

Can A Small Business Enterprise Become A High Performance Organisation: A South-African Case Study

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Abstract

It is generally accepted that small and medium sized enterprises (SMEs) have room for improvement from a high-performance perspective. However, research concerning the use of High-Performance Organisation (HPO) frameworks for South African SMEs is wanting. The purpose of this study is to explore the applicability of the scientifically validated de Waal HPO Framework for assessing SMEs in the South African context and thereby transforming such companies into HPOs. The study is exploratory by nature and therefore adopts a qualitative approach in the form of a case study. Case data was collected using in-depth personal interviews, which then was thematically analysed. The study showed that applying the HPO Framework is a valuable technique for evaluating the performance of an SME in the South African context. The framework yielded clear recommendations on the areas where the case company could use the HPO framework in order to get the company's performance to a higher level.

Keywords:

High performance organisations, small and medium size enterprises, organisational performance, organisational improvement

Received: 10 November 2022

Revised: 5 December 2022

Accepted: 8 December 2022

ISSN 2056-757X

<https://doi.org/10.18646/2056.92.22-005>

1. Introduction

Small medium and micro enterprises (SMEs) play a significant role in the development of a country (Bayati, 2007; van Wyk and Venter, 2022). In South Africa, more than 98 percent of business entities are SMEs and they contribute up to 57 per cent of the gross domestic product, employ between 50 and 60 percent of the country's work force across all sectors, and are responsible for a quarter of job growth in the private sector (Kalidas *et al.*, 2020; Robson *et al.*, 2013). As such, they have become a key component in strategies for economic growth, job creation and poverty reduction (Agupusi, 2007; Botha *et al.*, 2021; van Wyk and Venter, 2022). It is therefore beneficial for SMEs to strive to become high performance organisations (HPOs) as this leads to an increase in their growth and development, and their ability to contribute (even) more to the development of the country (Su, 2015).

Unfortunately, in the first two decades of this century there has been much economic turbulence, with small-scale businesses bearing the greatest brunt (Cant, 2012). The greatest impact has been on small scale businesses in less developed countries. The fluctuations of the global macro-economic environment over the years, coupled with the COVID-19 pandemic (Kalidas *et al.*, 2020) have not spared South Africa. The country's SMEs have been encountering many obstacles to economic development and growth (Marcotte, 2013), preventing them from becoming an HPO. The obstacles include limited access to funding; slow customer demand; difficulty in accessing the right markets; low awareness of opportunities for getting (governmental) support; poor infrastructure (roads, transport, electricity); too many regulations and high legislative burdens; corruption and crime, skills shortages in the labour market and access to appropriate technology (Botha *et al.*, 2021; Kalidas *et al.*, 2020; Lekhanya and Mason, 2014; Mboniyane and Ladzani, 2011; Musara and Nieuwenhuizen, 2021; Nieuwenhuizen, 2019; Shibia and Barako, 2017; Van Scheers; 2010). This has resulted in failure rates of between 50% and 70% among these small enterprises (Kalidas *et al.*, 2020; Maduku and Kaseeram, 2021; Maye, 2014; van Scheers, 2010).

Besides negative external factors, it should be acknowledged that internal factors also play a role in influencing the growth of South African SMEs negatively. For instance, a survey of 1000 South African SMEs found that 90 percent of the small business enterprises believed that the lack of managerial skills in their companies was detrimental to their growth (Rogerson, 2008a). Van Scheers (2010) studied factors that influenced the results of spaza shops (small family businesses) in South Africa and found lack of proper quality control in the production process, lack of capacity planning, problems with suppliers of resources, limited attention to developing suitable products or services, insufficient marketing, misreading the market, poor products or service, and inadequate training and development of employees to have the biggest negative influence. Kalidas *et al.* (2020) noticed during interviews with SMEs across 12 industries within South Africa that owners and founders struggle to empower staff to lead and drive the business, and that liquidity and cash flow management are limited. Dickason (2021) in an analysis of the risk management perception of SMEs in South Africa, found that these enterprises did not employ adequate risk management practices or did not follow risk management processes correctly. Musara and

Nieuwenhuizen (2021) found in their research of foreign-owned SMEs in South Africa that their biggest challenge was the negative effects of a lack of managerial skills, knowledge, and training in the enterprises. Botha *et al.* (2021), in their study of the data that was collected by the South African Institute of Chartered Accountants (SAICA) in 2016 on the practices, attitudes and characteristics of SMEs in South Africa found that their inability to manage their cash flows and their lack of prudent internal business processes were the main reasons for their failure.

Since internal factors are within an SME's sphere of influence, this research aims to identify the main internal factors that need to be strengthened for South African SMEs to become high performance organisations (Dockel and Ligthelm, 2001). The analysis tool used in the research is the HPO Framework (de Waal, 2012) which is a scientifically validated framework (Do and Mai, 2020) with which an organisation can evaluate in terms of what they need to do to become an HPO. Our research objectives, therefore, are to explore the HPO factors at a South African SME and to identify areas that need to be attended to transform the company into an HPO. To the knowledge of the authors, this type of research – with the HPO Framework at an South African SME – has not been done before, the study therefore takes the shape of exploratory research employing the case study method. The fact that this study is novel provides the theoretical contribution of the research because it adds to the literature on HPOs, particularly in the South African context. The practical contribution of the research lies in the fact that the results will yield information on the ‘weak spots’ in the South African SME/organisation, providing the opportunity for their management to strengthen their companies and in this way increase their chance of a successful transformation into an HPO.

