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How high-growth entities' knowledge of small, medium and micro-enterprise policy framework impacts business performance

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Orientation: Global policy attention has shifted from start-up companies to high-growth entities (HGEs), as these entities can innovate and scale up within a short timeframe.

Research purpose: This study aims to evaluate how knowledge of HGEs and use of the South African (SA) small, medium and micro-enterprise (SMME) policy framework impacts their business performance.

Motivation for the study: This study aims to understand if HGEs' knowledge and use of the SA SMME policy framework fits practical and theoretical expectations according to the theory of planned behaviour and political entrepreneurship theory. This is an understudied area of research.

Research design, approach and method: The study collected data from 120 HGEs using quantitative survey, cross-sectional study methods. The data was analysed using descriptive and inferential statistics, this included univariate analysis of variance, Spearman correlation coefficient and Wald logistics regression analysis.

Main findings: The study found weak and insufficient relations between HGEs' knowledge and perception of the current SMME policy framework and the kind of support that HGEs require. Contrary to theoretical expectation, there is a negative correlation between HGEs' use of government support and turnover growth. More positively, HGEs' perception of the SMME policy is that when properly executed it will lead to positive impact for SMMEs and society.

Practical/managerial implications: South Africa's SMME policy should institute meritocratic development policies focused on separated stages of business growth as opposed to only a small-business policy currently.

Contribution/value-add: A separate and specific entrepreneurial policy being implemented for HGEs will make a difference to HGEs' business performance and contribute to job creation and other social-economic benefits.

Keywords: SMME; high-growth entities; SMME policy framework; business performance; South Africa; government objectives; turnover; profitability.

Introduction

Many Organisation for Economic Co-operation and Development (OECD) countries face low gross domestic product (GDP) growth, rising unemployment and reduced trade and investment. This contributes to rising inequality and inflation (OECD 2017:5). Unfortunately, the coronavirus disease 2019 (COVID-19) pandemic that started in late 2019 and unfolded during 2020 was a huge contributor to increased global macro-economic instability – this is considered an economic catastrophe resulting from the pandemic-related strict social lockdown conditions (Priya, Cuce & Sudhakar 2021:1290). In addition, the 2022 Russia–Ukrainian war has complicated global trade, energy supply chains and the world economy (Mbah & Wasum 2022:145). Therefore, having a clear policy to support economic recovery and growth is vital to any government, but this is complicated in the context of a multitude of factors that impact GDP.

Gross domestic product is measured according to the rate at which an economy produces goods, services and market transactions (Aitken 2019:4). The economic growth literature suggests that many factors influence GDP, including the environment, culture, education levels and system of

education, property rights, saving propensity and mineral deposits (Bleaney & Nishiyama 2002:45; Garzarelli & Limam 2019:1). Furthermore, human capital theory and economic growth literature generally accept that entrepreneurship is an important contributor to economic development and growth (Ács, Autio & Szerb 2014:476; Ben-Porath 1967:360; Mincer 1958:300).

Recent research reveals that firms that expand at a substantially higher rate than a typical business contribute in a disproportionately higher way to employment growth (Cirera, Jaef & Gonne 2017:2). Although there is no single meaning of the term high-growth enterprises (HGEs), key performance measures that distinguish them are high employment creation and fast turnover growth (Audretsch 2012:3). These high-growth companies create a significant source of economic growth and prosperity (Krošláková et al. 2015:28).

However, to rapidly scale up and achieve meaningful economic contributions, it is vital to identify the cause of small and medium enterprises' (SMEs) disability. The World Bank (Yoshino & Hesary 2016:5) distinguishes the following as components that stop SMEs from achieving their maximum economic output and capacity: administrative and legal regimes (stringent registration, licencing prerequisites, business legitimacy and administrative systems), access to funding (collateral, access to property, data imbalance and SME bookkeeping) and SME support services (business improvement services, access to markets and networking opportunities).

A regulation may be defined as an instrument by which governments and their subsidiary bodies set legal requirements on citizens and businesses (OECD 2010:9). The term encompasses a wide range of instruments from primary law and secondary regulations to subordinate rules, administrative formalities and decisions giving effect to high-level regulations and standards (OECD 2010:9).

Regulations on SMEs may manifest in forms such as business start-up requirements, for example business licences and furthermore mandatory labour practices, or taxation and foreign trade policy that results in compliance costs for the SME sector (Mallett, Wapshott & Vorley 2019:298). The regulator's objectives should include influencing and changing entrepreneurial and business behaviour to generate positive results and solve societal and economic challenges (Conglianese 2012:8).

The government thereby assumes an important role in establishing empowering, legitimate and administrative conditions urging SMEs to discover freedom to grow and fill the gaps in various economic areas (Kusi, Opata & Tettey-Wayo 2015:705–723). Edmore (2017:136) stipulates that an enabling environment for SME development is created only when a government drifts from economic regulation to a market-oriented policy. Moreover, economic policy uncertainty leads to fiscal instability (Phan et al. 2021:1029). Therefore, to

ensure meeting the regulator's objective, as suggested by Conglianese (2012:8), governments must develop pro-SME policies and create a business environment conducive to enabling SMEs to grow and drive the economy forward (Mutua 2015:102).

Therefore, based on the above premises, OECD and other global policymakers must find ways to use their shrinking fiscal budgets, stimulate their economies, attract foreign direct investment, increase job creation, increase their revenue and provide quality products and services to improve their citizens' standard of living (World Bank Group Report 2016:8). Favourable entrepreneurial policy and regulations may make all the difference to the growth and prosperity of SMEs and HGEs.

However, to justify strategy mediations pointed towards animating business venture creation, there should be evidence of the requirement for additional business visionaries, proof of damage to society from the undersupply of business people and evidence that arrangement intercessions can address such issues (Acs et al. 2016:35). It is, in effect therefore, crucial that the regulator acts on market stimulus and provides regulations that align with such stimulus, that is, there must be a clear linkage between policy and market needs.

Key highlights of an ideal, friendly business climate advancing SMEs include security of the legal, political and strategy structure; exposure of the standards and laws; clarity and conviction of the legal system; consistency in the use of the law (such as minimising the risks linked to changing explanations, implementation or enforcement of the law); fairness; the possibility of legal options and due process (Edmore 2017:136). Importantly, policymakers must understand the factors that enable high employment growth to provide conditions conducive for SMEs to expand and scale up (World Bank Group Report 2016:5).

However, in the context above, little is known about how much the legal and regulatory frameworks specific to the development of SMEs impact their performance, and SMEs may have different needs depending on their nature (Ipinnaiye, Dineen & Lenihan 2017:883). For example, Moos's study (2014) evaluated the South African (SA) small-business policy to determine the need for and nature of the entrepreneurial policy. However, the evaluation was conducted on a broader SME base, did not target high-growth entities (HGEs) and did not measure the impact of SME policy on business performance (Moos 2014). These are precisely the two gaps that the current study aims to fill.

