

**The Implementation of Risk Management  
Strategies in SMMEs in Ngaka Modiri Molema  
District**

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requirements for the degree *Master in Business Administration*  
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## DECLARATION

I, Kgomotso Maikano Glynis Matlholwa, declare that this study entitled “The Implementation of Risk Management Strategies in SMMEs in Ngaka Modiri Molema District” is my original work. This mini-dissertation has not been submitted for any degree at any university. All material used in the study have been duly acknowledged and indicated through references.

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Signed

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Date

## APPROVAL FOR SUBMISSION

This mini dissertation has been approved for submission by my authority as the candidate's university supervisor.

Professor W.S. Musvoto

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Signed

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Date

## **DEDICATION**

This work is dedicated to my parents, Gaolape Leslie Matlholwa and Priscilla Kelebogile Matlholwa. The immeasurable support, love and encouragement from both of you ensured that I persevered, no matter what.

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## **ABSTRACT**

SMMEs are faced with various risks which have impacted greatly on the growth rate of this sector in South Africa. The purpose of this study is to examine the implementation of risk management strategies in SMMEs in Ngaka Modiri Molema District. The Bohlmann's Risk Theory, the Social Theory and the Financial Gap Theory form the theoretical foundations of this research study. The study adopted a mixed methods approach. Qualitative research design (indepth interviews) was utilized to gain an indepth insight on the type of risks being faced by SMMEs in Ngaka. The quantitative research design (questionnaires) was used to evaluate the effectiveness of risk management processes. For quantitative data, variance analysis and correlation were performed to analyse the relationship between the various existing variables and to test interactive variables through Statistical Package for Social Sciences (SPSS). Content analysis was used for qualitative data and findings were presented in form of themes. The findings of the research study clearly indicate that majority of the respondents agree that SMMEs are facing financial risks, market risks and other types of risks, furthermore the findings indicate that SMMEs implement the various risk management strategies namely accepting risks, avoiding risks and reducing risks. The study recommends that SMMEs should establish risk management plans, customer relationships, recruit people of the right skills, knowledge and competencies, create risk culture, risk awareness and risk communication and last but not least ensure effective and efficient financial management within their various SMMEs. The study further recommends best practices SMMEs could implement to ensure effective and efficient risk management.

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## **LIST OF ABBREVIATIONS**

<b>SMMEs</b>	Small Medium and Micro Enterprises
<b>NMMD</b>	Ngaka Modiri Molema District
<b>IDP</b>	Integrated Development Plan
<b>DTI</b>	Department of Trade and Industry
<b>SEDA</b>	Small Enterprise and Development Agency
<b>SEFA</b>	Small Enterprise Finance Agency

## CHAPTER ONE

### INTRODUCTION AND OVERVIEW OF THE STUDY

#### 1. Introduction

The purpose of this research study is to establish whether Small, Medium and Micro Enterprises (SMMEs) effectively and efficiently implement risk management strategies in Ngaka Modiri Molema District in the North West Province, South Africa. This is due to the fact that a lot SMMEs fail within the first 3 years of operation. Small Enterprise and Development Agency (SEDA, 2007) stated that South Africa has one of the highest failure rates in SMMEs across the world. According to SEFA (2016), it is believed that within the first 3 years of operation, a staggering 80% of established SMMEs fail. Failure to implement changes within SMMEs would result in SMEs continuing to fail at the 80% failure rate currently reported (SEFA, 2016). In South Africa alone 440,000 SMMEs were established in the last 5 years. However, many have closed down due to failure to evaluate risks within the business in accordance with the recommendations proffered in Fakoti (2014). Herrington et al., argues that SMMEs are likely face financial, operational, environmental, environmental and legislative risks amongst many similar to large firms. However large firms are more likely to manage these aforementioned risks better than SMMEs because of capacity, well established financial means to respond to unexpected risks.

SMMEs play an essential role in driving the economy of the country as a whole. The many established SMMEs are continuously alleviating the high unemployment rate and they have led to wealth creation in accordance to Pletnev and Barkhatov (2016). In the view of Drobot and Robu (2013) competition is promoted within different markets in SMMEs and this has contributed to the Economic Growth in South Africa. The overall unemployment rate has been reduced significantly due to the many established SMMEs in accordance to Meghana (2014). SABC Newsroom (2017) reported that at the present moment most of the SMMEs in Ngaka Modiri Molema are winding up due to various challenges these SMMEs face. Despite the many SMMEs being established Department of Trade and Industry (2016) reported that many SMMEs tend to fail due to their incapacity to manage risks.

King Code IV of Corporate Governance informs and regulates the operations of SMMEs in South Africa. In accordance to King Code IV (2016), it is the responsibility of management to exercise due care when taking risks to ensure it is in the best interests of the

organization and to manage the overall risks. Verbano and Venturini (2013) state that there are steps that small and medium sized enterprises could use to manage risks, namely identifying the risks that the enterprise is vulnerable to, risk assessment and analysis and lastly, treatment of the risks the enterprise is exposed to. Di Serio, De Oliveria Siegert Schuch (2011) are also of the opinion that there is a relationship between the business strategic planning and risk management and, as a result, the two factors must be integrated.

### 1.1. Background to the study

The Republic of South Africa has nine (9) provinces and amongst those provinces is North West Province. Within the province of North West there are four districts namely Dr Kenneth Kaunda, Dr. Ruth Segomotsi Mompati , Bojanala District and Ngaka Modiri Molema District. In the Ngaka Modiri Molema there are five (5) local municipalities namely Ditsobotla, Mafikeng, Ramotshere Moiloa, Tswaing and Ratlou.



**Figure 1.1; Map of Ngaka Modiri Molema and its five (5) local Municipalities (Source Ngaka Modiri Molema 2015 IDP Document).**

The National Small Business Act 102 of 1996 gave birth to the many SMMEs in South Africa, including SMMEs in Ngaka Modiri Molema District. Management of SMMEs in

Ngaka Modiri Molema District should conform to the Norms and Standards as set out in the National Small Business Act 102 of 1996. In accordance to the prescripts in the Act, small business means a separate and distinct business entity, including cooperative enterprises and non-governmental organizations, managed by one owner or more including its branches or subsidiaries if any, predominantly carried on in any sector or subsector of the economy.

The National Small Business Act 102 of 1996 ( as amended in Act 29 of 2004 ) gave birth to the many SMMEs in the country but the same has failed to provide guidelines on how these many established SMMEs should identify and manage risks. King Code IV report on Corporate Governance (2016) clearly outlines that the overall responsibility of governance lies with the management of the organization. In accordance to the prescripts of the King Code IV of Corporate Governance, the board of directors of a company must ensure that there is a risk committee in place. The risk committee must ensure that the following are in place with regards risk management.

- Approved Risk Management Framework
- Risk Policy in place
- Risk Strategy and Risk Plan
- Risk Management Systems and Risk Management Processes.
- Register for recording risks and organisation's responses to risks identified.

A key attribute to the success of SMMEs is managing risks effectively and efficiently in accordance to Gao, Sung and Zhang (2011). Risk management within Small and Medium Enterprises is nothing new. In accordance to Brustbauer ( 2016) many established small and medium enterprises lack resources and mechanisms that support risk management activity and this is significantly important for the survival of SMMEs. Risk management causes an extensive impact on competitiveness which may enable the business an opportunity to develop risk strategies aimed at reducing possible losses while exploring opportunities, according to Radner and Shepp (1996).

Despite the many government initiatives aimed at promoting small and medium enterprises, the many established SMMEs are failing to meet expectations in accordance with the Small Business Connect (2015). There are a variety of factors that have led to unsuccessful implementation of risk management in SMMEs. Following the recommendations of Alquier and Tignol (2006: 275), some of the reasons risk management is unsuccessful in small and medium enterprises include a lack of

infrastructure, a paucity in the skills of risk management personnel, lack of human capital and inadequate management knowledge and training.

Many individuals in and around Ngaka Modiri Molema District are highly dependent on government grants. As a result, the SMMEs in Ngaka Modiri Molema play a vital role in alleviating the high unemployment rate through job creation. Small Enterprise Finance Agency (SEFA) (2016) asserts that 80% of businesses fail within the first three years of operation. A report published by Department of Trade and Industry (2016:8) indicates that some of the risks being faced by small and medium enterprises include lack of access to finance and credit, poor infrastructure, problematic labour laws, insufficient government administration, high levels of crime, shortage of skills and lack of access to markets .

## **1.2. Problem statement**

A number of studies have been conducted on the risk management of large firms (Mello and Parsons, 2013, Minton and Schrand, 2016; Peterson and Thiagarajan, 2000; Chatterjee, 2003), there is need for more studies which seek to investigate how SMME's adopt risk management when faced with unexpected risks . Although there are practices that prevent this occurrence more studies need to be done on the implementation of risk management strategies in SMMEs within the South African context. Based on the above this study aims to examine the implementation of risk management strategies of SMMEs in Ngaka Modiri Molema district. The establishment of Small, Medium and Micro Enterprises (SMMEs) in Ngaka Modiri Molema District play a critical role in developing the overall economy of South Africa through job creation, provision of services as well as production of goods. There has been a drop in the failure rate of established businesses based on the reports from Small Business Connect (2015). Even though there is this sliver of hope, there is the damning indication that within the first 2 years of operation many SMMEs continue to fail. Government initiatives are actively promoting SMMEs yet these many established SMMEs face a lot of challenges on a day to day basis. Belebo and Pelsler (2014) listed cash flow management, competition, lack of access to finance, high interest rates and lack of key personnel as some of the key risks faced by SMMEs in Mafikeng within Ngaka Modiri Molema District.

Burgstaller and Wagner (2015 ) found that small and medium sized enterprises are often threatened with major challenges as compared to big and fully established businesses. SMMEs profit less and only a few have access to a variety of resources. Altman et al (2010) is of the view that SMMEs are quite vulnerable enterprises to external factors and

challenges as compared to larger enterprises. This means that SMMs are more exposed to risks than larger companies. It follows therefore that the risk management strategies implemented by SMMEs might not be effective enough in mitigating the risks that they face everyday. Therefore the high failure rate of SMMEs in Ngaka Modiri Molema District may be attributed to the various challenges they face on a daily basis which have led to their businesses not accomplishing their strategic and financial objectives.

For this reason it is argued that there is a relationship between the way in which SMMEs are failing and the implementation of risk management strategies. Consequently, an investigation to establish the ways in which SMMEs are implementing risk management strategies may lead to the identification of effective ways of mitigating risks facing SMMEs. Based on the above, it is therefore deemed necessary to conduct a study that seeks to establish the implementation of risk management strategies by SMMEs in Ngaka Modiri Molema District.

### **1.3. Research Aims**

The main aim of the study is to examine the implementation of risk management strategies to reduce the failure rate of the many SMMEs in Ngaka Modiri Molema District. Research Questions

#### **Main research question**

- What is the nature of risk management strategies implemented in Small, Micro and Medium sized Enterprises in Ngaka Modiri Molema District?

#### **Sub- questions**

- What risks are faced by Small, Micro and Medium Sized Enterprises in Ngaka Modiri Molema District?
- What risk management strategies are implemented by SMMEs in Ngaka Modiri Molema District?
- Do the SMMEs follow the established best practice risk management processes?
- What is the effectiveness of the risk management processes followed by SMMEs in Ngaka Modiri Molema District?
- What best practices could be implemented to improve risk management in SMMEs?

#### **1.4. Research Objectives**

The primary objective of this study is to determine the nature of risk management strategies implemented in Small Micro and Medium Enterprises in Ngaka Modiri Molema District.

The research sub-objectives are set to:

- Identify and examine the risks faced by Small, Micro and Medium Sized Enterprises in Ngaka Modiri Molema District.
- Identify and examine the risk management strategies implemented by SMMEs in Ngaka Modiri Molema District.
- Investigate whether or not the SMMEs follow the established best practice risk management processes.
- Evaluate the effectiveness of the risk management processes followed by SMMEs in Ngaka Modiri Molema District.
- Identify and propose the best practices that can be implemented to improve risk management in SMME

#### **1.5. Scope of the Study**

The scope of the research study is founded on implementation of risk management strategies by SMMEs in Ngaka Modiri Molema District. In accordance to the Integrated Development Plan of Ngaka Modiri Molema District Municipality (2016), the geographical position of the district is defined by the Latitude and Longitude of 25°57'20.1"S and 25°48'28.2"E. The province covers a total 31 039 Km<sup>2</sup> area and it is situated in the capital city of North West Province, Mafikeng. The targeted group therefore are SMMEs situated in the district of Ngaka Modiri Molema. The focus is on risk management, including measures SMMEs put in place to mitigate some of the risks faced.

#### **1.6. Significance of the Study**

How a study benefits the society and other individuals is generally defined as its significance (Ryan et al. 2007). The study contributes to in the scientific knowledge of the management of risks in SMMEs. A number of studies have been conducted on the risk management of large firms (Mello and Parsons, 2000, Minton and Schrand, 2014; Peterson and Thiagarajan, 2000; Chatterjee, 2003), there is need for more studies which

seek to investigate how SMME's adopt risk management when faced with unexpected risks . Although there are practices that prevent this occurrence more studies need to be done on the implementation of risk management strategies in SMMEs within the South African context. This study is beneficial to the SMMEs as the findings lead to recommendations which could improve the implementation of the risk management strategies by the SMMEs. This would enable the SMMEs to better address the risks faced and allow the companies to continue into the foreseeable future. The research study helps improve the chances of the various SMMEs to achieve the missions and visions of the company.

## **1.7. Delimitations and Assumptions of the Study**

This section of the study addresses the essence of the research study, the scope of the study and highlights the inclusions and exclusions of this research study.

### **1.7.1. Delimitations of the Study**

Keeney et al (2009) speculates that definitions of the limitations and limitation of the possibilities can be defined as delimitations. The focus of the study is constricted to the five (5) local municipalities situated in the Ngaka Modiri Molema District. The participants of the study are SMMEs in the five regions of the District and data was collected from participants situated in these 5 local municipalities.

## **1.8. Assumptions of the Study**

This research study is confined to matters related to the implementation of risk management strategies by SMMEs in Ngaka Modiri Molema District. The empirical findings and recommendations of this study are aimed at improving the overall risk management processes in the SMME sector and recommendations could be adapted for use by other SMMEs in South Africa.

## **1.9. Definition of Key Concepts**

The study of Chimuecheka and Mandipaka (2015) defines the key concepts that are presented in this section:

- Small Medium and Micro Enterprises (SMMEs)

SMMEs are enterprises that are owned by individuals for profit maximization and are flexibly operated within a given economy.

- Small Enterprises

Small enterprises employ between 5 and 50 employees and are privately owned by individuals.

- Medium Enterprises

Medium enterprises employ not more than 100 employees and are privately owned by individuals or entrepreneurs.

- Micro Enterprises

Micro enterprises are a form of businesses that can function in any sector whether formal or informal. The enterprises are the smallest type in any business sector. This type of enterprise functions in any sector due to its size and low financial capacity.

#### **1.10. Structure of the study**

The research study comprises the following chapters:

##### **CHAPTER 1: Introduction**

Chapter one provides the introduction of the research study, including the background to the study as well as the problem statement. In addition to that the research aims, objectives and aims are discussed as well as the scope, significance, and the delimitations and assumptions.

##### **CHAPTER 2: Literature review**

Chapter two provides an overview of the theoretical perspectives applicable to this study such as the risk perception theory, the social theory and financial gap theory. As part of the literature review the nature of SMMEs, types of risk management strategies, types of risks facing SMMEs, the risk management processes and best practices to improve risk management are examined.

##### **CHAPTER 3: Research Methodology**

Chapter three discusses and justifies the research methodology followed in this study, including the research design, population and sampling, the sampling technique, strategy used for data collection, analysis of data and research ethics.

##### **CHAPTER 4: Results presentation, Data analysis and Discussionsf**

Chapter four presents the results and provides an analysis of these research results, culminating in the interpretation of the findings so as to assemble a credible set of conclusions derived from the data.

**CHAPTER 5:** Summary of Findings, recommendation and conclusion.

Chapter five summarises the research findings and further discusses recommendations and conclusions based on the empirical data.

## CHAPTER TWO

### THEORETICAL FRAMEWORK AND LITERATURE REVIEW

#### 2. Introduction

This chapter presents the theoretical framework and literature review of the study which is aimed at supporting the findings. This chapter provides the relevant topics related to risk management strategies being implemented by SMMEs in Ngaka Modiri Molema District.

#### 2.1. Theoretical framework

This study adopts the Bohlmann Risk theory, Social theory, Financial gap Theory as its Theoretical Framework. The social theory was adopted to underpin underlying managerial behaviours in SMMEs. The risk theory and the financial gap are other theories that were adopted as they form part of underlying factors that have caused challenges for SMMEs. While one theory could suffice to explore the implementation of risk management strategies in SMMEs, using other theories was necessary to explain how the various elements of related theoretical approaches can be used to provide a comprehensive insight on the type of risk management strategies for SMMEs.

##### 2.1.1. Bohlmann Risk Theory

Prior to 1909 there were no theories applicable to risk and the risk theory was put forward by Bohlmann in 1909 in an attempt to cast some light on risk in its entirety. The theory of risk, as it was later known, has been used to facilitate important final decisions as well as consideration in terms of financial interest (Beard, 2013). For the purpose of this study the risk perception theory is fully considered and evaluated in terms of how it would be applicable to this study. Risk perception can be attributed to an individual's judgment as well as the evaluation of risks (Rohnmann, 2008). Korstanje (2009) argues that valuations of risk cannot be done at least until all feelings are made clear. The author furthermore suggests that fear and risk perception work in response to an action. In the view of Sjoberg and Engelberg (2000) realistic risk perception can occur in instances where individuals have some direct or indirect experience. In the absence of risk perception, it is almost impossible for SMMEs to properly apply risk management. The risk perception theory suggests that SMMEs in Ngaka Modiri Molema District should strive to have a perception on risks in order to determine the risks SMMEs face and come up with strategies to deal

with them and furthermore risk perception could improve decision making as it is a highly personal process for owners of SMMEs.

### **2.1.2. Social Theory**

In 1940 the social theory was introduced, however this theory did not gain any momentum or popularity until the 1990s. The social theory as defined by Harrington (2009) involves a way of thinking about society issues in a scientific manner. The theory suggest that to think scientifically involves applying methods to the study of a certain phenomenon, following such methods consistently and transparently. Borhaninejad et al (2017) is of the opinion that social theory is one of the theories that may be used by management for improving management behaviours. The social theory implies that SMMEs in Ngaka Modiri Molema District should examine social phenomena and should implement adaptive strategies taking into account these social phenomena in order to improve management behaviours and overall management decision making.

### **2.1.3. Financial gap theory**

The financial gap theory was first introduced by Bolton in 1971 and was not very popular. Bolton (1971) states that components of knowledge gap and supply gap are two major challenges that are facing SMMEs and that SMMEs have a lack of knowledge with regards sources of funding available. It of critical importance that SMMEs have access to funds as financing is the lifeblood of any business enterprise. In the view of Matamanda and Chidoko (2017) access of funds by SMMEs help the enterprises build productive capacity, create employment opportunities, compete on the market and lastly contribute to poverty alleviation as a result bridging the financial gap. Lack of understanding of funders' requirements by SMME and funders' inability to prepare SMMEs due to lack of knowledge about the nature of the various business formalities is referred to as a financial gap theory in (Chimuecheka and Mandipaka, 2015). Personal savings, or borrowing money from family, friends and acquaintances is another option SMMEs could use to raise funding in the absence of obtaining external funding. The financial gap theory clearly suggests that SMMEs should strive to obtain an understanding of external funding and apply for such external funding from government and any other financial institutions and in return financial institutions should attempt to examine the nature of business of SMMEs in order to provide these SMMEs with good financial assistance in order to close the financial gap and achieve utmost results.

## 2.2. Risk faced by SMMEs in South Africa

This section and its subsections discuss the nature of risks facing SMMEs within the Republic of South Africa. The meaning of risk as well as the various types of risks faced, gives an overview of the risk management process, the nature of risk management strategies and best practices to improve risk management processes in SMMEs.

### 2.2.1. Types of SMMEs in South Africa

SMMEs have contributed tremendously to the economy of the country. Okreglicka, Gorzen-Mitka and Ogreaan (2015) see these enterprises as a driving force and strong pillar are two factors that represent Small and Medium Enterprises (SMEs). These two factors are evident regardless of the level of analysis (global, regional, national and local). SMEs contribute to the economy of country as a whole and this is based on the fact that they are a major source of jobs, enhance entrepreneurial spirit and innovative ideas therefore SMEs are essential to promote competitiveness and employment throughout the country (Maecelino-Sadaba et al. 2014).

The National Small Business Act 102 of 1996 and the White paper 1995 clearly define SMMEs and further sub-divided the SMMEs as follows:

- **Small Enterprise:** This form of enterprise usually employs between 5 and 50 employees. These form of enterprises usually have formal registrations and have to comply with the laws and regulations applicable to the type of enterprise. Owners are fully capable of running the enterprise and have the necessary knowledge, skills and expertise necessary to run the enterprise
- **Medium Enterprise:** This form of enterprise is usually capable of employing a maximum of 200 employees. This form of enterprise usually has capital assets worth More than R5million excluding property. This form of enterprise is further controlled by a manager but there are shareholders in this type of enterprise.
- **Micro Enterprises:** This are the smallest form of enterprise that can be formed. This usually refers to enterprises that are family owned that is owned by family members with at least one or two employees employed to help with the day to day operations of the enterprise. Micro enterprises usually do not have formal registration in place and hardly abide to the laws and regulations as well as any procedures that may be applicable. Owners of this type of enterprise may have little

or limited business knowledge however be that as it may there is opportunities for growth.

- **Survivalist Enterprises:** Individuals who were unable to find employment or have formal employment tend to operate this type of enterprise. One major characteristic is that the owner usually invests a small amount of capital and therefore the revenue generated is usually very low and falls short of the minimal standard. The owner of this type of enterprise usually lacks entrepreneurial skills, lacks the knowledge and does not have the necessary capacity to keep the business going.