The remainder of this article is structured as follows: a description of SMEs in South Africa, an introduction to the HPO Framework, an introduction of the case company, the research approach, findings, analysis, conclusion and limitations of the research, and opportunities for future study.

2. SMEs in South Africa

A South African SME is described by the National Small Business Act of South Africa of 1999 (Republic of South Africa, 1996) as a separate and distinct entity, including co-operatives and non-governmental organisations, managed by one or more owners. This same act classifies small businesses into four categories, see Table 1.

Table 1: Definitions of SMEs in South Africa

Business Size	Number of employees	Annual turnover (in South African Rand)	Gross assets (excl. fixed property) (in South African Rand)
Medium	Less than 100 or 200 depending on the industry	Less than R4 million or R50 million depending on the industry	Less than R2 million or R50 million depending on the industry

Can A Small Business Enterprise Become A High Performance Organisation: A South-African Case Study

Small	Fewer than 50 people	Less than R2 million or R25 million depending on the industry	Less than R2 million or R4,5 million depending on the industry
Very Small	Fewer than 10 or 20 depending on the industry	Less than R200,000 or R500,000 depending on the industry	Less than R150,000 or R500,000 depending on the industry
Micro	Fewer than 5	Less than R150,000	Less than R100,000

Source: Government of South Africa (1996)

It is estimated that 91 percent of all formal businesses in South Africa are small, medium or micro enterprises (Robson et al., 2013; Rwigema and Karungu, 1999). The SME sector is seen as a large contributor to the South African economy and of extreme importance for the creation of jobs, promotion of economic growth, and elimination of poverty (Rogerson, 2008b). Historically SMEs have been of particular importance in South Africa, due to its history of apartheid which caused inequalities in the distribution of wealth, exposing many people to poverty and lack of education. The SMEs have helped to alleviate this situation somewhat by providing some form of employment to the South Africans who were low income earners (Klasen, 1997). It is no wonder that many governmental development policies are aimed at upgrading the quality of SMEs to the level of an HPO, to improve economic growth and increase competitiveness and employment (Rogerson, 2008a; Botha et al. 2021). An HPO is defined as an organisation that achieves financial and non-financial results that are exceedingly better than those of its peer group over a period of five years or more by focusing in a disciplined way on what really matters to the organisation (de Waal, 2021).

There has however been limited research into the factors that help South African SMEs to become HPOs. Masibigiri and Nienaber (2011) looked specifically at the factors affecting the retention of Generation X public servants and the possibility to achieve high performance in South African governmental institutions, and identified work content, utilisation of skills, career advancement, work-life balance, compensation, security needs, and leadership to be of main importance. Van der Walt (2018) found that creating workplace spirituality, characterised by providing work with meaning and purpose, having compassion for each other, and being aware of life, increases work engagement and thriving at work of employees in South African SMEs. Chapano *et al.* (2018) determined the impact of high performance work practices (i.e. recruitment and selection, training and development, performance appraisal and compensation system) on project performance in construction SMEs and found only a positive correlation for compensation practices. Mashavira et al. (2019) found a positive and significant relationship between managerial interpersonal competencies and firm performance as measured by innovation and Research and Development (R&D) in South African SMEs. Kgoetiane *et al.* (2021) investigated the effect competitive strategies have on the performance of South African SMEs and found that these only have a positive effect on the SMEs' high performance when applied together rather than individually. Matekenya and Moyo (2022) used data from the World Bank's enterprise survey conducted in 2020 into various attributes of SMEs in

South Africa to show that R & D expenditures have a positive effect on organisational performance and that innovation is crucial for SMEs' development and growth.

Thus there is a paucity of information, and the information that is available mostly lacks a comprehensive approach and is only focused on one or a limited number of factors. The only exception to our knowledge is the research of Maduku and Kaseeram (2021) who looked at the key business success determinants for black-owned informal small micro and medium enterprises in South Africa. They found that education status, income, employment growth, centre of operation, financial inclusion, experience, financial literacy and advertising budget were significant in explaining the success of these enterprises. But even they had a limited research population which might not be representative for all SMEs in South Africa.

The importance of SMEs calls for a holistic understanding of their operations so that they can start enhancing their quality in order to keep contributing to the economy and the country's GDP. The analysis technique we are using for this study is the HPO Framework (de Waal, 2012). The HPO Framework is a conceptual, scientifically validated structure which is used for analysing the degree of high performance of an organisation and to decide what is needed to improve organisational performance and make it sustainable (de Waal and Goedegebuure, 2017). The reason to apply the HPO Framework is that Do and Mai (2020) stated, based on an extensive literature review, that "across the HPO literature, we found only the HPO framework developed by de Waal (2012) as an example of scientifically validated conceptualisation of HPO." In addition, the HPO Framework has been applied multiple times in previous studies in the African context.

