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The need for a customised risk management framework for small enterprises

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Abstract

South African Small Medium and Micro Enterprises (SMMEs) have had the primary objectives to contribute towards the advancement of the national economy, the alleviation of poverty, the distribution of wealth and the reduction of unemployment since before 1996. In core these entities contribute toward approximately 30% of the national Gross Domestic Product (GDP) while also being responsible for an estimated 80% of all local employment opportunities in the country. Unfortunately these entities are not achieving the ideal objectives imposed on them by Government since well over 75% of SMMEs have been reported to fail within their first five years of existence. The sustainability-rate of these entities is believed to stem from economic factors which, in turn, influence small business' ability to achieve their respective goals (customised objectives). In order to mitigate the influence of economic factors, it is important for a business to have sound risk management procedures in place. The main objective of this paper was to examine to what extent risk management techniques are being used by non-franchised fast food small enterprises in Cape Town, with the main intention to establish whether the current utilisation of risk management techniques had a direct influence on the way these entities manage the influence of economic factors. The study used quantitative research methods, and data were collected from 38 small enterprise leaders (i.e. owners and managers), all of whom had to adhere to a set of pre-determined delineation criteria. All data collected were thoroughly analysed through means of descriptive statistics. It was found that respondents did make use of certain risk management techniques (informally) to a certain extent however when compared to major 'formal' risk management frameworks (specifically that of the Enterprise Risk Management framework), it was found that these entities' current sustainability could be drastically improved, specifically by adopting a customised risk management framework.

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these entities' current sustainability could be drastically improved, specifically by adopting a customised risk management framework.

Keywords

Small enterprises, micro enterprises, non-franchised, fast food, risk management, risk management techniques, sustainability

1 Introduction

The South African National Small Business Act No. 102 of 1996 defines a small business entity as a "distinct business entity managed by one or more owner(s) and can be classified, in terms of their size as micro, very small, small or medium" (South Africa, 1996). These entities have been imposed, by Government, with the main responsibilities to alleviate poverty, to reduce unemployment-levels, to evenly distribute wealth across South Africa and to boost the national economy as a whole (Mabesele, 2009). Levine (2008) mentions that small businesses are generally seen as 'mechanisms' to help narrow the gap between the rich and the poor: simultaneously mitigating the 'backlog' of the previously disadvantaged.

The true power of small businesses is believe to lie in their high labour absorption capacity as these entities roughly account for between 60% and 70% of the total employment in developing countries (World Bank, 2005). Prior research has shown that unfortunately most of these businesses are not sustainable. According to Van Eeden *et al.* (2003) between 70% and 80% of South African small businesses fail within their first 3 years of existence while Biyase (2009) claims that approximately 10 000 of these entities fail on a monthly basis.

The weak sustainability-rate of these entities has been blamed on economic factors, namely that of macro economic factors (factors over which small enterprise leaders have little/no control over) and micro

economic factors (factors over which small business leaders have some/material control over). It is of great significance to note that though economic factors have a definite impact on any business, the adverse effect of these respective factors can be minimised through means of adequate management skills.

Unfortunately, according to Everett and Watson (1998), small businesses leaders lack management skills to a great extent. Frandsen and College (2006) characterises the term 'management' in terms of the following activities:

- Planning activities (preparing for future events),
- leading activities (directing of management, staff and customers),
- organising activities (arranging of all components within a business), and
- controlling activities (assurance of adequate business processes).

Each activity plays a paramount role in the overall management of a business. Furthermore each activity holds potential areas of (inherent) risk if one or more activity is neglected by business leaders (Coetzee, *et al.*, 2012). A risk is defined by Manu (2005) as "a chance of something happening, which will have an impact on the objectives of an organisation". Hence, in order to provide reasonable assurance that all forms of risk are kept under control, and that these risks do not impede on the achievement of a business' customised objectives, the concept of risk management needs to be taken into consideration.

Smit and Watkins (2012) define the concept of risk management as "the core principle that entrepreneurs and/or management of businesses should focus on as recognising future uncertainty is the first step to ensure business sustainability". In essence risk management should see to that all identified potential risks are not realised. Depending on the severity of the identified risks (risk assessment), the latter is generally done by means of the following methods:

- Tolerating risks (live with it),

- mitigating risks (put relevant internal controls in place),
- sharing risks (obtain insurance to ensure assurance), and
- avoiding risks (get rid of the identified risk).

According to Sander (2011) the primary function of risk management is to contribute to the achievement of an organisation's overall business objectives, as defined by the leader(s) of the business. Hence if sound risk management techniques are in place it should, in turn, not only reduce potential risks from realising, but it should also assist a business in achieving its respective pre-determined goals as a whole – ultimately fortifying its sustainability.

