physical proximity of their market.

4.3.2.4 Size
Do you feel that the size of your organisation is important for your success?

Table 4.10 Frequency table showing results

<table>
<thead>
<tr>
<th></th>
<th>FREQUENCY</th>
<th>PERCENT</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESSENTIAL</td>
<td>34</td>
<td>46.5%</td>
</tr>
<tr>
<td>NOT ESSENTIAL</td>
<td>39</td>
<td>53.5%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>73</td>
<td>100</td>
</tr>
</tbody>
</table>

The information in Table 4.10 is depicted in Figure 4.10

Figure 5.9 Importance of size

The results from the question that determined the importance of size to business success show that 46.5% of respondents felt the size of their organisations was essential whilst 53.5% did not think size was important. The result depicts a scenario of indifference with regards to the importance of firm size. The results show that size is significantly important in agreement with the literature surveyed. Those that regard size to be important mostly regard size to refer to how big an organisation is. They see being
larger as being an advantage and a driver for growth and seem to agree with Lipsey (1995) who regards being bigger to offer economies of scale. It is interesting to note that customers, suppliers, funders and other stakeholders tend to perceive larger firms in a better light than the smaller ones especially if the firm would have grown over time.

The results also show that in fact more respondents from the survey regarded size as being not essential for growth. Due to a number of factors size is no longer a significant determinant of growth. Factors such as technology, globalisation, legislation and basic evolution have diminished the importance of economies of scale. Innovation and strategy have meant that even small companies can compete easier with their long established larger counterparts. According to Harrison and Watson (1998) the ability and innovative capacity and flexibility of SMEs, their simple organisational structure, their low risk and receptivity are the essential features facilitating them to achieve high growth rates.

4.4 STRATEGY

Do you consider strategy to be an essential part of running your business?

Table 4.11 Importance of Strategy

<table>
<thead>
<tr>
<th></th>
<th>FREQUENCY</th>
<th>PERCENTAGE</th>
</tr>
</thead>
<tbody>
<tr>
<td>ESSENTIAL</td>
<td>69</td>
<td>93%</td>
</tr>
<tr>
<td>NOT ESSENTIAL</td>
<td>4</td>
<td>7%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>73</td>
<td>100%</td>
</tr>
</tbody>
</table>

The information on table 4.11 is shown in figure 4.11
According to the results, 93% of respondents view strategy as an essential element of their day to day running of their businesses. This is in agreement with the literature surveyed. Strategy is the starting point for building capabilities and competitiveness leading to business growth. Strategies are the basic tool with which entrepreneur are able to take advantage of opportunities and react to threats. According to Kraus et al. (2006), the ability of a business to plan its development around a realistic analysis of its resources is typically held in the management literature to be indicative of the firm’s ability to survive and grow utilising strategies. Anderson (2001), also adds that a growing company is characterised by dynamic strategic qualities and behaviour which entails the continuous management of all aspects of its existence, such as its workforce, suppliers, market, financial management, and competition.

4.4.1 Management and Workforce Training
How do you rate the following Human Resources strategies?

**Table 4.12**

<table>
<thead>
<tr>
<th>Strategy</th>
<th>IMPORTANT</th>
<th>NOT IMPORTANT</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Management Training</td>
<td>87%</td>
<td>13%</td>
<td>100%</td>
</tr>
<tr>
<td>Workforce Training</td>
<td>78%</td>
<td>22%</td>
<td>100%</td>
</tr>
</tbody>
</table>

The information in Table 4.12 is shown in Figure 4.12.

**Figure 4.12 Human Resources Strategy**

The results show that 87% regard management training as an important strategy whilst 78% also regard workforce training as being essential elements of Human Resources strategy. Management and workforce training form the pillar of human capital.
development and as resoundingly shown by the results. This is essential in tandem with the literature and other studies carried out. The training of both the management and the workforce will result in a competitive and capable human resource base. According to Markman and Baron (2003), in order to achieve a competitive advantage and growth, successful SMEs ride on the competence of management whose skills and abilities must be continually enhanced. A competent management team is in a better position to strategise fully utilising market opportunities, whilst at the same time able to effectively react to threats. Equally important is the issue of workforce according the survey results. Literature has shown that there is a huge bias towards workforce training by growth oriented companies.