3. Development of the High Performance Organisations Framework

The HPO Framework was developed after an extensive review of 290 academic and practitioner publications on high performance. For each of the 290 studies elements that the authors indicated as being important for becoming a HPO were identified and categorised. Because different authors used different terminologies, similar elements were put in the same category. The resulting categories were labelled 'potential HPO characteristic'. For each of the potential HPO characteristics the 'weighted importance' was calculated, i.e. the number of times that it occurred in the examined studies. Finally, the characteristics with the highest weighted importance were considered the HPO characteristics. These characteristics were subsequently included in an HPO survey which was administered worldwide and encompassed over 3,200 respondents. In this survey, the respondents were asked to indicate how well they thought their organisations were performing based on the HPO characteristics (on a scale of 1 to 10) and also how the results of the organisation they worked at compared to those of peer groups. Statistical analysis yielded 35 characteristics, which were categorised into five factors, with a strong positive correlation with organisational performance.

The five HPO factors are (see Appendix 1 for the HPO factors and characteristics):

- *Management Quality*. Belief and trust in others and fair treatment are encouraged in an HPO. Managers are trustworthy, live with integrity, show commitment,

enthusiasm, and respect, and have a decisive, action-focused decision-making style. Management holds people accountable for their results by maintaining clear accountability for performance. Values and strategy are communicated throughout the organisation, so everyone knows and embraces these.

- *Openness and Action Orientation.* An HPO has an open culture, which means that management values the opinions of employees and involves them in important organisational processes. Making mistakes is allowed and is regarded as an opportunity to learn. Employees spend a lot of time on dialogue, knowledge exchange, and learning, to develop new ideas aimed at increasing their performance and make the organisation performance driven. Managers are personally involved in experimenting thereby fostering an environment of learning and change in the organisation.
- *Long Term Orientation.* An HPO grows through partnerships with suppliers and customers, so long-term commitment is extended to all stakeholders. Vacancies are filled by high-potential internal candidates first, and people are encouraged to become leaders. An HPO creates a safe and secure workplace (both physical and mental), and dismisses employees only as a last resort.
- *Continuous Improvement and Renewal.* An HPO compensates for dying strategies by renewing them and making them unique. The organisation continuously improves, simplifies and aligns its processes and innovates its products and services, creating new sources of competitive advantage to respond to market developments. Furthermore, the HPO manages its core competences efficiently, and sources out non-core competences.
- *Employee Quality.* An HPO assembles and recruits a diverse and complementary management team and workforce with maximum work flexibility. The workforce is trained to be resilient and flexible. They are encouraged to develop their skills to accomplish extraordinary results and are held responsible for their performance, as a result of which creativity and innovation are increased, leading to better results.

The HPO research (de Waal, 2012) shows that there is a direct and positive relationship between the five HPO factors and competitive performance; the higher the scores on the HPO factors (HPO scores), the better the results of the organisation, and the lower the HPO scores the lower the competitive performance. Therefore, an organisation can evaluate its HPO status by performing an HPO Diagnosis. This diagnosis consists of having management and employees fill in an HPO questionnaire containing questions on the 35 HPO characteristics with possible answers on an absolute scale of 1 (very poor) to 10 (excellent), and then calculating the average scores on the HPO factors. The scores then provide the attention points where the organisation has to take action to improve in order to become an HPO.

The HPO Framework has been used previously as an analysis tool in the African context, at a university in Tanzania (de Waal and Chachage, 2011), a governmental agency in Zambia (de Waal, 2018; de Waal and Mulimbika, 2017), an insurance company in Ghana (Honyenuga *et al.*, 2014), a mining company in South Africa (de Waal, 2012), a bank in Uganda (Bagorogoza *et al.*, 2013), a bank in Rwanda (Habyarimana and de Waal, 2020), cement companies in Kenya and Tanzania (Osano and de Waal, 2020), and a security company in South Africa (Hattingh *et al.*, 2018).

However, all these case organisations do not concern an SME, which makes the research described in this article unique in the HPO literature.

4. The Case Company

The case company is a leading Internet of Things (IoT) firm, based in the Western Cape in South Africa. The firm leverages its digital signal processing experience to develop bespoke devices and sensors that generate unique data sets for industrial applications. The holding company, which has been in existence for almost two decades, consists of two main components: management services and client services. The company is divided into four sections: digital, healthcare, communications, and services. Its target market is mainly companies in the mining industries. The company believes its unique value proposition is its after sales support which it provides to customers and the relationships it has with these customers.

The company always makes sure it is ahead of its competitors by continuously innovating. For instance, recently it converted its software to Artificial intelligence (AI) and machine learning platforms. However, competitors in the industry are becoming responsive and management feel the pressure of following suit by adopting the latest technologies, avoid losing its competitive edge.

5. Research Design and Methodology

For this exploratory study a qualitative approach in the form of a case study was adopted. Exploratory research is an unstructured research design to gain information on the studied phenomenon. It is normally undertaken when there is a dearth of information on the topic being researched. Yin (1994) states that, descriptive case studies try to describe certain situations in a firm, and are mainly based on observing and reporting. Exploratory research makes it possible for researchers to get first-hand information, ideas and opinions from people who are directly involved. Qualitative research is the process of inquiry that aims to attain the in-depth understanding of a phenomenon (Patton, 1987). Benbasat *et al.* (1987) see three main advantages of using a qualitative approach: the phenomenon under investigation can be studied in a natural setting; it allows what, why, how questions, to better understand the nature of the phenomenon; and it leads to increased understanding of unknown variables and allows probing particularly during interviews. Qualitative methods are suitable when there is insufficient theory and literature on the topic to be researched (Yilmaz, 2013). In this case, extensive research has been done on HPO (see f.e. De Waal, 2012, 2021; de Waal and Goedegebuure, 2017), with limited information on high performance in SMEs specifically in the South African context. In this study, semi-structured interviews are used (Yilmaz, 2013). The case study format gives researchers the chance to directly interact with the owners and managers of the organisation in its natural setting, with the means of interviews, which leads to a great understanding (Yin, 2009).