Type of Enterprise	Description	Total Employees	Annual Turnover of Enterprise	Gross Asset Value Excluding assets fixed in Nature
<b>Very Small</b>	formal type of business with access to technology	Less than 10 but not greater than 20 depending on industry type	Between R400k and R4 Million	Between R400k and R1.8 Million depending on industry type
<b>Small</b>	An established form of enterprise with individuals who have business management experience	Less than 50	Between R2 Million and R2.5 Million depending on the type of industry	Between R2 Million and R4.5 Million depending on industry type
<b>Micro</b>	Survivalist type of informal enterprise	Less than 5	Less than R150k	Less than R150k
<b>Medium</b>	Developing form of enterprise	Less than 100 but not greater than 200 depending on the type of industry	Between R4 Million and R40 Million	R4 Million and R18 Million depending on type of industry

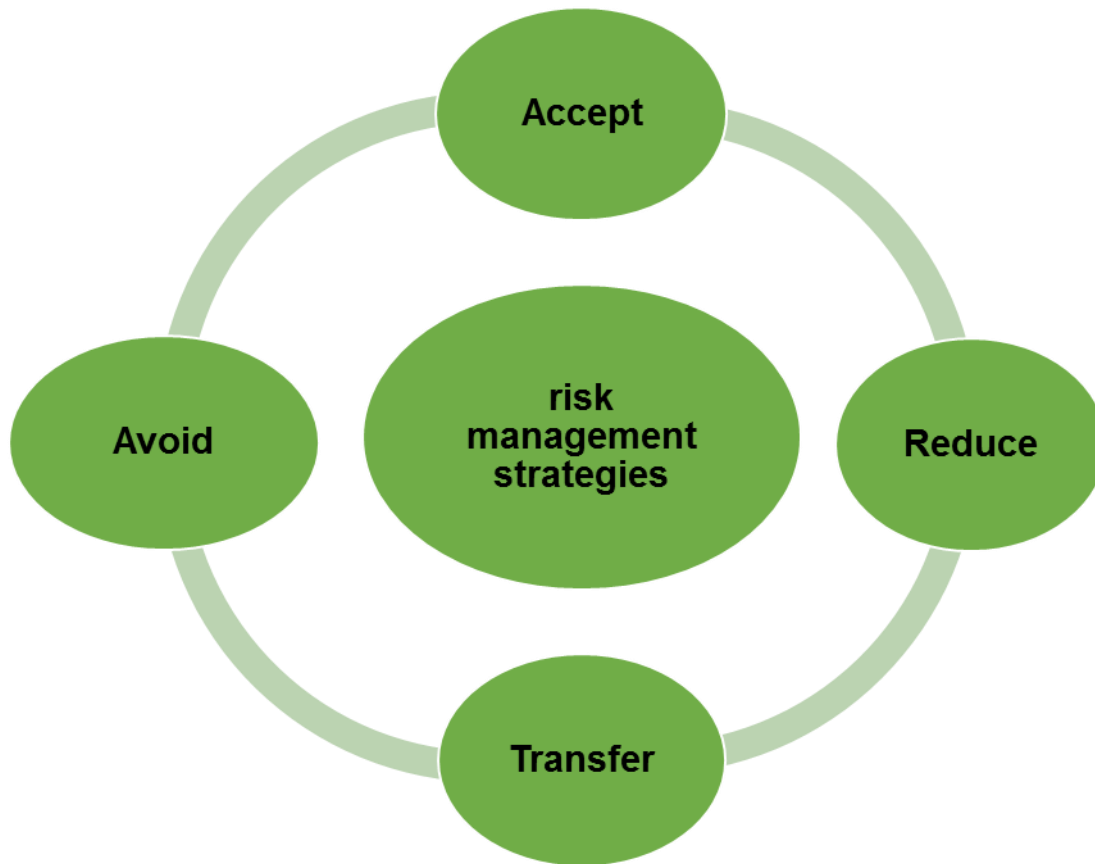
**Figure 2.1 Types of SMMEs (Source: Deena 2000)**

### 2.3. Risk Management Strategies in SMMEs.

Risk management strategies are critical in dealing with the risks being faced by SMMEs. There are various risks management strategies that may be used by SMMEs. In accordance with DeLoach (2003) risk management as seen in enterprise-wide risk management acknowledges 4 ways of dealing risk namely avoid, reduce, transfer, retain

or accept. In this study, the risk management strategies that SMMEs could implement are classified in the visual framework presented below.

Figure 2.2 presents the framework of the Literature review



**Figure 2.2: Types of Risk Management Strategies**

**Source: Own Compilation**

### **2.3.1. Accepting the Risks**

One of the ways in which risks can be managed is through accepting the risk. A proper understanding and knowledge and moral acceptability of risk is of critical importance when accepting risks. It is common knowledge that events of life are such that we accept them and as a result risks are part of such events. In the view of Pochin (1975) accepting risks defines n whatever we do and in whatever way we choose not to do. The author further adds that there are obvious and non-obvious risks however both of this risks can be accepted whether willingly or unwillingly. On the theoretical framework of this chapter, the risk perception theory was discussed and it can be said that risk perception go hand in hand. Duzgun and Yaylaci( 2016) is of the opinion that risk acceptance is about having a proper understanding of the nature of business and their efficient management including associated risks. In the views of Badri, Nadeau and Gbodossou( 2013) an individual's

behaviour has an influence on the degree of their perception of risks as well as professional and personal objectives.

It remains a truth that risks cannot be accepted without having a risk acceptance criteria to follow. Assessing and controlling risks are the two primary objectives of having a risk acceptance criteria in accordance to Aven and Vinnem (2005). Risk acceptance criteria can be seen as a tool that can be used to ensure minimum level of safety as well as to support decision making in accordance to Aven (2007). In the view of Haring (2015) criteria for risk acceptance are used to differentiate between acceptable and non-acceptable risks. the author furthermore believes that different principles can influence the decision of what risks are acceptable. There are a variety of factors that should be considered when creating a risk acceptance criteria. In the view of Hartford (2009) risk acceptance criteria should be based on the following:

- Cost benefit measures of risk
- Prior performance or known preferences.
- Societal or expressed preferences.
- Standards witch are natural.

### **2.3.2. Reducing the Risk**

Risk reduction is another way of managing risks and it is the most common risk management strategy amongst all the four types of risk management strategies. Shepherd, Douglas and Shanley (2000) argue that risk reduction strategies can be defined as measures taken by an enterprise to reduce overall risks. The authors are further of the opinion that new information to major stakeholders is provided through risk reduction strategies. Reduction of risk is defined by Baccarini, Salm and Love (2004) as reducing the probability of a risk as well as the impact thereof. Management's behaviours are relatively important when addressing the issue of risk management as their behaviours can have an impact on the business as discussed in the social theory above. In the opinion of May (2015) reduction of risks may not be equal across all managers of the organization and it is also a possibility that individuals who have more capital invested may have a high regard for risk reduction.

### **2.3.3. Transferring the Risk**

Transfer of risks is another risk management strategies that companies may employ. In the view of Kliem(1999) shifting a hazard or risk to someone or something else can be

defined as transfer of risks. Actions taken to reduce the impact of risks or hazards can be referred to as Transfer of risks in accordance to Etkin (1999). The authors further went on to affirm that individual perceptions may be a factor that may intervene in the risk transference process. Both the benefit of gain and burden of loss are shared with other parties when risk transference takes place in the view of Fazli, Mavi and Vosooghidizaji (2015). Sadgove (2016) suggests that merely transferring the risks does not completely reduce the chances of the risk materializing, transferring risks merely gives the responsibility of managing risks to an independent individual who is able to manage it effectively and efficiently. Popular risk transference strategies include insurance, guarantees and similar contract methods.

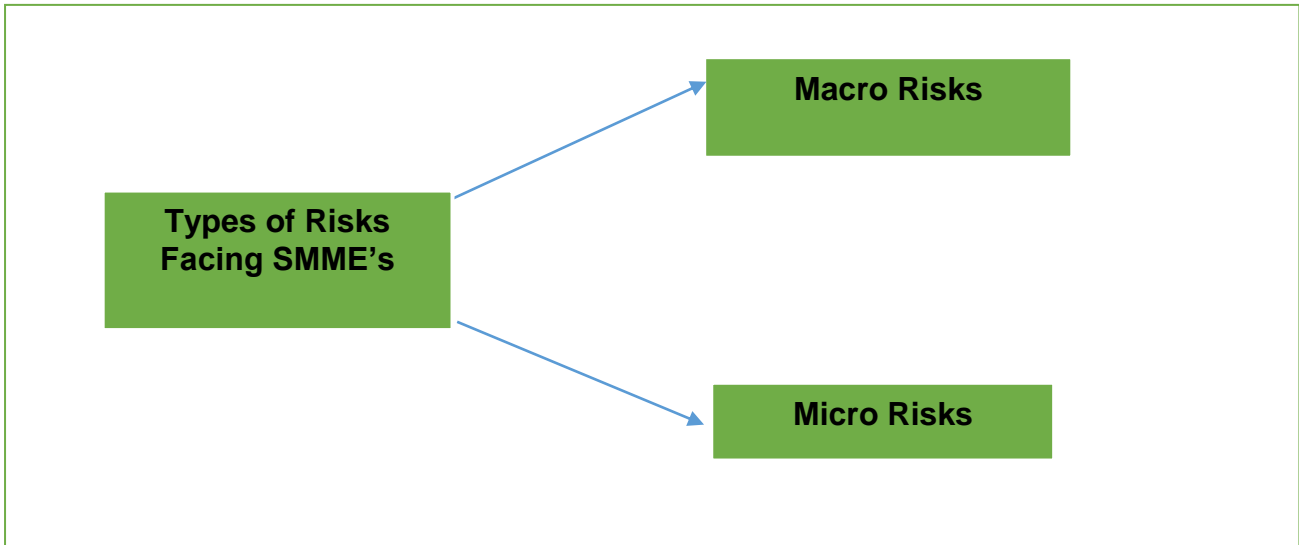
#### **2.3.4. Avoiding the Risk**

Avoiding risks is another risk management strategy. The risk avoidance strategy is aimed at putting an end to the risks facing the organization (Sadgove, 2016). By adding, changing, streamlining and completely removing certain things from certain processes can ensure avoidance of risks (Magwede, 2017).

#### **2.4. Types of Risks Facing SMMEs**

SMMEs are the key contributors to the economy of the country even though they face many risks that are on a day to day basis. Risks occur on a daily basis and influence the vitality and sustainability of the enterprises. Tibor, Edina and Laurentiu (2015) are of the opinion that risks have a very huge significance on the economy and that if businesses do not take risks, no profit can be earned. Tibor et al (2015) defines risk as the possibility of an event occurring that can lead to unfavorable outcomes. In this section risks facing SMMEs are explored and classified accordingly.

There are two types of risks that any organization can face, namely, macro risks and micro risks in accordance to Shimell (2002). The figure below represents the framework of the literature review.



**Figure 2.3 Types of risks (Adapted from Shimell 2002)**

### **2.4.1. Macro Risks**

Macro risks are external to the business enterprise. Kaplan et al (2012) argues in their respect that the enterprise has neither control nor influence on the external factors and it is very important that companies risk management processes should cater for this category of risks. Macro risks include the following:

- Financial risks that are external
- Regulatory and legislative risks
- Political risks

#### **2.4.1.1. Financial Risks**

SMMEs face a lot of risks on a daily basis however financial risks are one of the major contributing factors to the discontinuance of many failing SMMEs in South Africa. Poor profitability and lack of access to funds are the main reasons why a lot of SMMEs are failing in accordance to the Bureau for Economic research (2016). One of the contributing factors as to why SMMEs cannot obtain financing include amongst others insufficient collateral, a poor credit history and inability to make profit (Chimuecheka and Mandipaka, 2015). Many South African banks and other financial institutions are sceptical of providing financial support to SMMEs unless the SMMEs are in the later stage of their development in accordance to the DTI Report (2008).

### **2.4.1.2. Legislative Risks**

Compliance to laws and regulations is very essential in every company including the many established SMMEs. The OECD Economic Surveys (2015) show that the labour laws of the Republic of South Africa have proved to be quite problematic when coming to SMMEs. Many SMMEs employ individuals but the labour laws of the Republic of South Africa discourage a lot of SMMEs from employing due to the fact that these SMMEs cannot lay off employees once the enterprise ceases to exist or no longer affords to keep its doors open.

### **2.4.1.3. Political Risks**

Politics has a way of affecting businesses. Stability with regards to politics results in good governance for growth and poverty reduction in the view of Alesina and Perotti (1994). Organizations should engage in strategic management processes to assess social phenomena as a way of identifying both political opportunities and to protect themselves against political risks in accordance (Henisz and Zelner, 2003). In the opinion Zhu et al (2004) there are numerous mechanisms through which political administration of a country can affect investors from political risks, to tax policies to government policies that may affect macroeconomic performance. The author is furthermore of the opinion that democracy reduces political risks through:

- Stabilisation of policies
- Firms influence on policy outcomes
- Openness and transparency of policies and politics and lastly
- Effect of costs on leaders' incentives.

### **2.4.2. Micro Risks**

Micro risks are internal to the business enterprise. Internal risks are risks that are internal to the business enterprise and the enterprise have total control over these types of risks (Shaw et al. 2012). Internal risks include the following:

- Operational Risks
- Environmental risks and Ethical risks
- Reputational Risks
- People Risks.

### **2.4.2.1. Operational Risks**

Operational risks apply to all companies but tend to vary from one organization to another depending on the nature of the organization as well as the characteristics thereof. Risks that hinder the operations of any SMME can contribute to the failing rate of SMMEs. Pakhchanyan (2016) defined operational risks as risks that arise from having poor or failed internal processes, people and systems. The National Planning Commission (2013) indicated shortage of skills in employees of SMMEs as one of the factors that have affected the growth rate of SMME's in the republic. In the view Juttner, Peck and Christopher (2004) the result of risks becoming events can be referred to as operational risks. Loss as result of failed or insufficient internal processes, inadequate systems, people or external events can cause operation risks in the opinion of Walter (2013). In the opinion of Panjer (2006) the definition of operational risks is closely related to the definition of the concept of risk, in the view of the author this includes management failure, business major decision risks and all the other types of failures the company may face. In the opinion of Singh, Mishra, Jain and Khurana (2012) operational risks can be classified into two namely internal operational risks and external operational risks. Wrong coordination of internal processes can lead to internal operational risks in accordance to the authors while external operation risks can be caused by external or uncontrollable risks such as natural disasters, changes in the exchange rates etc. The lack of skills, knowledge and expertise in management and employees of SMMEs has an effect in the day to day operations of the organization and as a result proper measures should be put in place to address such operational risks from occurring.

### **2.4.2.2. Environmental Risks**

Environmental risks are part also part of the micro risks that an organization can face. Hazardous waste, toxins, climate, air pollution, quality of water, resident overpopulation, quality of housing, work environments, conditions in the neighborhood, quality of educational facilities can all contribute to environmental risks in the view of Evans and Kantrowitz (2002). In the view of Franks et al (2014) financial success of many developed and developing organizations may be negatively affected or influenced by the various environmental risks that an organization can face. In a paper written by Peters, Covello and McCallum (1997) the authors highlighted on the theory of risk perception. The authors stress that individuals who think that nature in its totality is fragile and those who focus on environmental and technological risks do not trust traditional systems or processes.

Environmental risks can be dealt with through regulatory measures based on risk assessment in the opinion of Van Leeuwen and Hermens (1995).

### **2.4.2.3. Reputational Risks**

Reputational risks have a way of affecting the company's opportunity to continue to exist into the foreseeable future. In the paper written by Fombrun, Gardberg and Barnett (2000) the author defined reputational risk as the risks as the value of losses or gains that is at risk due to the day to day interactions with stakeholders. In the view of Power (2004) reputation risk can be defined as a risk caused by a gap between expectations of the public, performance and service delivery. Reputational risks mean different things to different people. In the view of Perry and Fontnouvelle (2005) negative publicity concerning an organization's business practices may be defined as reputational risks whether factual or not, the author is further of the opinion that reputational risk will cause a decrease in revenue, customer base and overall profits.

### **2.4.2.4. People Risks**

People risks are often referred to as human risks and in the view of Young (2010) people misconduct or errors may result in people risks occurring. People are the biggest resource of any organizational enterprise as they have a major impact on the overall development and growth of the business. As a result, Valsamakis et al (2013) is of the opinion that dependency on key people within the organization may often lead to fraud.

## **2.5. Risk Management Process**

Organizations face a lot of risk on a day to day basis. In order to thoroughly deal with the risks facing the organization proper risk management processes should be followed to the latter. Greater proportions have been assumed by risks due to increased competitions, technology advances and forever changing economic conditions as a result risk management must form an integral part of an organization. Risk management should be implemented within the organization to provide a valuable input to ensure organizational success. In the view of Ruskin and Estes (1995) precautions used to minimize risks within an organization are referred to as risk management and in the opinion of Devilliers (2003) this is the process of identifying, assessing, actioning, monitoring and reviewing the risks facing an organization. The risk management process involves the following steps:



**Figure 2.4: Risk Management Process (Own Compilation)**

### **2.5.1. Risk Identification**

Risk Identification is the first and most critical step of the risk management process. In the view of Aven (2011) this step is very crucial as it begins with identifying all the potential losses and gains in a given scenario. In the opinion of Chicken (1996), risk identification involves identifying the perceived risks together with various features and consequences prior to these risks being managed or measured. Larger organizations often have enough resources to know how to properly identify risks while smaller organizations like SMME's often do not have enough individuals and often have a lot of work to do to properly manage risks. Chicken (1996) agrees with the above mentioned statement as the author is of the opinion that shareholders and owners of SMME often have so many responsibilities to actually manage risks and often lack knowledge to identify and manage risks. The modified traditional definition of risks should be consideration when identifying risks. Prior to any actions been taken the impact and characteristics of risks must be known and clearly understood, upon understanding the characteristics and impact only then can appropriate actions be taken (Marx and Swart, 2014).

### **2.5.2. Risk Assessment**

Risk Assessment is the second step in the risk management process. Upon proper identification of risks facing the business, the risks must be properly analyzed and evaluated. In the view of Verbano and Venturini (2013) risk analysis and risk evaluation combined are referred to as risk assessment as result Step 2 and 3 of Figure 2.4 above are combined in the process of risk assessment. Risk analysis and risk evaluation go hand in hand and therefore in accordance to Tchanokova (2012) when the analysis of risks has taken place, the evaluation process must follow. The method followed for comparing risk

analysis risks with preset criteria or reference levels determines the ultimate risk assessment.

Risk evaluation is of critical importance and in the view of Alam and Masukujjaman (2011) risks can be profiled as upside risks or downside risks upon estimating risks as qualitative, quantitative or semi quantitative. Risk evaluation is an intricate process and certain factors should be considered. In the view of Valsakamis et al (2013) effectiveness, efficiency, sustainability, fairness, public and ethical acceptance, minimization of negative side effects and political and legal acceptability are some of the important factors that must be considered in risk evaluation. Acceptable levels of risks are often introduced by regulators who are technical specialists using a qualitative criteria. In the view of Mulcahy (2010) in order to ensure relevance it is of critical importance that regulators increase knowledge about the technical, economic and social-political aspects of risks. SMMEs often struggle to achieve their financial and strategic objectives and this is supported by Chicken (1996) who is of the view that SMMEs often have somewhat less resources than big companies and often than not meeting certain regulatory needs might pose a challenge or be beyond their capacity.

### **2.5.3. Monitor and Control Risks**

Upon treatment of risks, which is the third step of the risk management process which was discussed in detail in 2.3 of this chapter, risk control and monitoring must take place. In the view of Mangwede (2017) an action or measure used to manage risks is referred to as risk control, the author furthermore is of the opinion that this control can be in a form of a policy, a procedure, a practice, technology or a technique. It of critical importance to note that risk monitoring and control is an ongoing activity within the risk management process. Risk monitoring and reviewing includes updating the entire system of risk management taking into consideration the procedures used to audit the organization as well as new experience and information that was obtained throughout the process in the view of Aven (2012).

## **2.6. Best Practices to Improve Risk Management Practices SMMEs**

This section of the research study provides insight into some of the best practices that the various SMMEs in Ngaka Modiri Molema District should implement to improve risk management processes. Stakeholder involvement, risk culture, risk communication channels, risk management policies, monitoring, training and workshops and government

assistance were selected to so as to provide answers to the research questions of the research study.

### **2.6.1. Stakeholder Involvement**

The role played by the owner determines whether or not the SMME fails or succeeds, ensuring team work within the enterprise will actually ensure if the organisation fails or succeeds. It is the responsibility of management to set the tone at the top and by doing so encourage stakeholder involvement in the process. Owners are responsible for providing leadership in order to ensure overall success and this entails encouraging team work within SMMEs in order to be able to deal with risks. In the view of Frazer and Simkims (2010) providing resources and funding is not what ownership is all about but also about providing leadership support.

### **2.6.2. Risk Culture**

Risk culture is often ignored in organisations. However managers shareholders and executives should consider it as a very important task. The risk culture of an organisation is critical in bringing together all the elements of risk management. Many organisations often view risk management as a compliance issue (Asenova, Bailey and McCann, 2015) and more and more organisations are trying to move beyond viewing risk as a Compliance issue.

In the view of Banks (2012) establishing a risk culture involves establishing risk management processes in an organisation where such processes exist and are practiced. A strong risk culture will therefore lead to the successful implementation of risk management processes within an organisation and will ensure that the organisation actually reaps the rewards of risk management. For the purpose of this study it is important to note that risk culture will be defined as a standard of behaviours for a group of people or individuals for determining the ability to clearly identify, determine and act on risks that are currently facing the organisation or may face the organisation in the future.

Different organisations have different risk cultures, and this is even a norm in smaller organisations like SMMEs. In the opinion of Cortez (2011) having a common risk language and all employees understanding risk taking are two things necessary in the formation of risk culture. A proper risk culture within SMMEs ensures that owners or managers of enterprises clearly understand risks when taking decisions and will help managers with the necessary steps to protect the enterprise should risks have a negative impact. This is

supported by Brooks, Fraser and Simkins who are of the opinion that in order to achieve strategic objectives risk culture is a key element in the process. Just as Managers are trained on risk management practices, training should also be addressed as part of the training programme. In order to foster an environment within SMMEs that practices risk management, adequate attention and efforts should be put in embedding a culture of risk.

### **2.6.3. Risk Communication Channels**

Communication can make or break an organisation therefore it is always important clear communication channels within all the functions of the organisation. Risk management processes will not function effectively and efficiently if there are no proper communication channels established. In order for risk management to be effective in SMMEs, it is of critical importance that it is practiced by owners and employees in their day to day operations. In accordance with King Code IV (2016) shareholders are responsible for risk management and internal controls within organisation. The author further asserts that the shareholders therefore are responsible for the establishment and communication of risk tolerance and control strategies and reviewing systems of risk management for effectiveness.

Communication channels are essential in ensuring that owners and employees carry out their roles and responsibilities with regards to risk management. In the view of Lunenburg (2011) the process by which information is sent from the sender to the receiver and vice versa through various channels may be referred to as communication. Information cannot just be communicated without actually reaching the right people within the organisation as it will then be fruitless therefore in the opinion of Wallace and Robertson (2009) there should be understanding of the message from the sender to the receiver for the communication to be complete.

In order for risk communication channels to be deemed effective in SMMEs owners, managers and employees should understand the messages conveyed. In the view of Fraser and Villet (1994) communication within an organisation is enhanced by people's awareness and participation. Creating risk communication channels within an SMME will enhance people's awareness of risks as well ensure that owners and managers work towards effectively and efficiently applying risk management process throughout all the functions of the enterprise. The importance of establishing clear communication channels within SMMEs is that enterprises are likely to make well informed decisions as employees would have been consulted in the process of communication. Fraser and Villet (1994)

agree that through awareness and strengthened participation from people the evaluation of development challenges as well as making development decisions will be achieved through communication.

#### **2.6.4. Risk Management Policies**

Risks are the number one reason for uncertainty in any organisation therefore Risk management policies within organisations are of extreme importance in providing guidance with regards to risks in its totality. Risk management policies should be established within SMMEs however it is important to note that the risk management policies should be easily understandable and well written in order for all parties to clearly understand the contents thereof. Every organisation is different and as a result there is no standard format for risk management policies.

Policy and policy analysis are closely related to risk management. A policy in the view of Aven (2016) can be defined as a plan used by the organisation to guide the decision making process as well as achieve desired outcomes. SMMEs should design risk management policies that will suit the specific needs of the organisation. Despite risk management policies varying from one organisation to the next McKinney (1995) is of the view that the following factors should be considered when formulating a risk management policy:

- Theories and goals
- Types of risks to safeguard against
- Standard used to select risk management strategies
- Types of risk the organisation is likely to face.
- Measures used when organisation is facing risks.

#### **2.6.5. Monitoring**

Monitoring is not a very uncommon term in SMMEs, yet it is one of the most stressed element in the COSO framework. Owners and managers are responsible for overall governance within the organisation including monitoring. In the view of Turnbull Report (2005) identification of risks is not the only management responsibility however management must further ensure plans of actions are sufficient and effective and that assessment and monitoring takes place. Not only must monitoring take place but it must be continuous to ensure effectiveness and effectiveness.

Effective and continuous monitoring is an essential part of risk management process. Creating strategies aimed at checking on a regular basis if risk management processes implemented are being utilised and that if they are reducing the risks is one of the main purposes of risk monitoring. Risks continuously change within working environments and there risk management processes should include monitoring that is continuous as well as reviewing , communication and consultation.

