

**UNIVERSITY OF KWAZULU-NATAL**  
**COLLEGE OF LAW AND MANAGEMENT**  
**GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP**

**ACHIEVING HIGH PERFORMANCE THROUGH COMPETITIVE  
STRATEGY: A CASE OF TSHWANE-BASED SMALL AND  
MEDIUM ENTERPRISES**

By

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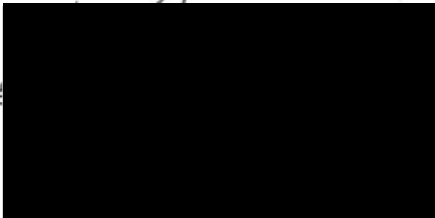
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## **DEDICATION**

To my lovely wife, Musa, and our beautiful kids, Boitumelo and Boikanyo. To mum and dad, you have always been my muse.

# **ACKNOWLEDGEMENTS**

The Lord is my Song – “He is my Shepherd. I shall not want”.

This thesis is dedicated to the memory of my study leader Professor Rosemary Sibanda.

To the Tshwane-based Small and Medium Enterprises, thank you very much for agreeing to participate in the study.

# ABSTRACT

The goal of the study was to explore achieving high performance for the Tshwane-based Small and Medium Enterprises based on the competitive strategies and examine the effect that the competitive strategies had on the Tshwane-based SMEs' high performance despite the slow economic growth and inclement government legislation. However, for the Tshwane-based SMEs to succeed in achieving high performance, it was significant to introduce SMEs' resources as a moderating construct. The SMEs' resources provided a moderating effect on the relationship between competitive strategies and the Tshwane-based SMEs' high performance.

The study further sought to determine the existence of the relationship between the competitive strategies/resources and the SMEs' high performance through the quantitative methods. The study used a sample size of 110 out of a population of 151 SMEs based in and around the City of Tshwane. The population was drawn out of the SMEs that had an annual turnover of between ZAR5M – ZAR10M. Since the population was known probability sampling was therefore used.

The structural model was effected as a test to prove the goodness of fit index for the conceptual model using CMIN, TLI, GFI, and RMSEA. The dependent variable, based on the conceptual model, was the SMEs' high performance. Through factor analysis, the model was adjusted which then resulted in a goodness of fit for the data observed based on the CMIN/Chi-Square. The model adjustment led to the strategy being dropped completely from the analysis since its inclusion resulted in the reliability of the study being questionable with the Alpha coefficient  $< .7$ .

The findings revealed that there was a relationship between the competitive strategies and the SMEs' high performance when moderated by the SMEs' resources. Of key importance was the finding that when competitive strategies were applied as a unit they influenced the SMEs' high performance. The study concluded that the Tshwane-based SMEs were unaware of the effect that the competitive strategies had on high performance. The government of the Republic of South Africa should speed up some of the processes and legislation aimed at assisting SMEs to grow and become sustainable.

**Keywords** City of Tshwane, Competitive Strategy, Core Competencies, Growth, Growth Domestic Product (GDP), High Performance, Moderating Effect, Performance Measurement, Resources, Skills Audit, Small and Medium Enterprises (SMEs), Strategic Human Capital, Sustainability

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# LIST OF ACRONYMS

ACCA	The Association of Chartered Certified Accountants
AIC	Akaike Information Criterion
AMOS	Analysis of the MOment Structures
B-BBEE	Broad-Based Black Economic Empowerment
BCC	Browne-Cudeck Criterion
BER	Bureau for Economic Research
BIC	Bayes Information Criterion
BSC	Balanced Scorecard
B2B	Business-to-business
B2C	Business-to-customers
CAIC	Consistent AIC
CFI	Comparative Fit Index
CI	Confidence Interval
CIPC	Companies and Intellectual Property Commission
CMIN	Minimum Discrepancy
CoT	City of Tshwane
CSU	Colorado State University
DF	Degree of Freedom
Dfn	Definition
DTC	Davis Tax Committee
DTI	Trade and Industry
ECFs	Enterprise Capital Funding
ECVI	Expected Cross-validation Index
EE	Economic Empowerment
EU	European Union
FA	Factor Analysis
GDP	Gross Domestic Product
GEM	Global Entrepreneurship Monitor
GFI	Goodness Fit Index
GGDA	Gauteng Growth Development Agency



GUI	Graphical User Interface
IFC	International Finance Corporation
IFI	Incremental Fit Index
IMF	International Monetary Fund
IP	Intellectual Property
IS	Information Systems
IT	Information Technology
KMO	Kaiser-Meyer-Olkin
KPIs	Key Performance Indicators
MATLAB	Matrix Laboratory
MFMA	Municipal Finance Management Act
NCP	Non-centrality Parameter
NDP	National Development Plan
NFI	Normed Fit Index
NSF	National Skills Fund
NPC	National Planning Commission
OECD	Organization for Economic Cooperation and Development
PCA	Principal Component Analysis
PCFI	Parsimony-Adjusted Comparative Fit Index
PESTLE	Political, Economic, Social, Technological, Legal, and Environmental
PFMA	Public Finance Management Act
PM	Performance Measurement
PNFI	Parsimony-Adjusted Normed Fit Index
PPPFA	Preferential Procurement Policy Framework Act
Pty Ltd	A Proprietary Limited Company
QUAN	Quantitative
R&D	Research and Development
RBV	Resource-Based View
RFI	Relative Fit Index
RMR	Root Mean Square Residual

RMSEA	Root Mean Square Error of Approximation
RSA	Republic of South Africa
SA	South Africa
SAICA	South African Institute of Chartered Accountants
SANSBA	South African National Small Business Act
SEDA	Small Enterprise Development Agency
SEFA	The Small Enterprise Finance Agency
SEM	The Structural Equation Modelling
SME	Small and Medium Enterprise
SMME	Small, Medium, and Micro Enterprise
SPSS	Statistical Package for the Social Science
STATSSA	Statistics South Africa
SWOT	Strengths, Weaknesses, Opportunities, and Threats
TEDA	Tshwane Economic Development Agency
TLI	Tucker-Lewis Index
TOWS	Threats, Opportunities, Weaknesses, and Strengths
TQM	Total Quality Management
UK	United Kingdom
UKZN	University of KwaZulu-Natal
US	United States
VRIO	Value, Rarity, Inimitability, Organization
WB	World Bank
ZAR	South African Rands

# **CHAPTER 1 INTRODUCTION**

## **1.1 Introduction**

The purpose of this chapter is to serve as a background to the study. The problem being investigated will be presented here backed by evidence-based literature on the Small and Medium Enterprises (SMEs). To make the problem easy to investigate it is significant to decompose it into the research problems.

The goal (main objective) of the study is introduced in this chapter to support the overall investigation of the problem. The goal will be broken down into specific objectives. The significance of the study is discussed and this will be a response to the overall poor performance of the SMEs as based in and around the City of Tshwane. The ethical considerations of the study are governed by the provisions of the University of KwaZulu-Natal's Research Policy V – Research Ethics. The research delimitations, scope, and procedure will be highlighted as well. The delimitations were further discussed in Chapter 5 as part of the conclusion to the study. In the final analysis, the outline of the five-chapter study will be presented.

## **1.2 Background of the study**

The Small and Medium Enterprises (SMEs) are both lifeblood and a key contributor to the formal employment sector of the City of Tshwane. As such, the city, and government as a whole, relies on the efforts of the SMEs in its endeavour to reduce the unemployment rate, create sustainable job opportunities (Fening et al., 2008; Prajogo, 2007), and help grow the city's growth domestic product (GDP). The city's GDP, in turn, contributes to the makeup of the province's GDP and then the country's.

The issues plaguing the SMEs, as the study seeks to find solutions, are inclusive of poor financial management, inadequate strategies, lack of competitive strategies, lack of the strategic human capital, poorly trained personnel, failure to capitalize on the SMEs' core competencies, taking advantage of the resources at the SMEs' disposal, etc. (Karadag, 2015; Su-ying et al., 2013; French, Kelly, and Harrison, 2004). Most of these issues resolve

around the lack of adequate strategic intent based on competitive strategies (Maina and Willy, 2015).

The other key aspect as discovered from the literature is that the managerial experiences of the SMEs' owners and employed managers may influence the SMEs' appetite towards achieving high performance (Yanny, 2014; Sanchez, 2011) and even the drive towards realizing high performance. Furthermore, the literature studied the attributes of the SMEs' owners and employed managers about the effect that these attributes can have towards the SMEs achieving high performance (Endi et al., 2013; Man, Lau, and Snape, 2002). If the SMEs' owners and employed managers lack the drive for success or the key attributes for being successful the SMEs will invariably experience performance-related issues (Mohammad, 2013) and as a result, fail to achieve high performance.

Based on the SMEs' literature, the SMEs can be explored as a strategic tool to respond to the creation and sustenance of jobs and boost economic growth within South Africa (Lekhanya, 2015; Chingwaru, 2014; Henley Business School, 2014; Jassiem, et al., 2012). In just about every country the SMEs are seen as a solution to the challenge of job creation and sustenance thereof (Katua, 2014; IFC, 2013; Fening et al., 2008; Prajogo, 2007). The makeup of most businesses across the world comprises the SMEs (Beck and Cull, 2014). Thus, the SMEs present a better solution to the creation of jobs and sustenance thereof.

In 2015, the government of the Republic of South Africa introduced the 9-point plan aimed at stimulating economic growth. Of the nine points introduced, a key initiative to do with the SMEs was 'unlocking the potential of Small, Medium and Micro Enterprises (SMMEs), cooperatives, and township enterprises' (RSA, 2015; Fin 24, 2015). If this can be unlocked resulting in the SMEs having access to resources then the SMEs can be closer to realizing high performance at the same contributing to poverty alleviation (Singh et al., 2009).

When all is said and done, the said issues make it difficult for SMEs to be sustainable over time and experience growth (Beck et al., 2008; Kristiansen, Furuholt, and Wahid, 2003). But then again, these issues point back to the leadership of the SMEs being oblivious of certain dynamics that could turn around the fortunes of their business (Endi et al., 2013; Man, Lau, and Snape, 2002). For good measure, is the question of government legislation which so far has been cramping the style of the SMEs from the taxation laws to the regulations governing how to do business with the government.

Based on the SMEs' failure rate, Asikhia and Van Rensberg (2015) put forward several performance drivers to help boost the SMEs' performance. The authors focused the performance drivers on the SMEs' leadership's competencies and managerial attributes, access to resources, microeconomic factors, and organizational development. According to Cant, Erdis, and Sephapo (2014), governments in most African countries are yet not providing enough support to the SMEs through legislation and access to resources. SMEs are key in the greater scheme of things in economic terms especially poverty alleviation, economic growth stimulation, and competitive market creation (ITWeb, 2011). The competitive environment within which the SMEs exist tends to affect the performance of the SMEs be it positively or negatively (Olawale and Garwe, 2010). Hence, it is key for the SMEs to regularly conduct Threats, Opportunities, Weaknesses, and Strengths (TOWS) analysis.

### **1.3 Statement of the problem**

Owing to the extreme industrial competition, the Small and Medium Enterprises (SMEs) must aim for the realization of high performance (Obeidat, 2016; Altindag et al., 2011) through the alignment of their strategic intent with the competitive strategies. The SMEs are for the main managed by their owners as such the characteristics and managerial skills of the owners are key to the SMEs' achieving high performance (Sulaiman, Noor, and Shehnaz, 2015; Zehir et al., 2015; Ahmad, 2005; Frese, Brantjes, and Hoorn, 2002; Pearson and Chatterjee, 2001).

In line with the SMEs' literature, the inherent good managerial skills and the visionary nature of the SMEs' leadership can contribute towards the SMEs achieving high performance (Gurbuz and Aykol, 2009; Mazzarol, Reboud, and Soutar, 2009; Markman and Baron, 2003) since such key attributes can be practically transferred to the team that is helping to run the SMEs.

On the other hand, the SMEs are facing poor performance due to the slow economic growth, lack of education in and awareness of competitive strategies, unawareness of foreign competition, and government legislation (Agwa-Ejon and Mbohwa, 2015; Lekhanya, 2015; Chingwaru, 2014). In the same vein, the SMEs' poor performance may be put down to the SMEs' failure to measure performance, incorporate competitive strategies (Oyedijo, 2012) into improving performance (Kaplan and Norton, 2008), and paying attention to the SMEs' resources (Garg and De, 2014). Most importantly the SMEs' poor performance may be linked to the SMEs' failure to take advantage of the owners' managerial skills (Gurbuz and Aykol, 2009; Mazzarol, Reboud, and Soutar, 2009).

The literature points out that there is a gap in terms of the exploration of the effect that the competitive strategies have on the SMEs' high performance (Obeidat, 2016; Maina and Willy, 2015; Altindag et al., 2011). This study, therefore, intends to explore the collective and individual effect that the competitive strategies have on the Tshwane-based SMEs' high performance.

The literature on the SMEs' research proposed the development and adaptation of the economic growth models especially in the context of the South African SMEs (Snyman, et al., 2014). However, looking specifically at the emerging markets the literature focused on studying the relationship between performance and the competitive strategies (Eniola and Ektebang, 2014; Hashim, 2000; Porter, 1980) and the managerial attributes of the SMEs' owners (Endi et al., 2013; Man, Lau, and Snape, 2002).

In terms of achieving high performance through leveraging the relationship between performance and the competitive strategies, Porter (1980) proposed that the enterprises could boost performance by combining two of the three competitive strategies namely cost

leadership and differentiation strategies. There was however early support for Porter's (1980) assertion (Dess and Davis, 1984; Hawes and Crittendon, 1984) about combining the two competitive strategies to achieve high performance. In contrast, different views have been emerging from the literature in this respect, and such differing views are held by Omsa, Abdullah, and Jamali (2017) and Baroto, Abdullah, and Wan (2012). However, these scholars purported that for the competitive strategies to be applied individually the enterprise had to be significantly large such as the Walmart multinational, Game chain stores, or British Airways.

The differing views have at least one postulation in common that there is a relationship between competitive strategies and the SMEs' performance (Omsa et al, 2015; El Sahn et al, 2013).

## **1.4 Aims and objectives**

### **1.4.1 Main objective**

The main objective was to explore achieving high performance for the Tshwane-based SMEs through the competitive strategies and examine the collective / individual effect that the competitive strategies have on the Tshwane-based SMEs' high performance despite the slow economic growth and inclement government legislation. These dynamics were explored from Porter's generic strategies (1980). The study also sought to determine if there was a relationship between competitive strategies and find out if the leadership of the Tshwane-based SMEs was aware of the effect that the competitive strategies had on high performance.

### **1.4.2 Specific objectives**

There were four secondary objectives developed to decompose the main objective into specific and measurable ways of dealing with the study as a whole. Thus the secondary objectives were to,

1. Investigate the effect that the competitive strategies have on the Tshwane-based SMEs' achieving high performance,
2. Determine if the competitive strategies collectively or individually influence the Tshwane-based SMEs' high performance,
3. Explore the relationship between the competitive strategies and the SMEs' high performance, and
4. Investigate the leadership of the Tshwane-based SMEs' awareness of the effect that the competitive strategies have on high performance.

## **1.5 Research questions**

### **1.5.1 Primary research question**

How do the competitive strategies influence achieving high performance for the Tshwane-based SMEs in light of the slow economic growth and inclement government legislation?

### **1.5.2 Secondary research questions**

Four secondary research questions have been developed to break down the primary research question into specific and measurable ways of dealing with the research problem. Thus the secondary research questions were,

1. How can the effect that the competitive strategies have on the Tshwane-based SMEs' achieving high performance be determined?
2. Do the competitive strategies collectively or individually influence the Tshwane-based SMEs' high performance?
3. Is there any relationship between the SMEs' high performance and competitive strategy within the SMEs?
4. Is the leadership of the Tshwane-based SMEs aware of the effect that the competitive strategies have on high performance?

## **1.6 Delimitations**

The study did not look into legislation in general particularly concerning,



- The SMEs' compliance prescripts for doing business with the government,
- Bid-governing prescripts,
- Liquidations and insolvencies, and
- Tax clearance / tax compliance prescripts.

Although the non-management staff at the SMEs could have contributed to the rich data, the study only focused on the owner-managers and employed managers as a sampling frame. The rationale for this was to make the study manageable, limit the scope per SME, and stick to eliciting similar responses per SME based on the case study methods.

## **1.7 The research scope and generalizability of the results**

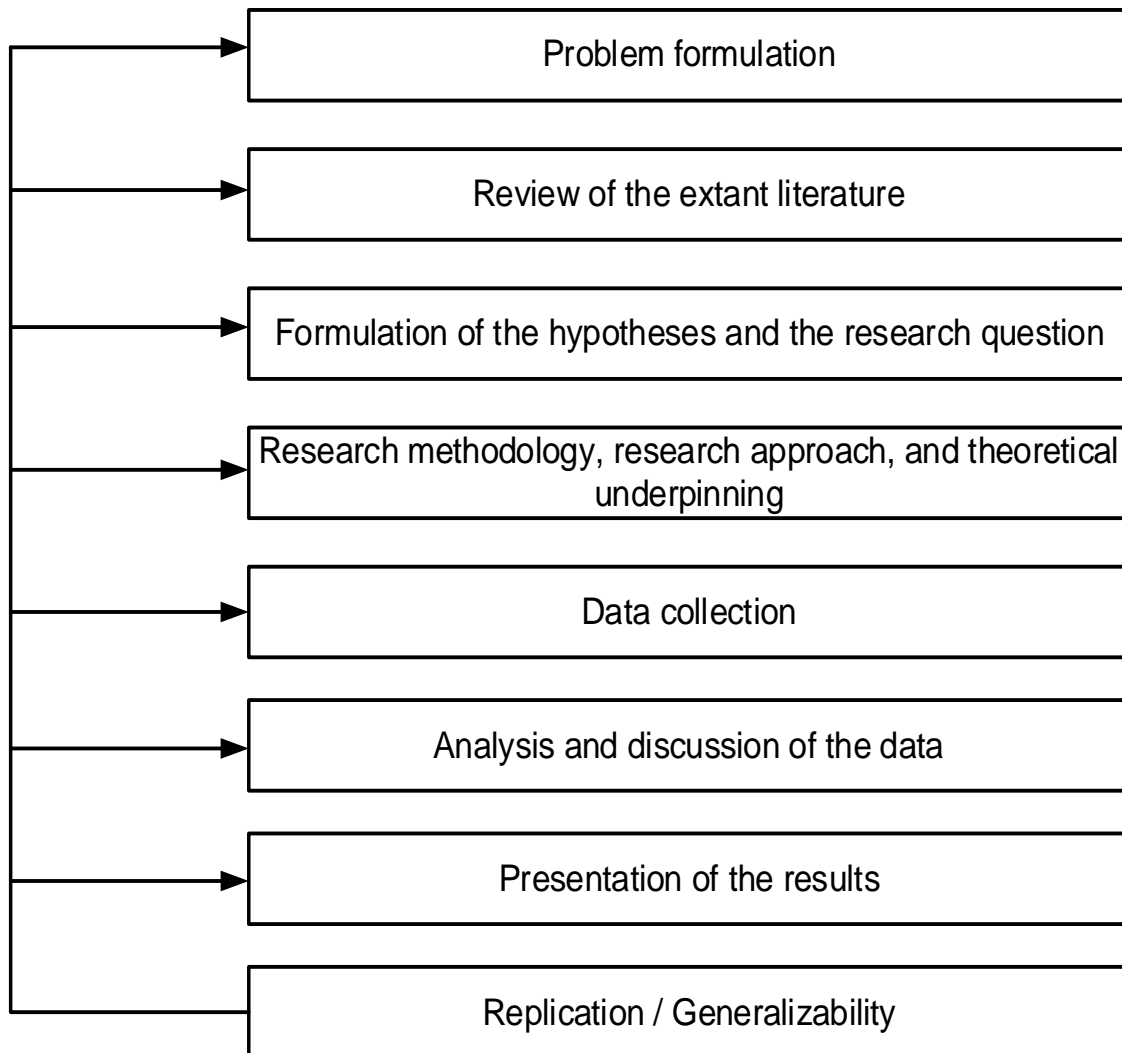
The scope of the research was the effect that the competitive strategies had on achieving high performance for the Tshwane-based SMEs from the perspective of growth and sustainability. The City of Tshwane was the administrative capital of the Republic of South Africa and a key metro within Gauteng Province. In the same breath, Gauteng Province was an economic hub of the Republic of South Africa.

The generalizability of the results was normally dependent on the representativeness of the sample as governed by the probability strategy applied (Gobo, 2004). Given the study population, stratified random sampling was applied to the population to effect a representative sample. According to Gobo (2004:436) 'representativeness leads to generalizability' and the results from quantitative studies tend to be generalizable. This study analysed and sought to generalize empirically quantitative results. Admittedly, generalizability was inclined to be problematic yet the results became fairly generalizable if such results were from studies based on case study methods (Lee and Baskerville, 2003; Yin, 1994).

The attributes of the population of studies based on case study methods were typically the same. In light of the foregoing arguments, the position of the study has been that the empirical results of the study would be generalizable to an even larger population and sample in different settings (Yin, 2009; Gobo, 2004).

## 1.8 The research procedure

The research procedure was based on the steps depicted in Figure 1-1. The steps began with the formulation of the problem and ended with the replication/generalizability of the results.



**Figure 1-1: The research procedure**

## 1.9 Ethical considerations

The ethical considerations for the study were based on the University of KwaZulu-Natal (UKZN) Research Ethics Policy (Research Policy V – Research Ethics) and its provisions with a special focus on the ‘Guiding Principles’. An ethical clearance letter

(Appendix D) accompanied the questionnaire sent to the Tshwane-based SMEs as sampled for the study.

The ethical clearance letter made provisions for the participants to withdraw from the study at any time they so wished without any consequences and assured confidentiality for their participation. Participation was anonymized which means the participants' SMEs and identity were not required in the data collection. The data collected were strictly for research purposes only and the data would be securely stored at the UKZN Graduate School of Business and Leadership for 5 years after completion of the research. Thereafter, the data would be disposed of under the instructions from the Ethical Clearance Policy.

## **1.10 Outline of the thesis**

This was a six-chapter study aimed at exploring achieving high performance for the Tshwane-based SMEs based on the competitive strategies and examining the effect that the competitive strategies have on the Tshwane-based SMEs' high performance regardless of the slow economic growth and the inclement government legislation. Chapter 1 serves as the introduction and background to the study highlighting the problem that gave rise to the study and why it is significant that the study is conducted in the first place.

The remainder of the study has been arranged as follows,

1. **Chapter 2** serves as a critique on the existing SMEs' literature and theories with a focus on the following aspects,
  - Sustainability,
  - Performance,
  - The generic competitive strategies,
  - The threats, opportunities, weaknesses, and strengths,
  - The strategy and the key performance indicators, and
  - The relationship between competitive strategies and performance.
2. **Chapter 3** presents the aspects of methodology especially the,
  - Research methods and the design used in the study,
  - Stratified sampling (probability),

- Conceptual framework, and
  - Validity and reliability of the study.
3. **Chapter 4** discusses the data collected and presents the data analysed. The conceptual framework will be tested and adjusted.
  4. **Chapter 5** discusses the study's results and the implications thereof.
  5. **Chapter 6** concludes the study. Recommendations and suggestions for further research will be presented in this chapter.

## 1.11 Conclusion

The purpose of Chapter 1 was to present an overview of the study. The problem that the study sought to investigate was presented in the form of a problem statement. The main objective was introduced which seeks to explore achieving high performance for the Tshwane-based SMEs based on the competitive strategies and examine the effect that the competitive strategies had on the Tshwane-based SMEs' high performance despite the slow economic growth and inclement government legislation.

The main objective was based on the argument that the SMEs could be explored as a tool to respond to the challenge of job creation and the sustenance thereof and boosting the economic growth within South Africa (Lekhanya, 2015; Chingwaru, 2014; Henley Business School, 2014; Jassiem, et al., 2012).

The key to the study was the generalizability of the results to a population outside of the City of Tshwane, Gauteng Province, or the Republic of South Africa as a whole. The study was conducted in line with the case study methods and based on the representativeness of the sample employed the results were fairly generalizable.

The underpinning theories on the SMEs' high performance and sustainability, the study's conceptual framework, and the study hypothesis would be introduced in Chapter 2. Chapter 2 focuses on the review of the extant literature concerning the SMEs' high performance, growth, and sustainability. Chapter 2 also looks into the strategy and the key performance indicators (KPIs). The KPIs are a measurable tool that the SMEs needed to

leverage to take advantage of high performance. The high performance is governed by strategic intent.

# CHAPTER 2 LITERATURE REVIEW

## 2.1 Introduction

The purpose of Chapter 1 has been to introduce the study and highlight the reasons that necessitated that the study is conducted in the first place. Chapter 2, therefore, builds on Chapter 1, studies and critiques the literature in response to the problem identified, and serves to introduce Chapter 3.