A policy that results in SME regulation may manifest as business start-up licencing requirements, labour practice directives, taxation and foreign trade incentives or sector-specific concessions (Mallett et al. 2019:297–298). For example, the SA automotive sector has since the mid-1990s, had specific policy support. Since after the democratic elections in 1994, major global automotive manufacturers have been included in the Motor Industry Development Plan

(Masondo 2018:203). Programmes such as these are aimed at registered light motor manufacturers to further grow production volumes and component manufacturers to, in turn, substantially grow value additions in South Africa. Furthermore, the scheme provides import–export incentives and supply chain concessions. The growth in this sector shows how favourable policy and regulation can produce intended results as illustrated in Figure 1.

Illustrated in Figure 1 is the positive contribution by 5% per annum on average, between 2006 and 2021, to South Africa's GDP by the country's automotive sector in comparison to the overall low national GDP growth (average of 1.77%) (Bassier & Woolard 2021:262). As alluded to in Figure 1, firstly, SMEs will take advantage of favourable incentives and policies, but the entrepreneurs need the required knowledge to access the support programmes. Secondly, they must be motivated to act on this information to plan and execute their required involvement of such policy frameworks (Ajzen 1991; Ajzen et al. 2011:116).

For the reasons above, the researchers measured high-growth entrepreneurs' knowledge of policy and regulation (that should work in their favour), and how their use of such supposed favourable support measures related with their business performance. This was relevant to evaluate how entrepreneurs' knowledge of small, medium and micro-enterprise (SMME) policy frameworks in South Africa impacts their business performance and relates to the study research objectives.

Research objectives

Based on the above premises, the study examined whether supportive regulatory environments on their own are sufficient (Conglianese 2012:8), or whether entrepreneurs know of supportive regulatory policy and then take
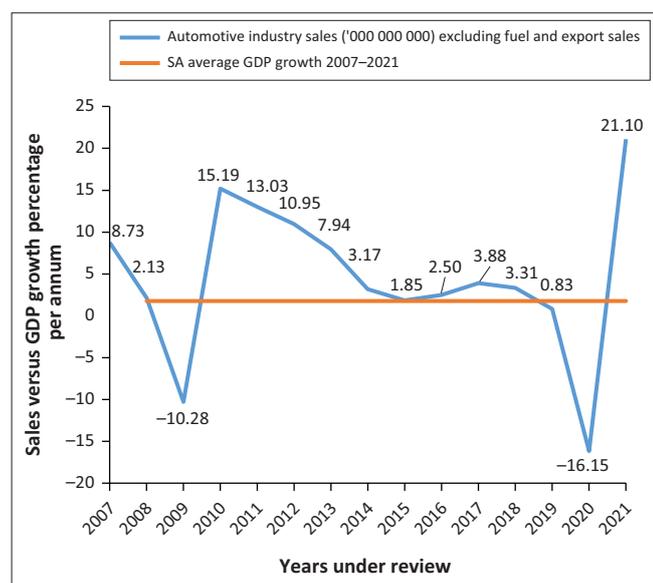
GDP, gross domestic product; SA, South African.

FIGURE 1: Automotive industry sales growth versus South African annual average gross domestic product growth (2007–2021).

advantage of the support to generate positive results such as business growth (Ajzen 1991). Therefore, this research study has the following objectives:

- Evaluate high-growth entrepreneurs' knowledge and perceptions of the SMME policy framework.
- Determine how this knowledge and perceptions, and use of the SMME policy framework, impact their business performance.

Literature review

The literature review discusses the study's two theoretical foundations, followed by a synopsis of the literature and further theoretical views on HGEs.

Theoretical foundations

Political entrepreneurship

According to McCaffrey and Salerno (2011:552), political entrepreneurship is an extension of entrepreneurship theory into the realm of politics and political actors. Furthermore, defining political entrepreneurship pertains to what it is and pertains to the po´litical entrepreneurs, such as policymakers, bureaucrats and politicians, who 'coerce' resources and economic activity into areas that, without such coercions, would not occur within a solely market-regulated economy. The function of political entrepreneurship is determined by the government redirecting resources towards areas of economic output that 'would not otherwise have taken place' (McCaffrey & Salerno 2011:552).

Aflaki, Petridou and Miles (2015:205–206) postulate that political entrepreneurship is a purely economic function where state actors exercise their power and allocate state resources, during turbulent and uncertain environments, towards production that would otherwise not occur. Policy intervention in an economy is considered political entrepreneurship and is a way of bringing about economic outputs in areas that would not otherwise be active, such as support for infrastructure development, skills relocation and support for SME growth.

Political and legal systems can create adequate infrastructure, conducive financial laws, favourable taxation systems and procedures and offer incentives, subsidies and flexible customs and port regulations to inspire people towards entrepreneurship and foster the growth of existing SMEs (McCaffrey & Salerno 2011; Nyarku & Oduro 2018). Fuentelsaz, González and Maícas (2021:485–486) have shown that market support diminishes the relationship between high-growth entrepreneurship and market exit. Policy support for HGEs has a positive impact on their sustainability (Goswami, Medvedev & Olafsen 2019:118).

On the basis expounded above and in the context of the study, SA policymakers are political entrepreneurial actors wanting to bring about economic activity in ways that 'benefit or profit' the government and society at large. The profit they intend to achieve is economic growth and job

creation, which benefits the government through increased revenue collection from profitable businesses and reduced spending on state welfare, as unemployment is reduced.

However, the actors (market-based entrepreneurs) whom the policy is aimed at would have to use such interventions. The study aimed to determine how HGEs, as targeted policy beneficiaries, use entrepreneurship frameworks and policy instruments to grow their businesses and, from the HGE user perspective, is better understood within the theory of planned behaviour.

Theory of planned behaviour

Ajzen's (1991:179) theory of planned behaviour posits that individual behaviour and intentions depend on societal norms (positive or negative) and the individual's perceived control over the behaviour and expected outcomes. Therefore, when a positive attitude and positive expectations are in place, individuals have greater intentions and plans to execute specific behaviours to achieve their desired objectives, such as business start-up and growth. In the context of entrepreneurship, the theory of planned behaviour specifies that a genuine choice to start and grow a new business is a process of pre-meditation (Schlaegel & Koenig 2014:293–294).

Generally, being well-informed is considered a prerequisite for effective action to produce the desired results. On this basis, specific information and knowledge guiding the behaviour of interest should be identified and accessible to the population of interest. This information could strengthen existing beliefs or challenge and provide information leading to new beliefs and actions (Ajzen et al. 2011:116). In the context of the study, HGE entrepreneurs should, therefore, know the policy and regulatory support measures that assist them in growing their businesses. The study therefore leaned on the theory of planned behaviour, which posits that having the necessary information is a prerequisite for subsequent planned action in favour of desired outcomes such as business start-up and growth (Ajzen 1991; Ajzen et al. 2011; Schlaegel & Koenig 2014:293–294).