#### **2.6.6. Training and Workshops**

Continuous training and development within various organisations is of critical importance. Training in the view of Tharenou et al (2007) can be defined as a way in which one acquires and develops personal skill, knowledge and attitude required in order to perform tasks or improve overall job performance. Martin et al (2006) further asserts that training may involve information sharing in a formal setting with the sole intention of one increasing human capital. SMMEs should invest in developing the skills and knowledge of employees as a way of ensuring that job performance increases and that there is achievement of goals and objectives within the SMME. Tharenou (2007) further enumerates that when training is done well within an organisation this will be reflected in the way in which one performs tasks, will lead to an improvement in job performance and will further be reflected in achievement of organisation outcomes such as productivity, quality and service.

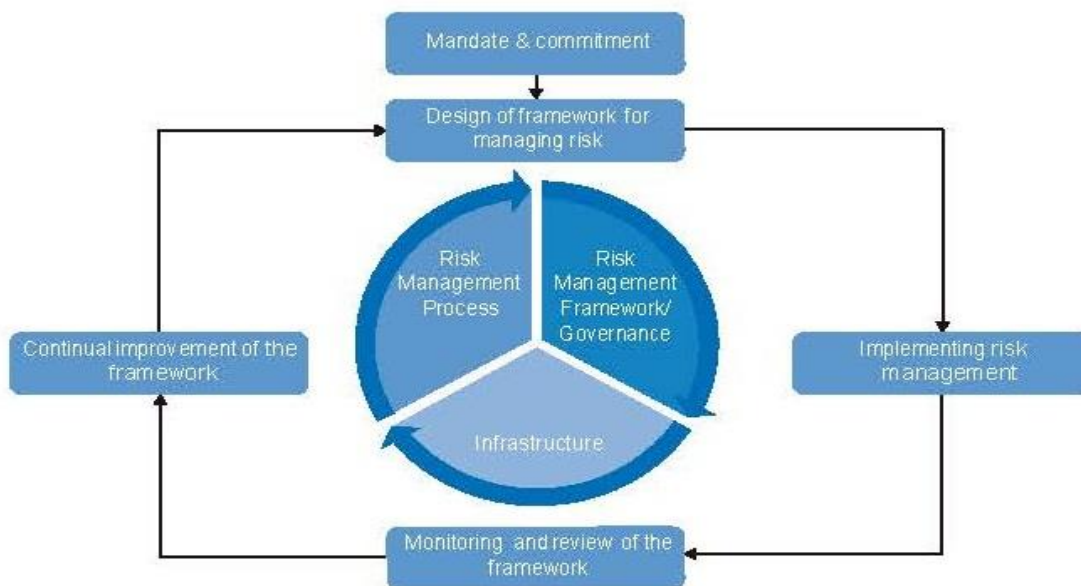
SMMEs unlike large organisations rarely train employees with regards to issues of risk management strategies and this has an ability to affect the business in a negative way. In the opinion of Lashley and Rowson (2010) the quality of operations may be affected by the lack of effective, adequate and appropriate training and this may be due to the fact that the owners are merely concerned about generating profits and growth. Training with regards risk management in SMMEs should not just be provided for the sake of providing training but should however provide owners with the necessary tools to clearly know how to identify, assess and monitor and control risks. Kealey et al (2005) supports the above by clearly outline the fact that new knowledge and skills should be acquired through training sessions and should further enhance some of the key organisational and environmental success.

SMMEs rarely invest in training of employees as most of the enterprises lack the necessary financial resources to do so therefore Kotey and Folker (2007) is of the opinion that through intervention by Government in SMMEs, training in SMMEs should be more effective as most of the SMMEs are unable to afford resources needed to train staff.

Through proper risk management training within SMMEs it will be quite easy for SMMEs to identify, assess and monitor the risks facing their various SMMEs and this will further help owners in identifying opportunities. In agreement with the above Sambasivan et al (2009) is of the view that owners of business can quickly recognise opportunities if proper offered appropriate training .

### 2.6.7. Simple and Transparent rules

Risk management policies differ from one organisation to another. Establishment of complex risk management policies will not serve any purpose if it is important to understand the content and implement accordingly. There are many risk management framework that organisations can apply such as COSO and ISO Framework however it is important to note that these framework do not provide a standardised risk management framework. In order to ensure successful implementation of risk management there should be an effectiveness on the management framework in the accordance to ISO 31000( 2009). Figure 2.5 below provides the correlation thereof



**Source:** ISO 31000(2009)

### Figure 2.5: Risk Management Framework

Based on the above framework by ISO 31000 (2009) risk management framework should be improved on a continuous basis. SMMEs should establish and implement risk management policies that are simple enough to follow, in instances where the frameworks is not effectively managing risks as it should changes should be made to it. In addition to the above King Code IV asserts that “the board should ensure that frameworks and

methodologies are implemented to increase the probability of anticipating unpredictable risks.”

### **2.6.8. Risk Awareness**

Organisations face risks on a day to day basis however many organisations do not create an awareness on the type of risks facing the organisation. Risk awareness should be strongly encouraged within SMMEs to avoid a lot of challenges that an organisation may face. Lack of awareness, training, as well as economic and social issues are some of the factors that can be attributed to the failure of risk in the view of Buttrick et al (2014). Identifying risks may be an easy process but creating awareness about the risks facing SMMEs may pose a serious challenge. In the view of Morgan (2002), in creating an awareness plan to communicate risks there has to be commitment in order to properly define and assess the risks. Risk awareness is one factor that improves risk management within an organisation and Brooks (2010) supports this by clearly stating that a risk aware organisation is one that encompasses risk awareness across the organisation and ensures full and transparent communication and accountability.

### **2.6.9. Government Assistance**

SMMEs are the main drivers of the economy in South Africa and as a result the Government tries by all means to support the many established SMMEs. Government tries to ensure that funds are made available to SMMEs however more and more SMMEs do not know how to obtain assistance from Government. Small Enterprise Development Agency (2016) reported that a lot of established SMMEs do not have the necessary information as to how to go about obtaining funding from Government or do not qualify to be given funding. Finances obtained from various Government Departments would help SMMEs in establishing enterprises that are not only financially sustainable but that are risk aware. The following Institutions are available to provide funding to the various established SMMEs:

- The Presidency
- The Department of Economic Development
- The Department of Trade and Industry
- The Department of Science and Technology and
- The Department of Agriculture

All of the above mentioned Institutions are responsible for providing financing to SMMEs as all of them have mandates to carry out. It is of importance to note however that even though this various institutions provide funding the are no stipulations whatsoever on how SMMEs should spend this funds as a result SMMEs are at an advantage of spending this funds on establish proper efficient and effective risk management processes. Initiatives of Government are provided by the various institutions as a way to alleviate unemployment, empower not only the youth but communities as well, to ensure growth within the business, to transform the economy and most importantly to reduce chances of the enterprises winding up. Other initiatives of Government include:

- Providing financial assistance
- Legislations that are appropriate
- Programmes for capacity building
- Infrastructure provision
- Market relations

Many established business have the financial and human resources necessary to properly establish risk management within organisations. The above mentioned institutions will play a very big role in not only providing financial assistance to SMMEs in the process of establishing risk management but also in capacitating the owners and managers of SMMEs with regards to risk management processes.

## **2.7. Summary**

This chapter presented the theories applicable including literature review of the research study. The risk perception theory, the social theory and the financial gap theory which form the cornerstone of this research study suggest how SMMEs perceive risks, managerial behaviours with regards to decision making as well as how SMMEs obtains funds and makes use of available funds. The literature review further explored the nature of SMMEs in South Africa and discussed the risk management strategies that SMMEs may employ including the types of risks SMMEs face. Other factors such as stakeholder involvement, risk culture, risk communication channels, risk management policies, monitoring, simple and transparent rules and government assistance were also discussed.

## CHAPTER THREE

### RESEARCH METHODOLOGY

#### 3. Introduction

This chapter discusses the research methods and techniques applied in this study. This research methodology is used to establish the extent to which SMMEs in Ngaka Modiri Molema District are implementing risk management strategies. The techniques discussed in this chapter are used to extract information that addresses the research questions. This chapter commences with a brief discussion of the concept of research methodology followed by the design of the research study, population, sampling techniques applied, data collection techniques used, analysis of the data and a discussion regarding ethical concerns that guide the research process.

#### 3.1. Research Methodology

Research methodology encompasses a variety of aspects. According to Fox and Meyer (1995) methodology is the systematic study of processes and principles that are used to guide a research investigation. Research methodology involves the research processes and decisions that a researcher undertakes to complete a research project (Bryman & Hanekom, 2006). Tools and procedures used to identify the population, criteria used for choosing the sample and lastly the data collection analysis techniques employed in the research study are aspects of research methodology according to Babbie and Mouton (2012). Bruce and Grove (2003) are of the opinion that research design, sampling, collecting data and data analysis together form the basis of a good research methodology.

#### 3.2. Research Design

Research design is aimed at ensuring that problems expressed by the researcher are effectively addressed through adopting a comprehensive strategy preferred in combination of all the different aspects of the research study in a logical manner (Ary, Jacobs, Sorensen, Walker, 2013). The above mentioned comprises data collection and data analysis. Khan (2008), on the other hand, defines a research design as a plan of action that achieves the objectives of the study and provides information that is necessary to solve the research question. There are a variety of aspects that need to be considered in a research design. According to Cooper and Schindler (2006) the following are essential in guiding the research design:

- Origin and types of information selected
- Framework used for specifying the relationship amongst the research study variables
- Procedures used for each research activity
- Activity vs. time based plans
- Research questions.

The study adopted a pragmatism approach which encompasses both quantitative and qualitative methods. Collecting, analysing and combining both the quantitative and qualitative research methods in one study enhances understanding a research problem in greater depth than either method applied singly according to Creswell (2012). O’Leary (2017) highlights that observing the advantages and disadvantages of the research methods is important in the mixed methods. Creswell (2014) defines a self-explanatory sequential mixed method as involving two phases where quantitative data is collected and analysed first and in the second phase the quantitative results are generated through qualitative techniques.

The quantitative method was adopted first and was used to identify some of the risks being faced by small and medium enterprises in Ngaka Modiri Molema District, explore the risk strategies that are being implemented by the various small and medium enterprises and measure the effectiveness and efficiency of the risk strategies implemented and further explore the risk management process recommended to reduce the failure rate of small and medium sized enterprises.

### **3.2.1. Quantitative Research**

Collection of data from a certain group in a selected population in the form of numbers, and analysing the data collected that represents the population defined as quantitative research (Maree, 2015). Fox and Bayat (2008) are convinced that quantitative research makes use of mathematical data as well as statistical techniques to investigate a research problem. Quantitative design is independent of the researcher; similar results should be obtained regardless of who conducted the research.

### **3.2.2. Qualitative Research**

Welman et al (2005) define qualitative research as a “descriptive” research. Creswell (2014) is of the opinion that the researcher has an advantage of interpreting the findings

numerically even though qualitative research design lends itself more to thick descriptions and new explanations by looking at reality from a new and different angle. Combining the two approaches assists in examining the risk management strategies being implemented in Ngaka Modiri Molema District.

### 3.3. Population and Sampling

Bryman et al (2017) is of the opinion that a representative of the whole group of the study is defined as the population while Richie, Lewis, Nichollis and Ormston (2014) suggest that there needs to be commonality between the individuals and these should have a relationship to the research topic. The authors further believe that geographical clustering is important as it ensures easy access to the respondents. Sampling, on the other hand, is defined as a representation of the wider population (Bryman and Bell, 2014).

#### 3.3.1. Population

Population is an important part of a research study as it sets out the selected whole group (Bryman et al. 2017). Young (2006) defines population as a collection of individuals or objects within which a scientific query is focused or interested.

The population of the study are the many established small and medium sized enterprises in Ngaka Modiri Molema District Municipality. There are 3607 registered small and medium sized enterprises in the Ngaka Modiri Molema District. There district is made up of 5 regions namely Ditsobotla, Mafikeng, Ramotshere Moiloa, Ratlou and Tswaing. The table below outlines the registered small and medium sized enterprises in the regions:

**Table 3.1 Population of the Study**

<b>Ngaka Modiri Molema District</b>		
<b>No.</b>	<b>Region</b>	<b>Number of SME's</b>
1	Ditsobotla	315
2	Mafikeng	2747
3	Ramotshere Moiloa	275
4	Ratlou	124
5	Tswaing	146
Total		3607

**Source:** Municipal Handbook (2014)

Total Number of the Municipalities = 5

Total Number of registered SMMEs in Ngaka Modiri Molema District = 3607

### **3.3.2. Sampling**

Bryman et al (2017) defines sampling as a portion of the population that is used in the investigation of the study. Cooper and Schindler (2003) agree that through sampling, conclusions are drawn by the researcher by selecting certain elements from the population. This section of the research study looks at the method of sampling selected by the researcher and the motivation of the sampling method and also scrutinizes the sample size that was used for the study.

#### **3.3.2.1. Sampling Technique**

There are a variety of sampling techniques and Bryman et al (2017) suggest that the sampling method selected could be a probability or a non-probability approach. Leedy and Ormord (2014) add that a method can neither foresee nor assure that each selection of the population is represented in the sample in the case of non-probability sampling. The convenience sampling which is a non-probability method was used in this study. Leedy et al (2014) state that the convenience sampling is also called accidental sampling as it makes no attempt of identifying a representative sample of the population. The rationale for convenience sampling method for this study is based on the fact that it is at the discretion of researcher and that small and medium sized enterprises do not have a fair chance of being selected. Furthermore a probability sampling sampling was utilised. Random sampling typically represents the Ngaka Modiri Molema district SMMEs sample frame used for questionnaires.

#### **3.3.2.1. Sampling Size**

Bryman et al (2017) suggest that a number of considerations determine the sample size such as time and cost. Leedy and Omrod (2014) state that “the larger the sample the better” is a basic rule in sampling even though the rule is never really accommodative of the practical decisions about a specific research study. Gay, Mills and Airasian (2009) provide the following guidelines in assisting researchers to determine sample size.

- For populations less than 100, survey the entire population.
- If population is around 500, then 50% of the population to be sampled.

- If population is around 1000, then 20% of the population to be sampled.
- If population is above 5000, population size irrelevant, sample size of 400 should be accurate.

For the purpose of this study a sample of 100 respondents were selected from the population using a random sampling technique. This sample size was deemed sufficient for the purposes of this study as the respondents were considered to be in the best position to provide information needed for the study. The sample frame for qualitative data was 10 SMMEs which were purposively selected.

The sample selection criterion was based on

- Informed consent
- Accessibility
- Willing participation
- SMMEs based in Ngaka Modiri Molema District in the North West province

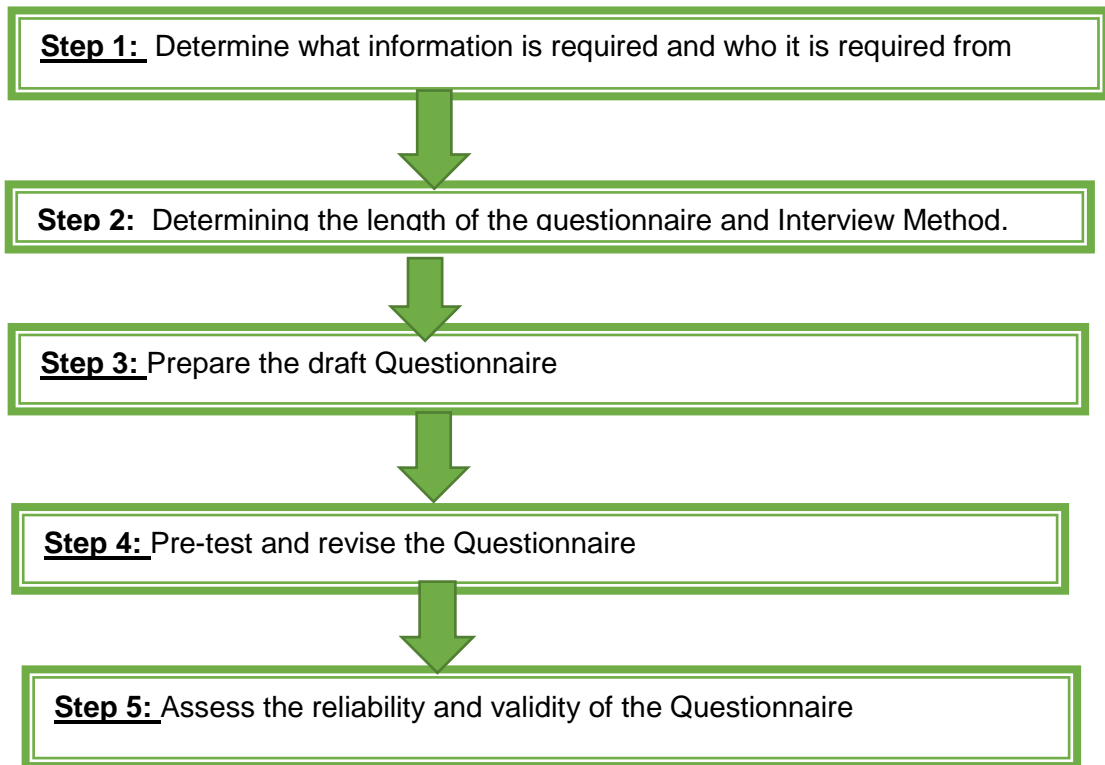
There are various methods of non-probability technique including purposive sampling. A purposive sampling method is a non-probability method where respondents are selected primarily based on their characteristics and on personal judgement of the researcher (Bhattacharjee, 2012). The advantages of adopting such a sampling method are as follows:

- Saves time and financial resources.
- Accuracy of the information is enhanced.
- Collection of information is in-depth due to extensive knowledge of participants selected research study.

### **3.4. Data Collection Strategy**

The manner in which data is collected from respective respondents is referred to as the data collection method (Gray, 2013). The data collection technique used in this research study is questionnaires. The success of any research study is dependent on the construction of a questionnaire (Drew, Hardman and Hosp, 2008). Brink (1996) states that a set of questions printed on a document in which the respondents respond to is a questionnaire. The questionnaire for this research comprised both open ended and close ended questions. Five (5) processes were followed in designing this questionnaire as

suggested by Frazer and Lawley (2000). The figure in 3.1 illustrates the 5 processes of questionnaire construction adopted.



**Figure 3.1: Questionnaire Design Process**

Source: Frazer and Lawley (2000). Adapted

### **3.4.1. Self-Administered Questionnaires**

Bless et al (2007) defines a self-administered questionnaire as a tool that is completed without any help from the researcher. The researcher distributed the questionnaire to the SMMEs and provided the respondents with a reasonable time framework for the completion. The questionnaire is divided into five sections namely: 1. Socio-demographic, 2. Implementation of risk management strategies in SMME. 3, Risk strategies being implemented by SMME's 4. Effective and efficient risk management strategies implemented 5. Exploring risk management strategies to be put in place to reduce failure rate of SMMEs.

**Section 1:** This section is aimed at quantifying the socio-demographic information of the respondents and understanding their background. It analyses the level of education, age, gender, etc.

**Section 2:** This section aims to establish and identify the types of risks currently faced by the various SMMEs in Ngaka Modiri Molema District.

**Section 3:** This section aims to establish the risk strategies being implemented by small and medium enterprises in Ngaka Modiri Molema District.

**Section 4:** This section aims to establish the efficiency and effectiveness of risk management processes in SMMEs.

**Section 5:** This section aims at determining the best practices that could be implemented to improve risk management in SMMEs.

### **3.4.2 In-depth interviews**

In-depth interviews were conducted with the SMMEs in Ngaka Modiri Molema District as part of the data collection phase. In-depth interviews ensure the collection of meaningful, rich, subjective data that gives insights of the types of risks faced by SMMEs. Open-ended questions helped the researcher to gain subjective responses from the participants (Maree, 2015). Face to face interviews were undertaken in a closed and quiet environment. The length of these interviews varied and depended on the information richness of the respondents. The researcher transcribed the qualitative data drawn from the tape recorded interviews from the representatives of the SMMEs in as accurate a manner as possible. In-depth Interviews were conducted with owners and managers of the various SMMEs in Ngaka Modiri Molema District.

### **3.5. Data Analysis**

In order for data to be meaningful, it has to go through the process of data analysis according to Bastic and Malaton (2007). Statistical Package for Social Sciences (SPSS) was used to analyse the data collected in this study. Arkkelin (2014) suggests that data entry and creation of graphs and tables could be done via the SPSS program. Data was presented using numbers, percentages, frequencies, graphs, and tables for the category of descriptive statistics. Variance analysis and correlation were performed to analyse the relationship between the various existing variables and to test interactive variables. For qualitative data, content analysis was used as an interpretative method for the in-depth interviews. Content analysis allowed the researcher to discuss the common themes from the thick descriptions of how SMMEs implement strategies of risk management in Ngaka Moridiri Molema District. The data analyzed was drawn from transcribed interviews and field notes and presented in themes.

### **3.6. Demonstrating and Assessing the Quality and Rigour of the Proposed Research Design**

The concept of reliability and validity was used to address the quality and rigour of the proposed research study. Validity and reliability go hand in hand. Dependency or consistency is what is measured when analysing reliability in an instrument (Gratton and Jones, 2010). Maree (2015) furthermore is of the opinion that honesty, authenticity and accurateness are concepts that validity strives to achieve. As a way of assuring reliability in the study information gathering was completed in utmost accuracy and this guarantees that relevant questions were correctly attributed to particular research questions. Straightforward and clear questionnaires were administered to respondents as a way of ensuring reliability.

Validity refers to quantification of an instrument (Maree, 2015). Decent standard and dependability are two characteristics that an instrument used to collect data should exhibit in order to efficiently measure the opinions of respondents. Findings from the literature review were used to ensure validity through data collecting instruments. Bryman et al (2017) concludes that reliability is more concerned with whether or not results of a study could be replicated while validity on the other hand is concerned with whether the conclusions reached in the study are truthful. According to Bishop and Holmes (2013) the above mentioned methods go hand in hand in addressing a variety of underlying research protocols.

### **3.7. Research Ethics**

Ethics are of critical importance and should be considered in all the stages of a research paper. Ethical considerations constitute the requirements of what a researcher can do and cannot do in the process of conducting research in the opinion of Hammersley and Traianon (2012). Ethics comprise the ability to differentiate between what is right and what is wrong. Bryman, Bell, Hirschsohn, Dos Santos, Du Toit, Mesenge, Van Aardt, and Wayner (2017) suggest that possibility of harm to the researcher also relates to ethical consideration while Doloriet et al (2009) add that certain research methods may cause greater harm to the researcher as the methods involve using personality disclosure as the basis for analysis. North-West University Manual for Postgraduate Studies (2010) was followed to the letter with regards to ethical consideration. North-West University granted the researcher permission to conduct the research, so as to protect the integrity of the respondents.

### **3.7.1. Process of Obtaining Consent**

Information was obtained from respondents through North-West University School of Business and Governance. The letter obtained from the school outlined the researcher's purpose of the study as well as the research question. The letter was distributed to the SMMES purposively sampled for this study. Informed consent sought permission from the various SMMEs that participated in the research study. The final copy of the research study with conclusions and recommendations is available in electronic format. Bryman et al (2017) concludes that reliability is more concerned with whether or not results of a study could be replicated while validity on the other hand is concerned with whether the conclusions reached in the study are truthful. According to Bishop and Holmes (2013) the above mentioned methods go hand in hand in addressing a variety of underlying research protocols.

### **3.7.2. Permission and Informed Consent**

Joffe et al (2001) argues that a written consent has to be obtained from the institution granting the researcher permission to conduct the research. Homan (1991) argues that it is never an easy task obtaining informed consent. Bryman et al (2017) is of the opinion that respondents must have a clear understanding of the language, aims and implications of the research and it is the responsibility of the researcher to inform respondents. A signed consent letter accompanied all questionnaires sent out to SMEs and indicated the researchers entire details as related to the study.

### **3.7.3. Anonymity**

Anonymity is important and should be strictly respected as advised by Bryman et al (2017) who add that anonymity causes problems for a lot of qualitative researchers as individuals, organisations and places may be victimised when anonymity is compromised. To avoid the above, the researcher did not require respondents to disclose their names when responding to the questionnaire but biographical data.