### 4.4.2 Internationalisation

Does your company have international links in the form of either exports, partners or suppliers?

**Table 4.13**

<table>
<thead>
<tr>
<th>Frequency</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Has international links</td>
<td>46</td>
</tr>
<tr>
<td>No international links</td>
<td>27</td>
</tr>
<tr>
<td><strong>TOTAL</strong></td>
<td><strong>73</strong></td>
</tr>
</tbody>
</table>

Information in table 4.13 is shown in Figure 4.13
From the survey results, it is shown that 63% have international links in one way or the other, as opposed to 37% who suggested that they deal exclusively on the local market. The statistic is a true reflection of both what is on the ground and what is in the literature. Because of the economic conditions prevailing in the country, a lot of companies have links with a party outside the borders of the country in the form of export markets, suppliers and other partners. Globalisation has opened up the trading and marketing place for every business willing to take advantage of the opportunities presented especially in the export market. Studies, such as the one by Snell and Lau (1994) have confirmed positive correlation between increased export orientation and small firm growth.

Internationalisation is closely linked to SMEs innovativeness. Snell and Lau also add that small firms use their innovation abilities to develop new products for which they seek new niche markets as a strategy to compete against their larger counterparts. Part of this strategy involves SMEs seeking new opportunities in the markets beyond their borders.

4.4.3 External advice and support
Does your company make use of external advice and support?

Table 4.14 External Support and Advice

<table>
<thead>
<tr>
<th></th>
<th>YES</th>
<th>NO</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Use external</td>
<td>95%</td>
<td>5%</td>
<td>100%</td>
</tr>
<tr>
<td>advice and/or</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>support</td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

The results show that 95% of the respondents confirm to be utilising the services of external parties whilst 5% said they did not. External advice and support is assumed to be in the form of varying service providers such as accountants, legal advisors,
accountants, auditors and consultants. The responses are very much aligned to both what is on the ground and in literature. The results confirm the importance of seeking expertise for both support and advice. The use of external support and advice can be motivated by strategic intent, by legal and statutory obligation (audits and compliance) as well as a reaction to circumstances (lawsuits and other legal issues). As much as small business owners/managers have been known to be reluctant to involve outsiders in their businesses, the attitude has generally changed. Storey (1994) points out that firms that seek outside expertise experience higher growth than those that do not.

### 4.4.4 Financial Resources Management

How crucial is the issue of financial resource planning and management in your organisation?

Table 4.15

<table>
<thead>
<tr>
<th></th>
<th>VERY CRUCIAL</th>
<th>NOT CRUCIAL</th>
<th>VERY CRUCIAL</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Financial Resources planning and management</td>
<td>100%</td>
<td>0%</td>
<td>100%</td>
<td></td>
</tr>
</tbody>
</table>
All respondents in the survey were unanimous in their response to the issue relating to the importance of financial resources planning and management. Financial resources and their planning and management are crucial to any organisation at every stage of the business life cycle. The mere availability of financial resources does not guarantee business growth. It is the management and planning thereof that enables competitiveness and subsequent growth. Botha (2006) states that the various different financial resource planning and management processes, such as understanding accounting principles, resource mobilisation, bookkeeping, credit management, cost management, payroll and cash flow management and tax computations, affect the small business’ ability to implement growth opportunities.

4.5 EXTERNAL FACTORS

Do you consider macroeconomic policies and the business environment to be essential to the growth of your business?

Table 4.16

<table>
<thead>
<tr>
<th>ELEMENT</th>
<th>ESSENTIAL</th>
<th>NEUTRAL</th>
<th>NOT ESSENTIAL</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Macroeconomic Policies</td>
<td>65%</td>
<td>7%</td>
<td>28%</td>
<td>100%</td>
</tr>
<tr>
<td>Business</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
The results show that 65% of the respondents consider macroeconomic policies to be essential for their business whilst 77% also consider a stable business environment to be essential as well. A stable business environment creates an enabling atmosphere for businesses to flourish. This position is supported by the literature surveyed. For example, OECD (2002) notes that a stable economic environment results in business growth as it promotes and supports a vibrant entrepreneurial culture. Hirsh and Peters (2002) also add that positive features of the business environment of a country provide SMEs with opportunities for growth and expansion.