According to Welman (2005), a study population consists of the study's subjects, which can be individuals, groups, organisations, humans, products, and events, or the

conditions to which they are exposed. The study unit in this research was an SME based in the Western Cape in South Africa. The primary data was collected through semi-structured in-depth interviews at the organisation, using an interview guide (Zikmund *et al.*, 2004). The in-depth interview is a qualitative data collection technique which involves conducting face-to-face interviews with individuals to develop an understanding of a phenomenon based on the experience of the respondent and to explore their views and perspectives on a particular idea (Boyce and Associate, 2006). The in-depth interviews gave interviewees the opportunity to freely express themselves in sharing information and were able to give their perceptions of factors that could be hampering achieving high performance at their enterprise (Pole and Lampard, 2002; Rabionet, 2011).

To maximise the information yield (Andrade, 2021) purposive sampling was used to select the interviewees at the company premises. In this type of sampling members of the target population meet pre-set criteria such as accessibility and availability and geographical proximity. Purposive sampling is advantageous because the researcher can choose interviewees that are expected to yield the most information for that particular research project (Andrade, 2021). The interviewees were interviewed at the company's premises. Going to the company ensured that there was minimal disruption of the activities of the interviewees and that they were interviewed in an environment to which they were accustomed. Respondents comprised of the Human Resources (HR) manager, the Projects Manager, the Chief Technology Officer (CTO), and the Chief Executive Officer (CEO). Each respondent had a deep level of understanding of the organisation's processes as they had been with the company for a long time and had been in the same posts, which underpins the credibility of the data.

The interviews solicited data and information on the company profile and performance status, potential improvement opportunities and the possibilities for an HPO transformation at the case company. Appendix 2 provides the questions asked during the interviews. Notes were taken during the interviews. Subsequently, the data from the interviews were transcribed and analysed thematically (Huberman and Miles Matthew, 2002). Qualitative data analysis involves detection and tasks of defining, exploring, and mapping out what is important to the researchers. The first step was to make an overview of the data so that the researchers understood, familiarised themselves with and identified the emerging themes from the data. Familiarisation included listening to the tapes from the interviews and reading transcripts (Huberman and Miles Matthew, 2002). During this step, the researchers listened and read through the material as well as listed key ideas and recurrent themes (i.e. performed content analysis). The researchers made sure that the case study had transferability, i.e. that it provided the reader with sufficient case information showing the credibility of data. In addition, the case study had dependability, ensuring that the research process was logical, traceable, and documented. Furthermore, the study was confirmable, meaning that the data collected were not creations and inventions of the researchers' imagination (Hermans *et al.*, 2012).

6. Research Findings

The main research findings are organised, within each of the five HPO factors, according to the HPO characteristics, with sometimes multiple characteristics combined for convenience purposes.

6.1. HPO Factor 1: Management Quality

Trust and integrity

The HR manager stated that the company was “very much focused on authentic leadership qualities, open dialogue, open communication and involving employees as much as possible”. Employee involvement was perceived to create trust at all levels of the organisation. The CTO said that “the involvement of employees in all decision-making processes leads to a buy-in by all”, and also allowed people to experience ‘being in the ‘trenches’ with management which made them appreciate and respect the leadership of the organisation more.

The HR manager added that “the openness and transparency practised by the management results in trust by the employees. Interaction between all levels is encouraged which results in open communication as well as an open-door policy”. Another attribute the HR manager highlighted was “the lack of egos among the management team members”. The CTO mentioned that the “management ensures trust in the organisation through high integrity and being themselves at all times when interacting with people. They give a lot of thought before thinking and speaking to employees.”

The CEO stressed the importance of trust as “we work with highly intelligent people in the organisation and it is wise to trust these people with information” which then work in a reciprocal manner toward management being trusted by the employees. For instance, the company does regular ‘stand-ups’ in which employees are shown the financial results for the quarter and developments inside and outside the organisation are discussed. The CEO believed in one-on-one engagement between line managers and employees as “these engagements break the barriers of communication between employees and management”. In addition, he stressed that “it was important for management to deliver on promises, no matter how difficult that was”. One such promise was introducing a bonus scheme for employees, which was honoured.

Decision-making and action-taking

The HR manager believed that in order for a business to be high-performing, the managers must be responsive. However, notwithstanding the need for quick decisions, she admitted that some decisions had to be made in consultation with senior management, which slowed down the decision-making process considerably.

The CTO highlighted that strategic decisions were made by the senior management, however, they tried to create a buy-in process where they received input from employees. He did argue that despite the preference of a democratic style of leadership, there was still a need for someone to make the final decisions. This was against the backdrop of decisions which had to be made quickly, and a management that did not want to procrastinate. His assertion was that “it was more important to make quick decisions than to wait and end-up not making any decision at all”.

The CEO stated that “decision making was extremely difficult when it came to being inclusive as possible”. His reasoning was that “reaching consensus with all members of the organisation sometimes takes very long” and as a result quite a few decisions were taken by management in an autocratic manner. Despite this autocracy, management made sure to at least communicate their reasons for making certain decisions and they still tried to address employees’ concerns.