The case for high-growth enterprises and further theoretical lens

Even though entrepreneurship has been at the centre of policy development for a long time, the focus on high-growth entrepreneurship business is relatively recent (Shane 2009:52). Birch (1979:8) was the first economist to propose the idea that small businesses create the highest levels of, and newest, employment. While some new venture creation policies elevated entry, it was soon realised that the formation of new organisations is not useful if they are of low quality (Shane 2009:52). However, Birch (1981) revised his theory in 1981 and isolated job-creating companies he called 'gazelles' as companies characterised by rapid expansion rather than size.

These high-growth companies create a significant source of economic growth and prosperity by bringing new products and processes to the market and focusing on production effectiveness while using technology and employing an experienced workforce (Krošláková et al. 2015:28). This is corroborated by recent studies, confirming that firms that expand at a substantially higher rate than a typical business contribute disproportionately to employment growth (Bravo-Biosca & Westlake 2009:3; Cirera et al. 2017:2; Henrekson & Johansson 2010:227).

In the European Union, the Gazelles Expert Group of the Europe Innova initiative presented its last report in 2008 (Autio & Rannikko 2016:42). The main policy activities encouraging new high-growth SMEs were introduced to the European Union around a similar time. However, scholastic work on high-growth SME strategies remains nascent according to Mason and Brown (2013:211). Although there is no single meaning of the term HGEs, their key performance measures are employment creation and turnover growth over a specified period (Audretsch 2012:3) because employment growth is one of the policymakers' most pressing concerns. More recently, Anton (2019:227) found that the need for policy initiatives facilitates the growth of HGEs and that banking sector characteristics and specific types of financial support, like risk capital, are important to support HGEs in the European context.

However, in developing countries, there are fewer HGEs; for example, González-Uribe and Reyes (2021:261) found fewer HGEs in Columbia compared to the United States of America. Furthermore, the authors found that alleviating constraints by providing training and customised advice are better support measures for unlocking HGE potential than providing financial support (González-Uribe & Reyes 2021:285).

While young firms do not necessarily employ the largest number of people, they contribute the most new jobs across country income groups. For example, Ayyagari, Demirgüç-Kunt and Maksimovic (2011:2) found that among countries with net positive job creation, small firms with fewer than 20 employees generate 45% of the jobs, while these firms contributed 36.54% to job creation in countries with an aggregate net job loss. These findings have been influential in shaping various government policies to foster entrepreneurship and employment creation and growth.

Therefore, growth accelerators and other business incubation initiatives have become the central tenet of economic policies that channel great public-sector support (OECD 2013:32). This has contributed to an increased interest in policy initiatives specifically targeted at facilitating high-growth entrepreneurial activity (Autio & Rannikko 2016:42).

Consequently, based on the above, to foster the growth and development of HGEs, policymakers must understand the businesses' determinants and needs and the other factors enhancing their growth. Therefore, this study sought to contribute to the understanding of how entrepreneurs' knowledge of, and action based on, SMME policy framework impacts HGEs' performance in South Africa.

It must be noted that data availability, and studies conducted on high-growth firm performance are generally limited, as noted to be the case in the United Kingdom (UK) by Anyadike-Danes et al. (2009:27). This makes international comparisons problematic for that country. Furthermore, as Anyadike-Danes et al. (2009) noted, studies of this nature generally examine the links between SME policy support measures and business performance.

Such studies include those by Honjo and Harada (2006) who studied how SME policy and programme support resulted in improved business performance in Japan. Using regression analyses, and secondary data sets, the authors found that growth in assets was evident among older firms. While it was the younger firms that derived overall improved business growth related to SME programme support. The authors attribute their findings to the life-cycle theory approach and concluded that policy instruments should be aimed at young SMEs (Honjo & Harada 2006:297).

Furthermore, also in the UK, Pickernell et al. (2013:367) came to a similar conclusion that younger firms do take better advantage of external resources such as those provided by policy-led government interventions. Their quantitative study, using analyses of variance procedures, was a large-scale survey conducted among the members of the Federation of Small Business with around 200 000 SMEs in their database (8422 usable responses). The study concludes that overall, accessing SME policy-backed resources was good for business growth by all SMEs. However, as done by Honjo and Harada (2006:297), the authors suggest that 'a more explicit age-differentiated focus is needed for government policies aimed at supporting firm growth' (Pickernell et al. 2013:377).

In Korea, Park, Lee and Kim (2020) studied the impact that access to government-backed loan programmes had on business survival and business growth. The authors employed a sample of 42,261 SMEs from the database of the Small Business Corporation in that country, and they conducted regression analyses. Their findings showed that government-backed loan agreements best support SME growth when such financial support is coupled with non-finance diagnostics and support services such as mentoring and business training (Park et al. 2020:230).

The question of underlying theory to support the study of high-growth entrepreneurs and their associated policy frameworks has been acknowledged as problematic (Brown & Mawson 2016:817). Brown and Mawson (2016) argue that public sector support interventions, for high growth enterprises, may not automatically be implied to follow the well-established business growth theory for example, such as the resource-based view of firm growth. This is because high-growth enterprise growth patterns are not easily understood and do not follow similar patterns (Coad et al. 2013:615).

In the context of this study, the discussion above shows a scarcity of similar studies. This is because of the unique approach of this study, for evaluating the knowledge and perceptions of high-growth entrepreneurs of SMME policy frameworks, and how the use of the SMME policy frameworks impacts their business performance. This study identified programmes with high-growth entrepreneurs as the study sample and collected data from this sample using a structured questionnaire.

The effect of the high-growth entrepreneurs' knowledge was assessed against their business performance and is the unique study contribution. The theoretical lens that the study has introduced, is the political entrepreneurship theory that supports government redirecting resources towards areas of economic output they desire such as HGEs' contribution to job creation and firm growth (McCaffrey & Salerno 2011:552). This supports the life-cycle theory approach to policy instruments aimed at young HGEs, who will improve their business performance and create a higher aggregate of new jobs in an economy, much more so than older firms (Honjo & Harada 2006:297; Pickernell et al. 2013:366–377). Furthermore, this also relates to the resource-based theory of business growth in the view that higher access to much needed resources (policy instruments) is supportive to firm growth – although it is argued that HGEs' growth patterns are not always consistent (Coad et al. 2013:615), and do not always follow established views of firm growth patterns such as the resource-based view of firm growth (Brown & Mawson 2016).

The practical context of the study
South Africa's social-economic context
South Africa's economic growth has been sluggish at an average rate of 0.8% between 2017 and 2021 compared to an average global growth rate of 3.5%. Furthermore, a long-standing problem is South Africa's unemployment rate, among the highest in the world at 32.6% (74.7% among the youth). In addition, the country has a Gini coefficient score of 0.65, indicating that South Africa has among the highest levels of inequality in the world (Stats SA 2021:26).

This dire economic situation results in approximately 50% of South Africans living on less than $250.00 per month. Therefore, unless South Africa improves its GDP growth rate and reduces unemployment, there is a real risk that in the medium to long term, the relative stability experienced in the country will be compromised, as people are becoming impatient with high poverty levels and unemployment (Stats SA 2020:8).