### **3.7.4. Confidentiality**

Codes of ethics are stressed out in most organisations. Confidentiality and anonymity go hand in hand according to (Bryman et al. 2017). He furthermore states that pseudonyms are often used by researchers to disguise the identify of an organisation. Confidentiality

was strictly adhered to and guaranteed all the respondents not any information shared by the respondents was shared with any external parties.

### **3.8. Summary**

This chapter presented the methods applied to elicit answers to the research questions of this study. The method of data collection was explained and the process of questionnaire design was highlighted. The ethical considerations were also taken into consideration and highlighted. The different procedures followed for data presentation and analysis were also explained. The next chapter on this research study focuses on data presentation and analysis.

## CHAPTER FOUR

### DATA PRESENTATION AND INTERPRETATION

#### 4. Introduction

Findings of this study are presented in this chapter. The Statistical Package for Social Sciences (SPSS) was used to analyze the responses collected using self-administered questionnaires from the various SMMEs in the Ngaka Modiri Molema District Area. A total of 100 Questionnaires were distributed amongst the various SMMEs in Ngaka Modiri Molema District Area and a total of 71 questionnaires were collected back from the respondents, making a 71% response rate. A reliable conclusion and analysis can be made from questionnaires if at least 70% of the responses is attained in the view of Serame (2011). Descriptive statistics, correlation analysis, chi-square test of independence, reliability analysis and analysis of variance were the statistical analyses calculated and presented in this chapter. 10 managers and owners of SMMEs in Ngaka Modiri Molema participated in the indepth interviews. Interviews were tape-recorded, transcribed and analysed through content analysis

#### 4.1. Quantitative Analysis

The study analyses the quantitative information obtained from the respondents. Numerical form is one way in which quantitative data appears and this is in the form of percentages, statistics, graphs and tables as suggested by Creswell (2014). The author further argues that theories can be tested by examining various relationships that exist between two or more variables and all this is measured through statistical means.

#### 4.2 Qualitative Analysis

The study analyses qualitative data obtained from the indepth interviews. Interviews were tape recorded and coded into themes to understand examine the implementation of risk management strategies. The table below presents the themes from the responses obtained from the respondents during the interview sessions. Views of the respondents (Various SMMEs within the Ngaka Modiri Molema District) contributed to the themes sourced above. The process followed for identifying data as well as explaining, organizing and relating themes to subthemes contributes to the final interpretations arrived at. Coding of ten (10) SMMEs ranged from SMME01 to SMME010. This was done with clear intentions to respect and protect their identity of the respondents.

**Table 4.1 Thematic analyses found from open coded themes**

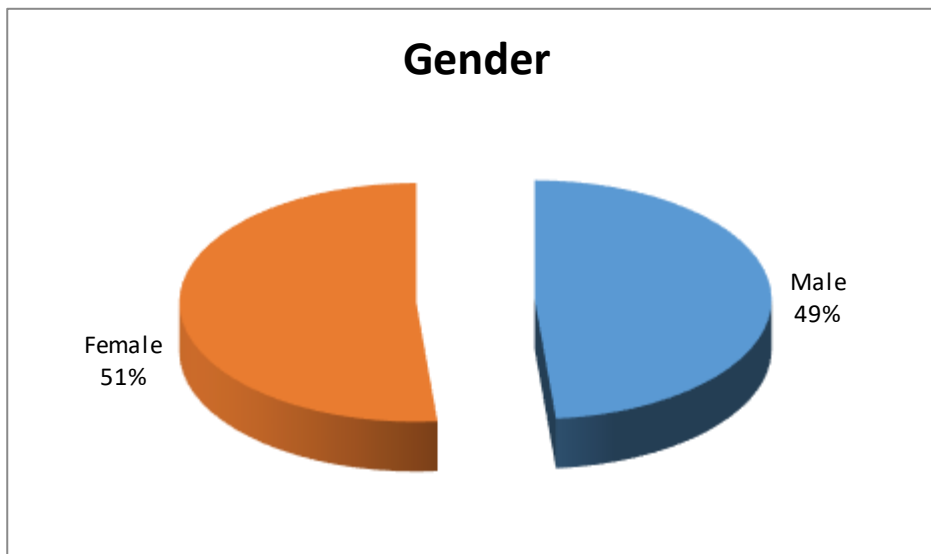
DESCRIPTION	COMMON THEMES	DIFFERENT OPINION OF RESPONSES
<b>SECTION 1: NATURE OF RISK MANAGEMENT STRATEGIES IN SMMEs</b>		
Definition of Risk Management Strategies	Process for identifying potential risks and so that risk management strategies could be implemented when an incident occurs	Identification of risks facing business and dealing with them prior to impacting business
Specific Risk Management Strategy within SMMEs	Mitigation of Risks Elimination of Risks	Risk Retention
Impact of Risk Management Strategies	Helps Identifies Risks & dealing with risks	
<b>SECTION 2: TYPES OF RISKS SMMEs FACE</b>		
Significant Risks facing SMMEs	Financial Mismanagement Marketing Problems (Targeted customers not reached) Management/ Business Skills	Operational Problems
Effect of risks on SMMEs	No Cash flows Lack of Business SMMEs become insolvent	
Response to extreme risks	Not Prepared	
<b>SECTION 3: RISK MANAGEMENT PROCESS (EFFECTIVENESS AND EFFICIENCY)</b>		
Refreshing risk management strategies	Continuous	risk management strategies not being refreshed
Effectiveness and efficiency of Risk management process	Effective in certain instances	Not effective
Other measures to improve effectiveness/ efficiency of risk management strategies		SMME to refresh strategies
<b>SECTION 4: BEST PRACTICES TO IMPROVE RISK MANAGEMENT STRATEGIES</b>		
Other measures to improve risk management process	Conduct Trainings/workshops. Rules for risk management within SMMEs. Government provide assistance. Owners educate themselves on risk management	Assign rules and responsibilities for risk
Government to improve risk management in SMMEs	Provide Funding for risk management	

#### **4.2. Presentation of the biographical information (Descriptive Statistics)**

Findings from the general information of the respondents is presented in this section. The responses were presented using tables, frequencies, percentages and graphs.

#### 4.2.1. Gender of the Respondents

The respondents were requested to specify their gender and their responses are illustrated in Figure 4.1 below:



**Figure 4.1: Respondent's Gender**

Figure 4.1 above depicts that the majority of the respondents were females. Females represented 51% while the male participants represented 49% as shown in Table 4.1 above. Generally the response was high and this was attributed to the fact that the respondents understood the purpose of this research study and wanted to assist as interested individuals.

#### 4.2.2. Population Group of Respondents

The respondents were asked to indicate their race and the responses are specified in Table 4.2 below:

**Table 4.2 Population Group of respondents**

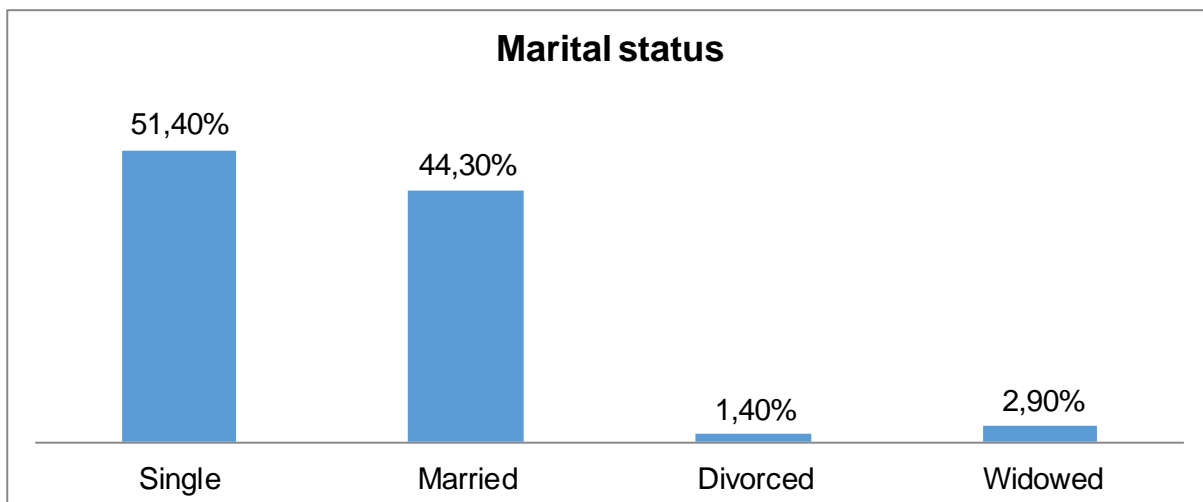
Race	Frequency	%
Black	50	71.4
Coloured	10	14.3
White	3	4.3
Indian	5	7.1

Other	2	2.9
<b>Total</b>	<b>N = 70</b>	<b>100</b>

The above table clearly indicates that the majority of the respondents are blacks and a minority were spread across other population groups. The population group depicts that 71.4% of the population were black, 14.3% were coloured, 7.1% were Indians, 4.3% were white and 2.9% belonged to other population groups.

#### 4.2.3. Respondents' Marital Status

The respondents were requested to indicate their marital status and the responses are depicted in figure 4.2 below:

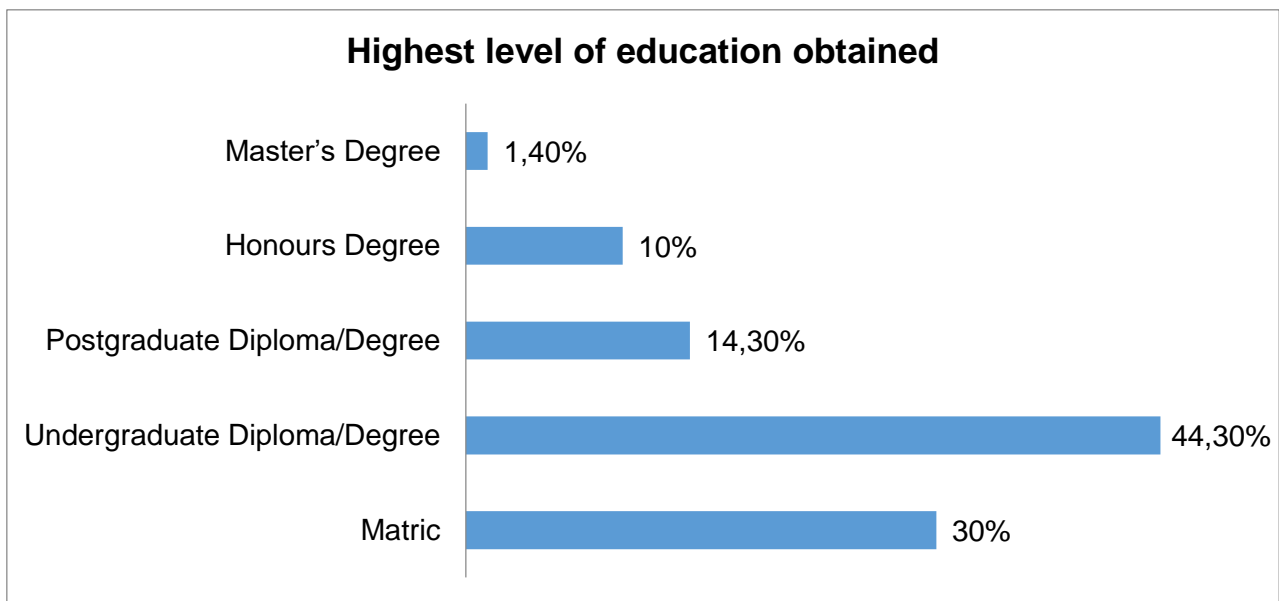


**Figure 4.2: Respondents Marital status**

The above figure depicts that of the sampled 51.40% were single, 44.30% of the respondents were married, 2.90% of the respondents were widowed and lastly 1.40% of the respondents were divorced. The result illustrate that the majority of the respondents were Single while the minority were divorced.

#### 4.2.4. Level of Education of Respondents

The respondents were requested to indicate their level of education and their responses of are illustrated in figure 4.3 below:

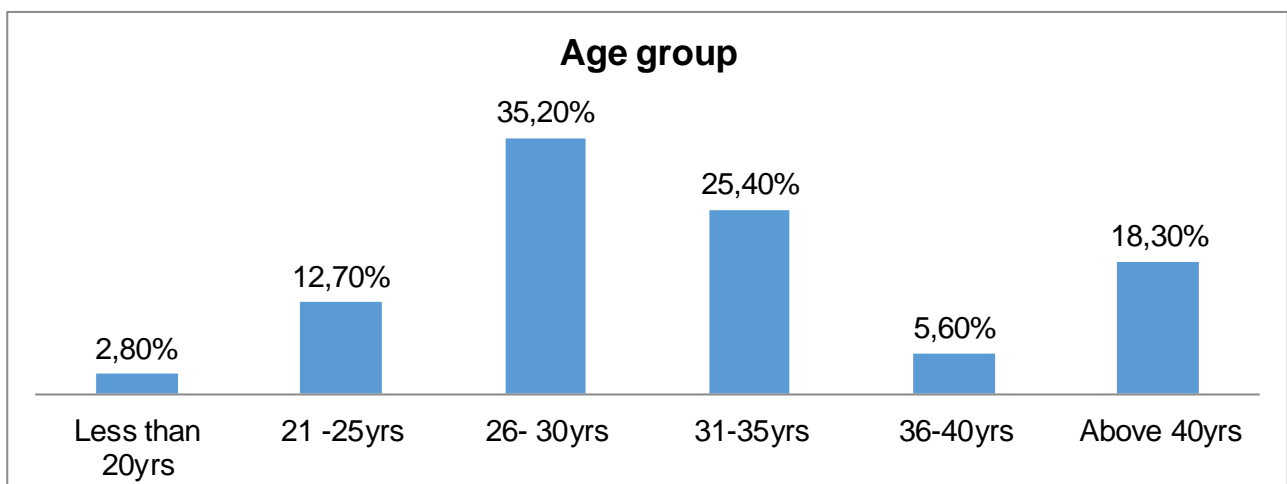


**Figure 4.3 Level of Education**

The figure above clearly depicts that the majority of the respondents in the sample have an undergraduate diploma/degree as the highest educational level. The level of education for the respondents are 44.30% undergraduate diploma/degree, 30% Matric, 14.30% Postgraduate diploma, 10% Honours degree, and 1.40% Master's Degree. There were no respondents with a Doctoral Degree.

#### 4.2.5. Respondents' Age Group

The respondents were requested to indicate their age groups and the responses are presented in Figure 4.4 below:

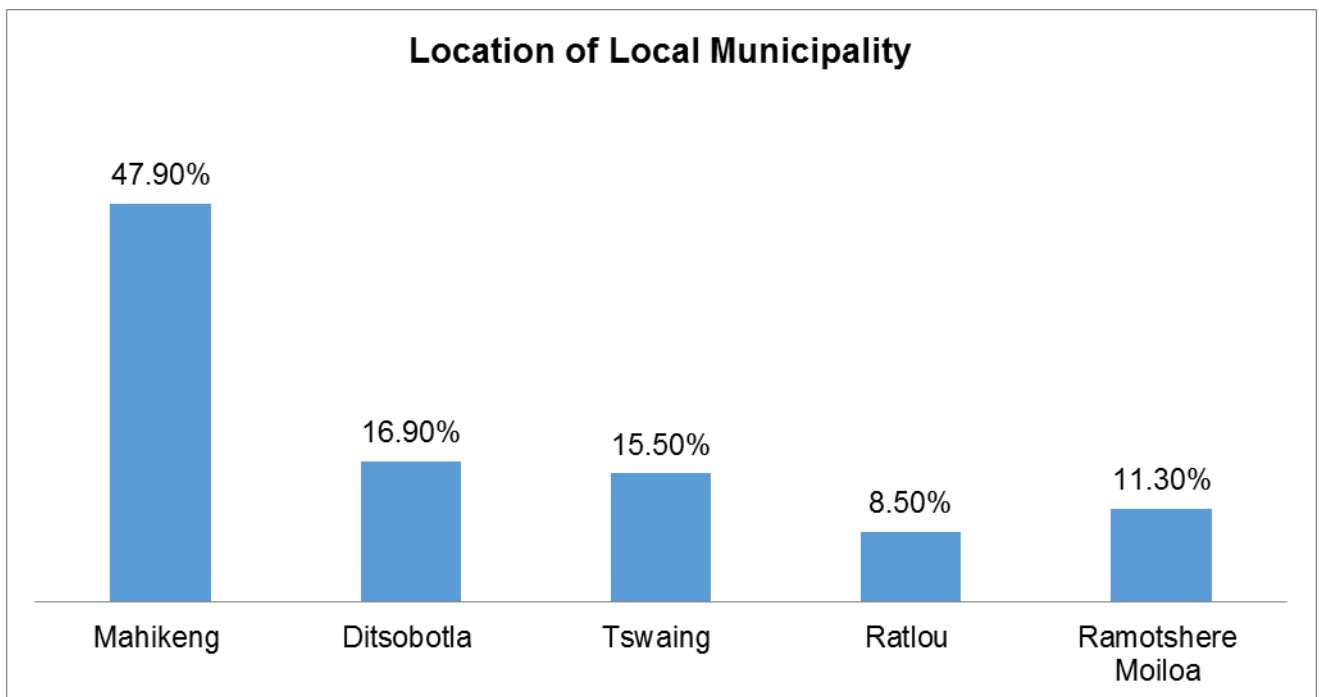


**Figure 4.4: Respondents Age Group**

Figure 4.4 above clearly indicates that of the total sampled respondents less than 20 years were 2.80%, between the ages of 21 and 25 years were 12.70%, between the ages of 26 and 30 years were 35.20% of the sample, between the ages of 31 and 35 years were 25.40% of the sample, between the ages of 36 and 40 years were 5.60% and lastly above 40 years were 18.30% of the sample. \*The result above depicts that the majority of the respondents were of the ages 26-30 Years while the minority were less than 20 years of age.

#### 4.2.6. Respondents' Local Municipality

The respondents were requested to illustrate the Local municipality in which their business is located and the responses are illustrated below in figure 4.5 below:

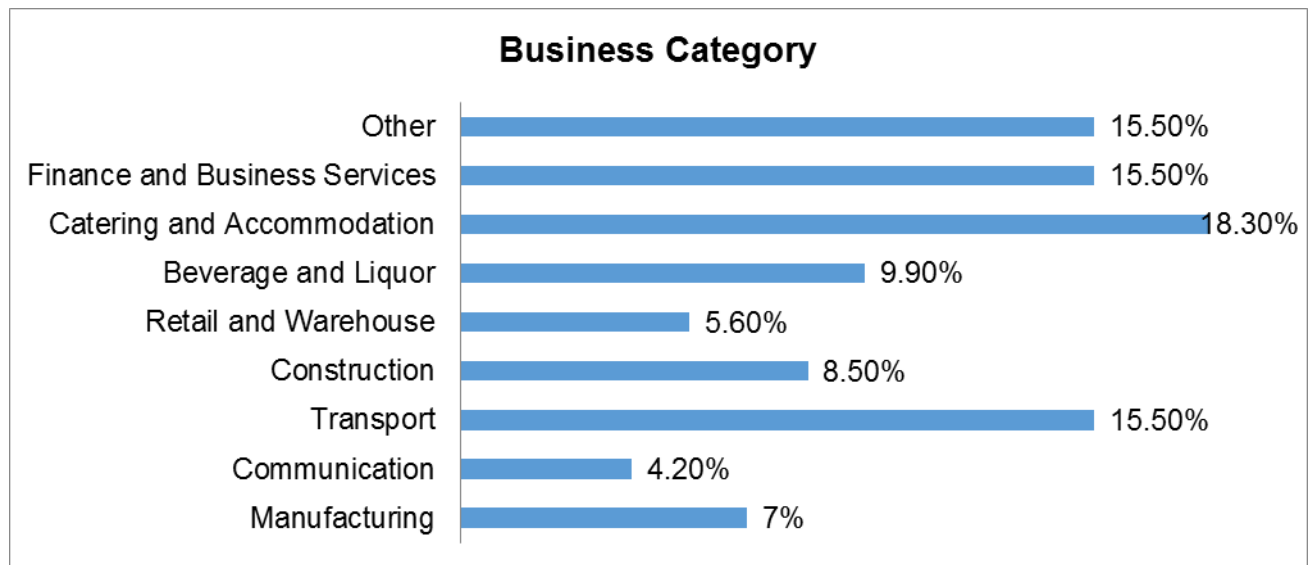


**Figure 4.5: Respondents Local Municipality**

Figure 4.5 above clearly depicts that of the total sample 47.90% of the respondents are from Mafikeng, 16.90% from Ditsobotla, 15.50% from Tswaing, 11.30% from Ramotshere-Moiloa and 8.50% from Ratlou. The above results reveal that the majority of the respondents are located in Mahikeng Local Municipality and the minority of the respondents are located in Ratlou Local Municipality.

#### 4.2.7. Respondents Category of Business

The respondents were requested to indicate in which category their line of business belong, the responses of the respondents are summarized in Figure 4.6 below:



**Figure 4.6: Respondents Category of Business**

Figure 4.6 above clearly shows that 18.30% are in the catering and accommodation line of business, 15.50% are in the transportation business, another 15,50% are in the financial and business service line of business, 15.50% have other types of business not stipulated in the list provided, 9.90% are in beverage and liquor line of business, 8.50% are in the construction line of business, 7% are in the manufacturing line of business, 5.60% are in the retail and warehouse line of business and lastly 4.20% are in the communication line of business. The above results reveal that the majority of the respondents are in the catering and accommodation line of business while the minority are in the communication line of business.

#### 4.3. Presentation of Views on the Research Questions

This section of the research study presents the results obtained from the views of the respondents from the remaining sections of the questionnaire. It should be noted however that the measurement scales used in this sections are strongly agree, agree, unsure, disagree and strongly disagree. This section of the research study focused on the main question as well as the sub-questions of the research study. The research questions of this study are:

- What is the nature of risk management strategies implemented by Small Micro and Medium sized Enterprises in Ngaka Modiri Molema District?
- What risks are being faced by SMMES in Ngaka Modiri Molema District?
- What risk management strategies are implemented by SMMEs in Ngaka Modiri Molema District?
- Do the SMMEs follow the established best practice risk management processes?
- What is the effectiveness of the risk management processes followed by SMMEs in Ngaka Modiri Molema District?
- What best practices could be implemented to improve risk management in SMME?