In essence, Chapter 2 presents the theoretical underpinning of the study. The theories seek to expand on the growth and sustainability of the Small and Medium Enterprises (SMEs), the very reason the SMEs exist, and the challenges that the SMEs are inclined to face during their existence from the literature perspective. Based on the literature review and the methodology chapter a key data collection method would be proposed.

The study was born out of the challenges that SMEs are experiencing in the context of poor performance. The SMEs exist for the creation and sustenance of job opportunities, growth, sustainability, economic growth, and contribution to the Gross Domestic Product (GDP).

While the government pinned its hopes of sustainable economic growth (Agwa-Ejon and Mbohwa, 2015; Amra et al., 2013) on SMEs it was just as challenging as to how to go about growing and sustaining the SMEs in the first place. The literature review chapter looks deeper into these challenges and presents arguments and counter-arguments for working around the challenges with the view to fostering sustainable growth. Some key statistics are presented in the study and as such government needs to be alive to these statistics so support for the SMEs can be bumped up.

Based on the statistics as discussed in the literature review, SMEs make up over 90% of the total enterprises in South Africa. SMEs account for close on 100% of the total enterprises in both the European Union and the Americas. On the strength of these statistics, it is notable that the SMEs contribute immensely to the employment opportunities anywhere across the world and account for the biggest chunk of the world GDP.

In South Africa alone, by the year 2030, the government targets the creation of well over 90% of job opportunities by the SMEs through its Vision 2030. Contrastingly, this target is so ambitious in the current setting given the challenges that the SMEs have been facing especially in the context of South Africa.

In line with the country's Vision 2030, the government initiated the so-called Davis Tax Commission (Appendix A) in 2013/14 and this is highlighted later on in the chapter. The performance of the SMEs is unpacked from the perspective of the balanced scorecard (BSC). Each aspect of the BSC is reviewed about the SMEs' high performance. All this is contrasted with the element of the competitive strategies that the SMEs need to develop in the face of the challenges experienced during their existence.

As far as the competitive strategies go, the postulated strategies as discussed in the chapter are geared towards the SMEs' uniqueness, staying focused, and being different vis-à-vis the competition. The long-term sustainability should translate into high performance by the SMEs since the poorly performing SMEs are also battling sustainability issues. Such long-term sustainability could be the result of taking advantage of the competitive strategies and the resources at the disposal of the SMEs. On this basis, the chapter studies the relationship between performance and competitive strategies. A conceptual model is introduced as initially relating the generic strategies to the SMEs' high performance.

The study hypotheses will be introduced in this chapter. The hypotheses are required for an empirical investigation so that the models can be employed to enhance the investigation. Since the taste of the pudding is in the eating, the hypotheses will thus act as a measurable way of determining whether the factor analysis and the structural equation modelling as employed in the study are significant or not. The basis for this is the minimum discrepancy (CMIN) / Chi-square and the probability value (p-value).

## **2.2 Overview and definition of the Small and Medium Enterprises (SMEs)**

The basic idea behind the SMEs even the creation and sustenance thereof consisted of several dynamics. Of key importance were the dynamics of the creation of both formal

and informal job opportunities (IFC, 2013; Altindag et al., 2011). By and large, the SMEs contributed to the creation of permanent and semi-permanent job opportunities in the country.

When all was said and done, the basic dynamics concerning the SMEs could be summed up as the creation and sustenance of jobs (Katua, 2014; Fening et al., 2008; Prajogo, 2007), the economic growth, and the contribution to the gross domestic product. The extant literature on the SMEs offered a plethora of SME definitions based on country, continent, or region. This, therefore, meant that the definition of an SME was unique to a country, continent, or region.

In the context of South Africa, the South African National Small Business Act (1996:15-16) offered the following definitions about the SMEs,

- A Small Enterprise was defined as an enterprise that consisted of “less than 100 employees, formal and registered, has fixed business premises, and is owner-managed but has more complex management structure” and
- A Medium Enterprise was defined as an enterprise that consisted of “up to 200 employees, still mainly owner-managed but consists of a decentralized management structure with the division of labour, and operates from fixed premises with formal requirements”.

These were also those enterprises that had registered their business with the Companies and Intellectual Property Commission (CIPC) as a sole proprietor, a partnership, a close corporation, or a (Pty) Ltd (a proprietary limited company). The SMEs, on more scores than one, grew by evolution and transitioned from being informal to formal entities (Altindag et al., 2011) at the same time contributing to the formal sector employment.

The existing literature (SAICA, 2013; Chin et al., 2012; Koh et al., 2007) proposed the minimum annual turnover that each SME had to make to qualify to be categorized as either a Small or a Medium Enterprise. On the contrary, it was worth noting however that it was not always possible for the SMEs to strictly stick to the definitions offered above as these



served as mere guidelines to the categorization criterion offered by the National Small Business Act.

Concerning the dynamic of the annual turnover, it was not always possible for the SMEs to stick to a minimum amount in Rands (ZAR). Be that as it may, as a good indicator, in line with the arguments discussed in the chapter, the SMEs regardless of category should post an annualized turnover of at least ZAR 2M for them to be able to grow and be sustainable over time (Amra, Hlatshwayo, and McMillan, 2013; SAICA, 2013; Chin et al., 2012; Koh et al., 2007).

### **2.3 Mixed theories of high-performing SMEs**

SMEs existed for various reasons inclusive of job creation and sustenance thereof (Lekhanya, 2015; Chingwaru, 2014). However, for SMEs to be sustainable over time and grow they had to achieve high performance (Obeidat, 2016; Altindag et al., 2011). In contrast, the trend of the attributes that contributed towards the growth and sustainability of SMEs has been inconsistent (Gibb, 1996; Audretsch, 1995). In line with Lu and Beamish (2006), the SMEs had to couple high performance with strategies for them to achieve high performance and ultimately grow and become sustainable. All the same, it was not as straightforward for the SMEs to couple high performance with strategies since most of them were so small and started as family businesses where one individual played different roles (Olatunji, 2013). These family businesses were not for the most part geared towards growth and were not even engaging in some formal ways of running the SMEs' operations (Kotey, 2005).

In contrast to the family businesses the SMEs that were small but larger than the family businesses were geared towards growth. They were prepared to introduce formal business practices and deal decisively with leadership issues and business experience (Yanney, 2014; Sanchez, 2011). The extant literature studied the qualities of the SMEs' owners and employed managers relative to the effect that these qualities could have towards the SMEs achieving high performance (Endi et al., 2013; Man, Lau, and Snape, 2002). In essence, if the SMEs' owners and employed managers did not have the drive for

success or the key traits for being successful the SMEs were likely to suffer performance-related issues (Mohammad, 2013) and consequently fail to achieve high performance.

Thus the existing theories in terms of the SMEs' high performance and sustainability were mostly based on Porter's generic strategies / competitive strategies (Porter, 1985), the Resource-based View (RBV) (Sulaiman, Noor, and Shehnaz (2015); Husnah et al., 2013), the SMEs' business experience in years (Endi et al., 2013; Man, Lau, and Snape, 2002), the SMEs' resources (Husnah et al., 2013; Kor and Mahoney 2005), and the relationship between the SMEs' high performance and competitive strategies (Oyedijo, 2012).

### **2.3.1 Competitive strategies and competitive advantage**

The SMEs were by no means exempt from value chain analysis and business strategy formulation. This, therefore, meant that attempting to accomplish competitive advantage became the lifeblood of the SMEs. According to Ensign (2001), the different dynamics of the value chain should be first appreciated by the SMEs and then effectively integrated to achieve a competitive advantage. Such an understanding of the value chain made it easier for the SMEs about the choice of the strategy going forward.

Porter (1985) proposed three approaches to competitive strategy namely, cost leadership strategy, differentiation strategy, and focus/niche strategy. Essentially, the low-cost leadership strategy meant that an SME supplied goods and services at a cost that was lower than the competition (Pulaj et al., 2015; Porter, 1985). In the same breath, cost leadership strategy did not necessarily compromise the quality of the products, goods, or services that the SME supplied.

The differentiation strategy was about producing products that were different from the competition's (Pulaj et al., 2015; Porter, 1985). The differentiation strategy set the SMEs apart about which products or services to offer to the customer base. It was about developing a unique product line that catered for a particular need in the market. However, the question invariably remained whether the SMEs were applied competitive strategies in their businesses.

The focus strategy involved market segmentation. A smaller or narrower part of the market was the focus of the SME from the perspective of product and service provisioning (Pulaj et al., 2015; Porter, 1985). Quite frankly, the SMEs could not service the full spectrum of the market. As such, it made much more business sense for the SMEs to be focused at the same time guarding against overreaching themselves. Despite this, SMEs were still unfocused in their business and this resulted in them failing to capitalize on competitive strategies.

The lack of focus could have serious financial implications on the SMEs as such care had to be exercised. For instance, Statistics South Africa captured several liquidations and insolvencies as experienced by the SMEs. Some of such liquidations and insolvencies could be due to the SMEs overstretching themselves thanks to the lack of awareness or application of the competitive strategies. It was these generic strategies that drove industry competition and the competitiveness of the SMEs from the perspectives of growth, performance, and sustainability (Kristiansen, Furuholt, and Wahid, 2003).

The competitiveness of the SMEs based on the literature was defined in terms of the generic/competitive strategies, the productivity of the SMEs, the market within which the SMEs competed based on the generic strategies, and the socio-economic environment of the SMEs (Ketels, 2015; Ruskov et al., 2012; Porter, 2000). Based on the competitive dynamics, the SMEs should select and adapt the generic strategies to help them respond well to both the competition and the market. As a consequence, the SMEs ought to be able to respond positively to supply and demand. Thus, SMEs could be sustainable over time and achieve high performance.

The literature on the theories of the SMEs' high performance further argued that the sustainability dynamic should be premised on the strategic human capital and investment in key Information Technology (IT) initiatives (Phihlela et al., 2012; Yan, 2011; Liu et al., 2010). Since productivity and competitive strategy were closely related, at least according to Ruskov et al. (2012), it was therefore significant to note that the SMEs' human capital was also closely related to the competitive strategies. The competitive strategies were not without limitations, however (Tanwar, 2013).

### **2.3.2 Limitations of the generic strategies**

Based on the main objective of the study, it was significant to consider the competitive strategies in their entirety (Chi, 2015; Porter, 1980). Such a well-rounded consideration was therefore needed to also look into the catches as attendant to the competitive strategies.

Tanwar (2013) identified specific limitations about the generic strategies in the form of risks. For instance, the risk of low-cost leadership inherently discounted the developments in and introduction of technology. The differentiation strategy opened up the SMEs to the risk of loyal customers switching brands because of imitation. The strategy of focus carried the risk of the competition establishing submarkets in the focus market.

On the contrary, the risks as related to low-cost leadership strategy were somewhat old since in today's terms technology was a key determinant of the SMEs' livelihood. For instance, SMEs could take advantage of technology to capitalize on low-cost offerings (Chi, 2015) or even introduce disruptive technologies to drive innovation within their space. Further down in the chapter, the introduction of the Social Media strategy served as a mitigating measure, in the form of disruptive technology, for the risk of technology as introduced above.

The limitations were further influenced by the business type that the SMEs were. For instance, Kim, Nam, and Stimpert (2004) argued that some of the generic strategies worked better in electronic business (e-business) than with the traditional brick and mortar type of business. In this case cost leadership and differentiation strategies worked well for e-business. This finding was in line with Hambrick (1993). According to Hambrick (1993), cost leadership strategy specifically was illusive and hard to apply especially in vibrant industries. Today's markets were so vibrant that they required a combination of strategies to capture and sustain over time.

On the other hand, Pulaj, Kume, and Cipi (2015) proposed a different view. According to the Pulaj, Kume, and Cipi (2015) differentiation and cost leadership strategies could be applied together and still benefit the SMEs.

The SMEs needed to be aware of these risks beforehand such that a good risk management plan could be developed to mitigate the said risks and probably use the plan to identify and control further risks in this context. Most importantly, the limitations highlighted could not discount the power of the competitive strategies and their associative benefits. The benefits associated with the competitive strategies related to standing out from the pack, making different choices than competitors did, and purposefully outstripping the competition (Porter, 1980). Furthermore, the benefits were about appreciating the competition's strengths and weaknesses and capitalizing on the weaknesses so the SMEs could achieve a competitive advantage.

### **2.3.3 The SMEs' leadership's business experience**

Business experience in years played a key role in the good management of the SMEs (Omsa et al., 2015). However, in the case of the smaller enterprises that were managed as family businesses business experience in years was not applicable (Olatunji, 2013). This was the case since one or two individuals effectively ran these businesses without regard for the SMEs' best practices and formal methods of running a business. Unlike the SMEs that were largely managed as family businesses the qualities and managerial skills of the owners were key to the SMEs' high performance (Sulaiman, Noor, and Shehnaz, 2015; Zehir et al., 2015; Ahmad, 2005; Frese, Brantjes, and Hoorn, 2002; Pearson and Chatterjee, 2001). The inherent good managerial skills and the visionary nature of the SMEs' leadership contributed towards achieving the SMEs' high performance (Gurbuz and Aykol, 2009; Mazzarol, Reboud, and Soutar, 2009; Markman and Baron, 2003) since such key attributes could be practically transferred to the team that is helping to run the SMEs.

The qualities and managerial skills of the owners of the SMEs were key to determining the direction and vision of the SMEs (Real, Roldan, and Leal, 2014) and influencing the corporate culture that was geared towards high performance. This was not the case however in terms of those SMEs that were being run as family businesses (Kotey, 2005). Insufficient empirical research existed, at this stage, in terms of the effect that the qualities and managerial skills of the owners of the SMEs had on high performance (Endi et al., 2013).

#### **2.3.4 The SMEs competitive advantage**

The SMEs' human capital was key concerning realizing industry competitive advantage. Literature proved that the SMEs' high performance was driven by the human capital at the disposal of the SMEs (F-Jardon and Gonzalez-Loureiro, 2013; González-Loureiro and Pita-Castelo, 2012). Now, the SMEs' unique performance determined whether the SMEs could achieve a competitive advantage or not.

The SMEs' financial performance indicators derived their key input from the human capital in the employ of the SMEs. Competent and smart human capital (Hiltrop, 1996) could drive the SMEs to achieve competitive advantage in the sense that the research and development (R&D) could be better managed, premium product lines could be initiated, and superior service rendering could be effected.

With a superior service catalogue came the unique and strong capabilities that the SMEs had developed and perfected over time. Such capabilities were in the form of the SMEs' strengths and the SMEs' capability (Stan and Nedelcu, 2015) to compete for business opportunities and to turn such opportunities into good revenue. Such capabilities were invariably premised on strategy and key performance indicators.

#### **2.3.5 Strategy and Key Performance Indicators**

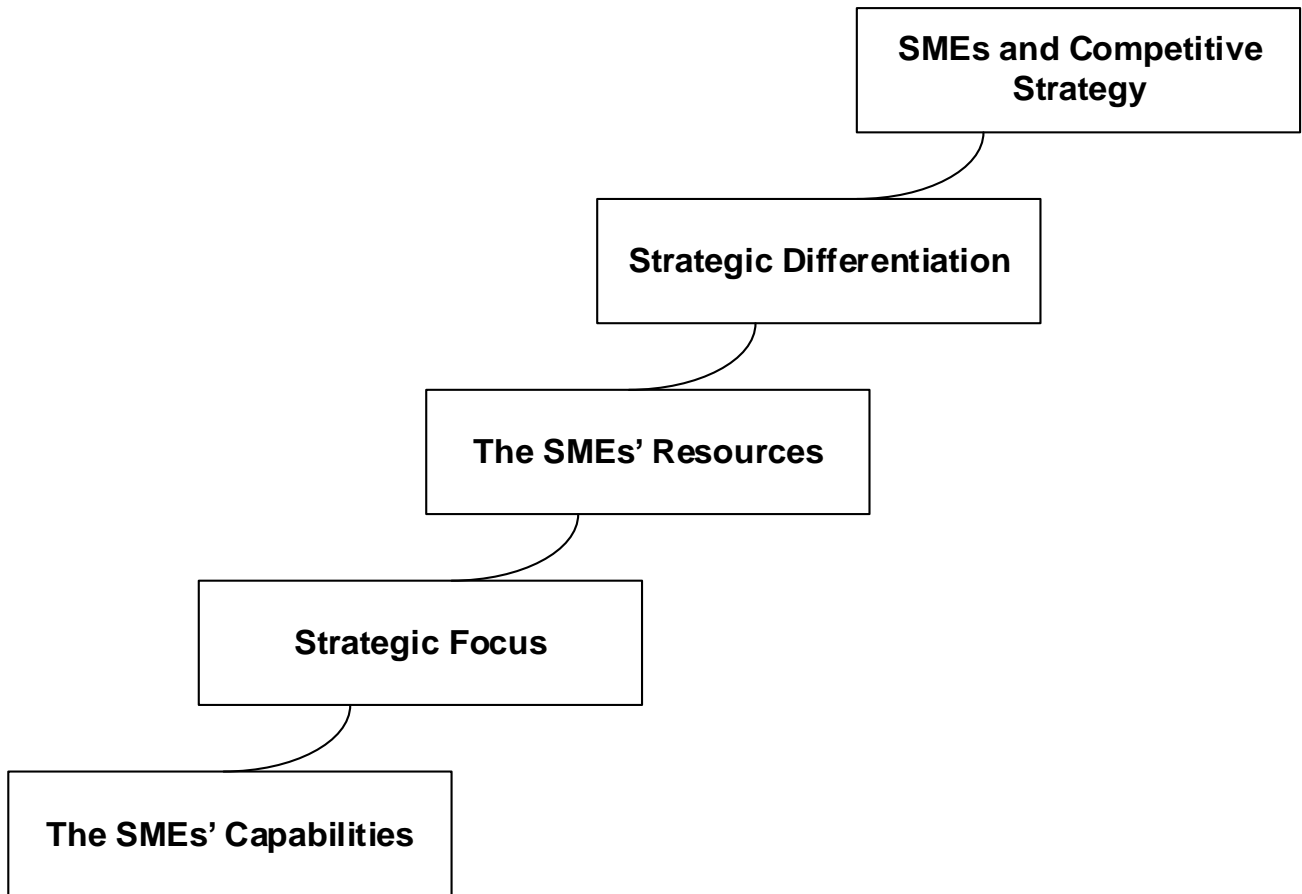
Strategy and key performance indicators determined the lifeblood of the SMEs. In the developing economies, SMEs had to perform an audit of the capabilities at their disposal focusing on the core competences. With the core competencies identified, the SMEs ought to capitalize on the key resources with the aid of the strategic focus. The strategic focus could be based on the differentiation strategy (Chi, 2015) especially since growth, unique service rendering, and the development of the unique product line should be driving the SMEs.

The strategic focus gave way to the key performance indicators (KPIs) since the KPIs were a measurable way of strategy implementation and measurement (Kaplan and Norton, 2008). The KPIs were essentially the lowest level of putting the strategic goals and

objectives into action and as such if the KPIs failed it could only mean that the strategic goals and objectives were flawed and therefore had to be revised accordingly. Put otherwise, the KPIs represented the SMEs' strategic goals and objectives in their lowest detail.

The SMEs' strategic goals and objectives were the competitive strategies from the human capital's perspective. That is, from the human capital's perspective (Hiltrop, 1996) there had to be the finest detail to make sure that teams going down to individual level had a common understanding of the SMEs' competitive strategy (Schiefer and Hartmann, 2008). The targets as set out in the competitive strategy were determined and achieved here. Therefore, the detail had to be accurate and correct such that no confusion could ensue especially in the implementation and measurement of the KPIs. The capabilities of the SMEs, from the resources' perspective, were captured in the competitive strategy.

As illustrated in Figure 2-1, the competitive strategies were informed by the SMEs' capabilities and resources at play (Barney, 1991). Thus, the figure built on the competitive strategies as highlighted earlier in the chapter and trained the attention on the strategic focus and the SMEs' high performance (key performance indicators).



**Figure 2-1: Strategy and Key Performance Indicators**

The illustration in Figure 2-1 built on the argument that the KPIs contributed to the competitive strategies in finer detail. It was also important to stress that there could not be the KPIs without a strategy and in turn, strategy gave rise to the KPIs (Kaplan and Norton, 20008). Both the strategy and the KPIs took cognizance of the SMEs' internal resources. On the other hand, when the strategic focus was to be achieved the strategy and the KPIs determined which resources and capabilities were needed for the KPIs to be realized and ultimately the strategic focus.

As far as the SMEs were concerned, the choice of the competitive strategies should be both informed by and based on the Opportunities, Threats, Weaknesses, and Strengths (TOWS) matrix of the SMEs with the operating markets (Hai, 2008).



### **2.3.6 Threats, Opportunities, Weaknesses, and Strengths (TOWS) Analysis**

Competition has always been and as such competition kept businesses on their toes. Therefore, the SMEs had to self-evaluate regularly depending on the scope and amount of business they were rendering. The best bet was to conduct the self-assessment of the TOWS at least twice a year though there was no agreed number of the number of times to conduct the TOWS analysis of the SMEs' life cycle. The TOWS analysis usually preceded the annual strategy review for the SMEs and focused the SMEs' leadership on which goals were a priority for the year ahead (Ommani, 2011; Singh, 2010). Such a self-assessment could help feed into the competitive strategies that the SMEs selected, adapted, and implemented. Every business type had that pressing issue that if resolved could be best for business.

In line with Porter's four corners model (Porter, 2004), the business was inclined to revolve around what could be internally managed and what could be externally difficult to influence especially considering the management assumptions and the drivers corners. From an internal perspective, the SMEs had to be alive to their weaknesses and strengths. Business recapitalization should, therefore, be based on these two dynamics. As highlighted later on in the chapter, SMEs should invest in their strategic human resources and core competencies. As the strengths were internal to the business, the SMEs had to get these right and capitalize on them as the strengths determine the livelihood of the business. Internal to the business were the weaknesses.

The internal resources and capabilities could stand to inhibit business thereby acting as weaknesses for the SMEs at the same time. It was worth noting that the best resources did not necessarily translate into strengths especially when the human capital (Su-ying et al., 2013) within the business was not streamlined and optimized.

It was just as important for the SMEs to look deeper during their self-assessments to make sure that the basic weaknesses were turned into strengths (Ommani, 2011). From this point out the SMEs had to work around the other intrinsic weaknesses such as the lack of appropriate strategies for certain sectors of the business such as Social Media,

recapitalization, and differentiation. On the other hand, the SMEs had to look into those aspects that were external to them.

External to the SMEs were threats and opportunities (Ommani, 2011; Singh, 2010). The growth and survival of the SMEs depended on business opportunities worth chasing. In turn, the business threats posed an urgent challenge to the livelihood of the SMEs. The threats were in the form of competition which included the other SMEs competing for the same business opportunities and markets. It was these threats that drove the industry and the markets as such the SMEs had to capitalize on their strengths to ensure that despite the threats business continued to grow and the SMEs became sustainable.

In short, SMEs should be cognizant of their whole value chain (Porter, 1985), and only then could they be in a position to decompose their TOWS into key features that were smaller and easy to relate to. The competition came from across the world as such the SMEs needed to be prepared as to how the foreign competition was to be faced.

### **2.3.7 Foreign competition and the Social Media**

In today's terms, the SMEs' foreign competition came in the form of globalization and internationalization (Keen, 2013). Globalization and internationalization made the world such a small place particularly concerning the SMEs and how they conducted business. This was the business reality that the SMEs had to grapple with at the same time ensuring that they could take advantage of the situation. Thus the issue of resources determined how SMEs could take advantage of globalization.

The SMEs had to take cognizance of their resources and break down those resources into both external and internal resources (Sulaiman, Noor, and Shehnaz, 2015). The competitive globalization first rode on internal resources to be able to make use of the external resources. This served to help the SMEs to unleash their potential, grow, and become sustainable.

It was in this context that the SMEs needed to start considering crafting globalization strategies especially if these SMEs were from the developing economies such as South

Africa. Keen (2013:61) argued the SMEs' globalization strategies and introduced them as tangible and intangible internationalization strategies for SMEs.

However, when it came to the author's discussion of the intangible strategy Keen (2013) failed to capitalize on Social Media as a resource that gave way to an intangible strategy. It could be that the year 2013 was a bit far back especially given the way Social Media had taken over concerning the intangible strategies of doing business. The Social Media were dominating the way of doing business, of late.

The SMEs, therefore, had to develop a good Social Media strategy as a response to globalization. Social Media (Failte Ireland, 2012) were emerging as an affordable means of doing business in the last 2 – 3 years. Therefore, an international business presence was greatly driven by the Social Media recapitalization and a great chunk of the foreign direct competition could be handled through a strong Social Media strategy.

Failte Ireland (2012) proposed a 10-step approach to crafting the Social Media strategy. Of key importance was that the Social Media strategy had to be reviewed at least twice a year because this space was fast-changing. None the less, it made a lot of business sense for the Social Media strategy development to be geared more towards business-to-business (B2B) than business-to-customers (B2C).