South Africa's slow growth rate is noteworthy given that it has good policies, a largely developed-country infrastructure and a relatively good entrepreneurial ecosystem (Bowmaker-Falconer & Herrington 2020:23). Therefore, there is a need to defeat the triple problem of poverty, unemployment and inequality in the country (Francis, Valodia & Webster 2020:347; Khambule 2018:789–790). To do so, one must recognise and accept that the economy must create significantly more jobs (National Planning Commission 2012). However, any one solution will not solve this problem, and the answer lies in a complex set of factors, including

human capital, natural resources, capital structure and entrepreneurship (Daru 2015:51).

South Africa's Total Entrepreneurial Activity index improved slightly from 10.6% to 11% between 2013 and 2017 and furthermore improved to 17.5% in 2021 (Global Entrepreneurship Monitor [GEM] 2021–2022:16). The business discontinuance rate (percentage of the population aged 18–64 who have closed a business) worsened from 3.9% in 2013 to 4.9% in 2019, and then substantially worsened in 2021 (13.9%), mainly as a result of the COVID-19 pandemic.

In the SA context, there is continued insistence that, in general, SMMEs create jobs. However, this is not the case, as although the number of companies and jobs created has increased since 2011, the increase in the number of jobs has not impacted the rising unemployment rate. The probable cause for job creation not catching up with the rising unemployment rate in SA, is that the fatality of young SMMEs is much higher than the rate at which new businesses start.

Table 1 shows that, the business discontinuance rate in the country was much higher in 2021, than in 2005, an increase of over 400% (GEM 2021–2022:16), although the influence of the COVID-19 pandemic must be considered.

Table 1 further indicates that the new business start-up rate had also increased significantly from 1.7% to 7.3%, which is very positive. The comparison between the business discontinuance rate and the new business startup rate, is concerning though as a higher number of business startups than discontinuance is preferred, specifically in the SA context of low economic growth and high unemployment. It is, however, promising to see that established business ownership rates have increased from 1.3% in 2005 to 2.5% in 2021.

The context discussed so far has provided the background on why policy and regulatory bodies influence the growth prospects of SMEs and HGEs. Given this influence, the SMME policy framework in South Africa is discussed next.

Small, medium and micro-enterprise policy framework in South Africa

An SMME policy framework is a government's policy instrument to deliver interventions that support SMMEs. Small, medium and micro-enterprises are seen as a vehicle to promote job creation, thereby improving economic

TABLE 1: South African business entrepreneurship and business growth rates.

Business ownership rates (%)	2005	2021
Nascent entrepreneurial rate	3.6	10.5
New business ownership rate	1.7	7.3
Established business ownership rate	1.3	5.2
Business discontinuance	2.9	13.9

Source: Global Entrepreneurship Monitor (GEM), 2017, *Global report 2017/2018*, viewed 30 June 2019, from https://www.gemconsortium.org/report/gem-2017-2018-global-report#:~:text=The%202017%2F18%20Global%20Entrepreneurship,86%25%20of%20the%20world%27s%20GDP

redistribution and enhancing competitiveness. The needs of the SMME economy set the context for institutional and policy-support infrastructure (Rogerson 2015:172). The 1995 White Paper on SMME development was the first policy document to document South Africa's SMME policy framework. This was followed by the Integrated Small Business Development Strategy, which focused on outlining financial and non-financial support mechanisms, lessening regulatory and compliance burden, opening markets and stimulating demand for products and services (Department of Trade and Industry [dti] 2005:46). To implement this strategy, the government established various institutions as delivery channels with the following mandates (dti 2005:5):

- The Small Enterprise Development Agency (SEDA) develops and coordinates a national network of support to SMMEs and integrates all state-funded SMME non-financial support.
- The Small Enterprise Finance Agency (SEFA) provides financial support services of up to R5 million to SMMEs across the country.
- The National Youth Development Agency (NYDA) assists young entrepreneurs (18–35 years old) with start-up or expansion capital.
- The Technology and Innovation Agency (TIA) provides financial support to innovative technology-driven ventures and improves the global competitiveness of SA businesses.
- The National Empowerment Fund (NEF) addresses historical racial imbalances by providing finances necessary to enable black entrepreneurs to enter the mainstream economy.
- The Industrial Development Corporation (IDC) promotes economic growth and industrial development.
- The dti facilitates the transformation of the economy and promotes industrial development, investment, competitiveness and employment creation by building mutually beneficial regional and global relations.
- The Department of Economic Development and Tourism (DEDAT) creates opportunities for businesses and citizens to grow the economy and employment.
- The Department of Small Business Development (DSBD) coordinates and promotes the establishment and development of sustainable and competitive entrepreneurs, small businesses and co-operatives to meaningfully contribute to job creation and economic growth.

The government's policy approach to SMME development is focused on identifying bottlenecks hindering SMME participation in the economy and developing interventions to address them. These interventions cover six broad themes: access finance and credit; improving business infrastructure and service provision; skills development and training; addressing biases made by metropolitan land markets and a divided spatial economy; reducing high entry barriers for new firms because of the over-absorption of economic activity by a minority of large organisations and state-owned enterprises and advancing linkages between the value

chains of big companies and SMMEs, using preferential business procurement to create subcontracting opportunities (Rogerson 2015:172–186).

As referred to in the above bottlenecks, government responsiveness to the market stimuli is a factor in its agencies' and departments' effectiveness in their interactions with SMMEs. Regarding SMME development policies in South Africa, the government considers promoting SMMEs as a shared task involving a wide range of different national and provincial departments, municipalities, non-governmental organisations and the private sector (dti 2005:24). Therefore, SMME policies are designed to fit within the national policy ecosystem, considering the broader policy environment, that is, the sectors they serve.

South Africa's SMME policy environment has been informed by numerous macro-economic policies, including the National Strategy for the Development and Promotion of Franchising in South Africa (released in 2000), the Microeconomic Reform Strategy (released in 2002), the *Broad-Based Black Economic Empowerment Act 53 of 2003*, the Industrial Policy Action Plan (released in 2007), the National Industrial Policy Framework (released in 2007) and

the National Development Plan 2030 (National Planning Commission 2012).

Foundational policies define the structure of the SMME support ecosystem by setting the outcomes for the SMME sector (job creation, economic activity and poverty alleviation), defining interventions (scope, approach and delivery mechanisms) and assigning institutions responsible for implementing these interventions (Table 2). In contrast, sector-based strategies consider the specific requirements of different sectors and size categories within the SMME space and focus primarily on co-operatives and vulnerable groups within the SMME context. These strategies apply the same principles as foundational policies but attempt to refine the principles to the specific sector in which they apply. Finally, programmatic incentive schemes are designed based on sector-based policies and have a tightly defined scope (DSBD 2016:24), as can be seen in Table 2.