From the above the authors formulated the perception (research problem) that small enterprises are not sustainable due to the non-utilisation of risk management techniques. The primary aim of this study (stemming from the research problem) was to determine to what extent small enterprises make use of risk management techniques.

The research paper is structured as follows: Section 1 provides an introduction to the study while Section 2 provides a brief overview of existing literature on the topic. Section 3 discusses the research methods deployed, while Section 4 contains all findings made, along with relevant discussions around the findings. Lastly conclusions are made based on the study in Section 5, along with relevant recommendations.

2 Literature review

The literature review on this research study is expanded upon under following headings: small enterprise overview, the economic landscape of South Africa and risk management.

2.1 Small enterprise overview

Fatoki and Smit (2011) express the view that although small business enterprises have been promoted for well over 20 years in South Africa; aided by formal legislation (i.e. Small Business Act No. 102 of 1996, Small Business Amendment Act No. 26 of 2003) and Government supporting agencies (e.g. Khula, National Empowerment Corporation, etc.). Albeit the above, Government's afore-mentioned ideal objectives for these entities are unfortunately not being met with great success as an estimated 75% of small enterprises have had to 'close shop' within a period of 42 months after opening.

The best measurement instrument to use to validate the view of Fatoki and Smit (2011) is that of the unemployment-rate (as this is one of the objectives of small enterprises which can be measured easily), as provided by Statistics South Africa (2012). The unemployment-rates for 2004 up to 2012 are evident in Table 1 below.

Table 1: The unemployment statistics of South Africa 2004-2012 (**Source:** Statistics South Africa, 2012; Swart, 2011)

Year	Estimated population	Unemployment rate (%)	Estimated unemployed people	Estimated absorbed of labour by SMMEs*
2004	42.7 million	26.2	11.1 million	20.5 million
2005	44.3 million	26.6	11.7 million	21.1 million
2006	44.1 million	25.5	11.2 million	21.3 million
2007	43.9 million	24.3	10.6 million	21.6 million
2008	48.7 million	22.9	11.1 million	23.9 million
2009	49.0 million	24	11.7 million	24.2 million
2010	49.3 million	25	12.3 million	24.0 million
2011	49.9 million	25	12.4 million	24.3 million
2012	50.5 million	24.9	12.5 million	24.7 million

From the above the analogy can be drawn that though the unemployment-rate (in terms of percentage points) has improved to some extent, the number of people that are left unemployed has been increasing gradually from 2007 to 2012. More disconcerting is the number of people that small businesses have absorbed in the form of labour since 2004, based on the statistic provided by the World Bank (2005). This statistic alone indicates how critical small enterprises are to the economy of South Africa. All in all, it is fair to say that the unemployment rate (one of the main objectives of small enterprises to reduce) has not decreased to a large extent since that of 2007.

Due to the fact that the decrease of the unemployment rate is only one of the predetermined objectives of small enterprises, it makes clear sense that the remaining objectives (boosting of the national economy, equal distribution of wealth and the decrease of poverty) also need to be evaluated fairly. To do this, it is important to take a look at the economic landscape of South Africa.

2.2 The economic landscape of South Africa

As mentioned previously, the dismal sustainability-rate of small enterprises can be attributed to economic factors, namely that of macro economic factors and micro economic factors. The term 'macro economics' refers to the economy of a whole country which is made up of a combination of consumers, investors, producers, Government and financial organisations, whereas 'micro economics' is deemed as a collection and study of the behavior of small economic units (e.g. consumers and businesses) within a specific country (Gerber, *et al.*, 2007).

The major macro economic factors, which are believed to adversely influence small business sustainability, include, but do not limit to: inflation, red tape, supply and demand of commodities, interest rates,

unemployment, competition, lack of working capital and power (electricity) outages. In turn, the major micro economic factors, that are believed to influence small business sustainability adversely, include the lack of leadership skills, lack of funding and the lack of scarce skills, just to mention but a few (Trading economics, 2012a; Trading economics, 2012b; ASA, 2006; Layman, 2012; Burda & Wyplosz, 2003; Mohr & Fourie, 2004 and Mboniyane, 2006).

Rankhumise and Tshabalala (2011) raise the point that small enterprises are more vulnerable to changes in the economic environment as opposed to their larger counterparts. For this very reason, along with measuring the achievement of the remaining objectives of small enterprises (see Paragraph 2.1) it is of great importance to evaluate the current economic landscape of South Africa.