#### 4.3.1 Nature of Risk Management Strategies in SMMEs in NMMD.

The following section will present findings on the identification of the risk management strategies implemented by SMMEs in NMMD

Table 4.3 below presents the results obtained from the main research question of this study where respondents were asked about the risk management strategies being implemented in their various SMMEs. The respondents responses are summarized in Table 4.3 below:

	<b>RESPONSES</b>	<b>SA(%)</b>	<b>A(%)</b>	<b>U(%)</b>	<b>D(%)</b>	<b>SD(%)</b>
1	Various risk management strategies in my business are implemented (N = 71)	18.3	31	12.7	26.8	11.3
2	My business accepts risks (N = 71)	22.5	40.8	9.9	25.4	1.4
3	My business transfers risks (N = 70)	18.6	27.1	27.1	24.3	2.9
4	My business mitigates/avoids risks (N = 69)	18.8	37.7	20.3	18.8	4.3
5	My business reduces risks (N = 71)	15.5	39.4	23.9	18.3	2.8
6	My business reviews risk strategies regularly. (N = 71)	12.7	36.6	22.5	22.5	5.6
7	My business has timeframes to address risks. (N = 69)	21.7	33.3	21.7	17.4	5.8
8	My business has necessary resources/ tools to respond to risks. (N = 69)	15.9	36.2	17.4	21.7	8.7
9	My business has an individual responsible to treat risks. (N = 69)	18.8	33.3	14.5	21.7	11.6
	<b>AVERAGE RESPONSE (%)</b>	<b>18.1</b>	<b>35</b>	<b>18.9</b>	<b>21.9</b>	<b>6</b>

**Table 4.3 Nature of risk management strategies in SMMEs**

#### **4.3.1.1 Risk Management Strategies**

It is evident from the findings on the implementation of risk management strategies within SMMEs that the majority of the respondents did not implement risk management strategies. Out of the entire sample 26.8% of the participants disagreed to having implemented risk management strategies while 11.3% strongly disagreed to implementation of strategies thereof. However, it was only 12.7% of the sample which were unsure as to whether risk management strategies were being implemented within their various SMMEs. Out of the entire sample 18.3% strongly agreed that they implemented risk management strategies in their SMMEs, while 31% just agreed to have implemented these strategies. From the sampled respondents 11.3% strongly disagreed and 26.8% disagreed and 12.7% were unsure with regards to implementation of risk management strategies within their SMMEs, from the combination those who disagree and strongly disagree it can be deduced that 50.8% of the entire sample generally disagreed on various scales with regard to implementing risk management strategies. The minority is made up of 31% of the respondents who strongly agreed on the implementation of risk management strategies while 18.3% of the respondents agreed to having implemented risk management, from the combination thereof can be deduced that only 49.3% implemented risk management strategies. Schultz (2001) asserts risk identification and analysis to manage risks from various sources should be some of the elements that owners of SMMEs ought to become familiar with, whereas Yolanda and Watkins (2012) are of the view that a risk management strategy is insufficient in an SMME and that owners of enterprises need to participate in risk management practices to address major risks facing SMME.

#### **4.3.1.2 Acceptance of Risks**

In relation to Table 4.3 above it is evident from the findings on acceptance of risks by SMMEs that the majority of the respondents accept risks. Out of the total 22.5% of the respondents strongly agreed to have accepted risks while 40.8% of the respondents agreed to have accepted risks. From the sampled respondents 9.9% were unsure about whether their SMMEs accepted risks, while 25.4% and 1.4% disagreed and strongly disagreed respectively to having accepted risks. From the sampled respondents 22.5% strongly agreed to have accepted risks while 40.8% agreed to have accepted risks within their SMMEs. From the combination of those who strongly agreed and agreed it can be deduced that 63.3% of the entire sample mostly agreed to have accepted the risks facing

their SMMEs. From the entire sample 9.9%, 25.4% and 1.4% were unsure, disagreed or strongly disagreed respectively to have accepted the risks facing the SMMEs. From the combination thereof it can be deduced that only 36.7% of the SMMEs failed to have accepted the risks facing the SMME. In addition to the above King (2000) states that “doing nothing” is not what accepting risks is all about but that it involves developing a logic with regards risk acceptance and not developing plans to mitigate the risks.

#### **4.3.1.3 Transfer of Risks**

It is evident from the findings on Table 4.3 above on transfer of risks within SMMEs that, majority of the respondents did not transfer risks. Out of the entire sample 25.4% of the participants disagreed to having transferred risks while 2.9% strongly disagreed to having transferred risks faced by the SMME thereof. However 27.1% of the sample were unsure as to whether risk that faced SMMEs was being transferred.

Out of the sample 18.6% strongly agreed that they transferred risks within SMMEs, while 27.1% just agreed to having transferred risks that have faced the SMME.

From the sampled respondents 2.9% strongly disagreed and 24.3% disagreed and 27.1% were unsure with regards risks within SMME being transferred and from the combination those who disagreed, strongly disagreed and those unsure it can be deduced that 54.3% generally disagreed on having transferred risks within the SMME.

The minority of the entire sample is made up of 18.6% of the respondents who strongly agreed on having transferred risks, while 27.1% of the respondents agreed to having transferred risks within the SMMEs. From the combination thereof it can be deduced that only 45.7% transferred risks within SMMEs. Hussein (2000) asserts that proactive management is involved in a risk transfer strategy due to the nature of the risks, however the author further avows that risk transfer involves reducing the level of risk to an acceptable level and not does not eliminate the risk completely.

#### **4.3.1.4 Avoidance of Risks**

According to Table 4.3 above it is noticeable from the findings on avoidance of risks by SMMEs that the majority of the respondents avoid risks. Out of the total sample 18.8% of the respondents strongly agreed to have avoided risks while 37.7% of the respondents agreed to have avoided risks. From the sampled respondents 20.3% were unsure about whether their SMMEs avoided risks, while 18.8% and 4.3% disagreed and strongly disagreed respectively to having avoided risks. From the sampled respondents 18.8%

strongly agreed to have avoided risks while 37.7% agreed to have avoided risks within their SMMEs and therefore from the combination of those who strongly agreed and agreed it can be concluded that 56.5% mostly agreed to have avoided the risks facing their SMMEs. From the entire sampled population 20.3%, 18.8% and 4.3% respectively were unsure, disagreed or strongly disagreed to having avoided the risks facing the SMME from the combination thereof it can indicate that only 43.4% of the SMMEs failed to have avoided the risks facing the SMME. Hussein (2000) states that risk avoidance strategy involves management taking decisions that prevent actions that increase exposure to risks within the business.

#### **4.3.1.5 Reducing the Risks**

It is evident from the findings in Table 4.3 above on reducing risks within SMMEs that the majority of the respondents reduced risks within their various SMMEs. Out of the total 15.5 % of the respondents strongly agreed to have reduced risks while 39.4% of the respondents agreed to have reduced risks. From the sampled respondents, 23.9% of the respondents were unsure about whether their SMMEs reduced risks, while 18.3% and 2.8% disagreed and strongly disagreed respectively to having reduced risks. From the sampled respondents 15.5% strongly agreed to have reduced risks while 39.4% agreed to have reduced risks within their SMMEs, making the conclusion from the combination of those who strongly agreed and agreed that 54.9% of the entire sampled population mostly agreed to have reduced the risks facing their SMMEs. From the entire sampled population 23.9%, 18.3% and 2.8% were unsure, disagreed or strongly disagreed respectively to having reduced the risks facing the SMMEs and from the combination thereof it can be concluded that only 45% of the SMMEs failed to have reduced the risks facing the SMME. In support of the above Cade (1997) avows that risk the primary goal of avoiding risks is to dodge activities that have unacceptable risks. The author further argues that reducing the impact or consequences of risks occurring either partially or completely ahead of time is what risk reduction planning is all about.

#### **4.3.1.6. Review of Risk Management Strategies**

Table 4.3 above provides a screen shot on regular review of risk management strategies within SMMEs and it is clear that majority of the respondents did not regularly review risk management strategies. Out of the entire sample 22.5% of the participants disagreed to having reviewed their risk management strategies regularly while 5.6% strongly disagreed to having reviewed their risk management strategies regularly. However 22.5% of the

sample were unsure as to whether risk management strategies were reviewed by their SMMEs regularly.

Out of the entire sampled population 12.7% of the sample strongly agreed that they regularly reviewed risk management strategies while 36.6% of the sample just agreed to having regularly reviewed risk management strategies within SMMEs.

From the sampled respondents 5.6% strongly disagreed, 22.5% disagreed and another 22.5% were unsure whether risk management strategies were reviewed on a regular basis. From the combination of those who disagreed, strongly disagreed and those unsure it can be deduced that 50.6% of the entire sampled population generally disagreed on having reviewed their risk management strategies regularly within the SMMEs.

The minority is made up of 12.7% of the respondents who strongly agreed on having regularly reviewed risk management strategies, while 36.6% of the respondents agreed to having regularly reviewed risk management strategies and therefore from the combination thereof can it be deduced that only 49.3% of the SMMEs regularly reviewed their risk management strategies. Reviewing strategies of the organisation is critically important and Yam ( 2002) confirms that by stating that through reviewing data risk databases, communicating with process owners about risk management activities and identifying risks to services or process a great deal can be learned.

#### **4.3.1.7. Time-frames to Address Risks**

It is evident from the findings presented in Table 4.3 above on timeframes to address risks within SMMEs that majority of the respondents had timeframes to address risks within their various SMMEs. Out of the total 21.7 % of the respondents strongly agreed to have had timeframes that address risks within their SMMEs while 33.3% of the respondents agreed to have had timeframes that addressed risks with SMMEs. From the sampled respondent's 21.7% of the respondents were unsure about whether their SMMEs had timeframes to have addressed risks while 17.4% and 5.8% disagreed and strongly disagreed respectively to having had timeframes aimed at addressing risks. From the sampled respondents 21.7% strongly agreed to have had timeframes for addressing risks while 33.3% agreed to have had timeframes for addressing risks within their SMMEs and from the combination of those who strongly agreed and agreed it can be concluded that 55% of the entire sample mostly agreed to have had timeframes for addressing risks within SMMEs. From the entire sampled population 21.7%, 17.4% and 5.8% were unsure, disagreed or strongly disagreed respectively to having had timeframes to address risks

faced by SMMEs. The combination thereof it can be conveyed that only 44.9% of respondents disagreed to having timeframes for addressing risks being faced by SMMEs. Time is of the essence and, as a result, risks facing the organisation should be dealt with on a timely basis. Prinsloo (2006) avows that timeframes are important in the implementation of processes to avoid extension. The author further asserts that prolonged processes may result in increased costs and this may ultimately influence people's perceptions regarding processes.

#### **4.3.1.8. Resources to respond to risks**

Table 4.3 above on resources or tools risks within SMMEs to address risks, there is evidence that the majority of the respondents had resources or tools within the SMMEs to address risks.

Out of the total sample, 15.9 % of the respondents strongly agreed to have had resources or tools to respond to risks within their SMMEs while 36.2% of the respondents agreed to have had resources or tools to address risks with SMMEs. From the sampled respondents 17.4% were unsure about whether their SMMEs had resources or tools to address risks while 21.7% and 8.7% disagreed and strongly disagreed respectively to having had resources or tools aimed at responding to risks.

From the sampled respondents 15.9% strongly agreed to have had resources or tools to respond to risks while 36.2% agreed to have had timeframes for addressing risks within their SMMEs, from the combination of those who strongly agreed and agreed it can be conveyed that 52.1% of the entire sampled population mostly agreed to have had resources or tools to respond to risks within SMMEs. From the entire sampled population 17.4%, 21.7% and 8.7% were unsure, disagreed or strongly disagreed respectively to having had resources or tools to respond to risks, the combination thereof it can be conveyed that only 47.8% of respondents disagreed to having timeframes for addressing risks being faced by SMMEs. Having all the necessary resources that is financial and human resources is essential for ensuring business success. In support, Timmons and Spinelli (2004) asserts that entrepreneurial characteristics and opportunities that exist in the environment as well as resources are necessary for entrepreneurial success.

#### **4.3.1.9 Individual Responsible for treating Risks**

Again, derived from the findings presented in Table 4.3 above on SMME having an individual to treat risks, the majority of the respondents had an individual specifically responsible for treating risks faced by SMMEs.

Out of the total respondents, 18.8 % strongly agreed to have had an individual who treated the risks within their SMMEs while 33.3% of the respondents agreed to have had an individual who treated risks within their SMMEs. From the sampled respondents 14.5% were unsure about whether their SMMEs had an individual responsible for the treatment of risks while 21.7% and 11.6% disagreed and strongly disagreed respectively to having had an individual who treated risks within their SMME.

From the sampled respondents 18.8% strongly agreed to have had an individual who treated risks within SMME while 33.3% agreed to have had an individual who treated risks and therefore from the combination of those who strongly agreed and agreed it can be established that 52.1% of the entire sampled population mostly agreed to have had individual who treated risks within the SMME.

From the sample 14.5%, 21.7% and 11.6% were unsure, disagreed or strongly disagreed respectively to having had an individual who treated risks within the SMME. From the combination thereof it can be established that only 47.8% of the respondents disagreed to having had an individual who treated risks within the SMMEs. Having an individual within SMMEs who is responsible for risk management ensures accountability. In support of such findings, Emmanuel and Emmanuel (1996) agree that through accountability there is justification and responsibility with regards one's activities as procedures and processes are established. This is further supported by Moeti et al (2007) who states that accountability provides answers for the duties that are assigned and accepted within the framework of an authority and available resources.

The following section will examine findings on the implementation of risk management strategies in NMMD

#### **4.3.2 Risk Management Strategies**

Risk management strategies are strategies that business may use to address the many risks facing the by business. Some of the respondents pointed out that this risks should be identified before having an impact on business. Code SMME01 indicated that "A continuous process for identifying and dealing with risks that may affect operations within

the SMME “. This indicated that risk management strategies should be implemented on a continuous basis and not just once off by SMME.

Code SMME05 Added that “Risk management strategies are measures used to manage or control risks and that this strategies vary from one business to the next” . Reuvid (2009) asserts the above statement by stating that the establishment of risk strategies is very key in managing risk issues within the business and such risk action plans should be included in the overall business plan of the business.

#### **4.3.2.1 Differences of Opinion with regards to Risk Management Strategies**

Apart from common themes that got developed from the data, Other definitions of the term risk management were highlighted .

CODE SMME04 said that “ Risk management strategies involves identification of risks that business face and addressing this risks prior to the risks negatively affecting the business and risk strategies strengthen business “

. In the view of of Hong (2014) asserts to the above by clealy stating that making the most of the opportunity by defining plans that can mitigate or lessen risks if of critical importance. SMMEs in Ngaka Modiri Molema have an idea of what risk management strategies actually entail.

#### **4.3.3. Implemented Risk Management Strategies**

Elimiation of risks and mitigating risks are common measures of trying to manage and control risks. On the one hand CODE SMME02 said that “ Within his line of business he mainly Mitigates the risks and rarely uses any other form or risk management strategy within the business besides mitigation as it help prevent risks” . Menoni et al (2012) is in support of the above statement as the author is of the opinion that the mitigation may have parameters for describing and then evaluating available resources and capabilities to prevent the risk. On the other hand In addition to the above CODE SMME 003 stated that “ Within his line of business he tries by all means to identify and eliminate the risks prior to any financial losses occuring”.

### 4.3.3.1 Differences of Opinion with regards to Implemented Risk Management Strategies

Apart from the common themes above, Other risk management strategies were highlighted by SMMEs . CODE SMME03 highlighted risk retention as a strategy that the company uses from time to time to avoid some of the minor risks that the SMME encounters from time to time”. Retention of risks is an uncommon strategy especially in SMMEs. Insurance Opedia Report (2015) defined retention of risks as a strategy that involves company choosing to keep and take responsibility for the risks it faces and choosing not to transfer it to an insurance report.

### 4.3.4. Impact of Risk Management Strategies

Risk management strategies are essential in organisations of all sizes as they contribute to the overall success of the organisation. Impact of risk management strategies varies from one organisation to another CODE SMME010 highlighted that “ In his line of business risk management strategies help him identify risks, the SMME owner believes that through knowing the various ways of treating risks he has learned to be able to identify the risks that his organisation has faced on a day to day basis “. CODE SMME006 adds on to highlight that “ risk management strategies have helped him deal with risk facing the company, he has learned to not only accept the risks but address them” . In the view of Valskamakis (1996) risk identification is mostly neglected as step in the risk management process.

## 4.4 Types of Risks in SMMEs in NMMD

The following section will present findings on the risks SMMEs in NMMD face

Table 4.4 below offers a glimpse of the results obtained from first sub-question of this research study in which respondents were asked questions relating to the type of risks facing SMMEs in the NMMD. The respondents’ responses are summarized in Table 4.4 below.

	RESPONSES	SA(%)	A(%)	U(%)	D(%)	SD(%)
<b>Financial Risks</b>						
1	My businesses are facing financial risks (N = 71)	38	38	4.2	16.9	2.8
2	My business faced a lot of challenges acquiring start-up capital (N = 71)	40.8	42.3	2.8	9.9	4.2
3	My business has cash flow problems (N = 71)	25.4	32.4	11.3	22.5	8.5

4	My business has poor financial management (N = 71)	11.3	33.8	12.7	35.2	7
5	My business does not have access to capital (N = 71)	14.1	40.8	15.5	26.8	2.8
6	My business has no financial support (N = 71)	16.9	28.2	12.7	38	4.2
<b>Operational Risks</b>						
7	My business is facing operational risks. (N = 71)	12.7	36.6	21.1	29.6	0
8	My business has proper operational procedures (N = 71)	12.7	39.4	22.5	23.9	1.4
9	My business has skilled employees to follow and maintain operational procedures and internal processes (N = 70)	21.4	38.6	15.7	18.6	5.7
10	My business has a chain of reporting (N = 71)	19.7	46.5	12.7	21.1	0
11	My business has good communication throughout the chain of reporting (N = 71)	29.6	36.6	11.3	19.7	2.8
12	My business has an individual who is responsible for accountability (N = 70)	35.7	44.3	4.3	11.4	4.3
<b>Market Risks</b>						
13	Businesses in NMMD are facing market risks (N = 70)	20	37.1	18.6	12.9	11.4
14	My business is aware of their competitors (N = 71)	29.6	46.5	7	8.5	8.5
15	My business is facing a lot of competition (N = 71)	33.8	38	18.3	8.5	1.4
16	My business is able to deal with competition (N = 71)	22.5	28.2	33.8	12.7	2.8
17	My business is able to find customers where there is no competition (N = 71)	15.5	33.8	32.4	9.9	8.5
<b>Compliance Risks</b>						
18	My business is facing compliance risks (N = 71)	7	33.8	31	25.4	2.8
19	My business is aware of regulatory obligations pertaining to SMMEs (N = 71)	22.5	52.1	16.9	7	1.4
20	My business is aware of regulatory obligations pertaining to the nature of business (N = 71)	28.2	49.3	18.3	2.8	1.4
21	The business strategy is aligned to the requirements of the regulatory obligations (N = 71)	16.9	45.1	26.8	7	4.2
<b>Reputational Risks</b>						
22	My business is facing reputational risks (N = 71)	16.9	23.9	31	26.8	1.4
23	Customers have negative perceptions of my business (N = 71)	19.7	14.1	32.4	26.8	7

24	Investors have negative perceptions of my business (N = 71)	8.5	15.5	36.6	33.8	5.6
25	Regulators have negative perceptions of my business. (N = 71)	7	23.9	26.8	38	4.2
<b>Other Risks</b>						
26	My business understands the meaning of risks (N = 71)	26.8	38	16.9	15.5	2.8
27	My business documents the risk they have (N = 71)	22.5	35.2	16.9	22.5	2.8
28	My business identifies risks on a continuous basis (N = 70)	24.3	44.3	8.6	18.6	4.3
29	My business identifies major risks (N = 70)	20	31.4	20	24.3	4.3
30	My business prioritises important risks (N = 70)	20	41.4	18.6	15.7	4.3
	<b>AVERAGE RESPONSE (%)</b>	<b>21.3</b>	<b>36.3</b>	<b>18.6</b>	<b>19.7</b>	<b>4.1</b>

**Table 4.4: Types of Risks facing SMMEs**

#### **4.4.1 Financial Risks**

In connection with Table 4.4 above it is evident that majority of the respondents mostly agreed or agreed with almost all the variables examined with regards to financial risks facing SMMEs. The variables which were agreed upon by the majority of the respondents are:

**Financial Risks:** The respondents agreed that their SMMEs are facing financial risks. 38% of the sampled respondents strongly agreed whereas 38% just agreed. Those who strongly agreed constituted 38% and those who agreed 38% make up a majority of 76%. Of all the total sample 4.2% of the respondents were unsure whether their SMMEs faced financial risks while 16.9% just disagreed and 2.8% just strongly disagreed. The combination of those unsure (4.2%), those who disagreed (16.9%) and those who strongly disagreed (2.8%) summed up to a minority of 23.9%. Lack of financial risk management can lead to huge financial losses within the organisation. In the opinion of Swart 2012) more and more individuals are constantly faced with financial risks and uncertainties and therefore lack of knowledge on this topic impacts greatly on organisations.

**Start-up capital:** With regards start-up capital most of the sampled respondents agreed that their SMMEs had problems acquiring start-up capital. Of the total sampled in the research study 40.8% of the sampled population strongly agreed that their SMMEs had problems acquiring start-up capital while 42.3% just agreed. Not all the sampled agreed

with experiencing difficulties in acquiring start-up capital, from the sample 2.8% of the respondents were unsure about whether or not they had difficulties acquiring start-up capital while 9.9% disagreed and 4.2%. The majority of 83.1% included those who strongly agreed 40.8% and those who agreed who made 42.8% whereas the minority of 16.9% is made of those unsure 2.8%, those who disagreed 9.9% and those who strongly disagreed 4.2%. Lack of start-up capital, inability to obtain credit and other financial support is a cause of concern for SMMEs. In support of the above, Gwebu (2005) stated that most SMMEs rely on resources sourced internally for starting up and expanding and this type of source has very little or no funding has SMMEs rarely grow or survive.

**Cash Flow Problems:** In addition to the above respondents agreed that their SMMEs had cash flow problems with 25.4% who strongly agreed and 32.4% who just agreed . Those who strongly agreed accounted for 25.4% and those who agreed make up a majority of 57.8%. The minority of 42.3% of the total sampled has 11.3% of respondents who are unsure, 22.5% who disagreed and 8.5% who strongly disagreed. A combination of 54.9% of the respondents made up of 14.1% of those who strongly agreed and 40.8% of the respondents who agreed that their SMMEs had no financial support. Leaning how to manage cashflow is one fundamental of financial management and it is generally acknowledged that cash flow is one concerning challenge, especially in small businesses. Cash flow problems can be associated with a lot of challenges and Allot (2007) avows that an individual who is responsible for cash flow management within an organisation must know how to do it well and therefore have the necessary skills, knowledge and competences.

**Access to Capital:** Majority of the respondents agreed that they had no access to capital. The majority of respondents being 54.9% is made up of 14.1% of the sampled respondents who strongly agreed and 40.8% of those who agreed whereas the minority of 45.1% is made up of 15.5% of respondents who were unsure, 26.8% who disagreed and 2.8% who strongly disagreed. In support of the above CDE (2007) submits that getting financial assistance is an ongoing challenge, especially in small businesses in South Africa. Financial institutions are essentially overly cautious when approached to provide financial assistance to small businesses in South Africa. Chimuchecka and Mandipaka (2015) recognise and plead with Government to eliminate barriers that are unnecessary and hinder SMMEs getting access to loans. Despite the majority of the respondents agreeing to facing financial risks, they did not agree on all the variables.

**Poor Financial Management:** In terms of poor financial management, 12.7% of the respondents were unsure whether their SMME had poor financial management while 35.2% and 7% of the respondents disagreed and strongly disagreed respectively. The combination of the three being 12.7% unsure, 35.2% and 7% sum up to 54.9% and it can be concluded that that majority of the respondents disagree with having poor financial management in their organisations. Another variable that respondents disagreed with is that their various SMMEs have no financial support, with regards the variable 12.7% of the respondents were unsure, 38% of the respondents disagreed and 4.2% of the respondents agreed with the variable that their SMMEs had no financial support. SMMEs inability to implement the three basic financial management functions hinders SMMEs from growing and achieving objectives in the view of Pauw et al. (2013).

#### **4.4.2 Operational Risks**

According to Table 4.4 above it is observable that with regards the operational risks that most of the SMMEs disagreed with having faced operational risks and this is demonstrated by the fact that 21.1% of the respondents were unsure and that 29.6% of the respondents disagreed to have faced operational challenges. From this it can be concluded that majority did not face operational risks as the combination of those who disagreed is 21.1% unsure and 29.6% who added up to 50.7% as compared to those who strongly agreed of 12.7% and 36.6% who just agreed and made up a minority of 49.3%. Operational risks can occur in the day to day operations of the organisation without the SMME owner even noticing. In the view of Basel (2004) operational risk stems from failed internal processes, from people within the organisation or from the system used. However it is important to note that external events may also cause operational risks. In addition to the above it was also noticeable that majority of the respondents strongly agreed or agreed with all the variables examined. The variables which were agreed by the respondents are:

**Proper operational procedures:** 12.7% of the respondents strongly agreed that their SMMEs had proper operational procedures while 39.4% of the respondents just agreed. The combination of the two make up a majority of 52.1% whereas those who are unsure 22.5%, disagreed 23.9% and strongly disagreed 1.4% make up a minority of 47.8% of the respondents who disagreed that their SMMEs had proper operational procedures. Operational procedures set out instructions on how work is to be performed by employees for the achievement of organisational objectives. Haynes (2005) is of the opinion that

majority of risks that organisations are exposed to with regards risks are mainly due to intergration of business plans and operational processes.