Based on the above, many policy and regulatory-led bodies have been established to foster growth in the SME sector in South Africa. However, policy and regulatory interventions must be effective and efficient if objectives are to be achieved. In this respect, Table 3 shows the results of a 2019 survey of government agencies' effectiveness in assisting SMEs in South Africa.

Table 3 indicates that (as a percentage of the SMEs surveyed), on average, 78.14% had not yet used any of the SMME support agencies available. Furthermore, 21.86% had responded Yes and had used the agency's services. The 21.86% then rated their user experience between completely ineffective to very effective. It is noteworthy that no agency was rated as very effective by more than 42.9% of users, while, on average, 20.6% of users rated the agencies as completely ineffective.

Research hypotheses, and operationalised measures

Based on the literature reviewed and to respond to the research objectives, the following hypotheses were formulated.

TABLE 2: Prominent policies and acts for policy categories.

Foundational policies	Sector-based policies	Programmatic incentive schemes
The Integrated Strategy on the Promotion of Entrepreneurship and Small Enterprises (2005)	National Informal Business Upliftment Strategy (2014) Youth Enterprise Development Strategy 2013–2023 (2014)	The Informal and Micro-Enterprise Development Programme The Shared Economic Infrastructure Facility
The National Strategy on the Development and Promotion of Small Business in South Africa (1995)	Co-operative Development Policy (2004)	The Black Business Supplier Development Programme (2002)
National Small Business Act 102 of 1996 (revised 2004)	*Co-operatives Act 14 of 2005*	The Co-operative Incentive Programme (2004/2005)
Integrated Small Business Development Strategy (2004–2014)	Integrated Strategy on the Development and Promotion of Co-operatives (2012)	The Amended Black Business Supplier Development Programme (2010)

Source: Department of Small Business Development (DSBD), 2016, *Review of small businesses*, viewed 20 June 2019, from https://www.smallbusinessinstitute.co.za/wp-content/uploads/2019/12/DSBDAnnual-Review-of-Small-Businesses-and- Cooperatives-compressed.pdf

TABLE 3: Effectiveness of government agencies in assisting small and medium enterprises in South Africa in 2019.

Agency	Used (%)		Effectiveness (%)				
	Yes	No	Completely ineffective	Somewhat ineffective	Average	Somewhat effective	Very effective
NYDA	20.1	79.9	20.6	6.9	32.9	10.6	28.9
SEFA	22.0	78.0	17.9	10.5	24.7	23.2	23.7
SEDA	21.4	79.3	19.5	15.2	21.0	11.6	32.7
IDC	18.1	81.9	15.2	19.2	25.6	13.2	26.8
TIA	20.8	79.2	16.7	13.6	31.6	13.1	25.0
NEF	17.7	82.3	11.4	22.1	33.0	17.4	16.1
dti	20.7	79.3	10.2	8.3	31.0	7.6	42.9
DEDAT	16.1	83.9	12.5	23.2	20.2	1.4	42.7
Other	39.8	60.2	20.0	0.0	36.4	11.4	32.2
Average	**21.86**	**78.14**	**20.60**	**14.88**	**28.50**	**12.17**	**30.11**

Source: Global Entrepreneurship Monitor (GEM), 2020, Global report 2019/2020, viewed 26 March 2021, from https://www.gemconsortium.org/report

Note: The DSBD has not been included in Table 3 as SEDA and SEFA are its service delivery agencies.

NYDA, National Youth Development Agency; SEFA, Small Enterprise Finance Agency; SEDA, Small Enterprise Development Agency; IDC, Industrial Development Corporation; TIA, Technology and Innovation Agency; NEF, National Empowerment Fund; dti, Department of Trade and Industry; DEDAT, Department of Economic Development and Tourism.

Research objective 1: Evaluate high-growth entrepreneurs' knowledge and perceptions of the small, medium and micro-enterprise policy framework

Hypothesis 1: There is no statistically significant correlation between the policy support needed by HGEs to grow their businesses and HGEs' perception of the small-business policy's objectives.

Hypothesis 2: There is no statistically significant correlation between the business expansion of HGEs and their perception of the small-business policy's outputs or outcomes.

Hypothesis 3: There is no statistically significant correlation between the HGEs' perceptions of the small-business policy's objectives and HGEs' perception of the small-business policy outcomes.

Hypothesis 4: There is no statistically significant correlation between the small-business policy's objectives and HGEs' perception of the impact of the small-business policy.

Research objective 2: Determine how this knowledge impacts their business performance

Hypothesis 5: There is no statistically significant correlation between the use of government support and HGEs' business performance – Number of years in business.

Hypothesis 6: There is no statistically significant correlation between the use of government support and HGEs' business performance – Turnover.

Hypothesis 7: There is no statistically significant correlation between the use of government support and HGEs' business performance – Profitability.

The main terms measured in the empirical stage of the study and their definitions are operationalised in Table 4.

Research methodology

The study purpose was to understand the impact of knowledge of the SMME policy framework on business performance (Cooper & Schindler 2014:1e5). The study, therefore, established correlation between high-growth entrepreneurs' knowledge of the SMME policy framework, and their enterprise performance.

Research design and sample

This study was an empirical quantitative research study, as the researchers collected primary data from participants using a structured questionnaire survey. The study's sample comprised 120 identified HGEs participating in the SEDA and Transnet high-growth programmes. High-growth entities are defined in the study as entities with a turnover of at least R1 million ($74 515.00), and that have existed for at least 2 years, and have achieved at least 20% turnover growth per annum. For purposes of this study, the accessible population consisted of high-growth SMMEs that participated in the SEDA and the Transnet high-growth programmes, which are both funded by the Government of South Africa. The sample was selected to ensure that the study objectives were met, as these HGEs entrepreneurs were beneficiaries of the policy framework providing support to HGEs. The effect of the high growth

TABLE 4: Survey instrument; main terms and definitions.

Term	Definitions	Source
Small-business policy	'Government plans designed to deliver interventions that support and create favourable climates for cultivating small business and entrepreneurs'.	Moos 2014; Rogerson 2015:172–186
Policy regulation	'Policy instrument that has legal force on citizens and businesses, such as licenses requirement, labour practices and foreign trade incentives'.	Mallett et al. 2019; OECD 2010:9
Policy objectives	'Desired and measurable SME performance results to be achieved through policy programmes support'.	Moos 2014:94
Policy outcomes	'Behavioral changes of the entrepreneurs who participate and receive policy programme support'.	Moos 2014:94
Policy impact	'Resultant improvements in larger society that result from small-business policy'.	Moos 2014:94
Business performance	'Desired change in the business measured through no. of years in business, turnover (sales), profitability, years to reach break-even point'.	Rogerson 2015:172–186
Government support	'Policy-led intervention that provides programmes and incentives to support and create favourable climates for small businesses and entrepreneurs'.	Rogerson 2015:172–186
Policy support needed	'Policy-led interventions that HGE entrepreneurs believe are needed for their businesses'.	Rogerson 2015:172–186

Note: Please see full reference list of the article, Nomafu, Z., Van Vuuren, J. & Davies, C.E., 2023, 'How high-growth entities' knowledge of small, medium and micro-enterprise policy framework impacts business performance', *Acta Commercii* 23(1), a1131. https://doi.org/10.4102/ac.v23i1.1131

SME, small and medium enterprise; HGE, high-growth entities.

entrepreneurs' knowledge of the SMME policy framework was assessed against their performance when they first entered the programmes.