Rogerson (1999) avers that South Africa is regarded as a developing country, mainly due to the fact that during the closing years of Apartheid, the previous Government (at that time) were not as much concerned with issues such as economic development and poverty alleviation as in terms of the current Government (at present time). From the above it is no surprise as the current economic landscape, of South Africa, is regarded as 'quite uncertain'. The latter is supported by research conducted by Adeniran and Johnston (2012) who aver that South African small enterprises have limited capabilities and are adversely affected by competitive forces of micro economic factors. Albeit the fact that small enterprises were promoted prior to 1996, Fatoki and Smit (2011) are of the opinion that the small business sustainability-rate, in South Africa, is still at an all time low when compared to the sustainability-rates of other small enterprises in a global dispensation.

In order to fairly evaluate the economic landscape of South Africa, the authors decided to make use of specific measurement instruments. The rationale behind choosing these measurement instruments were

that they would provide the authors with better insight in terms of the 'poverty gap', the overall development of the country and the growth rate of the country among other. These measurement instruments pertained to the following:

- **Gini-index:** A summary statistic that measures how equitably a resource (quantity) is distributed in a population (N); specifically that of income. In essence, when this statistic is calculated it ranges between 0 - an indication of absolute equality - and 100 - an indication of absolute inequality (Farris, 2010)
- **Human Development Index (HDI):** A measuring instrument which incorporates life expectancy, literacy, number of years of education and modified measures of income in order to determine how well citizens, within a specific country, is developed. Essentially, upon this calculation, a score can range between 0 (an indication of absolute no development) and 1 (an indication of absolute total development) (Ranis, *et al.*, 2006).
- **Inflation rate:** The continuous and substantial increase in the cost of goods and/or services, offered in a specific country, in general. In quintessence the inflation rate can be defined as the cost of living in a specific country (Mohr and Fourie, 2004)
- **Entrepreneurial activity:** The process whereby an entrepreneur starts (and continues) with the development of their entrepreneurial nature. In essence entrepreneurial activity is recognised from the when an entrepreneur starts to develop himself and/or herself as an entrepreneur, while simultaneously being actively involved in entrepreneurial activities, i.e. by discovering and developing innovative opportunities for future markets (Kunkel, 2001).

The data for the above respected measuring instruments are collaborated in Table 2 below for the years of 2009, 2010 and 2011.

Table 2: The economic landscape of South Africa (**Source:** Indexmundi, 2011)

Measuring instrument	2009	2010	2011
Gini-index	63	64	67
HDI	0.68 (129 th)	0.619 (123 rd)	0.629 (122 nd)
Inflation rate	7.1%	4.3%	6.4%
Entrepreneurial activity	5.9%	8.9%	9.1%

Based on the Gini-index, it is clear that wealth was not evenly distributed across South Africa since 2009, especially when taking the GDP per capita into consideration (the amount of money a person ought to have when all income earned in the country is distributed evenly). The estimated GDP per capita (as at 2011) was US\$11,100; which translates roughly to over R112 064.49⁴⁴.

The HDI reveals that South Africa can be regarded as 'below average' in terms of the average development per citizen. During 2010 South Africa ranked 129th out of 187 participating countries, and during 2011 the country increased its overall ranking to 123rd of 187 participating countries in terms of overall human development. From the HDI-figures above it is evident that South Africa is fairly set in its ways as a developing country, making slow progress towards becoming a developed country.

Also the inflation rate in South Africa greatly decreased by 2.8 percentile points from 2009 to 2010 translating to an estimated 39% decrease in the general cost of living in South Africa as a whole. Between 2010 and 2011, inflation shot up by 2.1 percentile points; translating to an approximate additional 48.84% increase in the cost of living.

⁴⁴ The conversion rate of 1US\$ amounted to R10.10 on 31 May 2013.

Notwithstanding the above, entrepreneurial activity rose by 3 percentile points between 2009 and 2010. This dispensation can be better described by the fact that the total number of entrepreneurial businesses increased from 2,894,097 (in 2009) to 4,370,711 (in 2010). A possible reason for this 'spike' is due to the global financial crisis between 2009 and 2010 where well over 500 000 South African citizens lost their jobs, which resulted in them, along with their dependents, to find other means of making a living (Steyn, 2010). Unfortunately the average life expectancy of these entities has still not yet improved as majority still fail within their first year of existence.

Despite the adverse effects on the global recession, and taking everything above into consideration, the analogy can be drawn that the 'economic landscape' of South Africa, as at 2011, was 'fairly average'.

2.3 Risk management

If a business leader fails to manage his/her respective business effectively, it can lead to the realisation of potential risks. The latter can have a severe impact on business sustainability, which is why risk management is of paramount importance to any business.