It was quite practicable for the Social Media strategy review to be initiated in the sense that what worked in the first quarter of the year might be fairly obsolete in the fourth quarter. The point has been that the SMEs did not want to find themselves in a business situation where they were playing catch-up and thus could not set the tone for the competition. Thus the Social Media introduced the SMEs from the developing economies to competition from the developed economies, and vice versa, in an affordable manner (Kutz, 2016; Taprial and Kanwar, 2012). Consequently, the Social Media did not put unfair competitive pressure on the SMEs from the developing economies in the sense that such SMEs got exposure to globalization. This exposure could involve the whole SMEs' product line being introduced to the world.

Remarkably, the unique and different product lines could be exposed through Social Media (Kutz, 2016). This could spell more opportunities from the international front and further the SMEs' growth. However, care had to be exercised such that localization was not neglected especially when differentiation strategy was to be leveraged. The competition had to be managed through strategy and key performance indicators could essentially determine how the areas of the strategy were measured and monitored. But most importantly, the SMEs had to leverage the resources at their disposal to effect growth and sustainability.

### **2.3.8 The Resource-based View**

The Resource-based view (RBV) was best leveraged from the perspective of the SMEs' capabilities and access to resources. However, Tokuda (2005) argued from the perspective of the resources that excluded the strategic human capital. In contrast, it should be pointed out that this theory would be incomplete without the strategic human capital as a key component of the SMEs' internal environment. In all fairness, the strategic human capital formed the inherent internal environment of SMEs. In support of the preceding argument, Su-ying et al. (2013) were of the view that the strategic human capital held the uniqueness in relation to resources, the skill set, and individual capabilities.

The view was further expressed as a pure differentiation between strategic human and the generic human capital within the company. The strategic human capital, as related to competitive advantage, could boost the enterprise's performance (Li-fa et al., 2010). Based on the RBV of the enterprises, the human capital contributed immensely to performance. Therefore, the RBV linked the strategic human capital with the enterprise's competitive strategy (Su-ying et al., 2012). In the same vein, Hunt and Morgan (1996) postulated that human capital was the key resource to the enterprises.

#### **2.3.8.1 The SMEs' capabilities**

It was significant for SMEs to recognize their core competencies, capitalize on the identified core competencies, and keep clear from overreaching themselves for the sake of taking advantage of business opportunities. Thus, Salim (2015) postulated that the unique

core competencies of the SMEs if well-exploited stood to drive the SMEs' growth and sustainability.

In this context, the point was that the SMEs should pay particular attention to their strengths and harness such strengths to drive up the growth and boost their overall sustainability (Ommani, 2011). As pointed out in the TOWS analysis, the SMEs had to regularly revisit their strengths pool to ensure the strengths stayed both relevant and well-honed.

Given that the human capital was the primary capability that the SMEs had to put to good use Yan (2011) argued in support of this point. Of key importance was the unique value creation supported by a strong value proposition. The SMEs competed amongst one another and one way or the other they had to put up a unique value creation (Porter, 2000). The SMEs, therefore, had to focus on their capability of unique value creation such that this capability was capitalized upon.

Access to resources such as Information Systems and financial information management tools proved to be a valuable capability that the SMEs' human capital could draw upon to grow the SMEs and contribute to the overall success of the SMEs. Some of the business capabilities could be lying outside of the SMEs themselves as such the capability of building strategic business alliances to supplement the internal capabilities had proven successful so far (Garg and De, 2014). However, the capabilities still had to be coupled with the resources at the disposal of the SMEs to create real value and boost growth and sustainability.

#### **2.3.8.2 Access to resources**

There were different funding means for the SMEs within South Africa. The start-up capital originated from the owners and then the other funding avenues could be sought afterward. The funding pool was quite varied (Riding et al., 2012) and included the Enterprise Capital Funding (ECFs) and International Finance Corporation launched in 2006. The Small Enterprise Finance Agency (SEFA) was launched in 2012 to assist with the SMEs' financing. The SEFA had a presence in each of South Africa's nine provinces.

The Umsobomvu Youth Funding targeted young entrepreneurs. Then there were venture capitalists SME funding and the bank loans that could be leveraged to fund the SMEs as well.

The departments of Trade and Industry (DTI) and the Small Business Development were there to help support the SMEs. None the less, access to these departments proved a challenge at times particularly when the entrepreneur did not know exactly which unit to approach within these departments. It was on this basis that the RBV could be drawn upon to help drive the SMEs' competitive strategy (Sulaiman, Noor, and Shehnaz, 2015).

In their study on the SMEs' competitive strategy, Husnah et al. (2013) drew upon the RBV to show that the SMEs' access to particular resources at the start of the SMEs' development had a direct effect on the future performance of the SMEs. In this instance, access to resources expressly meant owning and using such resources as and when needed.

Therefore, owning the requisite in-house resources could give the SMEs a competitive advantage and help with growth. The RBV proposed that competitive advantage was supported by the resources at the disposal of the SMEs (Sulaiman, Noor, and Shehnaz, 2015). If the SMEs could not have a good handle on their in-house resources it would be illusive to manage what was external to them such as the business opportunities that they had to fight for with the competition.

Thus, the SMEs' access to in-house resources in the form of funding, investment, human resources and staff talents, capabilities, knowledge, information systems software, the SMEs' assets, and exposure to business opportunities led to business growth and sustainability over time (Ntsika, 2001).

Table 2–1 maps the 4-phase approach for SMEs from start-up to sustainability. Each phase was key yet it became increasingly important to observe if the SMEs could turn the proverbial corner of an annual turnover of at least ZAR 2M, as a result, continue to grow and become sustainable (Chin et al., 2012; Koh et al., 2007). Each of the phases in Table 2–1 needed the other so the SMEs could continue to grow.

**Table 2–1: A 4-phase SMEs’ funding and turnover generation**

<b>Phase I SME Start-up</b>	<b>Phase II SME Investment</b>
Ideation, registration, and start-up capital sourcing	Access to funding models, finance, loans, tax registrations, and staffing
<b>Phase IV SME Sustainability</b>	<b>Phase III SME Growth</b>
Re-investment, exposure to competitive and differentiation strategies, a further contribution to the growth domestic product (GDP)	Exposure to business opportunities and competition, tax compliance, tax reliefs, financial accountability, and contribution to the GDP

Phases one and two were key to the SMEs seeing the light of the day and continuing to grow. In effect, this was where access to resources especially the human resources (Liu et al., 2010) had to be well-managed because it was these phases that effectively made or broke phase three. Strategic partnerships could be explored in phase two.

Therefore, phase three was a key determinant in the phases of the SMEs in the sense that the SMEs had to be tax compliant and be exposed to business opportunities for them to survive and grow. With the SMEs’ growth came the prospect of sustainability (Beck et al., 2008) which was the ultimate crown every SME within the country and beyond strove to win.

Phase three touched on the issues of financial accountability (Olatunji, 2013) as discussed in the chapter. Still, with all the in-house resources put together, the SMEs had to determine how to measure and manage the intellectual capital and subsequently the intellectual material. That is, the intellectual capital (IP) had to be decomposed into the intellectual material for ease of management.

Thus, IP was the core component of the SMEs’ human capital. Consequently, SMEs needed to invest in their human resource to protect the internal IP. The success of the competitive strategy was dependent on the strategic human capital. This, therefore, meant a strategic investment was much more required to have a successful competitive strategy. Consequently, to have the best investment in human capital, it was significant that core

human capital was identified (Su-ying et al., 2014). The investment might come in two ways: targeted training and targeted recruitment. It was also important for SMEs to invest in researching the development of human capital on a long-term basis. This however required the SMEs to be aware of the competitive strategies, to start with.

Chapter 1 argued that the SMEs' lack of education in and awareness of competitive strategies, unawareness of foreign competition, and government legislation contributed to their potential failure to be sustainable over time (Agwa-Ejon and Mbohwa, 2015; Lekhanya, 2015; Chingwaru, 2014). It was on this basis that the University Research should be commercialized and the entrepreneurs were exposed to the research that was out there to assist them to grow the SMEs that were sustainable over time. Such research, therefore, should be made available to the departments of Trade and Industry and Small Business Development as well as all the SME funding institutions.

The theoretical framework could essentially provide the basis for the SMEs to achieve an annualized turnover of at least ZAR 2M (Chin et al., 2012; Koh et al., 2007). This could, therefore, translate into the SMEs having to put together a set of strategies, assessing the competition, benchmarking the performance of similar entities within the industry, and leveraging their resources and core competencies. All these aspects were there to assist the SMEs experience growth and achieve sustainability in the long run.

## **2.4 Literature study**

Based on the theoretical framework, it was key to review the literature on the SMEs' sustainability and performance based on the study's objectives. The literature study also introduced the conceptual framework. Based on the conceptual framework the relationship between the SMEs' high performance and the competitive strategies was discussed.

### **2.4.1 Sustainability of the SMEs**

Staying in business was such a challenge for SMEs mainly when the issues of supply and demand were not being effectively managed. Breaking into the market, even fresh markets, by the SMEs was such a challenge (Porter, 2000), particularly when the supply



required experience. Lack of strategic investment in SMEs, especially the smaller SMEs, was a challenge too since strategic investment stood to bring on board the requisite experience to break into fresh and new markets. According to the StatsSA (2015; 2014; 2013), the insolvency and liquidation rate was higher within the SME industry owing to several dynamics.

Therefore, what was critical in this instance was the dynamic of competitive strategy as related to dealing with supply and demand and focusing on the strategic human capital (TEDA, 2015; 2013; Ntsika, 2001; Porter, 1985). As a resource, the strategic human capital played a key role that extended to and influenced the overall performance of the SMEs. Besides the dynamic of the competitive strategy was the stipulated legislation governing the way of doing business by the SMEs. Of late, legislation was affecting the growth and sustainability of SMEs.

Government legislation, specifically the National Treasury's Public Finance Management Act (PFMA) (Act No 1 of 1999) and the government-determined procurement prescripts, made it hard for some SMEs to conduct business with the government due to compliance-related issues.

These issues, amongst others, included the Preferential Procurement Policy Framework Act (PPPFA) (Act No 5 of 2000), the Broad-Based Black Economic Empowerment (B-BBEE), the Municipal Finance Management Act (MFMA) (Act No 56 of 2003), the Economic Empowerment (EE) certificates, and the generic preference point systems prescripts. Government legislation, by deduction, had an impact on the economics of the SMEs inclusive of the SMEs' contribution to the country's gross domestic product (GDP).

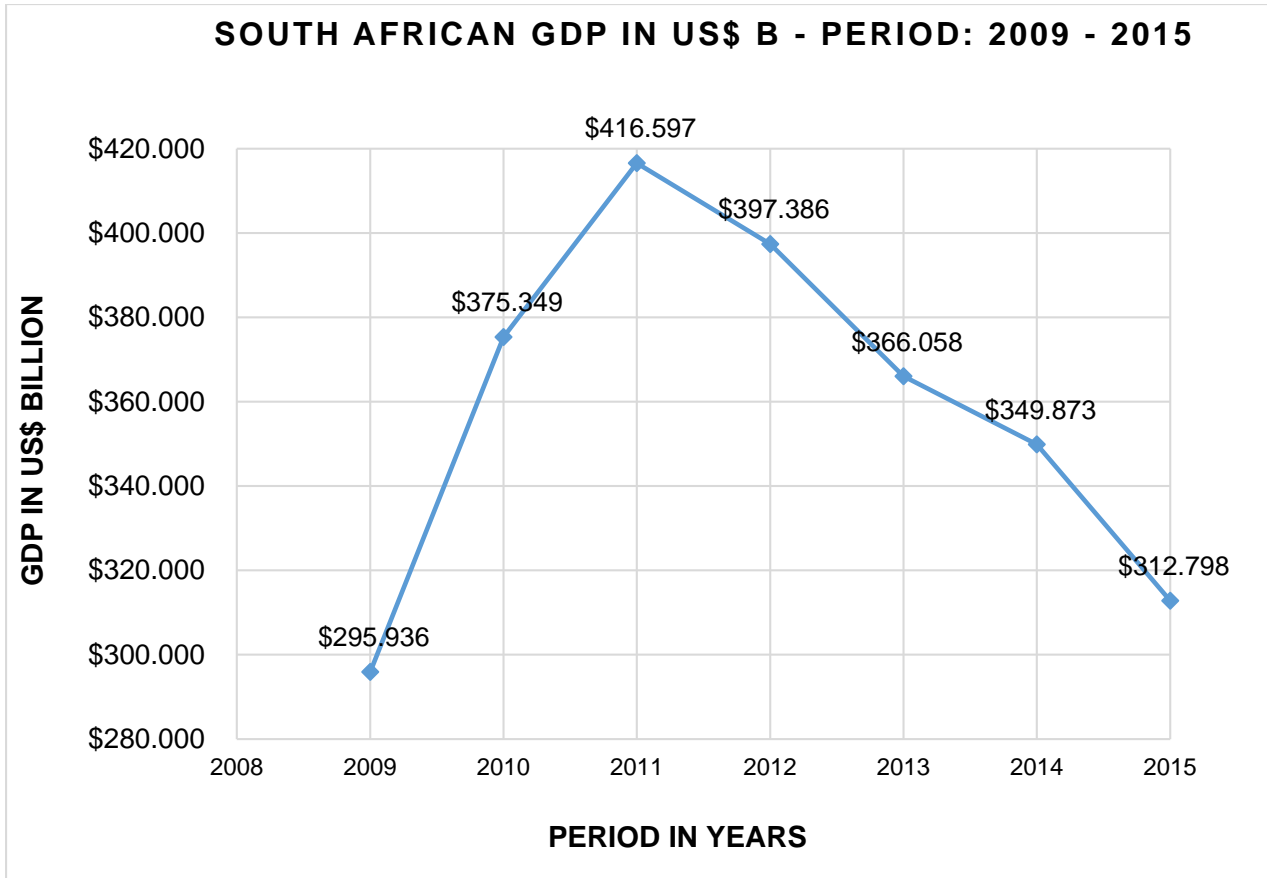
From the perspective of the country's GDP, the SMEs added value to the socio-economic factors such as the improvement of the population's quality of life and poverty alleviation (Singh et al., 2009). It was on the strength of this argument that the government, concerned with the socio-economic development of the country, had to introduce the legislation that was friendly if not conducive for the SMEs' development and growth.

### **2.4.2 The economics of the SMEs**

Over the past 20 years, the South African government had been faced with the challenge of empowering previously disadvantaged people at the same time trying to create and sustain jobs. The SMEs contributed immensely to the economic and cooperation development in terms of a significant contribution to the GDP (OECD, 2015; Criscuolo, et al., 2014). In contrast to the sizable contribution to the GDP, the SMEs faced the challenges of government legislation, performance, and sustainability which challenges, in turn, discounted the government's drive for creating and sustaining jobs.

Of late, there were urgent challenges with the overall GDP growth of the South African (SA) economy. Based on the data analysed by the World Bank (2016), the SA's GDP had been shrinking after good growth in 2011 and this led to both the government and the economy failing to create jobs at a good rate. Table 2-2 illustrated the GDP growth and the decline in billion US\$ for the period 2009 – 2015.

**Table 2-2: South Africa's total GDP for the period: 2009 – 2015 (Source: World Bank, 2016)**



The year 2015 had been an *annus horribilis* in the context of the SA's GDP as shown in the graph in Table 2-2. This had been a steady decline and StatsSA (2016) put such a decline down to partly the liquidations and insolvencies of the SMEs. The liquidations and insolvencies at the expense of the SMEs put pressure on the sovereign debt since this translated into lesser taxes being collected by the Taxman with probable government budgetary shortfalls in the years to come.

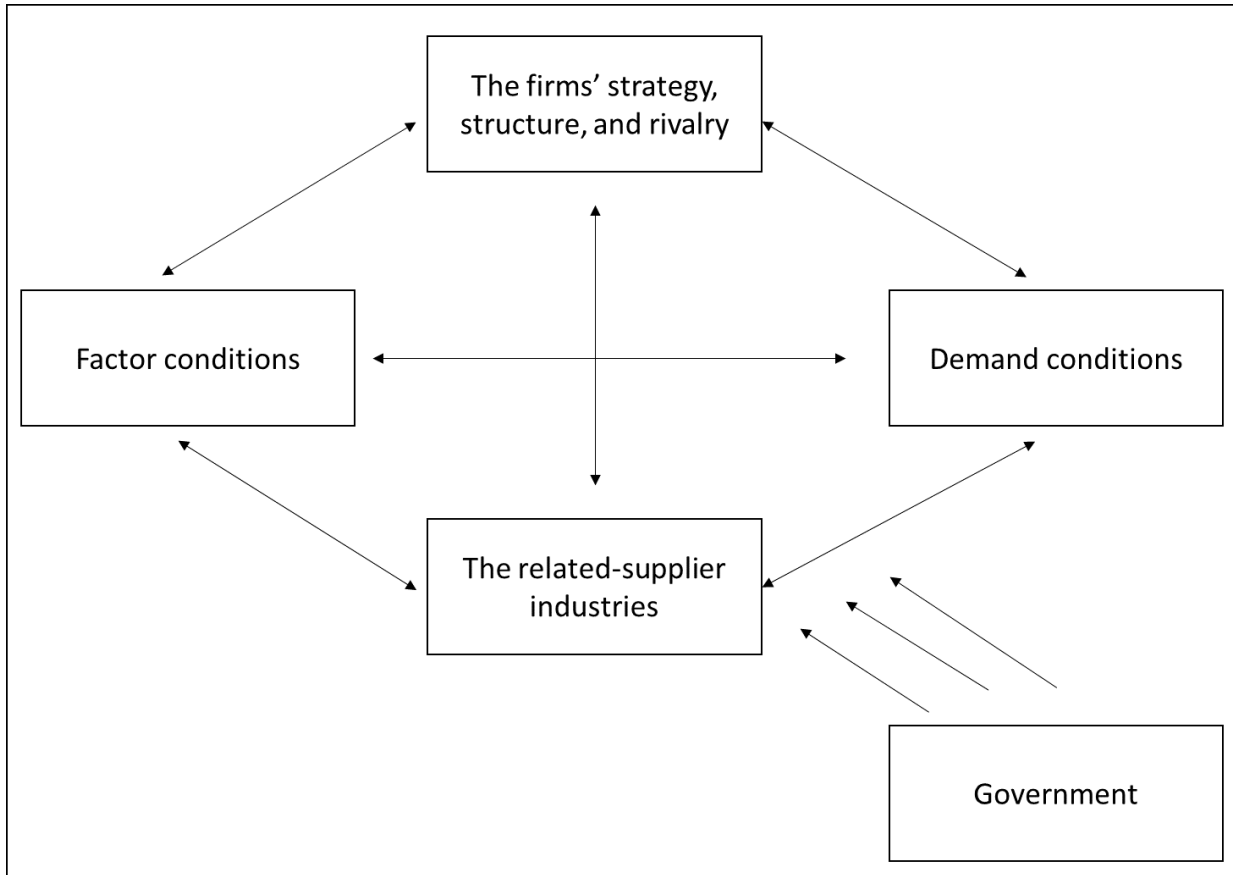
One of the specific objectives of the study was to explore the relationship between SMEs' high performance and competitive strategies. Such a relationship if determined could reveal some of the grounds why the SMEs ended up being insolvent and liquidated. This chapter explored the relationship between SMEs' high performance and competitive strategies. In the existing setting, job creation, poverty alleviation, and economic growth remained the focal point of government initiatives (Crisuolo, Gal, and Menon, 2014).

Consequently, the government pinned its hopes of economic growth, poverty reduction, and job creation on the SMEs (Agwa-Ejon and Mbohwa, 2015; OECD, 2014; OECD, 2013a; Amra et al., 2013). Thus, the SMEs were expected to respond positively to the creation of employment opportunities. Since business operations depended on credit advancement, SMEs were expected to be creditworthy for them to be able to borrow credit and service both debt and supply (IMF, 2014; IFC, 2012).

On this basis, the SMEs had access to different sources of capital, which sources had to be effectively managed (Riding et al., 2012). However, to succeed in this regard, the SMEs were required to be sustainable in the long run and be able to be profitable, as a result. In line with the literature, the profitability of SMEs was key to the creation and sustenance of jobs within the economy (Katua, 2014; IFC, 2013; Fening et al., 2008; Prajogo, 2007).

#### **2.4.2.1 Porter's Diamond Model**

Through the diamond model (Figure 2-2), Porter (1990) studied the competitiveness of the nations across ten countries. However, the focus was then based on the natural resources and the rules of the game have been changing with technological advances. All the same, the diamond model did not adequately address the role of governments in terms of the competitiveness of the nations (Bakan and Dogan, 2012).



**Figure 2-2: The determining factors of the diamond model (Source: Porter, 1990)**

The diamond model in its entirety was not questionable in its applicability to some countries (Rugman and D'Cruz, 1993). For instance, some angles/determinants of the diamond were poor in countries that did not have natural resources. That is, in such cases, there could not be demand conditions. Therefore, Porter's (1990) diamond model became well-suited to multinationals (Dunning, 1990). In terms of the applicability of the diamond model to the SMEs, the focus was then on the factor conditions (Bakan and Dogan, 2012).

#### **2.4.2.2 The SMEs job creation and sustenance of jobs**

Based on the problem discussed in the introductory chapter, the SMEs ought to be explored as a strategic tool in response to both the creation and sustenance of jobs and consequently boost economic growth (Lekhanya, 2015; Chingwaru, 2014; Henley Business School, 2014; Jassiem, et al., 2012). The key question in this instance was how to go about the whole strategic exploration hog to respond to the gap thus identified.

In addition, Katua (2014) found out that the SMEs still proved to be a gold mine waiting to be strategically explored concerning the immense contribution that these entities made towards economic growth and the creation and sustenance of jobs. By and large, the SMEs drove innovation and competition across different sectors. Therefore, this innovation and competition driving force could be harnessed to create and sustain jobs thereby growing the economy.

Based on the key research work by Ntiamoah et al. (2014), enterprises within most economies comprised about 90% of the SMEs, and about 99% of enterprises within the European Union (EU) alone comprised of SMEs. With such a huge contribution to the enterprise make-up within most countries, the SMEs, therefore, became a force to be reckoned with from the perspective of job creation and sustenance thereof.

Consequently, of key importance was the assertion that the SMEs within the developing economies contributed at least 70% towards the entire creation and sustenance of jobs in those economies (IFC, 2013). These statistics, however, included both formal and informal jobs created which meant some of these jobs might not have been sustainable over time. All the same, this should not discount the good job that the SMEs were doing in the social uplift and the overall contribution to the growth domestic product (GDP).

According to the data analysed by the ACCA (2014:19), in South Africa alone the SMEs accounted for roughly 91% of the total enterprise make-up within the country. In the same breath, the data analysed by StatsSA (2016) suggested that the SMEs accounted for at least 42% of the national GDP. Table 2-3 was a breakdown of the SMEs' contribution to the enterprise make-up and the national GDP of the top countries in Africa, the EU, and the Americas. These statistics indicated a trend across the world in relation to the SMEs which trend was an upward and positive spiral. As an observation, the statistics were reaching a plateau at 99% within the developed economies such as the EU and the Americas.

**Table 2-3: SMEs' contribution to the countries' enterprise make-up and the GDP**  
**(Sources: StatsSA, 2016; ACCA, 2014)**

<b>Country</b>	<b>Contribution to total enterprise make-up</b>	<b>Contribution to the GDP</b>
South Africa	91%	42%
Nigeria	80%	10%
United Kingdom	99%	53%
Germany	99%	51%
United States	99.7%	52%

In the context of the South African SMEs, these figures kept climbing up year on year. In time the said figures were certain to mimic those experienced in the EU, the Americas, and South-East Asia which represented a near 100% of total enterprise make-up as being composed of the SMEs (ACCA, 2014). A plateau at 99% contribution to the total enterprise make-up was also certain to boost both the creation and sustenance of jobs in the economy.

On this basis, the government of the Republic of South Africa (RSA) should stimulate economic growth by boosting the growth of the SMEs as a stimulus to job creation and sustenance thereof. According to the study by Bouazza (2015), it made economic sense for the government to support SMEs as a consequence of the economic benefits that the SMEs brought on board such as a near three-quarter contribution to the job creation initiative.

Thus, in 2015, the government of the RSA introduced the 9-point plan aimed at stimulating economic growth. Of the nine points introduced, a key initiative in relation to the SMEs was 'unlocking the potential of Small, Medium and Micro Enterprises (SMMEs), cooperatives, and township enterprises' (RSA, 2015; Fin 24, 2015). Though the government's response was slow and somewhat late, with this initiative the government of the RSA intended to create a sustainable environment for the SMEs' sustainability and the resultant economic growth.

### **2.4.2.3 Creating an enabling environment for SMEs' growth**

The RSA government's Vision 2030 envisaged the creation of at least 90% of job opportunities by the year 2030 in keeping with the SMEs' job creation worldwide statistics (National Development Plan, 2011). However, the SMEs' growth was much more than the Vision 2030 and the 9-point plan, at least according to SAICA (2015). This was indeed the case given the slow economic growth and therefore it was hard to relate to the Vision 2030's ambitions of job creation.

