



**ENVIRONMENTAL FACTORS, EMPLOYEE-RESOURCING STRATEGIES AND
PERFORMANCE OF SMALL RESTAURANT BUSINESSES IN SOUTH AFRICA: A
STRUCTURAL EQUATION MODELLING APPROACH**

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DECLARATION

I, Honest Mupani, Student Number _____, do hereby declare that this research report submitted to the Central University of Technology, Free State for the degree PhD: Human Resources Management is my own independent work and has not previously been submitted by me at another university/faculty. I further cede the copyright of the thesis in favour of the Central University of Technology, Free State.



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DATE: October 2019

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ABSTRACT

Small restaurant business sector is applauded for promoting economic growth and employment creation in developing economies. Despite the spirited efforts by developing nations to capacitate the sector to sustainably contribute to economic growth, it is often marred by a disturbing high failure rate, especially in South Africa. The failure rates have been attributed, among many other factors, to the inability of the small restaurant businesses to respond to the environmental uncertainty for increased performance. In addition, small restaurant businesses in developing economies have been found to share common characteristics with small businesses in other sectors, in terms of using ad hoc approaches to employee – resourcing. Yet, the adoption of proper employee-resourcing strategies such as doing workforce planning, formalising recruitment and staff retention are regarded as best human resource practices for optimum business performance. In addition, the contribution of environmental factors such as manager’s expertise and experience, economic growth, and political stability in leveraging the adoption of effective employee-resourcing strategies and heightening business performance has been reported. There is however a dearth of research that explores the interplay of environmental influences, employee-resourcing strategies and performance of small businesses in a developing context. There is also a paucity of literature that explores whether a convivial relationship exists among environmental factors, employee-resourcing strategies and business performance among in South Africa. Furthermore, empirical evidence on the influence of employee-resourcing strategies on small business performance in the hospitality industry among emerging economies is disappointingly low.

It is against this background that this research used the Resource Based View (RBV), the Human Capital Theory, the Flexible Firm Model, Contingency theory and reviewed literature to gain an understanding on whether the internal and external environmental factors inform the adoption of employee-resourcing strategies, culminating in increased business performance. Using Structural Equation Modelling (SEM), the research proposes that the pathway to improved business performance demands small restaurant business owner-managers to adopt systemic and holistic approaches to

employee-resourcing strategies that are attuned to the internal and external environmental factors to guarantee increased business performance.

The research was informed by the positivist paradigm and a quantitative research approach was adopted to test the proposed conceptual model. A structured questionnaire was administered to 221 owners/managers of small restaurant businesses in Free State Province, South Africa. Convenience sampling was employed to select the respondents. SEM was used to empirically test the hypothesised relationships in the conceptual model. The results showed that the structural model fitted the data satisfactorily and provided reasonable explanations on the nature of relationships among internal and external environmental factors, employee-resourcing strategies and small business performance in South African restaurants. The results established a positive and significant effect of the internal environmental factors on employee-resourcing strategies. Furthermore, the results also revealed a positive and significant effect of the external environment on employee-resourcing strategies. However, contrary to predictions, there were no relationships between internal and external environmental factors, employee-resourcing strategies and small restaurant performance

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ABBREVIATIONS AND ACRONYMS

BEE	Black Economic Empowerment
BBEE	Broad-Black Economic Empowerment
DTI	Department of Trade and Industry
FDC	Free State Development Corporation
HRM	Human Resource Management
ILO	International Labour Organisation
RBV	Resource Based View
SEM	Structural Equation Modelling
SME	Small and Medium Enterprise
SRB	Small Restaurant Business
WTTC	World Travel & Tourism Council

CHAPTER 1

INTRODUCTION TO THE STUDY

1.1 INTRODUCTION

This research investigates the relationships between environmental factors, employee-resourcing strategies and business performance of South African small restaurant businesses (SRBs) using a structural equation modelling (SEM). Since a series of dependence relationships need to be examined simultaneously in this research, SEM is deemed appropriate as other multivariate techniques can only examine one relationship at a time (Hair, Black, Babin & Anderson, 2014). Small and medium enterprises (SMEs) contribute tremendously in economic growth and employment creation of developing countries such as South Africa (Fatoki & Odeyemi, 2010; Ngek & Smit, 2013; Zengeni & Zengeni, 2012; Zindiye, Chilya & Masocha, 2012). This explains why small businesses in developing countries continue to attract attention from policy makers and researchers. Notwithstanding the criticality of this industry and spirited efforts by the South African government in assisting small businesses realise critical organisational outcomes, there have been reports of poor performance by small businesses (Cant, Erdis & Sephapo, 2014; Olawale & Garwe, 2010; Mbonyane & Ladzani, 2011). For example, Cant et al., (2014) observe that two out of seven new small businesses in South Africa survive in their first year while the rest experience constraints. In an attempt to find reasons why small businesses fail, several factors such as lack of managerial competencies and resources, and inability to respond to internal and external environmental changes have been suggested (Obasan, 2014). In terms of resources, known studies on small business performance (Fatoki, 2011; Matchaba-Hove and Vambe, 2014; Mbizi, Hove, Thondlana and Kakava, 2013; Radipere and Dhliwayo, 2014) have not included other factors such as employee-resourcing strategies – which are about the acquisition, retention, development and effective utilisation of the people the business needs (Armstrong, 2012), and could be critical in ensuring business performance. The reason why employee-resourcing strategies have not been of concern to small businesses could be because human resources functions are usually not given prominence in this sector, yet they take place daily (Nyamwanza,

2014). Similarly, few researches have investigated internal and external environmental aspects, such as innovation, firm size, owner's expertise, managerial competencies, economic growth, electricity, inflation, institutional support and political situation and how they influence small business performance in South Africa. The interest in small restaurant businesses stems from the background that, like other small businesses in other sectors, in South Africa, the restaurant business has grown and is contributing immensely to the country's GDP (Zwane, Du Plessis, & Slabbert, 2014).

1.2 BACKGROUND

Small business performance has received considerable attention from researchers (Chinomona, 2013; Fatoki, 2011; Kitching, Hart and Wilson, 2015; Lechner and Gudmundsson, 2014; Makate, 2014; Nene and van Zyl, 2012; Sheehan, 2014) and has become an area of concern for policy makers. This is because of the vitality of SRBs in driving today's economies and in the creation of jobs (Ngek & Smit, 2013). However, it is not easy to define small business performance as there are various stakeholders each with own measure. Indeed, Jahanshahi, Rezaei, Nawaser, Ranjbar and Pitamber (2012) argue that it is a challenge to measure business performance as what has to be measured keeps changing. Furthermore, SMEs over-rely on financial performance measures, which could be wrong as they only inform managers of what happened in the past. They also fail to provide any forward-looking information or indication of future performance, which is the strength of non-performance measures (Maduekwe & Kamala, 2016). Thus, combining the financial and non-financial measures would help the owner/manager to gain a wider perspective on measuring and comparing small business performance (Fatoki, 2011). Blending the two measures will help in producing credible results on small business performance.

Whether financial or non-financial measures are used to measure small business performance, factors responsible for such performance have drawn a lot of interest from researchers (Chinomona, 2013; Fatoki, 2011; Makate, 2014; Radipere & Dhlwayo, 2014). Some studies have revealed that both the external and internal environments are

responsible for small business performance (Adisa, Osabuley, Gbadamosi and Mordi, 2017; Echdar & Si, 2013; Kraja & Osmani, 2015). For example, an economic boom or downturn has serious implications on the performance of small businesses. Similarly, internal factors such as business size, owner's competencies, and human resources strategies can guarantee success or failure of small businesses. Njuguna-Kinyua, Munyoki and Kibera (2014) argue that the characteristics and quality of the environment will determine whether an organisation will perform well or not. For example, Mashuadi and Ijazi-Ur-Rehman (2012) posit that the growth rate of the small restaurant business is directly proportional to employment and consumer income. This implies that the small restaurant business can, among other factors, depend on environmental influences such as individual customers' disposable income. Accordingly, during economic prosperity, there is greater spending at restaurants, while in recessionary periods, spending dwindles. An understanding of these environmental influences is likely to result in the growth of the hospitality industry, implying more employment opportunities.

The hospitality industry is significantly growing on a yearly basis in South Africa (Zwane, Du Plessis and Slabbert, 2014) contributing immensely to employment creation while most industries are closing. Zwane et al., (2014) observed that the hospitality industry is gaining momentum in terms of contributing to the growth of the country. The industry offers more employment opportunities due to its diverse nature, which includes small and large restaurants, bed and breakfast, theme parks, fast food chains and transportation, among others (Nicolaidis, 2014). Within this context, one can arguably state that, SRBs' contribution to the challenges bedevilling the country can never be underestimated (Ngek & Smit, 2013). Despite this assumed critical role in turning around the fortunes of South Africa's economy, the SRBs do not control the demand for services as it is decided by the external forces such as the economic climate, customer preferences and industrial environment (Zhang & Enemark, 2016). Thus, the performance of the SRBs hinges on their ability to respond to the volatility of changes in the external and internal environment. However, while efforts at supporting the small business sector is evident in the country, through efforts such as the establishment of a dedicated ministry, the ability of small businesses to respond to internal and external

environmental changes is still questionable. For example, Fatoki (2014) identifies internal factors such as lack of management experience and functional skills, poor staff training and development, poor attitudes towards customers and external factors such as competition, rising cost of doing business, lack of finance and crime as impeding small businesses' ability to expand and grow in South Africa. However, Hung, Cant and Wiid (2016) observe that internal factors such as adopting appropriate employee-resourcing strategies were critical in ensuring small business success in South Africa.

Other researchers have noted that, in today's competitive business world, adopting the best employee-resourcing strategies is always seen as holding a competitive advantage which can bring about increased business performance (Mahapatro, 2010). As such, virtually every organisation, small or large, tries to actively seek the most effective and efficient strategies of engaging the right people with the right capabilities for particular jobs, and finding the best ways to retain them. However, finding the right employees in small businesses is an area that has not received much attention, both in literature and practice. The reason is that, human resources functions do not have, in most cases, a dedicated division, and most of these functions are performed by owner-managers. Interestingly also, employee-resourcing strategies such as workforce planning and selection have remained a grey area in small business research. Even in South Africa where growth in small businesses is recorded to be exponentially increasing (Zwane et al., 2014), the nature of employee-resourcing strategies used in the small businesses is still scant. Available literature (Cant et al., 2014; Makanyeza and Dzvuke, 2015) can be criticised for focusing on other aspects of small business performance, such as innovation and financial support while ignoring the key HRM functions side of a business, such as staffing. Employee staffing or resourcing has long been associated with organisational performance (Zinyemba, 2014; Zwane et al., 2014). The problem is that such evidence has not yet been established in the hospitality industry in emerging contexts. What we currently know in the hospitality industry, especially small restaurant businesses, is that it has many employment challenges since it usually employs on a short-term basis (International Labour Organisation (ILO), 2010). To that effect, ad hoc, rather than proper and well-structured human resourcing strategies are adopted,

resulting in high staff attrition, due to low pay, long working hours, lack of training and career development, low productivity and business shrinkages (Omolo, Oginda & Oso, 2012). With this observation, it is possible to argue that, the scope for the further investigation of employee-resourcing strategies in SRBs cannot be overemphasised.

1.3 STATEMENT OF THE PROBLEM

There is extant literature showing the criticality of small businesses in promoting economic growth and employment creation in developing economies (Dumbu & Chadamoyo, 2012; Fatoki & Odeyemi, 2010; Ngek & Smit, 2013; Zindiye et al., 2012). Despite spirited efforts by various developing economies to capacitate small businesses to attain critical business outcomes, SMEs are marred by a disturbing high failure rate, especially in South Africa (Cant et al., 2014; Mboniyane and Ladzani, 2011) and this has been a cause of concern for policymakers. Njuguna-Kinyua et al., (2014) posit that small businesses' failure is often attributed to their inability to respond to the environmental uncertainty; as such, they experience decreased performance. Such an attribution, however, can be criticised for adopting a holistic approach, yet, small businesses in different sectors such as the hospitality could have a different rationale for failures. To this end, the extent to which SRBs understand and respond to environmental imperatives can be regarded as a grey area that needs to be explored. SRBs in developing countries such as South Africa share common characteristics in terms of using ad hoc approaches, such as walk ins and relying on family acquaintances to employee - resourcing (Visser & Chiloane-Tsoka, 2014; Nzonzo & Matashu, 2014; Nyamwanza, 2014). However, the adoption of proper employee-resourcing strategies such as doing workforce planning, formalising recruitment, staff retention, and so on could be one way of ensuring their success (Itika, 2011). This could be so, considering that SRBs find themselves operating in volatile and unpredictable environments, where labour movement is unpredictable. Therefore, employee-resourcing strategies could be applied in one way or the other. There is convergence of literature on the contribution of environmental factors such as manager's expertise and experience, institutional support, quality of human resources, economic growth,

corruption and political stability to leveraging the adoption of effective employee-resourcing strategies (Ogunyumi and Bruning, 2016; Česynienė et al., 2013; Punia and Sharma, 2015; Adisa, Osabuley, Gbadamosi and Mordi, 2017) as well as the value of employee-resourcing strategies and environmental influences in heightening business performance (Njuguna-Kinyua et al., 2014; Kraja and Osmania, 2015). However, there is limited research that explores the interplay among environmental influences, employee-resourcing strategies and performance of small businesses in a developing context. Actually, there is a paucity of literature that explores whether a convivial relationship exists among environmental factors, employee-resourcing strategies and business performance among SRBs in South Africa. This justifies the need for such an investigation, given the importance of each variable as alluded to above. Furthermore, empirical evidence on the influence of employee-resourcing strategies on small business performance in the hospitality industry in emerging economies is disappointingly low. A grey area also still exists on whether the generalisability of employee-resourcing strategies found in the large hospitality businesses could be the same as that found among smaller ones in emerging economies like South Africa. This is particularly important since small hospitality businesses are considered to have particular traits that may not be extrapolated to those in other economic sectors. Against this background, it can be justifiably argued that there is need to ascertain whether environmental factors and employee-resourcing strategies in SRBs culminate in superior business performance.

1.4 RESEARCH INITIATING QUESTION

The research initiating question for the study is: To what extent are selected internal and external environmental factors, employee-resourcing strategies and business performance related among SRBs in South Africa?

1.5 RESEARCH OBJECTIVES

1.5.1 Main objective:

To investigate the extent to which selected internal and external environmental factors, employee-resourcing strategies and business performance are related among the SRBs in South Africa.

1.5.2 Subsidiary objectives and hypotheses

Specific objectives of the research are:

1.5.2.1 To develop a structural model that explains the relationship between internal and external environmental factors, employee-resourcing strategies and small restaurant business performance in South Africa.

1.5.2.2 To empirically evaluate the proposed model and assess the fit of the model.

1.5.2.3 To proffer recommendations on internal and external environmental factors and employee-resourcing strategies that could be utilised by SRBs in South Africa in order to enhance their performance.

1.6 OVERVIEW OF RESEARCH METHODOLOGY

The philosophical assumptions underpinning this research were derived mainly from positivism. The positivist epistemological and ontological stances state that objective knowledge can only be derived from direct observation and experience, and that object reality exists independent of human perception. As a result, positivism resonates with the study's focus on determining how internal and external environmental factors and employee-resourcing strategies influence the performance levels of SRBs in South Africa. The positivistic paradigm also augurs well with confirmatory studies such as this research; thus the deductive approach which emphasises the testing of current theories rather than the generation of new ones is suitable. The use of Structural Equation Modelling (SEM) was therefore to confirm the congruence between observed and reproduced data in testing the hypothesised relationships.

1.6.1 Research approach

The research approach employed for this study is quantitative. The quantitative approach helped in explaining and predicting the influence of internal and external environmental factors and employee-resourcing strategies on the performance of SRBs of South Africa.

1.6.2 Research design

An ex post facto research design was adopted. The ex post facto research design was the most appropriate for this research as it helped in making predictions and giving explanations on the nature of relationships among the variables. It also made it possible to explain a consequence based on antecedent conditions, in this case, in terms of internal and external environmental factors and employee-resourcing strategies without the researcher manipulating any variable.

1.6.3 Geographical scope, population and sampling

The target population for the research were selected from SRBs in Free State Province, with less than 50 employees. Only restaurants registered with the Restaurant Association of South Africa (RASA) were considered. The units of analysis of interest were owners or managers of the restaurants in the province.

1.6.4 Data collection

The instrument used for the collection of data in this research was a questionnaire. Specifically, a structured Likert Scale questionnaire was employed to collect data from the respondents.

1.6.5 Data analysis

Data were analysed using descriptive statistical methods such as the mean, mode, frequencies and standard deviations. Measures of kurtosis and skewness were used to assess the univariate normality of the data. The Confirmatory Factor Analysis was used

to assess the measurement model for the research and the structural equation modelling helped in testing the hypothesised relationships among the three variables in the model.

1.7 REASONS FOR AND IMPORTANCE OF THE RESEARCH

As already pointed out in Section 1.2, small businesses contribute significantly to the economies of developing countries in terms of employment creation and GDP (Fatoki and Odeyemi, 2010; Dumbu and Chadamoyo, 2012; Ngek and Smit, 2013), as long as they are able to adjust to the ever-changing internal and external environments, and adopt human resources practices that will make them perform and remain sustainable. What this means is that, an understanding of the environmental factors and the choice of effective employee-resourcing strategies by SRBs may have a positive impact on national economies through their use and/or application in various organisations.

Many small businesses in the restaurant business struggle to keep employees as they are usually engaged on contractual basis (Taal, 2012). Zwane et al., (2014) assert that employee retention and turnover and finding a talented, competent and skilled workforce are some of the challenges in this industry. Smallness and lack of resources may make it difficult for SRBs to attract competent staff, as they cannot meet their high wage demands. As observed by Mahapatro (2010), the success of small businesses including restaurants in attracting and selecting competent staff, and retaining them will culminate in superior organisational performance. On the contrary, failure to attract and retain competent staff may culminate in high staff turnover, low profitability, low productivity, and business shrinkage – which are disastrous consequences for small businesses (Omolo et al., 2012).

There is much literature on internal and external environmental factors and business performance and on internal and external environmental factors and employee-resourcing strategies (Adisa et al., 2017; Oginni and Adesanya, 2013; Punia and Sharma, 2015), but it is based mostly on the experiences of big organisations. It is not

clear whether generalisability of employee-resourcing strategies in big organisations is also possible in small businesses. Furthermore, the issue of whether the generalisability of employee-resourcing strategies in the restaurant business in developed economies is also possible in SRBs of emerging economies is still a grey area. Therefore, this research will add to the body of literature on small businesses' performance showing how it is influenced by internal and external environmental factors and employee-resourcing strategies.

1.8 LIMITATIONS

The research focused on the congruence between internal and external environmental factors, employee-resourcing strategies and business performance, and also discovered some limitations. It was noted that business performance is a function of many other factors besides employee-resourcing strategies such as (un)availability of resources and leadership style. Furthermore, the research emphasised particular HRM activities (mainly workforce planning, recruitment, selection and retention) leaving out reward management, employee relations and performance management and training and development which are also critical for superior organisational performance.

Furthermore, the research was carried out in the restaurant businesses in the Free State province of South Africa and this is a limitation as it may be difficult to generalise the findings to other restaurant businesses and other industrial sectors in other towns, cities and provinces in the country and beyond. Nevertheless, it was not necessary to extend the geographical scope beyond the Free State province, as this was not in tandem with the purpose of the study. Important to note, however, is that the Free State Province share almost similar political, social, and legal conditions with other provinces in the country, and so it might still be possible to generalise the findings to other industries and provinces.

1.9 DEFINITION OF TERMS

These definitions are as they are used in the present research.

External Business Environment

A set of external factors, such as economic, social, political, legal, demographic and technical factors, which cannot be controlled and may have a direct or indirect impact on the performance of the business (Janković , Mihajlović & Cvetković, 2016).

Internal Environment Factors

All elements of any given organisation that it can control and have a clear impact on the organisational culture, philosophies, policies, human resource, mission and purpose (Genç, 2014).

Employee Resourcing

The attraction, choosing and retaining, and the effective and efficient use of human talent to achieve organisational goals (Pilbeam & Corbridge, 2010).

Workforce Planning

Workforce planning is a process of analysing and identifying the need for, and availability of human resources so that the organisation can meet its objectives (Mathis & Jackson, 2012).

Recruitment

The process of identifying the sources of workforce to meet the requirements of the resourcing agenda and attracting an optimum number of prospective employees, so as to be able to make an effective selection among the applicants (Sinha & Thaly,2012).

Selection

The process of choosing individuals with the correct qualifications needed to fill jobs in an organization (Mathis & Jackson, 2012).

Retention

A process in which the employees are encouraged to remain with the organisation for the maximum period of time or until the completion of the project (Das & Baruah, 2013).

Business Performance

Business performance is generally indicated by effectiveness (if an organisation can achieve its objectives), efficiency (if an organisation uses its resources properly), satisfaction of employees and customers, innovation, quality of products or services, and ability to maintain a unique human pool (Katou, 2011). Business performance in this research is measured by rate of employment growth, return on investment and business expansion.

Small Business/SME

A common definition of small businesses in South Africa includes registered businesses with less than 200 employees. In this study, the term small business refers to the restaurant business in the Free State Province, with less than 50 employees. The terms 'small business' and 'SME' are used synonymously.

1.10 OUTLINE OF THE THESIS

The thesis is organised into nine chapters.

CHAPTER 1: An Introduction to the Research Problem

The background to the study is discussed. This chapter also outlines the problem statement which is the foundation of the study. The significance of undertaking the study is also highlighted in the chapter. Furthermore, research questions, objectives and the proposed research methodology are reviewed here.

CHAPTER 2: Theoretical Framework of the Study

The chapter presents theories that were used to understand the problem investigated in this study. These are the Resource Based View, the Human Capital Theory, the Flexible Firm Model and Contingency Theory. Each framework, either in its entirety or parts of it,

is discussed in terms of how it helps in understanding the hypothesised relationships between the variables of interest in the study. A critique of each theory is also provided.

CHAPTER 3: Small Restaurant Businesses in South Africa

Chapter 3 presents the different interpretations of the term ‘small business’ from the South African point of view. The impact of small businesses on the South African economy, as well as government support measures for the establishment of small businesses are also discussed. Lastly, this chapter focuses specifically on in South Africa, discussing issues such as their development, contribution to GDP, characteristics and challenges being faced by the small restaurant business in the country.

CHAPTER 4: Environmental Factors and Employee-Resourcing Strategies among Small Restaurant Businesses

The chapter explores/gives an overview of the internal and external environmental factors influencing adoption of employee-resourcing strategies crucial for small business performance in general (focus on examples from different countries). It also focuses on the internal and external environmental factors influencing adoption of employee-resourcing strategies crucial for small business performance (including small restaurants) in South Africa.

CHAPTER 5: Employee Resourcing in Small Businesses: Implications for Small Restaurants

The focus of this chapter is on the outline of the concept of employee resourcing. The chapter also highlights the importance of employee resourcing in both the developed and developing world. The term ‘employee resourcing’ is further explored focusing on workforce planning, recruitment, selection and retention strategies in SRBs.

CHAPTER 6: Business Performance

The main thrust of this chapter is to define business performance and identify its measures. It highlights business performance in small businesses and

examines/analyses the general performance of small businesses in South Africa. The chapter also discusses the relationship between employee-resourcing strategies and business performance.

CHAPTER 7: Research Methodology

The chapter outlines/explains the research methodology including the research paradigm, research approach, research design, sample and sampling procedure, data collection method and analysis. The organisation and design of the questionnaire are also highlighted, as well as the validity and reliability of the research instruments discussed.

CHAPTER 8: Research Results and Discussion

The chapter presents the data analysis and interpretation.

CHAPTER 9: Conclusions and Recommendations

Conclusions on the findings of the research and some suggestions for the improvement of the performance of small businesses are presented in this chapter.

1.11 CHAPTER SUMMARY

In this chapter the foundations for the research problem are presented. The relationship between internal and external environmental factors, employee-resourcing strategies and small business performance in the Free State Province is identified as the research focus area. The researcher proposes that the adoption of employee-resourcing strategies gives small businesses a competitive advantage, which can bring about increased organisational performance. This assumption however needs to be tested. The next chapter explores theories guiding the research.

CHAPTER 2

THEORETICAL FRAMEWORK OF THE STUDY

2.1 INTRODUCTION

The previous chapter provided an overview on the relationships between external and internal environmental factors, employee-resourcing strategies and business performance among South African SRBs. In the same chapter, the problem statement which is the foundation of the research was outlined. The significance of undertaking the research was also highlighted in the chapter. Furthermore, the chapter also reviewed research objectives and the proposed research methodology.

This chapter presents theories that were used to understand the problem investigated in this research. The theories are the Resource Based View, the Human Capital Theory, the Flexible Firm Model and the Contingency theory. Each framework, either in its entirety or parts of it, is discussed in terms of how it helps in generating the understanding of the hypothesised relationships between the variables of interest in the research. A critique of each theory is also provided.

2.2 THE RESOURCE BASED VIEW

One of the theories guiding this research is the Resource Based View (RBV) propounded in the mid-1980s by Wernerfelt (1984), Rumelt (1984) and Barney (1986) – and has been used extensively in the analysis of superior business performance (Bridi, Craco, Biegelmeyer, Camargo & Tondolo, 2014; Katua, Mukulu & Gachunga, 2014; Ferreira, Azevedo & Fernández, 2011; Kaufman, 2016). The RBV has become one of the most salient theories in HRM that provides a new view on sources of sustained competitive advantage (Kraaijenbrink, Spender & Groen, 2010). Sustained competitive advantage is achieved when an organisation possesses and exploits a set of attributes or resources such as employees' experience and knowledge, reputation and goodwill that will allow it to outperform its competitors (Coetzee & Stoltz, 2015). Such resources are regarded as key to a firm's sustained competitive edge. The theory takes an inside-

outside approach, focusing on both the internal and the external environment as sources of superior organisational performance. Thus, it can be inferred that an appreciation of the relationship among the environment, employee-resourcing strategies and small business performance can be grounded in the Resource Based View that seeks to explain sources of sustained competitive advantage.

2.2.1 History of the RBV

This section deals with the history of the RBV, starting from the contributions by Penrose (1959), Wernerfelt (1984), Rumelt (1984) and Barney (1991). The scholars' contribution to our understanding of employee resourcing and business performance is explored in this discussion. Inferences will be made on the SRBs in South Africa as the impending discussion progresses.

The history of the RBV has its roots in the work of Penrose (1959) even though Barney (1991) is generally regarded as the father of the modern theory. Wernerfelt (1984) is credited for fully developing Penrose's idea and giving it its name, basing on the organisation's internal resources (Zubac, Hubbard & Johnson, 2010). Penrose was interested in developing a theory of firm growth. As such, within small business literature, factors responsible for business growth in small businesses (restaurant businesses included) have been a subject of discussion for a long time since small businesses have been found to contribute to economic growth and employment creation in, for example, countries like South Africa (Fatoki, 2014). Since then, exploring the influence of the restaurant sector environment and employee-resourcing strategies on small business performance has become imperative and has been closely linked to Penrose's (1959) theory of firms' growth.

Penrose (1959) has since argued that a business' growth – both internally and then externally- through strategies such as merger, acquisition, and diversification is influenced by the manner in which its resources are employed (Newbert, 2014). This implies that restaurant businesses can have the potential to realise important organisational outcomes if they are able to leverage themselves in terms of the internal

resources they possess. Thus, a small restaurant business' internal resources which include human resources can be a source of superior organisational performance if they are better able to utilise them. This is central to Penrose's (1959) theory which states that opportunities for, and limits to, future organisational growth are generated by resource accumulation of past growth (ibid). This implies that small restaurant performance may hinge on the attraction, development and retention of its important resource-human resources.

Penrose (1959) further describes a business as a collection of resources and argues that it is the heterogeneity of the services available from such resources that gives each business its unique character (Brahma & Chakraborty, 2011). Therefore, it can be argued that, the extent to which SRBs are heterogeneous in their strategic resources utilisation, especially people working in the organisation, is likely to determine their ability to obtain superior organisational performance. In this regard, superior business' performance requires the adoption of employee-resourcing strategies that are attuned to SRBs' context and circumstances. This is in line Penrose's (1959) observation that, the resources possessed, deployed and used by the organisation are really much more important than the industry's structure (Wang, 2014). One can, thus assume that it may not be enough for SRBs to just possess human resources without exploiting them positively to their advantage. SRBs may achieve this through their adoption of resource retention strategies, such as rewarding their workforce better than their competitors for superior performance to be realised (Kishore, Majumdar & Kiran, 2012).

Penrose's (1959) work was further developed by Wernerfelt (1984) who defines resources as tangible and intangible assets which are tied semi-permanently to the firm (Wernerfelt, 1984). Wernerfelt (1984) analysed businesses in terms of their resources, such as brand names, in-house knowledge of technology, employment of skilled personnel, trade contacts, machinery, efficient procedures, capital, and so on, rather than their products. In the context of this research, restaurant businesses possess a number of resources, both tangible and intangible. If the organisation is able to effectively utilise these resources, then it might be guaranteed of a superior edge over

its competitors. It can therefore be argued that, a restaurant business' resource management might be critical in ensuring its realisation of targeted organisational outcomes (Wang, 2014). Thus, a restaurant business that already possesses the much-needed resources has the potential to enjoy superior performance better than the revenue of its competitors. In this regard, the RBV can be seen as instrumental in the development of human resource management, as the theory focuses on internal resources of an organisation, such as human resources and financial resources, organisational brand, tacit knowledge and specialist skills of its human resources – rather than external factors only. This focus has brought legitimacy and rigour to human resource's claim that people are the critical component in ensuring that SRBs realise superior organisational performance. This is in line with Lee and Nan's (2012) assertion that, the RBV theory brings legitimacy to the human resource view that people are strategically crucial for a business' success. This view is also supported by Rumelt (1984) who argues that, an organisation's ability to leverage the uniqueness of skills possessed by human resources may culminate in the realisation of its important organisational outcomes.

Rumelt (1984) views businesses as bundles of resources and assets whose contributions to the bottom-line performance vary according to the context in which they operate. For example, a restaurant business as a firm that can possess resources which it can fail to exploit to achieve important organisational outcomes, while a business competitor with similar resources may be able to utilise them much more effectively. This is why Rumelt (1984) further introduces the concept of an 'isolating mechanism' for inimitability of resources (Brahma & Chakraborty 2011; Mciver & Lengnick-Hall, 2018). The term 'isolating mechanism' explains why businesses (restaurants included) might not be able to utilise a certain resource to the level where they are able to effectively compete with the other businesses having the same valuable resource (Peteraf, 1993). It can be argued that, a small restaurant business has the potential to perform better than competitors by being able to control and leverage its human resources as its competitors may fail to duplicate this critical resource perfectly. One can note that, Rumelt provides one explanation for the heterogeneous resource

endowments which are assumed in the resource-based view (Wernerfelt, 1995), hence, it is not possible to have two organisations with similar assets, the same skills, a similar set of experiences and the same values and cultures. The uniqueness with which each restaurant business possesses these human resources and its ability to effectively and efficiently use them can lead to superior organisational performance. The issue of resource uniqueness as a source for superior organisational performance was further strengthened by Barney (1991).

Barney (1991) is generally credited as the first scholar who transformed RBV into a complete theory, by developing and consolidating the works of Wernerfelt (1984) and Rumelt (1984). There are two basic principles of the theory that were developed by Barney (1997). These were borrowed from Penrose (1959), Selznick (1957) and Ricardo (1966). They all advance the view that, businesses can be viewed as a combination of productive resources, with different sets of resource utilisation (Penrose, 1959). This is also understood as the assumption of business' resource heterogeneity, whereby some resources can be seen as expensive to copy or inelastic in supply – that is, they are difficult to transfer across different businesses (Selznick, 1957; Ricardo, 1966). This view is the assumption of resource immobility (Ferreira, Azevedo & Fernández, 2010). Barney (1991) believes organisational performance rests on these two critical assumptions – which are business resource heterogeneity and resource immobility. The issues of resource heterogeneity and mobility can also help in explaining variations in the performance of small businesses, SRBs included.

2.2.2 RBV and the Internal Environment

RBV is generally seen as influencing the business performance environment. There is a direct relationship between organisational performance and employee-resourcing strategies. A full comprehension of the association among environmental influences, employee-resourcing strategies and the general performance of SRBs demands an analysis of the external and internal environment in which these businesses operate. Njuguna-Kinyua et al., (2014) point out that the characteristics and qualities of the business environment determine whether or not a small business enterprise will perform

well. The RBV theory helps to explain the influence of the internal business environment on the adoption of employee-resourcing strategies in improving business performance. Halmaghi, Iancu and Băcilă (2017) identify owners, managers and leadership, employees, material resources and culture as constituting the internal business environment. The theory assumes that an organisation's superior performance is linked to its internal resources and their capabilities to transform performance levels. Masakure, Henson and Cranfield (2009) argue that if businesses face similar external business environments, then they should display similar business behaviour and performance. Since business behaviour and performance of SRBs are different, it is possible to argue that, while a business' external environment may be critical, it is its ability to leverage these internal resources which is more important in guaranteeing its success. The theory can therefore be regarded as useful in explaining the criticality of an organisation's internal environmental resources to inform resource strategies that are needed for the achievement of the business performance.

The RBV theory might also be utilised to examine the competitive environment facing the small restaurant business, by taking into account the role of the internal environment in guaranteeing organisational performance. This is evident when considering that, the theory identifies a business' internal resources, core competencies and distinctive capabilities as of paramount importance in the formulation of organisational resource strategies that are needed to achieve important organisational outcomes (Zubac et al., 2010). The theory regards an organisation's internal resources as key determinants of positive business performance. Within the context of SRBs, it is possible to argue that the business' internal resources are likely to give return on capital if owner/ managers are able to 'identify, develop, protect and deploy resources and capabilities residing in the business that will allow them to perform better than their competitors' (Zubac et al., 2010). Every business' internal environment consists of both intangible and tangible resources, but best performers are the ones which are able to exploit the resources at their disposal to increase business performance. As a result, it can be assumed that, in this kind of situation, the intangible resources remain important factors that influence

business performance as they cannot be imitated (Wang, 2014). Thus, a small restaurant business' internal environment can inform its strategic choices to effectively leverage the external environment advantages.

One of the reasons why the RBV is important in business performances is that it focuses on the internal environment of a business in order to manage business uncertainties rather than merely capitalising on the business opportunities that are presented by the turbulent external environment (Burton & Rycroft-Malone, 2014). This means that the RBV theory views the internal business environment as a strong factor when assessing sources of superior organisational performance. This is a marked departure from previously perceived sources of sustained competitive advantage, as outlined in studies by Porter (1980, 1985) on sources of sustained business competitive advantages that are based on the external business environment, thereby isolating a firm's business opportunities and threats. The RBV theory goes further to adopt the inside-outside approach when searching for sources of sustained business competitive advantage and performance (Peteraf & Barney, 2003). It can therefore be expostulated that, the underlying assumption with regards to the present study is that, SRBs can utilise their internal resources in a way that makes it possible for them to realise their optimum business potential in order for them to achieve their desired performance levels. This is only possible if an owner/manager is equipped with the right skills to sense, seize and respond to opportunities availed by the internal business environment (Burton & Rycroft-Malone, 2014). It can be argued that, the way an owner/manager exploits business opportunity in the internal business environment eventually depends on human and capital resources that he/she possesses. This is what eventually separates successful businesses from struggling or failing businesses.

2.2.3 RBV and Business Performance

The RBV can also be used to explain the sources of business performance, the usefulness of distinctive capabilities in giving SRBs a positive performance, and an understanding of the importance of the four attributes a resource, such as human

resources should possess if organisational performance is to be realised. The four attributes are invaluable, rarity, inimitability and substitutability.

The RBV theory examines the relationship between an organisation's tangible and intangible resources, and business performance. It provides an explanation on sources of business performance arguing that high performing businesses possess a bundle of resources that give them an edge in the marketplace (Zubac et al., 2010). Investment in these intangible resources becomes critical as traditional sources of competitive advantage like natural resources, technology and economies of scale have become increasingly easy to imitate (Waiganjo & Awino, 2012). People and their skills, knowledge, and competencies are the attributes that competitor organisations cannot imitate (Mahapatro, 2010), and thus can contribute to the realisation of critical organisational outcomes. The RBV, therefore, considers intangible resources as strategic assets that contribute to competitive advantage (Crawshaw, Budhwar & Davis, 2017). Thus, one might suggest that investment in intangible resources by small restaurant business is critical as this has the potential of giving it a competitive edge. On the contrary, it is argued that intangible resources on their own are not productive, as they are inputs in the production process – and there is need for distinctive capabilities of an organisation's human resources (Özbağ, 2013).

A small restaurant business' distinctive capability has the potential of giving it superior performance. Distinctive capabilities are defined as the unique skills and activities make a business do better any competing firms (Yamoah, 2013; Ferreira, Azevedo & Fernández, 2010). This is supported by Penrose (1959) who asserts that businesses reach superior performance, not because they only have more or better resources, but also because of their distinctive competences (Ferreira, et al., 2010). Distinctive competences could be achieved in SRBs if these organisations are able to attract skilled workforce and improve their skills through training and development and other key factors responsible for staff retention. This might help in separating successful restaurant businesses from struggling ones, as failure to exploit resources leads to poor performance. Penrose (1959) further notes that resources on their own were not

sources of organisational performance: it is only those organisations that can exploit or deploy those resources that can enjoy better performance than their competitors. This can suggest that, restaurant businesses stand to benefit from this resource if the distinctive capabilities are unique to them only and are able to persist over time. However, the distinctive capabilities should be difficult for competitors to identify and imitate, benefitting the small restaurant business possessing it only if important organisational outcomes are to be realised. This is in line with Orogbu, Onyeizubge and Chukwuma (2017)'s observation that organisations can achieve superior business performance when there is good understanding of the resources' potential and effective utilisation of those resources that are valuable, rare, hard to copy and non-substitutable. Thus, in addition to the availability of distinctive resources, the small restaurant business may need to have the capacity to exploit those resources if a competitive advantage is to be achieved – as the capabilities will determine the business' adopted strategic choices.

The exploitation of a business' opportunities requires the critical resources to be valuable, rare, inimitable and non-substitutable if positive results are to be realised (VRIN). High performing businesses' resources need to be VRIN by ensuring that these attributes reside in the business venture itself (Zubac et al., 2010). It means that the business' internal resources and capabilities, especially its human resources, are found valuable. This is likely to bring results in organisational performance. Nyamubarwa, Mupani and Chiduuro (2013) concur that an organisation's human resources are a key source of organisational performance, as they resultantly add value, are rare in the market-place, hard or impossible to imitate, and cannot be easily substituted. The RBV theory emphasises that organisations must strive to be successful in obtaining and managing available valued resources (Oghojafor, Muo & Aduloju, 2012). What this means is that, small restaurant business' human resources should be effectively and efficiently identified, nurtured and utilised. This also implies that human and capital assets, such as employee knowledge, skills, experience, ability, personality, internal and external relationships, attitudes and behaviours are utilised well to produce quality service, customer satisfaction and loyalty in order to ensure that there is always

competitive advantage and successful organisational performance (Kusluvan, Kusluvan, Ilhan, & Buyruk, 2010). Thus, the RBV establishes the possibilities for small restaurant owners/ managers to invest in human resources.

On the issue of invaluable resources, a business' resources can only be a source of superior business performance when they are valuable (Barney, 1991). A resource is viewed as valuable if it allows a business to utilise it to improve its efficiency and effectiveness. One might suggest human resource as that resource in the restaurant business, as it can be leveraged to achieve intended organisational outcomes. For a resource to be viewed as valuable and a source of positive business performance, it must not reside within a large number of competitors, that is, the resource must be scarce. In fact, Barney (1991) asserts that a business enjoys a competitive advantage when it is implementing a value-creating strategy, not simultaneously implemented by large numbers of other businesses. This indicates that, if the resource is possessed by other competitors, they would have the capability to exploit the resource – thereby short-living the competitive advantage. Presumably, valuable and rare resources imbedded in a small restaurant business are likely to give it a competitive advantage resulting in superior performance. This could explain why SRBs may need to invest in human resources as they possess distinctive competences that add value and are rare. Successful business performance could be achieved by carefully utilising its human resources through selective application of business skills and knowledge in SRBs. Consequently, the RBV becomes an important tool at the disposal of SRBs. It allows them to analyse the valuable inputs required to effectively and efficiently utilise resources in order to obtain the desired organisational outputs.

A business' resources can also be sources of superior business performance when there is inimitability (Mciver & Lengnick-Hall, 2018), as imitations are likely to erode the value of the resources. If the resource can be easily copied, then it will generate short-term positive business performance. This implies that if the skill needed in this sector does not reside within a large number of competitors, then superior business performance might be achieved. The RBV identifies 4 characteristics that will ensure

inimitability and these are 1) unique location, 2) path dependency, 3) causal ambiguity and 4) social complexity. Physically **unique locations** give organisations competitive advantage as they are virtually impossible to imitate. The assumption is that a small restaurant business based in a unique location has the potential to perform well as it might be difficult to imitate. On **path dependency**, the path a business takes to arrive at its present position has the potential of making it difficult – if not impossible – to imitate resources that a firm possesses (Shaw, Park & Kim, 2013). In the context of this research, the unique experiences enjoyed by a small restaurant business, which cannot be acquired in an open market, have the potential of giving it superior return on capital. **Causal ambiguity** exists when competitors in an industry (the restaurant business included) cannot understand or are unsure on which resources to acquire or how to configure the resources to gain superior organisational performance (McIver & Lengnick-Hall, 2018). Thus, they cannot decide how a firm created the competitive edge it enjoys. **Social complexity** also makes it difficult for competitors to imitate as it is associated with long tenured workforce who add value through accumulated skills, knowledge, and abilities (Shaw et al., 2013). In view of the foregoing, complex social interactions between the main actors in the restaurant business, its culture, and its reputation with its customers and suppliers, have the potential to make it difficult for competitors to imitate, culminating in superior organisational performance.

In addition to inimitability, resources that cannot be easily substituted are also likely going to ensure that the business enjoys better performance. This is supported by Petraf (1993) who posits that substitutes reduce profits as competitors may give consumers a wide choice. Substitutability occurs when competitors substitute a valuable resource with a similar one, and allowing it to craft and implement the same strategies (Mweru & Muya, 2016; Maket, 2017). It can also occur when a competing business has access to equivalent strategically critical resources which act as substitutes for the other. Thus, substitutes can easily undermine a small restaurant business' intentions to restrict outputs, as the competitors may easily flood the market – thereby countering the business' value-creating resource. It is therefore critical not to have an equivalent valuable resource that is not rare and which can be easily imitated – if a business is to

enjoy a competitive edge (Maket, 2017). It is not easy to get similar results from two different employees and so in that vein, we can argue that human resources are irreplaceable. We can also argue that the RBV of the business provides a new dimension to the management of human resources. The organisation's employees should not be regarded as a drain on scarce resources but rather as a critical resource responsible for the achievement of superior organisational performance as they are a value-creating resource. One might suggest that, SRBs may need to adopt HRM policies, such as career development programmes, competitive compensation packages, employee empowerment programmes, job redesign among others to induce staff retention (Shaw et al., 2013). In light of this research, the adoption of various retention strategies could be the panacea. Employees are likely to feel valued and stay in the organisation, ensuring the achievement of important organisational outcomes, such as attracting many customers.

2.2.4 RBV and Employee Resourcing

The RBV theory can also be used to explain employee-resourcing strategies needed in SRBs, such as workforce planning and staff retention.