The term 'risk management' is defined as the identification of actual and potential areas of risks, whereafter it is evaluated with the main intention to eliminate and/or mitigate it as soon as possible after it has been identified. (Smit, 2012). Hillson (2009) states that the main outcome of risk management should be to mitigate the number of potential threats which may materialise into 'problems' which, in turn, could have an adverse affect on business sustainability.

Before one can manage any form of risk, it needs to be identified and assessed as the management of the specific risk will depend on the severity thereof (Coetzee, *et al.*, 2012). This is best done by means of a risk matrix (depicted in Figure 1 below).

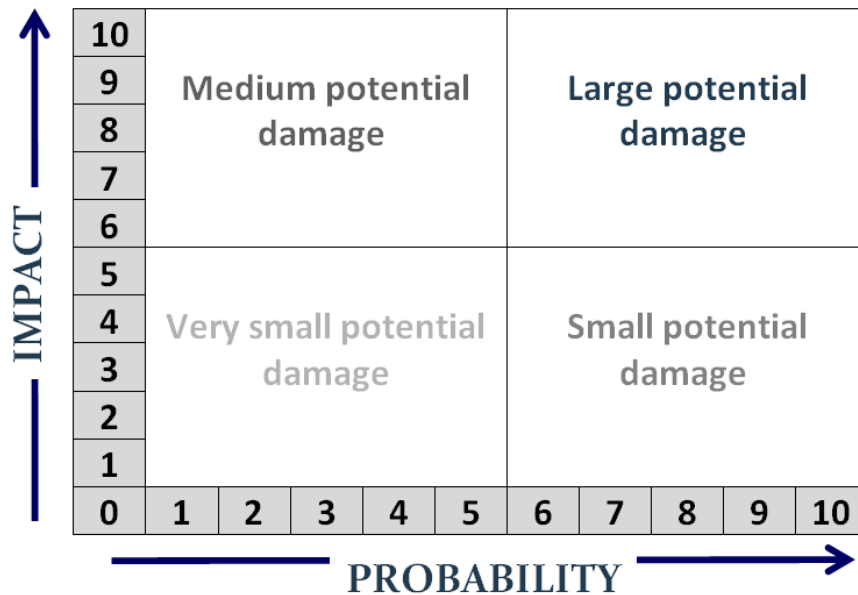


Figure 1: An example of a risk matrix

Risks are to be assessed in terms of their probability of realising (likelihood of happening) and their potential impact (influence) on the business as a whole. In core, risks should be assessed as an event which may cause: potentially very little damage (low probability; low impact) potentially small damage (high probability; low impact), potentially medium damage (high probability; low impact) and potentially large damage (high probability; high impact).

In core, various frameworks of risk management exist which can be used to manage all forms of risk in any organisation. As these frameworks are 'static' in nature Watt (2007) raises the opinion that small enterprise leaders should take the following into consideration when their 'appropriate' risk management system is chosen:

- Establishing the risk strategy (how will identified risks be treated).
- Determining the risk appetite (how much does management enjoy risk).
- Identification and assessment of risk(s).

- Prioritising and managing risk(s).

Specifically for this study the authors paid close attention to the Enterprise Risk Management (ERM) framework, as it was deemed as the most used formal risk management framework (in terms of its risk management techniques) which was deployed throughout large organisations in all sectors of the South African economy. COSO (2004) defines ERM as follows:

“Enterprise risk management is a process that is affected by an entity’s ... management ... [and] applied in a strategic setting throughout an enterprise, designed to identify potential events that may affect the entity, and manage risk to be within its risk appetite, to provide reasonable assurance regarding the achievement of entity objectives”.

Specifically COSO (2004) states that the objectives which the ERM framework places focus on achieving relate to the following:

- Strategic objectives (aligned with a business’ supporting its mission),
- Operational objectives (in line with the effective and efficient use of a business’ resources).
- Reporting objectives (the reliability of reporting).
- Compliance objectives (compliance with applicable laws and regulations).

Havenga (2006) explains that the following benefits may stem from making adequate use of the ERM framework as a dedicated risk management system:

- Help with the overall compliance of laws and regulations.
- Help with the identification and management of multiple and cross-enterprise risks.
- Provides a broader understanding of risks affecting a business.
- Provides recognition of risks throughout the business by better communication.

- Helps reduce possible financial losses.

Interestingly enough Smit (2012) suggests that a customisable risk management approach (SME Risk Architecture model) is best for small business leaders to follow as each business greatly differs from another (depicted in Figure 2 below).