**Skilled employees to follow procedures:** 21.7% of the respondents strongly agreed that their SMMEs had skilled employees to follow and maintain operational procedures and internal processes while 38.6% just agreed. The two when summed up make up a majority of 60% whereas those who are unsure, disagreed or disagreed make up the minority as they represented 15.7%, 18.6% and 5.7% respectively as they disagreed their SMMEs had skilled employees to follow and maintain operational procedures and internal processes. The staff employed within an SMME can make or break the organisation due to the fact that they are responsible for carrying out the day to day duties and responsibilities. In support of the above Cardamone et al ( 2004) stated that as part of the implementation of business to achieve its objectives, the recruitment, staffing and training of personnel should be carefully considered.

**Chain of reporting:** 19.7% of the total sampled strongly agreed that their SMMEs had a chain of reporting, 46.5% of the respondents just agreed to that and the combination of the two make up a majority of 66.2% of the total who agreed that indeed their SMMEs have a chain of reporting. This in comparison with 12.1% of the sampled respondents who are unsure, 21.1% of the respondents who disagreed and none who strongly disagreed and who combined make up the minority of 33.8%. Clear reporting structures should be set within a business as a measure of ensuring that all stakeholders are aware of what is going on within the organisation. In the view of Jonas III and Jonas (2011), triple line reporting is a new line of reporting that encompasses the economic, environmental and social accomplishments of the business entity.

**Communication:** Majority of the respondents agreed that their SMMEs had good communication throughout the chain of reporting. The 66.2% majority therefore is made up of 29.6% of the respondents who strongly agreed that their SMMEs have good communication throughout the chain of reporting and 36.6% who just agreed. The minority of 33.8% therefore is made up of 11.3% of those who are unsure, 19.7% who disagreed and 2.8% who strongly disagreed that good communication existed throughout the chaireporting. In agreement with the finding, good communication strategies should be implemented by SMMEs in order to ensure business grows and moves forward in the view of USAID (2015). Timmons and Spinelli ( 2004) further support by stating that creativity, good leadership and good communication are likely to influence organisations either positively or negatively.

**Accountability:** From the total sample it is evident that majority of the respondents at 80% agreed that the SMMEs had an individual responsible for accountability within SMME. This majority of 80% is made up of 35.7% of the respondents who strongly agreed and 44.3% who agreed. The minority of the total sampled population which summed up to 20% include respondents who are unsure, 11.4% who disagreed and 4.3% who strongly disagreed with the variable. It is important that owners and managers including employees of SMMEs take responsible and be accountable for their actions. Through improving accountability internal process will improve in the view of Faling ( 2011) poor communication and accountability remain at the front line of organisational challenges.

#### **4.4.3 Market Risks**

Considering Table 4.4 above it is evident that majority of the respondents strongly agreed or agreed with almost every variable that was examined. In terms of market risks the majority of the sampled population being 57.1% agreed that their SMMEs face market risks. The majority of the sample is made up of 20% of the respondents who strongly agreed and 37.1% of the respondents who just agreed that their SMMEs are facing market risk. Despite the majority agreeing to facing market risks there are 18.6% of the respondents who are unsure, 12.9% who disagreed and 11.4% of the respondents who strongly agreed and the combination of the three make up a minority of 42.9%. Marketing plays a critical role in any business as it is through marketing that a business makes a profit and grows or makes a loss and ceases to operate. In order to avoid marketing risks Machado (1996) is of the view that small businesses should clearly identify their target markets, identify their potential and then prepare, communicate and satisfy these target markets.

Majority of the respondents agreed with other variables within market risks and these variables include the following:

**Awareness of competition:** The study established that a majority of the respondents agreed to facing competition, 29.6% of the respondents strongly agreed and 46.5% of the respondents agreed. Thus the combination of the two make up a majority of 76.5% of the respondents whereas the minority of 24% is made up of 7% of the respondents who are unsure, 8.5% of the respondents who disagreed and 8.5% who strongly disagreed that their SMMEs are not aware of any competition facing their SMMEs. SMMEs need to learn to come up with measures to deal with competition as they are aware of the competition SMMEs face. In the opinion of Corman and Lussier (2001) misuse of funds and planning

which is improper are two factors that contribute to an organisation having competition and in addition to the above *Business Journal* (2005) stated that up and coming business or start up businesses often assume they are the sole providers of goods and services and therefore should from the start assume their business have competition and come up with creative ways to go beyond the services provided by their competitors.

**A lot of competition:** In conjunction with the above 29.6% of the respondents strongly agreed that their SMMES are facing a lot of competition while 38% just agreed. The combination of the two make up a majority of the sampled population of 71.8% of respondents who are facing a lot of competition. The minority of the sample at 28.2% is made up of 18.3% who are unsure that their SMMES are facing competition while 8.5% disagreed and 1.4% strongly disagreed. Businesses face a lot of competition on a day to day basis but it is of importance for business to know how much competition is facing and from where. This is supported by Wheelen and Hunger (2004) who state that most businesses are concerned with the potency of competition within the industry in which their business operate.

**Dealing with Competition:** From Table 4.4. above it is evident that 22.5% of the respondents agreed that their SMMES were able to deal with competition while 28.5 just agreed. 33.8% of the respondents are unsure whether their SMMES are able to deal with completion while 12.7% disagreed and 2.8% strongly disagreed to knowing how to deal with completion. Based on the above it can be deduced that a majority of the respondents know how to deal with competition within their SMMES as the majority of 50.7% is made up of 22.5% who strongly agreed and 28.2% who just agreed. There are a variety of ways in which organisations can deal with competition including timeous delivery of goods and services. Bressler (2012) is of the view that suppliers of goods and services must be able to ensure timeous processing of orders as well as delivering goods of good quality to keep customers happy and keep abreast of competition.

**Finding Customers:** In terms of the market risks variable, majority of the respondents disagreed on the variable of ability to find customers where there is no competition. In accordance to the Table above, it is clearly illustrated that 32.4% of the respondents are unsure as to whether they are able to find customers where there is no competition, while 9.9% of the respondents just disagreed and 8.5% of the respondents strongly disagreed. The combination of the above namely 32.4%, 9.9% and 8.5% make up the majority of those who disagreed whereas 15.5% of the respondents strongly agreed have the ability to deal with competition within their SMMES and 33.8% just agreed the two make up the

minority of 49.3%. Finding customers is not always easy especially in places where there is a lot of competition therefore the organisation must do all it has to to find customers. The marketing mix can be used by owners to advertise and find the right customers. White (2003) states that the marketing mix includes these marketing concepts that an organisation can actually control and these include People, Product, Promotion, place and price.

#### **4.4.4 Compliance Risks**

According to Table 4.4 above, it is observable that majority of the respondents agreed with almost all of the variables examined as compliance risks facing risks. One of the variables that the respondents did not agree on is that their SMMEs are facing compliance risks. 31% of the respondents were unsure about whether their SMMEs face compliance risks, 25.4% of the respondents disagreed to having compliance and 2.8% strongly disagreed. The combination of the above makes up the majority of 58.9% of respondents who disagreed that their SMMEs have compliance risks while the minority is made up of 7% of those who strongly agreed and 33.8% who agreed that their SMMEs faced compliance risks. Ensuring compliance is not an easy task. As a result Peltier (2013) states that beyond the drafting and implementation stage of policies and standards it is important that management through various business units must enforce compliance with the established policies and standards. Despite the respondents disagreeing on the variable of facing compliance risks, the respondents certainly agreed on the following variables:

#### **Regulatory Obligations**

Based on the data the above in Table 4.4, it is evident that the majority of the SMMEs are aware of the regulatory obligations pertaining to them, 22.5% of the SMMEs strongly agreed that they are aware of the regulatory obligations pertaining to them, while 52.1% agreed that they are aware of regulatory regulations. In addition to the above 16.9% of the respondents are unsure about the regulatory obligations applicable to them, whereas 7% of the respondents disagreed and 1.4% strongly disagreed that they are aware of regulatory obligations applicable to their SMMEs. Based on the above it can be deduced that the majority of the above respondents agreed as the combination of 22.5% who strongly agreed and 52.1% who agreed make a majority of 74.6% whereas the minority makes up 25.3% made up of 16.9% of the respondents who are unsure, 7% who disagreed and 1.4% who strongly disagreed. In accordance to the FSB (2013) guide on risk management it is of importance that the reason behind regulatory provision be provided so as to ensure that specific regulatory obligations are implemented.

## **Business Strategy**

According to Table 4.4 above it is evident that most of the respondents strongly agreed that their business strategy was aligned to the requirements of the regulatory obligations. 16.9% of the respondents strongly agreed that their business strategy is aligned to the requirements of the regulatory obligations, while 45.1% just agreed. The combination of the two make up a majority of 62% whereas the minority of 38% is made up of 26.8% of the respondents who were unsure, 7% who disagreed and 4.2% who strongly disagreed. Business plans must be aligned to the regulatory framework in order to enhance compliance thereof. In support of the above Barrow (2006) avows that business plans of the organisation should include all the necessary information including the amount of money needed, what is it required for and for long is the capital required.

### **4.4.5 Reputational Risks**

According to Table 4.4 most of the respondents disagreed that their various SMMEs have faced reputational risks. 31% of the respondents are unsure as to whether their SMMEs faced reputational risks while 25.4% disagreed and 1.4% of respondents strongly disagreed that their SMMEs did not face reputational risks, 16.9% strongly agreed while 23.9% of the respondents just agreed that their SMMEs are facing reputational risks. Another variable that the respondents disagreed on include investors' perceptions on SMMEs, 36.6% of the respondents are unsure whether investors have negative perceptions on their SMME while 33.8% of the respondents disagreed and 5.6% strongly agreed the combination of the three make up a majority of 76% whereas the minority of 24% is made up of 8.5% of the respondents who strongly agreed and 15.5% of the respondents who agreed that they are aware of investors negative perceptions on their SMMEs.

In addition to the above, it has been noted that majority of respondents disagreed that regulators have negative perceptions on SMMEs. 26.8% of the respondents are unsure about regulators perceptions on their various SMMEs, while 38% of the respondents disagreed and 4.2% strongly disagreed that regulators have negative perceptions on their SMMEs. The combination of the two being 26.8% who are unsure, 38% who disagreed and 4.2% who strongly disagreed make up the majority of 69% of the respondents who disagreed that regulators have negative perceptions on their SMMEs. The minority of the respondents being 30.9% is made up of 7% of the respondents who strongly agreed that regulators have negative perceptions on their business while 23.9% of respondents just

agreed. Reputation risks face organisations on a daily basis and stem from a lot of variables or situations. In support of the above, various operation risks causes of reputation risk in the opinion of Sweeting (2017). The author is of the opinion that a lot of organisations need to further consider the additional costs that arise as a result of negative perceptions which may cause loss in customers. Ross (2005) is of the opinion that reputational risks have a tendency of creating doubt in the mind of stakeholders including investors and customers .

#### **4.4.6 Other Risks**

With reference to Table 4.4 the majority of the respondents agreed on all of the variables examined. With respect to understanding the meaning of risks 26.8% of the respondents strongly agreed that they understood the meaning of risks while 38% of the respondents just agreed to have understood the meaning of risks. 16.9% of the respondents were unsure as to whether they understood the meaning of risks while 15.5% just disagreed and 2.8% strongly disagreed that they understood the meaning of risks. From the above it can be deduced that the majority of the respondents agreed as 26.8% of the respondents who strongly agreed and 38% of the respondents who agreed make up the majority of 64.8. The minority of 35.2% of the sampled population is made up of 16.9% who are unsure, 15.5% who disagreed and 2.8% who strongly disagreed.

#### **Documentation of Risks**

With reference to documentation of risks, majority of the respondents agreed that they documented the risks facing the SMMEs. 22.5% of the total sampled strongly agreed that they documented risks while 35.2% of the respondents agreed that they documented risks. The combination of those who agreed and those who strongly agreed make up the majority of 57.7%. In addition to the above, it is notable that 16.0% of the respondents were not sure if they documented the risks the SMME faced, while 22.5% of the respondents disagreed to have documented risks SMME faced and 2.8% strongly disagreed to have documented the risks SMME faced. The minority of 42.2% thereof is made up of 16.9% who were unsure, 22.5% who disagreed and 2.8% who strongly disagreed. Risks cannot just be identified within the organisation and it is therefore necessary that risks pertaining to the organisation are clearly documented. In support of the above PMBOK (1996) declares that a critical step in risk management not only involves identification of risks that are likely to affect the organisation but includes documenting each and every risk.

**Continuous risk identification:** In response to continuous identification of risks it has been noted that a majority of the respondents actually identified risks on a continuous basis. 24.3% of the respondents strongly agreed that they identified risks on a continuous basis while 44.3% of the respondents just agreed thereof. In addition to the above it is also noticeable that 8.6% of the respondents were unsure whether their SMMEs identified risks within SMME while 18.6% disagreed and 4.3% disagreed. The majority of the respondents being 68.6% is made up of 24.3% of respondents who strongly agreed and 44.3% who just agreed, the minority thereof of 31.5% is made up of 8.6% who are unsure, 18.6% and 4.3% of the respondents disagreed that they identified risks within their SMMEs on a continuous basis.

**Identification of major risks:** With regards identification of major risks within SMMEs it is evident from Table 4.2 above that majority of the respondents agreed that they identified risks within their SMMEs. 20% of the respondents strongly agreed that their SMMEs identified risks while 31.4% of the respondents just agreed. Furthermore, it can be noted from the table that 20% of the respondents were unsure of whether their SMMEs had identified major risks while 15.7% just disagreed and 4.3% just strongly agreed. The majority of the respondents being 68.6% is made up 20% who strongly agreed and 31.4% who agreed. The minority of the respondents who make up 48.6% is made up of 20% who are unsure, 24.3% who disagreed and 4.3% who strongly disagreed that their SMME identified risks on a continuous basis. With regards both the continuous identification of risks and identification of major risks Mayhew (2003) states that the nature and extent of the risks must be identified as well as establish circumstances under which risks arise, causes as well as the contributing factors must be examined the author further maintains that the risk identification process within an organisation should be discrete and continuous.

**Prioritizing of Important Risks:** Based on Table 4.4 above it is clear that majority of the respondents have agreed that SMMEs prioritizes important risks, 20% of the respondents strongly agreed that their SMME prioritized important risks while 41.4% agreed that they prioritized important risks. It can also be noted from the Table above that 18.6% are unsure about whether or not their SMMEs prioritized risks whereas 15.7% disagreed and 4.3% strongly disagreed with prioritizing risks. From the above it can be extrapolated that majority of the respondents agreed as the combination of those who strong agreed 20% and those who agreed 41.4% make up 51.4% of the total sampled population. The

minority of the total sampled population being 38.6% is made up of 18.6% who are unsure, 15.7% who disagreed and 4.3% who strongly agreed.

The following section will examine the risks faced by SMMEs in NMMD

#### **4.4.6. Significant Risks Facing SMMEs**

Various types of risks face organisations on a daily basis. This type of risks significantly affect day to day operations of the organisation. In the view of CODE SMME007 “ The major problems I have in my SMME is financial problems , my business rarely has enough money to take care of the necessity, apart from the financial problems CODE SMME009 stated that “ I am struggling not only financially but to attract customers as I believe I am doing enough to market my products but not getting customer support” . This are not the only problems or risks SMMEs face , CODE SMME008 stated that “ He established his business right after matriculation and as a result he sometimes feel as if he can do more to enhance his skills to manage the business. Some of the financial risks facing organisations can be avoided or dealt with. Venkateswaran (2014) adds on to state that adequate financial management will ensure that organisations use finances in an effective and efficient manner.

#### **4.4.7. Differences of Opinion with regards to Risk in SMMEs.**

Besides common themes on the significant risks facing SMMEs in NMMD, other respondents highlighted some other issue. Another participant CODESMME004 stated that “ I encounter problems on a daily basis, I do whatever works for me and sometimes that does not even work, I lack formal processes in my business and do not have the right people to assist’’. People of the right skills, knowledge and competences should be employed by organisations in support of this Tsoabisi( 2010) stated that recruitment, retainment,motivation of staff is important in order to get maximum production.

#### **4.4.8. Effect of Risks on SMMEs**

Management of risks is critically important as it ensures company growth and success. Failure to deal with risks will impact greatly on SMMEs. In the view of of CODE SMME003 “ closing down is one of the extremes his had to endure he had to rebuild his company more than once due to alot of problems he was encountering “. In addition to that CODE SMME009 Stated that “ Finding the right customers is always a problem or finding customers who are loyal is a problem, my business can go a whole month without getting

any business and this affects my finances”. CODE SMME002 Stated that “ He has lost everything more than once due to not dealing with certain problems that arised”. In support of the above Smit and watkins(2012) believe that providing credit facilities, start up capital, infrastructure, and provision of training are the main factors necessary to improve SMMEs.

#### 4.4.9. Response to Extreme Risks

Management of SMMEs should always be ready to respond to extreme risks facing the organisation. CODE SMME001 stated that “ he has faced so many risks that some of them are so extreme however even to this day is not prepared to deal with extreme risks” and in addition to that CODE SMME 006 stated that “ it is not always easy to address or deal with risks, some risks are that so extreme and one can never actually prepare for them.

#### 4.5. Risk Management Processes

Table 4.5 below presents the results obtained from first sub-question of this research study were respondents were asked questions relating to the risk management processes within SMMEs and the effectiveness and efficiency thereof. The responses are summarized in Table 4.5a below. Responses 1 to 4 below present findings on whether SMMEs follow established risk management practices.

	<b>RESPONSES</b>	<b>SA(%)</b>	<b>A(%)</b>	<b>U(%)</b>	<b>D(%)</b>	<b>SD(%)</b>
1	My business identifies risks (N = 70)	18.6	50	14.3	12.9	4.3
2	My business assesses risks (N = 70)	12.9	48.6	20	11.4	7.1
3	My business controls risk (N = 70)	20	42.9	12.9	12.9	11.4
4	My business monitors risks (N = 70)	15.7	38.6	21.4	12.9	11.4
5	My business practices risk management (N = 70)	24.3	34.3	15.7	11.4	14.3
6	My business has a strategy address risks (N = 69)	15.9	43.5	10.1	17.4	13
7	My business communicates risk strategies to others. (N = 67)	23.9	40.3	6	16.4	13.4
8	My business assess future risks. (N = 67)	25.4	35.8	14.9	14.9	9
9	My business uses certain tools to evaluate risks. (N = 66)	30.3	33.3	12.1	15.2	9.1
10	My business has a plan of action to improve risk management (N = 68)	35.3	29.4	8.8	17.6	8.8
	<b>AVERAGE RESPONSE (%)</b>	<b>22.2</b>	<b>39.7</b>	<b>13.6</b>	<b>14.3</b>	<b>10.2</b>

**Table 4.5a: Effectiveness and Efficiency of Risk Management Processes.**

#### **4.5.1 Identification of Risks**

It is evident from the findings on Table 4.5a above with respect to the identification of risks within SMMEs that, majority of the respondents identify risks in their lines of business. Out of the total population sampled 18.6 % of the respondents strongly agreed to have identified risks within their various SMMEs while 50% of the respondents agreed to have identified the various risks being faced by their SMMEs.

From the sampled respondents 14.3% of the respondents were unsure about whether their SMMEs had actually identified risks while 12.9% and 4.3% disagreed and strongly disagreed respectively to have had identified the risks facing the SMME. From the sampled respondents 18.6% strongly agreed to have identified risks within SMME while 50% agreed to have identified risks within their SMMEs, from the combination of those who strongly agreed and agreed it can be expressed that 68.6% of the entire sampled population mostly agreed to have identified risks within the SMME. From the entire sample 14.3%, 12.9% and 4.3% were unsure, disagreed or strongly disagreed respectively to have had identified the risks facing SMME, from the combination thereof it can be clearly conveyed that only 31.5% of respondents disagreed to have identified risks facing their SMMEs. Every organisation has a way in which they identify risks. However Cooper (2007) is of the belief that breaking risks into components for risk identification is generally much easier and more productive than identifying risks for the organisation as a whole. The business environment changes from time to time therefore Mayland (1997) asserts that the process of risk identification, risk assessment and controlling of risks are all continuous steps in the process of risk management.

#### **4.5.2 Assessment of Risks**

In relation to Table 4.5a it is observable that with regards the assessment of risks by SMMEs that the majority of the respondents agreed that SMMES assessed risks. According to the total population sampled 12.9 % of the respondents strongly agreed to have assessed the risks SMME faced, while 48.6% of the respondents agreed to have assessed the risks their various SMME faced.

From the sampled respondents 20% of the respondents were unsure about whether their SMMEs had assessed risks within SMME, while 11.4% and 7.1% disagreed and strongly disagreed respectively to have assessed the various risks SMME faced.

Furthermore, it is observable that from the sampled respondents 12.9% strongly agreed to have assessed risks SMME faced, while 48.6% agreed to have assessed risks within their SMMEs, from the combination of those who strongly agreed and agreed it can be concluded that 61.5% of the entire sampled population mostly agreed to have assessed risks within their SMMEs.

From the entire sample 20%, 11.4% and 7.1% were unsure, disagreed or strongly disagreed respectively to have assessed the risks within their SMMEs and therefore from the combination thereof it can be presumed that only 38.5% of respondents disagreed to have assessed the risks within the SMME. Assessment of risks within an organisation is a continuous process. PricewaterhouseCoopers (2007) states that throughout the process of assessing risks governance should clearly be established.

#### **4.5.3 Controlling of Risks**

With regards Table 4.5a it is evident with regards to controlling risks within the SMME that the majority of the respondents agreed that SMMEs controlled risks. According to the total population sampled 20 % of the respondents strongly agreed to have controlled risks SMME faced, while 42.9% of the respondents agreed to have controlled the risks their various SMME faced.

From the sampled respondents 12.9% were unsure about whether their SMMEs had controlled risks within SMME, while 12.9% and 11.4% disagreed and strongly disagreed respectively to have controlled the various risks SMME faced. Furthermore, it is observable that from the sampled respondents 20% strongly agreed to have controlled risks SMME faced, while 42.9% agreed to have controlled risks within their SMMEs and conclusively from the combination of those who strongly agreed and agreed it can be gathered that 62.9% of the entire sample agreed to have controlled risks within their SMMEs.

From the entire population sampled 12.9, 12.9% and 11.4% were unsure, disagreed or strongly disagreed respectively to have controlled the risks within their SMMEs, from the combination thereof it can be presumed that only 37.2% of respondents disagreed to have controlled the risks within the SMME.

#### **4.5.4 Monitoring of Risks**

From Table 4.5a it is evident that with regards monitoring of risks by SMMEs, the majority of the respondents agreed that SMMES monitored risks. According to the total population

sampled 15.7 % of the respondents strongly agreed to have monitored the risks SMME faced, while 38.6% of the respondents agreed to have monitored the risks their various SMME faced.

From the population sampled it can be noted that 21.4% of the respondents were unsure about whether their SMMEs had monitored risks within SMME, while 12.9% and 11.4% disagreed and strongly disagreed respectively to have monitored the various risks SMME faced.

Furthermore it is observable that from the sampled respondents 15.7% strongly agreed to have monitored risks SMME faced, while 38.6% agreed to have monitored risks within their SMMEs, from the combination of those who strongly agreed and agreed it can be deduced that 54.3 % of the entire sample mostly agreed to have monitored risks within their SMMEs.