The RBV gives a new perspective to employee-resourcing which is a critical area in human resources management (Katua, Mukulu & Gachunga, 2014). Employee resourcing entails the attraction, choice and retention, as well as effective use of human talent to achieve organisational goals (Pilbeam & Corbridge, 2010). The RBV framework implies that human resources may be of greater significance for smaller businesses, since they often have to do more with fewer resources in order to remain competitive (Sheehan, 2013). The RBV posits that the success or failure of a business lies in the calibre of its employees as well as the quality of their working relationships (Ekwoaba, Ikeije & Ufoma, 2015). This could also be applicable in the service industry, including the restaurant business where the success of the business depends on, among other resources, its employees (Kusluvan et al., 2010). In the restaurant business, human resources are the first point of contact between the organisation and its customers and

that first interaction is very vital as it determines future interactions (ibid). For example, if employees are rude and not friendly to customers, business might go down as customers may shun it. Thus, SRBs that are able to acquire talented and cheerful staff and retain them through better remuneration, training, career development programmes and giving them higher responsibility are likely to perform better than those that do not (Coetzee & Stoltz, 2015). This could be critical as an organisation's stock of skills and knowledge can only be increased through proper staff attraction, education and training.

Staff retention strategies allow the organisation to leverage 'long tenured workforce who add value through accumulated skills, knowledge, and abilities' (Shaw et al., 2013). The RBV theory argues that organisations (both small and big) are actively searching for ways to gain better performance and this could be achieved through investing in human resources (Itika, 2011). This is in line with the observation by Shaw et al. (2013), that businesses can utilise training, sophisticated selection and competitive financial incentives to increase the utility of their human capital pool and reduce staff attrition. Hence, in the context of this study, it can be suggested that organisations may need to invest in human capital and induce staff retention to cut on costs associated with recruiting new staff especially for SRBs. This view is supported by Smit, Stanz and Bussin (2015) who posit that a business' employees must be given competitive salaries and made to feel part of the organisation so that they can contribute to the achievement of critical organisational outcomes for a longer period of time. Arguably, a small restaurant business has the potential of performing better if it implements proper employee resourcing policies which allows it to retain knowledge workers. A challenge may arise when the organisation fails to attract the right candidate for the job as this may impact negatively on the bottom-line. It can be suggested that the attraction of the right candidate can only yield positive results when the organisation carries out a proper evaluation of the workforce through workforce planning.

Workforce planning is a process by which management determines how the organisation should move from its current manpower position to its desired manpower position (Mahapatro, 2010). The RBV theory suggests that businesses should evaluate

their workforce at regular intervals to ensure that they are equipped with the right skills needed for the achievement of important organisational outcomes (Ekwoaba et al., 2015). This may be critical in the restaurant business as it allows it to take stock of employee knowledge, skills, behaviours, as well as the flow of human capital (knowledge, skills and abilities) through the organisation which is needed in workforce planning. Thus, effective employee resourcing is likely to add value in SRBs by reducing labour cost inefficiencies, and facilitate the identification of talent that is rare in the labour market. This may be critical in SRBs which are hamstrung financially due to resource paucity (Wu, Hoque, Bacon & Llusar, 2015). The theory might also enable SRBs to come up with employee-resourcing strategies that are virtually inimitable and unique, or non-substitutable and can guarantee the realisation of important organisational outcomes. Thus, one might suggest that an understanding of the RBV by SRBs has the potential to allow the adoption of HR practices that are congruent with the context and circumstances of the business and customised to suit a particular firm's value-adding strategies. In light of this, SRBs may need to carry out workforce planning so that they may be able to attract, develop and retain the right knowledge workers need to enhance organisational performance.

2.2.5 Limitations of Rbv

Despite the recommended preference of RBV to explain sources of effective organisational performance, the RBV has been subjected to certain criticism. The most notable criticism is that the theory ignores the nature of market demand or the social context by focusing too much on the internal resources (Knott, 2015). Wang (2013) suggests that there is a need for blending exogenous and endogenous elements in business analysis. The argument is that these two cannot be easily separated from each other as no business is an island unto itself. A small restaurant business needs the social context where it interacts and where its transactions are embedded in the businesses of others. It is believed that it is almost impossible to ignore the external factors affecting the industry as there is a strong relationship between the business' internal resources and its exogenous market conditions. These factors are, therefore, critical for the achievement of key organisational outcomes.

The RBV theory has also been criticised for lacking practical utility (Kraaijenbrink, Spender & Groen, 2010; Caldas 2010). This is to say that, it fails to contribute to the general enhancement of management's art of managing, as it cannot help organisational managers perfect their roles in their jobs. Indeed, Wang (2014) criticises the RBV for its lack of substantial managerial implications or operational validity in organisations, which have led to the dearth of practical prescriptions that may assist the managers to understand their employ in this kind of approach. Thus, some critics do not accept the theory on the understanding that, some attributes of the resources, such as path dependence and social complexity, are cited as not being amenable to managerial manipulation. As such, the theory is seen as posing a big challenge to small businesses (restaurant businesses included) which do not enjoy the same advantages of having strategic resource assets as is found in big businesses. Scholars contend that it creates problems of identifying and exploiting value-creating strategies based on the resources available (Caldas, 2010).

In spite of these criticisms, the RBV theory remains a critical tool in assessing sources of superior business performance in the small restaurant business environment as it can assess important managerial skills and their implications on the growth and development of organisations. Barney (2001) refutes the argument that the RBV lacks practical utility. He argues that the theory actually assists managers to identify valuable and rare resources that the business might not have, and which can make it possible to decide on how they can be duplicated through substitution or imitation. The theory, therefore, can also help to inform SRBs on important employee-resourcing strategies, such as training, sophisticated selection and competitive financial incentives (Shaw et al., 2013) needed to realise important organisational outcomes.

2.3 HUMAN CAPITAL THEORY

The second theory which is relevant to this research is the Human Capital Theory. The theory was first propounded by Schultz in 1961 and identifies human capital as another

form of capital. Human capital uses productive capabilities, knowledge, skills, experience and abilities that enable a person to perform at the highest level of performance, resulting in increased business performance (Felício, Couto & Caiado, 2012, Harris, Pattie & McMahon, 2015). Similarly, Armstrong (2012) posits that human capital consists of knowledge, skills and abilities of the people employed in the organisation. This is supported by Tambwe (2015) who asserts that human capital is an individual's stock of competencies, education, experience, skills and intelligence. Thus, human capital entails the utilisation of the human factor within an organisation and is distinctive from other resources. It is known to help organisations to shape their character and its effect on general performance output. It underlines the fact that individual organisations possess the much-needed human capital for specific career development in order for them to perform better and add more value to their organisations. This is more so as the human capital gain more work experience. Chiang, Birtch and Cai (2014) suggest that employees possessing greater skills and knowledge are indeed better equipped to cope with high job demands. In this regard, it can be assumed that, for SRBs to achieve superior organisational performance, they might need to attract and retain these valuable resources (people working there) as these resources might be able to leverage their skills and experience for the best advantage of the organisation.

The human capital theory could help in explaining employee-resourcing strategies, such as training and development, and staff retention strategies, such as competitive reward, management staff retention, and owner/manager's expertise and experience needed for the attainment of organisational goals.

2.3.1 Human Capital Theory and Training and Development

The human capital theory might be useful in informing employee-resourcing strategies, such as training and development that are needed in the SRBs. For example, the theory suggests that investments in education will drive marginal productivity of labour, culminating in increased earnings (Tambwe, 2015). Education, work, productivity and earnings are seen in linear continuum (Marginson, 2017). This means that the more one

acquires knowledge through education and training, the more he/she becomes productive. Employees need to acquire critical skills and knowledge that make them achieve key organisational outcomes, such as increased productivity through the business' investments on job training. A business has the exponential potential to increase employee earnings when there is increased productivity. This is possible when employees gain and possess the right work-related expertise. This means that SRBs can increase organisational performance and efficiency through further employee training and development. This one-way employee-resourcing strategy could be necessary for SRBs if they want to ultimately benefit from employees' loyalty after gaining newly acquired skills. Employee-resourcing strategy results in quality of work improving, further resulting in increased productivity for the organisation.

Fugar, Ashiboe-Mensah and Adinyira (2013) believe that training is a primary mechanism through which human capital can always be developed through acquisition of requisite skills and knowledge. This means that training and development allow employees to be acquainted with new roles and responsibilities that can further prepare small restaurant business owners/managers to discover new opportunities offered to them and their organisations by both the internal and external environments. Fatoki (2014) encourages small businesses to organise employee training in order for them to manage businesses better after improving their knowledge and skills. This increases business performance and efficiency. In the context of all these observations, education and training could be seen as the panacea to efficient organisational performance as well as an increase in small restaurant business' growth and development.

2.3.2 Human Capital Theory and Staff Attraction and Retention

The human capital theory could be useful in understanding how businesses attract and retain their critical staff as it presents the notion that 'employees are considered as human capital and investment is needed to maintain this valuable capital' (Gross, 2015). It means that proper staff attraction and retention are critical to organisational growth and development. In realising this, one notes that there are high costs associated with incorrect recruitment and retention of employees in the SRBs. This is a service industry

that requires a special type of labour, such as emotional labour. Restaurant business enterprises value specific human capital who serve customers well, 'with a smile', in order to maximise the quality of the service by registering permanent customer impressions and overall satisfaction (Kim, Yoo, Lee & Kim, 2012). The way employees display their emotions in this sector is seen as important to customers who are likely to come back and also recommend new customers about the service. It is important, therefore, for SRBs to be able to attract and develop employees who can display certain emotions conducive to the businesses when interacting with different customers. According to Tambwe (2015), these skills enable employees to be more productive. The attitudes can be developed through educational training and experience. One can argue that building human capital accumulations is critical and closely linked to superior organisational performance (Shaw et al., 2013). In that case, it may be important for small restaurant employers to invest in rigorous recruitment and selection processes as well as develop knowledge and skills through training in order to attract the right human capital that is needed in this business.

The human capital theory argues that businesses generally seek to leverage well their investments which are always done to maximise employees' abilities and knowledge and to prevent such critical skills from being poached by their competitors (Zakaria & Yusoff, 2011). Extant literature shows that employees' abilities and self-efficacy are improved through employee enhancing practices, such as selective staffing, intensive training and career development. These practices generally require the introduction of staff retention strategies (Pittino, Visintin, Lenger & Sternad, 2016; Shaw et al., 2013). Staff retention strategies (especially for high performers) could be critical in SRBs as human resources are different from other resources. Employees can leave the organisation if not happy, thus offering competitors an opportunity to appropriate knowledge, and this becomes a cost to the business as the employees need to be replaced. This is in line with the observation by Pittino et al., (2016) that, businesses should strive to retain their high performing workforce as high attrition negatively affects their performance. This could imply that SRBs might need to retain critical staff by offering them a competitive salary and a favourable working environment so that they

contribute to the bottom-line for a longer period of time. Chiang et al. (2014) assert that human practices like competitive reward management system and training help in motivating employees to take leading initiatives at their work places. Such schemes may signal to employees that they are valued by their employing organisation. Investment in staff retention strategies, which induces job satisfaction, could also be critical as human capital with value in the whole job market situation. However, unlike other resources, the potential value of human capital is dependent on the cooperation of the person (Muogbo, 2013). In light of this, it is likely that SRBs with proper human resource management policies and practices elicit job satisfaction that can equally promote retention of the human capital and guarantee effective performance among other competitors.

2.3.3 Human Capital Theory and owners/manager's expertise and experience

The Human Capital Theory could be useful in explaining high failure rates of some small businesses in Africa (Olawale & Garwe, 2010; Zindiye et al., 2012), restaurant businesses included. Owner/manager's lack of expertise and knowledge could be some of the possible reasons for high failure of SRBs. Fatoki and Odeyemi (2010) argue that some of the distinguishing features of high performing and low performing small businesses are lack of education, training and experience of owner/manager. This agrees with the human capital theory which suggests that education, training and experience develop skills and knowledge which can enable human resources to contribute effectively to the bottom-line (Tambwe, 2015). In light of this, it is likely that SRBs with highly educated and experienced owner/manager are probably better equipped to respond much more effectively to a myriad of challenges from the external environment. Thus, schooling, training, development and experience are seen as the possible answers to challenges in the growth and development of SRBs, as they have the potential to expose owners/managers of these organisations to the competitive work environment. Consequently, owners/managers are likely to adopt effective resourcing strategies.

However, it could be a challenge for most organisations to find competent staff due to lack of a systematic method of recruitment and selection (Ekwoaba, Ikeije & Ufoma, 2015), more so in small businesses where it is done on an ad hoc basis, (Ogunyomi & Ojikutu, 2014) restaurant businesses included. Failure by small restaurant owners/managers to adopt a systematic method of staff attraction could be linked to their education and prior exposure to employee resourcing practices as this has the potential to influence their keenness to embrace formalised resourcing practices. For example, Dumbu and Chadamoyo (2012) investigated on the managerial practices of SMEs at Great Zimbabwe craft centre area in Zimbabwe and attributed the lack of proper and systematic recruitment and selection procedures to the low levels of education, professional training and experience of the owner/manager. The researchers established that the majority of the owners/managers in the research lacked secondary, let alone post-secondary educational qualifications and training. In the context of this research, an owner/manager's lack of education, prior experience and exposure are likely to have negative implications on the bottom-line of SRBs.

2.3.5 Human Capital Theory and Business Performance

The theory of human capital further informs sources of small business performance. The theory suggests that, an organisation which is able to attract an individual with relevant human capital is assured of a competitive edge as such skilled individuals are rare on the market and are of high strategic value. This view is supported by, Rabetino (2011) who expostulates that human capital is considered unique since knowledge cannot be taken away from the individual as tangible assets and financial capital can, thus businesses obtain superior organisational performance. SRBs may need to invest in human capital through education and training if superior organisational performance is to be achieved. Indeed, the human capital theory acknowledges the criticality of education and training in giving businesses better performance (Unger et al., 2011). Thus, it may be critical for owners/managers of SRBs to have an understanding of human capital issues which can be acquired through education, training and development. This is supported by Rabetino (2011) who suggests that knowledge, abilities and capabilities provided by the entrepreneur(s) are a key determinant of

superior organisational performance. It can be argued therefore that, small restaurant business owners/managers with higher levels of education and experience are likely to perform better than those without. SRBs may need to invest in human resources through training and development as this might improve the quality of service and culminate in the realisation of important organisational outcomes. Thus, an understanding of a small restaurant business' human capital could be a critical factor in identifying sources of superior business performance.

2.3.6 Limitations of the Human Capital Theory

The human capital theory has been criticised for its failure to explain how education increases productivity (Marginson, 2017). It could be a challenge in SRBs to attribute increased productivity to education only as there are many factors at play. For example, increased productivity could be due to introduction of new machinery or higher employee morale, and not education.

The human capital theory has also been criticised for equating people to wealth. It may pose a challenge to measure and estimate a human capital as human beings cannot be taken as objects of productivity which can be exploited for the benefit of capital (Tan, 2014). The theory also fails to explain the quality of education as institutions of higher learning are heterogeneous and cannot be expected to produce same quality. This has implications on the product produced. The theory has also been criticised for assuming that there is a linear continuum between education, work, productivity and earnings in a business (Marginson, 2017). The theory assumes that education leads to marginal productivity of labour, which in turn leads to increased earnings, thus eliminating other explanations for possible relations between education and work, and yet there are a number of such relations. For example, one may acquire education but fail to deliver on important organisational outcomes or end up working in a totally different profession. This is common in the hospitality industry where there is lack of fit between training and work, resulting in many graduates being absorbed in occupations outside their field of training.

However, the theory remains relevant in this research as it exhorts businesses to make investments in human resources through proper recruitment, selection, training and development as employees will plough back into the organisation through their efforts. The theory is deeply entrenched in the RBV of the firm as it focuses on the tangible and intangible dimensions of human capital (Zakaria & Yusoff, 2011). The theory, just like the RBV emphasises the importance of employee retention to ensure that skills and experiences gained by employees over time may not be transferred to competitors.

2.4 FLEXIBLE FIRM MODEL

The third model employed in this research is the Flexible Firm model. The concept 'flexible firm' was propounded by Doeringer and Priore (1971) and was popularised by Atkinson (1984) (Armstrong, 2012). The model might help in explaining employment systems in the hospitality industry, which depend on seasonal peaks, where exploitation of labour, casual, temporary, and part-time employment are predominant (Mwando, Mamimine, Kanokanga & Chimutingiza, 2014). To explain the concept of flexible firm, Atkinson analysed segmentation of the workforce utilising the concepts of core and peripheral as Figure 2.1 illustrates. Employees in each segment are treated differently depending on the uniqueness of the skill possessed and the value they add to the organisation. Thus, the employment system is divided into core and peripheral groups.

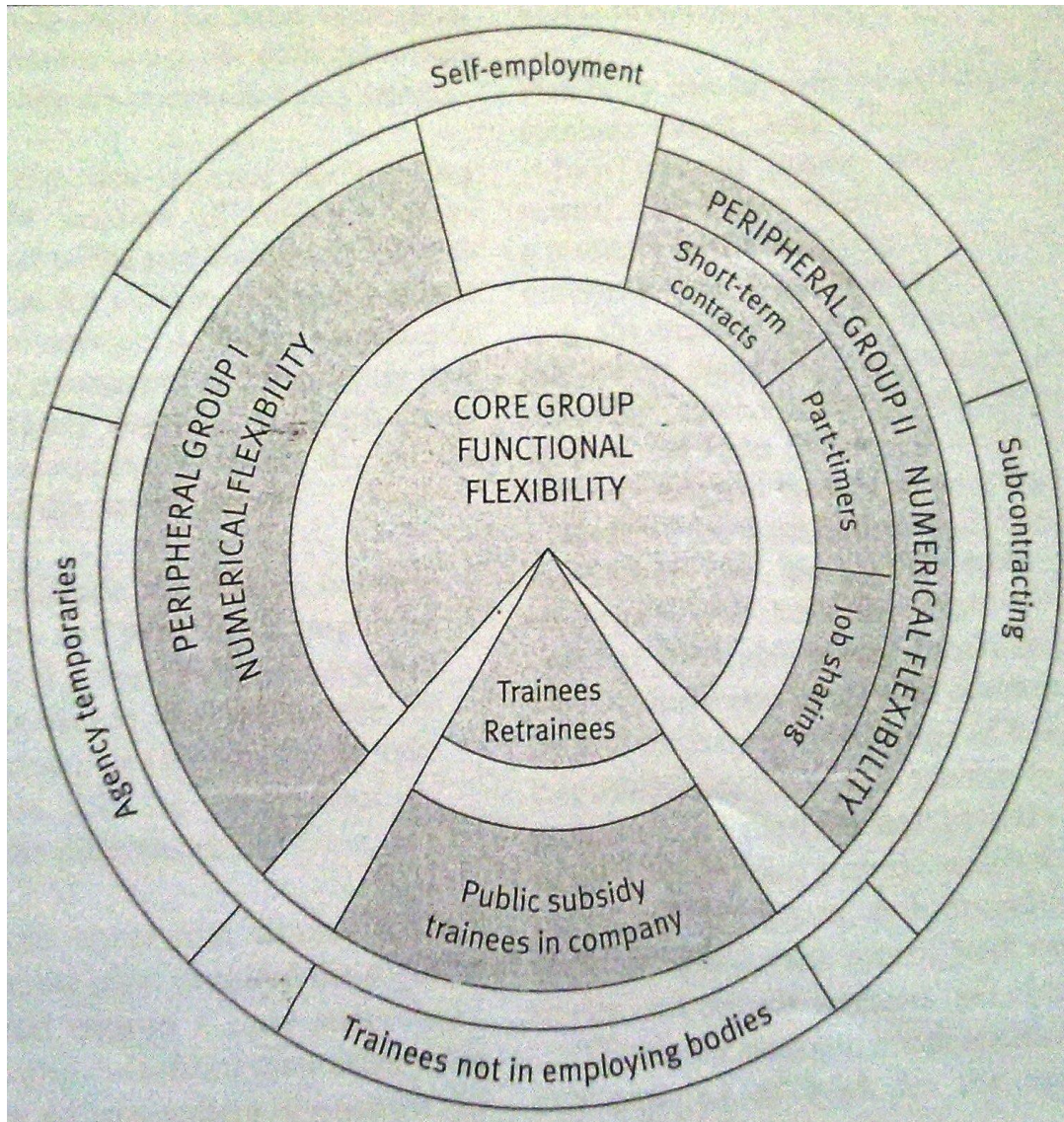


Figure 2. 1. Atkinson’s “flexible firm” model (Source: Atkinson, 1985)

The first group of workforces is known as the core group. This group of workers is made up of highly skilled employees with internal career paths. It is made up of full-time/permanent career employees (Pilbeam & Corbridge, 2010). This group of workers enjoys a positive psychological contract and a high degree of job security, and the success of an organisation hinges on the skills and knowledge possessed by these employees (Chew,2010; Whyman, Baimbridge, Buraimo & Petrescu, 2015). Employees in this group enjoy discretion and autonomy to make decisions in the organisation. That is, they have increasing influence and control over how they work. Core workers are

given a career and not a job to secure their commitment to the organisation (Armstrong, 2012; Mupani, 2015). The employees are also given golden handcuffs and are well rewarded to tie them to the organisation. Resources are easily availed to this group of employees for training and development in the form of specific skills and knowledge. The core group is, therefore, closely associated with the functional flexibility of the organisation.

The second group of workers is known as the 'peripheral' workforce. It consists of temporary/ part time or contractual workers (Chew, 2010) and these possess skills and knowledge that is valuable but not unique to the business. Armstrong (2012) indicates that peripheral employees are important, but not critical to organisational success, as their skills and knowledge will normally be readily available in the external labour market. They do not enjoy a high degree of job security or a positive psychological contract as is enjoyed by core employees in the business. They can easily be released from their employment or can also be re-engaged by the organisation when there is need to do this (Chew, 2010; Whyman, et al., 2015). Thus, a small restaurant business can vary the number of people in its employ, depending on the demand for them. Workers in this segment are normally given jobs and not a career as they cannot see themselves in the workplace beyond a certain period of time. Taal (2012) notes that this is a common human resource practice in the restaurant business in South Africa where employees are given short contracts. It leads to high staff turnover. There is no close employer-employee relations as the management's main thrust is to ensure worker compliance with pre-set rules and regulations to achieve immediate organisational goals. The business is not worried about employee's commitment to the organisation as the employee can be easily replaced by others on the job market as part-time, temporary or sub-contracted staff. This casualisation of labour is said to have been rapidly increasing in the service sectors in South Africa in the last two decades because peripheral workers have inadequate skill levels (Lee & Chen, 2013). This is why Ju and Lo (2014) have associated the main features of the restaurant business jobs with low pay, unsociable working hours, seasonality of work, instability, low skilled and repetitive tasks.

According to the Business Environment Specialists (BES) (2013), employing on temporary basis gives an organisation flexibility. It allows a business to increase its activities when warranted or dispense with labour costs when demand slackens, and this has implications on the bottom-line. This type of flexibility can be achieved in SRBs through giving employees short contracts. Within the hospitality sector, this may help small businesses especially in the restaurant business to avoiding litigations associated with dismissal of permanent staff through temporal flexibility where employment ceases with the expiry of a contract. This is supported by Mkono's (2010) assertion that the hospitality industry is made up of permanent and old employees who make up a solid core of loyal staff, and part time or seasonal workers who are mostly immigrants, housewives, school leavers and college students who can be easily laid off when demand is low. Atkinson's flexible firm model may be critical in explaining the different types of employment modes existing in SRBs where there are critical staff who are engaged on permanent, full time basis and non-critical staff who are engaged on contract basis (Chew, 2010). Critical staff enjoy high job security and are treated well as the organisation is interested in their commitment. For contract workers in this industry, there is compliance-based relationship where employees are expected to submit to employer's dictates where there are prone to exploitation. The skill possessed by this group of peripheral employees in the restaurant business is ubiquitous and can be easily replaced.

2.4.1 Limitations of Flexible Firm Model

Atkinson's flexible firm model has been criticised for oversimplifying the dynamics present in the real work environment (Armstrong, 2012). The assertion that the crafting of employee-resourcing strategies in an organisation is based on a homogeneous core and periphery is not realistic. This is due to the fact that if quality of service is to be maintained, then there is need for businesses to build long-term relationships with the peripheral workforce so that they become committed and satisfied with work.

Furthermore, the workforce in the service industry is mainly part time and temporary (Lee & Chen, 2013), constituting the core component of the workforce of the business. This workforce is also critical in this business in providing quality service and ensuring that customers have memorable experiences. However, this is at variance with Atkinson's division of employment systems and this call for further refining of the restaurant business workforce. Atkinson's flexible firm model has also been criticised for associating numerical flexibility with periphery, and functional flexibility with the core as this tends to underplay overtime (a form of numerical flexibility) from core workers (Chew, 2010). Moreover, the model fails to acknowledge the functional flexibility performed by outsourced labour, especially those workers whose skills are unique but not of high strategic value in the business. Despite these glaring weaknesses, the model remains an important tool providing a framework of new work patterns at business level which provides an important means of analysis.

2.5 THE CONTINGENCY THEORY

The previous theories are critical in this research as they shade light on internal environment, employee-resourcing strategies and business performance. However, they are silent on how the external environment plays a role in employee resourcing. One of the theories that can be used in closing this gap is the contingency theory.

The influence of the external environment on adoption of employee-resourcing strategies and small business performance can be explained by the contingency theory. There is a convivial relationship between employee-resourcing strategies and business performance (Gamage, 2014). Schuler and Jackson (1987) and Gomez-Meija and Balkin (1992) are regarded as the mainstream contingency theorists. The contingency theory was adopted as it provides a good insight for this research and compliments the RBV theory on the influence of the environment. The Contingency theory is associated with the concept of fit – the need to achieve congruence between an organisation's HR strategies, policies and practices and its business strategies within the context of its external environment (Armstrong, 2011). In view of this evidence, one can state that,

the theory is pertinent for this research since the business environment is a complex adaptive system.

According to Dropulić (2013), the external environment is a powerful contingency variable that is at the foundation of contingency-based research, and the most widely researched aspect of the environment is uncertainty. Today's businesses are operating in a turbulent macro-economic environment and this could explain why there is a high mortality rate of small businesses (Muzenda, 2014). Obasan (2014) opines that in order to survive, businesses need to keep a close tab on the various activities that determine their continuity. In line with this argument, it can be suggested that an organisation should be able to respond to environmental uncertainty if it is to survive in this environment (Njuguna-Kinyua et al., 2014). Thus, adopting effective employee-resourcing strategies could be a critical factor which enhances adaptation of SRBs to an increasingly complex and uncertain business environment they operate in. The ability of owner/manager of a small restaurant business to make good analysis of the unpredictable business environment by attracting and retaining critical staff is what eventually separates successful businesses from failing ones.

The theory seeks to explain how contingent factors such as political, economic, social, market conditions and technological factors influence the design and function of organisations (Islam & Hu, 2012; Badara, 2017). For example, a small restaurant business does not operate in an island, but is influenced by both external and internal factors. The external and internal business environment in which a small restaurant business operates in is likely to help in shaping its employee-resourcing strategy. The Employee-resourcing strategy is likely to become more efficient when it is linked to the external and internal environment of the business. This view is shared by Kinnie & Swart (2013) who argue that, for HR practices to be effective, there is need for them to closely fit within the external and internal environment of the organisation. The approach further asserts that HRM policies must be synergistic and consistent with organisational strategy if they are to be effective. This approach holds the view that employee resourcing strategies and firm performance are influenced by the firm's environment

and circumstances (Pilbeam & Corbridge, 2010). This view is supported by Ogunyomi and Bruning (2015) who argue that the organisational context and circumstances at any particular time determine the types of strategies and policies that will be adopted in managing employees. Indeed, the adoption of certain employee-resourcing strategies by small businesses could be influenced by the contextual factors and industrial characteristics of host countries, and SRBs are no exception. In the context of this study, it is therefore possible to suggest that SRBs need to be responsive and keep pace with changes in the external environment. This ensures their survival as there is a symbiotic relationship between the external environment and the organisation.

2.6 CHAPTER SUMMARY

This chapter has reviewed the Resource Based Approach, the Human capital theory, the Flexible Firm model as well as the Contingency theory which guide the research. A critique was provided for the theories. The next chapter presents different interpretations of the term small businesses as well as the nature and impact of small businesses on economic growth and development of South Africa.

CHAPTER 3

SMALL RESTAURANT BUSINESSES IN SOUTH AFRICA

3.1 INTRODUCTION

The previous chapter explored the theories underpinning the research. Four theories reviewed are: The Resource Based View, Human Capital Model, the Flexible Firm Model as well as the Contingency theory. These theories provided an understanding of the relationship between the environment, employee-resourcing strategies and small restaurant performance. The RBV theory is the main theory that guides the research and the other three complement it. The premise behind the RBV theory is that sources of business performance reside within the businesses themselves, and these include both tangible and intangible resources. Therefore, in the context of this research, business performance can be achieved if SME owners/managers are able to identify the opportunities in the internal environment and utilise them accordingly. In addition, the Human Capital Theory gave the research an insight on the relationship between small restaurant owner/manager's education, experience and business performance. The theory also proves that further investments by a small restaurant owner/manager in education, knowledge, skills and experience have implications on the achievement of superior organisational outcomes. Whilst the Flexible Firm Model sought to explain the different employment systems that are found in SRBs, the contingency theory is also roped in to explain the influence of the external environment.

This chapter takes over from the previous chapter and presents the different interpretations of the term 'small business' from the South African point of view. The chapter also reviews the impact of small businesses on South African economy and the government support measures for the establishment of small businesses in the country. The chapter also gives an overview of characteristics of restaurant businesses in general. Lastly, the chapter more specifically focuses on SRBs in South Africa, discussing issues such as their development, contribution to GDP, characteristics, nature of employment and their challenges in the country.

3.2 DEFINITIONS AND CLASSIFICATION OF SMALL BUSINESSES IN SOUTH AFRICA

Small to Medium Enterprises (SMEs), also known as small businesses, are key to poverty alleviation, income equality, employment and sustainable economic growth (Olawale & Garwe, 2010; Chimucheka, 2013; Ngek & Smit, 2013; Eniola & Entebang, 2015, Ngary, Smit, Bruwer & Ukpere, 2014). Whilst the criticality of small businesses in addressing challenges of economic growth and employment creation cannot be underestimated, there is no unanimity on the definition of small businesses worldwide as the definitions tend to vary widely from country to country (Aigbavboa & Thwala, 2014; Coetzee & Buys, 2017; Tinarwo, 2016). The variations could be a result of small businesses being found in a wide array of business sectors. As a result, what could be defined as ‘small’ in one sector or country could be viewed as ‘big’ in another sector or country. Thus, the definition of SME tends to depend on who is defining it and from where they are defining it (Katua, Mukulu and Gachunga, 2014). Likewise, SMEs in South Africa are defined using different measures such as the number of employees and turnover bands, hence allowing variations according to the specific industry sector (Mahembe, 2011). This is supported by Fatoki (2012) who observes that staff headcount, turnover and balance sheets are some of the variables used to define small businesses in South Africa.

The South African government uses different classification methods such as ownership, headcount and formality to define small businesses. This is reflected in the 1996 National Small Business Act, as amended in 2003, which defines an SME as

“a separate and distinct entity including cooperative enterprises and nongovernmental organisations managed by one owner or more, including its branches or subsidiaries if any is predominantly carried out in any sector or sub-sector of the economy mentioned in the schedule of size standards and can be classified as a SME by satisfying the criteria mentioned in the schedule of size standards”.

The Act further defines a small enterprise as those business entities with less than 50 permanent employees, an annual turnover of less than 25 million Rands and a total gross asset value of less than 4.5 million Rands. The Act also defines a medium

enterprise as a business with less than 200 employees, an annual turnover of less than 50 million Rands and a total gross asset value of less than 18 million Rands. Coetzee and Buys (2017) in turn define an SME as a business entity with a manager/owner organisational structure with fewer than 200 employees. Thus, the commonest definition of small businesses in South Africa includes all registered businesses with less than 200 employees. For the purpose of this research, a small restaurant business or restaurant SME in South Africa will be viewed as a business entity with less than 50 employees.

3.3 THE IMPACT OF SMALL BUSINESSES ON THE SOUTH AFRICAN ECONOMY

The critical role played by SRBs on the country's economy cannot be overemphasised. Economists, business experts and policy makers are in agreement that small businesses are key drivers of economic growth through job creation and increased exports and imports (Coetzee & Buys, 2017). As the Bureau for Economic Research (BER) Note (2016), small businesses can be key drivers of economic growth, innovation and job creation. Within this understanding, the need for policy makers to grow this important sector, especially in the developing contexts where unemployment rate are high is important (Olawale & Garwe, 2010). The growth will be in tandem with the fact that SMEs in both developed and developing countries are critical for employment creation (Fatoki & Odeyemi, 2010; Ngek & Smit, 2013) because they are labour intensive rather than capital intensive, which makes them lynchpins of employment creation. Despite this role, small businesses operate in fragmented/niche markets that are often ignored by larger businesses because they are seen as not economically viable, thereby offering consumers a greater opportunity for choice (Muogbo, 2013). Thus, failure to capacitate this industry might have serious ramifications on the economic growth of any country. It can, therefore, be suggested that the need to enhance the capabilities of the SRBs and increase their sustainability in order for them to guarantee economic growth and development cannot be ignored, especially for developing countries such as South Africa.

Meanwhile, in South Africa, small businesses in the tourism industry are regarded as some of the biggest growing sectors (ILO, 2010). As Zwane et al., (2014) note, the tourism sector contributes 8.3% to the South African GDP. In fact, the hospitality industry in which the restaurant sector falls is one of the fastest growing sectors in the South African economy. As proven by the Global Agricultural Information Network (GAIN) Food Service – Hotel Restaurant Institutional South Africa HRI Sector Report (2016), the total income generated by the South African food and beverage industry increased by 11.5% in October 2014 compared to October 2013. The main contributors to this growth were take-away and fast-food outlets which contributed 15.2%, while restaurants and coffee shops contributed 11%. In view of this evidence, it is possible, therefore, to argue that investment in this industry makes great economic sense as it helps in reducing the unemployment rate in the country.

The high rate of unemployment in South Africa could be eliminated by small businesses (Ramukumba, 2014; Zengeni & Zengeni, 2012). This view is shared by Ayandibu and Houghton (2017) who observe that in South Africa, the small businesses are responsible for the creation of 75% new jobs every year. Tinarwo (2016) also argues that SMEs are responsible for the livelihood of many people in developing countries because they employ the largest number of people, thereby allowing them to have a lot of disposable income. In this context, small businesses could be seen as the panacea to the existing challenges bedeviling the country since they can help to create much needed employment opportunities (Ngek & Smit, 2013).

Small businesses also play a key role in poverty alleviation, besides being important creators of employment in both developed and developing countries (Rambe & Mosweunyane, 2017). This can be possible because small businesses (SRBs included) can significantly contribute to the general upliftment of the standard of living of people by way of employing more people than big businesses can do. For example, a research carried out by Oyelana and Adu (2015) established that SMEs play a major role in reducing poverty in South Africa. This view is supported by Ayandibu and Houghton (2017) who posit that small businesses are critical in poverty reduction. This is possible

as small businesses have the potential to produce a large number of low-income earners in the country, unlike big businesses.

3.3.1 Government Support Measures of SMEs in South Africa

The South African government is cognisant of the importance of small businesses and has instituted agencies, policies and legal frameworks that support their growth and development (Phillips, Moos & Nieman, 2014; Masutha & Rogerson, 2014).

Furthermore, the South African government has invested in the small business sector. For example, various pieces of legislation have been put in place in South Africa in order to help to regulate SMEs (National Small Business Development Act of 1996; Small Business Act No 102 of 1996; National Small Business Amendment Act, 29 of 2004). Thus, the utility of small businesses in South Africa is unquestionable and addresses some of the national challenges of job creation and economic growth and development, as highlighted in the White Paper on National Strategy for the Development of Small Business in South Africa in 1995 and the National Small Business Development Act of 1996. These Acts provide justification for the creation of three institutions which seek to address the needs of small businesses, and are supervised by the Department of Trade and Industry, namely, The National Small Business Council, Khula Enterprise Finance Ltd, and Ntsika Enterprise Promotion Agency.

As noted earlier, it can be argued that small businesses in South Africa are protected by the Small Business Act No 102, of 1996 (Ngary et al., 2014). The main objective of the act is to provide for the establishment of the National Small Business Council and the Ntsika Enterprise Promotion Agency; and guidelines for organs of state in order to promote small businesses in the Republic, and provide for matters incidental thereto. The government introduced the Ntsika Enterprise Promotion Agency which is responsible for non-financial or business development services of small businesses in South Africa (Mago & Toro, 2013). The government also established the Khula Enterprise Finance Ltd in 1996 to assist small businesses with start-up capital. The

Khula Enterprise Finance Ltd, which is an agency of the Department of Trade and Industry, avails loans and loan guarantees to SRBs. An array of loan schemes established by Khula Enterprise Finance Ltd have ensured that small businesses get access to key finance through banks, micro-credit outlets and retail financial intermediaries (Mahembe, 2011). The commercial banks in South Africa also have specialist small business divisions that facilitate financial provision to qualifying small restaurant entrepreneurs. In addition, the South African government established the Small Enterprise Development Agency (SEDA) in the Department of Small Business Development in 2004 and through the National Small Business Amendment Act (Act 29 of 2004). Its mandate is to effectively implement the government's small business strategy, design and implementation, a standard and common national delivery network for small enterprise development. It integrates all government-funded small enterprise support agencies across all tiers of government (BER Research Note 2016). The South African government took a deliberate policy to support small businesses (restaurants included) and that support is driven by its desire to increase indigenous ownership investment in the country and general national employment creation (Ngek & Smit, 2013; Phillips, Moos & Nieman, 2014; Masutha & Rogerson, 2014).

South Africa has also embarked on deliberate policies of empowering previously marginalised groups and promoting equity among all categories of people in society. The Black Economic Empowerment (BEE) (2003) and the Broad-Based Economic Empowerment (B-BEE) (2013) were created in order to achieve this very objective. These pieces of legislation in the country had the same effect of creating new economic synergies of empowering previously marginalised groups of people, the majority whom are blacks. They resulted in an exponential increase in the number of black small businesses, including restaurants, that would contribute to the economic growth and development of the country.

3.4 SMALL RESTAURANT BUSINESSES IN SOUTH AFRICA

This section gives an overview of the characteristics of SRBs in general, then specifically in South Africa.

3.4.1 Characteristics of Restaurant Businesses - An Overview

The term 'restaurant' is broad, covering a wide variety of food service operations. Durrani (2013) defines the restaurant business as all types of establishments where food is regularly served away from the home and these include formal restaurants, cafeterias, hotel dining rooms, coffee shops, taverns, family restaurants, supermarkets, speciality and ethnic restaurants and fast-food outlets among others. The restaurant business covers both large and SRBs. The restaurant business is one of the fastest growing and most vibrant sectors of many economies globally (Eravia, Handayani & Julina ,2014; Ramseook-Munhurrun, 2012; Lee, Hallak & Sardeshmukh, 2016; Jogaratnum, 2018; Oni & Matiza, 2014; Senik, Said & Khalili, 2012). This could be due to the availability of more disposable incomes for more households (Assaf, Deery & Jago, 2011). In fact, the reasons why people dine out are varied, including the desire to have food different from that served at home, to escape from boredom, be waited on and for convenience. While many other sectors face challenges, the restaurant business continues to grow and is regarded as a major source of employment (Assaf et al., 2011). Considering such growth, one can say that restaurants (both large and small) serve a critical role in the development and growth of many economies across the globe.

The main feature of the restaurant business is that it is dominated by small and medium enterprises including independently, peripheral, seasonal and family owned businesses (Lee, Sardeshmukh & Hallak, 2016; Lee, Hallak & Sardeshmukh, 2016; Akbaba, 2013). Lee et al., (2016) note that most businesses in America (80%) in the accommodation and food are SMEs employing less than 20 employees. In the United Kingdom (UK), 99% are small businesses and in Australia, 79% are also small businesses. Africa has

also experienced exponential growth in the number of small businesses in the restaurant sector (Sobaih, 2018). This proliferation of restaurant businesses can be attributed to easy of entry especially by SMEs that appeal to sole proprietors and families (Akbaba, 2013), and this is a common feature across the globe.

The restaurant business like many other services, is regarded as labour intensive rather than capital intensive, hence it is regarded as a lynchpin of employment creation (International Labour Organisation, 2010). The WTTC (2011) notes that the hospitality industry which includes restaurants, is expected to create more than 1709000 jobs (10.7% of total employment) by 2021 worldwide. This is not surprising as the restaurant business attracts a wide pool of labour with little or no experience at all, as cleaners, dish washers, cooks as well as specialists such as chefs and head cooks, waiter/waitresses, food and beverages managers among others (Heidi Shierholz, 2014). Since the future looks bright in this industry, developing countries facing unemployment challenges could be leveraging opportunities availed by this industry (Sobaih, 2018). At the same time, the SRBs in both developed and developing contexts are inherently volatile, with high failure rates (Parsa, van der Rest, Smith, Parsa & Bujisic, 2015; Lum, 2017). An empirical study by Chen and Elston (2013) on entrepreneurial motives and characteristics of small restaurant business owners in China established a high failure rate of 90% in their first year. The researchers attributed the high failure rate to lack of education by the owner/manager. This is confirmed by Jogaratnum (2018) who observes that the success of small restaurant businesses is contingent upon the persona of the individual owner. This view is also supported by Young-Thelin and Boluk (2012) who argue that the adoption of HR systems needed to drive hospitality industry depend heavily on the background of owner/manager, yet most owners/managers were not keen to engage in training and development of their workforce which they considered to be expensive.

The restaurant business faces a lot of challenges from the large number of small restaurant operators and very low barriers to entry (Assaf et al., 2011) and any service failure can have dire effects on its survival. Restaurant experiences are composed of

several service stages beginning with a greeting from the host, being assigned a table, ordering, receiving and consuming food, paying the bill and exiting (Namkung & Jang, 2010). Service failure could occur at any of the stages of service encounter, hence due care is needed. Service quality becomes a key factor as it influences customer satisfaction in the restaurant business (Nguyen, Nisar, Knox & Prabhakar, 2018). Indeed, the success of the restaurant business is dependent upon the quality of service, since dining is predominantly a social event where waiters are expected to be friendly-as signified by a warm smile-and accuracy (George & Jones, 2012; Kim et al., 2012). This implies that qualified personnel including chefs and servers with highly polished skills are required in this business. According to Ramseook-Munhurrun (2012), the success of a restaurant business is contingent on the following three components: good food, good service and a pleasant setting, which are delivered by an organisation's human resources. Unfortunately, research shows that the hospitality industry is highly competitive, making it difficult for small businesses to compete for labour with big organisations and attract staff possessing needed culinary skills. This is due to resource paucity and lack of keenness by employers to invest in developing their workforce (Jordanova, 2011; Young-Thelin & Boluk, 2012; Hassannia, Rezapouraghdam & Darvishmotevali, 2016). Furthermore, a relatively high proportion of the hospitality workforce is employed in elementary low skilled jobs, such as dishwashers, cooks, cleaners (Mohsin & Lengler, 2015). The restaurant business also has a significant number of young people and women who act as transient labour, as little or no prior experience or qualifications may be required (Vettori, 2015). These employees are vulnerable to fluctuating and inconsistent earnings with little access to benefits, and this could be the reason why there is a high staff turnover in the restaurant business.