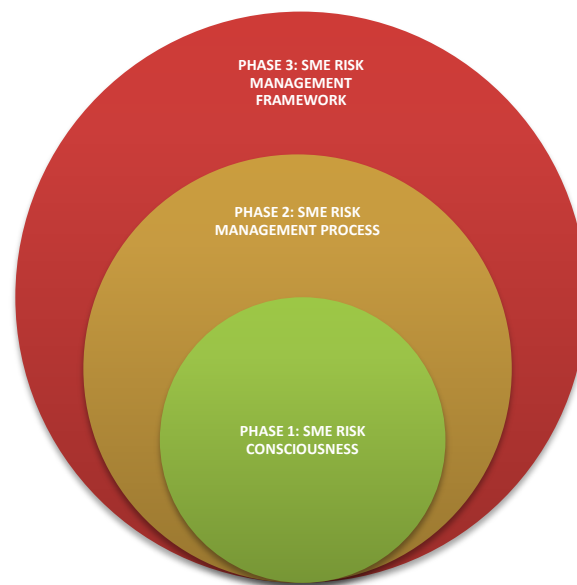


Figure 2: The SME Risk Architecture model (Smit, 2012)

As illustrated above, the customised risk management approach suggested takes place over 3 phases, namely:

- Phase 1: Risk consciousness (internal influences, external influences, combined influences)
- Phase 2: Risk management processes (Risk context and strategy, risk decisions, communication and monitoring, reviewing and continuous improvement)

- Phase 3: Risk management framework (Planning, implementation, results and measurement)

It is critical to note that not all risks can ever be managed 100%. Smit's (2012) point of view is reiterated by Raghavan (2005) when mentioning that small enterprises need more than just a robust (and one-size-fits-all) risk management system in place, as they might not have the 'resources' to manage, mitigate and/or control identified and unidentified risks. Albeit the fact that risk management will not necessarily guarantee a business 'freedom' from all forms of risk, it is still regarded as critical to an organisation's overall sustainability. In essence, risk management should combat risks, which can potentially realise, with the assistance of available resources a business has to combat it (Watt and Reuvid, 2007).

3 Research methods

Collis and Hussey (2009) state that a research study's design can be classified by means of the purpose of the research (predictive research, analytical research, descriptive research and exploratory research), the process of the research (quantitative research and qualitative research), the logic of the research (deductive reasoning and inductive reasoning), and the outcome of the research (basic research and applied research). For this research study the following was evident in terms of its design:

- **Purpose:** This research was regarded as descriptive research as the main intention of this research study was to describe a certain problem at hand (i.e. non-franchised fast food small businesses and micro businesses were perceived not to make adequate use of risk management techniques), while providing recommendations to help mitigate and/or possibly solve it.

- **Process:** This research study fell within the positivistic research paradigm. In essence data were gleaned to solve and/or mitigate an identified research problem, by means of quantitative research techniques (i.e. to determine to what extent non-franchised fast food small enterprises make use of risk management techniques).
- **Logic:** The research took the form of deductive reasoning as initial perceptions of the authors stemmed from existing literature, which were again tested by means of empirical research.
- **Outcome:** Furthermore this research was deemed as applied research since this research entailed the mitigation and/or possible solving of a real life research problem.

The research methodology deployed was that of survey research which is defined by Leedy and Ormrod (2010) as research that involves acquiring information about a group of people with regards to their general perceptions, by means of questions that are structured in a standard 'questionnaire' layout.

The data collection tool used was that of a questionnaire which was piloted by 1 academic expert and 2 members of the general public. The questionnaire consisted mostly of close-ended questions (58 questions in total) and greatly took the form of a well-balanced and validated Likert-scale. With this scale response question-layout, respondents had to indicate their perceptions to certain statements and/or questions in terms of options provided which included "strongly disagree", "disagree", "agree" and "strongly agree". All questions asked were also tested accordingly for reliability.

Non-random sampling was used for this research study, specifically that of purposive sampling. The two reasons for the latter sampling-methodology were that 1) the general size of the population was unknown to the authors, and 2) the main intention of the authors was to glean rich data from respondents. Questionnaires were physically distributed (self-administered) to all respondents and as such, the validity of information provided was assured. In essence data were collected from 38 small enterprise leaders of non-franchised fast food

micro and very small enterprises which were situated in the Cape Town CBD, in and around Grand Parade (specifically Darling Street, Lower Plein Street, and Buitenkant Street).

Qualifying respondents also had to adhere to a predetermined list of set delineation criteria. The target population was limited to owners and/or managers (business leaders) of non-franchised fast food micro and very small enterprises which operated in Cape Town, specifically in the CBD (in and around the parade grounds).