From the entire population sampled 21.4%, 12.9% and 11.4% were unsure, disagreed or strongly disagreed respectively to have monitored the risks within their SMMEs, from the combination thereof it can be deduced that only 45.7% of respondents disagreed to have monitored the risks within the SMME. Managing and controlling risks within an organisation is never an easy task and control and risk go hand in hand. As a result Roberts (2009) systems of risk management has to be monitored continuously and adapted as often and as necessary as the risks that it is attempting to manage the change.

#### **4.5.5. Refreshing risk management strategies**

Refreshing risk management strategies is very important and as result it the various risk management strategies should be refreshed or revisited from time to time just as to check whether these strategies are still applicable in the environment in which the business exists. According to CODE SMME005 “ Continuous refreshment of risk management strategies is not always easy but it is essential as we face different risks all the time. In addition to that CODE SMME SMME010 stated that “ I try to monitor risks all the time and change strategies and it is not easy as I Do not know processes to follow”. This clearly shows that SMMES should invest in simple and transparent rules for SMMEs to follow that will assist SMMEs in knowing exactly what to do and how to do it.

#### **4.5.6. Differences of Opinion with regards to refreshing risk management strategies**

Not all organisations practice refreshing its strategies and this may be due to numerous factors. CODE SMME 001 stated that “ My business and its very small I rarely have

enough money so refreshment of strategies is the last thing on my mind” , In addition to this CODE SMME009 stated that “ I Cannot refresh something that I do not know or I do not practice maybe that is why my business is not doing well.

Evaluating the effectiveness of the risk management processes followed by SMMEs in NMMD

The responses are summarized in Table 4.5b below. Responses 5 to 10 below present findings on whether SMMEs follow established risk management practices

	<b>RESPONSES</b>	<b>SA(%)</b>	<b>A(%)</b>	<b>U(%)</b>	<b>D(%)</b>	<b>SD(%)</b>
1	My business identifies risks (N = 70)	18.6	50	14.3	12.9	4.3
2	My business assesses risks (N = 70)	12.9	48.6	20	11.4	7.1
3	My business controls risk (N = 70)	20	42.9	12.9	12.9	11.4
4	My business monitors risks (N = 70)	15.7	38.6	21.4	12.9	11.4
5	My business practices risk management (N = 70)	24.3	34.3	15.7	11.4	14.3
6	My business has a strategy address risks (N = 69)	15.9	43.5	10.1	17.4	13
7	My business communicates risk strategies to others. (N = 67)	23.9	40.3	6	16.4	13.4
8	My business assess future risks. (N = 67)	25.4	35.8	14.9	14.9	9
9	My business uses certain tools to evaluate risks. (N = 66)	30.3	33.3	12.1	15.2	9.1
10	My business has a plan of action to improve risk management (N = 68)	35.3	29.4	8.8	17.6	8.8
	<b>AVERAGE RESPONSE (%)</b>	<b>22.2</b>	<b>39.7</b>	<b>13.6</b>	<b>14.3</b>	<b>10.2</b>

#### 4.5.7 Practice Risk Management

As reported by Table 4.5b it is evident that with regards to SMME practicing risk management that, majority of the respondents agreed that they practiced risk management. According to the total population sampled 24.3% of the respondents strongly agreed to have practiced risk management within the SMME faced, while 34.3% of the respondents agreed to have practiced risk management.

From the population sampled it can be noted that 15.7% of the respondents were unsure about whether their SMMEs had practiced risk management, while 11.4% and 14.3% disagreed and strongly disagreed respectively to have practiced risk management.

Furthermore it is observable that from the sampled respondents 24.3% strongly agreed to have practiced risk management , while 34.3% agreed to have practiced risk management

within their SMMEs, from the combination of those who strongly agreed and agreed it can be assumed that 58.6 % of the entire sampled population mostly agreed to have practiced risk management.

From the entire population sampled 15.7%, 11.4% and 14.3% were unsure, disagreed or strongly disagreed respectively to have practiced risk management within their SMMEs, from the combination thereof it can be assumed that only 41.1% of respondents disagreed to have practiced risk management. Practising risk management is an intergral part of organisations and in the opinion of Olsson (2002) avoiding risks is the only thing risk management is concerned with however seizing opportunities is another factor risk management is concerned with.

#### **4.5.8 Strategy to Address Risks**

With regards to Table 4.5b it is evident that with regards to SMME having strategy to address risks that, majority of the respondents agreed that they have strategies to address risks. According to the total population sampled 15.9% of the respondents strongly agreed to have had a strategy to address risks, while 43.5% of the respondents agreed to have had a strategy to address risks within the SMME.

From the population sampled it can be noted that 10.1% of the respondents were unsure about whether their SMMEs had a strategy in place to address risks, while 17.4% and 13% disagreed and strongly disagreed respectively to have used a strategy to address risks.

Furthermore it is observable that from the sampled respondents 15.9% strongly agreed to have used a strategy to address risks, while 34.4% agreed to have had a strategy in place to address risks within their SMMEs, from the combination of those who strongly agreed and agreed it can be denoted that 58.6 % of the entire sampled population mostly agreed to have used a strategy to address risks.

From the entire population sampled 10.1%, 17.4% and 13% were unsure, disagreed or strongly disagreed respectively to have used a strategy to address SMMEs, from the combination thereof it can be denoted that only 40.5% of respondents disagreed to have used a strategy to address risks. Risk management strategies are the overall objective of engaging is risk assessment processes. Rieger (2000) agrees to the above by clearly stating that a strategy of risk management should be linked to the business strategies or business plans of the organisation.

#### **4.5.9. Communication of Risk Strategies**

In terms of Table 4.5b it is evident that with regards to SMME Communicating their risk strategy that, majority of the respondents agreed that they communicated their risk management strategies. According to the total population sampled 23.9% of the respondents strongly agreed to have communicated their risk management strategies, while 40.3% of the respondents agreed to have communicated their risk management strategies.

From the population sampled it can be noted that 6% of the respondents were unsure about whether their SMMEs had a strategy in place to have communicated their risk management strategies, while 16.4% and 13.4% disagreed and strongly disagreed respectively to have communicated their risk management strategies.

Furthermore it is observable that from the sampled respondents 23.9% strongly agreed to have communicated their risk management strategies, while 40.3% agreed to have communicated their risk management strategies, from the combination of those who strongly agreed and agreed it can be denoted that 64.2 % of the entire sampled population mostly agreed to have communicated their risk management strategies.

From the entire population sampled 6%, 16.4% and 13.4% were unsure, disagreed or strongly disagreed respectively to have communicated their risk management strategies, from the combination thereof it can be denoted that only 35.8% of respondents disagreed to have communicated their risk management strategies. Communication within organisation ensures that everyone is on the same page with regards to duties and responsibilities as well as achieving organisational objectives. Brodeur et al (2010) is of the belief proper risk communication amongst all the stakeholders and across all levels of management within an organisation is integral for creating sufficient risk awareness. Communicating has not changed much over the years and therefore Kaspersen ( 2014) supports that by clearly stating that risk communication within organisation has not change much over the years and that there is not effective method that one can use to to communicate risks to all the various stakeholders.

##### **4.5.9.10 SMME assess Future Risks**

With reference to Table 4.5b it is evident that with regards to SMME assessing future risks that, majority of the respondents agreed that they assessed future risks. According to the total population sampled 24.9% of the respondents strongly agreed to have assessed their

future risks within the SMME, while 35.8% of the respondents agreed to have assessed the future risks of the SMME.

From the population sampled it can be noted that 14.9% of the respondents were unsure about whether their SMMEs had assessed their future risks, while 14.9% and 13.4% disagreed and strongly disagreed respectively to have assessed the future risks that may face the SMME. Furthermore it is noticeable that from the sampled respondents that 25.4% strongly agreed to have assessed future risks that may impact the SMME, while 35.8% agreed that their SMMEs assessed future risks, from the fusion of those who strongly agreed and agreed it can be denoted that 61.2 % of the entire sampled population mostly agreed to have assessed future risks facing the SMME.

From the entire sampled population 14.9%, 14.9% and 9% were unsure, disagreed or strongly disagreed respectively to have assessed future risks that may possibly impact SMMEs, from the combination thereof it can be denoted that only 38.8% of respondents disagreed to have assessed risks that can impact the SMMEs in the future. Risk management is critical in analysing current and future risks of the organisation. In the view of Dominus (2015) risk management and risk culture within an organisation plays a critical role in not only understanding and identifying risks but in opening discussing and acting on current and future risks organisation is facing.

#### **4.5.9.11 Tools to evaluate Risks**

In respect of Table 4.5b above it is quite evident that majority of the respondents used tools to evaluate risks. Out of the entire sampled population of the research study 30.3% of the respondents strongly agreed to have used tools to evaluate risks facing the SMMEs where as 33.3% of the respondents agreed to have used tools in the evaluation of risks. From the combination of the two it is clearly evident that majority of the respondents that is 63.6% of the total population sampled mostly agreed to have used tools in their evaluation of risks within the SMME.

The findings of the study further indicate that of the total sampled population 12.1% of the respondents were unsure whether tools were used to evaluate risks whereas 15.1% and 9.1% of the respondents disagreed and strongly disagreed respectively that tools were used in the evaluation of the risks facing SMMEs. The combination of the above being 12.1%, 15.1% and 9.1% which make up the minority of the population sampled disagreed with having used tools within their SMMEs in the evaluation. Tools should be used to properly evaluate risks within the organisation. HMTreasury (2001) is of the believe that in

order to categorise risks a framework should be developed , this framework will ensure risks are prioritized and can be used to compare results after the evaluation thereof.

#### **4.5.9.12 Plan of Actions**

Concerning responses obtained in Table 4.5b above it is quite clear that majority of the respondents used a plan of action to improve risk management. According to the results obtained from the respondents it can be illustrated that 35.3% strongly agreed to have used a plan of action to improve risks management while 29.4% of the respondents have used a plan of action to improve risk management within their SMMEs. The combination of the two makeup the majority being 64.7% which is made up of 35.3% and 29.4% of the respondents who strongly agreed and agreed to having used risk management strategies.

The findings of the study further indicated that 8.8% of the respondents were unsure whether their SMMEs had a plan of action to improve risk management while 17.6% and 8.8% of the respondents disagreed or strongly disagreed respectively to have had a plan of action to improve risk management within their various SMMEs. The combination of the three figures above being 8.8%, 17.6% and 8.8% make up the minority of the respondents being 35.2% who disagreed that they used a plan of action to improve risks management. A plan of action that details all the necessary step to accomplish certain goals is critical to grow the organisation. Taking corrective measures is very important in organisations ,in the view of Acs and Audretsch ( 2006) stated that business owners need to be alert when seeking real business opportunities and can do so by utilising an action plan.

#### **4.5.9.13. Effectiveness and Efficiency of Risk Management Process**

The effectiveness and efficiency of every risk management process is assessed by how well the organisation is identifying, assessing , controlling and monitoring the risks. CODE SMME 006 stated that “ He believes that the process of risks is very effective and he can actually identify and manage risks”. CODE SMME010 Stated that “ I deem the process effective as I am able to identify risks , assess them and manage them accordingly”. If SMMEs learn to properly identify, assess and control and monitor risks they should be able to continue to operate into the foreseeable future and generate profit. In the view of CODE SMME005 “ I mainly react to the risks facing my business and for me that works rather than actually planning to react to risks.

#### **4.5.9.14. Differences of Opinion with regards to effectiveness and efficiency of risk management process.**

Not all organisations deem their risk management process as effective and efficient. CODE SMME 001 stated that “ My business is small and it is very hard for me to tell if processes are effective and efficient as I continue to experience problems ” , In addition to this CODE SMME009 stated that “ Problems continue to bother me regardless of my attempts to survive”

The following section will identify the best practices that can be implemented to improve risk management

#### 4.6 Best Practices to Improve Risks Management in SMMEs

Table 4.6 below will present the results obtained from first sub-question of this research study were respondents were asked questions relating to practices which must be implemented to improve overall risk management in SMME’s. The respondents’ responses were summarized in Table 4.6 below.

	<b>RESPONSES</b>	<b>SA(%)</b>	<b>A(%)</b>	<b>U(%)</b>	<b>D(%)</b>	<b>SD(%)</b>
1	Stakeholders are involved in risk management processes. (N = 70)	37.1	35.7	15.7	8.6	2.9
2	Strong risk culture is created within my business (N = 70)	41.4	34.3	14.3	8.6	1.4
3	Proper risk communication channels are established (N = 70)	40	35.7	11.4	8.6	4.3
4	Proper risk management policies are established (N = 69)	42	33.3	14.5	7.2	2.9
5	Continuous monitoring takes place. (N = 66)	42.4	30.3	12.1	13.6	1.5
6	Government will make subsidies for training. (N = 66)	42.4	27.3	19.7	6.1	4.5
7	There is simple and transparent rules for risk management in my business. (N = 58)	41.4	32.8	15.5	6.9	3.4
8	There is creation of risk awareness in our line of business. (N = 57)	35.1	38.6	12.3	12.3	1.8
9	Government will assist in providing resources for risk management (N = 56)	37.5	21.4	26.8	8.9	5.4
	<b>AVERAGE RESPONSE (%)</b>	<b>39.9</b>	<b>32.2</b>	<b>15.8</b>	<b>9</b>	<b>3.1</b>

**Table 4.6: Best practices to improve SMMEs.**

#### **4.6.1. Shareholders Involvement**

In response to table 4.6 above which speaks on the best practices that SMMEs should implement to improve risk management, clear indication exists that majority of the respondents agree that involvement of stakeholders would improve risk management processes. From the total population sampled 37.1% strongly agreed that improvement of stakeholders would improve risk management processes while 35.7% just agreed, furthermore it can be noted that the combination of the two being 37.1% and 35.7% make up the majority.

The table above further illustrates that 15.7% of the sampled population are unsure whether Stakeholder involvement have led to improvement of risk management process whereas 8.6% and 2.9% of the respondents disagreed and strongly agreed respectively. From the above it can be presumed that the minority of the respondents that is made of 15.7% of the respondents who are unsure, 8.6% who disagreed and 2.9% of those who strongly agreed all disagreed with the fact that involvement of stakeholders will improve risk management processes.

#### **4.6.2 Risk Culture**

With clear reference to table 4.6 above it is observable that the majority of the respondents agreed that risk management processes would have improved if a strong risk culture was created. Out of the entire sampled population 41.4% of the respondents strongly agreed that the establishment of a strong risk culture within SMME would have improved risk management process while only 34.3% of the respondents just agreed.

Table 4.6 above furthermore illustrates that 14.3% are unsure about whether a strong risk culture would have improved risk management while 8.6% and 1.4% disagreed and strong disagreed respectively that a strong risk culture would have improved risk management strategies. The combination of 14.3%, 8.6% and 1.4% make up the minority being 24.3% of the respondents who disagreed that a strong risk culture would have improved risk management. Creating risk culture is not an easy task and involvement of various stakeholders is critical in ensuring risks culture is established. Engaging directly with employees who are responsible for the identification, taking and managing of risks is the best way to encompass risk culture within an organisation.

### **4.6.3 Risk communication**

Table 4.6 illustrated that 40% of the respondents strongly agreed if proper risk communication channels are established risk management processes would improve while 35.7% of the respondents just agreed. The combination of the two being 40% and 35.7% make up 75.7% which happens to be the majority of the respondents agreed that proper communications would have improved had proper risk management processes be established.

In addition to the above, 11.4% of the respondents are unsure that proper risk communications being established will improve risk management while 8.6% and 4.3% disagreed and strongly disagreed respectively that proper established risk communication channels will lead to improved risk management processes. The combination for above being 11.4%, 8.6% and 4.3% equal 24.3% which make up the minority of the respondents who disagreed have establishment of risk management processes will lead to improved risk management processes. Risks communication lies with the owners/managers of the organisation and therefore communication of risks must be timeous and transparent in order to ensure effectiveness and efficiency thereof in accordance to the Institute of risk management (2012).

### **4.6.4 Risk Management Policies**

Conforming to Table 4.6 above it was evident that with regards to risk management policies that, majority of the respondents agreed that established risk management policies will lead to improved risk management processes. According to the total population sampled 15.9% of the respondents strongly agreed to have had a strategy to address risks, while 43.5% of the respondents agreed to have had a strategy to address risks within the SMME.

From the population sampled it can be noted that 10.1% of the respondents were unsure about whether their SMMEs had a strategy in place to address risks, while 17.4% and 13% disagreed and strongly disagreed respectively to have used a strategy to address risks.

Furthermore it was observable that from the sampled respondents 15.9% strongly agreed to have used a strategy to address risks, while 34.4% agreed to have had a strategy in place to address risks within their SMMEs, from the combination of those who strongly agreed and agreed it can be denoted that 58.6 % of the entire sampled population mostly agreed to have used a strategy to address risks.

From the entire sampled population 10.1%, 17.4% and 13% were unsure, disagreed or strongly disagreed respectively to have used a strategy to address SMMEs, from the combination thereof it can be denoted that only 40.5% of respondents disagreed to have used a strategy to address risks. Risk management policies vary from one organisation to another due to the various risks organisations are facing. Frost et al ( 2001) is of the belief that when establishing risk management policies the current business operations must be considered including business objectives as well as the risk appetite thereof. The author further declares that establishing policies ensures consistency and ensures expectations and obligations of stakeholders are met.

#### **4.6.5 Continuous Monitoring**

As reported by Table 4.6 the majority of the respondents strongly agreed that continuous monitoring will improve risk management processes. It is quite clear from the above table that 42.4% of the sampled population strongly agreed that monitoring that is continuous within SMMEs will improve risk management while 30.3% of the sampled population just agreed. From the above one can extrapolate that continuous monitoring will improve risk management processes as the combination of those who strongly agreed being 42.4% and those who agreed 30.3% sum up to 72.7% making them a majority of the total population sampled where as 12.1% of the total sampled population were quite unsure as to whether continuous monitoring will improve risk management within SMMEs. In addition to the above it can also be noted that of the total sampled population 13.6% of the respondents disagreed that continuous monitoring will improve risk management processes while 1.5% of the respondents just strongly disagreed. Therefore as a result it can be clearly noticeable that those who are unsure, disagreed and strongly disagreed being 12.1%, 13.6% and 1.5% respectively make up the minority within the respondents who disagreed that continuous monitoring would have led to improvements in risk management processes. Monitoring is an important step in the risk management process and lack of monitoring within an organisation can cause problems. Organisations cannot survive without continuous monitoring and as a result Louw( 2007) affirms that without accurate, timely and comprehensive monitoring and reporting no organisation can effectively manage risk and be in the position to achieve its business objectives.

#### **4.6.6 Simple Transparent Rules**

With reference to Table 4.6 above, majority of the respondents agreed that simple and transparent rules with regards to risk management within SMMEs would have improved

risk management, from the total sampled population 41.4% of the respondents strongly agreed and 32.8% just agreed that simple transparent would have improved risk management. From the above it can be noted that the respondents who strongly agreed and agreed are the majority within the population sampled as those who agreed are 41.4% of the total sampled population and those who agreed 32.8% sum up to be 74.2%. In addition to the above it can be noted that 15.5% of the respondents were unsure whether simple transparent rules would have improved risk management whereas 6.9% disagreed and 3.4% just agreed, from the above it is noticeable that those who disagreed make up the minority as in conjunction they add up to 30.3%.

#### **4.6.7 Risk Awareness**

According to the results obtained in Table 4.6 above it is clearly noticeable that 35.5% of the respondents strongly agreed that risk awareness within their SMMEs will improve risk management while 38.6% of the respondents just agreed. From the above it is also noticeable that 12.3% of the respondents are unsure whether risk awareness within their SMMEs will improve risk management, in addition to the above 12.3% disagreed that risk awareness will improve risk management within SMME whereas 1.8% just strongly disagreed.

From the above it can be deduced that Majority of the respondents agreed that risk awareness will improve risk management and this was demonstrated by the fact 35.5% strongly agreed and 38.6% agreed, the combination of the two make up 73.7% of the population sampled which makes it clear that majority agreed whereas the minority make up 26.4 % which comprises of those unsure 12.3%, those who disagreed 12.3% and those who strongly disagreed 1.8%. Creating awareness of risks is a very important responsibility of management and therefore Anson and Ma( 2005) stated that risk awareness within organisation should be objective and that awareness must be done on a regular basis.

#### **4.6.8 Government provide Resources for Risk Management**

According to the results obtained in Table 4.6 above it can be noted that most of the respondents agreed that if Government provided resources for risk management in SMMEs there will be an improvement. From the total sampled , 37.5% of the respondents strongly agreed to that while 21.4% just agreed. Apart from the above 26.8% of the respondents were unsure as to whether Government assistance in terms of providing risk

management resources will improve SMMEs whereas 8.9% disagreed and 5.4% disagreed thereof.

From the above it can be denoted that the majority of the respondents agreed as the combination of those who strongly agreed 37.5% and those who agreed 21.4% make up 58.9% which represents the majority within the sample where as those who disagreed make up 41.4% which is made up of the combination of those who are unsure 26.8%, those who disagreed 8.9% and those who strongly disagreed 5.4%. Government must try as much as possible to assist SMMEs Govori (2013) therefore declares that having governmental policies in place will support the growth of the various established SMMEs.

The following section will present findings on the proposals that can implemented to improve risk management in SMMEs

#### **4.6.9. Measures to Improve risk management process**

Measures can be implemented to improve risk management processes. In the opinion of CODE SMME 002 “ If my business was to be provided with finances to improve It will definately improve however with risk , I need to be trained as well as my staff so that we can all work together to improve”. In the view of CODE SMME 003 he said that “ As much as I have a degree risk management is still abit foreign, Government should do more to assist us or in educating us as managers” In the view of CODE SMME 009 states that “I do nou understand risks in its totality therefore it would be nice to have a framework for my type of business , rules that are clear and can be understood”.

#### **4.6.9.10. Differences of Opinion with regards to measures to improve**

Every owner/manager has their own views on what can be done to improve risk management . In the view of CODE SMME 004 Stated that “ One way we can improve is being trained and giving one person within the businesss the skills knowledge and responsibility towards risk management” and in addition to that CODE SMME 009 further asserts to that by saying “ One person needs to be accountable and that one way things will actually improve.

#### **4.6.9.11. Government**

Government has a very important role in terms of sustaining SMMEs. In the view of CODE SMME 006 “ Government must provide money to fund risk management processes and give training where necessary”. And in addition to that CODE SMME 007 “ We are

unaware of certain programmes government do to assist us as SMMEs however providing business like mine with money will come in handy as it will assist us in being able to identify risks “.

#### 4.7 Presentation of Statistical Analysis of the Study

This section of the research study will present the statistical analysis of the study with specific reference to reliability analysis, correlation analysis, t-Test analysis and the chi-square test of independence.

##### 4.7.1 Reliability analysis

Cronbach’s alpha ( $\alpha$ ) reliability coefficient, whose numerical value ranges from 0 to 1, measures the reliability (or internal consistency) of a questionnaire (or survey) consisting of Likert-type scales and items. A high value (close to 1) for Cronbach’s alpha reliability coefficient indicates good internal consistency of the items in the scale.

Dimension	Cronbach’s Alpha ( $\alpha$ )	N of Items
Implementation of risk management strategies by SMMEs in Ngaka Modiri Molema District	0.898	9
Type of risks faced by SMMEs in Ngaka Modiri Molema District	0.825	30
Effectiveness/Efficiency of risk management processes in SMMEs	0.940	10
Best practices to improve risk management in SMMEs	0.941	9
<b>Total</b>	<b>0.954</b>	<b>58</b>

**Table 4.7: Reliability Analysis**

The Cronbach’s alpha coefficients in Table 4.7 above are all greater than 0.7, and this implies that the participants have responded consistently to those survey items and also suggests that items in the scale have relatively high internal consistency.