Data collection

Moos (2014) used a questionnaire to evaluate the South African small business policy to determine the need for and nature of an entrepreneurial policy. This questionnaire from Moos (2014) was selected, and slightly adapted for this study's purpose to accommodate specific questions related to the subject under investigation. The validity of the original questionnaire was tested and proven by Moos (2014) and the current study, on this basis, proceeded with the empirically validated questionnaire. Data were collected using a SurveyMonkey questionnaire link and the questionnaire was directly emailed to participants who could not access the online link. Reminders were sent to participants near the closing time, and all participants submitted their responses by the closing date.

Data analyses plan

This research planned to employ non-parametric tests and descriptive statistics, focusing on personal and business characteristics. In addition, Cronbach's alpha values were obtained to determine the reliability of the measuring instrument. The researchers further employed inferential statistics to evaluate the strength of the relationship between variables using the univariate analysis of variance, Spearman correlation coefficient and Wald logistic regression analysis.

Data analysis

During the quantitative data analysis, the researchers had to ascertain whether the HGEs knew of the SMME framework, measure their perceptions of it and then determine whether the HGEs used the support provided by the government and private sector. Furthermore, the correlation analysis was performed to test the relationship between the study variables to determine the HGEs' knowledge and perceptions of the small-business policy and whether knowledge of the SMME framework impacts business performance.

Table 5 presents the results of the correlation analysis of HGE entrepreneurs' knowledge and perceptions of small-business policy, its objectives, impact and outcomes. Table 6 presents the correlation analyses of HGEs' use of both government and private-sector support and their business performance. Consequently, Table 5's findings relate to the first research objective, and Table 6 relates to the second research objective.

Ethical considerations

Ethical clearance to conduct this study was obtained from the University of Pretoria Faculty of Economic and Management Sciences Research Ethics Committee. (No. EMS109/19).

Results and discussion

Hypothesis 1

There was a weak but statistically significant correlation between the perceived support needed by HGEs and their perceptions of the small-business policy objectives (correlation factor of 0.185; $p = 0.046$) shown in Table 5. Although statistically significant, the magnitude of the finding alluded to a misfit between what HGEs need and what the policy objectives are.

There is no support for hypothesis 1. This finding partially explains the high business closure rate in South Africa and is precisely what Edmore (2017:136) warns against because policymakers must know the factors required to provide conditions conducive to HGEs' expansion (World Bank Group Report 2016:5). This finding agrees with Rogerson's (2015) view that policy should be aligned with the needs of the SMME economy.

Hypothesis 2

There was a statistically significant but weak correlation between business expansion and the perceptions of small-business policy outputs (correlation factor of 0.229; $p = 0.014$) in Table 5. This means that HGEs did not strongly believe that their business expansion aligned with the outputs expected of the small-business policy. This finding aligns with the first hypothesis finding of the misfit between the support HGEs need and the current support through small-business policy. In the views of Birch (1981) and Shane (2009:52), isolating job-creating companies (gazelles) as companies characterised by rapid expansion is exceptionally important, specifically in the dire economic context of South Africa (Stats SA 2021:26). Clearly, the current policy and its objectives are not believed to satisfy HGEs in this instance.

However, the contradiction between expecting such companies to be independently capable and assisting them in

TABLE 5: Correlation results – High-growth entities entrepreneurs' knowledge and perceptions of small-business policy, its objectives, impact and outcomes.

Variable	Support needed by HGEs	Business expansion of HGEs	Perceptions of policy objectives	Perceptions of policy outputs	Perceptions of policy outcomes	Perception of the policy impact
Support needed by HGEs						
Correlation coefficient	1.000	-	-	-	-	-
Sig. (2-tailed)	-	-	-	-	-	-
N	116	-	-	-	-	-
Business expansion of HGEs						
Correlation coefficient	-0.089	1.000	-	-	-	-
Sig. (2-tailed)	0.340	-	-	-	-	-
N	116	118	-	-	-	-
Perceptions of policy objectives						
Correlation coefficient	0.185*	0.163	1.000	-	-	-
Sig. (2-tailed)	0.046	0.077	-	-	-	-
N	116	118	118	-	-	-
Perceptions of policy outputs						
Correlation coefficient	0.008	0.229*	0.310**	1.000	-	-
Sig. (2-tailed)	0.932	0.014	0.001	-	-	-
N	114	116	116	116	-	-
Perceptions of policy outcomes						
Correlation coefficient	0.163	0.166	0.469**	0.533**	1.000	-
Sig. (2-tailed)	0.082	0.073	0.000	0.000	-	-
N	115	117	117	116	117	-
Perception of the policy impact						
Correlation coefficient	0.070	0.087	0.338**	0.305**	0.530**	1.000
Sig. (2-tailed)	0.462	0.357	0.000	0.001	0.000	-
N	112	114	114	113	114	116

HGE, high-growth entities.
*, Statistically significant at the 95% confidence level; **, Statistically significant at the 99% confidence level.

their growth, can be overcome according to Birch (1981) and Shane (2009:52), who promote assisting such job-creating companies. Therefore, the questions that must be asked are in the context of the high business discontinuance rate in South Africa (GEM 2017:38), how many promising gazelles have closed and could this have been avoided with better-aligned policy objectives and interventions.

Hypothesis 3

There was a statistically significant and moderate correlation between the HGEs' perceived objectives of the small-business policy and small-business policy outcomes (correlation factor of 0.469; $p = 0.000$) shown in Table 5. There is no support for hypothesis 3. This means the entrepreneurs believed that when properly executed the small-business policy objectives yielded positive outcomes. However, this does not necessarily mean they agreed with the policy's objectives and outcomes when HGEs were concerned. These entrepreneurs believed that the small-business policy objectives were geared towards assisting start-up entities rather than HGEs, which points to the misfit earlier discussed in terms of their own needs.

Hypothesis 4

There was a statistically significant and moderate correlation found between the policy objectives and the impact of the small-business policy, as perceived by HGEs (correlation factor of 0.338; $p = 0.000$) shown in Table 5. Hypothesis 4 has no support. This means the entrepreneurs believed that when properly executed, small-business policy objectives stood a fair chance of achieving the desired social impact outlined in

the policy. This indicates that HGEs support such policy and social impact objectives. This further concurs with Rogerson (2015), who states that successful SMME policy should lead to improvements in society, such as job creation, poverty alleviation and economic development.