Furthermore these micro and very small enterprises should have been in existence for at least 3 years and should have employed between 1 (minimum) and 30 (maximum) employees. Moreover, micro and very small enterprises must have met the definition of a micro enterprise according to the National Small Business Act No. 102 of 1996 (South Africa, 1996) and, business leaders should have been actively involved in their business' operations (active owner and/or manager).

Since this research study fell within the positivistic research paradigm, this research study was regarded as quantitative research and, as such, the authors ensured that the data which were collected were analysed thoroughly through means of descriptive statistics in MS Excel.

The limitations of the study relate to time constraints and monetary constraints as this research had to be conducted over a period of 6 months with no formal budget (own costs incurred). As the authors resided in Cape Town, it was decided to only focus on obtaining the perception of business leaders of non-franchised fast food micro and very small enterprises which operated in Cape Town, specifically in the Central Business District.

4 Results

The results from the data analysis are evident below, in detail, and are structured under the following headings: broad factors affecting sustainability, risks affecting sustainability, and risk management techniques deployed by respondents.

4.1 Broad factors affecting sustainability

Respondents were asked to provide their opinion on a list of factors which affected their business sustainability to a great extent. This was done through means of asking questions in a 'Likert-scale format' which had to be answered by choosing one of the following options every time: "strongly disagree", "disagree", "agree" and "strongly agree". The collaboration of the responses is provided in Table 3 below.

Table 3: Broad factors affecting respondents' sustainability (respondents' average perception)

Broad factor	Respondents strongly disagree (%)	Respondents disagree (%)	Respondents agree (%)	Respondents strongly agree (%)	Average rate of agreement (%)
Fluctuating market conditions	15.79%	13.16%	34.21%	36.84%	73.03%
Access to finance	13.16%	15.79%	44.74%	26.32%	71.05%
Red tape	15.79%	34.21%	21.05%	28.95%	65.79%
Crime	26.32%	26.32%	13.16%	34.21%	63.82%
Business environment	26.32%	23.68%	28.95%	21.05%	61.18%
Rapid change in technology	28.95%	31.58%	31.58%	7.89%	54.61%
Lack of skills	31.58%	34.21%	21.05%	13.16%	53.95%

⁴⁵The average rate of agreement is the 'average perception' of respondents on a certain phenomenon.

From the above it is clear that broad factors which affected small business sustainability were that of fluctuating market conditions (affecting respondents 73.03% of the time), access to finance (affecting respondents 71.05% of the time), red tape (affecting respondents 65.79% of the time) and crime (affecting respondents 63.82% of the time).

These results (in 2012) are very similar to that of the factors which were discussed in the literature review to affect small business sustainability. The big difference is that the factors in the literature review were relevant for the period of 2003 to 2006, whereas the current data reveals the results at the time of writing. The analogy can

⁴⁵ This was calculated through means of quantitative statistics. Average = $[(\Sigma \text{Strongly Disagree} \times 1) + (\Sigma \text{Disagree} \times 2) + (\Sigma \text{Agree} \times 3) + (\Sigma \text{Strongly Agree} \times 4)] \div [(\Sigma \text{respondents}) \times 4]$. This is concurrent for all tables that follow.

be drawn that not much has changed with regards to the economical landscape of South Africa from 2003 to present time.

4.2 Risk affecting sustainability

Respondents were also asked about specific areas of risk which exist in their businesses, which might have an influence on its sustainability. For the sake of clarity, these areas of risks were categorised (as in the case of the ERM framework) in terms of strategic risks (risks which have an influence on a business to achieve its respective strategies), compliance risks (risks which have an influence on a business to adhere to rules and/or regulations), financial risks (risks which have an influence on a business' overall financial performance and/or position) and operational risks (risks which have an influence on a business' general business operations). Again respondents had to provide their answers by choosing one of the following options: "strongly disagree", "disagree", "agree" and "strongly agree". A summary of answers provided are evident in Table 4 below.