However, the real issues at play revolved around creating that enabling environment for the SMEs to compete fairly across the different economic sectors and spheres. In the same vein, the enabling environment had to be mindful of the international competitive forces which might be in the form of sourcing either raw material or finished products from across the Atlantic and the East (Porter, 1990). International competition, or direct foreign competition, had to be well managed such that the growth of the domestic SMEs was least affected. It was also key for the government to boldly come out as to what clear plans, in the form of legislation, it envisioned to put into action in support of the local SMEs. With the SMEs' growth unaffected by international competition, it could be feasible for the local SMEs' income generation to be boosted and economic growth could, therefore, improve as a consequence.

On a positive note, the economic growth injection might be stimulated from the angle of the Tax Revenue Collector. This approach could be explored a bit further though the start could be based on the tax rebates and tax breaks as informed by the key determinants prescribed through the government's 9-point plan (RSA, 2015) and as proposed in terms of the Vision 2030.

Yet, of key importance with respect to the tax approach, the OECD (2015:98) proposed that the Tax Revenue Collector should first consider prioritizing reforms to expand the tax bases as a feasible stimulant to economic growth. Such reforms were to be considered in the context of the SMEs specifically the SMEs' drive to economic growth and the creation of jobs.



The expansion of the tax bases in relation to the SMEs (DTC, 2014) should be informed by the government policy on the SMEs because the SMEs accounted for nearly 91% of the national enterprise make-up. With the possible expansion of the tax bases, the government had been encouraging the private sector as a whole to invest in leadership and staff training.

Hence, in 2014, the Davis Tax Committee (DTC) (2014) completed work commissioned by the National Treasury to advance propositions on how tax bases could be expanded concerning SMEs in South Africa. The DTC (2014) put forward the preliminary propositions summarized in Appendix A.

Therefore, the commission as headed by Judge Davis first categorized the SMEs into three business groups namely the survivalist micro business, the survivalist small business, and the small business corporation. Each of these categories carried different tax relief brackets based on the recommendations of the Davis Tax Committee (2014). The relief if adopted by the National Treasury and the Tax Collector could then apply to the SMEs as per the business category within which each SME found itself. In addition to the tax issue, the SMEs were exposed to several other challenges in their existence. For the sake of growth and sustainability, the SMEs had to rise to a number of challenges.

### **2.4.3 Challenges to the SMEs' growth**

It was critical to note that the SMEs were not exempt from the economic challenges such as growth uncertainty, lack of political stability especially in developing economies, training and education, energy issues, tax-related issues, and inadequate access to finance (Christina et al., 2014; Katua, 2014). Into the basket of the SMEs' challenges to growth were also the inadequate investment in innovative intents and failure to adapt to the competitive ways and means of doing business.

In addition, Gichuki et al. (2014) established the financial and business risks as just some of the challenges that SMEs had to grapple with in the face of growth. In this context, it was therefore critical that the SMEs should train energies on the risks associated with

finances, industry competition whether this was international or domestic, and the labour force amongst others.

All the same, the inadequate access to finance by the SMEs as highlighted by BER (2016) posed a serious challenge to the SMEs' growth. As indicated earlier, the lack of education in relation to the SMEs' funding avenues and models available was an urgent challenge in need of an immediate solution. The financial risk or challenge became inevitable within the SME industry in the sense that the SMEs' sustainability expressly counted on the SMEs making a good annual turnover.

This was a tough environment to boot, because if the SMEs failed to make a good annual turnover say in the region of ZAR 2M or more the SMEs could face the prospect of liquidation and insolvency (Chin et al., 2012). SMEs could not service debt and credit and consequently, product development and service rendering could fold. The very essence of the existence of the SMEs that is, boosting economic growth and contributing to the gross domestic product (GDP), could fail to be realized (ACCA, 2014; Ntiamoah, Opoku, and Abrokwhah, 2014).

On the other hand, the SMEs' capabilities were also based on the strength of their labour force and industry competition. These risks coupled with the labour force and industry competition could cripple the SMEs if not well managed and mitigated, as a result. Based on the study by Ocloo et al. (2014), the SMEs became exposed to the challenge of industry competition owing to globalization. The SMEs were expected to both embrace and answer to globalization to further engender their sustainability by establishing an international footprint.

Without discounting the concept of globalization, the concept, however, exposed the SMEs to a slew of attendant risks. Such attendant risks included foreign tax bases and tax rules which the SMEs might be exposed to and subjected to. SMEs could find these business risks to be inclement to some extent and therefore pose a sustainability challenge to them. On the other hand, globalization exposed the SMEs to the economies of scale and put pressure on the SMEs to invest extensively in the Research and Development (R&D)

(Lages and Montgomery, 2004). Such pressure could, however, be turned into a plus if well harnessed. The point was that the SMEs had to be constantly alive to their competitive forces as such forces contributed to sustainable growth from a performance point of view.

The economies of scale thus precluded the smaller SMEs from certain business opportunities simply because the SMEs did not have the might, the capacity, and the experience to compete for such opportunities (Moghaddam et al., 2012). Contrastingly, a good investment in R&D could translate into robustness in both product development and service rendering. The robustness in product development and service rendering resulted in better quality management in the SMEs' product line and impact on the SMEs' finances.

The SMEs were by and large owner-managed. Based on this type of management model there arose the challenge of financial accountability. Olatunji (2013) argued that the challenge of financial accountability became illusive to deal with since the SMEs' management model failed to separate the SMEs' finances from what should be deemed as individual/private income. All this was to be expected as some of the SMEs' owner-managers were not exposed to financial accountability on the start-up of the business.

Therefore, such accountability stemmed from the fact that the SMEs started up as family businesses and informal entities (Altindag et al., 2011). However, for growth financial accountability had to be encouraged and practiced from the get-go. It was just as important to implement financial auditing to curb the non-conformance to financial accountability from happening in the first place. Unless financial auditing was sought in this context the financial accountability could perennially plague the SMEs' finances and ultimately the very sustainability of the SMEs. Financial accountability led to good financial performance and a steady generic non-financial performance on the other hand.

#### **2.4.4 Performance Measurement and models/tools for the SMEs**

The key dynamic to the SMEs' sustainability and performance hinged on the strategic financial management within the SMEs (Karadag, 2015). Such financial management was from the perspective of product development, marketing and sales, profit-making, and income generation. The SMEs' high performance was inclined to determine the growth and

ultimate sustainability. The performance of the SMEs was informed primarily by the strategic intent as based on the choice of the generic strategies.

Thus, the competitive strategy became a driver for the SMEs' non-financial performance. Performance consequently had to be measured and monitored in such a way that the SMEs experienced growth. Performance measurement was also a question of cultural change within the SMEs (Porter, 2004). There were at this stage different performance measurement models/tools that the SMEs' could tap into to manage their overall performance.

Therefore, as a start towards growth and sustainability, the SMEs were required to measure and monitor performance. With respect to the SMEs' performance improvement and monitoring, the Balanced Scorecard (BSC) and the Baldrige performance excellence framework were a good start. Both the BSC and the Baldrige performance excellence framework were geared towards a strategic focus and were results-driven. These models called for the strategic focus for the SMEs to take full advantage of them. According to Kaplan and Norton (1996), the BSC was good for monitoring the present performance as well as focusing the enterprises on future performance trends.

However, it was important to note that with the performance measurement models came the whole set of accountabilities that needed to be adopted by the SMEs. Therefore, the overall measurement and monitoring of performance had to be focused on improving productivity and the generic work ethic by the SMEs' workforce (Sinisammal et al., 2012).

Therefore, financial accountability was just one of the accountabilities in question (Eniola and Ektebang, 2014). Just as were the adoption and the execution of the competitive strategies and other such strategies as the Social Media and business alliances. It was thus imperative for the SMEs to boldly consider formalizing performance measurement and monitoring at the early stages of their growth path so that such practices formed part of the SMEs' policies from the outset.

Because to measure equalled knowing, by measuring performance the SMEs should know what was working from what was not. They should be able to tell what was tested

from what was not. Most importantly, from the SMEs' perspective, performance should in simple terms mean improved sales, high turnover, growth, and ultimately sustainability (Adams and Neely, 2002).

Yet, the said dynamics needed a conscious decision and a focus strategy stemming from the leadership of the SMEs. Some of the failures of the SMEs could be put down to the adoption of incorrect metrics (Maduekwe and Kamala, 2016; Matsotso and Benedict, 2014). Out of the array of models for measuring and monitoring performance two stood out and were easily adaptable for the SMEs.

For the SMEs, the BSC and the Baldrige performance excellence framework were the best bet at this stage. On the other hand, the two models could be scaled down since most SMEs were not that big, and as such the full suite of the models was a tad overwhelming if not distracting (Abouzeedan and Busler, 2005; Hudson and Smart, 2001). The BSC in its entirety covered five perspectives within the SMEs that were key to both performance improvement and growth. The five perspectives were vision and strategy, internal business processes, financials, customer perspective, and learning and growth.

#### **2.4.4.1 Focus on learning and growth to improve performance**

The focus of learning and growth was the SMEs' human capital (Kaplan and Norton, 2000). An investment in human capital went a long way in the growth and sustainability of SMEs. This was the very perspective that drove the implementation of the other four perspectives. It was important therefore that the SMEs capitalize on the strategic human capital through targeted training, mentoring, knowledge sharing, secondments, a well-crafted recruitment plan, and investment in learnerships.

Therefore, the learnerships had to be approached through the SMEs allowing young people to experience on-the-job training. However, care had to be taken such that the learnerships did not become relegated to the on-the-job training kind of a facility. Rather, the full advantage of the learnerships had to be explored (Cooksey, 2003).

Since the young people were mostly fresh from the institutions of higher learning and vocational training they could be harnessed in relation to innovation, disruptive technologies, and growth. Students, for the most part, were exposed to the latest trends in both technology and the various means of conducting business, and such exposure could be harnessed to the advantage of the SMEs (Mosley et al., 2001).

As a result, these young students could be put to good use as a form of strategic human capital. However, as a guiding principle, the SMEs had to put together a strategy for exploring and taking full advantage of the learnerships. Such a learnership strategy could essentially take into account the dynamics of mentoring and knowledge sharing as the structure got breathed into the learnership concept (De Jager et al., 2002). The strategic human capital, as related to competitive advantage, could boost the SMEs' high performance. The RBV model proposed the human capital as one of the key resources whose full advantage the SMEs were yet to take (Sulaiman, Noor, and Shehnaz, 2015).

Based on the RBV of the SMEs, the human capital contributed enormously to performance. The RBV linked the strategic human capital with the SMEs' competitive strategies. The view held by Su-ying et al. (2013) was that the strategic human capital held the uniqueness in relation to the resources, the skill set, and individual capabilities. The view was further expressed as a pure differentiation between the strategic human capital and the normal human capital within the SMEs. As the basis for the differentiation strategy, the strategic human capital featured as the enabler since the SMEs could turn the staff into a robust resource they wanted in an effort to become strategically focused. It was on this basis that an investment in the strategic human capital was significant and had to be well managed to drive the SMEs' growth.

#### **i. Investment in strategic human capital to improve performance**

For improved performance, the SMEs needed to invest strategically in the human capital (Liu et al., 2010). Most importantly, the SMEs had to expose the strategic human capital to targeted training. The strategic investment in training came in response to, and in the wake of, the performance improvement exercise. The objectives being addressed

through the competitive strategy had to be effected through the strategic human capital. Therefore, the whole exercise of performance improvement and targeted training should be guided and preceded by the skills audit.

Based on the RBV and VRIO, it was significant for the SMEs to invest so much in developing their human capital into the strategic human capital to get the best out of the human capital. The best out of the human capital translated into the strategic value which should then be harnessed to boost the competitive advantage of and high performance for the SMEs. Through confirmatory factor analysis, studies found out that the strategic human capital had a positive effect on the SMEs' performance (Su-ying et al., 2014; Su-ying et al., 2012). Thus, human capital was the main and core resource of the SMEs about boosting competitive advantage.

In contrast, Bohan (2012) found out that the management, on more scores than one, did not value training. The management simply viewed training as something that harmed the budget and did not add value to the overall performance of the business. Put bluntly, the management was inclined to view the human capital as costs rather than assets to the SMEs. Their reasons were based on the notion that the value of training could not be proven nor measured empirically.

Yet, what the management failed to appreciate was the fact that business was driven by technology and ever-adaptive skills (Pickford, 2003). Both aspects needed the strategic human capital who should be well trained for them to be able to keep up with the trends in technology and the ever-adaptive skills in support of the overall performance of the SMEs. Targeted training could not be discounted nor be devalued.

Contrastingly, the critical issue was not really whether the value of training could be measured or proven. It was, however, a question of whether, through training, the human capital could be contributive to the overall performance improvement of the SMEs. Besides, it was a question of how to better respond to the performance improvement of the SMEs through boasting appropriate skills (Cooksey, 2003). This could also be extended through refresher courses to learn new skills in the same line of expertise. The only time that the

SMEs could take advantage of improved performance was when they had developed high-quality human capital.

To better measure the value of training, it was therefore significant for the SMEs to commission skills audit from time to time (Kaplan and Norton, 2008). Such an audit could be contrasted with the performance of the SMEs through developing a policy that expressly set out the baseline for the requisite skills for the SMEs' high-performance improvement.

## **ii. Skills audit to improve performance**

The human capital's skills audit should be conducted either during or before the performance improvement exercise. This ought to be in line with ensuring that the SMEs assembled the best possible team to execute their mandate (Kaplan and Norton, 2008). The baseline as set out in the policy should define exactly what level of skills were to be considered shoddy, acceptable, or excellent. The baseline should further stipulate what corrective actions and measures were to be invoked in case gaps were identified (OECD, 2013b).

Therefore, the correction of any skills gaps identified had to be addressed following the skills audit as stipulated in the skills audit policy. This exercise, therefore, had to happen regularly to have the best possible strategic human capital and most importantly have a team that was responsive to performance improvement (Belanger and Hart, 2012). The requisite skills baseline set the stage for the improvement of performance based on the development and application of responsive internal business processes as well as the SMEs' vision and strategy.

### **2.4.4.2 Focus on vision and strategy to improve performance**

The strategy had to be coupled with the operations of the SMEs to improve performance (Kaplan and Norton, 2008). The SMEs had to be driven by well-crafted visions that were not simply vision statements but something that was based on achievable targets and could be relied upon for generating growth. The strategy that governed the ultimate growth and turnover making for the SMEs had to be focused and different.



Strategies that were focused and/or different drove the business such that developing a different/unique product line, finding business opportunities, and making a profit could be feasible and attainable (Porter, 2000). The vision and strategy were what could arguably determine the internal business processes for the SMEs.

#### **2.4.4.3 Focus on the internal business processes to improve performance**

The internal business processes of the SMEs were to be based on tested tools such as Total Quality Management (TQM). The strategic human capital had to be based on processes developed with the aid of TQM. Thus every process within the SMEs should be well-crafted, tested, and documented. The quality checks for service rendering and production could be improved through the TQM (Fening, 2012; Olusanya and Adegbola, 2014).

Therefore, the overall quality improvement across the SMEs served to be beneficial in the context of the definition of the workforce job descriptions which in turn made the SMEs efficient (Chauhan, 2014). It was this efficiency that the SMEs needed to perform better and grow as sustainable business entities. According to Yonoh and Ali (2015), TQM served to effect a mediating part in the form of innovation between the SMEs' high performance and their internal processes. By virtue of being efficient, the SMEs had to have good financial management and be customer-focused.

#### **2.4.4.4 Focus on financials and customer perspective to improve performance**

The focus on financials and customer perspective was based on the most part on compliance and this was where TQM came into its own. Therefore, continuing on the note of TQM, Mukhtar (2016) found out that TQM had a direct relationship with the SMEs' high performance since TQM influenced the customer focus and continuous performance improvement. For the SMEs to stay on the ball they had to be customer-oriented for one and be driven by continuous performance improvement on the other hand. The said performance improvement could be premised on the workforce's clearly defined roles within the SMEs and how best these roles were fulfilled collectively.

Thus the TQM literature encouraged the SMEs to strongly consider becoming certified in ISO9001 so that their quality processes could be audited regularly and as a result ensure the internal business processes were on point (Almansour, 2012). However, it was worth pointing out though that becoming certified in ISO9001, or later, should not be relegated to a compliancy exercise but rather the certification should be driven by performance improvement through enhanced internal business processes. Performance improvement could positively influence revenue-making and growth.

Consequently, the performance of the SMEs was largely driven by revenue-making by finding business opportunities and practicing customer orientation. Clean financial audits and good accountability made for improved financial performance and sustainable growth. Therefore, financial accountability was key to SMEs' success mainly when the owner-managers could separate individual money from the SMEs' money (Eniola and Ektebang, 2014). However, performance measurement might sound foreign to some of the SMEs as such a performance measurement benchmarking exercise had to be commissioned so the leadership of the SMEs could learn from others, and probably the best in the game (Ou and Kleiner, 2015).

#### **2.4.5 Performance Measurement benchmarking**

Performance measurement and monitoring was an exercise that should be based on prior experience. The prior experience was benchmarking. Therefore, to find the perfect fit in performance measurement the SMEs were expected to benchmark on other SMEs that had been measuring performance and had been successful so far (Suttapong and Tian, 2012). On top of the performance models and tools available at this stage, the SMEs could develop performance measurement strategies especially as informed by the benchmarking exercise. The results of the benchmarking exercise could help the SMEs establish a performance measurement baseline.

Therefore, benchmarking should be approached with a clear goal and well-designed objectives to get the best out of the exercise. Thus, the benchmarking SMEs should first develop a framework to draw upon during the benchmarking exercise. The focus of the

framework ought to be on learning and exposure. The SMEs should be pointed to the value and effectiveness of embarking on a performance measurement benchmarking exercise to improve the overall performance of the SMEs (Wahab and Rahim, 2013).

Consequently, the benchmarking framework should be about simplifying the complex situations and models paying particular attention to the uniqueness of the SMEs that stood to benefit from the benchmarking exercises (McAdam and Keogh, 2007). For instance, the BSC and the Baldrige performance management models could be scaled down as some of these SMEs might be overwhelmed by the complexity of the processes involved. In contrast, the SMEs that were run as family businesses somehow felt not obliged to benchmark performance measurement. However, SMEs should not lose the focus of performance improvement irrespective of whether these were family businesses or not.

On this basis, performance measurement was in the main aimed at performance improvement. Suttapong and Tian (2012:55) found out that performance measurement was inclined to help out the SMEs on how to deal with competition especially from the perspective of the TOWS matrix. Besides the baselines and frameworks developed for performance improvement competitive strategy still had to be brought in since the next step was for the SMEs to achieve competitive advantage. Competitive advantage could be realizable when performance was improved through competitive strategies. It was, therefore, logical to delve into the effect that the competitive strategies had on the SMEs' high performance.

#### **2.4.6 The effect of the competitive strategies on the SMEs' high performance**

On more scores than one, the SMEs' primary focus should be improved performance and ultimately sustainable growth. Be that as it may, the critical part should revolve around which factors influenced the SMEs' high performance. For this study, the competitive strategies, or rather the application thereof, influenced the SMEs' high performance (Maina and Willy, 2015).

#### **2.4.6.1 The SMEs' strategic focus**

In light of the study by Schwartz (2013:3), the SMEs' strategic focus was mostly based on the SMEs' capabilities such as quality management, new product development, investment in staff, cost leadership, and outsourcing. Essentially, it was these capabilities that the SMEs had to recapitalize and ensure that each of these capabilities was turned into a business driver. Most of these capabilities had been explored earlier. These capabilities determined the path towards the strategic focus. On the other hand, it was key to note that the focus strategy focus introduced the possible risk of the competition attempting to establish submarkets within the focus market (Tanwar, 2013).

Therefore, the strategic focus was mainly driven by the focus strategy and guided by the segmentation of the market (Schwartz, 2013). For instance, a growth strategy that was geared towards entering a particular market and growing such a market was supposed to be geared towards segmenting the market for purposive focus. Thus, whichever strategic focus the SMEs decided upon still had to be guided by clear objectives relative to the growth of the business. However, as a start, a strategic differentiation should be prioritized so the SMEs could establish a unique presence in the market.

#### **2.4.6.2 The SMEs' strategic differentiation**

The SMEs competed in different markets and environments. Such varied environments were therefore likely to dictate how the SMEs conducted business and became successful. Abosede, Obasan, and Alese (2016) recommended that for SMEs to be sustainable they had to be strategically different as a result adapt to the environments within which they were competing. This was the case in the sense that competition was won through being strategically different and capitalizing on the uniqueness of the environment.

A different strategy for SMEs called for a different, even unique or superior, product line that was bound to attract business opportunities and dominate the market as well (Zehir et al., 2015). A superior product line called for a different pricing strategy that involved introducing premium pricing, value-based pricing, or cost leadership. On more scores than

one, customers were likely to associate pricing with the value or the quality of the product. However, the differentiation strategy still exposed the SMEs to the risk of loyal customers switching brands on account of imitation or even substitute products (Porter, 2000; Tanwar, 2013).

Cost leadership formed the basis of revenue-making within the SMEs as such this needed to be well-managed going into the future so that growth could be fostered and realized. A superior product line (Porter, 2001) was inclined to count on effective quality management and made it easy for SMEs to propose a robust value proposition. With strategic differentiation came innovation. However, Hambrick (1993), counter-argued that cost leadership strategy was misleading and hard to apply mainly in vibrant industries.

As a consequence, the strategically different SMEs were the ones that were most innovative on different spheres within themselves and continued to adapt based on the environments within which they conducted business (Zehir et al., 2015; Porter, 1980). Innovative means of doing business drove the SMEs' growth, shape performance, and determine sustainability. Innovative means coupled with new product development fostered the SMEs' growth and contributed to the creation and sustenance of jobs.

Thus, being innovative and different mostly translated into embracing the drivers of innovation. For the most part, innovation was driven through the Information Systems (IS) tools such as business analytics, accounting tools, mobile platforms, and Social Media. It was therefore significant for SMEs to be geared towards both innovation and flexibility to be sustainable (Tont and Tont, 2016; Zhang and Chen, 2014). It then followed that innovation was one of the factors that affected the SMEs' high performance. Innovative SMEs leveraged Social Media and mobile platforms for different aspects such as advertising, marketing, and pushing sales.

Therefore, Social Media had lately emerged as an affordable means of doing business and breaking into globalization and fresh/different markets (Failte, 2012). On the coattails of the Social Media and mobile platforms, business analytics was a key determinant in analysing both the market and the competition before a venturing move

could be effected. Armed with the analytics for both the market and the competition, the SMEs were better positioned to make informed decisions especially in crafting and executing a differentiation strategy.

Thus, Tiwari (2014) proposed that diverse differentiation strategies had to be developed and applied by SMEs. Depending on the environment within which the SMEs competed, the differentiation strategies could be anything from the innovation strategy, niche strategy, network strategy, investment strategy (foreign direct) to the Information Systems strategy. All of these strategies could be combined into one whole to help make the SMEs such well-oiled competitive machines. The availability or lack of competitive strategies stood to influence the SMEs' high performance positively or negatively.

#### **2.4.7 Relationship between the SMEs' high performance and competitive strategies**

Based on the extant literature on the SMEs' performance, the competitive strategies drove the SMEs' high performance. The core competences and the key resources at the disposal of the SMEs made for a differentiation strategy (Bohan, 2012; Nigam et al., 2011). Since the key resources included the SMEs' human capital, the investment in key resources (even the mobilization of the key resources) had a direct relationship with performance be it positively or negatively (Porter, 2004).

As a result, the direct relationship between the key resources and the SMEs' high performance ought to be leveraged to grow the SMEs (Obeidat, 2016). Consequently, an investment in strategic human capital made for a good start to performance improvement (Su-ying *et al.*, 2014; Su-ying *et al.*, 2012). In the same vein, it was key to recruit consciously, train staff so they could meet what could be the SMEs' key resources, and retain these key resources through the best retention strategy. The technological systems and equipment that the SMEs acquired and used to drive business had to be carefully selected and evaluated. However, good systems and equipment did not have to be the most expensive since some of the SMEs might not be in a position to afford what was expensive. Therefore, what was key was that the strategic human capital at the disposal of

the SMEs should be able to take full advantage of these equipment and technological trends as they make the best out of them.

Subsequently, with a strategic focus, the SMEs were in a position to best match their capabilities to the kind of performance they envisaged whether it was financial or non-financial. The ultimate goal was for the SMEs to adopt and execute a good fit about the competitive strategy as such the competitive strategy determined performance. Based on the existing literature, the relationship that existed between the SMEs' high performance and the competitive strategies was the one where the latter influenced the former (Omsa et al, 2015; El Sahn et al, 2013). Thus, without the competitive strategies, the SMEs' high performance could fail to pick up and in turn, growth could be negatively impacted.