The restaurant business typically has the highest turnover rate in the hospitality industry (DiPietro & Bufquin, 2018). This could be due to the fact that the small restaurant business offers some of the world's lowest wage jobs with little access to benefits and career advancement, irregular and unsociable hours, and these combine to create a poor recruitment image for the restaurant business. This is affirmed by ILO (2010) in the observation that the nature of employment in this business where employees are

engaged as on-call, casual, temporary, seasonal and part-timers subjected to low wages, long working hours and schedules, frustrates the workforce, resulting in a high staff turn-over rate. Furthermore, the use of casual, part time and contractual waiters to lower administration costs is widespread in most hospitality businesses (Young-Thelin & Boluk, 2012) including small restaurant businesses. For example, an empirical research carried out by Haley-Lock (2012) established that only four out of 15 restaurants in the USA engaged more than half of the waiters as full-time, while the rest had part-timers as a strategy of avoiding benefits eligibility. Similarly, a study by Sobaih, Coleman, Ritchie & Jones (2011) indicates that UK hospitality industry relies more on part-timers rather than full-time staff as a way of cutting costs although this may have an impact on service quality. Based on this evidence, one can therefore suggest that, the prevalence of the small restaurant business' transient labour which is inexperienced and underqualified has the potential to limit its ability to deliver a consistently high-quality customer service. However, an empirical research conducted by Sobair (2015) in the hospitality industry in Egypt established that the industry had many employees possessing high qualifications and skills and satisfied with their pay and working conditions. The researcher also noted that the industry was able to attract many highly skilled individuals who considered it as a long-term career. This was attributed to the high rate of unemployment which is prevalent in most developing countries (Sobaih, 2015). It could also be confirmation that it is wrong to treat hospitality employees as a homogenous group.

3.4.2 Small Restaurant businesses in South Africa

The restaurant business (both small and big restaurants) has enjoyed a significant growth rate in South Africa. This is supported by Reportlinker (2017) who indicates that the South African restaurant, fast food and catering sector generated revenue of more than R57, 25 billion in South Africa in 2016. According to the Global Agricultural Information Network (GAIN) Report (2016), foreign visitors spend approximately US\$30 per day on food and beverages during their trips to South Africa. This shows the criticality of the restaurant business as a foreign currency earner in South Africa, contributing significantly to the country's economic growth and development. It can be

argued that, it could be prudent for South Africa to invest in this sector as that would play an integral part in the growth and development of the tourism industry. Among the key drivers of the tourism sector are visitors who spend a lot of money on food and beverages during their stay in South Africa (Zwane et al., 2014; Zengeni & Zengeni, 2012).

Stats SA (2013) defines restaurants (whether small or large) as those enterprises which are involved in the sale and provision of meals and drinks ordered from a menu, and prepared on the hospitality premises for their immediate consumption while the consumers are seated. The South African restaurant business is represented by the Restaurant Association of South Africa (RASA), which is a coalition of eating and drinking establishments. Membership is drawn from fast-food outlets, independent restaurants, coffee shops, casual dining establishments, hospital canteens, quick service restaurants, mobile restaurants and major franchise groups.

The different restaurants in South Africa (small and large) all provide convenient meals as there is a shift in the lifestyles of the people of South Africa and the general growth in the disposable income (Oni & Matiza, 2014). Senik, Said and Khalili (2012) attribute the sharp increase in the number of people who visit fast-food restaurants, fine-dining or casual-dining eateries, to the fast-paced and busy life style schedules of people in South Africa. On the other hand, Oni and Matiza (2014) attribute the growth of fast food consumption in South Africa to the growth of the black middle class with an increased household income and the participation of South African women in the labour-force. Whilst the growth in customer base of restaurants grows, the level of competition is also high among members in this industry, from retail chain stores, to supermarkets and convenience stores which also offer ready-made food (Senik et al., 2012). Despite this competition, the GAIN Report (2016), still contends that the South African food and beverage industry has grown exponentially, despite the recent global economic recession. What this means is that, the restaurant business is a major contributor to the South African economic growth and development.

The contribution is more prevalent in provinces such as the Free State, which is the most centrally located province of South Africa with a population of approximately 2.9 million, which is about 5.7% of the total population of South Africa (OECD, 2012). With such high population, the importance of the restaurant business for to the province's provincial economic growth and development cannot be under-played. Free State province has very beautiful notable tourist attraction areas, such as Bloemfontein, Clarens, Bethlehem, Ficksburg, Harrismith and Parys, each with a unique character of its own. Tourists and local people intending to get the most out of South African food can easily access restaurants dotted around the province. Taking advantage of this, the Free State Province has developed numerous institutions and agencies that support small businesses in all sectors to access financial support. For example, the Free State Development Corporation (FDC) contributes significantly to the economic growth and development of the Free State Province through funding support to co-operatives and small businesses. SRBs in the Free State province can also access start up loans, business expansion loans and business takeover finance from the FDC (Free State Business Report, 2014/2015). However, despite the recognition of the criticality of the restaurant sector in advancing South African economic growth, development and employment creation, there has been very few, if any, detailed and comprehensive studies of employee resourcing in SRBs in the Free State Province.

3.4.3 The nature of employment in the small restaurant businesses in South Africa

The nature of employment prevalent in the small restaurant business in South Africa, sources and type of labour are critical to comprehend because restaurants create many employment opportunities (Welter, 2012). According to the ILO Report (2010), restaurants employed a total of 3.1 million people in 2008, and contributed more than 13.5% in value-added GDP in South Africa. The small restaurant business, however, is seasonal, rendering it labour intensive especially during peak holiday seasons when the majority of guests and customers utilise their services (Vettori, 2017). Thus, the sector

depends heavily on its human resource in delivering quality services to consumers, which is different from manufacturing industries.

As mentioned previously, the seasonal nature of the small restaurant business renders it labour intensive (Vettori, 2017). The labour intensiveness of the restaurant business, according to Jinnah & Cazarin (2015), makes the employees make or break the success of restaurant businesses as they become part and parcel of the whole intangible product range and are at the heart for excellent and prompt service delivery. Coupled with this labour intensive nature, the small restaurant business in countries like South Africa, is characterised by irregular and increased working hours during holiday periods as consumers demand services, mostly after normal working hours and almost around the clock (Makumbirofa & Saayman, 2018). This situation exposes the small restaurant business to unstable employment, casualisation of labour, low job status, long anti-social working hours and low pay and in some instances, litigation cases pertaining to employment issues (Jinnah & Cazarin, 2015). All these challenges make employee resourcing for this business a complex issue.

Casualisation of labor characterises the nature of employment in the restaurant business (Lee & Chen, 2013). This nature of employment is viewed as a way to minimise on labour costs, especially in South Africa where literature reports that South African restaurants are known for attracting a large number of part-time and casual unskilled workers who are outsourced and operate on fixed-term contracts (Makumbirofa & Saayman, 2018; Taal, 2012; Vettori, 2015). The strategy of fixed-term contracts is exacerbated by the informality of the small restaurant business described by Taal, (2012) as characterised by permanent employees working side by side, often performing work of equal value with those engaged on temporary basis. Taal further argues that, the nature of this informality has caused the pool of permanent workers to continually shrink and be replaced by a growing worker base of fixed-time contractors, casuals and temporary, scheduled and outsourced workers (ibid).

The nature/type of labour in the small restaurant business is generally perceived to be low skilled and temporary, thus, sources of potential labour are ubiquitous especially in South Africa where there is a high unemployment rate (Olawale & Garwe, 2010; Fatoki, 2011). This view is supported by Vettori (2017) who notes that, the hospitality industry in South Africa is flooded with informal work. Therefore, workers are exposed to low wages, irregular working hours and lack of job security. Literature reports that the main target for labour in the restaurant business includes women, young people, students and minority groups who are attracted by a desire for an income and not necessarily because of passion for the job (Makumbirofa & Saayman, 2018). All these are in turn susceptible to heavy exploitation. This could be the reason why there is high staff turnover in this sector (Taal, 2012) as workers do not stay for long. Furthermore, the small restaurant business heavily relies on migrant workers (Jinnah & Cazarin, 2015). This view is also supported by Vettori (2017) who observes that the restaurant business in South Africa is popular with immigrants who are desperate for an income. Vettori further quotes the South African Government News Agency report of October 2017 where the then Home Affairs Minister, Malusi Gigaba, stated that: 'immigrants from neighbouring countries such as Zimbabwe, Malawi and Mozambique are more likely to be engaged in precarious working environments such as restaurants more than local South Africans as they are forced by circumstances to accept any type of job that comes their way'. Likewise, according to a research undertaken by Vettori (2017), employers in the hospitality industry in South Africa opt for foreigners as they are not provided with written contracts of employment and they can change and impose conditions of service with impunity. Thus, desperation forces the illegal immigrants to accept exploitative jobs since they do not enjoy protection (do not qualify as workers) in terms of labour laws of the country.

3.4.4 Constraints faced by the small restaurant business in South Africa

The South African restaurant business today faces a myriad of challenges that can negatively affect their growth and development. These include rigidity of the labour laws, lack of competent human capital, inadequate financing, high incidents of crime and violence, unfavourable regulatory environment, high levels of informality and

bureaucracy, lack of business skills and weak trade unions (Fatoki, 2014; Chimucheka, 2013; Mago & Toro, 2013).

3.4.4.1 Rigidity of labour laws

In South Africa, examples of the labour regulatory frameworks that have an effect on employee resourcing in the small restaurant business are the Labour Relations Act, Basic Conditions of Employment Act, the Employment Equity Act, the Occupational Health and Safety Act, and the Compensation for Occupational Injuries and Deceased Act. These labour laws are regarded as rigid and constrictive to the growth and expansion of restaurant businesses as they discourage flexible hiring and firing of staff (Chimucheka, 2013). In the same vein, the Department of Trade and Industry (DTI) (2010) observes that, the labour market in South Africa is rigid and over-regulated and this tends to constrain job creation and employment. This observation is supported by the 2013/2014 Global Competitiveness Index Report which ranked South Africa 147th out of 148 countries for rigid hiring and firing practices and 148th for employer-labour relations. For example, rigid labour laws in South Africa tend to make it difficult for small businesses to attract skilled labour and release unwanted labour as the process is cumbersome and costly (Cant & Wiid, 2013). Thus, there seems to be no incentive by small restaurant business employers to create employment when the costs of terminating the employment contracts are just too high. This is further compounded by the fact that, small business owners/managers lack skills and expertise to deal with complicated legal and procedural requirements in terminating contracts of employment (Chimucheka, 2013). Based on this evidence, one can therefore assert that, rigid labour laws in South Africa act as barriers and obstacles to employee resourcing in the small restaurant business as they tend to create a great disincentive to hire and fire labour.

3.4.4.2 Lack of capital

Despite the contribution to economic development and growth, restaurant business failure rate is still very high (Hove & Tarisai, 2013; Mbonyane & Ladzani, 2011). According to Olawale and Garwe (2010), 75% of all new small businesses (small restaurant business included) in South Africa fail in their first year of existence,

suggesting that there is need for more early-stage financial and other support to SRBs. Availability of financial resources remains a critical factor in ensuring that small businesses are a success, restaurants included (Ayandibu & Houghton, 2017, Chimucheka, 2013), as owners/managers' ability to access enough finances has the potential to grow the business through attracting and retaining key staff. However, the restaurant sector seems to face some challenges in accessing financial capital that is needed for their success. As Mahembe (2011) notes, most SMEs in South Africa especially informal ones are failing to access capital to finance their businesses. Likewise, according to Lai, Saridakis and Johnstone (2017), the lending institutions require higher risk premiums to hedge themselves against risky lending associated with small businesses. One can, therefore, infer that, financial resource paucity has some implications on employee resourcing in the small restaurant sector as it might incapacitate them from attracting skilled and experienced staff and also retain human resources through a competitive salary. Lack of financial resources could be the reason why employees in this sector are vulnerable to fluctuating and inconsistent earnings (Vettori, 2015). In other words, one may surmise that without capital, the small restaurant business may be forced by circumstances to settle for inexperienced and low skilled staff who are disillusioned with poor working conditions and low pay, and lack passion for the job (Makumbirofa & Saayman, 2018). This situation is likely to have negative implications on the small restaurant business' bottom-line, suggesting that limited working capital could be standing in restaurant businesses' way to effective design and implementation of proper employee-resourcing strategies.

3.4.4.3 High Incidents of Crime and Violence

Compared to large organisations, small businesses' performance tends to be more affected by high rates of crime and violence (Mboniyane & Ladzani, 2011) as meagre resources which could have been used to remunerate staff are diverted to safeguard the business. South Africa has experienced many cases of crime and violence which can be attributed to historical imbalances of access to economic benefits by all the people (Chimucheka, 2013). Crime and violence in South Africa manifest in the form of public demonstrations or protests against poor service delivery, violence against

foreigners, cash heists, murder cases, and a lot of crimes against privately owned property, such as robberies and carjacking (Ayandibu & Houghton, 2017). In May 2008, South Africa experienced one of its worst xenophobic attacks directed at foreigners living in settlements normally residence of the poor (Abrahams, 2010). A lot of people died in the ensuing violence and many were permanently displaced from those areas of settlement. This made it difficult for immigrants to report for work as they feared for their lives. Some researchers have reported that crime and violence have greatly affected operations of some small businesses in South Africa (Olawale & Garwe, 2010, Ngary et al., 2014, Mthimkhulu & Aziakpono, 2015), SRBs included. For others such as Mbonyane and Ladzani (2011), high incidents of crime and violence in South Africa affected small restaurant business' bottom-line operations as they left employees injured or traumatised. This is likely to pose challenges for employee resourcing in those areas where violence and crime are rampant as skilled employees shun them, and this has implications on small restaurant business performance. For example, small businesses in South Africa are incurring huge costs to safeguard, not only goods, but customers, due to the high crime incidents (Cant & Wiid, 2013; BER Research Note, 2016). This implies that money which could have been used to staff develop employees and attract knowledge employees who could add value in the small restaurant sector is being used to safeguard property. It is therefore possible to argue that, the South African government may need to come up with strategies that help to curb crime incidents and improve South Africa's vision of being a safe place to invest in. When this happens, it may also allow the small restaurant sector to concentrate more on honing employee skills through training and development in order to improve organisational performance.

3.4.4.4 Lack of business skills

Insufficient management skills have been cited as some of the main challenges affecting the performance of South African small businesses (Cant & Wiid, 2013), small restaurant business included. In addition to this, there is generally lack of sound managerial competencies, such as analysis of business environment and decision making by owner/manager who make judgmental errors which are rather costly and

ultimately contribute to the high failure rate (Chimucheka, 2013). Therefore, it can be argued that, owners/managers who lack the necessary business acumen are more likely to be prone to attracting the wrong people for the business jobs (Fatoki, 2014). This may have a negative impact on critical organisational outcomes. For an example, many small restaurant business managers who lack employee resourcing skills may end up recruiting their own relatives instead of hiring qualified staff (Nzozzo & Matashu, 2014). Thus, lack of managerial competencies is seen as contributing to the failure to employ using the correct resourcing business strategies. As Chinomona (2013) asserts, some small business owners/managers deliberately falter in terms of employing resourcing methods, to the extent that their employees are denied an opportunity to go for training, fearing that they may later on challenge them about their conditions of service after acquiring new skills. In this regard, the need for up-to-date training programmes for small restaurant owners/managers to increase their entrepreneurial skills cannot be ignored.

3.4.4.5 Weak Trade Unions

The small restaurant business in South Africa does not have vibrant trade unions and is known for employing mostly unskilled women, young people, immigrants and students as workers whom they exploit by giving short contracts (Taal, 2012). The prevalence of outsourcing and use of labour broking in the restaurant business in South Africa has exacerbated the problem due to the precarious nature of work (Vettori, 2015). Such employees cannot successfully challenge the authority of their employers and are prone to the vagaries of unfair labour practices. Benefits such as pensions, bonuses and job security, which are normally enjoyed by their big business counterparts elude workers in the hospitality sector (Vettori, 2017). In any case, most small business owners/managers are known to end up engaging their relatives who might not choose to join trade unions because of the paternalistic employment relationship referred to above (Nyamwanza, 2014). In line with this argument, it might not be possible for the employer and employees to have a dysfunctional relationship as they share the same values, aspirations and interests. Asiedu-Appiah et al., (2013) established that most employees of small businesses in Ghana were recruited through family ties and friends.

The same could be said about the SRBs in South Africa, as family ties and not competencies could be the main considerations in recruitment of staff. For example, Nzozzo & Matashu (2014) note that recruitment and selection in small businesses in South Africa is done along family lines and referrals as small businesses do not have clear policies and procedures. The researchers further observed that small business owners are sceptical about recruiting outsiders to join their businesses as a way of protecting their business secrets. One reason for this scenario could be that the small restaurant business requires varying degrees of skills and allows for quick entry into the workforce for unskilled or semi-skilled young people who are engaged under poor working conditions without any contract of employment (Vettori, 2017). From this observation, it can be concluded that the SRBs in South Africa are likely to lose out on creativity. This prevents new blood with innovative and dynamic ideas from entering the organisation if small businesses continue recruiting from within – as this might promote inbreeding at the expense of performance and growth.

3.5 CHAPTER SUMMARY

This chapter has reviewed the literature related to the small business sector in South Africa. Literature on restaurant businesses in South Africa suggests that they are critical for economic growth and development in the country. The nature of current workforce of the small restaurant business in South Africa was explored as well as challenges being faced by the restaurant business in South Africa.

The next chapter focuses on environmental factors influencing the adoption of employee-resourcing strategies in small businesses in general, and also on the internal and external environmental factors influencing small businesses (including small restaurants) in South Africa.

CHAPTER 4

ENVIRONMENTAL FACTORS AND EMPLOYEE-RESOURCING STRATEGIES AMONG SMALL RESTAURANT BUSINESSES

4.1 INTRODUCTION

The previous chapter explored the definition and different interpretations of the term small businesses from the South African point of view. The influence of SRBs on South African economy and the government support measures for the establishment of SRBs were also explored. The small restaurant business contribution to economic growth and development in the country was interrogated as well as its characteristics and challenges faced.

This chapter gives an overview of the internal and external environmental factors influencing adoption of employee-resourcing strategies among SRBs. The internal and external environmental factors influencing adoption of employee-resourcing strategies for small business performance (including small restaurants) in South Africa is then highlighted.

4.2 GLOBAL OVERVIEW OF THE INTERNAL AND EXTERNAL ENVIRONMENTAL FACTORS INFLUENCING ADOPTION OF EMPLOYEE-RESOURCING STRATEGIES

There are key features in the operating environment, such as liability of smallness, labour laws and resource poverty that could exert an influence on the adoption of certain employee-resourcing strategies in small businesses (Jordanova, 2011; Ogunyomi & Ojikutu, 2014). Based on this evidence, there is need for SRBs to take appropriate responses to address the demands of these internal and external factors in the operating environment. This is important, given the observations by Kraja and Osmania, (2015) who claim that responding to demands from the environmental factors is necessary in guaranteeing business performance as they have the potential of affecting the different aspects of the business. In SRBs, performance could be

incumbent upon the owner/manager keeping track of the environmental factors that have a bearing on performance of the businesses in order to make important decisions and strategic plans for the future.

Several documented evidence across the globe from selected continents and countries provides cases of internal and external factors influencing small businesses in terms of the adoption of employee-resourcing strategies and subsequent business performance. The evidence is given below. The choice of continents and countries reviewed was informed by the availability of literature. It is anticipated that, an understanding of these factors may provide key lessons on the adoption of specific employee-resourcing strategies and related performance levels that could be applicable to SRBs in different parts of the world.

4.2.1 United Kingdom

In the UK, Doherty and Norton (2013) investigated on the characterisation of HR practices in SMEs as well as drivers for adopting the practices. The research established that internal environmental factors such as size, market position, ideology of the managing director and energy of the HR champion were key drivers of good HR practices in small businesses in the UK. The finding demonstrates that, a restaurant SME's internal factors are critical in informing employee-resourcing strategies in small businesses in the UK. Galabova and Mckie's (2012) work makes significant contributions, in exploring SME managers' understanding of and attitudes towards human capital and wellbeing, and their contribution to small business performance in Scotland (UK), Finland and Bulgaria. The researchers identified knowledge, skills and experience as key elements of human capital. Galabova and Mckie further propose that, employees' soft skills and attributes were more critical for the realisation of important organisational performance. Failure to harness these skills and attributes were found to hinder an SME's ability to realise its full potential. Based on this, it can be suggested that, owners/managers of SRBs might need to build on their competence and experience as they are important for SME growth and development. Restaurant SMEs may also need to adopt staff retention strategies such as availing a competitive salary to

their employees so that they may continue to leverage their skills and attributes. However, absence of formal employee resourcing practices in SRBs could be their undoing. For example, Bryson and Forth (2018) carried out a research on the impact of management practices on small business performance. The researchers noted that, formal management practices were less common in small businesses than in larger firms, but such formal practices were found to yield positive results for those SMEs which embraced them. As a result, it can be argued that, the adoption of formal employee-resourcing strategies in SRBs depends on owner /manager's understanding and appreciation of the contributions of human capital to the small business' bottom line. This is affirmed by Bryson & Forth (2018) who also indicate that, small businesses that invested in human resource management practices such as training and performance related pay enjoyed positive growth and increased productivity.

In Scotland, external environment was found to have an effect on employee resourcing in SRBs of minority groups. For example, Rahman, Ullah, and Thompson (2018) investigated on challenges and issues facing ethnic minority small business owners in Scotland. The research was done in the restaurant sector where there is a large concentration of minority ethnic entrepreneurs. Small restaurant owners/managers in Scotland indicated problems with the regulatory environment which was making it difficult for them to have access to labour through the tightening of the Post Study Work (PSW) visa. Access to funding has also had a profound effect on these entrepreneurs. These challenges had implications on staff attraction and retention in small businesses. These findings are in line with Jordanova's (2011) observations that, liability of smallness had implications on accessing capital, observing tax laws and government regulations, competing for labour with big organisations as well as failure to recruit employees.

4.2.2 Turkey

Karadag (2015) investigated on challenges facing SMEs in Turkey. The research reveals that internal factors such as low levels of technology, financial resource paucity and quality of human resources were some of the factors affecting human resource

management activities, employee resourcing included. Similarly, a research by Çetinel, Yolal and Emeksiz (2008) acknowledges the important role played by small businesses in Turkey in employment creation. The research however noted that, most small businesses including restaurants, lacked formal HRM practices, resulting in lack of professionalism. The researchers recommended financial support and training of owners/managers to hone their managerial skills and also to appreciate the criticality of employee resourcing in guaranteeing the realisation of important organisational outcomes. Other internal environment hampering small businesses' efforts to formalise their employee-resourcing strategies as Nurrachmi, Samad and Foughali (2012) discovered, were access to finance, bureaucratic constraints, lower workforce and turnover. Altun (2017) investigated the determinants of the export performance of SMEs in Turkey. The research focused on factors which impact the performance of small businesses exporting to Europe and Middle East. The research established that, internal factors such as availability of capital and managerial competency in the firm, and managerial levels had a positive effect on export activities. However, Altun also notes that, external factors such as economic, social and cultural environments were to blame for low export performance of SMEs in Turkey as they impede their ability to hire competent staff. The research also observed that external factors such as technological and political environment had a positive effect on export activities as political stability allows small businesses to plan and implement their strategic plans, including workforce planning.

4.2.3 Indonesia

A research carried out by Echdar and Si (2013) in Indonesia on the effect of internal and external environment on human capital development established that external environment (political, economic, technological, demographic and social) had a positive and significant influence on the planning and management of human resources, education and training and development of human capital, but had no effect on the increase in employees. Similarly, Rizal and Kholid (2017) assert that external factors such as legal and regulatory framework, access to external funding and human resource capacity, had a positive effect on small business performance in Indonesia. In

the context of this research, it is possible to argue that adoption of employee-resourcing strategies and performance in SRBs in Indonesia could be dependent on its external environment as it influences business operation.

Echdar and Si (2013) also established that the internal environment such as human resources, competencies, availability of facilities and work adjustment skills had a positive and significant impact on planning and management of human resources, education and training and the development of human capital. In a similar research, Indris and Primiana (2015) also reaffirmed a positive and significant effect of the internal environment on the performance of small and medium industries, including restaurants in Indonesia. Similar findings were made by Rizal and Kholid (2017) who investigated on the influence of external and internal factors on business performance in small businesses in the food and beverages sector in Batu City of Indonesia. The research indicates that, internal factors such as entrepreneur characteristics, management capacity, marketing skills and technological capacity positively and significantly affect performance of small businesses in Indonesia.

4.2.4 Pakistan

A research conducted by Hyder and Lussier (2016) on why small businesses in Pakistan succeed or fail indicated that internal factors such as employee resourcing, business planning, adequate capital inflows and partnerships were critical for the success of small businesses in Pakistan. Along the same lines, Noreen and Junaid (2015) investigated internal factors influencing the growth of small and medium enterprises in Pakistan. The research revealed that managerial competencies, marketing, technology and lack of skilled manpower were some of the challenges facing SMEs, including restaurants. These researches indicate that, small businesses are likely to face challenges in realising important organisational outcomes if they do not respond positively to certain internal environmental issues such as availability of skilled human resources. In consonance with this observation, Shafique, Rizwan, Jahangir, Mansoor, Akram and Hussain (2013) note that small businesses in Pakistan cannot flourish without a good pool of human resources and the ability to retain them. These

findings corroborate findings in Indonesia and Europe which show a positive relationship between the environment, employee resourcing and small business performance.

4.2.5 Nigeria

In Nigeria, a research was conducted by Adeola and Ezenwafor (2016) which sought to explore issues and challenges plaguing the restaurant sector in Lagos. From this research, there is evidence that the internal environment of the hospitality industry such as lack of business and management skills, and resource poverty has an effect on the supply of skills and financial performance of restaurant businesses. To this effect, Adeola and Ezenwafor recommended the establishment of strategic partnerships between government agencies, hospitality colleges and hospitality business owners, with the goal of producing a skilled workforce within the hospitality industry. In a related research, Adisa, Osabuley, Gbadamosi and Mordi (2017) investigated on challenges of employee resourcing in Nigeria. The research established that internal factors such as favouritism, ethnicity, corruption, age and gender discrimination among others significantly inhibit staff attraction in Nigeria. These findings are ample evidence that adoption of employee-resourcing strategies is dependent upon the organisation's internal environment. Although the research was not done in small business environment per se, small businesses in the restaurant sector might learn lessons from the results, neutralising the afore-mentioned challenges which inhibit staff attraction, so that they leverage on achieving important organisational outcomes.

There is also evidence of external factors like political, economic, social and technology positively influencing small business performance in Nigeria. For example, Alkali and Isa (2012) investigated on the influence of external factors on the performance of small manufacturing enterprises in Nigeria. The research established capital access and government support as critical factors affecting the growth and performance of small businesses. Similarly, Obasan (2014) investigated on the impact of business environment on the survival of small-scale businesses in Nigeria, and the research submits that, competition, inflationary policy, infrastructural facilities' accessibility and

income were some of the challenges faced by small businesses. In a related research, Oginni and Adesanya (2013) observed that factors such as electricity, competition, technology, infrastructural facilities, capital, government policies, organisational policies, financial credits and fraudulent practices had a direct significant effect on the survival and growth of business organisations in the manufacturing sector of Lagos. Although Oginni and Adesanya's research did not specify whether the business was small or big, the findings can be linked to all sizes of businesses since what happens in the external environment affect all types, sizes and shapes of organisations. As such, an understanding of the external environment by small restaurant business owners/managers has the potential of equipping them with the right tools to identify threats and opportunities, and possibly craft appropriate employee-resourcing strategies needed to achieve business growth and development.

4.2.6 Kenya

In Kenya, research on factors influencing the growth of small-scale restaurants in Nakuru, Nyoike, Langat, Karani and Lagat (2014), internal factors such as cleanliness, fresh food and location were identified as key drivers of growth in terms of headcount, turnover and expense. This is not surprising since the restaurant business being a service sector depends on its labour to deliver quality services like cleanliness which attracts customers (Kusluvan et al., 2010). SRBs may, therefore, need to employ employee-resourcing strategies that attract employee skills with a market value needed for the realisation of organisational goals. This is corroborated by, Shiamwama, Ombayo and Mukolwe (2014) who investigated the internal factors affecting the performance of businesses of retirees in Kakamega municipality, Kenya. The research established that, lack of proper human relations skills to attract and retain customers accounted for small business performance. In addition to lack of human relations skills, Shiamwama, Ombayo and Mukolwe cite financial stability, physical and mental strength, family base and entrepreneurial strength as some of the factors responsible for poor performance. Similarly, Njoroge and Gathungu (2013) investigated the effect of entrepreneurial education and training on the development of small and medium size enterprises in Githunguri district, Kenya. The researchers established that, lack of

training on financial strategic management and marketing had a negative effect on SME bottom-line. However, small restaurant business owner/manager possessing such skills tend to perform better. For example, Adisa, Abdulraheem and Mordi (2014) pointed out that, businesses have the potential to succeed if owners/managers are better skilled in human resource management, employee resourcing included.

Ombongi and Long (2018), in exploring external factors affecting financial performance of SMEs in the manufacturing industry in Kenya, ascertained a direct relationship between firm performance and external factors such as bank credit, technological costs, GDP and growth in the number of SMEs and employee costs. The researchers also noted that, there was a positive relationship between economic growth and SME performance in Kenya. In a related research, Kamunge, Njeru and Tirimba (2014) revealed that access to capital and government policy and regulations were impeding small business growth in Kenya. Kamunge et al., further observe that, government policy and regulations had the effect of impeding the growth and expansion of SMEs as they fail to access capital from mainstream commercial banks, leading to failure to attract and retain workforce with requisite skills. An understanding of these internal and external factors by SRBs has the potential to better equip them so as to achieve important organisational outcomes.

The above sections reviewed literature on the influence of internal and external factors on the adoption of employee-resourcing strategies in small business performance from an international perspective. The findings shade light on factors which inform adoption of employee-resourcing strategies in small businesses, including restaurants and also the relationship between internal and external environment and business performance. The findings are in sync with Ogunyomi and Bruning (2016) who posit that, the organisational context and circumstances determine the employee-resourcing strategies and human resource policies needed to manage its workforce. This conforms Kinnie and Swart (2013)'s view that, for HR activities and functions (employee resourcing included) to have greater effect on important organisational outcomes, a close fit with both the internal and external environment is needed. Thus, empirical studies across

the world consistently conclude that both internal and external environmental factors have implications on the adoption of employee-resourcing strategies in small businesses. Based on the empirical evidence above and within the context of this research, it is possible to assume that, SRBs in South Africa are experiencing the same environmental challenges. However, it would seem to be a naïve assumption that environmental factors influencing adoption of employee-resourcing strategies in restaurant SMEs are uniform globally. For example, Adeleye (2011) cautions that, paucity of research on Africa has resulted in many misunderstandings as there is a tendency of regarding Africa as one homogenous group, without taking into consideration the legacy of European colonisation, economic development, cultural as well as differences in technological advancement. As such, among African countries, the environmental factors affecting employee–resourcing strategies in SRBs cannot be conceptualised as similar.

4.3 INTERNAL AND EXTERNAL ENVIRONMENT AND EMPLOYEE-RESOURCING STRATEGIES IN SOUTH AFRICA

Česynienė, Diskienė and Stankevičienė (2013) argue that, human resource management activities and functions in any business do not take place in a vacuum; their content and form are affected by various internal and external factors. This view is supported by Pilbeam and Corbridge (2010) who suggest that, employee resourcing activity is contingent upon the organisation’s internal and external environment. However, the external and internal factors affecting employee resourcing may differ across provinces. Therefore, exploring the internal and external environmental factors affecting the adoption of employee-resourcing strategies for business performance and employee-resourcing activities and functions of restaurant SMEs in South Africa might highlight the challenges and/or opportunities in the country. It is assumed that an understanding of these factors may help prepare the SRBs to effectively deal with the factors.

The internal environment can be divided into two aspects-individual and institutional influences, and the organisation can manipulate these factors to suit its objectives as it has control over them (Orogbu, Onyeizugbe & Chukwuma, 2017). Firstly, there are individual influences such as owner/manager's expertise, experience and educational level. The second set of internal factors are business ownership, firm size, established legitimate practices, lack of adequate capital and competent human capital. All these are assumed to shape the decisions to embrace sound employee-resourcing strategies, culminating in increased business performance. While the endogenous factors that determine employee- resourcing strategies and increased performance in SRBs are manifold, for the purpose of this research, only owner's expertise and experience, business ownership, firm size, workforce-skills mix and established legitimate practices are examined in subsequent sections of this chapter, to establish their effect on adoption of employee-resourcing strategies and performance of SRBs. These factors were chosen for this research because extant literature cites them as crucial in determining firm performance in the hospitality industry (Kapiki, 2012; Brown, Spillman, Lee & Lu, 2014; Zapalska, Vaidayanathan & Brozik, 2012; Zhang, & Enemark, 2016).

4.3.1 Internal Environment and Employee- Resourcing Strategies in South Africa

There are factors in the internal environment which are considered to be crucial in determining the adoption of formal human resource management, including employee-resourcing strategies in small businesses in South Africa (Hung, Cant & Wiid, 2016), restaurants included. These include, among many, owner/manager's expertise and experience, business ownership, firm size, workforce-skills mix and established legitimate practices.

4.3.1.1 Owner/manager's expertise and experience

There is a high failure rate of small businesses in South Africa despite the availability of many small business programmes that provide assistance (Fatoki, 2014; Olawale & Garwe, 2010). This raises critical questions on individual owner/manager's capabilities and competencies to ensure superior organisational performance. Managerial

competencies entail sets of knowledge, skills, behaviours and attitude necessary for the survival and growth of small business (Olawale & Garwe, 2010). This is supported by Chinomona (2013) who defines managerial competencies or expertise as the knowledge, skills and abilities owned by the small business owner that potentially lead to positive performance when utilised. Lack of sound managerial competencies may culminate in the organisation attracting wrong people for the job. For example, a research carried out by Chimucheka (2013) deduced that a lack of management skills and expertise is hampering the growth of small businesses in South Africa, in terms of human resources. What this entails for restaurant SMEs is that, the planning and proper staffing of their businesses with qualified and competent employee resources requires managers' sound managerial competencies. Indeed, Neneh and van Zyl (2012) attribute the high failure rate of small businesses in South Africa to the dearth of managerial skills and lack of education and training. This resonates with Fatoki and Odeyemi (2010) who concluded that, the distinguishing feature of high growth and low growth small firms in South Africa is the education, training and experience of managers. Thus, it can be inferred that, training and skill development could be critical in ensuring the survival of SRBs in South Africa. This is supported by Nzonzo and Matashu (2014) who found out that managerial competency of South African small business owners influence the extent to which they adopt workforce planning initiatives, human resource development initiatives, formal staffing policies and procedures, which have critical implications on their growth and development.

4.3.1.2 Educational Qualifications

Owner/ manager's educational qualifications can have important implications on the adoption of employee resourcing strategies and performance of SRBs. For example, a research by Ganyaupfu (2013) in the Gauteng province revealed that, educational level and managerial competency had the highest statistically significant positive effects on small business success. This is in line with Kamunge, Njeru and Tirimba (2014)'s view that, most small business owners/managers lack sound educational background and hence are not well equipped to respond effectively to the turbulent macro-economic environment. A case in point is the research done by Chinomona (2013) that ascertain

that, due to lack of sound educational background, some small business owners may deliberately deny their employees an opportunity to go for training. This is possible because restaurant SMEs owners/managers might fear that, if they invest in training and development of their employees, they will challenge the way they manage their business or even leave the organisation after acquiring new skills. However, it should be noted that, workers do not stay in those organisations where there are no training opportunities, and SRBs are the most affected. For example, Hung et al., (2016) reaffirm that small businesses in South Africa have a difficulty in recruitment, training and development and retention of their employees because they do not provide training services, yet training of employees is an important ingredient for a business' success. Pittino et al., (2016) also report that, staff retention is guaranteed when the organisation engages in extensive training of their workforce.

4.3.1.3 Business Ownership

The nature of ownership of SRBs might have strong implications for business performance and adoption of formal employee resourcing strategies. This could be true in South Africa due to the fact that, most SMEs are privately owned family businesses (Gomba & Kele, 2016). Research shows that employee-resourcing strategies in family owned businesses are exposed to the arbitrary whims of family members due to fragmented reporting structures and informalised managerial processes. For example, Ogunyomi and Ojikutu (2014) posit that, recruitment in small businesses occurs informally, drawing from a network of family members, friends and neighbours, particularly for unskilled and semi-skilled labour, which is common in the restaurant sector. A research conducted by Visser and Chiloane-Tsoka (2014) on family businesses and SMEs in South Africa also reveal that businesses rarely utilise a full and complementary range of human resource practices, but rely on traditional patriarchal authoritarianism, where hiring and firing tend to be in the interest of the family rather than the business. The findings also showed that the traditional methods of recruitment and selection by family members, such as word-of-mouth method and promotions, are riddled by favoritism and nepotism. As such, appraisals are often targeted exclusively at non family members-suggesting the need to distinguish

management from ownership. This is in line with Fatoki's (2011) observation that, there is lack of distinction between ownership and control of small businesses, thus their success or failure hinges on skills and abilities possessed by the owners. Those small business owners that are able to make that distinction are assured of superior organisational performance and a longer life (Dumbu, 2018; Adisa et al., 2014). These different observations indicate that, there is generally no consistency in following laid down rules, procedures and control processes in SRBs. This contributes to a high degree of informality in how these businesses are run. Hung et al., (2016) attested to this high informality by small businesses by arguing that, SMEs rely too much on networks of highly informal personal relations. This reliance may have serious implications on their bottom line as decisions are normally made intuitively and not based on sound and rational business considerations. Most small businesses in South Africa could be failing to gain competitive advantage as owners hold onto networks of highly informal nature (Fatoki & Odeyemi, 2010). In light of this, it is possible to conclude that, the nature of ownership of SRBs has strong implications on the bottom-line as the owner/manager may end up recruiting wrong people for a job in the name of family networks.

4.3.1.4 Firm Size

Given the size and 'simplicity' of many SRBs, there is a paucity of formal employee-resourcing strategies research relating to them. According to Chipangura and Kaseke (2012), small businesses face survival challenges and close to 50% of them close their businesses in the first three years of operation due to their newness, smallness or lack of skilled human capital. Related to this evidence, Hung, Cant and Wiid (2016) argue that, while human resource activities, employee resourcing included, play a crucial role in the performance of small businesses in South Africa, their size is a major handicap as many do not have formal HR departments or professionals, resulting in their failure. Zeng and Luo (2013) assert that, small businesses have short term vision, goals and strategies because of their size and limited. This has the potential of impacting

negatively on the adoption of formal employee-resourcing strategies and business performance.

Further to the above, Hung et al., (2016)'s research on the importance of human resources management for small businesses in South Africa revealed that, firm size has significant influence on HRM practices adoption. This implies that, the implementation of HRM activities such as employee resourcing, may differ between businesses with different sizes. For example, SRBs have informal HRM structures and hierarchies which give them flexibility to adapt to changing environment, unlike bigger organisations which are inclined to develop formal HRM systems as resources are available to implement employee-resourcing strategies (Sobaih, 2018). Arguably, informal HR activities could be best suited for small businesses, suggesting that formalisation in employee-resourcing strategies may not be in their best interests (Lai, Saridakis & Johnstone, 2017). However, informality in restaurant SMEs exposes them to inconsistencies in the application of established rules and regulations (best practices) in employee resourcing, which could be costly to the business. According to Neneh and van Zyl (2012), a small judgmental error may culminate in the death of a small business without giving it an opportunity to learn from its mistakes. Thus, the size of the business might impact negatively on the adoption of employee-resourcing strategies.

4.3.1.5 Workforce-Skills Mix

The success of any business enterprise hinges on the people working there (Pilbeam & Corbridge, 2010). Organisations which invest in human capital and motivate them well are guaranteed of achieving important organisational outcomes. This is why it is important for South African small businesses to equip workers with the appropriate skills (Makumbirofa & Saayman, 2018). According to Ngary et al. (2014), incompetent human capital can adversely influence the continuation of small businesses. However, in South Africa, it may not be easy for SRBs to attract highly skilled staff as they are hamstrung financially and cannot afford to compete with big businesses, such as Nando's and KFC. They may end up settling for incompetent human capital and this might have an impact on critical organisational outcomes. Wu, Hoque, Bacon and Llusar (2015) posit

that, small businesses suffer from resource poverty which may hinder their scope to attract specialist managerial expertise critical for enhancement of organisational performance. This could be due to experiences of greater external uncertainty, which often implies that the management style in small businesses is more informal (Lai et al., 2017). Informality might have negative implications on small restaurant business performance as owners/managers may end up paying limited attention to important human resource management concerns, such as employee skills, competencies, work attitudes and commitment needed for attainment of important organisational outcomes.

From the above discussion, it is clear that there is a relationship between the internal environment and employee-resourcing strategies. Hence, to establish this relationship in the small restaurant business context, it is hypothesised that:

H₁: There is a significant effect of the internal environment on employee-resourcing strategies.

4.4 EXTERNAL ENVIRONMENT AND EMPLOYEE-RESOURCING STRATEGIES IN SOUTH AFRICA

The external business environment is crucial in the development of small businesses (Moyo & Mandizwidza-Moyo, 2017). As noted previously, small businesses contribute immensely to employment creation and poverty reduction in South Africa (Fatoki, 2011), but are operating in a turbulent and unpredictable external environment. Both big and small businesses have no control over external challenges that manifest in the political, economic, social, technological and demographic spheres (Moyo & Mandizwidza-Moyo, 2017). Indeed, exogenous factors may influence the small restaurant business' adoption of certain employee-resourcing strategies which culminate in increased firm performance. SRBs, therefore, might need to be aware of the changes in external environment when formulating and implementing strategies, if they are to survive. This is important for SMEs as the characteristics and quality of the external environment have the potential to determine whether an organisation will achieve positive

organisational performance or not (Njuguna-Kinyua, et al., 2014). The macroeconomic environment can also inadvertently constrain the growth of employment and lead to poverty through lack of job security and poor wages (Zindiye et al., 2011). This could be more pronounced in SRBs as the volatility of the macro-environment may cause more uncertainty and stress for them than in big organisations.

What follows is a discussion of the external environmental factors that have an influence on the adoption of employee-resourcing strategies in SRBs in the country. The external environment to businesses (small or large) in South Africa is considered to be important in determining the adoption of an organisation's strategies needed to achieve important organisational outcomes (Cant & Wiid, 2013). Within small businesses, which usually operate with a shoestring budget, failure to adapt to the environment may lead to business failure (Ayandibu & Houghton, 2017). As such, the following external factors, among many, are considered as impacting on employee-resourcing strategies in the country: economic, political, regulatory and social factors. The choice of these is based on previous evidence that they have an effect in any business operation (Oginni & Adesanya, 2013; Alkali & Isa, 2012; Obasan, 2014; Kraja & Osmania, 2015; Njuguna-Kinyua et al., 2014; Orogbu, Onyeizugbe & Chukwuma, 2017).

4.4.1 Economic factors

The economic environment in the context of this research, would be the totality of economic factors which exert considerable influence on the performance of small and medium scale enterprises (Orogbu et al., 2017). Previous researches have shown that economic factors such as economic conditions (high interest rates, low growth rates, high inflation rates and declining exchange rates), economic policies (fiscal, monetary, industrial and export-import policies) and the economic system of a country have a bearing on the functioning of businesses in South Africa (Chimucheka; 2013; Mahembe, 2011; Fatoki, 2011). Olawale and Garwe (2010) also submit that, economic environmental factors such as government tax revenue, exchange rate, interest rate and inflation rate have a significant negative effect on the performance of small businesses. Therefore, SRBs in South Africa may need to have an appreciation of

economic conditions, economic policies and economic system in the country, as their survival might depend on such understanding. For example, an understanding of these economic factors is critical since they are known to influence consumer spending patterns (Kotler & Keller, 2012) and adoption of formal human resource management, including employee resourcing in small businesses in South Africa (Ayandibu & Houghton, 2017; Hung et al., 2016).