Table 4: Specific areas of risk affecting respondents' sustainability (respondents' average perception)

Strategic risks	Respondents strongly disagree (%)	Respondents disagree (%)	Respondents agree (%)	Respondents strongly agree (%)	Average rate agreement (%)
Inflation rates	10.53%	23.68%	34.21%	31.58%	71.71%
Strong competition	18.42%	18.42%	28.95%	34.21%	69.74%
Interest rates	15.79%	23.68%	39.47%	21.05%	66.45%
Slow business growth	15.79%	23.68%	44.74%	15.79%	65.13%
Business location	39.47%	26.32%	15.79%	18.42%	53.29%
Delays in supply chain process	31.58%	39.47%	21.05%	7.89%	51.32%

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Low demand for products	39.47%	31.58%	21.05%	7.89%	49.34%
Compliance risks	Respondents strongly disagree (%)	Respondents disagree (%)	Respondents agree (%)	Respondents strongly agree (%)	Average rate agreement (%)
Health and safety risks.	15.79%	26.32%	39.47%	18.42%	65.13%
Environmental risks	21.05%	31.58%	34.21%	13.16%	59.87%
Employee risks	26.32%	34.21%	31.58%	7.89%	55.26%
Financial risks	Respondents strongly disagree (%)	Respondents disagree (%)	Respondents agree (%)	Respondents strongly agree (%)	Average rate agreement (%)
Taxation rates	23.68%	13.16%	42.11%	21.05%	65.13%
Weak business liquidity	7.89%	39.47%	42.11%	10.53%	63.82%
High overhead costs	18.42%	23.68%	42.11%	15.79%	63.82%
Weak business profitability	18.42%	28.95%	42.11%	10.53%	61.18%
Weak business solvency	21.05%	36.84%	34.21%	7.89%	57.24%
Weak business efficiency	28.95%	31.58%	21.05%	18.42%	57.24%
Poor turnover	21.05%	36.84%	34.21%	7.89%	57.24%
Bad debts	52.63%	21.05%	21.05%	5.26%	44.74%
Operational risks	Respondents strongly disagree (%)	Respondents disagree (%)	Respondents agree (%)	Respondents strongly agree (%)	Average rate agreement (%)
Cost of electricity	7.89%	13.16%	28.95%	50.00%	80.26%
Cost of water	15.79%	21.05%	26.32%	36.84%	71.05%
Employee theft	21.05%	21.05%	36.84%	21.05%	64.47%
Lack of capacity	18.42%	34.21%	31.58%	15.79%	61.18%
Substitute products (from	28.95%	21.05%	36.84%	13.16%	58.55%

competition)					
Manual business systems	21.05%	36.84%	34.21%	7.89%	57.24%

From the above it is clear that the top 10 areas of risk (across all categories) were as follows:

- Cost of electricity (affecting sustainability 80.26% of the time) - Operational risk
- Inflation rates (affecting sustainability 71.71% of the time) - Strategic risk
- Cost of water (affecting sustainability 71.05% of the time) - Operational risk
- Strong competition (affecting sustainability 69.74% of the time) - Strategic risk
- Interest rates (affecting sustainability 66.45% of the time) - Strategic risk
- Slow business growth (affecting sustainability 65.13% of the time) - Strategic risk
- Health and safety risks (affecting sustainability 65.13% of the time) - Compliance risk
- Taxation (affecting sustainability 65.13% of the time) - Financial risk
- Employee theft (affecting sustainability 64.45% of the time) - Compliance risk
- Weak business liquidity (affecting sustainability 63.82% of the time) - Financial risk

Moreover it is evident that the areas where risks mostly affect the sustainability of small businesses were, in descending order, in that of operational risks (affecting sustainability 67.20% on average), strategic risks (affecting sustainability 61.00% on average), compliance risks (affecting sustainability 60.09% on average) and financial risks (affecting sustainability 58.80% on average).

Due to the current economic landscape, it is understandable that small businesses need to be 'open to change' as change is one of the only constants from an economic dispensation. The way these small enterprises deal with the change is evident in their respective strategies (How they go about to 'fortify' their business sustainability and overall success).

From the above table, once can say with certainty that 'risks' which affect small business' strategies are that of inflation rates, strong competition, interest rates and slow business growth (most of which were shown to be economic factors affecting their sustainability in the past). Again it is also clear that not much has changed with regards to the economical landscape of South Africa since before 2009.

The financial aspects of small enterprises stem from the strategies put in place as these strategies have an impact on the overall 'financial performance' of such a business. The biggest areas of concern for respondents were that of taxation rates, weak business liquidity, high overhead costs and weak business profitability. With the ever-changing economic landscape, the analogy can be drawn that macro economic factors will consistently change and as changes in the macro economic environment can not be managed to a great extent by enterprise leaders, it is certainly going to make an impact on the financial performance of any business.

Business operations are dependent on business strategies put in place and in essence the more a business can save in expenses, the better for the business as a whole. The cost of electricity, cost of water, employee theft and the lack of capacity mostly affected business sustainability.

From a compliance point of view, health and safety risks were deemed as the most critical aspect influencing business sustainability as a whole.