Just like the business environment, macroeconomic factors are essential for SME growth and success. Macroeconomic policies guide the manner in which government...
 intends to steer the economy. Contained in macroeconomic policies are rules, laws and regulations that directly or indirectly affect the survival of the SMEs. Clover and Darroch (2005) state that macroeconomic policies define regulations and legislations that have a great bearing on SME growth. SMEs might have well aligned internal structures and strategies. However for those factors to translate into growth, they depend on macroeconomic policies. This is supported by (OECD, 2012) who points out that SME development strategy hinges upon the ability of governments to implement sound macroeconomic policies.

4.5.1 Access to financial resources

How crucial is access to financial resources to the growth of your organisation?

Table 4.17 Access to finance

<table>
<thead>
<tr>
<th>Access to Finance</th>
<th>Very Critical</th>
<th>Not very Critical</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>100%</td>
<td>0%</td>
</tr>
</tbody>
</table>

All respondents (100%) pointed out that access to financial resources is very crucial for the growth of their organisations. Because of their different stages in the business life cycle, businesses in this survey are assumed to require funding for varying purposes, ranging from recapitalisation, debt servicing, expansion, research and development and marketing. This position is echoed by Robertson et al (2003) who point out that access to financial resource enables entrepreneurs to implement their strategies, acquire raw materials, attract quality personnel, marketing and generally put entrepreneurial ideas into practice.

Important to note with regards to access to financial resources is the ability of entrepreneurs to be in a position to identify with all forms of funding available. The trend
with most small business owners has traditionally been to regard loans as the finance mode of choice. With this regard, Kapour et al (1997) were of the position that small business owners are especially reluctant to venture into alternative forms of funding because of lack of information, whilst others are unwilling to bring in outsiders in fear of diluting their ownership to the business. By so doing, most of them end up missing on opportunities to grow their businesses.

4.5.2 Monetary and Fiscal Variables

How would you rate the importance of interest rates, taxation, inflation and exchange rates on the growth of your business?

Table 4.18 Inflation, interest and exchange rates

<table>
<thead>
<tr>
<th></th>
<th>CRUCIAL</th>
<th>NOT CRUCIAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>Interest Rates</td>
<td>72%</td>
<td>28%</td>
</tr>
<tr>
<td>Exchange Rates</td>
<td>63%</td>
<td>37%</td>
</tr>
<tr>
<td>Inflation</td>
<td>43%</td>
<td>57%</td>
</tr>
</tbody>
</table>

Information in table 4.18 is shown in figure 4.15
Results show that 72% of the respondents show that interest rates are crucial for their business, 63% pointed out that exchange rates impacted on their ventures and 43% said inflation was crucial. These three variables are very crucial to business because they are directly related to finance. Interest rates define the cost at which finance is available; exchange rates have a bearing on earnings and payments on the international market, whilst inflation determines the purchasing power of customers.

In the earlier section, both financial management and availability of financial resources were all found to be of utmost importance to business growth. Interest rates are directly related to finance. The higher the interest rates, the more expensive the financial instrument will be. Storey (1994) elaborates this position by stating that sometimes small businesses lack funding, not because it is not there, but cannot afford it. The issue of interest rates should not however hinder business growth. It should create opportunities for entrepreneurs to explore other avenues of funding their businesses so they do not miss out on opportunities for growth.

Inflation, according to the results, is also an important variable but not as high as the other two variables. At the moment (February, 2014) inflation is at economically acceptable levels. It should be the reason why respondents did not rate as highly as the other two variables. According to Lipsey (1995) inflation is actually essential for it is the
source of economic growth. The dollarisation of the economy brought back stability after a long hyperinflationary ride.

Exchange rates were considered to be crucial by 63% of the respondents. Exchange rates have a more profound impact on businesses who are engaged on the international market through exports, imports and other international transactions. The results are consistent with the earlier question where a high number of respondents confirmed to be involved on the international market as a strategy. Knowledge of exchange rates is crucial for SMEs internationalisation strategy. For example having such knowledge at the moment will inform SMEs to source stock from South Africa because of a prevailing weaker rand and sell the products on the local market and earn a higher valued dollar.