Despite having the second largest economy in Africa and the biggest GDP in SADC, South Africa is still facing challenges of unemployment, poverty and low international competitiveness (Fatoki, 2011). A high unemployment rate continues to hound the South African labour market; at 27%, it is one of the highest in the world (African Development Bank, 2010; OECD Economic Survey: South Africa, 2017). The rise in unemployment rate in South Africa is due to economic slowdown characterised by weak consumer demand, falling business investment, policy uncertainty and prolonged drought (OECD Economic Survey: South Africa, 2017). The rise in unemployment in the country has the potential of influencing employee resourcing in SRBs as it creates a wide pool of job hunters who are susceptible to low wages and precarious employment (Vettori, 2017), implying low wage demands. In other words, labour becomes cheap, engaging job hunters in elementary low skilled occupations, such as cooking and cleaning, and could be the reason SRBs under-invest in staff development. In addition, these economic challenges may make it difficult for new and SRBs to thrive. This is in line with Fatoki, (2011) who observes that high interest rates, low growth rates, declining exchange rates and high inflation rates affect an organisation's ability to expand and operate and also the demand for goods and services. Additionally, OECD Economic Survey: South Africa (2017) notes that, South Africa has experienced low economic growth since 2011 due to electricity shortages, falling commodity prices and policy uncertainty resulting in stagnation of GDP per capita compared to other fast-growth emerging market economies. This could have a contagion effect on the performance of small businesses in South Africa as they are already operating at a disadvantage due to resource paucity (Fatoki, 2014; Ayandibu & Houghton, 2017). Bruwer and Van Den Berg, (2017) reaffirmed that, small businesses in South Africa

were facing both macro-economic challenges which include, inter alia, high inflation rates, high interest rates, high electricity costs and micro-economic costs, which include incompetent human resources, lack of business skills and lack of internal financial resources among others.

4.4.2 Political factors

The political system prevailing in a country has an enormous impact on the business activities and resourcing strategies of that country – and South Africa is no exception. South Africa has well established democratic institutions and a widely respected constitution which allow SRBs to flourish. Olarewaju and Folarin (2012) argue that political stability is a necessity for effective and efficient operation of the business through the attraction and retention of critical staff. South Africa is a constitutional, multiparty democracy characterised by free and fair elections since democratisation in 1994 (African Development Bank (ADB), 2010). The country enjoys political stability with the African National Congress (ANC) as the dominant political party. The party enjoys a tripartite alliance with the Congress of South African Trade Unions (COSATU) and South African Communist Party (SACP). This alliance has the effect of pushing the government to pass progressive pieces of legislation which promote labour equity and fair labour standards (Vettori, 2017), making it easy for small hospitality businesses to adopt employee-resourcing strategies needed to achieve important organisational outcomes. Since the establishment of a democratically elected government in 1994, the South African government has strived to achieve economic equality and social justice (Krüger, 2014). Policies to empower previously marginalised groups and promote equity and distributive justice in the workplace were passed. The Black Economic Empowerment (BEE) and Broad Based Black Economic Empowerment (B-BBEE) Acts were passed by the ANC-led government in 2003 and 2013 respectively to achieve these objectives.

The B-BEE Act provides the legislative framework for the promotion of B-BBEE and empowers the Minister and the Department of Trade and Industry to administer all the provisions of the Act in order to advance economic transformation and enhance the

economic participation of black people in the South African economy (Shava, 2016; Krüger, 2014; Pike, Puchert & Chinyamurindi, 2018). These affirmative action policies are meant to address past historical imbalances. These measures have culminated in the proliferation of many small businesses, creating employment in South Africa, restaurants included. More interestingly, one can suggest that the political environment can also influence adoption of certain employee-resourcing strategies by SRBs as a stable environment allows for investments in recruitment and staff retention. However, Fatoki (2011) asserts that, a stable environment with high unemployment and income inequality remains a challenge – and may result in political instability. This observation is supported by Vettori (2017) who notes that, the oversupply of unskilled labour in the South African labour market, caused by the influx of migrants from neighbouring countries working in restaurants and other sectors of the economy, culminated in xenophobic attacks witnessed in 2015 and targeting foreigners. These attacks affected small businesses, especially in the restaurant business, which are known for recruiting cheap migrant labour (Taal, 2012).

4.4.3 Regulatory factors

The regulatory environment is critical in influencing the operations of businesses (big and small) – and South Africa is no exception. The Constitution of the Republic of South Africa is the supreme law of the country and all other laws are subordinate to it. It ensures the protection of fundamental human rights and these include labour rights. Employee-resourcing strategies that a small restaurant business may need to adopt are expected to be in line with the laws of South Africa. As mentioned previously, there are also various labour laws that were introduced to regulate the employment relationship in South Africa. They cover issues like recruitment of staff, minimum wages, discrimination at the workplace, equal opportunities and fair treatment, collective bargaining, formation of trade unions, the right to strike and termination of employment contracts – among others. The main piece of legislation covering employer-employee relations in South Africa is the Labour Relations Act 66 of 1995. This Act protects workers against unfair labour practices and unfair dismissal as well as encouraging collective bargaining (Vettori, 2015). There is also the Basic Conditions of Employment Act (Act 75 of 1997),

as amended in 2002, which clearly specifies the rights and responsibilities of employers and employees. The Employment Equity Act (Act 55 of 1998) seeks to promote and achieve equity in the workplace through eradication of all forms of unfair discrimination (South Africa, 1995). The main purpose of the Employment Equity Act is to advance economic development, social justice and industrial democracy (Taal, 2012). The various labour laws in South Africa show that, the government is determined to promote social justice and industrial democracy at the workplace in both small and big businesses – and these laws influence employer-employee relations. However, these laws alone cannot eliminate inequalities at the workplace, as there are other forces that impact on these relations especially in the hospitality industry. Some of the employee-resourcing strategies employed in this sector violate labour laws of the country. For example, Vettori (2017) investigated on the exploitation of migrant labour in the hospitality industry in South Africa. The research established that, despite South Africa boasting of a progressive constitution that provides every employee with the right to fair labour practices, migrant workers in this sector are severely prejudiced and exploited by employers. In fact, businesses in this industry avoid regulatory compliance costs through casualisation of their staff who can be easily laid off when demand slackens (ibid).

In addition to the above, Cant and Wiid (2013) assert that, it is not easy for small businesses to hire skilled labour in South Africa due to the Labour Relations Act 66 of 1995 which is both prohibitive and restrictive. The government also acknowledges this prohibitive nature and states that, the labour market is rigid and overregulation has constrained job creation and employment (Department of Trade and Industry (DTI) 2010) among SMES. Indeed, labour laws in the country seem to stifle small business growth as they make it difficult for employers to terminate the contracts of employment, forcing them to continue paying an employee whose services they no longer need (BER Research Note 2016, 2016). This lack of flexibility to hire and fire when need arises does not incentivise small businesses to create jobs that they have potential to create (Ayandibu & Houghton, 2017). In addition, small businesses in the restaurant sector must also comply with the Occupational Health and Safety Act, Compensation for

Occupational Injuries and Deceased Act and the Employment Equity Act. The sector also has a bargaining council (The Tearoom, Restaurant and Catering Bargaining Council), which is responsible for dispute resolution, crafting labour policies and collective bargaining. Furthermore, on November 26, 2018, the National Minimum Wages Act was signed into law and minimum wages for small businesses were set at R20 per hour. This is likely going to hurt workers in rural small businesses as they are susceptible to job losses (Global Legal Monitor, 28 November, 2018). As a result of these restrictive and prohibitive measures, SRBs in South Africa are, therefore, facing challenges which indirectly impact on their employee-resourcing strategies.

4.4.4 Social factors

South Africa is facing challenges of high crime rate and this has an effect on the performance of restaurant SMEs. This is supported by Cant and Wiid (2013), who argue that crime is regarded as a leading macro-environmental variable affecting South African small businesses. This is due to the fact that, financial capital which could have been used by SRBs to attract competitive staff is being diverted to protect the businesses. This results in SRBs settling for cheap and unskilled labour, and this has negative implications on the bottom-line. Extant literature also indicates that, crime and violence have an alarming and growing effect on business in South Africa, and the most affected are small business premises (Olawale & Garwe, 2010; Mboniyane & Ladzani, 2011, Roxas, Chadee & Erwee, 2012). This has culminated in small businesses in South Africa incurring huge costs to safeguard not only goods, but customers as well, due to high incidents of crime (BER Research Note, 2016). Indeed, losses incurred due to theft and security costs reduce profits and impede the growth of SRBs.

In addition to the above, immigration to South Africa has increased and the hospitality industry has become a major employer of immigrant labour (Fauvelle-Aymar, 2015). In fact, immigrant labour continues to be a feature of the South African labour market and employee resourcing of immigrant labour will continue to be a pertinent issue for the foreseeable future (Vettori, 2017). The South Africa restaurant business has certainly benefitted from the influx of semi-skilled and unskilled immigrants from Zimbabwe,

Mozambique and Zambia, because of poor economic and political conditions in their countries (Statistics, South Africa, 2015). Undeclared labour is very common in this sector as it clandestinely attracts foreign workers who are then exposed to the vagaries of unsafe working conditions, job insecurity, and long working hours. Furthermore, hiring of immigrants has created tensions as local South Africans have a feeling that these aliens are stealing their jobs (Vettori, 2017). However, contrary to the main narrative that small business owners/managers preferred foreign labour to employing locals, Rambe (2018) established that the majority (70.9%) of small-scale, rural-based agricultural firms in South Africa did not employ foreign labour. This could imply that foreign labour is not a key factor of employee resourcing in some sectors in South Africa.

Thus, based on the literature above and with respect to SRBs in South Africa, the following hypothesis was formulated:

H₂: There is a significant effect of the external environment on employee-resourcing strategies.

4.5 INTERNAL BUSINESS ENVIRONMENT AND BUSINESS PERFORMANCE

This section explores various internal environmental factors that influence business performance. As noted in chapter 2, the RBV inherently explains the influence of a business' internal resources on its performance. These resources include firm size, owner/manager's expertise and experience, quality of human resources, high wage demands, existence of established legitimate HR practices and availability of institutional support, among others. Challenges in the internal environment of a business impede its growth (Njuguna-Kinyua, et al., 2014). This view is supported by Sitharam & Hoque (2016) who observe that business performance is likely to be negatively or positively influenced by circumstances and changes in the business environment. Influence of internal environmental factors, such as owner/ manager's expertise and experience, business ownership, firm size, workforce-skills mix and availability of institutional support on small business performance, are discussed in detail.

4.5.1 Owner/ Manager's expertise and experience

The primary reason why small businesses fail to thrive in developing countries despite significant support they receive from government institutions is due to managerial competency or lack thereof (Olawale & Garwe, 2010; Chinomona, 2013). Literature search has shown that there is a positive relationship between managerial competency and business performance (Ganyaupfu, 2013; Fatoki, 2014; Kamunge et al., 2014). According to Sitharam & Hoque (2016), managerial competencies are measured through managerial experience, knowledge, education and start-up experience. Fatoki (2014) investigated on the impact of managerial competencies on the performance of immigrant owned enterprises in South Africa. The research established a positive relationship between an owner's education and performance. Fatoki also established that, business owners with work experience prior to starting a business performed better than those without experience, and business owners with related experience performed better than those without related experience. Thus, small businesses whose owner/manager have a dearth in managerial competencies tend to struggle. This is in consonance with Kamunge et al.'s (2014) research which found lack of managerial competencies as one of the main factors responsible for poor performance in small businesses.

4.5.2 Business ownership

Most small businesses in developing economies are family owned. As a result, family members occupy top managerial positions (Dumbu, 2018) and this has implications on their performance. Compared to non-family -owned businesses, HRM activities of family owned businesses tend to be more exposed to arbitrary whims of family members due to fragmented reporting structures and ad hoc managerial processes (Zinyemba, 2014). Furthermore, owners of SMEs straddle between ownership and managerial roles in most small businesses, and this may have a negative impact on the bottom line (Musanzikwa, 2014; Mugwati & Nkala, 2012). The separation of roles between ownership and management could be the panacea to achievement of business performance (Sandada & Mangwandi, 2015). This is because limited managerial

capacity is viewed as a major constraint of family-owned businesses and thus, good corporate governance and less managerial control may free up the owner from operational duties and contribute positively to the bottom line. Findings by Sandada and Mangwandi (2015) support this as they show that, lack of proper management skills has a negative effect on family owned SMEs' performance, including propensity of attracting poorly qualified staff, which may result in low efficiency.

4.5.3 Firm size

The smallness of hospitality businesses (for example, lodges, bed and breakfast (B & B), restaurants) has some strong implications for the human resourcing budget and resourcing activities at large, which are vital for the performance of small businesses (Jordanova, 2011). The small business seldom considers formalising their business practices due to their size and simplicity of their business activities (Hung et al., 2016) This could threaten their business expansion as well as their very survival. Financial resource paucity makes it difficult, if not impossible for small businesses in South Africa to make investments in both tangible and intangible resources, and this may have implications on their performance. According to Fatoki (2011) access to financial resources is regarded as one of most important determinants of the success of small businesses. This observation is also supported by Sitharam and Hoque (2016) who note that one of the challenges hindering the growth and performance of start-up small businesses in South Africa is access to finance. It can be suggested that small businesses need easy access to finance if positive organisational outcomes are to be realised. According to Fatoki (2011), a small business' access to financial capital to acquire resources (both tangible and intangible) is critical in guaranteeing its success in this competitive business environment. Failure to acquire needed resources constraints its ability to leverage business opportunities, culminating in business failure.

4.5.4 Workforce-Skills mix

Labour and skills are crucial components in the hospitality supply chain as imbalances and deficiencies between the two have the potential of impeding small businesses' performance (The World Travel & Tourism Council (WTTC), 2015). Basing on this

evidence, one can surmise that the skills demands of SMEs in the hospitality industry are more likely to influence the nature and complexity of employee-resourcing strategies in such organisations in South Africa. This allows the restaurant SMEs to attract and retain employees possessing the right skills needed to realise important organisational outcomes. According to Ngary et al. (2014), it is not advisable to engage incompetent human resources as they can adversely influence the continuation and performance of small businesses.

However, employees in SRBs in South Africa seem to lack the needed skills to perform effectively. This could be due to their dependency on transient labour who are undertrained, underqualified and under-experienced (Makumbirofa & Saayman, 2018; Vettori, 2017), culminating in poor quality standards and inferior customer service. This view is supported by Nyamwanza (2014) who notes that small businesses are hardhit by lack of skilled manpower, forcing them to promote staff who may not be ready to proficiently execute tasks, resulting in poor quality standards.

4.5.5 Availability of Institutional Support

Institutional constraints have been cited as some of the major factors impeding the growth and performance of small businesses (Cravo & Piza, 2016). The government and other institutions assist small businesses by offering training and advisory services to owners/managers to address their managerial inadequacies (Zindiye, Chiliya & Masocha, 2012; Chinomona, 2013). Ntiamoah, Li, and Kwamega (2016) note that, besides training services, government and institutional support is needed by SMEs to address financing and access to credit facility, address regulatory and legal constraints as well as capacitate them to capitalise on advancement in technology among other constraints. These constraints hinder small businesses from realising their full potential and contribute to their high failure rate. Without the support of the government and related institutions, SMEs are likely to struggle (Zindiye, et al., 2012). This is supported by Cravo & Piza (2016) who investigated on the impact of business support services for small and medium enterprises on firm performance in low- and middle-income countries. The research indicates that overall business-support interventions had an

impact on business performance. Similarly, a research by Zindiye et al. (2012) established that the government and related institutions were playing a critical role on the performance of SMEs in the manufacturing industry in Zimbabwe. This suggests that the survival of small businesses hinges on the availability of institutional support as they cannot survive on their own due to resource paucity. Therefore, to evaluate the relationship between the internal environment and small business environment in the restaurant context it may be hypothesised that:

H₃: There is a significant effect of the internal environment on small business performance.

4.6 EXTERNAL BUSINESS ENVIRONMENT AND BUSINESS PERFORMANCE

The external environmental factors which influence the performance of small business performance include economic conditions (the prevailing interest rates, economic growth rates, prevailing inflation rates and competition from big organisations), political stability, political ideology of the ruling party, labour laws, crime and regulatory factors. Njuguna-Kinyua et al. (2014) note that characteristics and quality of the external environment determine the performance of small businesses. As such, this section explores the influence of economic, social, regulatory and political factors on small business performance in South Africa.

4.6.1 Economic Factors

Macro-economic factors/variables have an influence on the performance of small businesses. For instance, low inflation rates and low interest rates are likely to enhance small business' ability to invest at a lower cost, while higher inflation and interest reduce the propensity to invest and failure rate is heightened (Bushe, 2019). For example, a research by Olawale and Garwe (2010) submit that, macro-economic factors such as inflation rate, government tax revenue, exchange rate and interest rate have a significant negative effect on the performance of small businesses in South Africa. According to Cant and Wiid (2013) inflation rate affects both the small business and the

consumers. This is due to the fact that inflation increases expenses, culminating in reduced profits; and it also increases the cost of goods while reducing customers' disposable income. This is more pronounced in South Africa as noted in Olawale and Garwe's (2010) observation that the South African environment is characterised by high interest rate, high inflation rate, low growth rates and declining exchange rates, and this is a disincentive to invest. Ayandibu and Houghton (2017) further state that high inflation rates, high interest rates and exchange rates affect growth opportunities and survival of small businesses in South Africa. Competition from big organisations also affects growth opportunities of new entrants. Olawale and Garwe (2010) suggest that new small businesses may need to understand the dynamics of competition in their industry and come up with strategies to counter those of their competitors in order to enhance their performance.

4.6.2 Social Factors

High crime rate in South Africa is one of the constraints facing small businesses and it heavily impacts on their performance. According to Olawale and Garwe (2010) the effect of crime on business in South Africa is not only alarming, but also growing. South Africa is prone to every form of crime including drug abuse, violence, theft, burglary, murder and armed robbery, and the government has failed to take decisive action to resolve this (Bushe, 2019). Consequently, these activities adversely affect the performance of small businesses that are forced to invest more in safeguarding their investments with their meagre resources. High levels of crime in South Africa impede small businesses' ability to survive and grow (Fatoki, 2014), as resources which could have been invested elsewhere for business growth are used to enhance security (Bushe, 2019). A research by Mboniyane and Ladzani (2011) on factors that hinder the growth of small businesses established that, high incidents of crime and violence in South Africa affect small businesses' bottom-line operations as they leave employees injured or traumatised. In light of this evidence, one can suggest that the government need to take a more robust approach to deal with high rates of crime if sustained small business performance is to be realised.

4.6.3 Regulatory and labour laws

The regulatory environment influences the operations of business organisations in South Africa as they must obey and work within the framework of the provisions of the Constitution. The regulatory environment has continuously constrained the success of small businesses. Most small businesses are informal as the process of registering is cumbersome, time consuming and expensive (Chidoko, Makuyana, Matungamire & Bemani, 2011). There is a lot of bureaucracy associated with setting up a company. The process of registering a business, getting the necessary licenses and the cost of compliance can be major deterrents for small-scale entrepreneurs (Zindiye, et al., 2012; Fatoki, 2014) and this could be the reason why some small businesses fail to comply (Sitharam & Hoque, 2016; Naicker & Rajaram, 2018).

With regards to labour laws, small businesses regard them as a hindrance to business expansion and employment creation in many developing countries (Naicker & Rajaram, 2018). The labour laws in South Africa make it difficult to terminate contracts of employment and high labour costs. This is supported by Cant & Wiid (2013) who assert that it is not easy for small businesses to hire skilled labour in South Africa due to the Labour Relations Act which is both prohibitive and restrictive. The government also acknowledges that the labour market is rigid and that overregulation has constrained job creation and employment (DTI, 2010). These challenges incapacitate small businesses from performing well.

4.6.4 Political Factors

The political environment has been cited as one of the major factors impeding the growth and performance of small businesses (Bushe, 2019; Naicker & Rajaram, 2018). South Africa is regarded as a stable democracy where periodic elections are held after every five years since the demise of apartheid (ADB, 2010) and has a widely respected constitution which allows small businesses to perform well. According to Krüger (2014), the South African government has strived to achieve economic equality and social justice through passing policies to empower previously marginalised groups. This has witnessed the government availing both financial and non-financial support programmes

for small businesses, in line with the ruling party's political ideology geared towards assisting youths and previously marginalised groups (OECD Economic Survey: South Africa, 2017). These financial and non-financial support programmes have resulted in the growth of many small businesses in South Africa. However, political risk facing the country has the potential of eroding all the gains realized in small businesses. For example, South Africa is faced with political risk in terms of new dynamics in political opposition, squabbles within the ruling party (ANC), civil unrest and strikes by workers, which involve damage to properties among others (Taal, 2012; Muzindutsi & Manaliyo, 2016), and these affect small business performance. This could be more critical in the tourism business, SRBs included, where political risk can affect tourism business performance in terms of revenue and tourist arrivals (Muzindutsi & Manaliyo, 2016). Furthermore, these political risks have the effect on small business performance as businesses incur losses each time civil unrest and strikes are experienced in the country.

On the basis of the above, and specifically with respect to the small restaurant business context, it may be hypothesised that:

H₄: There is a significant effect of the external environment on small business performance.

4.7 CHAPTER SUMMARY

The chapter reviewed the literature on SRBs in South Africa. Endogenous and exogenous factors influencing the adoption of employee-resourcing strategies responsible for small business performance in the country were discussed. The chapter also explored internal business environment and business performance as well as external business environment and business performance.

The next chapter focuses on employee-resourcing strategies in both developed and developing economies. The term 'employee resourcing' is further explored focusing on workforce planning, recruitment, selection and retention strategies in SRBs.

CHAPTER 5

EMPLOYEE RESOURCING IN SMALL BUSINESSES: IMPLICATIONS FOR SMALL RESTAURANTS

5.1 INTRODUCTION

The previous chapter explored internal and external environmental factors influencing employee–resourcing strategies in small businesses in selected countries across the globe. The internal and external environmental factors influencing adoption of employee-resourcing strategies in SRBs in South Africa were also highlighted.

The focus of this chapter is to outline the concept of employee resourcing in small businesses, and in particular, SRBs. The chapter also highlights the prevalence of employee resourcing in small businesses in both the developed and developing world with implications drawn for SRBs. The term ‘employee resourcing’ is further explored focusing on workforce planning, recruitment, selection and retention strategies in small businesses, including small restaurants where applicable.

5.2 DEFINITION OF EMPLOYEE RESOURCING

Employee resourcing is regarded as a fundamental human-resource management activity which plays an integral role in the survival of business (large or small) (Mahapatro, 2010). This means that, the ability of a small restaurant business to attract, select and retain critical staff has the potential of helping it to outperform its competitors (Young-Thelin & Boluk, 2012). Actually, by extension, any organisation can acquire different types of tangible resources but these do not guarantee the achievement of a sustained competitive advantage as they have become increasingly easy to imitate (Maket, 2017). This could be the reason why many organisations are frantically looking for alternative sources of organisational performance, such as recruiting the intangible

resources (human resources) which cannot be imitated (Mweru & Muya, 2016). Whilst the importance of employee resourcing in small businesses cannot be disputed (Sobaih, 2018; Young-Thelin & Boluk, 2012; Chen & Elston, 2013), there is no agreement on its definition worldwide as the definition tend to vary (Pilbeam & Corbridge, 2010; Armstrong, 2012; Ogunyomi & Ojikutu, 2014; Ogunyomi & Bruning, 2016). Various terms are used interchangeably, and these include people resourcing, employee resourcing or simply, resourcing (Armstrong, 2012).

Most definitions of employee resourcing (Pilbeam and Corbridge, 2010; Mathis and Jackson, 2010) emphasise the attraction, choice and retention, as well as effective and efficient use of human talent to achieve organisational goals. Within this perspective, there is need for SRBs to effectively and efficiently manage human capital by minimising costs, maximising employee value, and ensuring that there is both person-job fit, and person-organisation fit to achieve their organisational goals. For Armstrong (2012), employee resourcing is about the acquisition, retention, development and effective utilisation of the people the organisation needs. This implies that, employee resourcing does not end with attraction and retention of employees, but exploitation of this resource to achieve important organisational outcomes. This is particularly important for SRBs, as there is confirmation that superior organisational performance or sustained competitive advantage of any business comes from an organisation's human resources (Katou, 2011). It also means employee resourcing should not be restricted to recruitment and selection (attracting employees) only, as it is also concerned with developing and retaining high-quality people for certain skills and behaviours in a small restaurant business. In fact, Armstrong (2012) asserts that employee resourcing should not be limited to recruitment and selection only – as it entails any means available to an organisation that allows it to access the needed skills and behaviours. Ineffective employee-resourcing strategies have cost implications for the employer, as they may culminate in high staff turnover and low morale – which can affect employee performance (Pilbeam & Corbridge, 2010). The costs of poor staffing are many. For instance, Anyim, Ekwoaba and Anthony (2012) corroborate that understaffing results in

losses in business economies of scale and specialisation, orders, customers and profits – while overstaffing is wasteful and reduces competitive efficiency of the organisation.

According to Armstrong (2012), employee resourcing answers two fundamental questions: Firstly, what caliber of people do we need now and in the foreseeable future in order to strategically position our organisation? Secondly, what can we do to attract, develop, motivate, and retain them when we need them most? This implies that business organisations - both large and small, need to be aware of the strategies they can use to have the kind of people needed to achieve their goals. Effective use of employee-resourcing strategies such as workforce planning, recruitment, selection and retention have become common in both developed and developing economies.

5.3 EMPLOYEE RESOURCING IN DEVELOPED AND DEVELOPING ECONOMIES

The prevalence of employee resourcing in small businesses remains contested and therefore our understanding of its influence on the bottom-line remain limited (Ogunyomi & Bruning, 2016; Omolo, Oginda & Oso, 2012; Katua, Mukulu & Gachunga, 2014). This section explores employee resourcing in both developed and developing contexts so that inferences can be drawn on its impact on restaurant SME performance.

Most small businesses in developed contexts are hamstrung by lack of a sophisticated and formal employee-resourcing strategy (Gamage, 2014). For example, as Melo and Machado (2013) report, employee resourcing in Portuguese small businesses exists informally as it is not regarded as a strategic factor responsible for the achievement of important organisational outcomes. They also note that employee resourcing was parcelled reactively without any strategic integration. This research is corroborated by an empirical research by Çetinel, Yolal and Emeksiz (2008) who established that employee resourcing was informal in Turkish SMEs as owner/ operators took a personal charge of recruitment and selection. On the same token, this evidence could imply that employee resourcing in SRBs is informal and unsophisticated, as it is not supported by any formal HR department or at least the advice of an HR professional. Çetinel et al.

attribute subsequent disciplinary problems inherent in small businesses to these poor recruitment and selection strategies.

When it comes to recruitment, small businesses rely on word of mouth where existing employees suggest potential candidates drawn from their social networks (Çetinel et al., 2008). This source of recruitment, though informal, is also considered to be cheaper, thus appealing to the limited budgets of many restaurant SMEs. Poljašević and Petković (2013) note that, as the business grows, it tends to adopt formal employee-resourcing strategies. This could be a logical argument because, as the business grows, it tends to exhaust informal sources as it cannot catch up with the new demands of the business. Conversely, a research carried out by Virág and Albu (2014) in Romania shows that formality in recruitment and selection can be seen through the norm of selecting employees based on two criteria: acquired knowledge and previous experience. Virág and Albu observe that SMEs utilised newspaper advertisements and announcements on job-sites as recruitment sources. However, on workforce planning, the research established that small businesses omitted it and owner/ managers of small businesses relied more on the economic environment, firm's characteristics and previous experience to inform workforce planning.

As in developed economies, small businesses in developing countries could also be facing challenges of formality. This is supported by Asiedu-Appiah et al. (2013) who carried out an empirical research in Ghana, on 258 owners/managers and all employees in selected medium-size enterprises, on recruitment and selection practices in SMEs. The research revealed lack of formal recruitment and selection practices in the majority of SMEs. The research also established that existing recruitment and selection practices were not systematic and lacked consistency as these practices were based on the understanding of owner-managers, who had little or no expertise in the subject. A systematic recruitment process involves identifying vacancies, job analysis, job description, person specification and advertising (Gamage, 2014). Given the smallness and resource constraints of small restaurant businesses in developing countries, systematic employee resourcing strategies could be difficult to achieve or follow.

Similarly, Wisikoti, Mutanga and Nhuta (2012) investigated the significance of HR role in the hotel sector in Harare, Zimbabwe. The research noted the critical role of employee resourcing, especially development of resourcing policies, recruitment and selection and workforce planning in guaranteeing product and customer service quality. This is supported by Ongori, Iravo and Munene (2013) who argue that most restaurants and hotels in Kenya do not have the right people to do the right job, as most of them recruit friends and relatives to do the job. This scenario has implications on the bottom-line as they may end up engaging employees lacking basic skills, attitude and knowledge to offer quality services to the customers (ibid). This view is shared by Nzonzo and Matashu (2014) who note that some small businesses (which included small restaurants) in South Africa did not have clear employee resourcing policies, resulting in recruitment and selection being done along family lines and referrals.

A few conclusions can be drawn from existing literature on employee-resourcing strategies within SMEs in both developed and developing contexts. It appears that when it comes to the formality of employee-resourcing strategies, most small businesses however follow an informal process for recruiting and selecting their workforce (Gamage, 2014; Melo & Machado, 2013; Nzonzo & Matashu, 2014). They lack consistency and a systematic method for recruiting and selecting employees. A systematic selection process involves the recruiting process, gathering information about qualified applicants, evaluating the qualification of each applicant and making a decision about employment (Asiedu-Appiah, et al., 2013), and this is absent in most small businesses. The process is done in an ad hoc manner, normally targeting relatives and church members who are not recruited for their skills – but rather for their loyalty to the owner of the business. For a small restaurant business, this means attracting a workforce with no requisite skills, and this might have a negative impact on performance. As previously mentioned, SRBs naturally lack fully-fledged HR departments or HR professionals in both developed and developing countries, resulting in owner/ managers doing everything. For example, Chung and D'Annunzio-Green (2018) observe that it is not uncommon for owners of small businesses to influence the

recruitment and selection process by giving the job to their relatives and friends. However, this could be different from big organisations with fully-fledged human resource departments which follow formal recruitment and selection processes and can easily attract skilled personnel because of their good brands (Eravia, Handayani and Julina, 2014). In SRBs, research shows that recruitment is done rarely and, in most cases, only one individual is attracted to the organisation through the assistance acquaintances or an existing employee (Wirba, 2017; Poljašević & Petković, 2013; Asiedu-Appiah et al., 2013).

5.4 EMPLOYEE-RESOURCING STRATEGIES IN SMALL BUSINESSES

Employee-resourcing strategy defines the longer-term plans an organisation needs for the acquisition, retention, development and use of its human resources (Armstrong 2012). The commonly used strategies are workforce planning, recruitment, selection and staff retention. The four employee-resourcing strategies are discussed below and implications are drawn for SRBs.

5.4.1 Workforce planning

In virtually every business, the weakest link in the service delivery system has been typically the calibre of its human resources. For this reason, it is generally accepted that employee resourcing could be the answer to improved quality service delivery in small businesses (Omolo, Oginda & Otengah, 2013; Gamage, 2014, Katua, Mukulu & Gachunga, 2014, Monday, 2012). However, Itika (2011) cautions that if employee resourcing is to contribute to important organisational outcomes, there is need for the adoption of a more strategic approach to workforce planning before moving on to the actual employee-resourcing process. A proper workforce planning ensures that at all times, every department in the organisation has effective and efficient personnel as well as appropriate workload (Kappo-Abidemi, Iwu & Allen-Ile, 2015). Mahapatro (2010) defines workforce planning as a process by which management determines how an organisation should move from its current manpower position to its desired manpower position. For Mathis & Jackson (2010), workforce planning is a process of analysing and

identifying the need for, and availability of human resources so that the organisation can meet its objectives. The above definitions imply that workforce planning entails the planning process undertaken to ensure that a business has the right people, with the right skills, at the right place, and at the right time. This has the potential of contributing to performance as it helps in identifying, acquiring, developing and retaining right employees to meet the needs of the organisation (Mudashiru, Ilesanmi & Aremu, 2013). This means great care may need to be taken in employee resourcing through workforce planning as it has implications on business performance, more so, in SRBs where capital is scarce and any wastage cannot be afforded. Workforce planning is also known as human resource planning or manpower planning, and in this study, these terms are used interchangeably.

Workforce planning could be the answer to why most small businesses face survival challenges. As Sun (2015) puts it, preparedness ensures success, while unpreparedness spells failure. The consequence of lack of workforce planning in SRBs could be attraction of poorly qualified human resources as there is generally no standardised employee resourcing in such businesses, resulting in poor performance (Li, 2015). Congruent to this are the findings of Ogunyomi and Ojikutu (2014) who carried out a research on employee resourcing and performance of small and medium enterprises in Lagos State, Nigeria. The findings show that workforce planning is very critical in determining the level of employment and the calibre of employees required by the firm to achieve positive organisational performance. Thus, adoption of workforce planning helps to ensure that job roles, competencies and capabilities are properly defined, and both the internal and external labour market appreciated in order to match the availability of potential labour to organisational needs (Virág & Albu, 2014). In light of this, it is possible to suggest that, with workforce planning, SRBs may be able to determine the recruitment levels and jobs it needs to realise its objectives in the most efficient and effective manner. In addition, Itika (2011) contends that the emphasis should be on employee competencies and their stability – rather than the precision of the numbers obtained through rigorous forecasting techniques. However, most small businesses, restaurants included, do not have the capacity to do such planning, yet, the

strategic function of workforce planning itself should be the prerogative of owner-managers, in terms of providing the right personnel for the right work and the optimum utilisation of existing human resources (Mahapatro, 2010). This is akin to putting the right peg in the right hole.

The role of top- management in workforce planning is emphasised by Phutela (2016) who states that the strategy is under the purview of top management – as it is a critical strategic area which influences the achievement of organisational goals. As such, the HR department crafts the manpower plan in consultation with the line management. Line managers are involved in workforce planning – as responsibility and accountability for workforce issues rest with them, because of their close proximity to employees. Consequently, Armstrong, (2012) posits that it becomes critical to consult line management in order to gain their commitment and ownership of workforce plans. Gaining the support and commitment of line management is important for any business, as this ensures the successful implementation of workforce planning. However, most SRBs do not have many functional areas calling for hiring of line managers because of their size. This results in workforce planning being under the purview of owner/manager (Virág & Albu, 2014; Hassannia et al., 2016). Furthermore, workforce planning should be carried out within the goals and general framework of the firm (Anyim et al., 2012), which many small businesses do not understand. This has the potential of not allowing for strategic integration between workforce planning and the overall small restaurant business strategy. This scenario will not capacitate the organisation to make proper assessment of their present workforce competencies and skills, identification of skills needed in the future, balancing out the demand and supply gap to identify competency gaps and surpluses, and preparing plans for harnessing needed workforce and evaluation (Pilbeam & Corbridge, 2010).

5.4.2 Process of Workforce Planning

According to Anyim et al. (2012) workforce planning involves 4 steps which are, forecasting demand, forecasting supply, determining workforce gaps and evaluation.

5.4. 2.1 Forecasting Demand

Workforce planning begins with forecasting demand. Businesses need to forecast the number and type of people needed to meet organisational objectives (Akhigbe, 2013). Forecasting demand helps the organisation to assess the rate of influx and outflow of employees, and identify areas needing more employees, different skills sets or redesign positions and work processes to perform the job effectively (Noe, Hollenbeck, Gerhart & Wright 2011). Forecasting demand may capacitate the owners/managers of small businesses (small restaurants included) as it gives them a clue of how many and what types of human resources will be required in the organisation. This may also entail a small restaurant owner/manager having an understanding of the environment, both internal and external, as this helps in identifying opportunities and threats and influence the demand for labour. An understanding of the environment helps in ensuring effective utilisation of scarce resources, and more productive and less wasteful use of labour (Obisi, Samuel & Ilesanmi, 2018). Failure to anticipate fluctuations in demand for labour may consequently lead to unplanned costs which could be catastrophic, especially in SRBs which usually operate with a shoestring budget and do not pay competitive salaries. Although it may be a challenge for SRBs to carry out a recruitment forecast in terms of needed skill sets, Akhigbe (2013) stresses that forecast demanding has the effect of cutting down on the number of surprises that occur in the organisation, which are linked to human resources availability and placement, such as abrupt resignations. In view of this evidence, it is possible to suggest that, forecasting demand could be more critical in SRBs as they need to prepare for unforeseen circumstances. Saad (2013) suggests that small businesses need to forecast supply of their labour as it determines employee's needs, avoids oversupply of labour, rationally predicts the organisation's future workforce demands, and finally, reduces costly errors.

5.4. 2.2 Forecasting supply

After forecasting its future demands for employees, the organisation then searches to see from where it can fulfill its requirements (Samwel, 2018). Forecasting supply provides answers to the who, how, where and when of recruitment. According to Armstrong (2012), supply forecasting measures the number of people likely to be

available from within and outside the organisation – having allowed for absenteeism, internal movements and promotions, wastage and changes in hours and other conditions of work. According to Prashanthi (2013), the supply forecasting is based on the following six factors:

- Analysis of existing human resources in terms of numbers in each occupation, skills and potential.
- Forecasting losses to existing resources through attrition.
- Forecasting changes to existing resources through internal promotion.
- Effecting changing conditions of work and absenteeism.
- Sources of supply from within the organisation.
- Sources of supply from outside the organisation in the national and local labour markets.

The supply of employees consists of those who are currently employed both permanently and temporarily, and also those prospective candidates who must be attracted to the organisation (Al Wahshi, 2016). Thus, there is a need for scanning (both the internal and external environment) for the best candidates (Obisi et al., 2018). This can only be done after forecasting the future workforce composition. SRBs rely on cheap labour, whom they train for specific tasks. As such, the supply forecasting is rarely done professionally, especially when the small restaurant business is family owned. However, small restaurant business reliance on unskilled labour means they are constantly scanning the environment for such employees, who, according to Sobaih (2018), are in oversupply in developing economies due to high unemployment rates.

On the issue of staff recruitment, Huda, Haque and Khan (2014) encourage organisations to take the inside-out approach and look for candidates within the organisation first, as it is cost saving to use what is already available. Within the context of this research, such an approach might help to motivate employees in SRBs and promote staff retention, as resignation seems to be the order of the day (Haley-Lock, 2012). When recruiting, an organisation can get required information of available talent in terms of knowledge, abilities and skills possessed by the internal market, through regular manpower audits (Price, 2011). For the small restaurant business, it means

referring to the external market when the internal market does not possess the requisite skills, or when the cost of procuring labour from within is more. This is common in small businesses as research shows that in most cases, they are understaffed (Asiedu-Appiah, Aduse-Poku & Abeeku-Bamfo, 2013). Therefore, an effective forecasting supply from the external market should be able to give information and the availability of specialist skills available for use (Mathis & Jackson, 2012).

5.4. 2.3 Determining workforce gaps

This stage calls for balancing out the demand and supply gap – which is the workforce gap (Phutela, 2016). Workforce planning is carried out to close this workforce gap. Workforce gap can help establish what the organisation has, and the extent to which it can fulfill the demand forecast (Samwel, 2018). HR strategies and plans (both short and long) are then developed to address the mismatch between HR supply and HR demand (Pilbeam & Corbridge, 2010). An organisation can then make a decision to either recruit new staff if there is a shortage of manpower, or reduce staff through terminations, demotions, layoffs or retirement if there is a surplus (Prashanthi, 2013). A workforce plan or gap-closing strategy is then prepared and can help the organisation choose one or more of the operational plans – such as recruitment, redeployment, redundancy, training, and retention plans (Phutela, 2016). In the context of this research, it is possible, therefore, to argue that, determining workforce gaps may help ensure that the small restaurant business has the right number of human resources of the right quality - where there is no oversupply or undersupply of labour. For SRBs in developing countries such as South Africa, an oversupply leads to economic challenges which might possibly entail redundancy for some employees.

5.4. 2.4 Evaluation

The final step in workforce planning involves evaluation and revision. This is very important as it provides the organisation with the correct feedback on areas that need attention (Phutela, 2016). Evaluation should help inform the organisation on whether HR strategies and plans are having the desired effect of closing the gap (Akhigbe, 2013).

Consequently, evaluation enables business to monitor whether the strategies are being implemented as planned, and evaluate the impact of strategies – and if this is not the case, reasons are given.

Those organisations that can get the workforce planning right are assured of wastage reduction, and value addition through right-sizing the workforce, and this culminates in the realisation of important organisational outcomes through the availability of a more skilled and innovative workforce (Saad, 2013). For SRBs, proper workforce planning promotes organisational citizenship, low staff turnover and lower levels of stress – considering the long working hours restaurant employees are subjected to. Furthermore, productivity is bound to increase through having the right number of people with the right skills, in the right place, at the right level, and at the right cost (Obisi et al., 2018).

5.4.2.5 Implications for small restaurant businesses

Although the utility of workforce planning cannot be underestimated (Mathis & Jackson, 2012, Armstrong, 2012, Akhigbe, 2013, Obisi et al., 2018), it faces a lot challenges in implementation (Price, 2011; Kappo-Abidemi et al., 2015, Mahapatro, 2010). These challenges could discourage small businesses from implementing workforce planning even though it is considered crucial in avoiding wastages through undersupply or oversupply of human resources and related costs (Saad, 2013).

It is very unfortunate that most small businesses are informal in their human resource activities – and for recruitment and selection, they do not have any formal recruitment schemes, often relying on a network of informal personal relations tied to family connections and friendship (Sobaih, 2018; Ogunyomi & Ojikutu, 2014; Nyamwanza, 2014; Asiedu-Appiah et al., 2013). This implies that, workforce planning and recruitment and selection policies in SRBs are not well defined and not tied to any set of recruitment practices like big organisations. For example, Nzonzo and Matashu (2014) observed that strategic workforce planning in South African small businesses was severely undermined due to lack of management skills and absence of supportive organisational

culture. This culminated in the formulation of HR strategy and policies in an ad hoc manner with no proper evaluation of internal policies taking place. Similarly, in a research on managerial deficiencies of the SMEs in the craft industry in Zimbabwe, Dumbu and Chadamoyo (2012) reported virtual absence of the basic personnel management-related function of workforce planning which had an impact on their performance. In the context of this research, it is possible, therefore, to suggest that, lack of workforce planning in SRBs could be impeding their ability to attract and retain valuable employees who are capable of ensuring that the businesses achieve sustained competitive advantage.

Furthermore, Wirba (2017) asserts that workplace planning is a challenge in small businesses especially when there is a mixture of family and non-family employees who may not share the same vision. There are challenges of family matters and succession in small businesses, which are given more prominence at the expense of sound business decisions, hence impacting workplace planning (Dumbu, 2018). Moreover, the process of workforce planning in small businesses is sometimes intuitive and done mainly by family members leaving out non family employees (Stoilkovska, Milenkovska & Serafimovic, 2013). This scenario may have negative effect on the bottom line as a clear workforce plan could be critical for the achievement of positive organisational goals (Obadan & Ohioyenoya, 2013). However, involving non-family employees who possess critical expertise and experience (which may be lacking in family employees) in the workforce planning process could give SRBs a competitive edge, and help in staff attraction and retention.

Small businesses, especially in the restaurant sector could also be facing challenges in implementing workforce planning due to the transient nature of the labour they have. For example, Saad (2013) postulates that, there is no workforce planning in most tourism and hospitality businesses, due to the temporary nature of labour in this industry. Saad argues that, although these businesses are keen on providing quality services, most of their employees are low and semi-skilled. This implies that there is no investment in training and development of their staff, as labour is deemed ubiquitous

due to high unemployment in most developing countries. Employers in SRBs, therefore, tend to under-invest in such unqualified workers – resulting in high staff attrition. According to Vettori (2017) and Price (2011), the industry mostly attracts unqualified and low skilled staff who are mainly women and school leavers who do not take it as a profession.