##### 4.7.2 Correlation Analysis

###### Spearman’s rank rho test

This test is concerned with the correlation between two ranked variables (X and Y). The Correlation is statistically significant if the p-value is less than 0.05 level of significance.

The coefficient of Spearman's rank correlation is given by

$$r = 1 - \frac{6\sum D^2}{N(N^2 - 1)}$$

Where

- D = differences of ranks of corresponding values of X and Y
- N = number of paired values in the data
- $-1 \leq r \leq 1$

**Table 4.8: Spearman's rank correlation between age group and views of the respondents about the risk management in SMMEs**

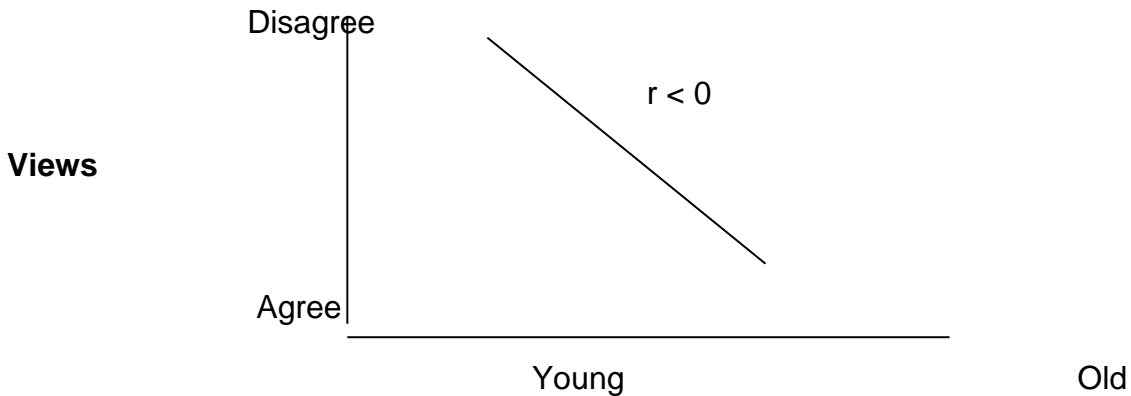
Items		
Strong risk culture is created within my business (N = 70)	Correlation coefficient(r )	-0.312*
	p – value	0.009
Proper risk communication channels are established (N = 70)	Correlation coefficient(r )	-0.395*
	p – value	0.001
Continuous monitoring takes place. (N = 66)	Correlation coefficient(r )	-0.322*
	p – value	0.008

\*Correlation is significant at the 0.05 level

SPSS 25 software package was used to perform the correlation analysis and the results are shown in Table 4.6. Since all the p-values are less than 0.05 level of significance, then the correlation between age group and views of respondents about the items listed in Table 4.6 is statistically significant. Negative correlation coefficient ( $r < 0$ ) means that older respondents tend to agree with the other items , whereas younger respondents tend to disagree. See Figure 4.8 below to display this research finding.

Strong risk culture with correlation efficient of -0.312 and p-value of 0.009 demonstrated that educated respondents agreed to strong risk culture while less educated respondents did not agree with creation of the strong risk culture. With regards to communication channels a coeffecient of -0.395 and p-value of 0.001 reflects that proper communication channels are established by educated respondents while uneducated respondents state that no proper communication channels are not established.In addition a correlation of - 0.322 and p-value of 0.008 reflect that educated respondents ensure continuous monitoring where as uneducated officials do not ensure continuous monitoring thereof.

**Figure 4.8: Views of respondents versus age ( $r < 0$ )**



**Age**

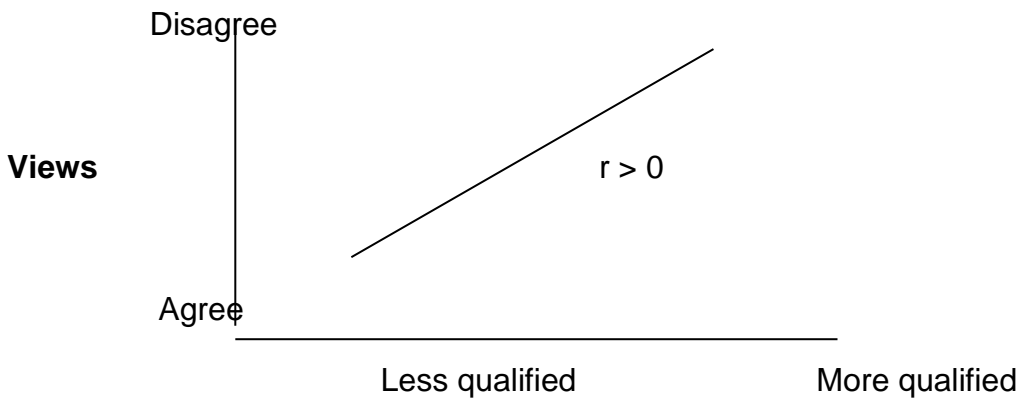
**Table 4.9: Spearman’s rank correlation between educational level and views of the respondents about the risk management in SMMEs**

Items		
My business is aware of regulatory obligations pertaining to SMMEs (N = 70)	Correlation coefficient(r )	0.416*
	p - value	0.000
My business identifies risks (N = 69)	Correlation coefficient(r )	0.240*
	p - value	0.047
My business assesses risks (N = 69)	Correlation coefficient(r )	0.238*
	p - value	0.049
My business controls risk (N = 69)	Correlation coefficient(r )	0.275*
	p - value	0.022

\*Correlation is significant at the 0.05 level

Since all the p-values are less than 0.05 level of significance, then the correlation between educational level and views of respondents about the items listed in Table 4.7 is statistically significant. All the correlation coefficients are positive ( $r > 0$ ). It means that more qualified respondents tend to disagree with the items in Table 4.7, whereas less qualified respondents tend to agree. See Figure 4.8 below to display this research finding.

**Figure 4.8: Views of respondents versus educational level (  $r > 0$  )**



### **Educational Level**

#### **4.8. Summary**

This chapter presented the empirical findings of the research study. The SPSS analytical tool was used to analyze the questionnaires. As a result tables, graphs were generated to graphically present the results thereof. The empirical study focused on the quantitative as well as the qualitative studies. The quantitative study provided findings such as biographical information of owners of SMMEs; presented findings as obtained in the implementation of risk management strategies by SMMEs, findings on the types of risks facing SMMEs in Ngaka Modiri Molema Distirct. Findings on whether SMMEs are effectively and efficiently implementing risk management processes and lastly views on best practices to implement to improve risk management practices in SMMEs were fully grasped and presented. This section of the study also provided analysis on reliability, correlation analysis and chi-square test of independence and the analysis of variance. The following chapter offers the overview of the research, including a summary and recommendations emergent from this research study.

## CHAPTER FIVE

### OVERVIEW, FINDINGS, CONCLUSIONS AND RECOMMENDATIONS

#### 5. Introduction

This chapter presents an overview of the entire research study as well as a summary of findings. The recommendations were made to provide solutions that could be implemented to reduce risk challenges through novel and context-bound management strategies implemented by SMMEs in Ngaka Modiri Molema.

#### 5.1. Overview of the Study

Chapter one provided the introduction and background of the study with key emphasis on SMMEs in Ngaka Modiri Molema District. The problem statement highlighted challenges facing SMMEs in NMMD and research questions were articulated to guide the research process of this study. Other topics covered in chapter one of the research study focused on the objectives of the study, aims and significance of the study, delimitations and assumptions of the study, definitions of key concepts and an outline of the structure of the study.

Chapter two provided the theoretical framework and literature review that is the bedrock of this study. The risk perception theory, the financial gap and resource dependency theories were clarified and expanded on to justify how they support the entire research study. In the literature review, the type of SMMEs were explained, the risk management strategies being implemented by SMMEs in NMMD were highlighted, the various risks facing SMMEs in NMMD were discussed, including effectiveness and efficiency of the various risk management strategies and the measures to put in place to improve the overall risk management processes.

Chapter three explored the research methodology and research design thoroughly. The study adopted a mixed methods research utilizing both the quantitative method and qualitative approaches to collate data. An explanatory sequential mixed method design was adopted for the research study in order to collect and analyze data. Literature review and the empirical study followed a methodological approach which helped in the discussion of quantitative results from the questionnaires distributed to the respondents. Data analysis was explored, validity and reliability were established while the ethical considerations surrounding the process of the research study were explained.

Chapter four focused on the presentation and interpretation of the data obtained from the empirical research. The quantitative data of the research study was analyzed using SPSS and presented using a variety of tables, graphs and included descriptive statistics. The results were subdivided into three stages: the biographical information of the respondents, presentation and interpretation of the different views of the respondents on the four research questions of the research study as well as the statistical analysis of the study .

Chapter five of the research study concentrated on presenting an overview of the entire chapters of the research study. A summary of the research findings is presented with a link of each research question and conclusions are made. Finally recommendations for future studies are made based on the evident shortcomings of the current study.

## **5.2. Summary of the Findings**

The findings summarised here are based on the research objectives presented and highlighted in Chapter 1 of this study. The research objectives are set to:

- Determine the nature of the risk management strategies in SMMEs in NMMD
- Identify and examine the risks faced by Small, Micro and Medium Sized Enterprises in NMMD
- Identify and examine the risk management strategies implemented by SMMEs in Ngaka Modiri Molema District.
- Investigate whether or not the SMMEs follow the established best practice risk management processes.
- Evaluate the effectiveness of the risk management processes followed by SMMEs in NMMD.
- Identify and propose the best practices that could be implemented to improve risk management in SMME

### **5.3.1 To examine the implementation of Risks Management Strategies in SMMEs in NMMD.**

According to the findings, it was established that SMMEs in Ngaka Modiri Molema District use the four strategies of risk management namely: accepting risks, transferring risks, avoiding or mitigating risks and reducing risks. However, based on the analysis of the information, it was clarified that there are some SMMEs that do not have the slightest idea

of what risk management strategies are and are therefore failing to determine the implementation thereof. It is of critical importance that SMMEs should properly implement risk management strategies to avoid or reduce the current high failure rate of SMMEs.

### **5.3.2. To identify the Risks Faced by SMMEs in NMMD**

In this section the majority of the respondents seemed to agree that most of the SMMEs face similar types of risks. According to the respondents, it is very clear that SMMEs in Ngaka Modiri Molema District face financial risks, operational risks, market risks, compliance risks, reputational risks as well as other risks. From the study it was discovered the major risks facing SMMEs are financial risks, including lack of access to cash, poor financial management and mismanagement of funds. Another major risk facing SMMEs are market risks: it is evident from the study that SMMEs target clients yet they do not exactly reach them. Competition is another risk that SMMEs face as more and more SMMEs operate within the same sector. Therefore, in a bid to reduce the high failure rate of SMMEs it is important that measures should be put in place to address the replication of services amongst SMMEs as this would ensure growth and success of the SMMEs.

### **5.2.3. Do SMMEs follow Risk Management Processes and how efficient/effective are the processes within the SMME.**

In this section of the study, the majority of the respondents agreed that risk management processes are implemented and these risk management processes include identifying risks, assessing risks, controlling risks and monitoring the risks that SMMEs face. The findings indicate that risk management processes are being implemented yet the respondents are of the view that certain things could be done to ensure the effectiveness and efficiency of the risk management strategies. Such strategies were defined as conducting workshops and training as well as refreshing the risk management strategies of the organization from time to time in order to keep abreast with the forever changing business environment.

### **5.3.4 To determine the best practices to be implemented to improve Risk Management.**

The findings obtained in this section revealed various ways in which risk management could be improved upon. The respondents indicated that stakeholder involvement in risk management processes, a strong risk culture, proper channels for communicating risk

issues are essential in enhancing SMME growth and as a result reducing the failure rate of SMMEs. Other recommendations that respondents feel strongly about include establishment of proper risk management policies, subsidies for training being provided by government for SMMEs, risk awareness within SMMEs by managers and owners, establishing simple and transparent rules for risk management within SMME and lastly that government should assist SMMEs by providing resources for risk management. With regard to these findings it is evident that the respondents feel strongly about government's involvement with improving overall risk management skills amongst SMMEs.

#### **5.4 General Recommendations of the Research Study**

The following recommendations are offered to resolve the problems highlighted in the problem statement. The recommendations which follow are made to the various SMMEs within the Ngaka Modiri Molema District.

**Risk Management Plan:** There is a serious need for the various SMMEs in Ngaka Modiri Molema to have a formally documented, efficient risk management plan for their various lines of business. This properly documented risk management plans would ensure that organizations know what to do in instances when risks occur and ultimately give the organization a sense of direction.

**Human Resource:** Employees are the backbone of each organization, and as a result, owners and managers of SMMEs should adequately recruit, train and motivate staff to ensure the achievement of strategic, financial and business objectives. Recruiting employees with the right skills, knowledge and expertise would significantly reduce staff turnover and ensure achievement of goals.

**Customer Relationships:** Customers are an important intermediary in any organization and therefore getting customers and maintaining customer relationships is essential in ensuring achievement of goals and profit maximization. SMMEs should invest more in programmes that enhance customer relationships and creative awareness of their various lines of business to attract new customers and encourage support from existing customers.

**Financial management:** There is a dire need to equip owners and managers of SMMEs with proper financial management skills. Such honed skills would enable owners to properly manage the finances of the organizations as well as provide an opportunity for the owners to identify opportunities that could result in higher possible returns.

**Risk culture:** Owners and managers of SMMEs should establish a proper risk culture. Setting a proper tone in terms of risks at the top ensures overall organizational success as the employees possess proper knowledge of what the attitude of the owner is where risk is concerned.

**Risk awareness and communication:** Upon establishment of a strong risk culture, creating awareness and properly communicating policies and strategies of risk ensures knowledge thereof and that organizations know how to deal with risks as such processes are communicated.

### **5.5 Appraising the theory against the findings**

The theoretical framework of this study is derived from the combination of aspects of three theories namely Social Theory, Risk theory and financial gap theory. The theoretical framework was utilized to gain an in-depth understanding, beyond one specific theory of examining the implementation on risk management on SMMEs. A popular theme recurring in the findings is that in the absence of risk perception, it is almost impossible for SMMEs to properly manage risks. Similar to the Risk perception theory, the findings suggests that SMMEs in Ngaka Modiri Molema District should strive to have a perception on risks in order to determine the risks SMMEs face and develop strategies to evade such risks. These in turn could improve decision making as it is a highly personal process for owners of SMMEs. Furthermore, the social theory also in line with the findings shows that SMMEs in Ngaka Modiri Molema District should examine social phenomena and implement adaptive strategies taking into account the social phenomena SMMEs can improve management behaviors and overall management decision making. The financial gap theory clearly suggests that SMMEs should strive to obtain an understanding of external funding and apply for such external funding from government and any other financial institutions and in return financial institutions should attempt to examine the nature of business of SMMEs in order to provide these micro-level organizations with good financial assistance. This approach would assist to close

the financial gap and achieve utmost results. The Risk theory, Social theory and Financial gap theory has been vital in demonstrating risk management strategies used by SMMEs in NMMD. In a nutshell, the three theories were sufficient to provide empirically based theoretical accounts on how risks can be conceptualized and strategies to manage risks as well provide recommendations which assist in developing proposals to improve risk management in SMMEs.

## **5.6 Limitations of the Study**

The objectives of the research study were achieved but the researcher is aware of some various limitations and shortcomings of the study. The research study encountered some limitations:

### **5.6.1. Resource availability.**

Absence of recent resources or information on risk management strategies being implemented by SMMEs, resources available were more on the overall risk management process rather than on the strategies SMMEs could implement to reduce failing rate.

### **5.6.2. Failure to honour appointments by respondents.**

During this research study, some respondents failed to honour appointments that were previously scheduled with the research team. Failure to honor appointments resulted in rescheduling of appointments and therefore had financial implications.

### **5.6.3. Failure to complete questionnaires.**

Questionnaires were handed over to respondents but some respondents did not complete the questionnaires on time and this hindered the success of the research study. The slow response in completing questionnaires resulted in the researcher travelling from municipality to municipality to ensure questionnaires were completed.

## **6. Conclusion**

This research study was conducted in Ngaka Modiri Molema District to examine the implementation of risk management strategies in SMMEs in the area. The study established that SMMEs in NMMD face a lot of risks which hinder the growth thereof.

Some of the major risks faced by SMMEs in Ngaka Modiri Molema District include financial risks, market risks and operational risks. Despite the many risks SMMEs face, the organisations are exhorted to implement measures that protect their SMMEs despite the listed shortcomings and challenges. Despite the fact that this research study was conducted in Ngaka Modiri Molema District, the researcher believes the findings may be applied to SMMEs in other areas of South Africa.

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**APPENDIX A QUESTIONNAIRE**  
**QUESTIONNAIRE**



Dear Participant

My Name is Kgomotso Maikano Glynis Matlholwa, I am Master of Commerce Student of North West University in Mafikeng Campus. I am currently conducting a research study on the **Implementation of risk managements strategies in SMME's in Ngaka Modiri Molema District**. The study has been ethically cleared with reference number: NWU-00455-18-S4 Matlholwa .I wish to invite you to participate in the study by completing the attached questionnaire. The questionnaire will take approximately 30 Minutes of your time to be completed

**Please complete the following:**

**1. PLEASE  
TICK  
BOX**

- |   |                          |
|---|--------------------------|
| 1. I confirm that I have read and understand the information sheet for the above study and have had the opportunity to ask questions. | <input type="checkbox"/> |
| 2. I understand that my participation is voluntary and that I Am free to withdraw at any time, without giving reason.                 | <input type="checkbox"/> |
| 3. I agree to take part in the above study.   | <input type="checkbox"/> |

Thank you for your assistance

Yours Sincerely,

Name : Kgomotso Maikano Glynis Matlholwa  
Contact details : [matlholwakgomotso01@gmail.com](mailto:matlholwakgomotso01@gmail.com) or 0731001079

## **Instructions**

The Questionnaire below is aimed at examining the implementation of risk management strategies in SMME's in Ngaka Modiri Molema District. You are kindly requested to give honest answers by marking an (X), unless otherwise stated.

## **SECTION 1: BIOGRAPHICAL INFORMATION**

### **1. Please Indicate your gender**

Male	<input type="checkbox"/>
Female	<input type="checkbox"/>

### **2. What is your Population Group**

Black	<input type="checkbox"/>
Coloured	<input type="checkbox"/>
White	<input type="checkbox"/>
Indian	<input type="checkbox"/>
Other (if applicable)	<input type="checkbox"/>

### **3. Please indicate your marital status**

Single	<input type="checkbox"/>
Married	<input type="checkbox"/>
Divorced	<input type="checkbox"/>
Widowed	<input type="checkbox"/>
Other (if applicable)	<input type="checkbox"/>

**4. Highest Level of Education**

Matric	
Undergraduate Diploma/Degree	
Postgraduate Diploma/Degree	
Honours Degree	
Master's Degree	
Doctoral Degree	

**5. Please indicate your current age group in Ages**

Less than 20 Years	
Between 21 -25 Years	
Between 26- 30 Years	
Between 31-35 Years	
Between 36-40 Years	
Above 40 Years	

**6. Please Indicate the Local Municipality where your entity is situated**

Mahikeng Local Municipality	
Ditsobotla Local Municipality	
Tswaing Local Municipality	
Ratlou Local Municipality	

Ramotshere Moiloa Local Municipality	
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**7. What is the category of your Business**

Manufacturing	
Communication	
Transport	
Construction	
Retail and Warehouse	
Beverage and Liquor	
Catering and Accommodation	
Finance and Business Services	
Mining	
Other (if Applicable)	

**SECTION 2: ARE SMMES IN NGAKA MODIRI MOLEMA DISTRICT IMPLEMENTING RISK MANAGEMENT STRATEGIES**

No	Responses	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
1	Various risks management strategies in my business are implemented					
2	My business accept risks					
3	My business transfer risks					
4	My business mitigate/avoid risks					

5	My business reduce risks					
6	My business reviews risk strategies regularly.					
7	My business have timeframes to address risks.					
8	My business has necessary resources/ tools to respond to risks.					
9	My business has an individual responsible to treat risks.					

**Interview Questions**

10. Provide your understanding of the term “Risk Management Strategies”?

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.....

11. Given your understanding of “Risk Management Strategies” what specific risk management strategies do you have in your SMME?

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.....

12. Explain the impact of risk management strategies in your SMME?

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13. Is there an individual/ unit responsible for risk management?

.....

.....

.....

.....

**SECTION 3: WHAT RISKS ARE BEING FACED BY SMMES IN NGAKA MODIRI MOLEMA DISTRICT?**

No.	Responses	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
<b>Financial Risks</b>						
1	My Businesses are facing financial risks.					
2	My Business have poor financial management					
3	My business do not have access to capital					
<b>Operational Risks</b>						
4	My business is facing operational risks.					
5	My business have proper operational procedures					
6	My business has skilled employees to follow and maintain operational procedures and internal processes					
7	My business has a chain of reporting					

8	My business has good communication throughout the chain of reporting					
9.	My business has an individual who is responsible for accountability					
<b>Market Risks</b>						
10	Businesses in NMMD are facing market risks.					
11	My business is aware of their competitors.					
11	My business is facing a lot of competition					
12	My business is able to deal with competition					
13	My business is able to find customers where there is no competition					
<b>Compliance Risks</b>						
14	My business is facing compliance risks.					
15	My business is aware of regulatory obligations pertaining to SMMEs					
16	My business is aware of regulatory obligations pertaining to the nature of business.					

17	The business strategy is aligned to the requirements of the regulatory obligations.					
<b>Reputational Risks</b>						
18	My business is facing reputational risks.					
19	Customers have negative perceptions on my business					
20	Investors have negative perceptions on my business					
21	Regulators have negative perceptions on my business.					
<b>Other Questions</b>						
22	My business understands the meaning of risks.					
23	My business documents the risk they have.					
24	My business identifies risks on a continuous basis.					
25	My business identifies major risks.					
26	My business prioritizes important risks.					

**Interview Questions**

11. In your opinion what are the most significant risks affecting the SMME?

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12. In your opinion, is the SMME doing enough to identify the risks the organization is facing?

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13. What is the effect of risks on SMME?

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14. Is the SMME prepared to respond to extreme events or risks?.....

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15. Does the SMME have a business continuity plan and disaster recovery plan in place to deal with risks?

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**SECTION 3: DO YOU FOLLOW RISK MANAGEMENT PROCESSES AND ARE THEY EFFECTIVE/EFFICIENT IN YOUR SMME**

No.	Responses	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
1	My business identifies risks					
2	My business assesses risks					
3	My business controls risk					
4	My business monitors risks					
5	My business practices risk management					
6.	My business has a strategy to address risks					
7	My business communicates risk strategies to others.					
8.	My business assess future risks.					
9	My business uses certain tools to evaluate risks.					
10.	My business has a plan of action to improve risk management					

**Interview Questions**

11. Is there an individual who owns the risks and is accountable for the results that ensure efficient and effective implementation of risk management strategies?

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12. How often does the SMME refresh its risk strategies to ensure efficiency and effectiveness?

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13. How effective is the process for identifying, assessing and managing business risks?

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14. In your opinion, what can be done further to improve the effectiveness and efficiency of the risks strategies being implemented?

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**SECTION 4: BEST PRACTICES TO BE IMPLEMENTED TO IMPROVE RISK MANAGEMENT IN SMMES**

**Question: SMMES will improve if:**

No.	Responses	Strongly Agree	Agree	Unsure	Disagree	Strongly Disagree
1	Stakeholders are involved in risk management processes.					
2	Strong risk culture is created within my business					

3	Proper risk communication channels are established					
4	Proper risk management policies are established					
5	Continuous monitoring takes place.					
6.	Government will make subsidies for training.					
7	There is simple and transparent rules for risk management in my business.					
8.	There is creation of risk awareness in our line of business.					
9.	Government will assist in providing resources for risk management					

10. In your opinion, what other measures can be implemented to improve risk management?

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11. In your opinion, do you think that Government should do more to improve risk management practices in SMME?

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