Coaching of employees

According to the HR manager “all managers have a bi-weekly one-on-one with each of their subordinates, where they are encouraged to not just to talk about work-related issues but also about personal issues of importance”. Discussions included general welfare, and interests and dislikes concerning the working environment and their type of jobs and personal development plans (long and short term) in they were currently involved in. This was viewed as part of a personal development plan for the employees in the organisation. Employees thus were viewed as ‘whole beings’ and not just ‘a bunch of job skills’. Employees could discuss their personal development plans with management during the bi-weekly meetings. The career planning side of things involved long-term as well as short-term plans in terms of technical skills, expertise they needed, and their plans for achieving their aspirations.

The organisation’s performance management process ensured that each employee had goals and objectives, which they set themselves in consultation with their manager. During regular intervals, managers followed up on the performance of their employees against their plans in order to assess continued goal alignment between individual plans and the company’s strategy and goals.

The CTO highlighted that management of people was not necessarily a priority in a technically-minded organisation. Management of people was mainly driven by the timely and accurate delivery of products and services rather than managing and growing the teams. He further highlighted that some of their best senior management were implementers not people managers, and thus were primarily task-orientated.

Achieving results, accountability, and non-performers

The CEO spoke of their robust performance management system which was based on the set of organisational goals and objectives and was updated on a regular basis throughout the financial year. Employees set their own objectives which they discussed with their line managers. The CEO explained that “the management provides a framework to guide the employees in setting their goals and objectives. The employees, after understanding contextual factors, are then given a chance to negotiate their goals and objectives with management. Subsequently we track people in terms of performance on their goals and objectives and also the values of the organisation.” One of these values was that customers determined the organisation’s success. The ‘customer is king’ concept was highly regarded within the company and employees were not given prescriptions on ways of pleasing customers. The Projects manager said “self-initiative is encouraged and in this way we avoid a micro-management environment”.

The Projects Manager mentioned that if someone had done something good or stood out, they acknowledged this good work in the 'daily scrums'. Every morning, each department met for 10 minutes, and discussed what the challenges had been the previous day, the perceived challenges for the day, ensuring that everyone had clarity on what was expected. The praise during these scrums helped other employees realise that the person had achieved something in their work and that this warranted credit.

In terms of dealing with non-performers, the CEO believed that this already started with the recruitment process: "We have a stringent recruitment processes in which each potential employee goes through screening interviews as well as a number of psychometric tests and general and emotional intelligence tests, in order to increase the chance on hiring real good performers." The HR manager mentioned that "when an organisational member goes below the expected level of performance, HR processes kick in such as performance counselling." If worst came to the worst, the company would follow the country's appropriate labour law procedures to the letter.

6.2. HPO Factor 2: Openness and Action Orientation

Dialogue and involvement

Regarding dialogue and communication, the CEO believed that "having all employees under one roof makes an enormous difference in terms of interaction between management and employees". Most of the teams had offices on the same floor. This physical engagement was highly valued in the organisation as employees motivated each other through positive body language and vibrant happiness which could be observed by all.

Management engaged with employees on an official platform once a month, a frequency which was previously once a week. It was believed that meeting more often was unnecessary because each department conducted the aforementioned daily scrums. During the monthly meetings, management discussed with the employees the direction in which the organisation was going, and gave information on running projects. The Projects Manager felt that bi-weekly meetings would probably have been "a better midway" to have more interaction. The CTO stated that he engaged with his teams on a daily basis. The HR manager indicated that she spent about 50 percent of her time directly with employees, having one-on-one meetings every three months with each employee. During these 'check-ins' they spoke about how employees felt about certain things happening in the company. The HR manager incorporated the feedback from all employees and took this to management as input for decision-making.

Decisions that affected the whole organisation were communicated immediately to the employees. The organisation also ran surveys twice a year in which employees were encouraged to provide input in the strategy-setting and decision-making processes.

Open to change and making mistakes

The Projects Manager stated that "there was room for employees to take risks within the organisation". This meant that employees could make their own decisions, implement these and deal with the outcomes. They were given enough space to explore

ways of coming up with solutions in their tasks, allowing them to have more time to deal with these tasks leading to an efficient end result. This way of working was encouraged as it was viewed as a way of individual growth and thinking outside the box. The Projects Manager emphasised that he gave employees much room not to make mistakes but to try something new, knowing that it might not turn out the way the organisation wanted it to. Consequently, he was of the opinion that both parties had to take responsibility for any mistake made by an employee because management had agreed to let the employees take the initiative to begin with. The Projects Manager was unsure if this way of working was standard practice in other departments of the organisation.

In contrast, the CTO stated that it was not always a good decision to allow employees to make their own decisions. He did, however, stress that the management gave an ear to and valued inputs from the employees and said that “the firm also has to make sure that employees explain how they had reached the decision which might have led to a risk. The employees have to be able to weigh the pros and cons of the risks.” The CEO reiterated that the company provided enough opportunities for employees to take risks. He was, however, quick to highlight that this risk-taking had to be reasonable as too much could potentially damage the organisation. Thus the leadership distributes proportional decision-making with associated risk to subordinates.

6.3. HPO Factor 3: Long Term Orientation

Relations with customers and stakeholders

Since its beginning, the organisation’s vision and mission has always been to serve its customers to the best of its ability and to establish good partnerships with customers and suppliers. The organisation made sure it understood its customers’ and suppliers’ needs and expectations, and as a result most of its relationships had been in existence for more than a decade. The Projects manager explained that “many products which we buy from suppliers are specialised and niche. We, therefore, do not have many different suppliers and thus we have to make sure we have very good connections with suppliers who provide us with quality products.”