5.5 RECRUITMENT

Recruitment is a critical management activity that ensures that an organisation has an effective workforce and has implications for employee performance and organisational outcomes (Li, 2015; Katua et al., 2014; Mathis & Jackson, 2010; Price, 2011). Indeed, recruitment is an important function in human resource management and it helps to shape an organisation's effectiveness and performance in significant ways (Ofori & Aryeetey, 2011). For example, Pilbeam and Corbridge (2010) observe that effective recruitment can help to increase an organisation's profitability and productivity – whether it is a profit-making organisation or a nonprofit-making organisation, big organisations or small businesses. Poor recruitment becomes a cost to organisations as it is associated with wastage, inefficiency and ineffectiveness (Huda, Haque & Khan, 2014). In a research to establish the influence of recruitment, selection, training and development on the organisational performance of the Jordanian Public University, Saifalislam, Osman and AlQudah (2014) ascertained that effective recruitment and selection attracts the right quality and quantity of people, develops the knowledge, skills, and abilities of employees, and retains employees within the organisation. This view is shared by Huda et al. (2014), who assert that effective recruitment is critical for organisational performance, as it minimises costs, sources quality incumbents, and also saves time. With this evidence, it can be argued that effective recruitment could be an essential ingredient in ensuring effective candidate selection in SRBs– who are known for ad hoc recruitment methods (Huda et al., 2014).

There are very few definitions of recruitment and most discuss the process of recruitment – rather than its definition. Recruitment is, however, defined by Pilbeam and

Corbridge (2010) as a process which aims to attract appropriately qualified candidates for a particular position for which it is possible and practical to select and appoint a competent person or persons. Armstrong (2011) defines recruitment as the process of finding and engaging the people the organization needs. For Sinha and Thaly (2013), recruitment is a process identifying the sources of workforce to meet the requirements of the resourcing agenda, and to attract an optimum number of prospective employees – so as to be able to make an effective selection among the applicants. Thus, recruitment in this sense becomes a process of discovering and procuring individuals to fill vacancies that arise in a business, from within and without. Other authors state that recruitment is the process of generating a pool of capable people to apply for employment in an organisation (Gamage, 2014). This is supported by Mahapatro (2010) who defines recruitment as a process of discovering the sources of manpower to meet the requirements of the staffing schedule, and to employ effective measures for attracting that manpower in adequate numbers to facilitate effective selection of an efficient workforce. Thus, one can safely assert that the main purpose of recruitment is to attract suitable candidates to apply for positions available in an organisation (Ekwoaba et al., 2015). In most cases, the small hospitality industry is known for recruiting individuals to do multiple roles with unclear boundaries (Sobaih, 2018). Both big and SRBs normally recruit when someone has left the organisation, when volume of work has increased, and a specialist is needed for a particular post. This indicates that, even in small businesses, recruitment is a continuous activity. However, recruitment in small businesses is more challenging as they cannot compete with big businesses in terms of salary and fringe benefits (Gamage, 2014). A research by Poljašević and Petković (2013) shows that small businesses prefer an informal approach to employee resourcing, and recruitment methods which are cheaper and controlled directly by the owner/manager. Furthermore, Ogunyomi and Ojikutu (2014) argue that unlike in big organisations where vacancies are often available, in small businesses, they are less frequent and usually it will be for one position, yet recruitment should only be done when there is a need. This could be the reason why there are less recruitment procedures in small hospitality organisations (Sobaih, 2018).

5.5.1 The Recruitment Process

According to Pilbeam and Corbridge (2010), the recruitment process starts with the pre-recruitment stage which has three interdependent elements: establishing justification for recruitment, job analysis and labour market analysis. The pre-recruitment review provides information on whether any internal staff should be considered for filling the new staffing need, and, if so, what process should be used in considering them (ibid). It also provides advice on whether the new staffing need should involve giving opportunity to both internal and external applicants (Anyim et al., 2012). However, this brings to light complexities in studying recruitment in SRBs, particularly due to the findings that recruitment in small businesses is informal and is done in an ad hoc manner (Wirba, 2017; Poljašević & Petković, 2013). Sobaih (2018) observes that small hospitality businesses adopt an informal approach to recruitment. This implies that SRBs could be overlooking this process as evidenced by their high failure rates (Chen & Elston, 2013). However, Anyim et al. (2012) insist that establishing justification for recruitment, job analysis and labour market analysis may help adopt and improve the efficiency of recruitment. Justification for recruitment is done through organisational analysis, which involves the process of evaluating the total organisation – from its objectives, human resources, effectiveness and the internal environment (Itika, 2011). Organisational analysis helps in providing justification for recruitment of new staff, as it establishes the number of jobs to be filled, and by when. Thus, for the SRBs, it informs them on whether a vacancy really exists.

The second step involves job analysis. Job analysis is the systematic process of collecting information about the tasks, responsibilities and contexts of a job (Pilbeam & Corbridge, 2010). It entails gathering and analysing all information with regards to a job. Job analysis produces a job description and person specification. A job description is a written statement which gives the contents of a job to be done – job purpose, tasks and responsibilities – while job specification includes education, qualifications, experience, competencies and terms and conditions of employment (Mathis & Jackson, 2010; Noe et al., 2011). Hence, job description is the ‘what’ has to be done and the specificities on the purpose, task and the scope of the job, while person specification is the ‘who’ does

it. The two provide an objective focus for the matching of applicants to the job requirements, to communicate a clear idea of the job to the applicant – a realistic job preview (RJP), although in small restaurants, this is rarely done. The two products of job analysis also provide a basis for appraising performance and identifying training needs during the transition from candidate to effective employee (Mwangi, Njeje & Makokha, 2014; Mathis & Jackson 2010). Job analysis is well suited in the restaurant sector, where certain skills like cooking and managing people are linked to positive performance of SRBs (Ramseook-Munhurrun, 2012). Furthermore, the process of job analysis may also help in providing justification for attracting new recruits in the small restaurant business, especially in situations where the business grows in terms of demand for its services.

The third step is labour market analysis. It entails establishing the availability of candidates who meet the person specification and the cost of attracting them to the organisation (Armstrong, 2012). It also looks at the level of competition for special skills, availability of part time workers, demographic trends, and migration trends of labour. Labour market analysis avails information on the supply of, and demand for, labour. This informs the organisation on the appropriateness of terms and conditions of employment to be offered in order to attract the right candidate (Beardwell & Claydon, 2010). If the skills are ubiquitous, the small restaurant business usually recruits informally, but if skills are scarce, an intensive recruitment programme may be adopted to attract the right candidates. Labour market analysis can inform the small restaurant business on the implications of recruiting internally or externally – and whether there is a shortage or surplus of labour in the market.

There are both advantages and disadvantages of recruiting internally, and these will be looked at in greater detail in the next section. However, it should be noted that SRBs have fewer options as there is a small pool to choose from. Internal recruitment can pose a challenge to SRBs as it does not produce enough qualified personnel, forcing them to look beyond the gates of the company for qualified job applicants. External

recruitment also has its advantages and disadvantages which are also explored in the next section, together with sources of external recruitment.

5.5.2 Sources of Recruitment for Small Businesses

Pilbeam and Corbridge (2010) assert that the objective of a recruitment process is to attract, internally or externally, an appropriate number of suitable candidates, at a reasonable cost. Thus, SRBs can make use of either internal or external or both sources of recruitment to attract the best candidate for the job – depending on the situation and type of job that needs to be filled. Mudashiru, Ilesanmi and Aremu (2013) list some of the factors considered by organisations, large or small, on whether to recruit internally or externally and these include, but are not limited, to the following:

- The quality and number of staff and positions to be filled.
- The financial position of company. Well-to-do companies can afford to travel overseas, advertise in all new media, and even employ the services of professional agencies.
- Availability of required staff within the country.
- Peculiar circumstances of the staff required. Some quality staff required are often bonded, have children at school or other commitments that would make the assumption of duty in the company not feasible in the immediate present.
- Organisational policy regarding recruitment.
- The availability of the required staff within the organisation and its effect on the overall organisational efforts.
- The level of position to be filled.
- The number of job positions to be filled.

5.5.2.1 Internal Sources of Recruitment

Internal sources of recruitment are regarded as superior to external sources of recruitment as they allow for individual development and are cheaper (Keller, 2018). For example, a research carried out by Chytiri, Filippaios and Chytiris (2017) on hotel

recruitment and selection practices in Greece established that internal recruitment methods were considered to be more effective than external methods. Additionally, Mudashiru et al. (2013) posit that employees have a right to advance in their jobs, and therefore should be given first preference when a vacancy within the organisation exists. Filling vacancies from existing staff has the effect of boosting the morale of employees as well as improving employer-employee relations, as today's employees are more interested in career advancement than just a job (Shafique, 2012). According to Chung and D'Annunzio-Green (2018), most organisations prefer recruiting internally as it is considered to be time saving, cheap and very reliable – as the organisation simply makes use of employees' confidential reports to get the needed information. This view is supported by Eva (2018) who observes that internal sources of recruitment are inexpensive and are less time consuming compared to external sources. With internal recruitment, employees become motivated to put in their best performance, as they would be expecting to get higher jobs in the same organisation, and this promotes staff retention which is needed for increased productivity (Parsa, van der Rest, Smith, Parsa & Bujisic, 2015). Despite its criticality in boosting employees' morale, internal recruitment can be a challenge in SRBs due to the transient nature of labour in this sector. For example, Sobaih et al. (2010) report that the UK hospitality industry engages more part-timers than full-time staff. This implies that the resource base is always thinner, forcing them to look outside for recruits. However, Mudashiru, et al. (2013) insists that a promotion from within the organisation fosters loyalty and inspires greater effort among employees, whether they are part time or full time.

Internal sources of recruitment include, *inter alia*: promotions, transfers, internal advertisements and referrals. These are explored below.

5.5.2.1.1 Promotion

Most companies use promotion to fill a vacancy from within the organisation (Keller, 2018). Promotion involves movement of employees from a lower-level position to a higher level position – accompanied by changes in authority, duties, responsibilities,

status and remuneration (Tabassum, 2011). This means that an employee is given a higher position and associated benefits. For SRBs that face resource constraints, this could be cheaper, as there would be no need for induction training. Eva (2018) attests to this in the observation that, organisations which use promotion to fill a vacancy save costs associated with induction training. In addition, a promotion generally gives a healthy signal to the individual, who will feel valued, and to the rest of the workforce who will be encouraged to stay – with the hope of following in the successful employee's footsteps (Anyim, Ikemefuna & Shadare, 2011). From this observation, one can suggest that, promotion has the potential of promoting staff retention in small restaurant business, which is a critical ingredient for improved organisational performance. Employees also become loyal and develop a sense of responsibility, as they would want to attain higher posts in the organisation. However, as mentioned earlier, (Sobaih et al., 2010) promotion could be a challenge in SRBs where recruitment is not frequent and, in most cases, it is done to replace employees who would have left.

5.5.2.1.2 Transfers

Internal recruitment can take the form of transfers – which is the lateral movement within the same grade without any change in the position, status, salary and responsibility (Anyim et al., 2011). This type of recruitment is popular with employees as it motivates them and reduces monotony in the job. It also enriches the employee, as he/she becomes multi skilled. Transfers promote functional flexibility in an organisation, which greatly motivates employees, and a motivated employee is regarded as a productive employee (O'Donohue, Martin & Torugsa, 2015). Literature search shows that staff compliment of small businesses is usually small and the job holders perform multiple tasks (Chung & D'Annunzio-Green, 2018; Çetinel et al., 2008). This holds true particularly in SRBs where labour is regarded to be low skilled, making it easy to transfer employees (Jinnah & Cazarin, 2015).

5.5.2.1.3 Internal advertisements

A business can advertise to fill a vacancy within the organisation and attract those employees with relevant qualifications – and this is also known as job posting (Sinha &

Thaly, 2013). According to Tabassum (2011), this is a system of providing notices of job openings, and employees within the same organisation respond by applying. This method can help increase the morale of employees as they are given an opportunity to rise within a business. Organisations try to promote a culture of transparency by advertising a new post through internal advertising on notice boards and in newsletters (Eva, 2018). Thus, fairness will be upheld, as there may be bias in promoting and transferring employees from within the organisation. However, small businesses, especially restaurants, can be affected by the smallness of their businesses – which can impede the successful attraction of job applicants from within the organisation (Chung & D'Annunzio-Green, 2018).

5.5.2.1.4 Employee referrals

Small businesses are well known for relying on word-of-mouth to attract individuals (Asiedu-Appiah et al., 2013; Çetinel et al., 2008), and SRBs are no exception. Referrals are increasing in popularity as a method of attracting new employees in small businesses (Poljašević & Petković, 2013). This is confirmed in the research by Young-Thelin and Boluk (2012) on human resource practices in small hotels in Sweden, where small hotels relied more on referrals and walk-in applicants as sources of recruitment. Sinha and Thaly (2013) define employee referral programmes as human resource mechanisms for stimulating referring by existing employees – who might be awarded with a bonus, especially if the referred employee remains employed within the organisation for a specified amount of time. Existing employees suggest potential candidates drawn from their social networks. This could be a cheaper method of recruiting employees in SRBs and also enabling the job applicants to gain a more realistic job preview. If employees can second individuals to the organisation – it shows that they are committed to it. However, the small restaurant business may lose out on diversity as the employees may choose individuals with the same background as them. Creativity and innovation, which are essential ingredients for the achievement of superior performance, are likely to flourish in those SRBs which value and recognise heterogeneity – as it becomes easier to solve problems. This is supported by Anyim et

al. (2012) who propose the absorption of different talents and skill sets from all spheres of life to promote expansion, globalisation and progress. In the South African context, Louw (2013) asserts that referrals are probably deliberately avoided due to the Employment Equity Act that obligates South African organisations to create equal opportunities for employment – especially in the case of larger firms that are bound by law in terms of sporadic equity audits.

5.5.2.2 Weaknesses of Internal Recruitment

The disadvantage of internal recruitment, even in SRBs, could be that it prevents new blood with innovative ideas and dynamism from entering the organisation – and this promotes inbreeding. This is supported by Mathis and Jackson (2010) who posit that internal recruitment can affect organisational flexibility due to lack of heterogeneity and inbreeding. Furthermore, Chidi (2013) asserts that it is unclear whether internal sources are very effective because good performance in a certain post does not translate into good performance in a new job. This is known as the Peter Principle – which means employees are always promoted one step above their competence (Romaine, 2014). The Peter Principle could be more prevalent and applicable in SRBs, which, because of their size, do not have a large pool of employees to choose from. Normally, when the organisation is enjoying phenomenal growth, managerial deficiencies are masked and only become apparent when growth slows down, and by then it would be too late to undo the damage caused (Romaine, 2014). Consequently, a small restaurant business may be forced to settle for mediocre employees lacking needed competencies.

SRBs have a challenge of recruiting from within the organisation due to lack of appropriate workforce-skills mix. This is supported by Ogunyomi and Ojikutu (2014) who observe that employee resourcing is unique in small businesses because of lack of economy of scale, and liability of smallness and newness. Similarly, Chung and D'Annunzio-Green (2018) assert that, staff compliment in small businesses is small and the job holders perform multiple tasks. For example, the marketing manager may also

double up as the HR manager. So, it may be difficult if not impossible, for small restaurant business owners/managers to recruit from inside. To summarise this challenge, Asiedu-Appiah et al. (2013) note that when small businesses lose employees, they can only replace them from the external market, as they do not have a large internal labour market.

5.5.2.3 External Recruitment

An organisation can source new recruits from outside the business and this occurs when they cannot recruit from within (Sinha & Thaly, 2013). External recruitment allows the organisation to draw upon a wider range of talent and new experience, culminating in more creativity (Zinyemba, 2014). External recruitment has the effect of discouraging inbreeding even in SRBs, as heterogeneity is promoted. External recruitment can also reduce complacency among senior employees in SRBs who would assume that, because of having stayed long with same organisation, they deserve to get first preference in promotion. However, recruiting from outside the organisation has got its own challenges, especially for small businesses. Anyim et al. (2011) identify high costs of recruitment and training, lack of knowledge about the inner workings of the organisation on the part of the recruited, and uncertainty about the performance of potential employees.

There are many ways of recruiting applicants from outside the organisation, and some can be used exclusively or in combination. Sinha and Thaly (2013) identify a number of recruitment approaches such as referrals, on-campus recruitment, job sites, company websites, and so on, which can be implemented by the organisation to deliver its recruitment strategy. The small businesses have to choose the best approach or a combination of approaches contingent upon their organisational circumstances and context, if effective recruitment is to achieve intended results. Some of the external sources of recruitment as alluded above are discussed below.

5.5.2.3.1 Campus recruitment

Sinha and Thaly (2013) define campus recruitment as a process of approaching schools, colleges and universities to attract and hire the best student. This is done by those organisations that have direct access to schools and colleges. Campus recruitment may be cost effective in SRBs compared to advertising in the mass media, and is also convenient as many candidates can be interviewed at the same location and in a short time. However, campus recruitment has the disadvantage of attracting individuals who lack experience and it will be a cost to the organisation to train them before they start adding value. Small businesses, especially restaurants, can utilise the strategy of campus recruitment to attract interns since most of the labour in this sector is low skilled with no experience required (Hassannia et al., 2016). The programme of internship enables them to have access to quality employees, at low or no cost at all, who will be looking for work experience. The small restaurant business may give golden handcuffs to those interns who excel – so that they would join the organisation after completing their studies.

5.5.2.3.2 Social media

SRBs can make use of websites like Facebook, WhatsApp, Twitter, and LinkedIn to advertise vacant positions. Social media has enriched the staffing process by creating an open environment for participants to search for the right position (Yaseen & Yussef, 2016). Similarly, Sinha and Thaly (2013) suggest that social media enables people to exchange and work together on digital content in virtual communities (networks). A research by Yaseen and Yussef (2016) established that most SME owners in the United Arab Emirates (UAE) relied on social media to hunt for high qualified employees. A similar research by Koch, Gerber and De Klerk (2018) on the impact of social media on the recruitment process in South Africa, established that recruiters follow their international counterparts, with LinkedIn being central to their respective recruitment processes. However, Koch et al. figured out that the use of Twitter and Facebook for recruitment is substantially lower in South Africa than elsewhere. Despite social media's low uptake, Yaseen and Yussef (2016) argue that it saves a lot of time, cost and effort

and allows small businesses to target more qualified candidates all over the world. Though not much is known about the use of social media in recruiting among SRBs in South Africa, the above literature points to the suggestion that, social media could be cheaper for such businesses compared to the conventional ways that are cost laden.

5.5.2.3.3 Newspaper advertising

Small businesses can utilise newspaper advertising to attract new staff. The advertisement should give a detailed job description and job specification, clearly spelling out the main responsibilities of the job applicant. It is the most common strategy used by organisations, both big and small, to reach out to a wider pool of job applicants (Raziq & Shaikh, 2015). This is supported by Louw (2013) who explored recruitment and selection trends in the Eastern Cape, South Africa, and revealed that newspaper advertising was the most popular method of filling vacant posts. However, Zinyemba (2014) contend that many small businesses cannot afford the costs of advertising in the print media, television and radio – and thus it remains the preserve of big businesses.

5.5.2.3.4 Online recruitment

Today's small businesses can utilise their websites to procure suitable labour force (Louw, 2013). Online recruitment is gaining popularity as it reduces costs and time, and can be accessed by a large pool of prospective employees. However, according to Louw (2013), online recruitment has got some shortcomings. For instance, prospective employees who do not have access to the internet due to their low socio-economic background may lose out, and this is common in many developing countries. In support of the above-mentioned view, Zinyemba (2014) asserts that recruitment efforts may become ineffective when the advertising does not reach the intended destination. Research shows that SRBs use less of online recruitment and more of word of mouth recruitment (Young-Thelin & Boluk, 2012).

A few further implications for SRBs can be drawn from the above existing literature on recruitment. It appears that, when it comes to staff attraction, recruitment enables SRBs to attract the right candidate of the right caliber as they cannot afford to hire a wrong candidate. Shoddy recruitments have dire consequences that involve a negative impact on the bottom line, especially in SRBs where capital shortages are very common. The other implication is that, the informality inherent in SRBs could explain why most recruitment processes in these enterprises are done in an ad hoc manner (Olawale & Garwe, 2010). These implications demonstrate that, SRBs may need to adopt more modern strategies of recruitment and avoid unconventional ones, if they are to remain sustainable and competitive in today's turbulent business environment.

5.6 SELECTION

The selection process is considered to be very critical in small businesses as there is a direct correlation between performance and the organisation's workforce (Kanu, 2015). For Mathis and Jackson (2010), selection is the process of choosing individuals with the correct qualifications needed to fill jobs in an organisation. Similarly, Virág and Albu (2014) define selection as the process of choosing individuals with the correct qualifications needed to accomplish a job in an organisation. Pilbeam and Corbridge (2010) also define selection as a process which involves the application of appropriate techniques and methods – with the aim of selecting, appointing and inducting a competent person or persons. Consequently, the process involves the selection and appointment of the best and most suitable candidates from those who would have submitted their profiles for a particular post. This process of filling the vacancy commences after the recruitment process has attracted a number of applicants for the vacancy. The task of selection could be a very critical decision that the HRM department or any manager needs to make, as the success or failure of an organisation sometimes hinges on its employees who use their skill and competencies to ensure organisational goals are achieved (Wirba, 2017). This is supported by Gamage (2014) who observes that, the selection process is very important in small businesses because if the right people are selected for the job, the organisation is assured of increased

productivity. For SRBs, this means getting the process right from the beginning, in order to get the right people (Virág & Albu, 2014). In addition, SRBs cannot afford to waste their time and money by selecting the wrong candidates. Indeed, poor selection can have an adverse financial impact on small businesses – since a lot of time and effort is devoted to the whole selection process (Durrani, 2013).

Rees and French (2010) argue that, selection should involve a choice of the methods by which an employer reduces a shortlisted group following the recruitment stage, and leading to an employment decision. Traditionally, most organisations used the Person-Environment fit construct for selection of desired employees (Pittino et al., 2016). In the Person-Environment fit construct, the 'Person' element entails the cognitive abilities, knowledge, skills, personality traits, characteristics, experience, education, values and goals; while the 'Environment' element can include organisational climate, work conditions, culture, values, systems, goals, job demands, reward systems and collective attributes (Abraham, Kaliannan, Mohan & Thomas, 2015). This implies that selection as a construct/process explores the extent to which a job provides rewards that satisfy an individual's needs, and the extent to which the applicant's core competencies and experience would be in tandem with the work environment requirements and demands (Louw, 2013). This process involves a lot of effort and resources, which are often eluded by small businesses, especially in developing contexts as they have no support to grow their businesses (Sobaih, 2018). However, supporting this person-organisation fit argument, Omisore & Okofu (2014) suggest that the main purpose of selection is to determine whether there is compatibility between the organisation and the individual. This means that, the process of selection in SRBs could involve matching the attributes of the candidates with the requirements of the job. Therefore, during the selection process, questions of test batteries which elicit the values and needs of the organisation may be used to assess whether compatibility exists between the individual and the organisation (Abraham et al., 2015). For example, Juariyah (2015) investigated on the recruitment and selection processes in restaurant and café industry in Malang City in Indonesia. The research established that selection in the restaurant sector was based on the following four tests: (1) Administrative indicator where the candidate was

expected to possess relevant experience, (2) Physical indicator, where the candidate was expected to be good looking, clean and having a charming appearance, (3) Skills indicator, where the candidate was expected to know and understand the job task precisely and (4) Communication indicator, where the candidate was supposed to have communicative skills, fluency and confidence during interviews. These tests are not surprising in the restaurant sector since it is a service industry which places more emphasis on 'service with a smile' to maximise service quality, customer impressions and overall satisfaction (Kim, Yoo, Lee & Kim, 2012).

As exemplified above, the selection process can be accomplished by either carrying out an interview or assessment centres, or personality and competency selection techniques (Eva, 2018). A research by Shafique (2012) on recruitment in the 21st century shows that despite the existence of many recruitment testing methods, interviews remain the best strategy to identify and recruit the right person for the job. Restaurant businesses are known for relying on interviews to select their staff. This observation is supported by Raziq and Shaikh (2015)'s investigation on recruitment and selection practices in Pakistani SMEs. The research established that one-on-one interview and unstructured interview methods were dominant selection methods among SMEs. Specifically, the research established that most service-based SMEs have significantly adopted formal selection practices such as application form, panel interviews and behaviorally based interviews compared to manufacturing firms. However, Raziq and Shaikh note that other selection practices such as written and verbal reference checks and assessment centres were not popular in SMEs despite acknowledgement on their ability to enhance acceptability of selection decisions.

5.7 EMPLOYEE RETENTION

Staff retention is one of the most critical issues facing SRBs (Lum, 2017). Extant literature shows that it is considered costly to replace employees rather than retain them, more so in the hospitality industry which is well known for high attrition rates (Mkono, 2010; Njerekai et al., 2018). High staff attrition can negatively affect

productivity, employee morale and overall business performance (Gialuisi & Coetzer, 2013; Chiboiwa, Samuel & Chipunza, 2010). Conversely, staff retention can lead to superior business performance as it implies job satisfaction and employee commitment (Sinha & Sinha, 2012). Thus, it should be a small restaurant business' top priority to retain their skilled workforce as both the employer and the employees could benefit from low levels of staff attrition.

Das and Baruah (2013) define retention as a process in which the employees are encouraged to remain with the organisation for the maximum period of time, or until the completion of a project. For Schlechter, Hung and Bussin (2014), employee retention entails the various policies and practices which let the employees stick with one employer for a longer period of time. Thus, employee retention entails an organisation's ability to hold onto their workforce, especially those who use their heads more than they use their hands to add value. Workforce retention could be very important for the survival of SRBs because those that fail to retain core staff are more likely not to survive (Parsa, van der Rest, Smith, Parsa & Bujisic, 2015). This view is affirmed by Pittino et al. (2016) who observe that, organisations that fail to retain their high performing workforce cannot achieve important organisational outcomes as high attrition will affect their performance. For small businesses where attracting skilled manpower is a big challenge (Ogunyomi & Ojikutu, 2014), losing one employee could have dire consequences for the organisation as they employ few individuals, and the absence of one can be easily felt. The implication for SRBs is the need to strive to satisfy the career aspirations of their employees by offering long term tenure, creating promotional opportunities and possibilities for further development.

When organisations fail to retain their staff, they incur recruitment costs, high training costs, loss of goodwill or reputation, increased labour turnover and loss of profitability. (Chidi, 2013; Chiboiwa et al., 2010). This implies that staff turnover may not be good for businesses, especially small restaurants, as it does tend to deplete their meagre resources. Furthermore, productivity is slowed down as positions which are left vacant will result in increased workloads for the remaining workers, and this is a common

feature in small businesses as they face challenges in attracting skilled manpower (Ogunyomi & Ojikutu,2014). According to Rehman (2012), high attrition rate of employees is a cost to organisations. As a result, there is need to embrace employee retention strategies, such as competitive salaries, career development, training and development among others, which help reduce staff turnover and may result in improved business performance.

5.7.1 Factors Influencing Employee retention

Armstrong (2011) asserts that an organisation retains critical staff by availing better opportunities and rewarding them better than their competitors; and also by being able to manage the psychological contract well. However, small businesses are often faced with the challenge of employee loyalty and employee retention (Poljašević & Petković, 2013). This is not a challenge for big organisations as they are known for giving their employees golden handshakes, such as availing loans to help them acquire houses, finance their children's education or even buying them cars (Ogunyomi & Ojikutu, 2014). This strategy may help in attracting, motivating and retaining skilled workforce in an organisation. For example, Coetzee and Stoltz (2015) identify compensation (monetary and non-monetary rewards), job characteristics (skill variety and job autonomy), training and development opportunities, supervisor support recognition and feedback (by supervisors), career opportunities, work life balance and organisational commitment as key factors responsible for staff retention. Some of these factors are further explored below.

5.7.1.1 Compensation

Compensation is considered as one of the most important factors enabling an organisation to attract and retain skilled employees (Kishore, et al., 2012). For example, a research by Schlechter, Hung and Bussin (2014) established that high levels of remuneration, benefits and variable pay were critical for talent attraction. Rewards and incentives could be critical in enhancing small businesses' effort to attract, retain and motivate employee performance. However, due to the fact that low pay and poor

benefits are pervasive features of the hospitality and tourism industry, employee demotivation, job dissatisfaction and low organisational commitment have been found to be the order of the day (Kusluvan, et al., 2010). A competitive compensation package to elicit high commitment from the employee, resulting in commitment to meeting organisational goals in SRBs, may be the solution to employee retention. For example, Kishore, et al. (2012) recommend retention strategies such as offering a competitive benefits package that fit the employees' needs and expectations, using contests and incentives to help keep employees motivated and feel rewarded and creating open communication between employees and management. Similarly, Huda, et al. (2014) suggest that the hospitality industry should offer short term financial and non-financial incentive, such as performance bonus, free lunch, transportation, hostel accommodation among others, to encourage staff retention. However, this is applicable to SRBs if their budget sizes are large enough for such incentives.

Although offering monetary incentives is shown in extant literature as one of the most important retention strategies in most businesses, both big and small (Smit, Stanz & Bussin, 2015; Kishore et al.,2012; Schlechter et al.,2014), debate continues on whether money is enough to retain an organisation's most important resource. The argument is that, workers are not attracted and will not stay in those organisations with low pay package. At the same time, this does not mean high pay will guarantee staff retention. This argument is supported by Lumley, Coetzee, Tladinyane and Ferreira (2011) who observe that individuals who earn more are not necessarily more satisfied with their jobs. This is in line with Herzberg's two factor theory which propounds that money is not a motivator but a hygiene factor. Other factors such as work environment, career opportunities, leadership style and work life balance among others, could also be responsible in influencing an employee's decision to stay. The offering of non-monetary incentives industry could be relevant in the restaurant sector where workers face a number of challenges, including perceptions of low social status and prestige, poor employment conditions and unsocial and irregular working hours (Kusluvan, et al., 2010).

5.7.1.2 Training and Development

SRBs can also make use of training and development to promote staff retention. For example, Bilau, Ajagbe, Sholanke and Sani (2015) argue that training and development could be a key component in ensuring employee retention as it reduces employees' desire to leave. Research shows that employees who receive training at the workplace decrease their desire to leave than those who do not, as training will, most likely, leave employees satisfied with their work and well-positioned for future growth opportunities (Coetzee & Stoltz, 2015). It can be suggested therefore that, through training and development, the SRBs may ultimately benefit from employees' newly acquired skills as quality of work improves, resulting in increased productivity. Investments in training also demonstrates an organisation's commitment to the employee and willingness to invest in human resources, and the employee will 'see a future' with the organisation. However, there is limited access to training and development in small businesses, including restaurants, and this may frustrate employees who value knowledge acquisition, skill development and professional growth (Gialuisi & Coetzer, 2013). Poljašević and Petković (2013) observe that SMEs often do not perform analysis of training needs; hence decisions related to them are ad hoc. This is because small business owners/ managers may be skeptical about training, believing that it benefits the employees more than it does the firm. Other factors which may discourage small businesses from engaging in training and development include, scarce financial resources, attitude of owner/manager towards training and fear of losing the employee to competitors after training (Dladla & Mutambara, 2018). This has been exacerbated by the presence of a high proportion of the workforce which is engaged in menial transient jobs, such as being cleaners and waiters, where little or no prior experience or qualifications may be required (WTTC, 2015). This scenario has resulted in some SRBs under-investing in staff upskilling as labour is ubiquitous due to high unemployment rates in the country. For example, Sobaih (2018) observes that, very few small hospitality organisations engage in off-the-job training as they believe it is more expensive than on-the-job training. Similarly, Lai et al. (2016) report that small businesses reduce budget allocations for training, as it is regarded as expensive and a luxury. This is likely to put SRBs in a quandary, as lack of training and development

opportunities lead to attrition, and availing these opportunities increases employees' mobility capital. However, since there are benefits to be accrued from investing in training, small restaurant business owners/managers could leverage on the need to be enlightened on the benefits of investing in their employees, otherwise, they would remain a training ground for big organisations.

5.7.1.3 Management of the Psychological Contract

The way SRBs manage their psychological contract can have implications on staff retention. Savarimuthu and Rachael (2017) define psychological contract as an individual's beliefs regarding reciprocal obligations. Similarly, Birtch, Chiang and van Esch (2015) observe that the psychological contract relates to important job outcomes such as job satisfaction, employee performance, employee commitment and organisational citizenship. These outcomes are likely to be realised when employers meet employees' job expectations. The psychological contract is based on specific promises made by both parties and on generally accepted promises that are based on the general obligations of employers and employees. Research (Aguenza & Som, 2012), shows that the transient nature of labor in SRBs creates challenges that involve failure to fulfill the promises made to employees; hence, retaining them might be a problem. On the contrary, when an employee feels the organisation is fulfilling the psychological contract, affective and socio-emotional bonds are strengthened, as he/she feels an obligation to reciprocate the organisation's goodwill. (O'Donohue, Martin & Torugsa, 2015). Consequently, the employee is likely to stay in the organisation.

5.7.1.4 Supportive Management

Given that SMEs cannot compete with big businesses in terms of a competitive salary, they should focus on the creation of a safe and congenial work environment, which is regarded as important in promoting staff retention (Poljašević & Petković, 2013). This maybe particularly true in SRBs. As posited by Lumley et al. (2011), employees stay in those organisations where management offer praise for good work, is friendly and understanding, and gives an ear to employees' opinions. Thus, one can suggest that

employees are unlikely to leave the small restaurant business where they feel that they are valued and are also getting fair treatment from their employer. This entails that the quality of employer-employee relationship has a bearing on staff retention in SRBs. Gialuisi and Coetzer (2013) observe that small businesses foster positive social environments and egalitarian structures where employer and employees have regular and personalised interactions. It is through these interactions that small business owners/managers can communicate their vision and provide opportunities on how an employee can contribute to the realisation of organisational goals (ibid). This close interaction has the effect of promoting employee engagement which is needed in retaining skilled workers, even in SRBs. As a result, employees are likely to become more satisfied with their jobs, identify themselves with the organisation and believe that their employer has their interests at heart.

5.7.1.5 Career Development

The presence of personal and professional development could be an important factor which guarantees staff retention in SRBs. This view is supported by Aguenza and Som (2012) who note that the presence of career development in organisations culminates in employee retention, as manpower experience greater satisfaction about their ability to achieve results on the job, and by taking responsibility for their career. Career development helps to improve the morale of the workforce, as availability of career opportunities culminates in employees making long term commitments to their place of work (Poljašević & Petković, 2013). For example, Coetzee and Stoltz (2015) suggest that an organisation's ability to address employee's career satisfaction and balancing an organisation's goals and employee's career goals has the potential of good organisational performance, as employees become citizens of the organisation leveraging their experience. Conversely, the absence of promotion opportunities may demotivate employees, and those employees who feel stellar performances are not being rewarded fairly will not stay (Aguenza & Som, 2012). Employees are attracted to those organisations which recognise their individual needs and desire to grow, and they will become committed to the realisation of organisational goals. An organisation can introduce job enrichment as a way of tying individuals to itself. Saleem, Shaheen and

Saleem (2012) define job enrichment as involving the workers in managerial functions of the higher ranks. Employees become demotivated and frustrated with their work if they are exposed to repetitive performance of tasks. Therefore, there is need to expose them to more challenging work to reduce boredom, and ultimately, staff turnover. This is common in SRBs where elementary low skilled jobs are on offer as casual, seasonal and part-time (Vittori, 2015). Challenging work is not viewed as critical in SRBs - thus, SRBs may need to expose their employees to challenging and interesting work, as a way of motivating and building their commitment to the organisation. Promotions avail opportunities for personal growth, and employees who perceive them to be fair will not leave the organisation (Lumley et al., 2011).

5.7.1.6 Job Redesign

The nature of the job has an influence on organisational citizenship in SRBs. According to Kusluvan et al., (2010) many tourism and hospitality jobs can be dull, routine, low skilled and low status. For these reasons, there is need to redesign the work so that it becomes more meaningful and interesting, through practices such as job rotation, job enrichment, job enlargement and semi-autonomous workgroups. This is supported by Lumley, Coetzee, Tladinyane and Ferreira's (2011) view that today's employees prefer mentally challenging work that provides them with an opportunity to apply their competencies, and offers a variety of tasks, freedom and feedback on their performance. This explains why Hackman and Oldham in 1976 came up with five core characteristics (skill variety, task identity, task significance, autonomy and feedback) that motivate employees in the job. Thus, managers need to focus on reducing job dissatisfaction (working conditions, salary, supervision, relationships with colleagues), while embracing motivating factors such as achievement, recognition, responsibility and work itself, to increase productivity and customer satisfaction (Dobre ,2013). This is in consonance with Krüger and Rootman (2010) who in their research on how small business managers influence employee satisfaction and commitment, posit that, the manner in which a manager deals with employees, in terms of motivation, satisfaction and commitment, has an impact on the long-term success of an organisation. As such, organisations may need to take care of employees' 'happiness' within the business, in

order to retain quality staff. For SRBs, employees are likely to stay in their employ where there is job satisfaction through opportunities to apply their competencies.

5.8 CHAPTER SUMMARY

This chapter has reviewed literature on employee resourcing. Employee resourcing in both developed and developing contexts was explored. Employee-resourcing strategies such as workforce planning, recruitment, selection and retention in SRBs were also discussed.

The following chapter reviews literature on small business performance. The influence of recruitment strategies on small restaurant performance is also explored.

CHAPTER 6

BUSINESS PERFORMANCE

6.1 INTRODUCTION

The previous chapter explored the concept of employee resourcing in small businesses, and in particular, SRBs. The chapter also highlighted the prevalence of employee resourcing in small businesses in both the developed and developing world, with implications drawn for SRBs. Lastly, the chapter explored the term 'employee resourcing', focusing on workforce planning, recruitment, selection and retention strategies in small businesses, including small restaurants, where applicable.

The main thrust of this chapter is to define business performance and identify its different measures. The chapter then discusses the performance of small businesses in South Africa, with reference to the SRBs. Lastly, the chapter considers the relationship between employee-resourcing strategies and small business performance, making reference to SRBs, where applicable. At the same time, terms such as business performance, business effectiveness, organisational performance and business success are used interchangeably in this research.

6.2 BUSINESS PERFORMANCE

Business performance is one of the most used dependent variables in most management research (Sheehan, 2013; Omolo et al., 2013; Katua et al., 2014; Gamage, 2014). The objective being to determine its correlation with various management control systems such as employee-resourcing strategies. Organisations, both big and small, profit-making and non-profit making are interested in continuous performance so that they are able to grow (Gavrea, Ilieş & Stegerean, 2011). Even SRBs are becoming more interested in organisational performance, as organisational knowledge of the determinants of performance has the potential of helping them to upgrade extant performance, by identifying their strengths and weaknesses (Zhang & Enemark, 2016). For example, Lee et al. (2016) investigated on the relationship

between innovation, entrepreneurship and restaurant performance. The research ascertained that restaurant innovation and owner's entrepreneurial self-efficacy positively influence restaurant performance. Ngary, Smit, Bruwer and Ukpere, (2014) note that performance measures provide a small business owner/manager with a 'bigger picture view' of the effectiveness and efficiency of business processes, which can help them plan and realise critical organisational outcomes. Despite the importance of small business performance, there is no unanimity among researchers on the definition of performance. It is indeed a challenge to measure business performance as what has to be measured keeps changing (Jahanshahi, Rezaei, Nawaser, Ranjbar & Pitamber, 2012).

6.3 DEFINITION OF BUSINESS PERFORMANCE

The definition of business performance is a contentious issue as different researchers provide varied definitions. For example, Jahanshahi et al. (2012) define business performance in terms of how it comprises the actual results or output of an organisation as measured against its intended results or outputs. According to Richard, Devinney, Yip & Johnson (2009), business performance encompasses three specific areas of firm outcomes: (a) financial performance (profits, return on assets and return on investment); (b) product market performance (sales and market share); and (c) shareholder return (total shareholder return and economic value added)

Another definition of business performance by Mutembei and Tirimba (2014) associates it with both short term and long-term measurable outcomes which contribute to the sustainability of the organisation. Likewise, Gavrea et al. (2012) posit that successful organisations are measured by their ability to accomplish its goals (effectiveness) using minimum resources (efficiency). This is in line with the following argument propounded by Katou (2011) that organisational performance is generally indicated by effectiveness (whether an organisation can achieve its objectives), efficiency (whether an organisation uses resources properly), satisfaction of employees and customers, innovation, quality of products or services, and the ability to maintain a unique human pool. The same line of argument is echoed by Abu-Jarad, Yusof and Nikbin (2010) who reason that

business performance should be broad based to include effectiveness, efficiency, economy, quality, consistency behavior and normative measures.

Following literature (Gavrea et al., 2011; Katou ,2011; Mutembei &Tirimba, 2014), the definition of business performance in this study includes both efficiency related measures, which relate to input/output relationship, and effectiveness related measures, which deal with issues like business growth and employee satisfaction.

6.4 MEASUREMENT OF SMALL BUSINESS PERFORMANCE

There is a debate among researchers on the best tool to use to measure business performance since there is no universal tool for it (Muzenda, 2014; Fatoki, 2011; Jahanshahi et al., 2012; Santos & Brito, 2012). This could be the reason why it is not easy to define small business performance as there are various stakeholders, each with their own measure. For instance, SME owners/ managers always seek a better standard of living for their families, while the business' banker will be interested in profit margins and generation of liquidities, and the small business' socio- economic counsellor will consider employment creation and growth as performance benchmarks (Raymond, Marchand, St-Pierre, Cadieux & Labelle, 2013).Thus, for one to fully appreciate small restaurant business performance, an understanding of its organisational circumstances and context can be handy. Consequently, whether one uses financial performance measures or non-financial performance measures, performance management system in the restaurant business must supply information that the management is asking for (Ivankovič, Jankovič & Peršič, 2010).

Historically, most small businesses utilised financial performance to measure their performance (Maduekwe & Kamala, 2016; Sandada, Pooe & Dhurup, 2014; Ngary et al. 2014), mainly relying on profitability. According to Santos and Brito (2012), profitability measures a business' past ability to generate returns. Likewise, Jahanshahi et al. (2010) identify return on assets, investment, sales and equity as important profitability measures. These measures can help in assessing whether small restaurant business'

goals are met or not. If profits are high, they are an indication of positive organisational outcomes, and if they are low, it means the organisation is performing poorly. For example, in Nigeria, Umeze and Ohen (2014) investigated on performance of micro restaurant enterprises in Cross River State, focusing on financial measures by evaluating their profit status. They established that, though the cost of running a restaurant business was high, owners/managers were making relative high profits and returns from it.

However, it seems the use of financial measures has its own challenges. As Sandada, Pooe and Dhurup (2014) and Jahanshahi et al. (2010) report, over-relying on financial performance measures is unreliable and misleading in small businesses, as figures can be doctored to look good. This has a backward-looking focus which does not reveal much on the future potential of the business. Ngary, et al. (2014) cite the example of the fast food SMEs in South Africa that make use of financial performance measures only related to cash, namely cash flows statements, cash receipt journals, cash budgets and bank statements. The scholars (ibid) conclude that these measures do not validate the real performance of small businesses. Similarly, Bruwer and Watkins (2010) in their research on sustainability of fast-moving consumer goods retail SMMEs in South Africa established that small businesses owners/managers make use of financial performance measures which are ineffective, as they are backward looking. This could be the reason why Maduekwe and Kamala (2016) and Sandada et al. (2014) discourage SMEs from over-relying on financial performance measures, as they only inform managers of what happened in the past, and do not provide any forward-looking information or indication of future performance - which could be the strength of non-financial performance measures. In addition, critics of financial performance measures argue that financial performance measures of small businesses are unreliable. The reason for this is that the owner/manager cannot understand the root causes of poor performance, as they make cross-functional decisions to survive in unpredictable and volatile business environments (Sandada et al., 2014; James, 2009).