## **2.5 Conceptual framework**

The extant literature on the Small and Medium Enterprises' high performance, competitive advantage, and competitive strategies contained an abundance of different theories and models. The development of the conceptual framework was based on the relationship between the competitive strategies and the SMEs' high performance (Chi, 2015; Pulaj, Kume, and Cipi, 2015; Porter, 1990; Porter, 1980). However, this also translated into capturing the effect that the competitive strategies had on the SMEs' high performance.

### **2.5.1 Model applicability**

To some extent, chapter 1 postulated that the SMEs could be explored as a strategic tool for the creation and sustenance of jobs as well as a boost to the economic growth within South Africa (Kelley et al., 2015; Ntiamoah, Opoku, and Abrokwah, 2014). Thus, based on this postulation, it was imperative to note the applicability of the theories to both responding to the SMEs as a strategic tool and the study as a whole.

Hence, the SMEs were expected to select a combination of competitive strategies to support their sustainability guided by the Balanced Scorecard (BSC). The BSC was key in supporting the generic strategies especially in terms of the brand strength proposed by the

differentiation strategy (Kaplan, 2010). In relation to the competitive strategies, the SMEs had to produce valuable, rare, and inimitable products or goods guided by the Value, Rarity, Inimitability, Organization (VRIO) model. For good measure, the SMEs had to know how best to focus their resources on niche markets guided by the Resource-based View (RBV).

Therefore, the RBV was about keeping the competitive advantage of the SMEs going which essentially led to long-term sustainability (Husnah et al., 2013). The competitive advantage was supported by the resources at the disposal of the SMEs. These resources ranged from the SMEs' assets, the human resources and staff talents, capabilities, knowledge, and information to technology at the disposal of the SMEs (Eniola and Ektebang, 2014; Sauerhoff, 2014).

Based on the combination of the competitive strategies selected, it was expected that the SMEs ought to know and recognize their competition with the aid of the Threats, Opportunities, Weaknesses, and Strengths (TOWS) matrix (Ommani, 2011) and Porter's 5-force industry model. In point of the TOWS matrix and Porter's 5-force industry model the SMEs had to be aware of their strengths and weaknesses, the competition whether this was domestic or foreign, the emerging technologies / disruptive technologies, and subsequently reflect on the Political, Economic, Social, Technological, Legal, and Environmental (PESTLE) analysis (Nnamseh and Akpan, 2015).

Thus, the sustainability of SMEs should be measured and supported through performance. Such performance should be driven through key performance indicators and the Baldrige Performance Excellence or the BSC. In addition, the BSC supported the generic strategies relative to performance control towards the SMEs' sustainability (Zizlavsky, 2014). The literature argued that the SMEs lacked education in and awareness of competitive strategies, foreign competition, and government legislation (Agwa-Ejon and Mbohwa, 2015; Lekhanya, 2015; Chingwaru, 2014). This was the case since some of the SMEs did not expand their business beyond their immediate localities nor did they push for relaxation of government legislation where such was too restrictive.



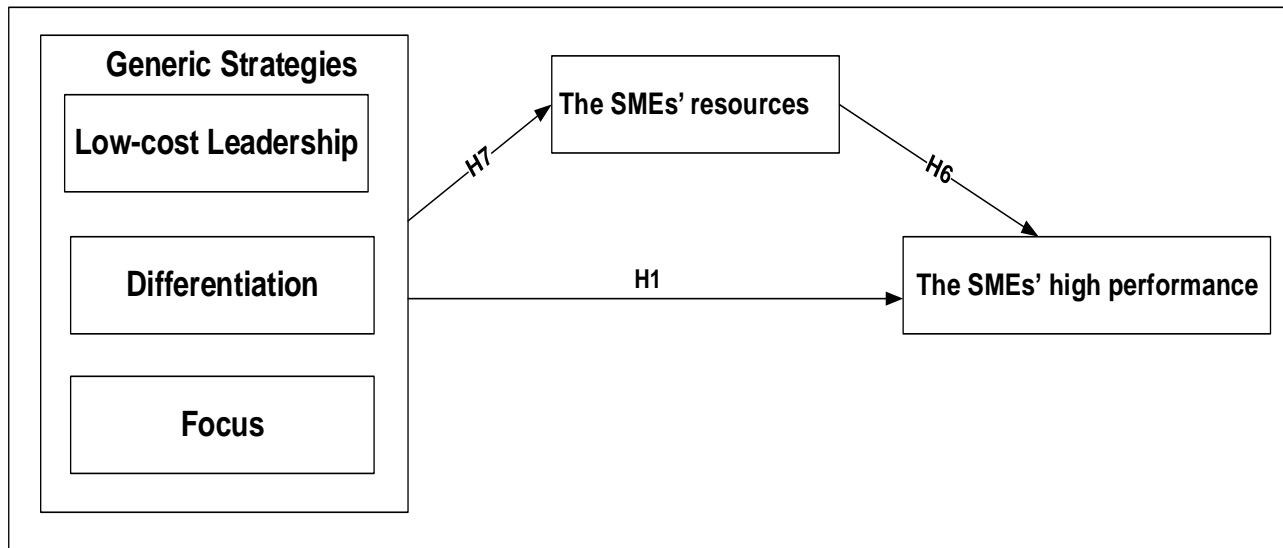
The study on the SMEs' sustainability and performance could not be possible without the PESTLE framework. Therefore, the very PESTLE analysis could be used as a strategic tool by the SMEs for sustainability (Rakesh, 2014). The argument in this instance was that if the SMEs could appreciate the politico-economic and socio-political dynamics surrounding the environments within which they operated they could be better equipped to deal with such dynamics in relation to sustainability.

### **2.5.2 Model development**

The current observation from the perspective of the propositions presented in the literature was that SMEs could be explored as a strategic tool for both the creation and sustenance of jobs on the one hand. On the other hand, SMEs could be explored strategically to boost economic growth in South Africa (Katua, 2014). The SMEs had a lot of potential from many perspectives that could be harnessed.

It then followed how did the SMEs' management team, or even government, go about using the SMEs to respond to the challenge of the creation and sustenance of jobs? By that means, boosting economic growth in South Africa (Ntiamoah, Opoku, and Abrokwah, 2014). All this had to be considered in the context of the potential the SMEs possessed. The issue of the lack of education and awareness was critical in this instance.

Based on the existing literature, the correlation between the generic strategies and the SMEs' high performance had not been studied extensively enough. Nevertheless, Herath and Rosli (2013) found out that the SMEs' high performance was a critical success factor for both developed and developing countries. Therefore, the study's conceptual framework sought to correlate the generic strategies and the SMEs' high performance as shown in Figure 2-3.



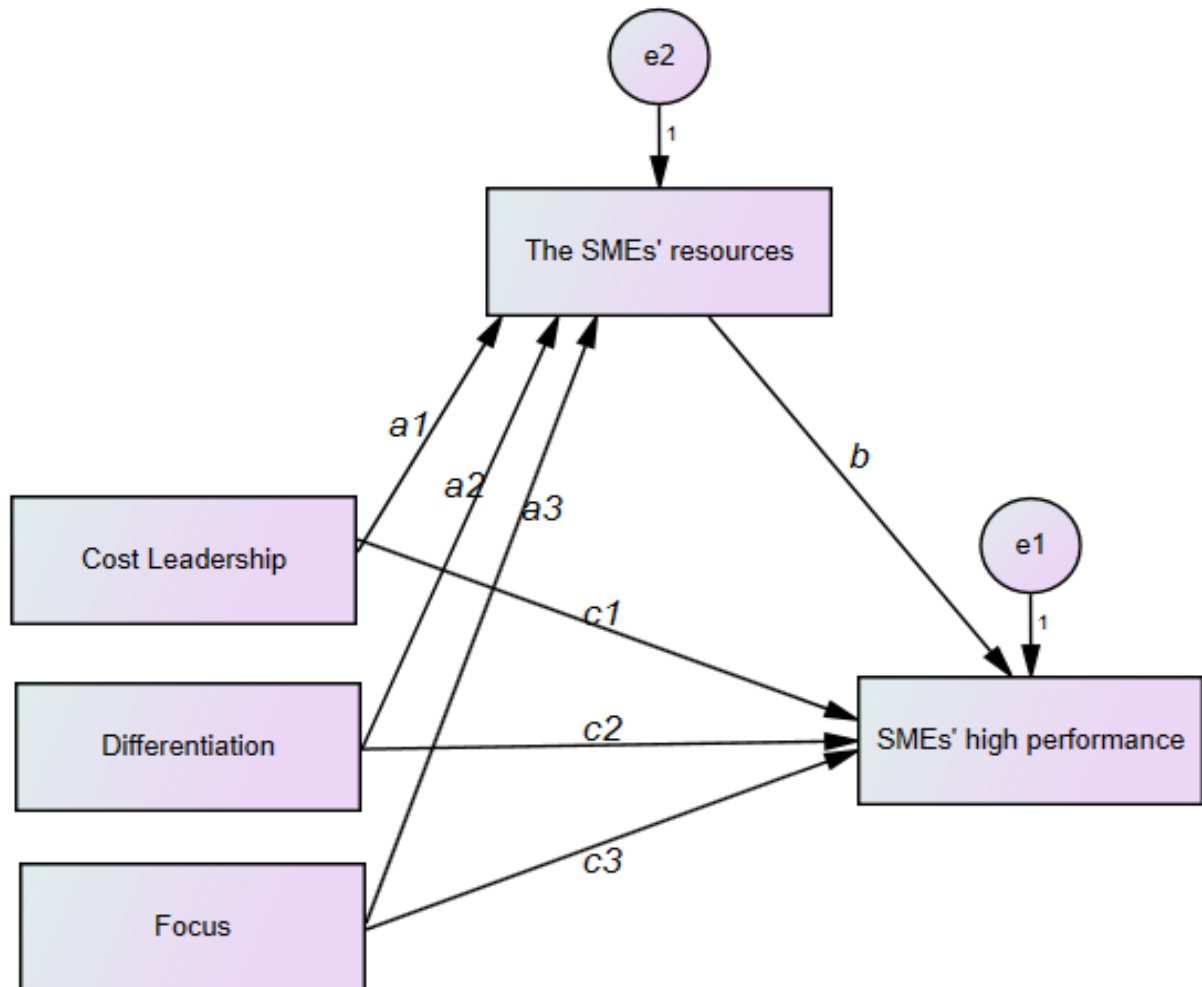
**Figure 2-3: Relationship between generic strategies and the SMEs' high performance**

Most importantly, the SMEs' resources played a key role in influencing high performance (Zeebaree and Siron, 2017). Hence the introduction of the mediating effect of the SMEs' resources in the conceptual model. For job sustenance to be achieved the SMEs had to be sustainable and perform better. In this case, the dependent variable for the SMEs to be sustainable and to create and sustain jobs should be the SMEs' high performance. The generic strategies should be the independent variables. The conceptual framework and the study's objectives led to the development of the study's hypotheses.

## **2.6 The moderating effect of the SMEs' resources**

The SMEs' resources had a mediating effect on the SMEs' high performance. The effect of the independent construct on the dependent construct should be mediated if the trend of the effect was to be conditional upon the mediating construct (Hayes and Preacher, 2014; Hayes, 2013). In the conceptual model, the SMEs' resources acted as the mediating construct on the independent construct, the competitive strategies, and the dependent construct, the SMEs' high performance. Hayes (2013) proposed that such analysis of the moderating effect should be conducted with the aid of the structural equation modelling (SEM). This was the approach the study intended to follow.

Figure 2-3 was the SEM model with the error terms for the moderating effect in relation to the analysis of the effect of the moderating construct on both the independent and dependent constructs. The model introduced therefore sought to coalesce both the mediation and moderation effect (Malouf et al., 2012) using the hypotheses.



**Figure 2-3: The SEM model for the simple moderating effect**

The simple linear moderation model indicated the indirect effect of the competitive strategies on the SMEs' high performance through the following indirect relationships,

The indirect effect of cost leadership onto the SMEs' high performance in terms of the SMEs' resources =  $a_1b$

The indirect effect of differentiation onto the SMEs' high performance in terms of the SMEs' resources =  $a_2b$

The indirect effect of focus onto the SMEs' high performance in terms of the SMEs' resources =  $a_3b$

As well as the

The direct effect of cost leadership onto the SMEs' high performance =  $c_1$

The direct effect of differentiation onto the SMEs' high performance =  $c_2$

The direct effect of focus onto the SMEs' high performance =  $c_3$

The exogenous construct, the SMEs' resources, affected the SMEs' high performance when the competitive strategies were taken individually in relation to influencing the SMEs' high performance. That is, the SMEs' resources were inclined to moderate the effect of the competitive strategies on the SMEs' high performance (Omsa et al., 2015). This effect has been hypothesized below in terms of the SMEs' resources directly influencing the SMEs' high performance.

## **2.7 The hypotheses**

Based on the conceptual model it was key to consider the relationships of the independent variables with the SMEs' high performance from a hypothesis perspective. On an overall basis, the study's empirical data sought to test if the independent variables had an effect on the SMEs' high performance. Therefore, it was viable to build the hypotheses per independent variable in relation to the SMEs' high performance.

Therefore, the following hypotheses were based on the study's conceptual model. The hypotheses testing, and subsequently the acceptance or rejection of each of them was determined in Chapter Four: Data Analysis and Results.

H<sub>1</sub> – the Tshwane-based SMEs were aware of the effect that the competitive strategies had on high performance.

H<sub>2</sub> – the competitive strategies collectively influenced the Tshwane-based SMEs' high performance.

H<sub>3</sub> – the focus strategy directly influenced the Tshwane-based SMEs' high performance.

H<sub>4</sub> – the cost leadership strategy directly influenced the Tshwane-based SMEs' high performance.

H<sub>5</sub> – the differentiation strategy directly influenced the Tshwane-based SMEs' high performance.

H<sub>6</sub> – the resources directly influenced the Tshwane-based SMEs' high performance.

H<sub>7</sub> – there was a direct relationship between the competitive strategies and the SMEs' resources.

## **2.8 Conclusion**

The overriding view of the Small and Medium Enterprises (SMEs) literature indicated that SMEs were yet to be explored as a strategic tool towards responding to both the creation and sustenance of jobs and subsequently jack up economic growth. The chapter proposed the competitive strategies as a point of departure for SMEs to consider towards achieving high performance which based on the empirical evidence should boost the growth and ultimate sustainability of SMEs.

The SMEs could be in a position to boost economic growth and create and sustain jobs once they were sustainable and growing themselves. An exploration of SMEs as a strategic tool could, therefore, study the generic effect that the competitive strategies had on achieving high performance for SMEs. This was therefore hypothesized as the awareness by the Tshwane-based SMEs of the effect that the competitive strategies had

on the SMEs' high performance. The chapter hypothesized about the generic influence of the competitive strategies, resources, and individual competitive strategies on the SMEs' high performance. The conceptual model proposed a relationship between competitive strategies and the SMEs' high performance (Maina and Willy, 2015).

From a financial performance perspective, the SMEs' owner-managers were required to view financial accountability in a serious light. Therefore, the separation of the individual money from the SMEs' money was both a good start and key to financial accountability. It was significant that financial information systems were put in place to help establish good financial performance and governance baselines. From a non-financial performance perspective, the SMEs ought to invest in strategic human capital and key technological systems that together should help the SMEs establish good performance in relation to the competition (Kaplan and Norton, 2008).

As far as competition was concerned, the SMEs had to capitalize on the competitive strategies such as the focus and differentiation strategies (Pelham, 2000). The position from the observed data was that the SMEs had to combine the competitive strategies for optimal results. As such, the adoption of a single competitive strategy was strongly discouraged particularly when growth and performance improvement were concerned.

The adoption of a singular type of competitive strategy could not work out since the SMEs' high performance and growth were to be complemented by various competitive strategies (El Sahn et al., 2013; Kotha and Swamidass, 2000). For instance, growth needed to be complemented with both differentiation and focus strategies in the sense that offering a different product line that was focused on a niche market was just what the SMEs needed to survive and grow.

However, the SMEs' literature was contradictory and thus counter-proposed that the competitive strategies could be applied individually in relation to boosting the SMEs' high performance (Omsa, Abdullah, and Jamali, 2017; Baroto, Abdullah, and Wan, 2012; Oyedijo, 2012). However, the authors noted that SMEs had to be large enough for them to successfully apply the competitive strategies individually and still manage to influence the

SMEs' high performance particularly in light of the argument by Porter (1980) that combining competitive strategies led to enterprises not being high performers. The study did not, however, focus on larger SMEs as indicated in the Methodology chapter.

The limitations of the generic strategies were introduced and argued. However, these limitations could not discount the power and effect of the generic strategies in the sense that every aspect of the business carried risks as such it was the duty of the business to plan for and manage the risks identified. From the literature review, it was argued that the choice of the competitive strategies influenced performance within the SMEs. As such, the SMEs unknowingly determined how performance was shaped over time.

An analysis of the extant literature on the theories about the SMEs' high performance and sustainability found out that the said theories had a lot in common. These theories were primarily based on Porter's generic strategies and the coalescence of the Resource-based View, and the Threats, Opportunities, Weaknesses, and Strengths analysis. This study, therefore, took a similar approach as the analysis was conducted with the view to presenting a strong theoretical basis for the study.

In line with the existing literature on the SMEs' sustainability and performance, this study gathered data based on the case study methods in a quantitative manner. Chapter 3 discussed the methodology used for the study. The actual questionnaire for collecting the raw data based on the methodology was presented in Appendix B.

## **CHAPTER 3 METHODOLOGY AND DESIGN**

### **3.1 Introduction**

The focus of Chapter 2 was the literature study in connection with the Small and Medium Enterprises (SMEs)' performance and sustainability.

Chapter 3 focuses on the methodology of the study. The methodology is essentially the blueprint of how the study will be conducted and what kind of data would be analysed going into Chapter 4. The study has been conducted in line with the case study methods since the researchers studied a population of 151 SMEs and used quantitative methods in terms of the data collection.

For data collection and sampling purposes, the stratified random sampling is used as informed by the initial part of the questionnaire. The initial part of the questionnaire is about the SMEs' demographics and these drew upon random sampling to divide up the population into various strata. Some data have been collected simply to ascertain the compliance and non-compliance of the respondents to the prescripts and confines of the questionnaire. The study has been about the SMEs' high performance as influenced by the generic strategies.

The stratified random sampling is part of the bigger picture namely the approach and methodology of the study. Figure 3-1 captures the whole study approach and methodology. This is a stepwise approach that effectively indicates factors such as the instrument used for data collection, the sampling frame, the actual sample for the study, the respondents, the data analysis, and the sampling method as using the stratified random sampling.

Chapter 3 unpacks each of the factors highlighted in Figure 3-1. The calculations for the study sample are based on the stratified random sampling formulas but the formulas have not been shown. The respondents come from each of the strata as determined in the initial part of the questionnaire in line with the case study methods. The significance of the study is based on the probability (p-value) that is less than .05 and a standard deviation that equals .05.



### **3.2 Research Philosophy and Paradigm**

According to Creswell (2014), there are four research philosophies namely, post-positivism, constructivism, transformative, and pragmatism. Each of these philosophies focuses on a particular aspect from the perspective of research studies. The post-positivist philosophy is about empirical data/measurement. This is also in line with the quantitative methods aimed at measuring the practical data. On the other hand, the qualitative methods are more in line with the constructivist philosophy which philosophy was about the social aspects of trying to find an understanding of the world (Mertens, 2010).

The transformative perspective, as the name suggests, is about linking research with the political factors which came into being as a result of researchers not being happy with the way the constructivist philosophy dealt with certain issues such as politics (Creswell, 2014). On the other hand, the pragmatic philosophy is more in line with mixed methods since this philosophy does not particularly subscribe to any given method.

This study employed the post-positivist philosophy in an endeavour to produce and analyse the empirical data (Creswell, 2014) to measure the effect that the competitive strategies might be having on the Small and Medium Enterprises' high performance. The post-positivist philosophy is further of the view that there has to be a considered observation of the numerical data and that the views expressed have to be decomposed into the hypotheses and the research questions. This study followed the same approach of breaking down the views into the hypotheses and the research questions.

### **3.3 Design and Methods**

In planning the study it was key to contrast the fundamental types of research design such as action-research, survey, causal, and case study in order to make for a good study that produced reliable and valid empirical data (Creswell, 2014). Given the setting of the study and the problem under investigation, it was important to note if the study could be

- Cyclic in which case the action-research design could have sufficed, or

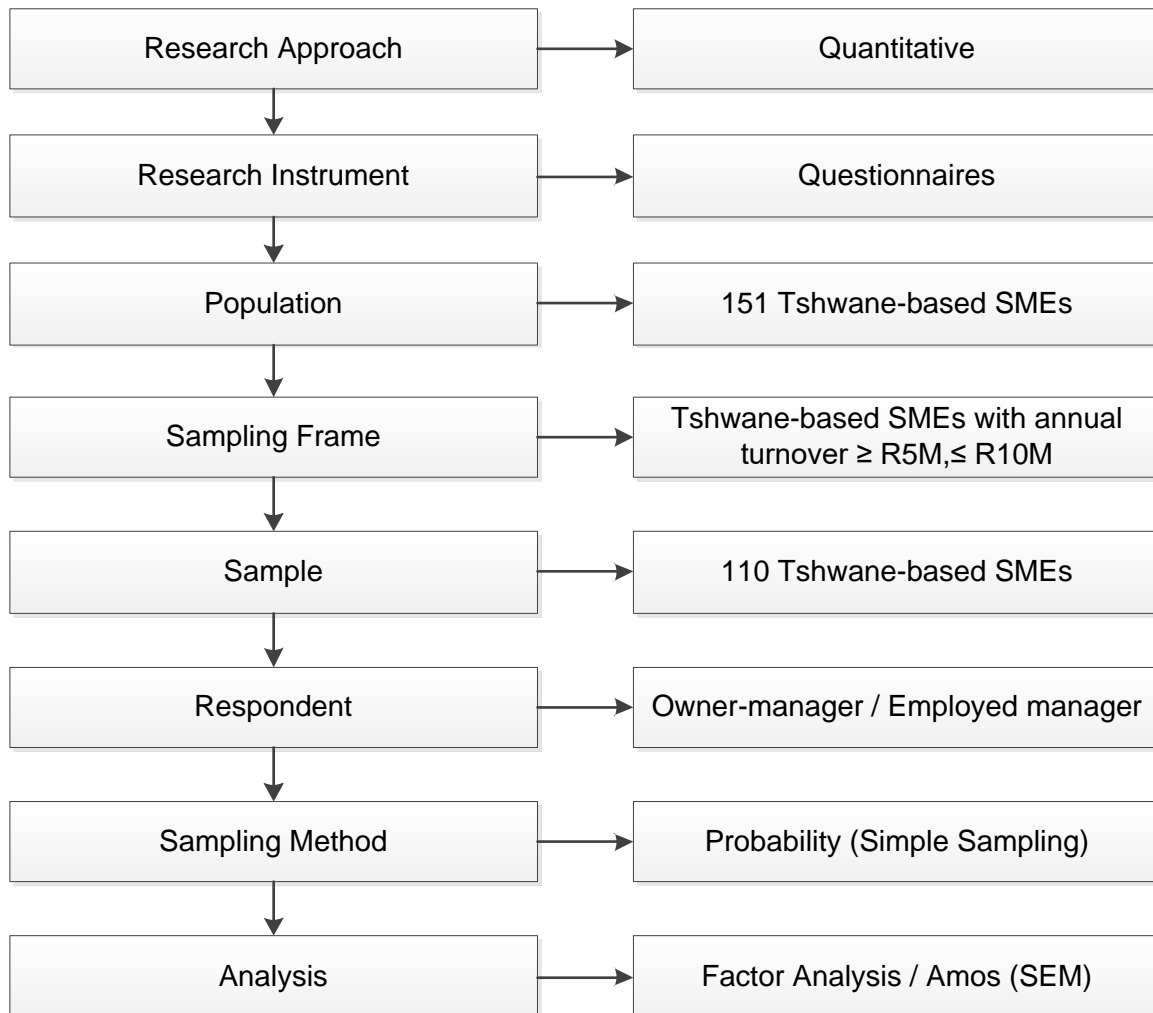
- A blanket survey based on collected statistics in which case the survey design could have sufficed, or
- Based on associating the empirical data to draw logical conclusions in which case the causal design could have sufficed, or
- Focused on a particular problem in which case the case study design could have sufficed.

The planning of the study leaned more towards the case study design in the sense that the study was focused on a particular problem rather than a blanket survey and used a population of over 100 cases. Therefore, the study as a whole was based on the case study methods in that the research questions were both descriptive and explanatory (Zucker, 2009; Yin, 1994).

The extant literature on the SMEs' sustainability and performance relied on both quantitative and qualitative methods for data collection (GEM, 2016; Bureau for Economic Research, 2015; OECD, 2015; StatsSA, 2015; Beck and Cull, 2014; Franklin et al., 2012; Campaniaris et al., 2011). However, it was significant to point out that the literature leaned more towards studying several SMEs together in the form of multiple case studies; as a result, relying on questionnaires for data collection. Further, the case study methods, using quantitative data collection methods, were applied since the results of the cases were meant to be generalizable to an even larger sample (CSU, 2016).