This view is brought into context by Lithely and Cant (2001) who mentioned that the weakened South African rand created massive opportunities for exporters. It is also very essential for SMEs in this market to have knowledge of the intricate interdependence between inflation, interest and exchange rates.

### 4.5.3 Government Support

Has your organisation received any government support to get where it is at present? (Support is taken to be in the form of funding, training, advocacy and marketing e.t.c)

Table 4.19 Government support

<table>
<thead>
<tr>
<th></th>
<th>RECEIVED GOVERNMENT SUPPORT</th>
<th>HAVE NOT RECEIVED GOVERNMENT SUPPORT</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td>GOVERNMENT SUPPORT</td>
<td>23%</td>
<td>77%</td>
<td>100%</td>
</tr>
</tbody>
</table>
The results show that 23% of the respondents did receive support from government whilst 77% did not. Literature surveyed show that government support for SMEs plays a huge role in SME growth which is contrary to the results shown. Amin and Banerjee (2007) state that SMEs are regarded as the engine of economic growth in all economies and for this reason, SME development is a priority.

The role of government, as much as it is crucial, seems to be below the needs of SMEs that have reached higher levels of the business life cycle. It seems the capacity at which the state provides support for SMEs restricts it to mostly micro enterprises and start ups in mostly income generating projects with a social dimension. The government’s efforts to supporting SMEs can be seen by the fact that there is a Ministry responsible for SME development and various agencies like SEDCO and EMPRETEC. However, these efforts have over the year been plagued by capacity related constraints, the largest being finance. Because of this reason the impact of direct government support has always fallen below the needs of most growth SMEs. This view is brought into context by Nasser (2003) who emphasises that government and public support programmes in their various forms must ensure that SMEs grow beyond the incubation and early survival stages. CZI (2010) also weighs in and states that the array of services offered by the major government and non governmental agencies are also only aligned way below the needs of growth SMEs.

4.6 MARKETS

How influential do you consider your market to be?

Table 4.20
The results show that 97% of respondents consider their respective markets to be highly important. The market is the ultimate destination for any company's products and services. It might be local, export, physical or virtual. The result is a true indication of the real world and is supported by literature. Shane and Venkataraman (2004) argue that choosing a market with growth potential is a major factor influencing SME growth. This shows that for a market to drive the growth of an enterprise, it should be as a result of a process of planning. Two businesses may operate in the same market with the same conditions, but not get the same returns from that market.

A firm's ability to derive growth from a market depends on how it reacts to factors relating to the market such as demand, location, demographics, logistics and competition amongst others. This means that the firm must come up with appropriate and yet competitive strategies that will ensure they are able to utilise opportunities the market offers. Nienman (2006) points out that an analysis of the impact of competitors and counter competition intelligence and strategies and actions are crucial for the growth of SMEs.

4.7 GROWTH STRATEGIES

Did the growth of your company result from growth strategies?

Table 4.21

<table>
<thead>
<tr>
<th>Have employed growth strategies</th>
<th>YES</th>
<th>NO</th>
<th>TOTAL</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>94%</td>
<td>6%</td>
<td>100%</td>
</tr>
</tbody>
</table>
Ninety four percent of respondents said that the growth of their companies was as a result of the strategies they had in place. This is in line with the literature surveyed. Thompson and Strickland (2001) refer to strategy as a roadmap to the planned result. The definition implies that businesses do grow as a result of some deliberate plan and not by accident or chance. Every business operates guided by different strategies to achieve different goals, such as pricing strategies, cost management strategies, human resources strategies, investment strategies and growth strategies. So a growth strategy is a specific plan of action aimed at achieving business expansion and growth.

CHAPTER FIVE

5 CONCLUSIONS AND RECOMMENDATIONS

5.1 INTRODUCTION

In this chapter, conclusions are arrived at based on the findings in Chapter four. The conclusions will also include an analysis of the proposition to determine if it fits the results. Recommendations will be given based on the conclusions. The chapter ends by proposing areas of further study.

5.2 INTERNAL GROWTH FACTORS

5.2.1 Characteristics of the Entrepreneur

5.2.1.1 Education

This is an important factor for growth. Just being educated does not drive SME growth. Education however an important foundation on which entrepreneurs can build competencies such as appreciation of strategy, ability to identify opportunities, reacting to threats, problem solving and building lasting business relationships.
5.2.1.2 Prior Experience

Prior experience is a significantly important determinant of growth. Like education, it also acts as a solid foundation. Because of experience the entrepreneur has acquired competencies that enable him to take advantage of market opportunities.