Most small businesses' financial statements, if they have them, may be inaccurate as they are unaudited (Abu-Jarad et al., 2010), which may make it difficult to rely on this source of data. Furthermore, profitability figures from small businesses are not readily available to the public. Fatoki (2011) and Abdullahi, Awang, Abubakar, Umar, Umar, Khalid and Abubakar (2015) observe that, it may not be easy to access objective data (financial variables such as return on investment, return on assets and profit growth) on the performance of small businesses. This could be because most of them are privately owned, and owners are secretive and not comfortable to avail such information to outsiders. For this reason, Hallak, Assaker, O'Connor and Lee (2018) encourage restaurant performance to be based on the owner/manager's self-assessment of how his/her business has performed.

Consequently, some researchers rely on non-financial measures of performance which are regarded as subjective and are indicative of shareholder value (Ankrah & Mensah, 2015; Matsoso & Benedict, 2014). Furthermore, as Sainaghi (2010) observes, non-financial performance measures could be more useful in the hospitality industry (restaurant businesses included) due to strong ties linking them with various stakeholders, such as shareholders, consumers, employees, local community among others, whose contribution allows for proper planning. Hence, Mjongwana and Kamala (2018) reiterate that non-financial performance measures equip businesses with feed-forward information that is future-oriented, allowing for effective planning. For example, an increase in the number of people employed in a small restaurant business would suggest that the business is performing well, whereas, a decline in numbers would indicate retrenchments and staff turnover as a result of poor financial performance.

Several non-financial measures can be used to measure small business performance. This is confirmed by Mjongwana and Kamala (2018) who investigated on non-financial performance measurement by small and medium sized enterprises operating in the hotel industry in the city of Cape Town. They established that the SMEs employed non-financial performance measures, especially customer related measures, such as guest satisfaction surveys, sales growth and bed occupancy level, to improve profitability of

the business, productivity and mission effectiveness, as well as improving decision-making. Mjongwana and Kamala also established that learning and innovation related measures were less frequently used. They attributed this to high costs of implementing these measures, and they also viewed them as irrelevant to their business. For Mabhungu (2017), non-financial measures like customer satisfaction, employee performance, employee turnover, operating efficiency, delivery time and community and environmental factors were important in measuring the performance of a business. Similarly, Ankrah and Mensah (2015) note that non-financial factors such as customer loyalty, employee satisfaction, internal process among others, drive sustainable shareholder value in small businesses. Santos and Brito (2012) assert that business growth can also be used to measure performance as it demonstrates a business' past ability to increase its size. Indicators of business growth include market-share growth, asset growth, net revenue growth, net income growth and number of employees' growth. Thus, if there is small restaurant business expansion, it could be an indication of positive organisational performance, while shrinkage in business means the business could be performing dismally. However, non-financial performance measures are not without their weaknesses, as Mabhungu (2017) argues that, most organisations just assume that there is a relationship between non- financial measures and performance, but cannot give evidence whether such assumptions have any basis. In view of this evidence, one can suggest that blending the two measures (financial and non-financial performance measures) could be more effective in determining performance of SRBs.

This view is supported by Abdullahi, Abubakar, Aliyu and Umar (2015) who opine that business performance should be viewed as achievement of defined and measurable goals, which may be of subjective (non-financial nature) as well as objective (financial nature). This implies that utilising both financial measures and non-financial measures as a bundle to complement each other has greater effect in small businesses, restaurants included. This observation is affirmed by Abu-Jarad et al. (2010) who argue that financial measures such as return on investment, return on assets and profit growth, would help in constructing trend analyses and benchmarking analyses, while non-financial measures such as employee perceptions of business' success, goal

achievement and financial health, would help in evaluating business effectiveness and overall employee satisfaction. In addition, Abu-Jarad et al. (2010) further observe that, non-financial performance measures can be best combined with financial performance measures to obtain the best measurement of performance in a competitive environment. Fatoki (2011) agrees that combining the financial and non-financial measures could help owners/managers to gain a wider perspective on measuring and comparing small business performance. Thus, within the context of SRBs, it is possible to suggest that, the two variables complement each other and there is no best measure for business performance. What could be needed is an effective performance measurement system that should be able to capture, not only the financial aspect of business performance, but also the non-financial elements, to present a clearer and wider perception and dimension of performance (Ismail, Rose, Abdullah & Uli, 2010).

To this end, Oghojafor, Muo and Aduloju (2012) propose the use of Cameron's Four-Criterion Measure of organisational effectiveness to evaluate business performance. These are goal approach, resource acquisition approach, internal processes approach and strategic constituencies' satisfaction approach. Cameron's Four Criterion Measure posits that an organisation is deemed effective if it meets its goals, acquires the resources needed for operations, information flows smoothly, and when there is an ability to satisfy all stakeholders. The above three scholars further advice managers to adopt a best fit approach in understanding business performance, recognising the uniqueness of their organisation and circumstances under which they work. Based on this evidence, it is possible to suggest that the adoption of performance measures for SRBs is contingent upon organisational context.

Given the need to balance financial and non-financial measures of performance, researchers are making use of both financial and non-financial measures to determine performance of small businesses in developing contexts. For example, Ogunyomi and Ojikutu (2014) used profitability, financial strength, operating efficiency, performance stability, public image and goodwill, staff morale, growth rate of number of employees and customer patronage as measures of performance in their study on employee

performance and SME performance in Lagos, Nigeria. Similarly, Omolo et al., (2012) used life span, profits, sales volume and expansion in SMEs to measure performance. Within the context of this study, it is possible to suggest that SRBs that blend the two performance measures are better able to upgrade their performance. This is supported by Planinc and Kukanja (2016) who note that there is need for inclusion of non-financial measures in restaurant business analysis, as financial yardsticks alone do not provide a comprehensive picture of restaurants' overall business performance. For this reason, the current study used self-assessments of small restaurant business performance regarding employment growth (head count), return on investment and business expansion. Self-assessments of small business performance were employed as it is a challenge to glean information from owners/managers who are secretive (Hallak et al., 2018).

6.5 PERFORMANCE OF SMALL RESTAURANT BUSINESSES IN SOUTH AFRICA

Small business performance has become an area of interest in contemporary research (Lechner & Gudmundsson, 2014; Sheehan, 2014; Kitching & Hart, 2015), and South Africa is no exception. Given the resource paucity confronting SRBs, coupled with their vulnerability with respect to volatile environmental changes and uncertainty, a better understanding of the factors and mechanisms that explain small business' performance stands as a key issue for owners/managers and policy makers. Factors responsible for such performance in small businesses in South Africa are manifold (Chinomona, 2013; Mbonyane & Ladzani, 2011; Fatoki, 2011; 2014; Makate, 2014; Cant & Wiid, 2013; Radipere & Dhliwayo, 2014). However, there is a dearth of literature on the performance of SRBs in South Africa. Consequently, few studies referring to small business performance in the country will be roped in and inferences made. Despite the fact that these researches focus on independent variables which are different from the ones employed in this research, they were chosen, nonetheless, as they discuss small business performance which is a dependent variable in this research. Thus, this section reviews literature on small business performance in the country.

Small businesses in South Africa seem to be facing a myriad of challenges which are impeding their performance. For example, Fatoki (2014) carried out an investigation on the causes of poor performance of new small and medium businesses in South Africa and established that both external and internal environmental factors were responsible for their failure. Performance was measured through both financial and non-financial methods. On financial measures, the research focused on satisfaction with sales growth and profitability growth, and on non-financial measures, it focused on increase in the number of employees, performance relative to competitors and satisfaction with overall business performance. Internal factors identified include lack of management experience, lack of functional skills and poor staff training and development, and poor attitudes towards customers. On the other hand, external environmental factors include non-availability of a logistics chain and a high cost of distribution, competition, rising costs of doing business, lack of finance and crime. In their investigation on establishing challenges affecting South African small businesses, Cant and Wiid (2013) also identified both internal and external factors such as inflation and interest rates, crime and unemployment, low demand for products, the wrong pricing strategies implemented, and the location of the business to be the major problems hampering SME performance. These findings are in consonance with Mboniyane and Ladzani's (2011) investigation which also identified factors that hamper small business performance, including SRBs in South Africa using non-financial performance measures, and these include owners' lack of awareness of government small business support systems, lack of sound financial management acumen, overtrading, high rates of crime, a lack of managerial competencies, poor credit records, poor infrastructure, a lack of information and poor access to communication technology. Although these researches were not done in small restaurant business environment per se, SRBs might learn lessons from the results as they operate in the same environment, hence, these challenges might also apply to them.

Although literature search from South Africa has shown some of the factors contributing to poor performance of small businesses, there is also a large body of literature showing factors responsible for positive small business performance (Muzenda, 2014; Chivandi,

Chinomona & Maziriri, 2017; Matchaba-Hove & Vambe, 2014; Makanyeza & Dzvuke, 2015). In South Africa, Muzenda (2014) examined the determinants of small business performance in the tourism sector in the Gauteng province. The findings suggested that entrepreneur attributes, firm characteristics and external environmental factors had a significant effect on SME performance. Similarly, Matchaba-Hove and Vambe (2014) investigated on entrepreneurial orientation and performance of small businesses in the retail sector in the Eastern Cape province of South Africa. The results of the research established that dimensions of entrepreneurial orientation such as pro-activeness, innovativeness and competitive aggressiveness had a positive influence on small business performance, while autonomy and risk-taking did not. Lessons from these results can be drawn as hotels and tourism industry are closely related to the restaurant business, and it is anticipated that the same factors could also trigger a positive response in the South African SRBs.

Owner's expertise also emerged as a key determinant of small business performance in South Africa. For example, an empirical research by Ganyaupfu (2013) in the Gauteng province, South Africa revealed that managerial competency had the highest statistically significant positive effects on small business performance. Neneh and van Zyl (2012) investigated on achieving optimal business performance through business practices in SMEs in South Africa. The research revealed that marketing practices, strategic planning practices, human resource management practices, risk management practices, performances management practices and teamwork practices had a positive correlation with small business performance. These practices can only be adopted if the owner/ manager possesses competencies and expertise to appreciate his/her importance in guaranteeing business performance (Neneh & van Zyl, 2012). Furthermore, Chinomona (2013) carried out a research on business owners' expertise, employee skills training and small business performance. The results showed a positive relationship between small business owners' expertise, employee skills training and business performance. Contrary to these findings, Radipere and Dhliwayo (2014) investigated on the role of age and business size on small business performance in the South African small enterprise sector, and established that there was no significant

relationship between age, business size and organisational performance. The research utilised income, profit, market share, return on investment, number of employees and product line as performance measures. The researchers proposed that effective use of labour had a positive impact on organisational performance.

Based on various researches carried by researchers as exemplified above, it is possible to suggest that small business performance in South Africa is a function of many factors. Both internal and external factors contribute to small business performance (Mudavanhu et al., 2011; Chipangura & Kaseke, 2012; Muzenda, 2014). Fatoki (2011) identified a positive relationship between social, financial and human capital and small business performance. For Nene and van Zyl (2012), marketing practices, strategic planning practices, human resource management practices, risk management practices, performances management practices and teamwork practices were found to be responsible small business performance. Some researchers established a positive relationship between innovation and small business performance (Mbizi et al., 2013; Makanyeza & Dzvuke, 2015). Chinomona (2013) made use of variables such as owner's expertise and employees' skills training and established a positive relationship with small business performance. The researches cited above provide ample evidence of the criticality of small business performance in South Africa; and SRBs may need to be aware of these factors as they make or break any business.

6.6 EMPLOYEE RESOURCING AND SMALL BUSINESS PERFORMANCE

It is postulated that good choices of human resources trigger business performance or sustained competitive advantage (Sheehan, 2013; Georgiadisa & Pitelis, 2012). The assumption is that, organisations that are able to leverage the skills and capabilities of their employees are assured of good organisational performance. This might be the reason why there is a lot and growing body of evidence showing a positive linkage between employee resourcing and organisational performance (Armstrong, 2012; Omolo, et al., 2012; Katou, 2011). Unfortunately, there are very few researches, if any, on the relationship between employee resourcing and performance of SRBs in South

Africa. Consequently, this section explores the relationship between employee resourcing and small business performance in general, and with reference to the small restaurant business where possible. The assumption is that, employee-resourcing strategies used in these small businesses could be able to trigger a similar response in SRBs.

In Australia, Assaf, Deery and Jago (2011) carried out an evaluation of the performance and scale characteristics of the restaurant business. They noted that the Australian restaurant business sector was largely made up of small businesses which posed a challenge to their performance, as they lacked both expertise and support services to make changes needed to enhance efficiency. Therefore, as Assaf et al. (2011) explain, SRBs experience poor performance as they operate on very low margins. Small businesses find it difficult to make investments in training and development which they view as a cost rather than a means for improving efficiency, and professionalism critical for organisational performance. The consequence of this lack of training and development opportunities in small restaurants manifests in high staff attrition, further exacerbating professionalism and productivity issues.

Similarly, in Bulgaria, Jordanova (2011) reviewed theoretical and empirical research on the adoption and impact of human resource management on small business performance, as well as the barriers to the adoption of HRM policies and practices by small and medium-sized enterprises. The research noted that Bulgarian SMEs did not invest in training their personnel, thereby seriously decreasing the possibility of retaining skilled workforce that wishes for career development, and this negatively affects their performance. Failure to invest in training was attributed to size of the business and lack of financial resources which incapacitated them from engaging experts needed to boost performance.

However, some researches in Europe provide persuasive evidence for causal relationship between employee-resourcing strategies and small business performance. For example, Sheehan (2013) conducted a rigorous longitudinal research on a sample

of UK-based SMEs, and established what she described as “strategic people management” to be connected to all three performance measures (profitability, innovation and decline in labour turnover), and that its significance increases over time, emphasising the importance of investigating long-term effects of HR practices. Training was found to be significantly associated to profitability and staff retention in small businesses in the UK, which in turn allowed them to leverage employee experience to gain business performance. In addition, Georgiadisa and Pitelis (2012) investigated the relationship between human resources and SME performance in the UK Tourism Hospitality and Leisure sector. The results suggest congruence between experienced entrepreneurs and high-performing SMEs in the sector. The researchers also established that the secret behind the success of these SMEs was that they combined a highly skilled workforce with technological and know-how-based firm differentiation strategies, and/or product differentiation strategies, which were based on quality of service and personal attention to customers, alongside generous compensation and attention to employee development. Considering this, it is possible to suggest that owner/manager’s experience and investments in attracting and retaining skilled workforce could be the panacea resulting in small restaurant performance.

Similarly, in other developed contexts as Japan, Gamage (2014) examined the mediating relationship of HR outcomes between recruitment and selection practices, and financial performance small businesses in the manufacturing Industry. The findings revealed a positive and significant correlation between recruitment, selection and business performance. These findings are in consonance with Razouk’s (2011) empirical research which explored the relationship between high-performance work systems (HPWS) and performance of SMEs in France. Business performance was measured using profitability, degree of innovation and social climate. The findings revealed a convivial relationship between HPWS and all performance indicators.

Researches in developing contexts also show a positive relationship between employee-resourcing strategies and business performance. For instance, in Kenya, a research by Ongori, Iravo and Mmene (2013) investigated factors affecting performance

of hotels and restaurants; and established that the success and sustainability of hotels and restaurants was contingent on hiring the right people possessing right skills, attitude and knowledge. They concluded that restaurants and hotels could further boost business performance by investing in staff development, especially on the job training of employees. However, the ability to attract right candidates and invest in training is dependent on top management's ability to strategically analyse both the external and internal environment, and plan for strategic service offerings (Obasan, 2014). Thus, those organisations which embrace proper employee-resourcing strategies, especially large organisations, have reported congruence between employee-resourcing strategies and business performance. For example, a research carried out by Katua, et al. (2014) on the effect of employee-resourcing strategies on the performance of commercial banks in Kenya, concluded that employee resourcing strategies such as recruitment, selection, induction and human resource planning strategies had a positive effect on employee and organisational performance. The research established that there was a positive correlation between employee resourcing strategies used by banks and performance of commercial banks in Kenya. Katua et al. ascertained that 76% of the banks that had embraced effective resourcing strategies were able to leverage human capital to achieve superior organisational performance. Although these two researches were not done in small business environment per se, SRBs in South Africa might learn lessons from the results. This will enable them to adopt best and use best employee-resourcing strategies so that they can leverage on achieving important organisational outcomes.

Extant literature further shows that employee resourcing in small businesses, when properly implemented can result in increased organisational performance in developing contexts (Chidi & Okpala, 2012; Omolo et al., 2012; Neneh & van Zyl, 2012; Hung et al., 2016; Razouk, 2011; Gamage, 2014; Georgiadisa & Pitelis, 2012; Katou & Budhwar, 2010). An investigation on human capital resourcing practices and organisational performance in Lagos state, Nigeria by Chidi and Okpala (2012), identified a positive relationship between the two variables. The research established that there is a strong correlation between recruitment practices and organisational performance. They also

observed that there is a positive relationship between selection practices and organisational performance. This fits well with the findings of Omolo et al. (2012) who carried out a research on the effect of recruitment and selection of employees on the performance of small and medium enterprises in Kisumu municipality in Kenya. The researchers discovered that recruitment and selection had significant effects on the performance of SMEs in Kisumu Municipality, and that the better the recruitment and selection, the higher the performance of the SMEs. Although this survey was not done in small business environment per se, valuable lessons can be drawn by small restaurant owner/ managers as it presents a strong case for implementation of employee-resourcing strategies. This has the potential of turning around the fortunes of their businesses as they are operating in the same environment. In view of this evidence, it is possible to argue that proper recruitment and selection of employees could be regarded as important in the achievement of organisational performance and strongly contribute to important organisational outcomes, especially in SRBs regardless of context.

Among South African SMEs, what is known is that they also regard employee-resourcing strategies as key to small business performance. For example, a research conducted by Neneh and van Zyl (2012) on achieving optimal business performance through business practices in SMEs in the Free State province of South Africa, established that those organisations which were implementing business practices such as human resource management, including employee resourcing, had higher chances of achieving high organisational performance. These findings agree with the acknowledgements made by Hung et al. (2016) on the critical role of human resource activities, such as employee-resourcing strategies in ensuring small business success in South Africa. Similarly, Nzonzo and Matashu (2014) attributed the poor performance of South African small businesses to lack of clear employee resourcing policies and procedures, where staff attraction is done through family lines and referrals. It is therefore possible to conclude that, such practices, especially family-owned small businesses, make SMEs struggle to recruit and retain knowledge workers, which might result in poor organisational outcomes. This assumption provides a strong case for

small businesses to adopt appropriate employee-resourcing strategies needed to achieve key organisational outcomes. Thus, we can infer that employee-resourcing strategies can influence performance of SRBs.

Despite an array of literature supporting employee-resourcing strategies and small business performance, some scholars found weak or no relationship at all between the two variables. For example, a research carried out by Ogunyomi and Ojikutu (2014) on employee resourcing and performance of small and medium enterprises in Lagos State, Nigeria established that there was a weak relationship between employee resourcing and organisational performance. The results further showed that the relationship occurred by chance, showing employee resourcing as a non-predictor of organisational performance of sampled small businesses. Based on this finding, one can conclude that, although an association exists between employee resourcing and business performance, it was not a good predictor of performance of the sampled small businesses in Lagos State, Nigeria. Similarly, Ogunyomi and Bruning (2016) investigated human resource management and organisational performance of small and medium enterprises in Nigeria. A survey design with 236 questionnaires was used to test the relationship. Human resource management practices (employee resourcing included) accounted for 16% of the variance in non-financial performance, and 12% of the variance in financial performance, demonstrating a weak relationship in small businesses. Consequently, these differences in extant literature provide a compelling need to research on the relationship between employee-resourcing strategies and small restaurant business performance, as it adds to the body of literature pertaining to HRM activities in SRBs in a developing environment.

From the above discussion, it is evident that there is a relationship between employee-resourcing strategies and small business performance. Hence, to ascertain this relationship in the small restaurant business context, it is hypothesised that:

H₅: There is a significant effect of employee-resourcing strategies on small business performance.

6.7 HYPOTHESISED RELATIONSHIPS BETWEEN THE VARIABLES

Throughout the literature review, it has emerged that there is a positive and significant relationship between the internal and external environmental factors, employee-resourcing strategies and small business performance. This has resulted in the following proposed conceptual model, as depicted in Figure 6.1.

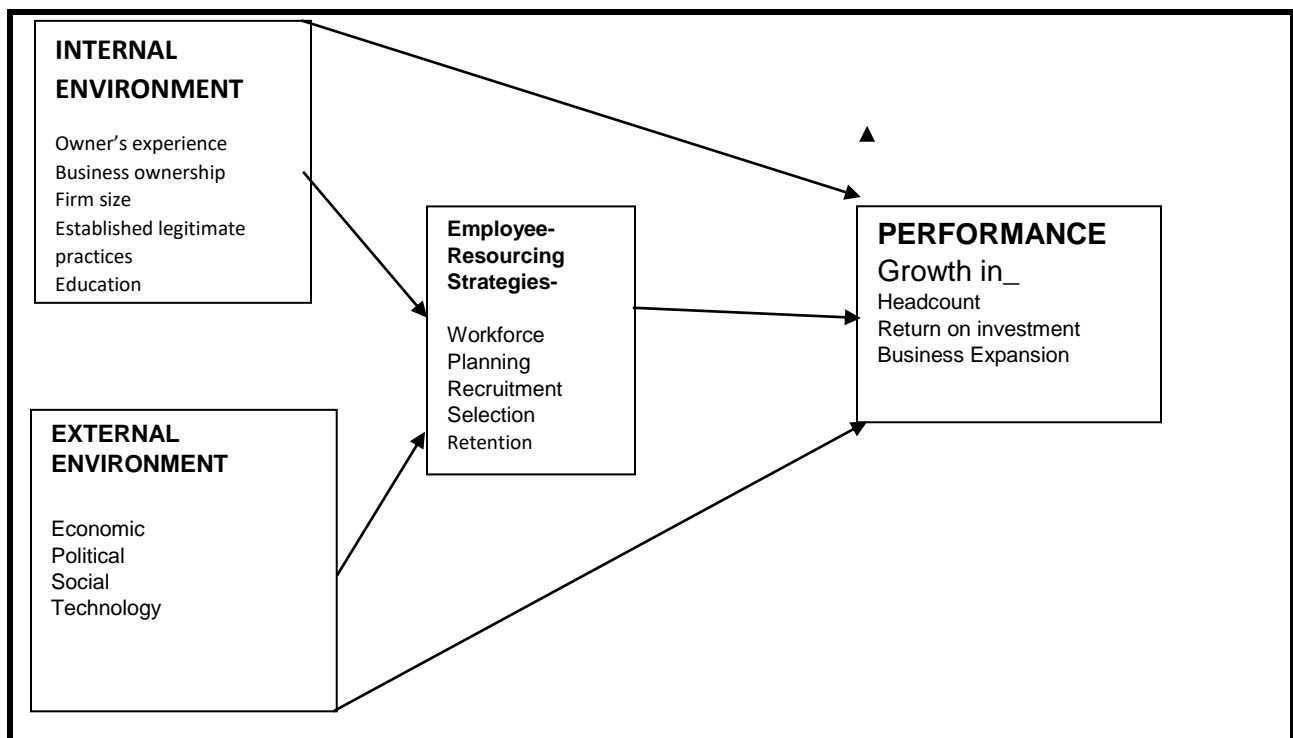


Figure 6. 1: Proposed conceptual model

6.8 CHAPTER SUMMARY

This chapter has examined business performance and its different measures. Performance of SRBs was explored. The chapter then discussed the relationship between employee-resourcing strategies and business performance.

The following chapter presents the philosophical foundation underpinning this research. This will be followed by a discussion on the research approach. An overview of the research design, population, data collection instruments, the pilot study, as well as issues to do with data analysis techniques are going to be discussed. The assessment of data collection instruments for their validity, reliability and limitations of the research, as well as techniques for the elimination of bias and ensuring ethical considerations are complied with will be reported.

CHAPTER 7

RESEARCH METHODOLOGY

7.1 INTRODUCTION

The previous chapter explored business performance and its different measures. Performance of SRBs was explored. The chapter then discussed the relationship between employee-resourcing strategies and small business performance.

The central focus of this chapter is to present methodological issues pertaining to the research. Firstly, the philosophical foundation underpinning this research is presented. Secondly, a discussion on the research approach, an overview of the research design, population, data collection instruments, the pilot study, as well as data analysis techniques is presented. Lastly, the assessment of data collection instruments for their validity and reliability, techniques for the elimination of bias and ensuring ethical considerations are also reported.

7.2 RESEARCH PHILOSOPHY/PARADIGM

Choosing an appropriate research paradigm is considered a critical part of research methodology. In fact, Mora, Gelman, Steenkamp and Raisinghani (2012) note that research philosophy provides an overarching paradigm within and from which the research can be operationalised. Kuhn (1970; viii) defines paradigms as: “universally recognised scientific achievements that for a time provide model problems and solutions to a community of practitioners”. Saunders, Lewis and Thornhill (2019) on the other hand, define research philosophy as an overarching term relating to the development of knowledge and the nature of that knowledge. Thus, a paradigm entails a set of beliefs that constitutes a way of viewing reality. The research process is usually guided by two major philosophical dimensions, which are, the positivist view and interpretivist view. These two worldviews represent divergent epistemological and ontological positions and each attempt to explain how the social world or social phenomena are viewed.

Epistemology is the branch of philosophy concerned with whether knowledge is possible, and if so, how it can be gained and what its limits are (Wangombe, 2013). For Matthews (2010), epistemology is the theory of knowledge and how we know things. It entails the view of how one acquires knowledge and the relationship between the researcher and the researched. To this end, Scotland (2012) observes that epistemological assumptions are concerned with how knowledge can be created, acquired and communicated, in other words, what it means to know. On the other hand, the ontological assumption in research entails an indication of the researcher's preference by specifying what are considered truths about knowledge, information, and the world (Wangombe, 2013). For Matthews (2010) and Bryman (2012), ontology refers to the way the social world is seen to be, and what can be assumed about the nature and reality of the social phenomena that make up the social world. In general terms, ontology asks what the nature of reality is, or one's view of reality and being. Thus, it entails an enquiry into, or beliefs about, the nature of what exists, including whether anything can be said to exist at all. The divergent epistemological and ontological positions of positivism and interpretivism are discussed in detail below.

7.2.1 Positivism

The epistemological worldview of positivism holds that knowledge of a social phenomenon is based on what can be observed and recorded rather than subjective understandings (Matthews & Ross, 2010). Positivists go forth into the world impartially, discovering absolute knowledge about an objective reality (Scotland, 2012). This implies that positivism holds that objective knowledge can only be derived from direct observation or experience. Positivists believe that reality is stable and can be observed and described from an objective viewpoint (Bryman, 2012).

On the other hand, Saunders et al. (2019) assert that the ontological position of positivism is one of realism. This means that ontological position of positivism is objectivist, implying that social phenomena are believed to exist independently of individuals i.e., there is only one truth, an objective reality that exists independent of

human perception. This view is shared by Swanson and Chermack (2013) who posit that objectivism is an ontological position which asserts that the social phenomena that make up our social world have an existence of their own, apart from, and independent of the social actors (humans) who are involved.

7.2.2 Interpretivism

Interpretivist perspective has a different epistemological stance from the positivists. Scotland (2012) views the interpretive epistemology as one of subjectivism which is based on real world phenomena. Matthews and Ross (2010) argue that the epistemological position of interpretivists prioritises people's subjective interpretations and understandings of social phenomena and their own actions. This means that, reality should be interpreted through the meaning that research participants give to their life world (de Vos, Strdom, Fouche & Delport, 2011). Thus, researchers should be concerned with interpreting and understanding phenomena through meaning that people attach to them i.e. how people make sense of their world and the experiences they have in the world (Swanson & Chermack, 2013). While the ontological position of positivism is realism, for the interpretivist paradigm, it is relativism which is philosophically rooted in subjective ontology and is interested in researchers to interpret and better understand the social world (de Vos et al., 2011). The ontological position of interpretivist paradigm is that the social phenomena making up our social world are only real in the sense that they are constructed ideas which are continually being reviewed and reworked by those involved in them, through social interaction and reflection (Mora et al., 2012). This means that reality is socially constructed by individuals as they interpret the world around them (Denzin, 2010). Therefore, findings are bound to be unique and different as the interpretation and understanding of researchers vary from each other. This is one of the major weaknesses of interpretivism as it poses challenges to reaching consensus, as reality is subjective. Furthermore, Scotland (2012) asserts that knowledge produced by the interpretive paradigm has limited transferability as it is usually fragmented and not unified into a coherent body.

Given these considerations, the positivistic paradigm was adopted for this research since the study is confirmatory in nature, and seeks to determine the relationship between internal and external environment, employee-resourcing strategies and small restaurant business performance in South Africa, and as such, fits the deductive approach emphasising testing of current theories rather than generation of theories (Kothari & Garg, 2014; Swanson & Chermack, 2013). Furthermore, the positivist paradigm made it possible to test relationship between constructs, empirically. Thus, this research, through a detailed conceptual framework and a number of hypotheses, proposed that there were 5 relationships between the 3 variables, that is, internal and external environmental factors, employee-resourcing strategies and small business performance. This is supported by Swanson and Chermack (2013) who observe that positivist research studies are premised on the belief that there are priori causal relationships between variables, and these can be roped in to explain phenomena.

7.3 RESEARCH APPROACH

Research approach is a plan of action that gives direction to the researcher to effectively carry out research in a systematic and efficient manner (Mohajan, 2017). Saunders et al. (2019) note that there are two dominant research approaches, which are, quantitative and qualitative. According to Denzin (2010), quantitative approaches are objectivist. This means that social phenomena are believed to exist independently of individuals, that is, there is only one truth, an objective reality that exists independent of human perception. On the other hand, qualitative research is constructivist, which states that reality is socially constructed, that is, meaning is socially constructed by individuals as they interpret the world around them.

Creswell (2013) and Saunders, Lewis and Thornhill (2019) define quantitative research as a means for testing objective theories by examining the relationship among variables, while qualitative research is a means for exploring and understanding the meaning individuals or groups ascribe to a social or human problem. Quantitative research comes from the positivistic approach and holds that objective knowledge is

derived from direct observation and experience. For quantitative research, the methodological approach is deductive. According to Cooper and Schindler (2011), the quantitative methodological approach is a structured approach in which all aspects of the research process are decided upon before data collection begins. Thus, the research approach is used to test theory as opposed to qualitative research which takes an inductive approach in which theory is generated from research (Kumar & Garg, 2014). On the contrary, qualitative research comes from the interpretive perspective and is concerned with interpreting and understanding phenomena through meaning that people attach to them (Denzin, 2010). The qualitative methodological approach is inductive and is more unstructured with aspects of the research process subject to change in response to events as they occur (Creswell, 2013). Joubish, Khurram, Ahmed, Fatima and Haider (2011) assert that qualitative research aims at developing explanations of social phenomena i.e., it help us understand the world in which we live and why things are the way they are.

Based on the above evidence, the quantitative approach was adopted for this research as it helped in explaining and predicting behavior in SRBs, and enriched the understanding of general laws that apply to whole populations of South African SRBs, rather than particular groups. The quantitative research approach' scope is nomothetic where generalisations to wider populations are made. Creswell (2013) maintains that quantitative research approach makes prediction possible. Furthermore, Kumar (2014) argues that with quantitative research, the findings are quantifiable and usually generalisable to a larger population, and the data is objective. Similarly, according to Cooper and Schindler (2011), quantitative research approach, unlike qualitative approach, allows for measurement of something, since it provides answers to questions related to how many, how much, how often, when and who. Thus, in light of this evidence, the quantitative approach provided answers on how much and how many environmental influences and employee-resourcing strategies determine small restaurant business performance in this research. Furthermore, the quantitative research approach allowed the researcher to concentrate on gathering facts in order to establish the truth, as the researcher kept a distance from those units or individuals they

were studying, hence, the researcher was free from inherent biases associated with the qualitative approach (Gray, 2014). This is not possible with the qualitative research approach, which is based on the assumption that truth and meaning do not exist in isolation, but are a product of people's interactions with the world (Saunders, Lewis & Thornhill, 2019). Furthermore, the qualitative research approach was not appropriate as the goal of this research was not to get a detailed understanding of the phenomenon culminating in building a theory, but to examine and explain the relationship that exists between internal and external environmental factors, employee-resourcing strategies and business performance.

7.4 RESEARCH DESIGN

As stated by Kothari and Garg (2014), research design allows for the arrangement of conditions for collection and analysis of data in a manner that aims to combine relevance to the research purpose with economy in procedure. Bryman and Bell (2015) regard research design as an imperative that provides the logical framework for the collection and analysis of data. Thus, the function of the research design is to ensure that the evidence obtained enables the researcher to answer the initial questions as clearly as possible. This is regarded as critical, as Babbie (2015) highlights that research design is a roadmap which exposes the relationships between data and the theories guiding the research.

The research type for this research is explanatory research, which is relevant to the quantitative research approach. Explanatory research allows a researcher to explore the cause and effect relationship among variables, and provide evidence to support or discard an explanation or prediction (Saunders et al., 2019). As mentioned earlier, the main objective of the research was to establish the relationships between internal and external environment, employee-resourcing strategies and business performance in small restaurants. To achieve this, the research draws statistical quantitative results using the Structural Equation Modelling (SEM), which allows for a response to the how and why questions pertinent to this study, and this is possible with explanatory

research. An explanatory research can also give real explanations on why the phenomenon occurs, predict future occurrences, control the phenomena and search the causes for the happenings (Zikmund, Babin, Carr, & Griffin, 2012). In light of the type of this explanatory research, which sought to discover and report reasons behind adoption of employee-resourcing strategies, as well as assessing their effect on small restaurant performance in restaurants, the research design adopted for this research was correlational research, specifically, ex-post-facto design.

Ex-post facto seeks to investigate cause and effect relationships between the variables after an action or event has already occurred (Cohen, Manion & Morrison, 2011; Salkind, 2010). Similarly, Anyanwu, Ogboji, Etonyeaku and IHEME (2016) define ex-post-facto as a type of design in which data is collected after the event or phenomenon under investigation has already occurred and for which the researcher has no control over the variables under study. This means that the research design identifies the variables from a historical context, implying that there is no manipulation of the variables by the researcher as their manifestations would have already occurred (Cohen, et al., 2011). The findings, therefore, are likely to be more objective as they can only report on what has occurred. The ex-post-facto research design was adopted because, unlike an experimental research, in ex-post-facto research there is no control group given that the variables have occurred naturally. For Simon and Goes (2013), ex-post facto seeks to explain a consequence based on antecedent conditions, in this case, in terms of internal and external environmental factors and employee-resourcing strategies, which is the thrust of this research. In view of these observations, it is possible to suggest that employing this research design was likely to make prediction possible and give explanations on the nature of relationships between internal and external environment, employee-resourcing and business performance, which is the focus of this research. Furthermore, according to Salkind (2010), one of the steps in ex-post facto research design entails selecting two or more groups to be compared. In line with Salkind's observation, this research explored small businesses in the restaurant business from different contexts, that is, both cities and tourist resort towns in Free State province,

South Africa. De Vos et al., (2016) note that case studies are by their nature ex post facto approaches.

7.5 TARGET POPULATION AND SAMPLING

Population is defined as the full set of cases from which a sample is taken (Saunders, et al., 2019; Bless, Higson-Smith & Sithole, 2013). This is in consonance with Bryman and Bell (2012) who define research population as a total number of units from which data can be collected. Thus, population is an aggregate or totality of all the elements or subjects who conform to a set of specifications from which a sample is selected. Gravetter and Forzano (2012) define a sample as a set of individuals selected from a population and usually intended to represent the population in a research study. The sample helps in drawing conclusions about the population from which it is drawn (de Vos et al., 2016). Researchers utilise sampling strategy to reduce the volume of data as they face time, money and access constraints, making it impossible to include all elements in that population under study as they are too large (Gravetter & Forzano, 2012). For Bryman and Bell (2015), lower costs, greater accuracy of results, greater speed of data collection and availability of populations are some of the compelling reasons for sampling. According to Cooper and Schindler (2014) there are several stages that need to be followed sequentially in order to secure a sample. These include: defining target population, selecting a sample frame, determining sample method and determining the sample size. These stages were adopted in this research to come up with a sample from the population of interest.

7.5.1 Target Population

According to Wilson (2012) a target population is the total group of elements or units that the researcher wishes to examine or obtain information from. This means that the research subjects should possess common characteristics that are of interest to the researcher. Target population can only be identified after parameters of interest are established. According to Zikmund, Babin, Carr and Griffin (2012) and Cooper and Schindler (2014), population parameters are summary descriptors of variables of

interest in the population; and they enable inferences to be made about the population based on sample data. Accordingly, the target population of this research was defined as all owner/ managers of SRBs in the Free State Province of South Africa, with less than 50 employees.

7.5.2 Sample Frame

According to Martínez-Mesa, González-Chica, Duquia, Bonamigo and Bastos (2016), a sample frame is a group of elements or units that can be selected from the target population. Zikmund et al., (2012) and Cooper and Schindler (2014) further explain that a sampling frame entails a list of elements from which a sample may be drawn. The sampling frame for this research was obtained from Free State Tourism Council's database in South Africa. The sampling frame consisted of only SRBs employing less than 50 people and registered for tax purposes in the Free State province. There were 264 such SRBs in the Free State province.

7.5.3 Sample Method

Choosing an appropriate sample method is considered a pertinent issue in research as it can make or break the whole sampling process. In fact, de Vos et al. (2016) note that there are two major groups of sampling procedures which are, probability sampling and non-probability sampling. Cooper and Schindler (2014) further explain that probability sampling is based on the concept of random selection, and consists of a controlled procedure to assume that each element of the population is given a known non-zero chance of being selected. According to Gravetter and Forzano (2012), in non-probability sampling, the population is not completely known as individual probabilities cannot be known, and the sampling method is based on factors such as commonsense or ease, with an effort to maintain representativeness and avoid bias. Both probability and non-probability sampling techniques can be used in quantitative researches (de Vos et al., 2016).

The most important decision regarding sampling method is whether to use non-probability, probability sampling or both. Due to accessibility, availability and willingness to participate by owner/ managers of SRBs, the convenience sampling method which is a form of non-probability sampling was adopted for this research. Convenience sampling method, according to Etikan, Musa and Alkassim (2016), is a type of non-probability sampling where members of the target population that meet a certain practical criterion, such as accessibility, geographical proximity and availability at a given time, or willingness to participate, are included for the purpose of the research. Thus, it relies on data collection from elements of the population who are conveniently available and willing to participate in the research. Convenience sampling was used to ensure that samples were reasonably representative of all geographically diverse population subjects in the final sample. In addition, Gravetter and Forzano (2012) observe that convenience sampling is easier, less expensive and a timelier technique. In order to guarantee representativeness of the sample, a deliberate strategy to include all SRBs in diverse geographical locations was made. Free State province was divided into five routes to ensure all towns and locations were covered as shown in the table below.

Table 7. 1: Sampling Zones for Free State Province

Free State	Cheetah route	Eagle route	Lion route	Flamingo route	Springbok route
	Bloemfontein	Clococan	Kroonstad	Bothaville	Koffiefontein
	Thaba Nchu	Ficksburg	Vredefort	Welkom	Jacobsdal
	Botshabelo	Fouriesburg	Parys	Virginia	Jagersfontein
	Ladybrand	Clarens	Sasolburg	Virginia	Jagersfontein
		Bethlehem	Deneysville	Ventersburg	Bethulie
		Phuthaditjhaba		Winburg	Gariiep Dam
		Harrismith		Brandfort	Philippolis
		Memel			
		Warden			

In the Free State province, main towns and cities were chosen for this research. The selected research areas as shown in Table 7.1 included Bloemfontein, Thaba Nchu, Botshabelo, Ladybrand, Clococan, Ficksburg, Fouriesburg, Clarens, Bethlehem, Phuthaditjhaba, Harrismith, Memel, Warden, Kroonstad, Vredefort, Parys, Sasolburg, Deneysville Bothaville, Welkom, Virginia, Ventersburg, Winburg, Brandfort, Koffiefontein, Jacobsdal, Jagersfontein, Bethulie, Gariiep Dam and Philippolis. Five sub-groups were established and these were named Cheetah, Eagle, Lion, Flamingo and Springbok routes. The researcher ensured that all towns in the Free State province were equally represented in the final sample of SRBs by establishing the number of restaurant SMEs (52) to be selected for each sub-group, however, Cheetah route was allocated 4 more as it had more restaurants.

7.5.4 Sampling Size

The issue of minimum size of a sample has remained a contentious issue in research. Researchers encourage larger samples to enable drawing more representative and more accurate conclusions and predictions than in smaller samples (Gravetter & Forzano, 2012; de Vos et al., 2016; Bryman, 2012; Cooper & Schindler, 2014). Various techniques can be used to determine sample size, and these include random observations and statistical observations (Zikmund et al., 2012). According to Malone, Nicholl and Coyne (2016), a sample size is deemed appropriate if it enables the researcher to make an unequivocal judgement that a statistical result is correct to a chosen degree of error ('type I error'), and has sufficient power ('1-type II error') to detect a specified meaningful effect. This is further explained by Taherdoost (2017) who observes that the determination of sample size is contingent upon the absolute size of the sample selected relative to the complexity of the population, the aims of the researcher and the kinds of statistical manipulation that will be used in data analysis. For this research, the nature of statistical manipulations that were used in data analysis informed the decision on the sample size. This research used SEM as a statistical procedure. According to Hair et al. (2014) a structural equation model is a multivariate analysis approach which requires larger sample sizes than other multivariate analysis

approaches. Hair et al. note that there are five considerations affecting the required sample threshold for SEM, and these are multivariate normality of the data, estimation technique, model complexity, the amount of missing data and the average error variance among the reflective indicators. Hair et al. further explain that sample size for structural equation modelling is determined by the number of constructs, number of population elements and multivariate normality. Table 7.2 shows minimum sample size requirements for conducting a Structural Equation Modelling.

Table 7. 2: Minimum Sample Sizes Requirements for SEM

Minimum Sample Size Required	Conditions Required
Minimum sample size 100	Models containing five or fewer constructs, each with more than three items (observed variables) and with high item communalities (.6 or higher).
Minimum sample size 150	Models with seven constructs or less, modest communalities (.5), and no under identified constructs
Minimum sample size 300	Models with seven or fewer constructs, lower communalities (below .45), and/or multiple under identified (fewer than three) constructs.
Minimum sample size 500	Models with large numbers of constructs, some with lower communalities, and/or having fewer than three measured items

Source: Adapted from Hair et al. (2014)

Following Hair et al.’s suggestions for minimum sample sizes provided above, this study targeted a minimum of 200 owners/managers. This figure was deemed appropriate as Hair et al. (2014) observe that SEM is sensitive to almost all differences detected once the sample size becomes greater than 400. Hair et al. (2014) further note that the most common SEM estimation procedure which is the maximum likelihood estimation requires as low as 50 sample elements to provide dependable results. What this means

is that a sample size in the range of 50-400 should suffice. As indicated in the table above, Hair et al. (2014) suggest that for non-complex model (less than seven constructs), the minimum sample size required is 150. The proposed model used in this research can be considered to be a simpler model with few constructs which can be measured with smaller samples. Therefore, the research initially targeted a minimum of 200 population elements.