It was on this basis that this study had to employ case study methods based on a quantitative approach. Exactly 110 SMEs based in and around the City of Tshwane were sampled for the study. The data were collected homogeneously across all the sampled Tshwane-based SMEs since this was a probability study. At each sampled SME only the owner-managers and the employed managers were requested to respond to the questionnaire. The owner-managers and the employed managers at each sampled Tshwane-based SME were essentially similar and shared similar characteristics in the sense that all served in managerial positions at the SMEs (CSU, 2016) in line with the case study methods.

The approach and methodology for the study is highlighted in Figure 3-1. This is a graphical illustration of the steps followed to arrive at the data analysis stage.



**Figure 3-1: Approach and Methodology**

These SMEs were drawn from the database of Statistics South Africa. The population of the study was restricted to the SMEs whose annual turnover was between five (5) million and ten (10) million South African Rands ( $ZAR \geq 5M, \leq 10M$ ) at the time of conducting the study. According to SAICA (2013:7), the SMEs were inclined to begin making a significant contribution to the creation of jobs only beyond an annual revenue of ZAR 2M. The research instrument was therefore based on the questionnaires. Questionnaires are a reliable data collection tool on the strength that all the participants in the selected sample answered

similar questions (Creswell, 2014). The collected quantitative data were analysed in terms of the statistical procedure (factor analysis) (Karimimalayer and Anuar, 2012).

### **3.2.1 Respondents**

The respondents from the sampled Small and Medium Enterprises (SMEs) were the study participants. The respondents were restricted to the owner-managers and the employed managers, collectively referred to as the management team, at the sampled Tshwane-based SMEs (Zoysa and Herath, 2007; O'Regan et al., 2005). The specific selection of the management team was to make the study manageable by not involving a larger part of respondents per SME. On the other hand, the point was to collect the data homogeneously.

Furthermore, the point was for the study to arrive at the results that reflected the generic sense of the management mainly in terms of the challenges faced by the management of the SMEs. Overall, from a multiple-case study analysis the rationale was that the results from one case produced the results that were either alike or complementary to the next case for obvious reasons (Zucker, 2009).

Of particular importance, two fields were added to the first part of the questionnaire as relating to the demographics of the SMEs. The two fields were essentially added for quality control purposes to make sure that only the raw data as collected from the SMEs' management team (Stan and Nedelcu, 2015) were the ones considered and analysed.

### **3.2.2 Materials**

To conduct the study, the Survey Monkey was used to create and generate an online questionnaire. The Survey Monkey was an electronic tool for distributing the questionnaires online and this tool was quicker than the manual handout of the questionnaires (Oppenheim, 1992). The distribution of the questionnaires was done via an emailed link from the Survey Monkey website. The website's results dashboard was then checked out from time to time to monitor the progress of the responses.

### **3.2.3 Protocol for the study**

The protocol development for the case study methods followed a step-wise approach as postulated by Zucker (2009:6). Therefore, the protocol for the study consisted of,

- The main objective,
- Significance of the study,
- Research questions,
- Research design,
- Data collection (questionnaire),
- Description of the respondents/cases,
- Data analysis, and
- Generalizability.

### **3.2.4 The Research Questionnaire**

The actual research questionnaire has been captured in Appendix B of the study. Each part was decomposed into several aspects that were key to the data collection and the subsequent analysis of the collected data. As highlighted in the study, the questionnaire was online in nature, could only be completed online, and the raw data could be exported electronically into the Statistical Package for the Social Science (SPSS) software for analysis. This however limited the attributes of the sample as such would be acknowledged as a limitation in Chapter 6.

### **3.2.5 Procedure**

The statistical procedure was based on both correlation and factor analysis. The study investigated the correlation between high performance and competitive strategies. Therefore, the statistical procedure/factor analysis was effected through structural equation modelling (SEM). The SEM was a powerful research tool for analysing the construct relationships in management studies (Hair et al., 2012; Hair, Ringle, and Sarstedt, 2011).

### **3.4 The population**

The study population consisted of 151 SMEs based in and around the City of Tshwane (CoT). The population was limited to the SMEs that had an annual turnover of between five (5) million and ten (10) million South African Rands (ZAR  $\geq 5M$ ,  $\leq 10M$ ) at the time of conducting the study. The SMEs were inclined to begin making a significant contribution to the creation of jobs only beyond an annual revenue of ZAR 2M (SAICA, 2013:7). Given the higher number of the population, the research instrument was therefore based on the online questionnaires.

#### **3.4.1 The rationale of the SMEs within the City of Tshwane**

The focus of the data collection was on achieving high performance for the SMEs based within the CoT using competitive strategies. The theory of competitive strategies has been tested across different business areas from the perspective of improving performance and generating sustainable revenue streams. SMEs existed for different reasons. The key reasons, therefore, included the creation and sustenance of jobs (Chingwaru, 2014; Ntiamoah, Opoku, and Abrokwah, 2014) and boosting the gross domestic product (GPD) of the CoT as well as that of South Africa as a whole.

The choice of the SMEs based within the CoT was that the CoT was the administrative capital of the Republic of South Africa and the city contributed over 9% towards the national GDP (StatsSA, 2016). The key challenges faced by SMEs stemmed from performance and sustainability (OECD, 2015; Kristiansen, Furuholt, and Wahid, 2003). This, therefore, meant that poor performance was inclined to lead to sustainability challenges (Kristiansen, Furuholt, and Wahid, 2003). Further, as StatsSA (2016) found out, the basket of the SMEs' performance and sustainability issues within South Africa consisted of such dynamics as liquidations and insolvencies. Although StatsSA did not intend to help resolve these challenges, the study was aimed at highlighting these issues in light of performance improvement and competitive strategy.

Performance could be leveraged by the SMEs to drive their business and subsequently sustainability (Amir et al., 2014). The fact of the matter was that most SMEs

were already monitoring performance but how performance could be used to the advantage of the SMEs has been vague so far. To achieve high performance the SMEs' business experience in years might come in handy (Sulaiman, Noor, and Shehnaz, 2015; Zehir et al., 2015; Ahmad, 2005; Lee and Tsang, 2001). The SMEs' business experience in years was, for the most part, the collective managerial experience of the owner-managers and employed managers (Frese, Brantjes, and Hoorn, 2002; Pearson and Chatterjee, 2001). The attributes and managerial skills of the SMEs' owners were key to determining the vision and direction of the SMEs (Real, Roldan, and Leal, 2014).

The South African (SA) economic growth rate for 2016 was standing at a meagre 0.6% (IMF, 2016; StatsSA, 2016; Trading Economics, 2016). This was a significant drop given that in 2015 the SA economy grew by 1.3% though this was a drop from a 1.5% growth rate in 2014. Besides the political issues, there was also a challenge of the SMEs failing in relation to sustainability which according to StatsSA (2016) was recorded as liquidations and insolvencies.

The SMEs represent about 17% of employment in South Africa (OECD, 2015; Criscuolo, et al., 2014). The government regulation stifled the growth and ultimately the sustainability of the SMEs. On the face of the government legislation, the avenues available to the SMEs concerning boosting sustainability were, therefore, the competitive strategies and performance management.

Thus, the SMEs' sustainability and growth relied on achieving high performance (Kelley et al., 2015; Ntiamoah, Opoku, and Abrokwah, 2014). Pouliakas and Theodossiou (2012) postulated a simple and straightforward solution to achieving high performance in the form of offering incentives to the employed managers. In contrast, a good deal of the SME performance literature pointed to competitive strategies and the SMEs' resources (Andersen and Samuelsson, 2016; Al-Ansaari et al., 2015; Garg and De, 2014; Wales et al., 2013; Porter, 1980).

### **3.4.2 Data collection and the data collection tool**

The sample size was expected to be fairly large based on the .05 risk or margin of error that was allowed. Consequently, the warranted data collection method was a structured questionnaire (Oppenheim, 1992). The online data collection tool, Survey Monkey was used to collect the data. A link with the questionnaire was emailed to the sampling frame.

The structured questionnaire was therefore used for collecting the quantitative data from the owner-managers and the employed managers at each sampled Tshwane-based Small and Medium Enterprise (SME) using the online tool, the Survey Monkey. It was significant to ensure that the signed consent forms were electronically filed and the sampling frame was sensitized to the purpose and rationale of the study (Monash University, 2012).

### **3.4.3 Limitation of using SMEs with access to Survey Monkey**

The sample only included those SMEs that had access to the Survey Monkey. The SMEs were contacted via email and telephony before distributing the questionnaire requesting their participation in the study. Some of the SMEs that responded and agreed to participate in the data collection proposed digitized and online participation as filling out the paperwork was going to be tedious for them given their busy schedules. Some of the SMEs did not reply to the email communication sent to them requesting participation in the study.

The original intention was to use both emails and the Survey Monkey for data collection. With the few email responses received for participation purposes, it was, therefore, a safe bet to only rely on the Survey Monkey for data collection. This further implied that some of the SMEs were not yet ready to fully embrace technology. As such, the study was quite applicable to them despite their non-participation. All the same, it should be noted that this factor limited the characteristics of the sample to a good degree. This limitation also missed out on the input by those SMEs that did not have access to technology or failed to embrace technology.



#### **3.4.4 Data analysis**

Most of the literature that studied the relationship between the competitive strategies and the SMEs' performance coupled the SEM with factor analysis, analysis of variance (ANOVA), cluster analysis, or PLS. In line with Hayes (2013), the SEM was the best bet for better investigating the moderating effect. The SEM was a powerful tool for analysing the construct relationships especially in management studies (Hair et al., 2012; Hair, Ringle, and Sarstedt, 2011). By the same token, this study investigated the relationship between competitive strategies and the SMEs' performance. The study also had hypotheses and looked at the moderating effect of the resources on the SMEs' high performance.

Hence, the study's data analysis was based on the Analysis of MOment Structures (AMOS) / Structural Equation Modelling (SEM). The SEM was used to investigate the effect that the generic strategies had on the SMEs' performance (Hair, Ringle, and Sarstedt, 2011). Through factor analysis (FA) the validity was established (Creswell, 2014) and the correlations between the SMEs' high performance and the generic strategies were investigated. For a model fitting the raw data, the  $\chi^2$  is not significant since the p-value > .05.

#### **3.4.5 The Structural Equation Model and other QUAN data analysis programs**

In line with Mueller and Hancock (2007: 489), the SEM served as a statistical tool making provision for several stages such as 'model conceptualization, parameter identification and estimation, model fit assessment, and model modification'. The SEM was preferred over other quantitative data analysis tools such as R and Matrix Laboratory (MATLAB) because of its short learning curve and its applicability when in relation to manipulating the mediating variables in the model. The SEM had many things in common with other quantitative statistical procedures within the SPSS family such as the ANOVA, multiple regression, and the correlation (Weston, 2006). Some of these procedures were applied in this study's data analysis. The issue with R and MATLAB was that these packages had a long and steep learning curve due to their use of mainly syntax (code) and had no Graphical User Interface (GUI) menus for non-statistical users to apply with ease.

For instance, R required multiple packages to be loaded on the computer to be used for analysis. Loading the datasets onto the R package was somehow involved which required the user to verify all the packages loaded onto R. On the other hand, the SEM had an option of either GUI menus or the syntax. Granted, R has been growing as one of the Open Source statistical programs gaining wider use within the predictive and big data analytics space. Moreover, the application of either R or MATLAB to the study data analysis was not suitable since the study did not deal with predictive or big data analytics.

According to Weston (2006), the SEM brought path analysis and factor into one making it easy to work with the model parsimonies and analyse the most parsimonious models. This has been the strong point of the SEM especially in relation to other quantitative data analysis tools such as R. The study applied the SEM with the AMOS as an additional quantitative data analysis program. The AMOS was preferred over other packages such as R especially for its usability in terms of the model modification exercises.

### **3.5 The sample**

The CoT is the administrative capital of the Republic of South Africa. Based on the study by the StatsSA (2015), the CoT had a population size of nearly 3 million and an unemployment rate of just over 24%. The CoT contributed about 27% to the Gauteng Province Gross Domestic Product (GDP) and about 9% to the national GDP (StatsSA, 2016).

Thus, it was imperative for SMEs within the CoT to be sustainable and contribute to poverty reduction (Okpara, 2011). The study population was the Tshwane-based SMEs with an annual turnover of between five (5) million and ten (10) million South African Rands (ZAR). The study population was limited to those SMEs who had access to technology since an online questionnaire was used for data collection. The sample size was calculated based on the statistical formulae as postulated by StatsToDo (2016) and Eng (2003). From the literature the sample size was determined based on the:

- Population size – since the population size was known to be 151, probability sampling was used (Figure 3-1 (Saunders et al., 2009)).

- The study respondents as referred to above consisted of the owner-managers and the employed managers, together referred to as the management team.
  - At each sampled Tshwane-based SME the management team had an equal probability of being included in the study.
  - The specific choice of the management team was to make the study manageable by not involving a larger part of the respondents per SME. Further, the point was to limit the scope of the respondents per SME.
- Confidence level – a .95 confidence was used for the results to be valid and rigid.
  - The margin of error (confidence interval) – the minimum allowable error for the study was .05 for the study results to be valid and repeatable (Cumming, 2014; Moinester and Gottfried, 2014).
  - Standard deviation – was based on .05 which was a safe bet in a scholarly research data collection.

### **3.6 Stratified Random Sampling**

About the stratified random sampling technique, the population size, and the sample for the strata were known. According to Creswell (2014), for the population to be stratified the population attributes had to be known beforehand. This method of sampling offered accurate representativeness and less bias for the selection of the sample. Stratified random sampling was based on the technique of splitting up different groups of the research population into the strata in keeping with the attributes that were common amongst those groups.

Therefore, in line with the stratified random sampling, the population  $N$  was divided into  $m$  groups or strata.

### **3.7 Reliability and Validity**

The reliability of the study had to be effected through Cronbach's Alpha ( $\alpha$ ) at a value that is greater than .7 (Hair, 2012; Creswell, 2014). The reliability essentially addressed the

case of the repeatability of the results based on the Alpha coefficient (Terry and Kelley, 2012). Based on the statistical literature, Cronbach's Alpha offers a high estimate for reliability (Hair, 2012; Creswell, 2014).

The statistical conclusion validity was effected through the structural equation's Kaiser-Meyer-Olkin (KMO) measure. The model fitness was thus determined with the aid of the SEM's RMSEA, TLI, and CMIN. For the model fitting the raw data the RMSEA value was be expected to be less than .08 (Iacobucci, 2010; Schreiber et al., 2006).

### **3.8 Conclusion**

The focus of Chapter 3 was the design and methods of the study wherein the approach and methodology were discussed. The data collection method was introduced and discussed. For this study, the questionnaire has been used as the data collection tool. Most quantitative studies were guided by the hypotheses as such this study, too has not been an exception. Since this study was based on case study methods the stratified sampling method was the best bet for sampling purposes. The overall data analysis and results will be effected through the Chi-Square, probability value, standard deviation, and the mean. The reliability will be tested in terms of the Alpha coefficient. The validity will be tested in terms of the KMO.

# CHAPTER 4 DATA ANALYSIS AND RESULTS

## 4.1 Introduction

This chapter focused on the data analysis and the reporting of the results. The chapter had four main areas of focus namely the discussion of the results based on the descriptive statistics, the mean and standard deviation summary, factor analysis (FA) covering the Principal Component Analysis, and the rotated loadings (factor loadings), and the Structural Equation Modelling (SEM). The SEM has been effected with the aid of the Analysis of MOment Structures (AMOS).

The descriptive statistics consisted of five parts and formed part of Appendix B. Therefore, the first focus area was the mean and standard deviation while the third and fourth focus areas were the FA and the AMOS / SEM. The analysis for these focus areas has been effected with the aid of the SPSS and the AMOS. The study sought to find if the FA becomes significant thereby achieving a model fit. The last two focus areas individually and collectively sought to ascertain whether the probability value was significant in which case  $p < .05$  or not significant in which case  $p > .05$ .

Based on the AMOS, the Chi-Square ( $\chi^2$ ) was mostly reported as CMIN. The CMIN sought to prove either the goodness of fit index or badness of fit index for the default model (good fit), saturated model (ideal fit), and the independence model (bad fit). The model with fewer constructs or rather a more parsimonious model was analysed to establish what went into achieving the SMEs' high performance.

## 4.2 Mean and standard deviation summary

Table 4-1 served to illustrate the summary of the data distributions for the SMEs' high performance concerning the five independent constructs. It was, therefore, important to note that the standard deviation fell within the range of  $\pm 1$  which indicated a normal distribution. This was also an indication that the data points fell nearer to the mean values (68% range) of the sampled data.

**Table 4-1: Summary: mean and standard deviation for SME high performance**

		Resources	Focus	Differentiation	Cost Leadership	Competitive Strategies
N	Valid	110	110	110	110	110
	Missing	0	0	0	0	0
Mean		3.4857	3.9571	3.6286	3.6714	3.6286
Std. Deviation		1.23644	1.16016	1.24145	1.21251	1.20592

### 4.3 The Factor Analysis

With the aid of the Analysis of MOment Structures (AMOS), the factor analysis (FA) had been effected as a validation tool for the fitness of the model and to appreciate the correlations amongst the different constructs. Most of the factor analyses were effected through the Principal Component Analysis (PCA). That is, the rotated loadings (factor loadings), variance, component matrices, communalities, etc. were all extracted through the PCA.

The Kaiser-Meyer-Olkin and the resultant Bartlett's Test of Sphericity were used as a basis for the FA. The purpose here was to establish a model fit with the aid of the FA and present the loadings and rotations of the model in order to either accept or reject some of the proposed hypotheses. As a natural way of effecting the FA, it was imperative to start with the correlations and the loadings followed afterward. For most of the analysis the strategy as a construct had to be removed in order to effect the model adjustments.

#### 4.4.1 The correlations

Table 4-2 served to indicate the model correlations for the six constructs namely, the SMEs' high performance, resources, focus, differentiation, cost leadership, and competitive strategies as applied together. The table indicated the Pearson correlation significance at both .01 and .05 levels (2-tailed) for the different constructs. This was good as the constructs were significant and did not need any model adjustment for them to be useful in the study.

**Table 4-2: The correlations**

Correlations							
		SMEs' High Performance	Resources	Focus	Differentiation	Cost Leadership	Competitive Strategies
SMEs' High Performance	Pearson Correlation	1					
	Sig. (2-tailed)						
	N	110					
Resources	Pearson Correlation	.046	1				
	Sig. (2-tailed)	.707					
	N	110	110				
Focus	Pearson Correlation	-.033	.348**	1			
	Sig. (2-tailed)	.786	.003				
	N	110	110	110			
Differentiation	Pearson Correlation	-.075	.327**	.331**	1		
	Sig. (2-tailed)	.537	.006	.005			
	N	110	110	110	110		
Cost Leadership	Pearson Correlation	.051	.166	.247*	.322**	1	
	Sig. (2-tailed)	.676	.170	.039	.007		
	N	110	110	110	110	110	

Competitive Strategies	Pearson Correlation	-.022	.074	.237*	.226	.163	1
	Sig. (2-tailed)	.856	.542	.048	.060	.177	
	N	110	110	110	110	110	110
**. Correlation is significant at the 0.01 level (2-tailed).							
*. Correlation is significant at the 0.05 level (2-tailed).							

#### 4.4.2 The Principal Component Analysis and factor loadings

The purpose of the Principal Component Analysis (PCA) was dimension reduction. This, therefore, meant that the PCA served to reduce a greater set of variables into a smaller set of factors or principal components that might be unrelated. Thus, in line with the purpose of the PCA Table 4-39 indicated the component loadings/factor loadings on the five constructs with strategy removed from the analysis based on the Kaiser Normalization for the model.

Since the analysis for the factor loadings was computed using PCA the loadings were captured as the component loadings. As expected, the rotated component loadings for all the constructs were higher than .5 except for the collective competitive strategies which approached .5 and the SMEs' high performance which was below .5 since this was the dependent variable. In line with Kline (2015) factor loadings of above .5 were considered high, factor loadings between .3 and .5 were considered moderate, and the factor loadings below .3 were usually disregarded.

**Table 4-39: Rotated Component Loadings**

Rotated Component Matrix		
	Component	
	1	2
Resources	.630	.190



Focus	.711	-.072
Differentiation	.726	-.154
Cost Leadership	.598	.131
Competitive Strategies	.461	-.259
SMEs' High Performance	.027	.943
Extraction Method: Principal Component Analysis.		
Rotation Method: Varimax with Kaiser Normalization.		
a. Rotation converged in 3 iterations.		

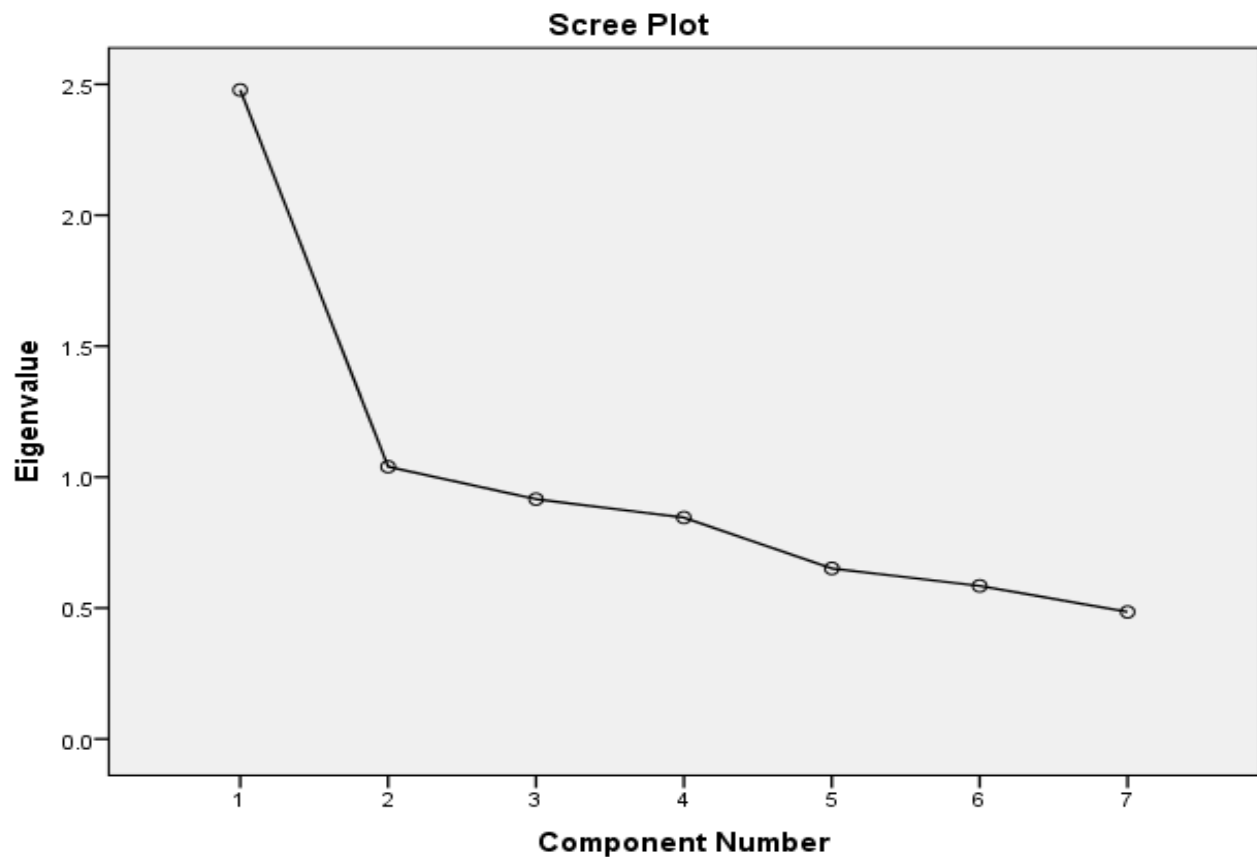
Table 4-3 indicated the total variance of 35.455% in the data (factor model) for the five constructs with strategy taken out of the analysis. The total variance was acceptable for the factor analysis which was below 50%. The Eigenvalues were normal at greater than 1 hence the PCA showed no variance percentage for Eigenvalues less than 1.

**Table 4-3: Total Variance**

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	2.005	33.410	33.410	2.005	33.410	33.410	2.001	33.350	33.350
2	1.035	17.254	50.664	1.035	17.254	50.664	1.039	17.314	50.664
3	.929	15.486	66.150						
4	.820	13.664	79.814						

5	.648	10.803	90.618						
6	.563	9.382	100.000						
Extraction Method: Principal Component Analysis.									

Figure 4-1 indicated the Scree Plot for the five constructs (competitive strategies, resources, focus, differentiation, and cost leadership). The figure indicated a deviation from the third component number. The Eigenvalues were decremented by a factor of one half (.5) from a peak of 2.5 Eigenvalue.