This finding further supports the tenets of political entrepreneurship theory (McCaffrey & Salerno 2011:552; Nyarku & Oduro 2018:209) that regulatory frameworks influence SME performance. Political and legal systems can provide adequate support and infrastructure to foster the growth of existing SMEs to the benefit of political entrepreneurial actors, such as policymakers, provided there is an alignment of policy and HGEs' needs (Edmore 2017:136; World Bank Group Report 2016:5). This, however, again indicates the lack of alignment between small-business policy and HGE needs. However, the policy around HGEs' needs could be improved with their inclusion. This may, ultimately, assist in strengthening the weak correlation between the objectives and impact of the HGE policy, especially where job creation is concerned (Birch 1981; Shane 2009:52).

Hypothesis 5

Table 6 indicates statistically insignificant and no correlation of notable magnitude between the use of government support and HGEs – number of years in business (correlation factor of 0.073; $p = 0.573$). There is support for hypothesis 5. This is contrary to what is generally expected: that HGEs' use of government support will achieve the objectives of small-business policy, such as high business continuance rates (number of years in business). Nevertheless, this finding must

TABLE 6: Correlation results – High-growth entities' use of government or private-sector support and their business performance.

Variable	Number of years in business	Turnover	Profitability	Years to reach break-even point	Government support used	Private-sector support used
No. of years in business						
Correlation coefficient	1.000	-	-	-	-	-
Sig. (2-tailed)	-	-	-	-	-	-
N	117	-	-	-	-	-
Turnover						
Correlation coefficient	0.322**	1.000	-	-	-	-
Sig. (2-tailed)	0.000	-	-	-	-	-
N	116	118	-	-	-	-
Profitability						
Correlation coefficient	-0.246**	-0.088	1.000	-	-	-
Sig. (2-tailed)	0.008	0.346	-	-	-	-
N	115	117	117	-	-	-
Years to reach break-even point						
Correlation coefficient	0.087	0.073	-0.109	1.000	-	-
Sig. (2-tailed)	0.355	0.437	0.245	-	-	-
N	115	117	116	117	-	-
Government support used						
Correlation coefficient	-0.073	-0.422**	-0.083	0.000	1.000	-
Sig. (2-tailed)	0.573	0.001	0.523	1.000	-	-
N	62	61	61	60	62	-
Private-sector support used						
Correlation coefficient	-0.178	-0.279*	-0.018	0.045	0.424**	1.000
Sig. (2-tailed)	0.174	0.031	0.893	0.737	0.006	-
N	60	60	60	59	40	61

*, Statistically significant at the 95% confidence level; **, Statistically significant at the 99% confidence level.

be viewed in the context of the respondents not believing that the current policy support meet HGEs needs.

Furthermore, this finding concurs with Brown and Mawson (2016) who argue that policy frameworks do not necessarily result in the expected outcomes because HGEs cannot automatically be assumed to follow the traditional life-cycle growth theory. This further supports the view that even considering the resource-based view of firm growth and survival, there is no guarantee that increased resources provided through policy frameworks will yield successful results (Coad et al. 2013:615).

In addition, this again suggests that small-business policy is not the same as entrepreneurial policy, as Moos (2014) found. In the context of political entrepreneurship theory, adequate support to HGEs will only yield benefit to policymakers if they align policy and HGEs' needs (Edmore 2017:136; World Bank Group Report 2016:5).

Hypothesis 6

Table 6 indicates a statistically significant but moderately negative moderate correlation between HGEs' use of government support and their turnover (correlation factor of -0.422; $p = 0.001$). Hypothesis 6 is supported. This finding contradicts what should be expected: that HGEs' use of government support achieves turnover growth. However, the finding was consistent with the earlier finding that HGEs did not believe the small-business policy in place met their needs. The misfit between policy and HGEs resulted in expected turnover growth not occurring, despite HGEs' use of government support. This again reinforces the notion that a specific HGE policy and tools are required. As stated earlier, support to HGEs will only yield benefit if they align policy and HGEs' needs (Edmore 2017:136; World Bank Group Report 2016:5).

However, this finding goes against that found in Japan, where policy frameworks were linked to improved business performance (Honjo & Harada 2006). And in the UK, similarly positive links were established between policy frameworks and firm performance (Pickernell et al. 2013:367), although both these studies noted that younger firms made better use of policy framework support.

Which is why the life-cycle theory approach is useful to provide an understanding of why younger firms in particular are found to have better benefits from their use of policy support frameworks. The study findings also contradict positive findings by Fuentelsaz et al. (2021:485–486) who found that support for high-growth entrepreneurship reduces market exit. And that policy support for HGEs positively impacts on their sustainability (Goswami et al. 2019:118).

Hypothesis 7

Table 6 indicates no correlation of any magnitude between HGEs' use of government support and their profitability (correlation factor of -0.083; $p = 0.523$). Hypothesis 7 is supported. Again, this finding contradicts what should be expected: HGEs' use of government support achieves increased profitability. However, this finding is in the context of HGEs believing that the small-business policy in place did not meet HGEs' needs. They also believed that this misfit was the most likely explanation for the lack of increase in profits despite the use of government support.

This finding again goes against Honjo and Harada (2006), and Pickernell et al. (2013:367), who found positive links between the use of SME policy frameworks and business performance. Although within the lens of political entrepreneurship theory and theory of planned behaviour, the study findings may be considered contradictory to what is expected to result when entrepreneurs know about and take advantage of such policy frameworks (provided by political entrepreneurship actors). Such policy framework is intended to support HGEs with additional resources to grow their businesses to the benefit of economic growth and development within an economy (Aflaki et al. 2015:205–206; McCaffrey & Salerno 2011:552).

Overall findings

The overall study's findings are concerning and show that in the context of small-business policy impact on HGEs' business performance, there is no positive impact found. The concern is that despite a small-business policy being in place, and that HGEs are using government support, the policy instruments and programmes did not play any meaningful role in HGEs' business performance. This key finding supports Moos (2014), who stated that South Africa needs an entrepreneurial policy dissimilar to the current small-business policy.

The results of Hypotheses 1–4 showed that entrepreneurs did not perceive their needs embodied in the current SMME policy mechanisms – and showed the misfit between South Africa's SMME policy and HGEs' needs. The results of Hypotheses 5–7 showed that even with HGEs' use of government support, there was no positive influence on their business performance. What is of great concern is that the use of government support was inversely related to HGEs' turnover growth (correlation factor of -0.422; $p = 0.001$).

The results of Hypotheses 1–7 indicate that the study achieved the research objectives. The contribution of the findings is now discussed.

Contributions of the study

This study sought to evaluate HGEs' knowledge of the SA SMME policy framework and the impact of such knowledge on their business performance. The study is relevant to assist policymakers in gauging high-growth firms' level of knowledge of small-business and entrepreneurial policy, and whether HGEs' usage of their policy tools have had indeed had successful outcomes, or not. This is important as policies

often do not fail because they are bad but because they are incorrectly implemented. It could be that the beneficiaries of those policy interventions do not understand the government's objectives or do not have access to relevant knowledge, or the government does not present interventions that beneficiaries need. Findings of Hypotheses 1 and 2, therefore, alluded to a misfit between what HGEs need and what the policy objectives are – precisely what Edmore (2017:136) warns against because policymakers must know the factors required to provide conditions conducive to HGEs' expansion (World Bank Group Report 2016:5). Furthermore, the finding supports Rogerson's (2015) view that policy should be aligned with the needs of the SMME economy.