7.6 DATA COLLECTION

The main instrument for data collection in this research was a structured questionnaire, which enabled the researcher to examine and explain relationships between constructs, in particular, cause-and-effect relationships (Saunders et al., 2019). As noted by Burns and Bush (2010), arrangement of the questionnaire and how it flows have a bearing on the quality of information collected. A questionnaire is a document containing questions to solicit information appropriate for analysis. Kumar (2014) defines a questionnaire as a list of questions on which respondents record their answers. For Bless, Higson-Smith and Sithole (2013), a questionnaire is an instrument of data collection consisting of a standardised series of questions relating to the research topic, to be answered in writing by participants. A structured questionnaire was employed to ascertain whether a relationship exists between internal and external environmental factors, employee-resourcing strategies and small business performance in the restaurant business in South Africa.

The questionnaire was adopted for this research as it gave respondents an opportunity to answer questions without interference from the researcher. It also had a low-cost factor, ensured anonymity of respondents and gave respondents adequate time to provide well thought-out responses (Kumar, 2014). This view is supported by Saunders et al. (2019) who observe that the administration of questionnaires is comparatively inexpensive in terms of human and financial resources; and easy even when gathering data from large numbers of people spread over a wide geographic area, thus increasing reliability and dependability of the findings. The questionnaires were pre-coded for statistical analysis. A five-point Likert-scale was used to measure the items in the

questionnaire on internal and external environmental factors, employee-resourcing strategies and small business performance. The questionnaire was developed in simple English as English language is understood in South Africa, and owner-managers of most restaurants were assumed to understand the subtleties of English language. In addition, previous researches (Oni and Matiza, 2014; Makumbirofa and Saayman, 2018) in the restaurant business in the country developed and used a questionnaire in English language.

The questionnaire had a cover page which introduced the purpose of the research to the respondents. It also informed respondents of the importance of the research as well as that of respondents' participation. The cover page also assured respondents of their anonymity and confidentiality of their responses. Table 7.3 shows the focus of the different sections of the questionnaire administered to the owners/managers of small restaurant businesses in the Free State Province, and the source of the items in each section.

Table 7. 3: Items included in the questionnaire

Sections	Variables investigated and Source(s)
Section A	Demographics: country, gender, age group, educational qualifications, age of the organisation, nature of employment, recruitment and retention responsibilities
Section B1	Personal and business-related factors influencing employee resourcing (Cant & Wiid, 2013; Nzonzo & Matashu, 2014; Asiedu-Appiah et al. ,2013)
Section B2	External factors influencing staff attraction and retention in an organisation (Česynienė et al., 2013; Zhang, & Enemark, 2016; Oginni & Adesanya, 2013; Njiguna-Kinyua et al., 2014)
Section C1	Workforce planning strategies employed in an organisation (Gamage, 2014; Ogunyomi & Ojikutu, 2014; Phutela, 2016)
Section C2	Recruitment strategies in facilitating staff attraction in an organisation (Kinnie & Swart, 2013; Moyo, 2017; Çetinel et al., 2008; Sinha & Thaly, 2013; Sobaih, 2018; Chytiri et al., 2017; Chung & D'Annunzio-Green, 2018)
Section C3	Selection strategies used in the organisation (Virág & Albu, 2014; Gamage, 2014; Sobaih, 2018; Chytiri et al., 2017; Chung & D'Annunzio-Green, 2018; Omisore & Okofu, 2014)
Section C4	Retention strategies used in the organisation (Coetzee & Stoltz, 2015; Schlechter et al., 2014; Kishore, et al., 2012; Poljašević & Petković, 2013; Gialuisi & Coetzer, 2013; Lumley et al., 2011)
Section D1	Employment growth in the organisation (Mjongwana & Kamala, 2018; Ankrah & Mensah, 2015; Matsoso & Benedict, 2014)
Section D2	Return on investment of the organisation (Maduekwe & Kamala, 2016; Sandada, Pooe & Dhurup, 2014; Ngary et al., 2014)
Section D3	Business growth or expansion (Mjongwana & Kamala, 2018; Ankrah & Mensah, 2015; Matsoso & Benedict, 2014)

Section A of the questionnaire sought to solicit information on the biographical data of the respondents, in terms of age of the business, its headcount as well as the nature of

employment found in the organisation. Staff attraction and retention are key components of employee resourcing. As such, it was also critical to establish who was responsible for attraction and retention of staff in the business.

Section B dealt with influences on attraction and retention of staff. Items were measured on a scale ranging from 1 'very unimportant' to 5 'very important'. For example, (1) *indicate how important is the owner/manager's educational qualifications in promoting employee resourcing in your business.* (2) *Indicate how important the prevailing inflation rates in the country affect staff attraction in this organisation.* The section was divided into two sections with B1 of the questionnaire dealing with personal and firm (internal influences) on staff attraction and retention. Section B2 dealt with the exogenous factors influencing staff attraction and retention in organisations.

Section C had items on employee-resourcing strategies responsible for organisational performance. These were divided into four sub-sections: C1 explored workforce planning activities in an organisation. Section C2 sought to establish the importance of recruitment strategies in facilitating staff attraction in an organisation. Section C3 dealt with selection strategies, while Section C4 dealt with retention strategies and organisational outcomes. The scale format used to measure employee-resourcing strategies responsible for performance for C1 and C3 was balanced between agreement and disagreement and the scale descriptors ranged from, 1 'strongly disagree' to 5 'strongly agree'. For example, *indicate your level of agreement with the statement 'The organisation carries out supply forecasting to measure future staff requirements' in relation to your organisation's workforce planning activities.* For Sections C2 and C4 the scale 1 'very unimportant' and 5 'very important' were used. For example, *indicate how important is use of 'word of mouth' in facilitating staff attraction in your organisation*

Section D focused on business performance and measures used were, employment growth in Section D1, return on investment in Section D2 and business expansion in Section D3. Business performance was measured over a period of two years, that is,

2015 and 2016. The scale format used to measure business performance in this section was balanced between agreement and disagreement and the scale descriptors used were, 1 'strongly disagree' and 5 'strongly agree'. For example, indicate your level of agreement with the following statement in relation to your organisation's performance in 2015 and 2016. (1) *There has been a growth in number of employees in this organisation in 2015,* (2) *There has been a growth in number of employees in this organisation in 2016.*

7.7 PILOT STUDY

Bless et al. (2013) define a pilot study as a small study conducted prior to a larger piece of research to determine whether the methodology, sampling, instruments and analysis are adequate and appropriate. A pilot test is in fact a rehearsal of the main research (Kothari & Garg, 2014). Thus, the pre-testing exercise is meant to check the way the respondents understand the questions, ascertain the relevance of the questions and measure their understanding of concepts under research. This helps in ensuring consistency and comprehensiveness. The researcher then made some amendments to the structure of the questionnaire and question wording based on the evidence gathered from the pilot-test.

The researcher pilot-tested the questionnaires by administering them randomly to a few small business owners and managers in the restaurant business in the Free State Province, South Africa. Pilot studies were carried out in the State province from 6 to 10 June 2018. In the Free State province, 20 questionnaires were administered in the five routes created by the researcher, four in Cheetah route, four in Eagle route, four in Lion route, four in Flamingo route and four in Springbok route. This was done to ensure that all areas of the two provinces were covered. Respondents were asked to give feedback on the clarity of the instructions and questions, the flow and wording of the questions and time taken to complete the questionnaire. A positive feedback was received. On average, respondents took 30 to 40 minutes to complete the questionnaires and there were no challenges on the clarity of the questions. However, one of the main issues

raised by some respondents was the length of the questionnaire which they considered to be too long. Nevertheless, no modifications were made to the questionnaire as the researcher felt the length was in line with concepts that needed to be covered in the research.

7.8 QUESTIONNAIRE ADMINISTRATION

A total of 4 research assistants were engaged to distribute the questionnaires in the Free State province. The research assistants were university students from Central University of Technology, Free State and were selected based on their experience in research. The research assistants were provided with training so that they could identify the target sample correctly.

The questionnaire was administered to owners and/ or managers of SRBs available and willing to participate in the research in South Africa. The questionnaires were hand delivered door-to-door to the SRBs. Some of the questionnaires were completed in the presence of the researcher and research assistants. Some were dropped-off at small restaurant businesses and picked up later on the same day or following day. This approach was adopted as it is in line with Burns and Bush (2010) who note that data collection modes should match respondents' preferences and availability. Most respondents completed the questionnaires on their own, but those who were having challenges were assisted by the researcher and research assistants to complete the questionnaires. To ensure a smooth flow of the whole data collection process, daily report-back sessions were held telephonically with the research assistants. The data collection process took approximately three months.

A total of 234 questionnaires were returned, indicating a response rate of 90%. Screening of the questionnaires commenced thereafter, and the researcher discarded questionnaires which were incomplete. A total of two hundred and twenty-one (221) questionnaires were found usable.

7.9 VALIDITY OF QUANTITATIVE DATA

The research instruments were subjected to validity and reliability testing. Kothari and Garg (2014) define validity as the degree of the research instrument or scale to measure what it is designed to measure and how it accurately achieves the purpose for which it was designed. This is supported by Tavakol and Dennick (2011) who posit that validity is concerned with the extent to which an instrument measures what it is intended to measure. Researchers are usually more interested in content validity which pertains to the degree to which the instrument fully assesses or measures the construct of interest. Therefore, for this research, content validity was assured on wide engagement with extant literature on performance measures. Following the advice by Hallak et al. (2018), small restaurant business performance was based on the respondents' self-assessment of how his/her business was performing, with regard to return on investment, headcount and business expansion.

The research was also interested in discriminant validity. Hair et al. (2014) define discriminant validity as the extent to which a construct is truly distinct from other constructs. The discriminant validity was assessed through the comparison between the Square Root of the Average Variance Extracted (AVEs) and the correlation coefficients during the structural equation modelling procedure.

The convergent validity was also assessed using Confirmatory Factor Analysis (CFA). The CFA is part of the measurement model developed to confirm the structure of each construct. Thus, as recommended by Hair et al. (2014), convergent validity was assessed using factor loading (standardised estimates) which were expected to be above 0.5, with the AVE expected to be above 0.5 and Composite Reliability (CR) expected to be above 0.7, though 0.6 is sometimes permissible.

7.10 RELIABILITY OF DATA

Reliability for this research relates to consistency of results produced by the questionnaire. The reliability of measurement entails the degree to which the

questionnaire produces the same results for repeated trials (Bless et al., 2013; Warrens, 2014; Cooper & Schindler, 2014). The research was also interested in internal consistency (homogeneity) which is concerned with the extent to which items on the test or instrument are measuring the same thing (Warrens, 2014). Internal consistency according to Tavakol and Dennick (2011), describe the extent to which all the items in a test measure the same concept or construct, and hence, it is connected to the inter-relatedness of the items within the test. Cronbach's coefficient alpha was used to determine the internal reliability of the instrument. Cronbach's alpha measures the internal consistency of the construct and its cut-off value is 0.7, although 0.6 is sometimes permissible (Field, 2013). The current research also assessed construct reliability using Cronbach' alpha and Average Variance Extracted (AVE).

7.11 DATA ANALYSIS

This research utilised a number of methods to analyse data. Given the nature of the research, which was to ascertain the relationship between internal and external environment, employee-resourcing strategies and business performance, Structural Equation Modelling techniques were adopted. These included doing the first step in SEM data analysis, involving dealing with missing data using the multiple imputation method. Item analysis was utilised for the purpose of eliminating poor items in the different scales used for data collection. Integrated analyses checked were – item total correlations, the squared multiple correlation, checking the subscale or scale reliability and variance when an item or items is/are deleted, inter-item correlation and the items' means and standard deviations.

Dimensionality analysis was also performed to assess the unidimensionality of scales and sub-scales of the different instruments used in the research. Exploratory factor analysis and the Principle Component Analyses (PCA) were used. The PCA analyses all variances in the correlation matrix.

The structural equation modelling was done to assess the measurement and Structural model fit.

7.11.1 Structural Equation Modelling

As stated above, to establish whether a relationship exists between internal and external environment, employee-resourcing strategies and business performance in small restaurant businesses, a Structural Equation Modelling was adopted. According to Nunkoo, Ramkissoon and Gursoy (2013), structural equation modelling (SEM) is a statistical procedure for testing measurement, functional, and predictive hypotheses that approximate world realities. SEM uses various types of models to depict relationships among observed variables, with the same basic goal of providing a quantitative test of a theoretical model hypothesised by the researcher (Schumacker & Lomax, 2010; Hair et al., 2014). This explains why it has become more popular as a tool for analysing the relationships between variables than correlation and regression analysis, as it overcomes the single relationship limitation by interpreting the relationships among multiple variables simultaneously. Using SEM, this research sought to test a conceptual model that captures multiple relationships between environmental factors, employee-resourcing strategies and business performance, using different levels of analyses.

Thus, when doing analyses using SEM, several multivariate techniques were used, such as testing for normality, using skewness and kurtosis values. The results of these determined the best estimation methods to be used, such as the robust maximum likelihood (RML). The testing of the substantive hypothesis was done using confirmatory factor analysis, which was used to examine or assess the measurement model fit. Good measurement fit was obtained after manifest variables were deemed valid and reliably represented the constructs of interests. A model fits if the reproduced covariance matrix approximates the observed covariance matrix (Perry, Nicholls, Clough & Crust, 2015). Goodness of fit was used to assess the fit of the measurement model.

In the research, the relationship among the latent variables in the proposed model constituted the structural model. When interpreting the structural model, the researcher

checked or confirmed if the relationships indicated through theorising in the relevant chapter(s) were supported by data. After fitting the measurement model with the structural model using AMOS, the structural model was evaluated, using indices such as chi-square, RMSEA, and goodness of fit.

It was only in the situation when the comprehensive model fitted closely, that is, when the close fit hypothesis (H_0) was not rejected, and all the path coefficients of the hypothesised relationships were statistically significant, that the structural model was deemed successful or plausible.

7.12 ETHICAL CONSIDERATIONS

Ethical issues emerge at different stages of research. As observed by Saunders et al. (2019), ethics refers to the appropriateness of a researcher's behavior in relation to the rights of those who become the subject of research, or are affected by it. To this end, permission to carry out research was sought from the owners/ managers of small businesses. Participation was voluntary and those who refused to participate were not forced. Informed consent was sought from owners/managers of the small businesses, who were the respondents. The researcher requested the respondents' permission to participate in the research and the intention of the research was specified to them. This was important as respondents have a right to be informed about the purpose of the study (Zikmund et al., 2012), so that they can make an informed decision on whether to participate or not.

Confidentiality was guaranteed to all organisations and individuals involved in the research. The respondents were assured that their participation was not going to expose their status or that of the organisation or small businesses which are known for being secretive; hence they become apprehensive in sharing information pertaining to their businesses (Hallak et al., 2018). This was experienced during the data collection process as some respondents appeared to be reluctant to participate in the research.

To protect their identity, anonymity was guaranteed as respondents were requested not to put their names on the questionnaires.

7.13 CHAPTER SUMMARY

This chapter explored the research methodology employed in this research. The research adopted a positivist paradigm. A discussion on the research approach, research design, sampling and sampling procedure, population and research instrument was done. The chapter also explored issues to do with validity and reliability as well as research analysis techniques. The empirical results of the research are presented, analysed and discussed in the following chapter.

CHAPTER 8

RESULTS AND DISCUSSION

8.1 INTRODUCTION

As indicated in Chapter 1, the primary objective of this research was to establish whether a relationship exists between internal and external environmental factors, employee-resourcing strategies and business performance in small restaurant business. Chapters 2 to 6 reviewed the literature relevant to the research, while Chapter 7 provided a detailed account of the methodology used in the empirical research. This chapter presents the results and discusses the findings of the research.

8.2 DESCRIPTIVE STATISTICS

This section presents the descriptive statistics for both the demographic data and measurement instruments.

8.2.1 Response Rate

As reflected in Table 8.1, there was a high response rate of two hundred and twenty-one (221) out of two hundred and sixty questionnaires distributed, representing eighty-five percent response rate (85%). The high response rate could be attributed to a lot of effort invested by the researcher and research assistants to ensure respondents participated. For example, the team would in most cases wait for the respondents to complete the questionnaires in their presence.

Table 8. 1: Response Rate Percentage

Owner/manager of small restaurants	
Frequency	Valid percent
221	85

Source: Compiled from Primary Data

8.3 DEMOGRAPHICS

This section presents and analyses gender, age, level of education, age of the business, staff headcount, nature of employment, responsibility for staff attraction as well as staff retention.

8.3.1 Gender

Small restaurant business owners/managers were requested to indicate their sex. The results obtained are presented in Table 8.2, and it is evident that 42.9% of the respondents were male owners/managers, while 57.1% were females. This increase in the number of women in top positions could be attributed to black empowerment policies such as BBE and affirmative action policies which are trying to right the wrongs of the past in the country.

Table 8. 2: Percentage distribution of Gender of Owner/Manager

	Frequency	Valid Percent
Male	103	42.9
Female	118	57.1
Total	221	100

Source: Compiled from Primary Data

8.3.2 Age

Table 8.3 below is showing the age distribution of owners/managers of small restaurant businesses who participated in the research study. The majority of the respondents were within the age group 41-50 (34.8%) and 31-40 years (30.3%). South Africa is enjoying a relatively stable macro- economic environment and this could be the reason why the majority owning SRBs are in the 41-50 and 31-40 age groups. These results could also be due to the fact that South Africa has embarked on deliberate policies of

empowering previously marginalised groups and promote equity among all categories of people in society. The Black Economic Empowerment (BEE) (2003) and the Broad-Based Economic Empowerment (B-BEE) (2013) have contributed to an exponential increase in the number of black small businesses, including restaurants (Shava, 2016; Krüger, 2014; Pike, Puchert & Chinyamurindi, 2018). The age groups noted above could have taken advantage of easy of entry especially by SMEs that appeal to sole proprietors and families (Akbaba, 2013), resulting in proliferation of SRBs - a common feature across the globe.

Table 8. 3: Percentage distribution of Age of Owner/Manager

Age groups	Frequency	Valid percentage
Below 21 years	1	0.45
21-30	58	26.2
31-40	67	30.3
41-50	77	34.8
Above 50	18	0.48
Total	221	100

Source: Compiled from Primary Data

8.3.3 Education

Table 8.4 reveals the educational qualifications of the respondents. These results show that most owners/ managers of small restaurants are holders of a degree (38%) closely followed by certificates/ diplomas (34.8%). This could be the reason why this research established that small restaurants had at least 6 years of existence with a high success rate. This is despite extant literature showing that most small businesses have a high failure rate (Neneh & van Zyl, 2012; Fatoki & Odeyemi, 2010). The findings are, however, consistent with a research by Ganyaupfu (2013) in the Gauteng province which revealed that, educational level and managerial competency had a positive effect on small business success. Nevertheless, this finding contradicts the observation by the

Organisation for Economic Cooperation and Development (OECD) Economic Survey, South Africa (2017), that only 14% of 25-34-year olds in South Africa have a university degree. This has been considered to have an effect on organisations’ ability to grow and create jobs and enhance competitiveness. Furthermore, Vettori (2017) argues that there is an oversupply of unskilled manpower in the South African labour market, implying low education levels or the mismatch between education and skills in the country.

Table 8. 4: Level of Education of owner/manager

Educational qualifications	Frequency	Valid percent
Primary	1	0.45
High school	44	19.9
Certificate/diploma	77	34.8
Degree	84	38.0
Postgrad	15	6.8
Total	221	100

Source: Compiled from Primary Data

8.3.4 Age of Organisation

The findings as reported in Table 8.5 show that most SRBs have at least 6 years (median) of existence. The longevity of business operation among SRBs was almost the same, reflecting well on their success rate. Cant et al. (2014) have argued that, two out of seven new small businesses survive in their first year, while the rest experience constraints. Therefore, these results indicate that SRBs in the research context could be performing well since they have survived for a longer period of time. This could be attributed to the level of education possessed by owner/ managers of SRBs, as the majority had tertiary education, as shown on Table 8.4 above. Chinomona (2013) and Ganyaupfu (2013) opined that most small businesses were hamstrung by lack of education, resulting in low success rate. This resonates with Neneh and van Zyl (2012)

who attributed the high failure rate of small businesses in South Africa to the dearth of managerial skills and lack of education and training.

Table 8. 5: Distribution of Age of Organisation

Age of the organisation	
Mean	8.633
Median	6.000
Std. Deviation	7.62595

Source: Compiled from Primary Data

8.3.5 Number of employees in the Organisation

Table 8.6 presents central tendency measures of staff compliment in SRBs that participated in the study. The median was adopted as the most appropriate measure to consider, as the standard deviation is high. The majority of organisations (50%) had at least a staff compliment of 14 people. The high staff compliment in the small restaurant business bears further testimony that small businesses are critical in employment creation in both developing and developed countries (Fatoki & Odeyemi, 2010; Ngek & Smit, 2013; Tinarwo, 2016). This figure (14) is considered high in the hospitality industry even in the developed countries, as Lee et al. (2016) note that most businesses in America (80%) in the accommodation and food SMEs were employing less than 20 employees.

Table 8. 6: Staff Compliment in SRBs

Staff Compliment	
Mean	18.685
Median	14
Std. Deviation	13.888

Source: Compiled from Primary Data

8.3.6 Nature of employment contract-Permanent staff

Results in Table 8.7 show the central tendency measures of permanent employees for SRBs. The majority of SRBs (50%) had at least 12 permanently employed staff. The high number of permanent staff in the restaurant business is at variance with extant literature (Young-Thelin & Boluk, 2012; Haley-Lock 2012; Sobaih et al., 2011) that observe that the hospitality industry, including the restaurant business, is affected by informalisation issues where the pool of permanent workers is shrinking and being replaced by a growing worker base of fixed-time contractors, casuals, temporary, scheduled and outsourced workers.

Table 8. 7: Permanent Employees in a Small Restaurant Business

Number of permanent staff	
Mean	14.2
Median	11.5
Std. Deviation	10.591

Source: Compiled from Primary Data

8.3.7 Nature of employment-Part-time

Table 8.8 displays the central tendency measures of part time staff in SRBs. The results are showing that, (50%) of the respondents did not hire part –time staff (median=0). The results are also showing that the SRBs did not hire casuals (median =0) and seasonal workers (median =0). These are interesting and unique results, as extant literature (Vettori, 2015; 2017;Haley-Lock, 2012;Sobaih et al., 2011,Young-Thelin & Boluk, 2012; Lee & Chen, 2013; Makumbirofa & Saayman, 2018; Taal, 2012) shows that restaurants in both developing and developed countries are known for casualisation of labour as a way of cutting costs associated with permanent staff. The low number of casuals and part-timers can be attributed to rigid labour laws in South Africa (Chimucheka, 2013; Fatoki & Garwe, 2010) which discourage flexible hiring and firing of employees, forcing them to stay with staff they no longer need.

Table 8. 8: Number of Part-time workers in Small Restaurant Business

Number of part time staff	
Mean	1.88 (4 people)
Median	0
Std. Deviation	3.9555

Source: Compiled from Primary Data

8.3.8 Responsibility for Staff Attraction

Table 8.9 indicates the distribution of persons responsible for staff attraction in the organisation. As the results reveal, staff attraction was under the purview of the owner as evidenced by the highest percentage (43.4 %). The presence of high percentage of owners reserving the right to hire new staff in SRBs could be evidence of the non-adoption of legitimate HR practices with a clear distinction between ownership and control of small businesses (Fatoki, 2011). These findings are consistent with a research conducted by Visser and Chiloane-Tsoka (2014) on family businesses and SMEs in South Africa, which revealed that businesses rarely utilise a full and complementary range of human resource practices, but rely on traditional patriarchal authoritarianism, where hiring and firing tend to be in the interest of the family rather than the business. Indeed, most SMMEs are privately owned family businesses and are exposed to the arbitrary whims of family members due to fragmented reporting structures and formalised managerial processes (Çetinel et al., 2008; Asiedu-Appiah et al., 2013; Nzonzo & Matashu, 2014); hence HR activities are the domain of the owner in SRBs.

Table 8. 9: Responsibility for Staff Attraction in SRBs

Staff attraction	Frequency	Valid percent
Owner	96	43.4
HR Manager	32	14.5
Line manager	33	14.9
Management	60	27.9
Total	221	100

Source: Compiled from Primary Data

8.3.9 Responsibility for Staff Retention

Table 8.10 presents the distribution of the person responsible for staff retention. The results show that, the owner (43.9%), and to a lesser extent management (28.1%), are the two main groups responsible for the staff retention in most SRBs. This evidence is consistent with Ogunyomi and Ojikutu’s (2014) observation that in small businesses, it is a big challenge to attract skilled manpower. Losing one employee could have dire consequences for the organisation as they employ few individuals, and the absence of one can be easily felt. Thus, staff retention is the owner’s preserve as it should be a small restaurant business’ top priority to retain their skilled workforce as both the employer and the employees could benefit from low levels of staff turnover. Staff turnover can have serious implications on the bottom line as Chidi (2013) and Chiboiwa et al. (2010) note that when organisations fail to retain their staff, they incur recruitment costs, high training costs, loss of goodwill or reputation, increased labour turnover and loss of profitability, and this may spell their doom. This implies that the owner plays a critical role in ensuring and promoting staff retention in SRBs.

Table 8. 10: Responsibility for Staff Retention in SRBs

Staff retention	Frequency	Valid percent
Owner	97	43.9
HR Manager	33	14.9
Line manager	29	13.1
Management	62	28.1
Total	221	100

Source: Compiled from Primary Data

8.4. STRUCTURAL EQUATION MODELLING (SEM) ANALYSES

Given the nature of this research which was to ascertain whether a relationship existed between internal and external environment, employee-resourcing strategies and business performance in small restaurants exist, a Structural Equation Modelling was adopted. According to Nunkoo, Ramkissoon and Gursoy (2013), structural equation modelling (SEM) is a statistical procedure for testing measurement, functional, and predictive hypotheses that approximate world realities. SEM uses various types of models to depict relationships among observed variables, with the basic goal of providing a quantitative test of a theoretical model hypothesised by the researcher (Schumacker & Lomax, 2010; Hair et al., 2014). The starting point in structural equation modelling is to determine measurement model fit, as indicated below.

8.4.1 Testing the Measurement Model

The measurement model was built to confirm the structure of each construct. The measurement model was constructed in the IBM package AMOS version 24. To do that, testing for normality using skewness and kurtosis values, test of goodness model fit using confirmatory factor analysis (CFA), reliability analysis, convergent and discriminant validity assessment were done.

8.4.2 Assessment of Normality

Before conducting the structural equation modelling, the data was screened for outliers and normality to meet the assumptions of the general linear model. The Mahalanobis distance was employed to spot observations furthest from the centroid so as to detect outliers. No item on the questionnaire was deleted because of their high distance from the centroid, suggesting that no outlier was found.

Concerning the issue of normality, Field (2013) points out that for a sample size above 167 such as the one in this research, the central limit theorem stipulates that the assumption of normality has little effect on the data analysis results. Generally, the value for skewness and kurtosis between -2 and +2 are considered acceptable to prove normal univariate distribution (George & Mallery, 2010). Table 8.11 indicates that most of the variables had satisfactory Skewness and Kurtosis values, except certain items on selection, that is, Sele3; Sele2; Sele1 and retention (Rete14), which reported a Kurtosis coefficient above 2. Considering the overall results, one can confidently assert that the assumption of normality is met despite the fact that four variables have a Kurtosis coefficient above the threshold. In addition, following the central limit theorem aforementioned, these four non-normal variables could not compromise the results of the research.

Table 8. 11: Assessment of Normality

Variables	Skewness	Kurtosis
int4	-0.439	-0.253
int5	-0.332	-0.703
int6	-1.017	1.001
int7	-0.893	0.658
int8	-1.107	1.194
buss5	-0.648	-0.291
buss6	-0.802	-0.104
sele1	-0.974	2.123
sele2	-1.314	3.093
sele3	-1.441	3.907
emplo5	0.292	-1.171
emplo6	0.349	-1.096
rete11	-0.909	1.618
rete12	-1.193	1.664
rete13	-0.969	0.902
rete14	-1.525	2.827
recru5	0.107	-0.946
recru6	-0.281	-0.965
recru7	-0.082	-0.986
recru9	0.314	-0.792
recru10	0.45	-0.632
rete3	-1.078	0.548
rete4	-0.184	-1.17
rete5	-0.826	0.699
rete6	-0.853	1.041
work4	-0.792	1.229
work5	-0.507	-0.314
work6	-0.457	0.131

Source: Compiled from Primary Data

8.4.3 Test of Goodness of Model Fit and Validity using Confirmatory Factor Analysis (CFA)

As mentioned previously, the measurement model was assessed using CFA. From the initial proposed model, the CFA results displayed unsatisfactory fit indices. A close diagnosis of the modification indices and the standardised residual covariance matrix retrieved from the AMOS outputs showed that some items, for example, **Retur1** (the organisation posted net profits in 2015), **Int 2** (Owner/ manager's experience in running the business), among others were to be deleted from the analysis to improve the model fit. These items were deleted because of high standardised residual covariance matrix

(above 2.4) and cross loading issues, as indicated in the modification indices (Hair et al., 2014). The modification indices option was used to detect and neutralise the inter-item correlations affecting the model fit. These measures (deletion of items and the inter-item correlations) helped in reducing the measurement error and improving the internal consistency of items, which in turn also helped in enhancing the model fit.

The model was then tested for its ‘goodness of fit’. Table 8.12 below presents the model fit indices commonly reported with their required thresholds. These model fit indices are simply a formula to calculate the model fit. The $\chi^2/CMIN/df$, AGFI, TLI, CFI, NFI and RMSEA were used to assess goodness of fit. Good model fit is achieved when $\chi^2/CMIN/df < 3$, AGFI > .80, TLI > .80, CFI > .80, NFI > .80 and RMSEA < .05.

Table 8. 12: Common model fit and threshold

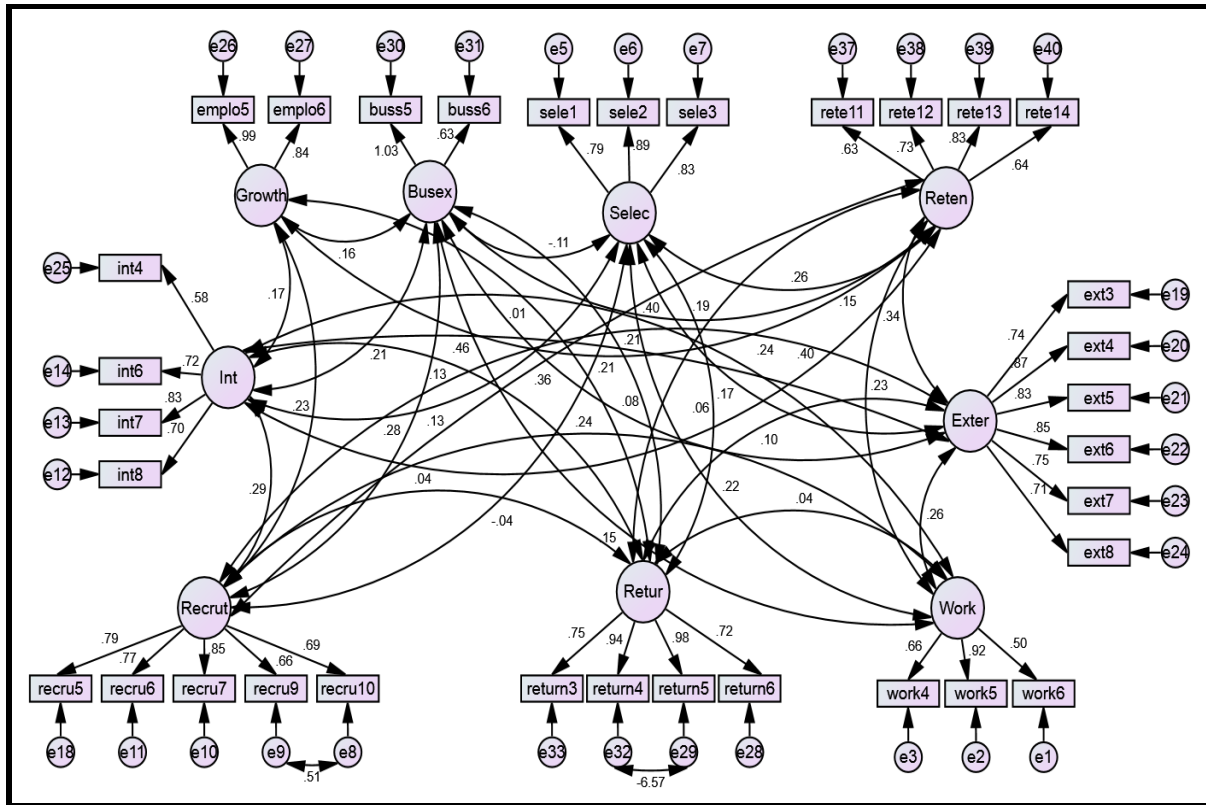
Measure	Threshold
Chi-square/degree of freedom (CMIN/df)	< 3 good; < 5 sometimes acceptable
CFI (Comparative Fit Index)	> .80 sometime acceptable; > .90 good
GFI (Goodness-Of-Fit-Index)	> .80 sometime acceptable; > .90 good
AGFI (Adjusted Goodness-Of-Fit-Index)	> .80 good
TLI (Tucker Lewis Index)	> .80 sometime acceptable; > .90 good
NFI (Normed Fit Index)	> .80 sometime acceptable; > .90 good
RMSEA (Root Mean Square Error of Approximation)	< .05 good; .05 to .1 moderate; > .1 bad

Source: Adapted from Hair et al. (2014)

8.4.4 Confirmatory Factor Analysis (CFA)

According to Bryman and Bell (2012), a confirmatory factor analysis can be used to test theories or hypotheses concerning structure underlying a set of variables. Hinterhuber and Liozu (2013) perceive confirmatory factor analysis as an assessment tool that helps to determine whether the data fits the theoretical model or whether a relationship exists between the variables under study. The CFA was employed to assess the measurement

model. The measurement model was constructed and estimated, and then the SEM table was generated to establish the relationships and their statistical significance.



Source: Author's own compilation

Figure 8. 1: Confirmatory Factor Analysis of the scales

8.4.4.1 Interpretation of the measurement model

The bigger circles represent the latent variables used in this research. **Growth**=Growth in Headcount; **Reten**=Retention; **Busex**= Business expansion; **Selec**= Selection; **Exter**= External environment; **Work**= Work force planning; **Retur**= Return on investment; **Recrut**= Recruitment and **Int**= Internal environment. The results of the fit indices of the initial estimation of the CFA of all the observed variables and their indicators were not acceptable. For example, Internal environment had 8 items but only 4 items were kept in the model because of validity concerns. All the items represented in the measurement model are presumed to be valid in the context of this research; this validity was further confirmed through the reliability and validity tests.

The contribution of each item in the construct is indicated by its factor loading; any factor loading above .5 is acceptable, while anything below .5 indicates a poor measure. For example, the factor loading of the item Sele1 is .79. This means that item Sele1 measures Selection at 79% (0.79×100). Since there is always a margin of error when measuring abstract constructs, an error term is associated with each item. In the case of Selection, for example, e5 is the error term of the item Sele1.

The coefficient values of double-headed arrows indicate the bivariate correlation coefficients between constructs. For example, the correlation coefficient between **Recrut** and **Selec** is .04, and it follows that when one of these two variables increases by 1 standard deviation, the other variable also increases by 4% of its own standard deviation. The correlation table will later specify whether these correlations are significant or not.

After refinement of the model ($\chi^2 = 642.629$; P value = .000 and df = 460), the model presented satisfactory fit indices: $\chi^2/\text{CMIN}/\text{df} = 1.397$. AGFI = 0.820; TLI = 0.943. CFI = 0.950. NFI = 0.848. RMSEA = 0.042) and these were all better than the recommended values for RMSEA < .05, $\chi^2/\text{CMIN}/\text{df} < 3$, AGFI > .80, TLI > .80, CFI > .80 and NFI > .80.

8.4.5 Reliability Analysis, Convergent and Discriminant Validity Assessment

As mentioned in the previous chapter, Cronbach's alpha was used to measure the reliability of each construct. As argued by Hair et al. (2014), Cronbach's alpha measures the internal consistency of the construct and its cut-off value is 0.7, although 0.6 is sometimes permissible. As recommended by Hair et al. (2014), in this research, convergent validity was assessed using factor loading (standardized estimates) which is expected to be above 0.5. Average Variance Extracted (AVE) is expected to be above 0.5 and Composite Reliability (CR) is expected to be above 0.7, though 0.6 is sometimes permissible. Table 8.13 shows the results of reliability, convergent and discriminant reliability of the scales used.

Table 8. 13: Reliability and Validity Assessment

Constructs	Items	Factor loadings	P-value	Cronbach	CR	AVE	Final number of items and initial
Internal environment	Int 4	0.576	***	0.793	0.803	0.509	4(9)
	Int 6	0.724	***				
	Int 7	0.832	***				
	Int 8	0.699	***				
Growth in headcount	Emplo 5	0.993	***	0.907	0.912	0.839	2(6)
	Emplo 6	0.835	***				
Workforce planning	Work 4	0.663	***	0.731	0.748	0.512	3(7)
	Work 5	0.919	***				
	Work 6	0.501	***				
Business expansion	Buss 5	1.025	***	0.783	0.83	0.721	2(6)
	Buss 6	0.627	***				
Return on investment	Retur 3	0.747	***	0.879	0.914	0.731	4(6)
	Retur 4	0.942	***				
	Retur 5	983	***				
Retention	Retur 6	717	***	0.796	0.802	0.506	4(20)
	Rete 11	0.632	***				
	Rete 12	0.727	***				
	Rete 13	0.826	***				
	Rete 14	0.645	***				
External environment	Exter 3	0.736	***	0.909	0.91	0.628	6(20)
	Exter 4	0.871	***				
	Exter 5	0.829	***				
	Exter 6	0.851	***				
	Exter 7	0.745	***				
	Exter 8	0.708	***				
Recruitment	Recrut 5	0.79	***	0.877	0.868	0.569	5(11)
	Recrut 6	0.774	***				
	Recrut 7	0.845	***				
	Recrut 9	0.658	***				
	Recrut 10	0.692	***				
Selection	Sele 1	0.792	***	0.874	0.874	0.699	3(8)
	Sele 2	0.888	***				
	Sele 3	0.826	***				
Notes:							
***: significance at 0.01 level.							
CR= composite reliability; AVE: Average variance extracted							

Source: Compiled from Primary Data

The overall result indicates a good reliability of all the scale involved in this research as Cronbach alphas and composite reliability coefficients are both above .7 as per the recommendations of Hair et al. (2014). The table also shows that the factor loadings of all constructs are above the recommended threshold of 0.5. This is supported by Field (2013) who recommends a threshold of 0.5. The AVEs of all constructs were above the usual cut-off of 0.5 and this is in consonance with recommendations by Hair et al. (2014). All the above confirm that there is convergent validity in all the constructs in the measurement model. This means that all the items converged significantly towards their respective constructs.

The discriminant validity was assessed through the comparison between the Square Root of the AVEs and the correlation coefficients. Table 8.14 below shows correlation and Square root of AVEs Matrix.

Table 8. 14: Correlation & Square root of AVEs Matrix

	Work	Selec	Recrut	Int	Reten	Exter	Retur	Busex	Growth
Work	0.715								
Selec	0.217	0.836							
Recrut	0.235	-0.042	0.754						
Int	0.402	0.127	0.283	0.713					
Reten	0.229	0.261	0.361	0.401	0.711				
Exter	0.256	0.172	0.232	0.452	0.33	0.792			
Retur	0.04	0.056	0.036	0.125	0.186	0.1	0.855		
Busex	0.154	-0.11	0.284	0.213	0.148	0.075	0.213	0.849	
Growth	-0.004	-0.017	0.227	0.161	0.198	-0.03	0.003	0.155	0.916

Source: Compiled from Primary Data

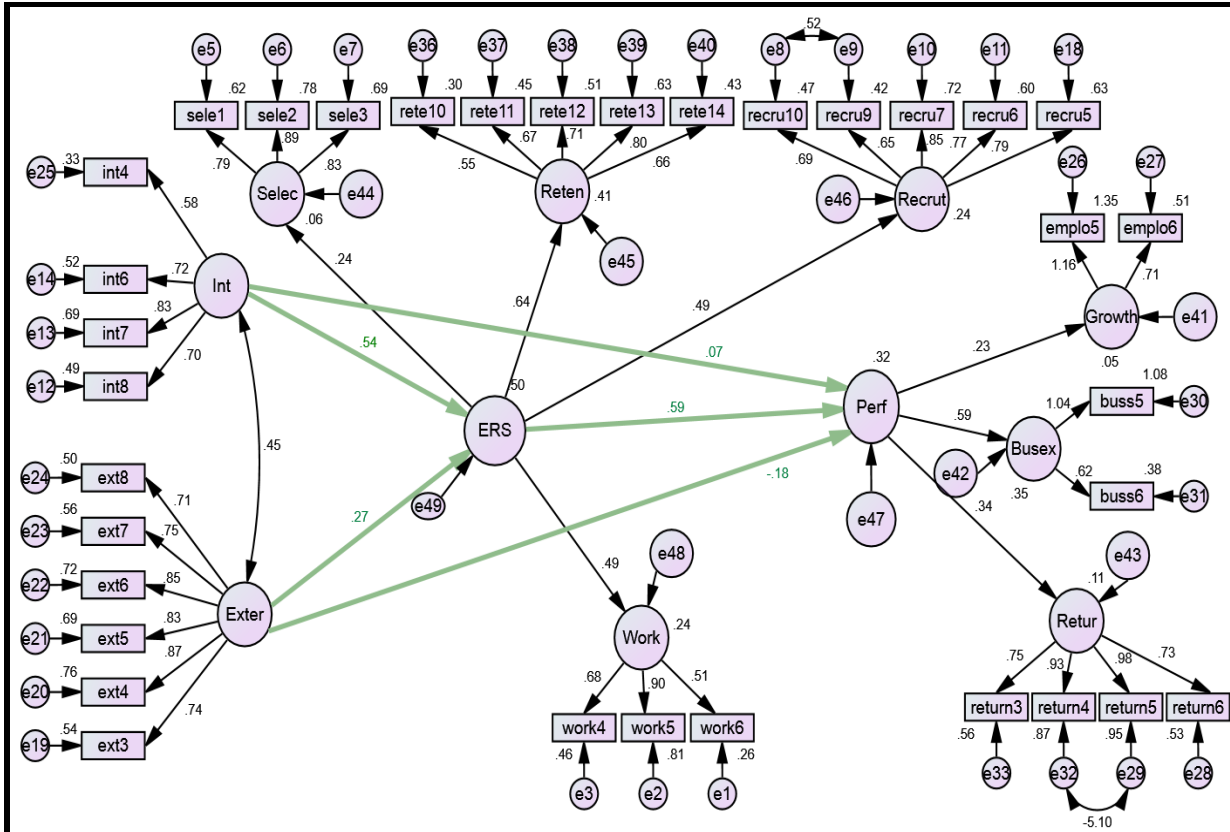
Table 8.14 shows that there is no discriminant validity concern in the measurement model for all the correlation coefficients as they are lower than the square root of AVEs and their respective constructs. For example, the correlation between **Work** and **Reten**

(.229) is lower than the Square root of the AVE of **Work (.715)** and the Square root of the AVE of **Reten (.711)**. The same comparison principle applies to all the other constructs in the measurement model.

In light of this evidence, it was concluded that the relationships illustrated in the measurement model (Figure 8.1) fit the data satisfactorily. All the instruments used in the measurement model were reliable and valid in the context of this research. Given that the confirmatory factor analysis (CFA) provided satisfactory results, the researcher then moved to the structural model.

8.5 THE STRUCTURAL EQUATION MODEL

Using SEM, this research sought to test a conceptual model that captures multiple relationships between environmental factors, employee-resourcing strategies and business performance. The structural equation model below was tested using the maximum likelihood performed with AMOS 24.