**Figure 4-1: Scree Plot**

#### 4.4.3 Reliability

Based on the literature, the Alpha coefficient was acceptable at values equal to or more than .7 (Eisinga, Te Grotenhuis, and Pelzer, 2013). Despite this, Hair et al. (2012)

argued that in studies that were exploratory in nature the Alpha coefficient was acceptable at a value that tended to .6. The overall internal consistency of the study equalled .725. Therefore, Table 4-4 illustrated the Reliability Statistics for seven constructs namely, resources, focus strategy, differentiation strategy, cost leadership strategy, funding, SMEs' profile, and competitive strategies.

**Table 4-4: Reliability Statistics**

<b>Reliability Statistics</b>	
Cronbach's Alpha	Number of Items
.725	7

Table 4-5 indicated the Alpha coefficients for each of the seven constructs. In line with Hair et al. (2012) Alpha coefficient values that approached .6 were acceptable. The coefficient of Alpha for the last 3 constructs in Table 4-5 approached .7 which was still good as the values above .6.

**Table 4-5: Internal consistency statistics**

<b>Item-Total Statistics</b>				
Construct	Number of items	Cronbach's Alpha values	Corrected Items	Cronbach's Alpha if Item Deleted
SMEs' Profile	5	.715	None	.715
Resources	8	.713	None	.713
Competitive Strategies	8	.705	None	.705
Cost Leadership	4	.711	None	.711
Differentiation	5	.669	None	.669
Funding	7	.657	None	.657
Focus	8	.678	None	.678

The confidence interval (CI) for the study was .95 with a margin of error set at .05. Therefore, Table 4-6 indicated that the data plots approached the mean values since the standard deviation was 1.

**Table 4-6: Mean and Standard Deviation**

<b>Item Statistics</b>			
	Mean	Standard Deviation	N
SMEs' Profile	4.2714	1.35048	110
Resources	3.4857	1.23644	110
Focus	3.9571	1.16016	110
Differentiation	3.6286	1.24145	110
Cost Leadership	3.6714	1.21251	110
Funding	3.6714	1.21251	110
Competitive strategies	3.6286	1.20592	110

The summary of the mean and standard deviation has been shown in Table 4-6. This also covered the discussion of the interpretation and implication of the values of the analysis results.

#### **4.4.4 Validity**

Table 4-7 indicated that the Kaiser-Meyer-Olkin (KMO) measure for the sampling adequacy was .753 with an approximate Chi-Square that equalled 65.744. The KMO measure greater than .53 was considered acceptable and above the threshold in line with Kaiser (1974). The corresponding Bartlett's Test of Sphericity was significant at .000. That is, the level of significance for Bartlett's Test of Sphericity was less than .05.

**Table 4-7: Kaiser-Meyer-Olkin and Bartlett's Test**

<b>KMO and Bartlett's Test</b>	
Kaiser-Meyer-Olkin Measure of Sampling Adequacy.	.753

Bartlett's Test of Sphericity	Approximate Chi-Square	65.744
	Df.	21
	Sig.	.000

Table 4-8 indicated the communalities for the five constructs. As expected, the extraction for the communalities approached 1 or was below 1 which indicated a good fit. Thus, the extraction method was based on the Principal Component Analysis.

**Table 4-8: Communalities**

Communalities		
	Initial	Extraction
SMEs' Profile	1.000	.280
Resources	1.000	.393
Focus	1.000	.489
Differentiation	1.000	.551
Cost Leadership	1.000	.368
Competitive Strategies	1.000	.279
SMEs' High Performance	1.000	.916
Extraction Method: Principal Component Analysis.		

#### 4.4.5 Skewness and Kurtosis

Table 4-9 indicated the asymmetry of the data where the minimum and maximum levels of Skewness ranged from -.936 to .875. By the same token, the table also indicated the distribution normality of the data where the minimum and maximum levels for the Kurtosis ranged from -.855 to .073. These statistics fell within the acceptable ranges for both Skewness ( $\pm 2$ ) and Kurtosis ( $\pm 2$ ) in line with the literature (Kline, 2015).

**Table 4-9: Skewness and Kurtosis**

Item	N	Mean	Std. Deviation	Skewness		Kurtosis	
	Statistic	Statistic	Statistic	Statistic	Std. Error	Statistic	Std. Error
SMEs' Profile	110	1.8000	.89648	.875	.230	-.131	.457
SMEs' Performance	110	2.8909	.89181	-.415	.230	-.570	.457
Resources	110	3.4818	1.23950	-.546	.230	-.668	.457
Focus	110	3.9364	1.15160	-.938	.230	-.073	.457
Differentiation	110	3.6455	1.15406	-.436	.230	-.756	.457
Cost Leadership	110	3.6273	1.20289	-.435	.230	-.738	.457
Funding Resources	110	3.5545	1.14609	-.434	.230	-.671	.457
Competitive Strategies	110	3.5091	1.22471	-.357	.230	-.855	.457
Valid N (listwise)	110						

The table further indicated the corresponding mean and standard deviation values as confirmation that the data plots fell within a 68% range of the mean values. That is, the observed data fell nearer the  $\pm 1$  range.

#### 4.4 Structural Equation Modelling

The structural equation modelling (SEM) was employed to effect the multiple regressions for the SMEs' performance in relation to the different constructs. The structural model was a key analysis tool particularly in the management studies (Hair et al., 2012; Hair, Ringle, and Sarstedt, 2011). The maximum likelihood and the estimates of the standardized regression were tested with the aid of the SEM. But first off, the model fit was effected from the Chi-Square and probability perspectives.

##### 4.5.1 Model fit statistics

In general terms, at least four fit indexes should be reported on particularly about the model fit. The four fit indexes for model fitness were normally the Chi-Square ( $\chi^2$ ), the Comparative Fit Index (CFI), Goodness Fit Index (GFI), and the Root Mean Square Error of Approximation (RMSEA). For a model fitting the raw data, the  $\chi^2$  should not be significant since the p-value  $> .05$ , the RMSEA  $< .08$ , the CFI  $\geq .95$ , GFI  $> .90$ , and RMR  $< .08$ .

(Iacobucci, 2010). Based on the literature on the SEM reporting the value shown in Table 4-47 for CMIN/DF is not conforming to the absolute values (Schreiber et al., 2006). That is,  $CMIN/DF < 2$  for a model fitting the data.

Table 4-10 showed the  $\chi^2$  values for the models. Since the analysis was done in AMOS, the  $\chi^2$  was indicated as the minimum discrepancy (CMIN). For the default model, the probability value was significant at less than .05 as such the  $\chi^2$  made the model a bad fit. Furthermore, the CMIN indicated for the model did not approach its corresponding degree of freedom which was non-normal for a perfect fit. Table 4-10 also indicated the measured values for the Goodness of Fit Index (GFI) and Root Mean Square Residual (RMR). These measured values were contradictory for a perfect fit.

**Table 4-10: CMIN ( $\chi^2$ )**

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	15	19.002	6	.004	3.167
Saturated model	21	.000	0		
Independence model	6	37.962	15	.002	2.531
Absolute values	$NPAR \geq .95$	$CMIN > .0$	$DF \geq .95$	$P \geq .05$	$CMIN/DF < 2$
Model	RMR	GFI	AGFI	PGFI	
Default model	.198	.926	.740	.264	
Saturated model	.000	1.000			
Independence model	.259	.815	.741	.582	

Table 4-11 indicated the baseline comparisons for the measured (empirical) values of the default structural model as compared to the absolute values. There was a bad fit for the model since the measured value of the default model was below .95 which meant the CFI

< .95 and the table also indicated bad fit values for the NFI and RFI at .499 and -.251 respectively.

**Table 4-11: Baseline Comparisons for the different Fit Indexes**

Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	.499	-.251	.593	-.416	.434
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000
Absolute values	NFI $\geq$ .95	RFI $\geq$ .95	IFI $\geq$ .95	TLI $\geq$ .95 /0>TLI>1	CFI $\geq$ .95

Table 4-12 indicated that the PNFI and PCFI were smaller than the NFI and CFI of the model as indicated in Table 4-11. This was for conformance purposes.

**Table 4-12: Parsimony-Adjusted Measures**

Model	PRATIO	PNFI	PCFI
Default model	.400	.200	.174
Saturated model	.000	.000	.000
Independence model	1.000	.000	.000

Where the absolute values were: Parsimony Ratio (PRATIO) = Df. of the default model divided by the Df. of the independence model; Parsimony-Adjusted Normed Fit Index (PNFI) was normally very sensitive to the model fit. Parsimony-Adjusted Comparative Fit Index (PCFI) was normally sensitive to the model fit.

Table 4-13 indicated the non-centrality parameter (NCP) for the model at a .9 confidence interval and the FMIN values.



**Table 4-13: NCP and FMIN**

Model	NCP	LO 90	HI 90
Default model	13.002	3.447	30.142
Saturated model	.000	.000	.000
Independence model	22.962	8.511	45.084

Model	FMIN	F0	LO 90	HI 90
Default model	.275	.188	.050	.437
Saturated model	.000	.000	.000	.000
Independence model	.550	.333	.123	.653

Table 4-14 indicated that there was a bad fit for the default model in this connection since the RMSEA value for the default model was greater than .08 and was significant at .012. This, therefore, indicated a badness of fit. This was in line with the literature since the hypothesis test could be rejected when  $p < .05$ . There was usually a strong case to reject the hypothesis based on the RMSEA for the model that was above .08 (Schreiber et al., 2006).

**Table 4-14: RMSEA goodness of fit**

Model	RMSEA	LO 90	HI 90	PCLOSE
Default model	.177	.091	.270	.012
Independence model	.149	.091	.209	.005
Absolute values	RMSEA < .06 to < .08			PCLOSE = .05

Table 4-15 indicated that the goodness of fit measure for the Akaike Information Criterion (AIC) was smaller for the default model.

**Table 4-15: AIC goodness of fit measure**

Model	AIC	BCC	BIC	CAIC
Default model	49.002	52.389	82.729	97.729
Saturated model	42.000	46.742	89.218	110.218
Independence model	49.962	51.317	63.453	69.453

Where the absolute values for the Akaike Information Criterion (AIC), Browne-Cudeck Criterion (BCC), Bayes Information Criterion (BIC), and Consistent AIC (CAIC) all had to be smaller for the default model to fit the raw data (Schreiber et al., 2006).

Table 4-16 showed the values for the expected cross-validation index (ECVI) for both the default and the independence model. The MECVI values were shown in the table as well as a quotient of BCC/N.

**Table 4-16: ECVI**

Model	ECVI	LO 90	HI 90	MECVI
Default model	.710	.572	.959	.759
Saturated model	.609	.609	.609	.677
Independence model	.724	.515	1.045	.744

Table 4-17 indicated the Hoelter. The Hoelter indicated the levels of significance at .05 and .01. There was a bad fit for the data since the output for the Hoelter in the default model was less than 200.

**Table 4-17: HOELTER**

Model	HOELTER	HOELTER
	.05	.01

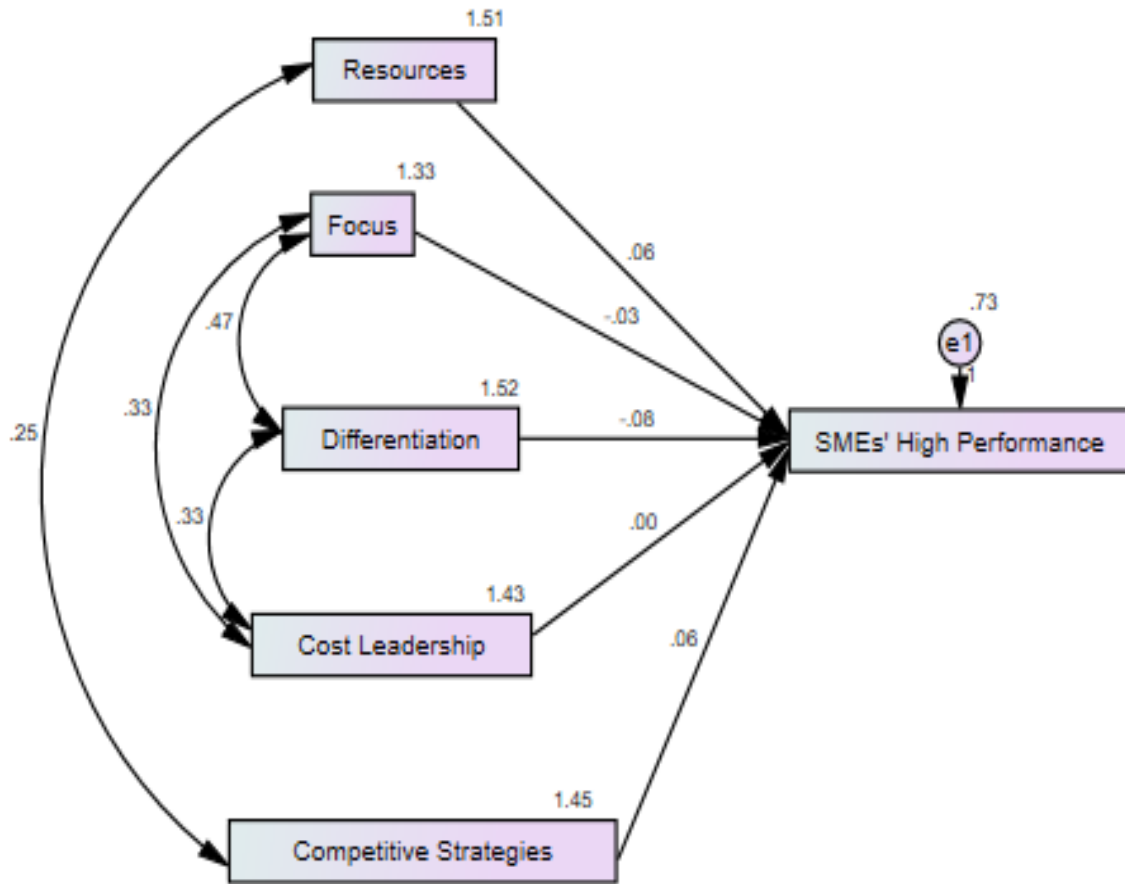
Default	46	62
Independence model	46	56

Table 4-18 indicated the bootstrapping (non-continuous data) for the data. Table 4-55 showed that the bootstrapping was significant at .000. That is, p-value < .05 which indicated a poor fit for the model.

**Table 4-18: Bootstrap (non-continuous data)**

Minimization:	.009
Miscellaneous:	.114
Bootstrap:	.000
Total:	.123

Figure 4-2 indicated the path diagram for the model with the standardized estimates. The multiple regression model as shown in Figure 4-2 presumed the correlations amongst the different independent variables as shown by the bi-directional arrows. The model was employed to predict the awareness by the SMEs of the effect that the competitive strategies had on the SMEs' high performance.



**Figure 4-2: The path diagram for the SMEs' high performance**

The latent variable had also been shown on the regression analysis. This was the residual error which was fixed at a loading of 1. With co-variances employed for the model, the residual errors could not be introduced for the endogenous (independent) constructs.

Figure 4-2 further indicated that when the competitive strategies were applied collectively they influenced the SMEs' high performance. This result was in line with Pulaj, Kume, and Cipi (2015). The analysed data also indicated that the resources influenced the SMEs' high performance from a moderating perspective.

### 4.5.2 The multiple regressions

Table 4-19.1 indicated the regression weights for Part4\_A through Part4\_E in terms of Part2\_E of the study. As indicated in the table, all the factors were insignificant, that is,  $p > .05$ .

**Table 4-19.1: Regression Weights**

	Estimate	S.E.	C.R.	P	Label
Part2_E ⇐ Part4_A	.179	.113	1.586	.113	par_10
Part2_E ⇐ Part4_B	.110	.091	1.211	.226	par_11
Part2_E ⇐ Part4_C	-.017	.101	-.167	.867	par_12
Part2_E ⇐ Part4_D	-.031	.094	-.333	.739	par_13
Part2_E ⇐ Part4_E	-.053	.090	-.587	.558	par_14

Table 4-19.2 indicates the standardized regression weights. The table indicated that Part4\_A, Part4\_B, Part4\_C, Part4\_D, and Part4\_E were all factors of Part2\_E. That is, resources, focus, differentiation, cost leadership, and competitive strategies when applied as a unit were all the factors of the SMEs' high performance.

**Table 4-19.2: Standardized Regression Weights**

	Estimate
Part2_E ⇐ Part4_A	.192
Part2_E ⇐ Part4_B	.155
Part2_E ⇐ Part4_C	-.021
Part2_E ⇐ Part4_D	-.041

	Estimate
Part2_E ⇐ Part4_E	-.069

Table 4-19.3 indicated the regression weights for part 4 of the questionnaire. The table indicated that Part4\_A, Part4\_B, Part4\_C, Part4\_D, and Part4\_E were all significant. That is,  $p < .05$ . This then meant that there was a poor fit for the model. Part 4 focused on the awareness by the SMEs of the effect that the competitive strategies had on the SMEs' high performance.

**Table 4-19.3: Regression Weights for Part 4**

	Estimate	S.E.	C.R.	P	Label
Part4_A	2.625	.109	24.137	***	par_15
Part4_B	3.488	.143	24.398	***	par_16
Part4_C	4.013	.124	32.415	***	par_17
Part4_D	3.675	.133	27.662	***	par_18
Part4_E	3.650	.133	27.459	***	par_19

Table 4-19.4 indicated the regression weight for part 2E of the questionnaire. The table indicated that part 2E was significant. That is,  $p < .05$ . This then meant that there was a poor fit for the model. Part 2E focused on the dependent variable only, the SMEs' high performance.

**Table 4-19.4: Regression Weight for the SMEs' high performance**

	Estimate	S.E.	C.R.	P	Label
Part2_E	2.482	.563	4.405	***	par_20

Table 4-19.5 indicated the covariances among the different factors. All the covariances were significant save for Part4\_A and Part4\_C, Part4\_A and Part4\_E, Part4\_B and Part4\_E, and Part4\_C and Part4\_E. The covariance between Part4\_B (focus) and Part4\_D (differentiation) was the highest.

**Table 4-19.5: Covariances for Part 4**

	Estimate	S.E.	C.R.	P	Label
Part4_A ⇔ Part4_B	-.385	.139	-2.775	.006	par_1
Part4_A ⇔ Part4_C	.050	.112	.445	.656	par_2
Part4_A ⇔ Part4_E	.243	.128	1.907	.057	par_3
Part4_B ⇔ Part4_C	.450	.165	2.735	.006	par_4
Part4_B ⇔ Part4_D	.455	.168	2.705	.007	par_5
Part4_B ⇔ Part4_E	.159	.170	.935	.350	par_6
Part4_C ⇔ Part4_D	.451	.155	2.919	.004	par_7
Part4_C ⇔ Part4_E	.249	.148	1.679	.093	par_8
Part4_E ⇔ Part4_D	.335	.158	2.121	.034	par_9

Table 4-19.6 indicated the covariance estimates for part 4.

**Table 4-19.6: Co-variances estimates**

	Estimate
Part4_A ⇔ Part4_B	-.313
Part4_A ⇔ Part4_C	.047
Part4_A ⇔ Part4_E	.213

	Estimate
Part4_B ⇔ Part4_C	.322
Part4_B ⇔ Part4_D	.303
Part4_B ⇔ Part4_E	.106
Part4_C ⇔ Part4_D	.347
Part4_C ⇔ Part4_E	.192
Part4_E ⇔ Part4_D	.240

### 4.5.3 The SMEs' competitive strategies and the resources

The influence of the collective competitive strategies and the SMEs' resources on the SMEs' high performance was key to investigate. Such an investigation was from the perspective of hypotheses testing and model fitness. The probability value for the Chi-Square statistic was .165 which was not significant and therefore proved the existence of such an influence as shown in Table 4-20.

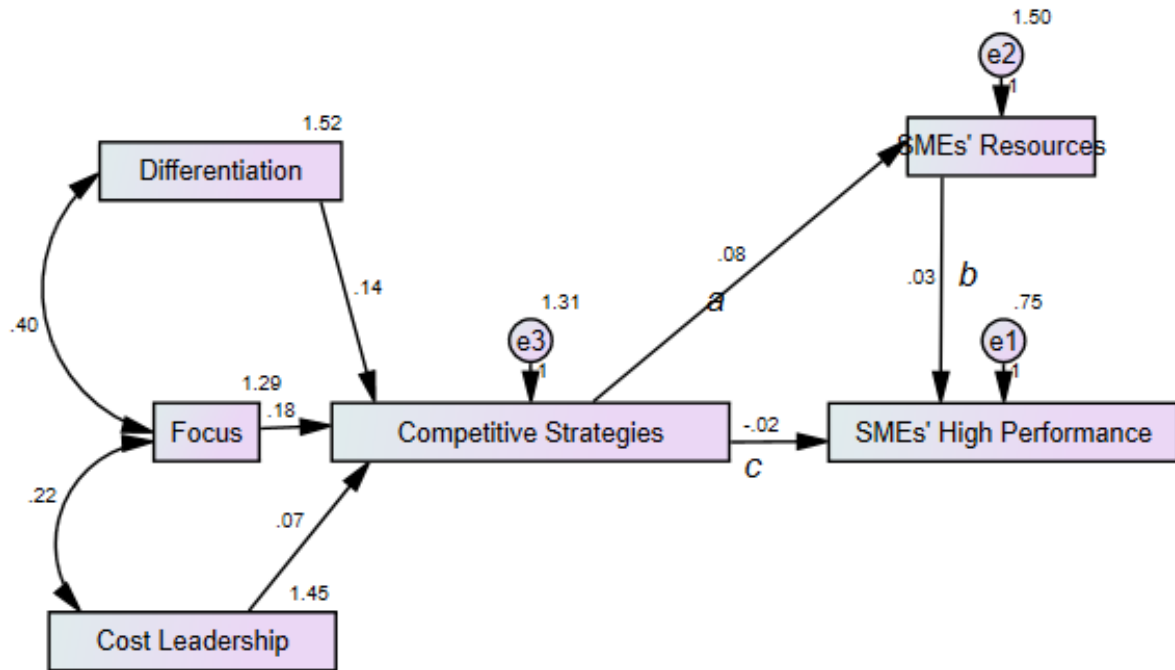
**Table 4-20: Model fit values for resources / collective competitive strategies**

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	15	9.156	6	.165	1.526
Saturated model	21	.000	0		
Independence model	6	37.962	15	.001	2.531
Absolute values	NPAR ≥ .95	CMIN >.0	DF ≥ .95	P ≥.05	CMIN/DF< 2
Model	RMSEA	LO 90	HI 90	PCLOSE	
Default model	.087	.000	.194	.252	



Model	NPAR	CMIN	DF	P	CMIN/DF
Independence model	.149	.091	.209	.005	
Absolute values	RMSEA < .06 to < .08 PCLOSE = .05				
Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	.759	.397	.901	.656	.863
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000
Absolute values	NFI ≥ .95	RFI ≥ .95	IFI ≥ .95 .95	TLI ≥ .95 /0>TLI >1	CFI ≥ .95
Model	RMR	GFI	AGFI	PGFI	
Default model	.128	.961	.863	.275	
Saturated model	.000	1.000			
Independence model	.259	.815	.741	.582	

The model under investigation has been shown in Figure 4-3 in relation to the SMEs' high performance as a path diagram. The error terms could not be applied to the endogenous constructs for co-variance reasons as shown in the figure. However, what was key about Figure 4-3 was the fact that the co-variances helped to improve the model to a certain degree. The model indicated the SMEs' resources as the moderating construct through which the competitive strategies had an indirect relationship with the SMEs' high performance. That is, the SMEs' resources moderated the relationship between competitive strategies and the SMEs' high performance. It was key to also note that for the moderating effect the value of GFI > .9. This result was in line with Oyedijo (2012).