Tenure and internal promotions

Many employees and managers had been with the organisation for a long time, with most having been in several different roles, and thus had developed a good organisational memory. A large number of managers had risen up within the ranks. However, there were relatively more new people in senior management positions, such as the CEO and the HR manager. The Projects Manager thought the main reason for this was because the people they had in the company were still too young and lacked experience for these top positions. He did believe that those young people had good prospects of being eventually moved up to the senior level management, because of their abilities.

The CEO believed that it was important for the company to refresh itself on a regular basis with external talent. The HR manager stated that being recruited externally was “potentially a disadvantage because it takes a lot longer to get a grip on the industry-specific knowledge”. This emanated from her own experience of having been

previously employed by a firm which was not a technology-based organisation. In essence, she was of the opinion that it was healthy to have a good balance between internal and external recruits: “Having internal people come up with a lot of historical data and a lot of the company culture is fantastic because it boosts the morale of employees. At the same time it is very healthy to have new blood, new ideas, fresh perspectives, and having new people not to come into something with a preconceived mind-set.” The CTO thought that hiring internally had the benefit that the company already knew the strengths and weaknesses of the person in question and while it took longer to get to know an external person.

Safe workplace

Job security was viewed as key to survival for the company and therefore they put much focus on the need to grow the business. The Projects manager explained that because they were a growing company in a niche market, the hope was that the company was going to grow at least for the next five years. This would ensure job security for the employees as they knew that the firm was growing, needing more and more employees. The CTO stated that growing the business would create new opportunities in the organisation as new roles would be created and people could move up in the organisation. In addition, this growth would create higher financial security for the employees. The CEO informed us of the fact that there had not been any layoffs or restructuring in the history of the organisation.

The HR manager explained that the organisation applied several schemes to retain employees, such as introducing share incentive schemes which made it possible for employees to share in the financial success of the company; and providing a recreation room for employees to play in during breaks. In addition, the organisation took the time to regularly identify the needs of employees and to come up with a strategy to deal with these needs.

6.4. HPO Factor 4: Continuous Improvement and Renewal

Strategy and innovation

The Projects Manager said that their culture and ethics set them apart from other competitors. The organisation also built and maintained relationships with customers which led to trust: “We offer good quality products and we go the extra mile to make sure that the product is giving maximum results to the end user.” Part of the strategy was to keep on using machine learning and AI software, something that their competitors did not offer at that moment. This was a real innovative strategy to stay ahead of competitors by providing much added value to customers. The CTO mentioned that technology was the one area where they could innovate well because they were a technology-based company which worked closely with its customers. The CEO said “our strategy is not static. One of the company’s strengths is the ability to say no to opportunities because accepting all opportunities in the market means that the company does not have a strategy because they do not have a specific focus”. In order to make sure that the company’s strategy was executable, it used feedback loops. In this seven-step process the company would come up with a full hypothesis that would then be tested several times in the market. The feedback from this process helped the firm to get rid of strategies (and products) that were not working.

Reporting

The HR manager explained that the company held meetings every second month of the year where they did a financial dashboard and talked about income expenditure, profit, and targets so that employees got a rough idea of where they are. Within the departments, they would go into more depth. The Projects Manager however mentioned that the “financial information was relayed to the employees once a year on a very high level”. Thus, outside of these meetings it was difficult for employees to get information about how the company was actually doing throughout the year. There were plans to go to monthly update sessions, especially now that employees could buy into the company as part of the share incentive program. The CTO also said “there has always been a sense that if the organisation wants to be successful, we have to share information with everybody as much as possible.”

6.5. HPO Factor 5: Employee Quality

Extraordinary results

The HR manager emphasised that the firm had a culture of excellence where the calibre of staff was very high. She believed that people themselves wanted to ‘overachieve’. Management encouraged achieving extraordinary results but did not focus too much on that because they believed that employees were already naturally performing at their best. The Projects manager believed that the “management culture of giving employees space and allowing them freedom to do their job inspired members to accomplish extraordinary results.” He further suggested that employees learnt from each other in one way or the other. For instance, newly recruited employees brought in information and experiences which the current employees were not always aware of and this had a positive impact on the results of the organisation.

Flexibility and resilience

In terms of training and development, the HR manager stated that the employees did a lot of the training and development by themselves and nobody had to push them. They read books and partook in online courses, often in their own time. The organisation therefore tried to be as accommodating as possible in terms of providing opportunities, time, and budget for an employee’s education.

The organisation made a lot of work to further improve its culture. For instance, it benchmarked itself against Google by conducting a survey among employees to see which of the attributes of Google (Schmidt and Rosenberg, 2014) appealed to them, and to subsequently implement these in the organisation. The business was built on human capital. The people in the organisation were clearly the most important asset of the company, which was reflected in the organisation always delivering on their promises to employees.

7. Analysis and Recommendations

It is evident from the research findings that the case company fulfils many characteristics which constitute an HPO. The company empowers its employees to do

their job in the way they see fit, provides space to be innovative, gives recognition for their successes, offers a share incentive program, as well as virtually guaranteeing them job security. However, there are still opportunities to improve the organisation, these opportunities are listed below.