When a policy is known, well-communicated and understood by the intended beneficiary, the theory of planned behaviour is supported. Accurate and relevant knowledge supports HGE entrepreneurs being involved and using policy measures to grow and expand their business (Ajzen's 1991:179; Schlaegel & Koenig 2014:293–294). The study found that HGEs do have the relevant knowledge to take advantage of policy measures.

However, the research findings showed that the support needed by HGEs to scale up their business is different from the support needed by small businesses in general, as outlined by Moos (2014:372). From a political entrepreneurship theoretical perspective, policymakers must ensure redirecting resources towards HGEs in a manner that will meet HGE needs to encourage the type of economic output that policymakers would like to see (McCaffrey & Salerno 2011:552). The current general small business policy is on its own insufficient to support HGEs meeting the expectations of political entrepreneurs, for example in areas of job creation and expedited business growth.

With regard to hypotheses 3 and 4, the findings indicate that, although the HGEs did not believe that the policy met their own needs, they still believed that the small-business policy objectives would achieve the desired social impact outcomes if properly executed. This finding is interesting because it supports the view of political entrepreneurship theory that policy should be supportive of the social impact outcome that are aligned to the economic objectives of entrepreneurship political actors (Rogerson 2015).

Findings of hypotheses 5, 6 and 7 show very little support for the use of policy support frameworks by HGEs and increased business survival (years in business), increased turnover and increased profitability. There is, therefore, no indication that the use of policy frameworks has a positive influence on business performance, which is a surprising finding as the opposite would be expected. However, there are a few indicators that this could be completely acceptable as some authors (Honjo & Harada 2006:297; Pickernell et al. 2013: 366–377) find that policy support frameworks have a lesser impact on older more mature businesses and should rather be focused on young startups. In addition, Coad et al. (2013)

argue that there is no guarantee that additional resources will result in HGEs' growth and HGEs do not always follow established views of firm growth. This suggests that the HGEs studied could still move towards better business performance but that this did not take place yet, at the time of the study.

The researchers hope that the findings will enable policymakers to give disaggregate support to SMMEs, and moreover design support specific to each phase of business growth, and in particular for HGEs. This is mostly relational support associated with strategy development, sector-specific mentorship and leadership development. Thus far, the blanket SME support policy approach cannot generate the expected results for HGEs and continuing in this direction is tantamount to wasting limited resources. Instead, a shift must be made from increasing the number of start-up firms to supporting existing businesses with the potential to scale up and create jobs.

Recommendations

This study has demonstrated a case for developing policies and practical interventions to support HGEs in South Africa. Therefore, the SA government must consider developing a specific policy dedicated to supporting HGEs. This will overcome the study findings that are alluding to a misfit between what HGEs need and what the current policy objectives are (Hypotheses 1 and 2 findings). Policymakers must know the factors required to provide conditions conducive to HGEs' expansion (World Bank Group Report 2016:5).

Furthermore, the finding supports Rogerson's (2015) view that policy should be aligned with the needs of the SMME economy (Edmore 2017:136). Policies to support HGEs must consider two factors: buffering and bridging. Buffering means governments provide resources to young companies to shelter them against a lack of internal resources and external resource dependencies. These measures include tax breaks and the provision of non-financial support services, such as legal counsel, accounting, marketing, free office space and prioritised access to government contracts. This recommendation is supported by the findings that currently the small-business policy is not what the HGEs in the study believe that they need.

Meritocratic SMME policies focus on building capacity within small businesses, introducing responsibility and accountability, imposing milestones and spurring the growth of these young firms. Thus, South Africa should improve the coordination between SMME support agencies and strengthen ecosystems at provincial and municipal levels, as these are spheres of government closer to the SMMEs. It is notable that the study findings do not indicate a good impact on business performance of the HGEs despite their use of policy support frameworks. There are two factors that may need to shift before better results are seen, one is that the policy support frameworks are currently not aligned to what HGEs believe they need, and that it is

generally noted from prior studies that policy support frameworks may be better suited to younger firms. Therefore, meritocratic SMME policies' focus should be changed to better fit the needs of HGEs in the context of the SA economy.

Recommendation for future research

A comprehensive study on the value derived from supporting HGEs would help support the need to develop policies directed at fostering their growth. Given the many priorities competing for limited fiscal resources, entities like the National Treasury will benefit from such studies as they would show value for the money they spent on supporting HGEs.

The measurement of HGEs' contribution to job creation will remain incomplete until there is a proper analysis of their impact on job creation along the whole value chain (upstream and downstream). As HGEs scale up and produce more goods and services, they must increase their inputs. This leads to the increased production capacity of smaller entities, which then take on more employees to meet increased demand.

Limitations

This study has limitations in that design or methodology characteristics impacted and/or influenced the application or interpretation of the research findings. Population size – there are only two known high-growth programmes in South Africa that the government funds. Therefore, the researcher had access to the 120 entities that formed part of these programmes. There may be more entities that qualify under the definition of HGEs, as defined by these programmes; however, the accessible population consisted of only the entities in the two programmes. South African focus – the study focused only on HGEs in South Africa. The confined geographic nature of the study could, therefore, limit the application and generalisation of the research findings to other mixed economies or developing countries. However, given the limited time and resources available to the researcher, it was by design that the study focused on South Africa.

Conclusions

The SA government's over-emphasis on promoting start-ups and their lack of effective support for existing entities with the greatest scale-up potential cost South Africa in terms of job creation and economic benefits, such as taxes. Exceptional value cannot be created without growth, and post-start-up growth has tremendous challenges, which are generally more difficult to overcome than simply starting a venture (Isenberg & Brown 2014:1).

Various researchers in entrepreneurship policy agree that intensifying the impact potential of SMMEs is one of the most important contributors to economic growth (Brown, Mason & Mawson 2014:20). It is, however, equally accepted that

intensifying the impact does not necessarily guarantee that policies to facilitate the scaling up of young firms will be effective. Common among the various perspectives is the desire to cultivate conditions favouring the emergence of businesses to drive employment and productive growth. The true value of entrepreneurial action must be appreciated by all parties involved in economic development, especially those actively engaged in entrepreneurship and the policymakers supporting and shaping the entrepreneurial ecosystem.

This research has proven a correlation between knowledge of the SMME policy framework and performance. Thus, there must be proper knowledge of the SMME framework to foster SMME development. Small, medium and micro-enterprises cannot take advantage of the support if they do not understand the government's SMME policies and procedures meant to provide an enabling environment for them to grow in. Therefore, it is not enough for the government to create an environment conducive to SMME development if the SMMEs do not understand it, know about it and are not attracted to it.

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