Although various elements fell within the macro economic 'paradigm', respondents still did enough to be regarded as sustainable (according to their average number of years on existence – 11 years). Albeit the influence of these specific areas of risk on respondents' business endeavors, it appears that they are still keeping 'head above water' as they are indeed managing these factors to some extent.

4.3 Risk management techniques deployed by respondents

Lastly respondents were asked about the specific risk management techniques they use to manage these afore-mentioned identified areas of risks in their business. Respondents had to provide their answers by choosing one of the following options: "strongly disagree", "disagree", "agree" and "strongly agree". Answers provided are evident in Table 5 below

Table 5: Risk management techniques deployed by respondents (respondents' average perception)

Risk management technique	Respondents strongly disagree (%)	Respondents disagree (%)	Respondents agree (%)	Respondents strongly agree (%)	Average rate of agreement (%)
Setting clear objectives	10.53%	2.63%	52.63%	34.21%	77.63%
Tools diagnostics and processes	10.53%	7.89%	52.63%	28.95%	75.00%
Setting the right 'tone at the top'	13.16%	10.53%	44.74%	31.58%	73.68%
Communication of risk	15.79%	10.53%	36.84%	36.84%	73.68%
Monitoring risks periodically	18.42%	7.89%	39.47%	34.21%	72.37%

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Use of budgets	18.42%	15.79%	26.32%	39.47%	71.71%
Reviewing risks periodically	18.42%	13.16%	36.84%	31.58%	70.39%
Adequate company strategies	18.42%	15.79%	36.84%	28.95%	69.08%
Assessing of risks	13.16%	15.79%	52.63%	18.42%	69.08%
A formal code of ethics	21.05%	15.79%	39.47%	23.68%	66.45%
Review of internal environment	21.05%	15.79%	39.47%	23.68%	66.45%
Formal risk policies	23.68%	21.05%	36.84%	18.42%	62.50%
Internal interviews	26.32%	13.16%	44.74%	15.79%	62.50%
External sources	26.32%	23.68%	34.21%	15.79%	59.87%

The risk management techniques (stemming from various 'formal frameworks', especially that of ERM) greatly used by respondents include that of the setting clear objectives (77.63% of the time), tools diagnostics and processes (75% of the time), setting the right 'tone at the top' (73.68% of the time), communication of risk (73.68% of the time), monitoring (identified) risks periodically (72.37% of the time), the use of budgets (71.71% of the time) and reviewing risks periodically (70.39% of the time).

Although the techniques which are used by respondents are not 'pure' as per the techniques used in formal prescribed risk management frameworks, it is clear from the above that respondents do their utmost best when managing risks. The risk management techniques used by these entities further accommodate the element of 'change' to some extent as well.

5 Conclusions

This research study placed emphasis on the utilisation of risk management techniques by small enterprises in the fast food industry by making use of quantitative research and survey research. From the research conducted is evident that respondents were indeed aware of the importance of risk management techniques however they only made use of some of the major risk management techniques encapsulated inside the ERM framework.

Broad (economic) factors which affected the sustainability of small enterprises severely were that of fluctuating market conditions, access to finance, red tape, crime and their overall business environment.

When respondents were asked how specific factors (predetermined list of factors in a questionnaire) influenced their overall sustainability, it was clear that the top 10 factors were that of: the cost of electricity, inflation rates, the cost of water, strong competition, interest rates, slow business growth, health and safety risks, taxation rates, employee theft and weak business liquidity.

Lastly the authors wanted to determine how these small enterprises make use of risk management techniques to 'combat' the adverse influences of these latter factors. It was found that respondents made extensive use of setting clear objectives, tools diagnostics and processes, setting the right 'tone at the top', communication of risk, monitoring risks periodically, the utilisation of budgets and also reviewing risks periodically.

From the research done it is clear that these entities had difficulty to effectively implement the risk management techniques exactly as prescribed by the formal ERM risk management framework due to their limited available resources. Moreover small enterprises differ greatly from that of large corporations for which such formal risk management

frameworks (e.g. ERM risk management framework) were developed for.

From the results gleaned, the authors were in agreement that there is a dire need for customised risk management frameworks as highlighted by Smit (2012). The authors strongly believe that if these entities can make use of frameworks such as the SME Architecture Model, it would greatly enhance their overall sustainability due to the fact that such frameworks can place emphasis on the context of the business and the strong points of the business, while simultaneously accommodating for the weak points of the business.

The authors strongly recommend that small enterprises consider implementing customised risk management frameworks (e.g. the SME Architecture Model) in the nearby future as additional guidance to the identification and evaluation of risks can be provided to such entities which will, in turn, advance (and potentially fortify) the sustainability of the small enterprises as a whole.

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