7.1. Recommendation HPO Factor 1: Management Quality

From the research findings it can be concluded that the case company fulfilled many of the characteristics of HPO factor Management Quality. The management developed an effective and strong leadership style by constantly communicating with employees, making sure that the strategy was well known across all levels of the organisation, treating people well, fair and with respect, and simultaneously encouraging belief and trust. Their ability to make quick decisions and taking swift action showed that managers had a high level of confidence.

The findings suggest that managers applied different ways of decision-making. It is recommended that the organisation considers implementing a decision-making process that is followed by all managers to make sure that not only a quick decision is made but also that the best decision is taken from the options available and readily understood by all concerned. In this way, the consequential risk associated with decision-making is mitigated. In addition, the organisation should put in place deliberate feedback loops on the decision-making process towards continuous improvement. For example, after deciding to produce a certain product or service, the organisation should have a reviewing system to determine whether the product/service meets the required quality standard, thus presenting an opportunity to evaluate the quality of decision-making.

7.2. Recommendation HPO Factor 2: Openness and Action Orientation

From the findings, it can be concluded that the case company did not display all the characteristics of this factor. Although employees spent much time on communication, knowledge exchange and learning, management only engaged with them on an official platform once a month. On the latter, there were contrasting thoughts among managers on the frequency of meetings. Management allowed employees to learn, explore and make mistakes. Mistakes were positively viewed as an opportunity to learn. However, what was not apparent was management's control over the degree of mistakes employees were allowed to make. In addition, management was very focused on detailed planning, which in itself was considered to be a risk mitigation mechanism. Management should come up with a risk profiling model and extend testing efforts before its application. It is also recommended that management should reiterate that they welcome and stimulate change by informing the employees that they should also be personally involved in change activities. A 'change framework' could be relevant to support this effort.

7.3. Recommendation HPO Factor 3: Long Term Orientation

The research findings showed that the case company satisfied many of this factor's characteristics. It was very cognisant of the importance of knowing and understanding its customers, and had established long term relationships with them and also their

suppliers. Quite a few managers had been long with the company and had been promoted from within. The organisation also ensured job safety.

Despite the internal promotions, the number of externally sourced managers was quite significant. It seemed that the organisation did not have enough internal candidates with the required skills to fill these management positions. The firm should therefore investigate why they were not able to promote internal people into new management roles and put more effort in training employees to make them eligible for the management positions. The organisation should therefore consider installing a management development program, possibly in cooperation with a university (which relates to improvement of the management quality, HPO factor 1).

7.4. Recommendation HPO Factor 4: Continuous Improvement and Renewal

The research findings indicate that the case company had a deliberate strategy of using machine learning and AI software to remain ahead of competitors and provide value to its customers.

The company was continuously working on innovating the technology aspects of its business. They had a continuous improvement process by simplifying and aligning, in particular, its innovation processes. This process had a feedback loop which helped the firm address strategies which were not working. The company also continuously innovated its core competencies by allowing employees to better themselves through further studies and formal training courses.

While the study's findings revealed that the organisation reported relevant financial information to employees, a detailed financial report would help employees get a fuller picture of the organisation's performance. As the firm is in the middle of introducing a share incentive scheme, it has to trust employees with more financial information.

7.5. Recommendation HPO Factor 5: Employee Quality

The calibre of staff employed by the organisation was high with employees being self-driven to achieve excellent results. Management gave space to employees to be creative and allowed them the freedom which inspired them to perform well, and they further developed their skills by reading books and partaking in online courses. It is recommended that the organisation apply additional avenues of developing its employees, for instance by going into alliances with suppliers and customers. These partnerships will help employees to work with outsiders and come up with creative new productive ways to achieve desired results, since they will be closer to the customer.

8. Conclusion, Limitations and Future Research Opportunities

This research set out to explore how South African SMEs could become high performing so that they can deal adequately with the many external and internal factors influencing their growth. It is important to obtain knowledge about this topic, knowledge which makes it possible for SMEs to transition into HPOs, as this leads to an increase in their growth and development and their capability to contribute even more to the development of South Africa. Since internal factors are within an SME's sphere of influence, this research focused specifically on identifying what the main internal factors are that need to be strengthened in order for South African SMEs to become high performing. The analysis tool used in the research is the HPO Framework, a scientifically validated framework with which an organisation can use to evaluate the areas that need to be strengthened to become high performance organisations.

Based on a case study at an SME operating in the South Africa technology sector, through extensive interviews with key managers, it became apparent that the HPO Framework is a useful technique to evaluate the performance of a SME in the South African context. In addition, applying the framework yielded clear recommendations on the areas where the case company could improve and strengthen itself towards becoming a full-blown HPO.

This research has several limitations and the issue of generalizability. The first limitation is that only the organisation's management was interviewed, while no employees were involved. This meant that the received information could not be triangulated, which is a drawback, especially regarding the factors of Management Quality and Employee Quality in which employees are highly involved. It would have been relevant to get information from the employees regarding the trust element between them and management. Future research should aim at involving employees so that their voice and opinion can also be heard and incorporated.

Another limitation is that the research formed a snapshot in time and was therefore unable to evaluate whether the suggested recommendations were effective. An interesting avenue of research is therefore to conduct a longitudinal study at this case company, or for that matter at future case companies, to be able to evaluate the effectiveness of the recommendations and to learn what organisations experience during the implementation of these recommendations.