Source: Author's own compilation

Figure 8. 2: Structural model

The structural model above is in line with the objective of this research which sought to develop and test a model of internal and external environmental factors, and employee-resourcing strategies that could be recommended for small businesses in order to enhance their performance. A model fits if the reproduced covariance matrix approximates the observed covariance matrix (Perry, Nicholls, Clough & Crust, 2015). In this case, the structural model ($\chi^2 = 733.251$; P value= .000 and df= 512) displayed satisfactory fit indices: (χ^2/df (CMIN/df) = 1.432. GFI = 0.840; TLI = 0.935. CFI = 0.941. NFI = 0.830. RMSEA = 0.44. PCLOSE= 0.906). In view of this evidence, it was concluded that, the structural model fits the data satisfactorily. Therefore, the structural model (Figure 8.2) could be used with confidence to conclude on the research hypotheses of the research as indicated below.

8.5.1 Regression Analysis

After fitting in the structural model, the regression analysis was roped in to establish the relationships between internal and external environmental factors, employee-resourcing strategies and business performance in small restaurants. A summary of the hypothesised relationship and the regression weights are shown in Table 8.15.

Table 8. 15: Regression weights and hypotheses

Dependent variables		Independent variables	Estimate	P value	Hypothesis conclusion
Employee-resourcing strategies	<---	Internal environment	0.538	***	Accepted
Employee-resourcing strategies	<---	External environment	0.273	0.012	Accepted
Performance	<---	Internal environment	-0.074	0.705	Rejected
Performance	<---	External environment	0.184	0.215	Rejected
Performance	<---	Employee-resourcing strategies	0.587	0.07	Rejected

Source: Compiled from Primary Data

The Table 8.15 above shows that two hypotheses were accepted and three were rejected. The accepted hypotheses were:

1. **H₁: There is a significant effect of the internal environment on employee-resourcing strategies.**
2. **H₂: There is a significant effect of the external environment on employee-resourcing strategies.**

The rejected hypotheses were:

3. **H₃: There is a significant effect of the internal environment on small business performance.**
4. **H₄: There is a significant effect of the external environment on small business performance.**

5. H₅: There is a significant effect of employee-resourcing strategies on small business performance.

8.5.2 Internal Environmental Factors and Employee-Resourcing Strategies

This section deals with the effect of internal factors on employee-resourcing strategies among the SRBs. The discussion of the findings is in line with the first hypothesis which states that:

H₁: There is a significant effect of the internal environment on employee-resourcing strategies in SRBs.

Table 8. 16: Internal environment and employee-resourcing strategies

Dependent variables		Independent variables	Estimate	P value
Employee-resourcing strategies	<---	internal environment	0.538	***

Source: Compiled from Primary Data

Table 8.16 shows the overall relationship between employee-resourcing strategies and the internal environment. The results of the research indicate a positive and significant effect of the internal environment on employee-resourcing strategies as its p value (***) is lower than .05. This means that when internal environment goes up by 1 standard deviation, employee-resourcing strategy also goes up by 0.538 of its own standard deviation. The strong correlation between internal environment and employee-resourcing strategies is in consonance with results of studies done in India, Nigeria and Indonesia (Punia & Sharma, 2015; Adisa et al., 2017; Echdar & Si, 2013), which established that the internal environment had a significant effect on employee-resourcing strategies. The results are also in line with the RBV Theory which posits that the organisation’s internal environment (the resources, capabilities and competency) is critical for the achievement of important organisational outcomes. The theory holds that the owner/manager can achieve important organisational outcomes when there is good

appreciation of the resources' potential and effective utilisation of those resources that are valuable, rare, hard to copy and non-substitutable (Orogbu et al., 2017).

The findings could be interpreted as follows: internal factors such as high wage demands, business size, existence of established legitimate HR practices and availability of institutional support, have a positive and significant effect on employee-resourcing strategies such as workforce planning, recruitment, selection and retention in SRBs. This is corroborated by Pilbeam and Corbridge (2010) who posit that employee-resourcing strategies of an organisation are influenced by their environment and circumstances. The findings show that SRBs' employee-resourcing strategies are shaped by their internal environment, which seems to determine the calibre of staff to be recruited, and how they are retained in the organisations. The positive and significant effect of the internal environment on employee-resourcing strategies is in sync with the best fit/contingency approach, which argues that organisations are influenced by their context and circumstances (firm size, owner's experience, age, ownership etc) in coming up with appropriate resourcing strategies (Ogunyomi & Bruning, 2015; Halmaghi et al., 2017). These findings concur with the observation by Kinnie and Swart (2013) that, the effectiveness of HR practices depends on how closely they fit with the external and internal environment of the organisation. In light of this evidence, it can be suggested that the importance of internal factors in determining the crafting employee-resourcing strategies among the small businesses in the restaurant business in South Africa cannot be overemphasised. The results imply that employee-resourcing strategies seem to be more efficient when linked to the internal environment of the small restaurant business.

By implication, the results also indicate that SRBs' understanding of the internal environment helps them in coming up with effective workforce planning policies which are internally consistent with the organisations' mission statements. This is considered important as Kappo-Abidemi et al. (2015) argue that a proper manpower planning will ensure that every business' department has an effective and efficient staff, and appropriate workload at all times. However, extant literature (Sobaih, 2018; Ogunyomi

and Ojikutu, 2014; Nyamwanza, 2014; Asiedu-Appiah et al., 2013) contradicts the findings when it posits that, workforce planning could be a challenge in small businesses, especially when there is a mixture of family and non-family employees who may not share the same vision and also lack established legitimate Hr practices, resulting in workforce planning being done arbitrarily and in an ad hoc manner. Most small businesses including SRBs, in South Africa could be failing to gain competitive advantage as owners hold onto networks of highly informal nature (Fatoki & Odeyemi, 2010; Visser & Chiloane-Tsoka, 2014). Perhaps, this could explain why small businesses have a high mortality rate as they face challenges in forecasting demand and supply of human resources (Muzenda, 2014). In addition, literature shows that the smallness of hospitality businesses (e.g. lodges, bed and breakfast (B&Bs), restaurants) has some strong implications for the human resourcing budget and resourcing practices at large, as funding (which is scarce) is considered critical for the recruitment, placement and retention of highly trained personnel with critical skills and competencies vital to organisational success (Hung et al., 2016; Nzonzo & Mutashu, 2014). This could be different from big organisations with fully-fledged human resource departments, which follow formal workforce planning procedures and recruitment and selection processes, and can easily attract skilled personnel because of their good brands (Eravia, Handayani & Julina, 2014).

This finding showing that internal environment strongly influences employee-resourcing strategies also confirms Ogunyomi and Bruning's (2016) observation that the context and circumstances of an organisation determine the type of strategies and policies that will be adopted in managing its human resources. For example, small businesses are struggling to attract competent human resources because they are hamstrung financially, forcing them to settle for mediocre staff (Mahembe, 2011; Chimucheka, 2013). Because of this, authors such as Vettori (2017) assert that knowledge workers in countries such as South Africa shun small hospitality businesses including restaurants because of their inability to pay better remuneration, and this acts as a constraint to their growth and development (Jinnah & Cazarin, 2015). In light of this

evidence, it can be suggested that, SRBs' internal factors such as lack of finance can influence the process of employee-resourcing strategies.

The current results are showing that employee-resourcing strategies such as selection are influenced by the internal environment. This is because selection is considered critical in SRBs (Virág & Albu, 2014), as poor selection can have an adverse financial impact and it is imperative to get the process right from the beginning (Gamage, 2014; Durrani, 2013). For example, for an organisation to perform well, the selection process should be able to identify someone with the right skills and competencies. Selection of employees is based on person-job fit and person-organisation fit which ensure coherence, guaranteeing staff retention. This is in tandem with the observation by Omisore & Okofu (2014) that, if individuals can cohere with the broader organisational attributes, they will stay with the organisation. The selection process is also influenced by the salary requirements of the job candidate. However, SRBs may fail to attract candidates requiring higher salaries as they rely on transient labour and do not want to make investments in their staff (Dladla & Mutambara, 2018). For example, Young-Thelin and Boluk (2012) note that most hospitality businesses, including small restaurants make use of casual, part time and contractual waiters to lower administration costs.

Coetzee and Stoltz (2015) identify internal environmental factors such as compensation, job characteristics, training and development, career opportunities, work life balance and organisational commitment as key to staff retention. This is in concurrence with the finding from this research, which submits that employee-resourcing strategies, such as training and development, work life balance, job security, employee empowerment and flexible work arrangements seem to be linked to internal environmental issues such as high wage demands, business size, existence of established legitimate HR practices and availability of institutional support in SRBs. The retention of staff is more important in small businesses where staff attraction remains a challenge; as such, staff attrition has dire consequences for the organisation (Rehman, 2012). Kruger and Rootman (2010) demonstrate how small businesses can influence employee retention and

commitment of staff when management takes care of employees' 'happiness' within the organisation.

Lastly, the results reveal that internal environment has a positive and significant effect on employee-resourcing strategies. This could be attributed to the fact that South Africa acknowledges the importance of small businesses in economic development and employment creation, hence, investments are made in SRBs (Coetzee & Buys, 2017; Hove & Tarisai, 2013; Ayandibu & Houghton, 2017). There is institutional support, both financial and non-financial assistance in the country (Phillips, Moos & Nieman, 2014; Masutha & Rogerson, 2014) which helps small businesses in the adoption of proper resourcing strategies (Mahembe, 2011; Ngek & Smit, 2013). The availability of institutional support is seen as critical in the adoption of employee-resourcing strategies in SRBs in South Africa (Nzozzo & Matashu, 2014). This is because South Africa recognises the importance of small businesses in addressing challenges of job creation and economic growth, and thus invests heavily in this industry (Fatoki & Odeyemi, 2010; Ngek & Smit, 2013). For example, small businesses (restaurants included) in the country can access loans through the Khula Enterprise Finance Ltd, and the government has also introduced a number of loan schemes to ensure that small businesses can access finance through banks, micro-credit outlets and retail finance intermediaries. All these have the potential to support employee-resourcing strategies for small businesses in the country, including small restaurants.

8.5.3 Employee-Resourcing Strategies and the External Environment

This section discusses findings pertaining to second hypothesis which proposes that:

H₂: External environment has a significant effect on employee-resourcing strategies in SRBs.

The results are presented in Table 8.17, and they show that the external environment has a positive and significant effect on employee-resourcing strategies as its p value (.012) is lower than .05. This entails that, when external environment goes up by 1 standard deviation, the employee-resourcing strategy also goes up by .273 of its own standard deviation. The findings also show that the external environment influences

SRBs' adoption of certain employee-resourcing strategies in SRBs. This is in sync with the view that external factors can inadvertently constrain the growth of a business (Zindiye et al., 2011). This also implies that, things like the prevailing interest rates, economic growth rates, prevailing inflation rates, competition from big organisations, political stability and political ideology of the ruling party, could be used to predict the adoption of employee-resourcing strategies in SRBs.

Table 8. 17: External environment and employee-resourcing strategies

Dependent variables		Independent variables	Estimate	P value
Employee-resourcing strategies	<---	External environment	0.273	0.012

Source: Compiled from Primary Data

The current findings also support a research carried out by Punia and Sharma (2015) on factors influencing HRM practices in the manufacturing industry in India, where a significant association between the two variables was established. In light of this evidence, one can posit that employee-resourcing strategies such as staff attraction and retention in the small restaurant business depend on the external environment obtaining in the country. For example, this study shows that external environmental factors such as prevailing interest rates, economic growth rates, inflation rates, competition from big organisations, political stability and political ideology of the ruling party have an influence on SRBs' adoption of certain employee-resourcing strategies.

Previous research shows that the volatility of the macro-economic environment causes more havoc in small businesses than big organisations as they operate with a shoe string budget, making it difficult to cushion themselves from the vagaries of the environment (Ayandibu & Houghton, 2017). This concurs with the Organisation for Economic Cooperation and Development(OECD) Economic Survey: South Africa (2017), which observed that there has been an economic slowdown in South Africa since 2011 due to constraints on the labour supply side, culminating in stagnation of the GDP per capita and a rise in unemployment (from 25% to 27%).This affected staff

attraction and retention in small businesses as they were forced by the unfavourable macro-economic environment to right size, making employees redundant.

Other researches that support this finding (Česnyrienė et al., 2013) argue that human resource management in any organisation does not take place in a vacuum; its content and form are affected by various internal and external factors. This means that employee-resourcing strategies in SRBs are informed by their external environment, and it is outside their control. This corroborates Kinnie and Swart's (2013) view that for HR practices (employee resourcing included) to have greater effect on important organisational outcomes, a close fit with both the internal and external environment is needed. Similarly, Ogunyomi and Bruning (2016) point out that the organisation's external and internal factors determine the type of strategies and policies that will be embraced in managing its human resources. Thus, it can be argued that, small restaurants' understanding of external factors might help in workforce planning, recruitment, selection and retention of critical staff, which could be important ingredients for their survival, demonstrating that, the external environment and employee-resourcing strategies are interdependent.

Furthermore, these results validate the submission by Orogbu et al. (2017) that, economic environmental factors such as government tax revenue, exchange rates, interest rate and inflation rate have a significant negative effect on the performance of small businesses. This implies that SRBs can grow and flourish or stagnate and decay, depending on the economic environment obtaining in the country. As previously noted, the OECD Economic Survey: South Africa (2017) also posit that, slowing economic growth makes it difficult for new and small businesses to perform well in South Africa, supporting the extent to which external environment influence business operations. Thus, other researchers opine that, faced with economic challenges, small businesses may fail to adhere to legitimate human resource practices and employee resourcing end up being done on an ad hoc basis (Asiedu-Appiah et al., 2013; Nyamwanza, 2014; Ogunyomi & Ojikutu, 2014).

8.5.4 Internal Environment and Small Business Performance

This section discusses findings according to hypothesis 3 which proposes that:

H₃: Internal environment has a significant effect on small business performance in the restaurant business.

Table 8. 18: Internal environment and small restaurant performance

Dependent variables		Independent variables	Estimate	P value
Performance	<---	Internal environment	0.074	0.705

Source: Compiled from Primary Data

Hypothesis 3 proposed that internal environment has a significant effect on small restaurant performance. The findings show that internal environment does not have a significant effect on small business performance as the p value (.705) is greater than .05; which means that any improvement of internal environment will not affect small restaurant business' performance. This finding is in agreement with Radipere and Dhliwayo (2014) who investigated the role of age and business size on small business performance in the South African small enterprise sector. The results of this current study established that there was no significant relationship between age, business size and organisational performance. The findings corroborate Radzi et al. (2017) who investigated the impact of internal factors on small business success in the agricultural industry in Malaysia. The study found insufficient empirical evidence to support the relationship between internal environment and business success. Similarly, Kraja and Osmani (2015) established a weak relationship between internal environment and performance, and external environment was found to have a greater impact than internal environment on small business' success in Albania. In sharp contrast to these results, previous researches (Muzenda, 2015; Ganyaupfu, 2013; Fatoki, 2014; Kamunge et al., 2014; Sitharam & Hoque, 2016) however, have reported that internal environment has a significant effect on business performance, suggesting that possible reasons could be alluded to for the lack of relationship found in this research.

For example, the established weak relationship between internal environment and small business performance can be attributed to the fact that the restaurant business is a unique industry with little mechanisation, hence, it tends to attract a large pool of unskilled workers who use the industry on a short term basis, and management do not want to make investments in their human resources (Sobaih et al., 2011; Vettori, 2015; Young-Thelin & Boluk, 2012). In addition, the weak relationship found in this research could be attributed to a non-common definition of small business performance as there are various stakeholders, each with own measure. For instance, owners/ managers of small businesses might seek a better standard of living for their families, the firm’s banker will be interested in profit margins and generation of liquidities, while the small business’ socio- economic counsellor will consider employment creation and growth as performance benchmarks (Raymond et al., 2013). Thus, in the present research, the conceptualisations of business performance might not have been the same for all participants.

8.5.5 External Environment and Small Business Performance in the Restaurant Business

This section discusses findings according to Hypothesis 4 which proposes that:

H₄: External environment has a significant effect on small business performance in the restaurant business.

Table 8. 19: Effect of External Environment on Small Restaurant Performance

Dependent variables		Independent variables	Estimate	P value
Performance	<---	External environment	-0.184	0.215

Source: Compiled from Primary Data

The findings of this research are showing that external environment does not have a significant effect on small business performance as the p value (.215) is greater than .05, thus, any improvement of external environment will not affect small business performance. The hypothesis is therefore rejected. This finding is inconsistent with claims by Cant et al. (2014) that the success and survival of small businesses in South Africa is strongly linked to the prevailing economic environment. This includes the economic conditions that help in influencing South Africa's economic growth such as GDP, availability of capital, strength of the rand and per capita income among others. One would expect economic policies such as industrial policies, fiscal policy, monetary policy and export-import policy to have an effect on small business operations and performance. If the economy is performing well, it is anticipated that the small business should grow and flourish, and the results would be employment growth and creation of wealth, which make it possible for small business owners/managers to have a high quality of life. When there is an economic downturn, small businesses' performance is expected to stagnate and decay, resulting in unemployment and even company closures. This analysis is consistent with OECD Economic Survey: South Africa (2017)'s observation that persistent low economic growth has resulted in stagnation of GDP per capita compared to other fast-growing emerging market economies, precipitating a rise in the unemployment rate in South Africa and slow growth and establishment of new ventures capital businesses.

Similarly, Alkali and Isa (2012) investigated the influence of external factors on the performance of small manufacturing enterprises in Nigeria and established that capital access and government was positively related to firm performance. Obasan (2014) also submitted that economic factors such as competition, inflationary policies, infrastructural facilities and income had an effect on the survival of small businesses. This shows a symbiotic relationship which exists between the external environment and small business performance. Njuguna-Kinyua et al. (2014) reported that the characteristics and quality of the external environment have a bearing on whether positive organisational performance will be achieved. Other researchers reiterated and argued that, business decisions are contingent upon good analysis of the external environment

as the external environment creates the opportunities and threats for the organisation (Oginni & Adesanya, 2013, Orogbu et al., 2017). However, the current results seem to suggest the inability to scan the environment by owners/managers of SRBs.

8.5.6 Employee-Resourcing Strategies and Small Business Performance

This section deals with the effect of employee-resourcing strategies on small business performance in the restaurant business. The discussion of the findings is in line with the fifth hypothesis which proposes that:

H₅: There is a significant effect of employee-resourcing strategies on small business performance.

Table 8. 20: Employee-resourcing strategies and small business performance

Dependent variables		Independent variables	Estimate	P value
Performance	<---	Employee-resourcing strategies	0.587	0.070

Source: Compiled from Primary Data

Hypothesis 5 proposes that there is a significant effect of employee-resourcing strategies on small business performance. From the findings, employee-resourcing strategies does not have a significant effect on performance as its p value (.070) is greater than .05, hence, any improvement of employee-resourcing strategy will not affect small restaurant business' performance. As a result, the alternate hypothesis is rejected. The findings fit well with Ogunyomi and Ojukutu's (2014) research on the relationship between employee resourcing and performance of small and medium enterprises in Lagos state, which concluded that there was a weak association between the two variables. In the same vein, Ogunyomi and Bruning (2016) investigated human resource management and organisational performance of small and medium enterprises in Nigeria and established a weak positive relationship between human resource management practices (employee resourcing included) and business performance.

This finding is, however, at variance with previous studies which have shown that there is congruence between employee-resourcing strategies and business performance in both developed and developing contexts (Armstrong, 2011; Katou, 2011; Omolo, et al., 2012). A research conducted by Katou and Budhwar (2011) reported a positive association between HRM practices and performance of SMEs. Similarly, a research by Ojokuku, et al. (2014) into the interplay of HRM practices and the performance of Nigerian SMEs reported that HRM practices have a significant impact on business performance. In the same vein, Sheehan (2013) carried out a research on human resource management and small and medium sized firms' performance and deduced a significant positive relationship between HRM and organisational performance. Other researchers such as Chidi and Okpala (2012) established a positive relationship between recruitment practices and organisational performance.

A research conducted by Neneh and van Zyl (2012) on achieving optimal business performance through business practices in SMEs in the Free State province of South Africa (also contradicting the current finding), established that those organisations which were implementing business practices like good HRM, had higher chances of achieving superior organisational performance. The contradictory results from this research could imply the uniqueness of SRBs, each with own internal and external challenges, which may make it impossible to replicate employee-resourcing strategies in a different setting. Perhaps, another explanation could be that employee-resourcing strategies were not practiced in the businesses represented by the respondents.

8.6 CONCLUSION

The chapter has presented, interpreted and discussed the results of the empirical research data in view of the statement of problem. Descriptive statistics comprising of demographic data was presented. Preliminary analyses which included reliability and

validity analyses were also done. Thereafter, the chapter ended with discussions of the results of SEM.

The next chapter presents a summary of the key findings of this research, draw conclusions and make recommendations for future studies based on the empirical findings.

CHAPTER 9

CONCLUSIONS AND RECOMMENDATIONS

9.1 INTRODUCTION

The primary objective of this research was to investigate the extent to which internal and external environmental factors, employee-resourcing strategies and business performance are related among the SRBs in South Africa, using a structural equation modelling. To this end, data was obtained from owners/managers of SRBs in the Free State province of South Africa.

This chapter presents an overview of the research, key findings and draws conclusions based on empirical findings. The chapter also outlines the practical contributions of the research. Finally, a discussion on limitations of the research as well as recommendations for practice, policy and future studies are presented.

9.2 AN OVERVIEW OF THE RESEARCH

Before drawing conclusions and contributions of this research, an overview of the research problem and objectives as well as a summary of the chapters is worth noting.

9.2.1 Overview of the Research Problem and Objectives

Small businesses are known for promoting employment creation and economic growth especially in developing economies such as South Africa. However, they are marred by a significantly high failure rate. Part of the solution to this challenge could be for owners/managers of small businesses to understand the internal and external environmental factors and link them with appropriate employee-resourcing strategies that are critical for the achievement of important organisational outcomes. The problem is that no testing of such assumption is available, especially in developing contexts.

Thus, to achieve the research's overarching objective of determining the relationship between internal and external environmental factors, employee-resourcing strategies and organisational performance, the following subsidiary objectives and hypotheses were formulated:

1. To develop a structural model that explains the relationship between internal and external environmental factors, employee-resourcing strategies and small restaurant business performance in South Africa.
2. To empirically evaluate the proposed model and assess the fit of the model.
3. To proffer recommendations on internal and external environmental factors and employee-resourcing strategies that could be utilised by SRBs in South Africa-in order to enhance their performance.

The following hypotheses were tested:

1. H_1 : There is a significant effect of the internal environment on employee-resourcing strategies.
2. H_2 : There is a significant effect of the external environment on employee-resourcing strategies.
3. H_3 : There is a significant effect of the internal environment on small business performance.
4. H_4 : There is a significant effect of the external environment on small business performance.
5. H_5 : There is a significant effect of employee-resourcing strategies on small business performance.

9.2.2 Summary of the Chapters

The opening chapter introduced the background of the study, statement of the problem and research objectives and hypotheses. The chapter also provided an overview of the research methodology as well as contributions of the research.

Chapter 2 presented theories underpinning this research and these were the Resource Based View, the Human Capital Theory, the Flexible Firm Model and Contingency Theory. Each framework, either in its entirety or parts of it, was discussed in terms of how it helps in understanding the hypothesised relationships between the variables of interest in the research. A critique of each theory is also provided.

In chapter 3, the different interpretations of the term ‘small business’ were explored from the South African point of view. The impact of small businesses on the South African economy, as well as government support measures for the establishment of small businesses, was also discussed. Lastly, this chapter focused on small restaurants in general and, specifically, SRBs in South Africa, discussing issues such as, their development, contribution to GDP, characteristics and challenges being faced by the small restaurant business in the country, etc.

Chapter 4 gave an overview of the internal and external environmental factors influencing adoption of employee-resourcing strategies crucial for small business performance in general (focus on examples from different countries). It then focused on the internal and external environmental factors influencing adoption of employee-resourcing strategies crucial for small business performance (including small restaurants) in South Africa.

The focus of chapter 5 was to give an outline of the concept of employee resourcing. The chapter also highlighted the importance of employee resourcing in both the developed and developing world. The term ‘employee resourcing’ was further explored focusing on workforce planning, recruitment, selection and retention strategies in SRBs.

Chapter 6 focused on business performance. Business performance was defined and its measures identified. The chapter also highlighted business performance in small businesses as well as the general performance of small businesses in South Africa. The chapter also discussed the relationship between employee resourcing strategy and business performance.

The research methodology, including the research paradigm, research approach, research design, sample and sampling procedure, data collection and analysis method were presented in chapter 7. The organisation and design of the questionnaire were also highlighted, as well as the validity and reliability of the research instruments.

Chapter 8 focused on data presentation, analysis and discussion. The research adopted the descriptive and mainly, the structural equation modelling as data analysis methods.

9.3 KEY FINDINGS AND CONCLUSIONS

Five hypotheses were developed through a critical engagement of related literature and these were tested through the Structural equation modelling. Owner/ managers of SRBs were the respondents and the findings are summarised below.

The first hypothesis tested was **H₁: There is a significant effect of the internal environment on employee-resourcing strategies.** The Structural Equation Modelling analysis using the maximum likelihood performed with AMOS 24 established that the internal environment had a significant and positive effect on employee-resourcing strategies as its p value (***) is lower than .05. This means that when the internal environment goes up by 1, standard deviation employee-resourcing strategies also go up by 0.538 of their own standard deviation. This means that the null hypothesis is not accepted. The alternative hypothesis is accepted. **It is therefore concluded that internal environment, such as high wage demands, business size, existence of**

established legitimate HR practices and availability of institutional support have a positive and significant effect on employee-resourcing strategies. In other words, investments in the internal environment could be used to predict the adoption of employee-resourcing strategies in SRBs.

The second hypothesis tested was **H₂: There is a significant effect of external environment on employee-resourcing strategies.** The research indicated that external environment had a positive and significant effect on employee-resourcing strategies as its p value (.012) is lower than .05. This implies that, when external environment goes up by 1, standard deviation employee-resourcing strategies also go up by .273 of their own standard deviation. This also means the null hypothesis is not accepted. The alternative hypothesis is accepted. **From the acceptance of H₂ it can therefore be concluded that, external environmental issues, such as the prevailing interest rates, economic growth rates, prevailing inflation rates, competition from big organisations, political stability and political ideology of the ruling party have a positive and significant effect on employee-resourcing strategies.** In other words, the external environment plays a critical role in influencing adoption of employee-resourcing strategies in SRBs.

The third hypothesis tested was **H₃: There is a significant effect of the internal environment on small business performance.** The finding established that internal environment does not have a significant effect on small business performance as the p value (.705) is greater than .05, implying that any improvement of the internal environment will not affect small restaurant business' performance. This means the null hypothesis is accepted. The alternative hypothesis is not accepted. **It is therefore concluded that the effect of internal environment on small business performance is not significant.** In other words, the internal environment is a poor predictor of performance in SRBs.

The fourth hypothesis tested was **H₄: There is a significant effect of the external environment on small business performance.** The finding established that external environment does not have a significant effect on small business performance as the p value (.215) is greater than .05. Thus, any improvement of external environment will not affect small business performance. This means the null hypothesis is accepted. The alternative hypothesis is not accepted. **It is therefore concluded that the effect of external environment on small business performance is not significant.** In other words, the external environment does not influence business performance in SRBs.

The fifth hypothesis tested was **H₅: There is a significant effect of employee-resourcing strategies on small business performance.** The Structural Equation Modelling indicated that employee-resourcing strategies do not have a significant effect on small business performance as their p value (.070) was greater than .05, implying that any improvement of employee-resourcing strategy would not affect small restaurant business' performance. This means the null hypothesis is accepted. The alternative hypothesis rejected. **It is therefore concluded that the effect of employee-resourcing strategies on small business performance is not significant.** In other words, employee-resourcing strategies which are a combination of workforce planning, recruitment, selection and retention do not promote the performance of SRBs.

9.4 RECOMMENDATIONS FOR PRACTICE

The findings of this research show that there is a strong and positive relationship between internal and external environment and employee-resourcing strategies in SRBs. Considering the vitality of small businesses in driving today's economies and employment growth, this research recommends for the owner/manager to identify internal and external forces that attenuate small business failures, especially in this turbulent macro-economic environment facing developing economies such as South Africa. This can be achieved if the owner/manager acquires sound managerial competencies through training and development. With adequate training, the

owner/manager might be better equipped to respond effectively and efficiently to the ever-changing environment.

This research also recommends that SRBs study their environment (both external and internal), so that they can come up with employee-resourcing strategies that will lead to the attainment of critical organisational outcomes. The pathway to improved business performance demands that SME manager/owners adopt a systematic, holistic approach to resourcing strategies one in which organisational resourcing capabilities are attuned to the environmental factors to improve organisational performance. This is in line with the RBV, Human Capital and Contingency Theories which state that a business' environment has important implications on its survival. Small businesses do not have a firm foundation upon which to base their employee-resourcing strategies. To survive in this turbulent macro-economic environment, small business owner/manager needs to establish and implement employee-resourcing strategies in small businesses in order to achieve superior organisational performance.

In addition, there is also need for the government's intervention in South Africa through policies that promote economic growth rates, reduce interest and inflation rates to promote the growth and survival of small businesses. The government also needs to continue supporting small business owners/managers through training so that they hone their managerial competencies to ensure the survival of their businesses.

9.5 RECOMMENDATIONS FOR FUTURE RESEARCH

This research adopted a quantitative approach making use of structured questionnaires to establish the relationship between internal and external environmental factors, employee-resourcing strategies and small business performance in the restaurant business. Further studies using qualitative methods can be pursued as this study could have left pertinent issues which can be unravelled through qualitative studies. This may also help to establish if results will be similar or different.

The research unravelled several interesting findings, but the researcher feels more studies need to be carried out to establish if replication is possible in other industries. Furthermore, the study was carried out in the restaurant businesses in the Free State (South Africa) and it may be difficult to generalise the findings to other restaurant businesses and other industrial sectors in other towns, cities and provinces in the country and beyond. Future researches in this industry may need to broaden the geographic location of the study by including more provinces, so as to increase generalisability and the sample size to see if the research produces similar results.

9.6 CONTRIBUTION OF THE RESEARCH

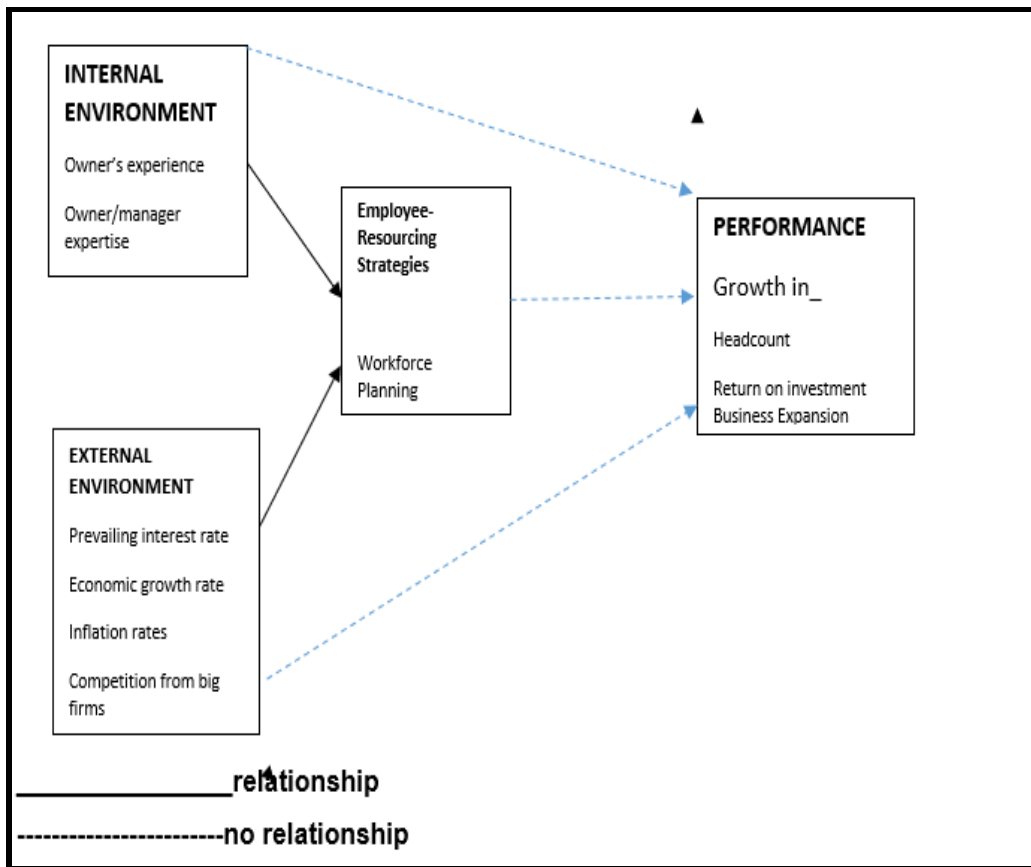
This research makes significant contributions to the UN Sustainable Development Goals especially goal 8. Goal 8 seeks to promote inclusive and sustainable economic growth, employment and decent work for all. This research with its thrust on understanding environmental factors and employee-resourcing strategies in SRBs (which are known for engaging in transient labour), is likely going to help in promoting decent work in this sector. Furthermore, investments in small restaurants through proper utilisation of employee-resourcing strategies, are likely to result in positive economic growth and employment creation, which are hallmarks of SMEs in developing contexts.

The research added value on contemporary research on the relationship between internal and external environmental factors, employee-resourcing strategies and business performance in South Africa, and developing context in general. The findings also debunked widely held views that internal and external environments have strong and positive effect on business performance, and that employee-resourcing strategies have a significant and positive effect on small business performance.

The research contributes to owners/managers of small restaurants' understanding of internal and external environmental factors that drive the adoption of certain employee-resourcing strategies. An understanding of such factors is critical as this can help in

making informed decisions that guarantee survival in today's environment which is characterised by volatility, uncertainty, complexity and ambiguity.

Based on the empirical results (hypotheses) and conclusions, the research has led to a revised framework and proposed a model of internal and external environmental influences on employee-resourcing strategies in SRBs.



Source: Own compilation

Figure 9. 1: Influence of Internal and External Environmental Factors and employee-resourcing strategies on Business Performance

As shown on Figure 9.1 above, internal environment has a positive effect on the adoption of employee-resourcing strategies in the restaurant business. The external environment also influences adoption of employee-resourcing strategies in the small restaurant business.

9.7 CONCLUDING REMARKS

The concluding chapter has identified conclusions drawn from the results of the study. Recommendations on policy, practice and contribution of the study were provided in this study. It is anticipated that small restaurants in South Africa and beyond will benefit from these recommendations as they are considered important in promoting economic growths in developing countries.

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Annexure 1 Structured Questionnaire

QUESTIONNAIRE: ENVIRONMENTAL FACTORS, EMPLOYEE-RESOURCING STRATEGIES AND PERFORMANCE OF SRBS IN SOUTH AFRICA: A STRUCTURAL EQUATION MODELLING APPROACH

My name is Honest Mupani. I am a Doctor of Philosophy in Human Resources Management student in Management Sciences at Central University of Technology, Free State, South Africa. I am conducting a survey on Environmental Factors, Employee-Resourcing Strategies and Performance of SRBs in South Africa: A Structural Equation Modelling Approach. This study is supervised by Prof C Chipunza who can be contacted on the following details: *Telephone +27611387325 or email cchipunza@cut.ac.za.*

The information gathered will help establish whether a relationship exists between environmental factors, employee-resourcing strategies and small business performance in the restaurant business in South Africa. The aim is to develop a model of employee-resourcing strategies responsible for superior organisational performance which could be recommended for South African small businesses in the restaurant business.

Your participation in this survey is voluntary and will be treated in the strictest confidence. Your identity will remain anonymous. The survey will take approximately 30-40 minutes to complete. Space is provided at the end of the survey for you to add any additional comments you may have. I greatly appreciate your assistance.

I will be very grateful if you would answer all sections on this questionnaire as honestly as possible.

Yours Faithfully,



Mupani Honest

Instructions to respondents

Please indicate your responses in **EACH** Section of the questionnaire by ticking the relevant option

✓

SECTION A: DEMOGRAPHICS

1. Gender

1	Male	2	Female
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2. Age Group

Below 21 years	1
21-30	2
31-40	3
41-50	4
Above 50	5

3. Highest Educational Qualification

Primary	1
High school	2
Tertiary certificate/ diploma	3
Degree	4
Postgraduate	5
Other(specify)	6

4. How many years has your organisation been in operation?

.....

5. How many employees are in your company?

.....

6. Please indicate how many employees are in each category in your organisation?

Permanent	1	Part-time	2
Casual	3	Seasonal	4

7. Who is responsible for staff attraction in your organisation?

.....

8. Who is responsible for staff retention in your organisation?

.....

SECTION B: INFLUENCES ON ATTRACTION AND RETENTION OF STAFF AND BUSINESS PERFORMANCE

This section deals with the internal influences on attraction and retention of staff and business performance in your organisation

Indicate how important each of the following internal influences is in promoting employee resourcing and performance in your business.

B1	Personal and firm related factors	Very unimportant	Unimportant	Neutral	important	Very important
	The expertise of the owner/manager in running the business	1	2	3	4	5
	The owner/manager's experience in running the business	1	2	3	4	5
	The owner/manager's educational qualifications	1	2	3	4	5
	High wage demands	1	2	3	4	5
	Family relationships	1	2	3	4	5
	The business size	1	2	3	4	5
	Existence of established legitimate HR practices	1	2	3	4	5
	Availability of	1	2	3	4	5

	institutional support					
	This organisation's reputation	1	2	3	4	5

B2: THE EXTERNAL ENVIRONMENTAL INFLUENCES

This section deals with the external influences on staff attraction and retention and business performance in your organisation.

Indicate how important each of the following external influences is in promoting employee resourcing in your business.

B2	Environmentally-related factors	Very unimportant	Unimportant	Neutral	Important	Very Important
	The economic conditions in the country	1	2	3	4	5
	The country's economic policies	1	2	3	4	5
	The prevailing interest rates	1	2	3	4	5
	The country's economic growth rates	1	2	3	4	5
	The prevailing inflation rates	1	2	3	4	5
	The competition from big organisations	1	2	3	4	5
	Political stability	1	2	3	4	5
	Political ideology of the ruling party	1	2	3	4	5
	The availability of immigrant labour	1	2	3	4	5
	Employment rate	1	2	3	4	5
	Equality issues	1	2	3	4	5
	The retention of highly skilled workforce	1	2	3	4	5
	The ability to access new technology	1	2	3	4	5
	Business' ability to use new technology	1	2	3	4	5

SECTION C: EMPLOYEE RESOURCING STRATEGIES

C1: WORKFORCE PLANNING

This section explores workforce planning in your organisation.

Indicate your level of agreement with each of the statements below in relation to your organisation's workforce planning activities

C1	Workforce planning	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
32	The organisation forecasts staff requirements	1	2	3	4	5
33	The organisation carries out supply forecasting to measure future staff requirements	1	2	3	4	5
34	The organisation identifies workforce gaps before making a decision on staffing	1	2	3	4	5
35	A workforce plan or gap closing strategy is adopted to inform staffing in this organisation	1	2	3	4	5
36	The organisation carries out evaluation of workforce planning to monitor whether strategies are being implemented as planned	1	2	3	4	5
37	The organisation identifies the job title, tasks, and responsibilities involved in a job before recruitment takes place.	1	2	3	4	5
38	The organisation carries out a listing of employee qualifications, skills and abilities required to meet the job description	1	2	3	4	5

C2: RECRUITMENT STRATEGIES

This section is about recruitment strategies in your organisation.

Indicate how important each of the following recruitment strategies is in facilitating staff attraction in your organisation

C2	Recruitment strategies	Very unimportant	Unimportant	Neutral	Important	Very important
	Promotions	1	2	3	4	5

	Job transfers	1	2	3	4	5
	Use of internal adverts to fill vacant posts	1	2	3	4	5
	Word of mouth	1	2	3	4	5
	Media agencies and recruitment consultants	1	2	3	4	5
	Social media	1	2	3	4	5
	Walk ins	1	2	3	4	5
	Campus recruitment	1	2	3	4	5
	Any other (specify).....	1	2	3	4	5

C3: SELECTION STRATEGIES

This section deals with selection strategies in your organisation.

Indicate your level of agreement with each of the statements below in relation to your organisation's selection strategies.

C3	Selection strategies	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
48.	This organisation selects a job applicant whose core competencies matches the organization	1	2	3	4	5
49.	This organisation selects a job applicant who matches the demands of the job	1	2	3	4	5
50.	The organisation selects a job applicant whose core competencies matches both the organisation and demands of the job	1	2	3	4	5
51.	Any other (specify).....	1	2	3	4	5

C4: RETENTION STRATEGIES

This section deals with retention strategies in your organisation.

Indicate how important each of the following strategies is in facilitating staff retention in your organisation

C4	Retention strategies	Very unimportant	Unimportant	Neutral	Important	Very important

52.	Competitive salary	1	2	3	4	5
53.	Bonus schemes	1	2	3	4	5
54.	Performance related pay	1	2	3	4	5
55.	Profit related pay	1	2	3	4	5
56.	Presence of challenging and interesting work	1	2	3	4	5
57.	Job redesign	1	2	3	4	5
58.	Clear career opportunities	1	2	3	4	5
59.	Training and development	1	2	3	4	5
60.	Work life balance	1	2	3	4	5
61.	Job security	1	2	3	4	5
62.	Employee empowerment	1	2	3	4	5
63.	Flexible work arrangements	1	2	3	4	5
64.	Good working environment	1	2	3	4	5
		Very unimportant	Unimportant	Neutral	Important	Very important
65.	Recognition of merit and performance	1	2	3	4	5
66.	Quality of people in the organization	1	2	3	4	5
67.	Supportive coworkers	1	2	3	4	5
68.	Company reputation	1	2	3	4	5
69.	Clarity of work and responsibilities	1	2	3	4	5
70.	Any other (specify)..... ..	1	2	3	4	5

SECTION D: BUSINESS PERFORMANCE

This section is about the performance of your organisation.

Indicate your level of agreement with each of the statements below in relation to your organisation's performance in 2015 and 2016

D1	Employment growth	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
71.	There has been a growth in number of employees in this organisation in 2015	1	2	3	4	5
72.	There has been a growth in number of employees in this organisation in 2016	1	2	3	4	5
73.	This organisation has experienced a low staff turnover in 2015	1	2	3	4	5
74.	This organisation has experienced a low staff turnover in 2016	1	2	3	4	5
75.	This organisation experienced job losses in 2015	1	2	3	4	5
76.	This organisation experienced job losses in 2016	1	2	3	4	5

Indicate your level of agreement with each of the statements below in relation to your organisation's performance in 2015 and 2016

D2	Return on investment	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
77.	The organisation posted net profits in 2015	1	2	3	4	5
78.	The organisation posted profits in 2016	1	2	3	4	5
79.	The organisation's income outweighed expenditure in 2015	1	2	3	4	5
80.	This organisation's income outweighed expenditure in 2016	1	2	3	4	5
81.	This organisation's overall returns exceeded overall costs in 2015	1	2	3	4	5
82.	This organisation's overall returns exceeded overall	1	2	3	4	5

	costs in 2016					
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Indicate your level of agreement with each of the statements below in relation to your organisation's performance in 2015 and 2016

D3	Business expansion	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
83.	This organisation acquired new assets in 2015	1	2	3	4	5
84.	This organisation acquired new assets in 2016	1	2	3	4	5

If you have any comments regarding resourcing strategies and your organisation's performance, please indicate them in the space below.

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THANK YOU