5.2.1.3 Entrepreneurs’ Growth Orientation

An entrepreneur’s growth orientation is an important driver for business growth. It strength as a growth driver lies in the fact that these entrepreneurs decided to go into business because of pull factors such, as the recognition of opportunities

5.2.2 Characteristics of the firm

Firm demographics such as size, sector, age and locations are not key in influencing SME growth. Factors, such as innovation have diminished the advantage of economies of scale, resulting in size becoming insignificant. Due to globalisation, the internet and improvements in communications and logistics demographics such as location no longer play a significant role in driving SME growth. Entrepreneurs need to plan around these demographics for them to become growth drivers.

5.2.3 Strategy

This is the most key success factor for SME growth. The competitiveness of a firm is driven by all round strategic behaviour. It is the tool upon which other factors depend if they are to be useful. For example the availability of financial resources does not guarantee the success and subsequent growth of an SME unless the entrepreneur comes up with competitive strategies around those financial resources.
5.3 EXTERNAL FACTORS

5.3.1 Access to finance

Access to financial resources is an essential external factor for driving SME growth. Financial resources on their own do not guarantee SME growth. It becomes an essential growth driver if strategies are built around the finance such as the right choice of funding, at economic prices and used to finance well planned ventures. Finance also enables the entrepreneurs to put their plans into practice.

5.3.2 Markets

Any business venture is carried out on the premise that there is a market for its goods and services. The mere availability of markets is not on its own a growth driver. It is only when the entrepreneur applies strategies that will enable the SME to maximise returns form that particular market.

5.4 THE PROPOSITION

For the internal and external growth factors have a positive impact on SME growth, they depend on the strategies employed by the entrepreneur.

The findings of the study are in line with the above the proposition of the study. The internal and external factor identified in the survey as being significant in driving growth of SMEs have been proven to acquire value and significance once an aspect of strategy has been applied to them.

5.5 RECOMMENDATIONS

5.5.1 Entrepreneurial oriented education must be introduced in early learning so that it is adopted at early stages. Early education in South Korea for example places a
significant emphasis on entrepreneurial learning from as early as junior high school. As a result, South Korea boasts some of the highest SME growth rates in the world. Policy makers must emulate such models, and make it compulsory for Entrepreneurial Learnership from as early as primary school. A rich background in Entrepreneurial education and training, creates an environment of strategic orientation and thinking, which is the mainstay of small business growth

5.5.2 SMEs should be flexible enough to adopt alternative forms of funding and consider other non monetary options. As noted earlier, most small entrepreneurs are ignorant of other alternative means of financing their businesses. Related to the first recommendation, SMEs should be exposed to alternative forms of business funding thus minimising their reliance on loans, which are usually not easily and cheaply accessible.

5.5.3 Government support services should extend upwards to accommodate all other SMEs apart from the small start ups. This can be achieved by way of incubation programmes, linking small upcoming businesses to larger existing ones. The Department of Trade and Industry in South Africa, for example, has adopted an incubation model that links small businesses to larger ones in related lines of business, funders and markets. The state comes in by providing essential services such as registration, bookkeeping, technical advice, training and capacity building. Institutions such as SEDCO and Empretec must be capacitated further to enable them to offer a whole spectrum of services needed to achieve SME growth.

5.5.4 Government should concentrate on SME support programmes so that small businesses adopt good business management practice from inception. At the moment the state has tended to concentrate on providing land and basic infrastructure for SMEs. One good example is the Glen View Home Industry. However this is far from sufficient to achieve any growth for this critical sector.
Government must support the SMEs by further providing essential support services such as training, marketing, accounting and management training. Such training would enable upcoming entrepreneurs to formalise their operations and become competitive and growth oriented. Emphasis must be placed on transforming the majority of the SME sector from being informal traders to formal mainstream businesses focused on growth. This can be achieved by government setting standards and conditions such as business registrations as criteria for accessing funding, training, marketing and other related support services.

5.6 AREA OF FURTHER STUDY

Further study is required in the area of change management in SMEs to help them adapt to changes and transform their attitudes.
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