The research results can as priori not be generalised to all SMEs in South Africa, let alone in other countries. One case study is clearly not enough to state that the researched phenomenon, in this case, the applicability of the HPO Framework to SMEs, can be valid in multiple settings. Future research should therefore endeavour to extend the number of cases using this particular framework to different contexts of SMEs and should also increase "the pool" of organisations operating in different sectors and countries. In conclusion, the documented success of the application of the

HPO framework suggests that the HPO framework holds promise and should be considered as an alternative for small business development initiatives in South Africa.

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APPENDIX 1 – THE HPO FACTORS AND CHARACTERISTICS

This Appendix lists the five HPO factors and their 35 accompanying characteristics.

No.	HPO factor	HPO characteristic
1	Continuous Improvement and Renewal	The organisation has adopted a strategy that sets it clearly apart from international offices at other universities.
2	Continuous Improvement and Renewal	In the organisation processes are continuously improved.
3	Continuous Improvement and Renewal	In the organisation simplified.
4	Continuous Improvement and Renewal	In the organisation processes are aligned.
5	Continuous Improvement and Renewal	In the organisation everything that matters to the organisation's performance is explicitly reported.
6	Continuous Improvement and Renewal	In the organisation both financial and non-financial information is reported to all managers and employees.
7	Continuous Improvement and Renewal	The organisation continuously innovates its core competencies.
8	Continuous Improvement and Renewal	The organisation continuously innovates its products, processes, and services.
9	Openness & Action Orientation	My manager frequently engages in a dialogue with employees.
10	Openness & Action Orientation	We spend much time on communication, knowledge exchange and learning.
11	Openness & Action Orientation	We are always involved in important processes.
12	Openness & Action Orientation	My manager allows for making mistakes.
13	Openness & Action Orientation	My manager welcomes change.
14	Openness & Action Orientation	The organisation is performance driven.
15	Management Quality	My manager is trusted by the employees.
16	Management Quality	My manager has integrity.
17	Management Quality	My manager is a role model for the employees.
18	Management Quality	My manager makes decisions quickly.

Can A Small Business Enterprise Become A High Performance Organisation: A South-African Case Study

19	Management Quality	My manager takes action quickly.
20	Management Quality	My manager coaches the employees to achieve better results.
21	Management Quality	My manager focuses on achieving results.
22	Management Quality	My manager is very effective.
23	Management Quality	My manager applies strong leadership.
24	Management Quality	My manager is confident.
25	Management Quality	My manager is decisive with regard to non-performers.
26	Management Quality	My manager always holds the employees responsible for their results.
27	Employee Quality	My manager inspires the employees to accomplish extraordinary results.
28	Employee Quality	We are trained to be resilient and flexible.
29	Employee Quality	The organisation has a diverse and complementary workforce.
30	Employee Quality	The organisation grows through partnerships with stakeholders.
31	Long Term Orientation	The organisation maintains good and long-term relationships with all stakeholders.
32	Long Term Orientation	The organisation is aimed at servicing clients as best as possible.
33	Long Term Orientation	My manager has been with the company for a long time.
34	Long Term Orientation	New management is promoted from within the organisation.
35	Long Term Orientation	The organisation is a secure workplace for the employees.

APPENDIX 2 – THE INTERVIEW QUESTIONS

This appendix lists the questions asked during the interviews at the case company.

General

- Can you give me a brief overview of your company (when established, core business, no. of employees at different levels, your role, your years of experience, vision, mission)?
- Can you please define the market the organisation does business in? (probe geographic area, target customers, gender, age, LSM, etc)
- Who are the main competitors in your industry and how do they fare against your organisation? (probe on threat of new entrants, power of suppliers, power of buyers, threat of substitute products)
- What value or benefit do customers get from what you offer them?

Management quality

- In what ways does the management ensure they are trusted by the organisational members? (probe on integrity, role modelling of management to organisational members)
- Can you comment on the process of decision-making by the management, that is how long they take and how they apply their decisions?

Can A Small Business Enterprise Become A High Performance Organisation: A South-African Case Study

- In what ways does the management coach the employees to achieve better results? (probe on how they focus on achieving results, how they ensure effectiveness and how/what they measure)
- Can you comment on the leadership style of the management, and how they deal with performers and non-performers?

Openness and action orientation

- How often does the management engage in dialogue with the employees? (probe on how much time they spend on communication and knowledge exchange, and how they involve employees in important processes)
- How do management deal with mistakes from organisational members? (probe on if they are open to change and if they are performance driven)
- How and how much is the management open to change?

Long-term orientation

- How does management maintain good long-term relationships with stakeholders? (probe on how they try to serve customers, how long the management has been with the company, relationships with suppliers and customers)
- Can you comment on the promotion structures for management: is new management promoted from within or from elsewhere?
- How do you ensure job security for organisational members?

Continuous improvement and renewal

- What strategy has the organisation adopted which sets it apart from other organisations? (probe on continuous improvement of processes, simplification, and alignment)
- How do you report financial and non-financial information to organisational members?
- How does the company innovate its core competencies, its products, processes and services?

Employee quality

- How does management inspire organisational members to accomplish extraordinary results?
- How is the resilience and flexibility of organisational members strengthened and how often?
- Can you comment on the diversity and complementarity of the workforce and how it affects performance?
- What partnerships does the organisation have with suppliers and customers?