**Figure 4-3: The SMEs' competitive strategies and resources relative to performance**

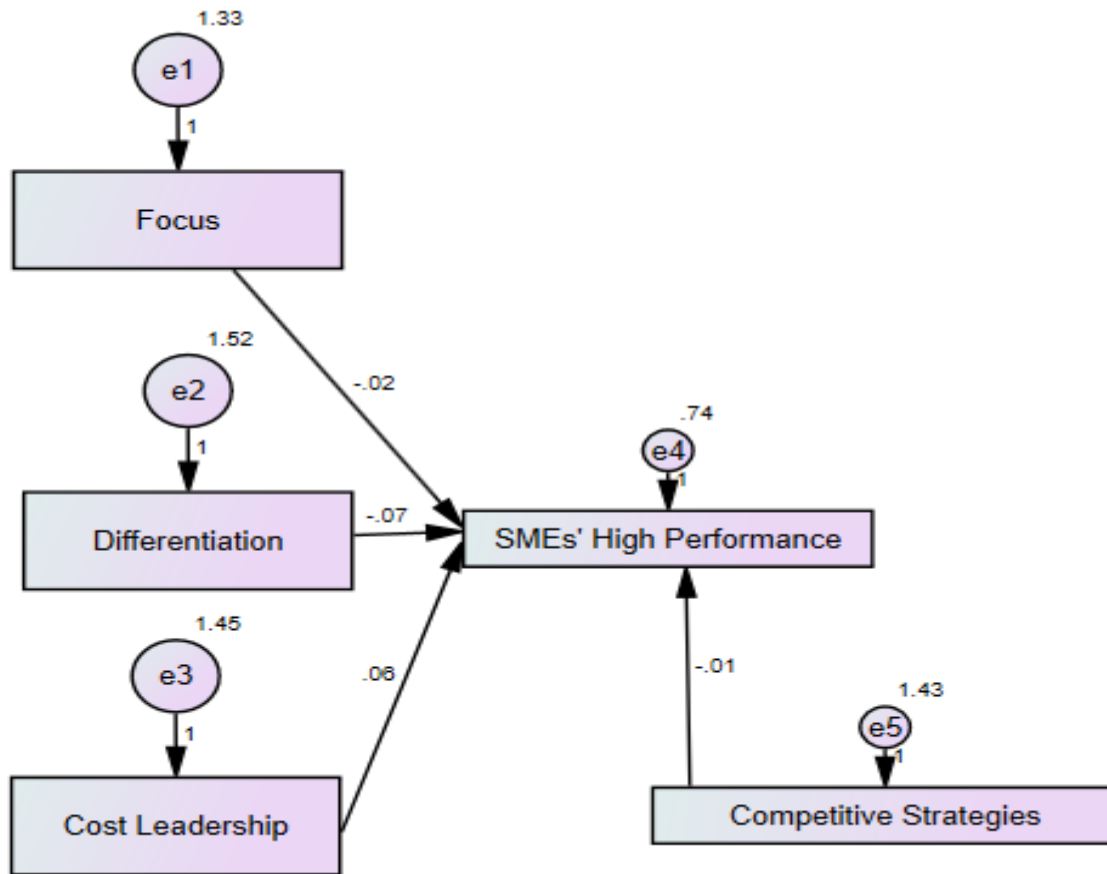
The influence of the individual competitive strategies on the SMEs' high performance was key to investigate as well. The probability value for the Chi-Square statistic was .001 which was significant and therefore proved the lack of influence of the individual competitive strategies on the SMEs' high performance as shown in Table 4-21. This was confirmed by the other values such as RMSEA > .08 and TLI < .95. For a model fitting the data the RMSEA < .08 and TLI < .95.

**Table 4-21: Model fit values for competitive strategies**

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	9	23.459	6	.001	3.910
Saturated model	15	.000	0		
Independence model	5	24.324	10	.007	2.432
Absolute values	NPAR ≥ .95	CMIN > .0	DF ≥ .95	P ≥ .05	CMIN/DF < 2
Model	RMSEA	LO 90	HI 90	PCLOSE	

Model	NPAR	CMIN	DF	P	CMIN/DF
Default model	.205	.122	.296	.002	
Independence model	.144	.072	.218	.022	
Absolute values	RMSEA< .06 to < .08 PCLOSE = .05				
Model	NFI Delta1	RFI rho1	IFI Delta2	TLI rho2	CFI
Default model	.036	-.607	.047	-1.031	.000
Saturated model	1.000		1.000		1.000
Independence model	.000	.000	.000	.000	.000
Absolute values	NFI ≥ .95	RFI ≥ .95	IFI ≥ .95	TLI ≥ .95 /0>TLI >1	CFI ≥ .95
Model	RMR	GFI	AGFI	PGFI	
Default model	.237	.860	.649	.344	
Saturated model	.000	1.000			
Independence model	.238	.857	.785	.571	

The model under investigation has been shown in Figure 4-39 in relation to the SMEs' high performance as a path diagram with error terms indicated for each construct.



**Figure 4-4: Individual competitive strategies relative to SMEs' high performance**

## 4.5 Conclusion

The focus of Chapter 4 was the data analysis and the results. Key in the chapter were the descriptive statistics, the factor analysis, and the SEM. The factor analysis was calculated in terms of the PCA wherein eigenvalues of above 1 were recorded as indicated through the scree plot. In terms of validity, the empirical data indicated a KMO measure of above .53 which was considered acceptable in line with Kaiser (1974). The study's Alpha co-efficient was above .7. Yet, according to Hair et al. (2012), Alpha coefficient values that tended to .6 were acceptable. The SEM had the normal distribution of the mean and standard deviation values that indicated the data plots were within a 68% range of the mean values. The SEM tested the goodness or badness of fit index for the conceptual model using CMIN, TLI, GFI, and RMSEA. In each test, the thresholds were clearly indicated.

# **CHAPTER 5 DISCUSSION**

## **5.1 Introduction**

Following the theoretical underpinning and the analysis, Chapter 5, therefore, discussed the main results. The primary focus of this chapter was to compare the results with previous results from the literature. The formulation of the contribution to the literature was therefore based on the study results as addressing the research questions. The results helped with the formulation of conclusions and recommendations in the next chapter. The summary of the hypothesis test results focused on Table 5-1, the hypotheses test results. The results as demonstrated in Table 5-1 indicated that competitive strategies influenced the SMEs' high performance. Based on the observed data, the SMEs' resources were bound to provide a moderating effect between the competitive strategies and the SMEs' high performance.

## **5.2 Discussion**

### **5.2.1 Discussion of the main results**

The study sought to explore achieving high performance for the Tshwane-based SMEs on the basis of the competitive strategies and examine the effect that the competitive strategies had on the Tshwane-based SMEs' high performance despite the slow economic growth and inclement government legislation. Furthermore, the study sought to investigate the Tshwane-based SMEs' awareness of the effect that the competitive strategies had on high performance. Studies showed that the SMEs' leadership (the ability to use appropriate strategies and performance measurement models) was key to the overall performance of the business (Mukhtar, 2016; Yasin, Kunt, and Zimmer, 2004). That is, with respect to whether the SMEs succeeded or failed in business it was entirely up to the leadership to consciously or otherwise make that call. Therefore, this went a long way hence it was key to study the awareness of the SMEs in terms of the effect that the competitive strategies had on high performance.

Secondary to this was the investigation as to whether there was any relationship between the independent variables (the competitive strategies) and the SMEs' high performance. About the investigation of the relationship between the independent variables (the competitive strategies) and the SMEs' high performance in Chapter 4 it was demonstrated that such a relationship indeed existed. This result was in line with Maina and Willy (2015). Maina and Willy (2015) found out that the competitive strategies had an effect on the SMEs' high performance. The model was however adjusted to include the SMEs' resources and the collective competitive strategies in line with the observed data. The sampled data indicated a normal distribution since the standard deviation fell within the range of  $\pm 1$ . Such a normal distribution served to indicate that the data points fell nearer to the mean values (68% range to be exact) of the sampled data.

The hypothesis testing yielded mixed results. Hence, it was significant to include the tabular summary in the discussion. In terms of the  $H_1$  that the SMEs were aware of the effect that the competitive strategies had on high performance, the model showed a badness of fit. The Chi-Square ( $\chi^2$ ) / minimum discrepancy (CMIN) for the default model displayed that the p-value  $< .05$ . The overall conclusion based on  $H_2$  and  $H_6$  was that the competitive strategies when applied collectively (in line with Pulaj, Kume, and Cipi (2015)) and the SMEs' resources strongly influenced the SMEs' high performance. The Tshwane-based SMEs were generally unaware of the effect that the competitive strategies had on the SMEs' high performance despite the level of qualifications of the SMEs' management. This result was in line with Hidayet and Mustafa (2013) who proposed that the SMEs' management should appreciate their business industry and embrace what was currently working for the industry.

The overall results have been summarized in Table 5-1 indicating the rejection and acceptance of the hypotheses of the study.

**Table 5-1: Summary of the hypotheses test results**

Hypothesis	Test result
------------	-------------

<b>H<sub>1</sub></b> – the Tshwane-based SMEs were aware of the effect that the competitive strategies would have on high performance.	Rejected
<b>H<sub>2</sub></b> – the competitive strategies collectively influenced the Tshwane-based SMEs' high performance.	Accepted
<b>H<sub>3</sub></b> – the focus strategy directly influenced the Tshwane-based SMEs' high performance.	Rejected
<b>H<sub>4</sub></b> – the cost leadership strategy directly influenced the Tshwane-based SMEs' high performance.	Rejected
<b>H<sub>5</sub></b> – the differentiation strategy directly influenced the Tshwane-based SMEs' high performance.	Rejected
<b>H<sub>6</sub></b> – the resources directly influenced the Tshwane-based SMEs' high performance.	Accepted
<b>H<sub>7</sub></b> – there was a direct relationship between the competitive strategies and the SMEs' resources.	Accepted

Based on the model results, the probability value for the Chi-Square ( $\chi^2$ ) statistic was not significant for hypotheses 2 and 6. That is,  $p > .05$ . In the same breath,  $RMSEA < .08$ ,  $CFI > .95$ , and  $TLI > .95$  as shown in Appendix B. These data, therefore, indicated a good fit, and as a result hypotheses 2 and 6 were accepted. For hypotheses 3 through 5 the Chi-Square probability value was significant,  $p < .05$ , as shown in Appendix B. Hypothesis 7, was accepted. There was a strong case to reject the first hypothesis based on the  $RMSEA$  value that was above .08 and whose Chi-Square probability value was significant,  $p < .05$  (Schreiber et al., 2006). The strategy was removed from further analysis to adjust the model as such the rationale for removing the strategy from the analysis was that the overall reliability of the study (Alpha coefficient) was below .7 with the strategy included.

### **5.2.2 The effect of competitive strategy on the SMEs' high performance**

In contrast to the postulation by Porter (1980), most of the surveyed SMEs' were of the view that the competitive strategies had an effect on the SMEs' high performance particularly when the competitive strategies were applied as a unit. However, this was the

case only when a mediating construct was introduced in line with Omsa et al. (2015). In this case, the mediating construct introduced was the SMEs' resources.

Owing to the extreme industrial competition, it was important for the SMEs to aim for the realization of high performance (Obeidat, 2016; Altindag et al., 2011) through the alignment of their strategic intent with the competitive strategies. Maina and Willy (2015) found out that the competitive strategies had an effect on the SMEs' high performance. However, the authors proposed that the SMEs choose an appropriate competitive strategy based on their environment and the industry within which they competed. Such a choice of a competitive strategy might need to be supported by the resources at the disposal of the SMEs especially the strategic human resource (Bohan, 2012; Nigam et al., 2011; Furtan and Sauer, 2008).

### **5.2.3 The implication of the use of competitive strategies**

Based on the observed data, over half of the surveyed SMEs were not using competitive strategies. This result was however contrary to the literature (Pulaj et al., 2015; Zehir et al., 2015; Porter, 1985). All the same, some of the SMEs that were not using the competitive strategies still rated the competitive strategies as having an effect on the SMEs' high performance.

The use or application of the competitive strategies by SMEs was a factor that was significant particularly in terms of realizing the competitive advantage. Thus, it was also critical for the SMEs to appreciate the different dynamics of their value chains and effectively integrate them with the competitive strategies to achieve competitive advantage (Ensign, 2001). Consequently, such as appreciation was key to applying the competitive strategies to achieve high performance for the SMEs. Moreover, the SMEs themselves (based on the empirical data) were of the view that the competitive strategies had an effect on the SMEs' high performance. This, therefore, meant that the competitive strategies had an impact on the SMEs' high performance as the study sought to find out.



#### **5.2.4 The implication of the SMEs' profile**

It was important to first ascertain the conformance of the SMEs' profiles with the definitions by the South African National Small Business Act (SANSBA) of 1996 based on the staff complement per SME. The results showed that the bulk of the SMEs surveyed was small in line with the definition of a small enterprise by the South African Government Gazette (2003) and the SANSBA (1996). In the same breath, a marginal number represented the total medium enterprises of the entire enterprises surveyed. However, the larger the SMEs grew in size and the relative headcount the more resilient they became (Goddard, Tavakoli, and Wilson, 2005) and thus more likely to achieve high performance.

Based on the observed data, most of the surveyed SMEs consisted of a staff complement of 1–8. These were the SMEs that were disposed to grow to a staff complement of 9–50, contribute to job creation (Criscuolo, Gal, and Menon, 2014) and economic growth (Kelley et al., 2015; Ntiamoah, Opoku, and Abrokwah, 2014), or fail to achieve high performance because of the inability to leverage the competitive strategies. These were also the SMEs that had growth issues and needed support, training, and information in relation to access to funding.

The study used cross-tabulations of the SMEs' profile in relation to other constructs such as the leadership's highest academic qualifications, the SMEs' access to funding, growth and hindrances to growth, and the business experience in years for the SMEs' leadership. The cross-tabulations indicated that the SMEs' leadership's academic qualifications were generally low in line with the findings by Mastura, Siti, and Siti (2010). In contrast, the level of qualifications as held by the SMEs' owners and employed managers was key to doing business (Kearney, Hisrich, and Roche, 2008) and helping the SMEs' achieve high performance.

The medium enterprises were least affected by access to funding as these enterprises had already built a large enough financial muscle and as such a financial muscle was inclined to lead to the growth and sustainability of the SMEs (Kristiansen, Furuholt, and Wahid, 2003). This was in line with the findings by Beck et al. (2008). However, to bolster

up access to funding, better deal with growth and hindrances to growth, and leverage the business experience in years for the SMEs' leadership, the SMEs could pool together their resources (Watson and Netswera, 2009).

The key observation from the empirical data was that the SMEs' leadership had the academic qualifications that were generically lower. This observation was in line with the findings of other scholars within the SMEs' literature (Mastura, Siti, and Siti, 2010). Therefore, this result in terms of the generic low academic qualification by the SMEs' leadership was inclined to harm the generic performance of the SMEs (Welmilla, Weerakkody, and Ediriweera, 2011).

#### **5.2.5 The implication of business experience in years for the SMEs' leadership**

Much as the SMEs were mainly managed by their owners the characteristics and managerial skills of the owners were critical to the SMEs' high performance (Sulaiman, Noor, and Shehnaz, 2015; Zehir et al., 2015; Ahmad, 2005; Frese, Brantjes, and Hoorn, 2002; Pearson and Chatterjee, 2001). The inherent good managerial skills and the visionary nature of the SMEs' leadership contributed towards achieving the SMEs' high performance (Gurbuz and Aykol, 2009; Mazzarol, Reboud, and Soutar, 2009; Markman and Baron, 2003) since such key attributes could be essentially transferred to the team that was helping to run the SMEs.

Moreover, the characteristics and managerial skills of the owners of the SMEs were key to determining the direction and the vision of the SMEs (Real, Roldan, and Leal, 2014) as well as influencing the corporate culture that was geared towards high performance. Therefore, leveraging the managerial skills was important in achieving high performance and ultimately boosting growth for the SMEs.

About a quarter of the surveyed SMEs' leadership had business experience over 9 years or more. The bulk of the SMEs' leadership surveyed had a business experience of fewer than four years. According to Olawale and Garwe (2010: 731), the business experience in years for the SMEs' leadership determined the sustainability or failure of the

SMEs (Matzler et al., 2006). The department of Higher Education and Training had a unit called the National Skills Fund (NSF) whose mandate was about providing targeted training to the SMEs. The NSF had a national footprint as such the SMEs that required a particular training on how to improve their overall business whether it was performance, turnaround, funding, etc. were welcome to contact the NSF. The Small Enterprise Development Agency (SEDA) had also been established to help out the SMEs in terms of training on a variety of issues aimed at boosting the SMEs' performance and viability.

Business experience in years for the SMEs' leadership of fewer than four years amounted to limited exposure to such trusted ways of doing business as performance measurement and the adoption and implementation of the competitive strategies. The experience in years meant exposure to challenges in relation to both growth and sustainability. This was in line with the study by Ugheoke, Isa, and Noor (2014). Again, the SMEs' high performance could be achieved through the offering of incentives to the employed managers (Pouliakas and Theodossiou, 2012). As such, this exposure, therefore, meant that the SMEs were ready and willing to try new and trusted ways of doing business. Such trusted ways ranged from how to best deal with competition, break into new markets to diversifying. These trusted ways should be supported by competitive strategies and access to resources.

#### **5.2.6 The implication of the resources on the SMEs' high performance**

Based on the observed data, the SMEs' resources had an effect on the SMEs' high performance. This result had empirical support in the SMEs' resources and high-performance literature (Andersen and Samuelsson, 2016; Wales et al., 2013). The overall implication in this respect was that the SMEs' resources played a moderating role between the SMEs' high performance and competitive strategies. Moreover, this implied that the competitive strategies had a collective effect on the SMEs' high performance so long as the resources at the disposal of the SMEs were taken into account.

Thus, the SMEs' high performance was influenced by access to resources (Zeebaree and Siron, 2017; Wales et al., 2013) be it financial or human (Karadag, 2015; French, Kelly,

and Harrison, 2004). Such influence of the resources on the SMEs' high performance stemmed from the resource-based view (RBV) literature (Husnah et al., 2013; Sulaiman, Noor, and Shehnaz, 2015; Dutta, Narasimhan and Rajiv, 2005; Mahoney and Pandian, 1992) wherein the overall business performance depended on the resource availability and leverage of the resources. In the same breath, the government was expected to support the SMEs and facilitate their access to resources (Okapara, 2011; Agyapong, 2010) inclusive of making this possible through legislation that was friendly towards the SMEs. The government had a role to play in boosting the SMEs' access to financial resources as indicated in the 2017 State of the Nation Address (South African Government, 2017).

It could further be argued that the SMEs' resources were key in helping SMEs achieve high performance through competitive strategies (El Sahn et al., 2013). That is, it was important for the SMEs to effectively mobilize the resources at their disposal as they endeavoured to achieve high performance through competitive strategies. The resources at the disposal of the SMEs were an absolute necessity especially in relation to achieving high performance. This was partly in terms of the RBV and partly in terms of access to the resources.

In terms of the RBV, the competitive advantage had to be sustained by the resources at the disposal of the SMEs (Husnah et al., 2013; Kor and Mahoney 2005). According to Suhong et al. (2004), having a competitive advantage (Porter, 1985) could help SMEs achieve high performance. On the other hand, the SMEs' access to particular resources at the start of the SMEs' development had a direct effect on the future performance of the SMEs (Sulaiman, Noor, and Shehnaz, 2015). In this instance, access to resources expressly meant owning and using such resources as and when needed. Hence, owning the requisite in-house resources gave the SMEs a competitive advantage (Warraich, Warraich, and Asif, 2014) and helped with performance and growth.

### **5.3 A theoretical contribution to the literature**

The extant literature on the SMEs' performance indicated different results and conclusions. To this end, it was significant to look into such differences. The study looked

at achieving high performance for the Tshwane-based SMEs through competitive strategies. The argument proposed through the study was that the competitive strategies had an effect on the SMEs' high performance in keeping with the literature (Endi et al., 2013; Man, Lau, and Snape, 2002). In line with the literature on the SMEs' performance, it was key to consider the SMEs' performance and the competitive strategies in relation to the SMEs' leadership qualities (Gurbuz and Aykol, 2009; Mazzarol, Reboud, and Soutar, 2009). The significance of the study was therefore based on answering the research questions namely,

1. How can the effect that the competitive strategies have on the Tshwane-based SMEs' achieving high performance be determined?
2. Do the competitive strategies collectively or individually influence the Tshwane-based SMEs' high performance?
3. Is there any relationship between the SMEs' high performance and competitive strategy within the SMEs?
4. Is the leadership of the Tshwane-based SMEs aware of the effect that the competitive strategies have on high performance?

Thus, the contribution to the body of knowledge has been summed up in Table 5-2.

**Table 5-2: Summary of literature contribution**

	Effect of competitive strategies on SMEs' high performance	Linking leadership qualities with SMEs' high performance
Research gap	<p>Insufficient empirical research on the effect of the competitive strategies on the SMEs' high performance specifically whether the effect becomes applicable when the competitive strategies were applied,</p> <ul style="list-style-type: none"> <li>• Individually</li> </ul>	A further empirical investigation was needed on the relationship between leadership qualities and the SMEs' high performance.

	<ul style="list-style-type: none"> <li>• Collectively</li> </ul>	
Contribution to literature	<p>Supportive empirical data for the collective effect of the competitive strategies on the SMEs' high performance.</p> <p>The SMEs' resources had to be included to moderate the collective effect.</p>	Presented several propositions in terms of linking the leadership qualities with the SMEs' high performance.

There was insufficient empirical research on the effect of the competitive strategies on the SMEs' high performance, particularly whether this effect became applicable when the competitive strategies were applied as a unit or individually. For instance, some of the extant literature proposed that competitive strategies could be applied independently (Omsa, Abdullah, and Jamali, 2017; Baroto, Abdullah, and Wan, 2012). Yet, in line with the cited literature, this became the case if the competitive strategies were applied to big business like the Game chain stores or British Airways. Although the authors did not state any moderating constructs, this study proposed the inclusion of such a moderating construct for the competitive strategies to be successfully applied individually in the form of the five-force industry competitive model. Therefore, the argument put forth in this study was that to achieve high performance for the Tshwane-based SMEs the competitive strategies could be applied independently.

Moreover, the competitive strategies, when applied together, and the resources collectively contributed to the Tshwane-based SMEs achieving high performance. Consequently, the study postulated that for SMEs to achieve the high performance they needed to operationalize the collective competitive strategies and the resources at their disposal. Omsa et al. (2015) proposed good management capability, this study proposed the resource mobilization as a secondary dynamic that the SMEs could draw upon as a tool to help achieve high performance.

On the other hand, the study explored the link between the SMEs' leadership qualities and high performance. The characteristics and managerial skills of the leadership of the SMEs were key to the SMEs achieving high performance (Sulaiman, Noor, and Shehnaz, 2015; Zehir et al., 2015; Ahmad, 2005). Yet, there was still inadequate empirical research on the relationship between the SMEs' high performance and the managerial skills of the SMEs' leadership (Endi et al., 2013). The SMEs' leadership's business experience in years and the level of qualifications influenced the SMEs' high performance. Most of the SMEs' leadership had lower qualifications and limited business experience in years. Hence, this negatively impacted the SMEs achieving high performance.

Asikhia and Jansen van Rensburg (2015:2) otherwise proposed four dynamics towards the SMEs' achieving high performance in the form of "the personal characteristics and competencies of owner-managers, access to capital and other market resources, organizational development and learning, and micro- and macroeconomic issues". This was however in line with the findings of the previous scholars (Rosli and Mahmood, 2013; Filippetti, 2011; Berryman, 1993).

Of key importance was the role that the government played in the growth, performance, and sustainability of the SMEs. Therefore, the government could draw on the data in future regulations and de-regulations in view of the SMEs. The government could also draw upon the study results to amend or improve policy that governed the SMEs particularly in light of the role that the SMEs were expected to play in poverty reduction and creation and sustenance of jobs (Katua, 2014; IFC, 2013; Singh et al., 2009).

## **5.4 Conclusion**

The thesis proposed 7 hypotheses to investigate the effect that the competitive strategies had on the SMEs' performance. This extended into investigating the relationship between the competitive strategies/resources and the SMEs' high performance. As such, the competitive strategies were the independent variables for the study while the SMEs' high performance was the dependent variable. The analysis for the models was effected with the aid of FA and the SEM. The analysis of the descriptive statistics was performed

with the aid of the SPSS. The FA and SEM analyses were effected with the aid of the AMOS.

Competitive strategies (collectively), strategy, and the resources were added to the conceptual model as the additional independent variables that had an effect on achieving high performance. Be that as it may, the strategy had to be removed with the view to adjusting the model. The removal of the strategy had a positive effect on the parsimony (parsimony-adjusted measures) of the model and the reliability of the study. To this effect, the logical conclusion then became that the SMEs' resources and the competitive strategies (collectively) influenced the SMEs' high performance. This was graphically illustrated in Chapter 4 through the critical path analysis for the model. Therefore, the independent variables should be increased in order for the SMEs to achieve high performance.

The analysis with the aid of the FA showed the correlations amongst the five independent variables as being significant at  $< .01$  except for cost leadership which had a p-value  $< .05$ . The strategy did not indicate any significant correlations hence in the further analysis it was removed to adjust the models.

The overall results indicated the rejection of hypotheses 1, 3, 4, and 5 as indicated in Table 5-1. As an overall logical conclusion to the chapter, the Tshwane-based SMEs were unaware of the effect that the competitive strategies had on the SMEs' high performance. The implication here was that the SMEs' overall performance became affected when the competitive strategies were not integrated into the SMEs' strategic intent. In addition, given the analysis by both the SEM and the FA, the SMEs had to achieve performance with the aid of the theory of microeconomics through including the resources and the capabilities into their strategic intent.



# **CHAPTER 6 CONCLUSION AND FURTHER RESEARCH**

## **6.1 Introduction**

The purpose of Chapter 6 was to conclude the study by discussing the summary of the results, presenting the recommendations based on the results, and suggesting some of the key areas for future research. An overview of the entire study was provided in this chapter to put the conclusion in perspective. The chapter looked at two sets of delimitations based on the respondents and the issues that revolved around government legislation, insolvencies, and liquidations. Further research was thus based on the delimitations, limitations, and the gap identified in the study. The government was urged to do more to boost the SMEs' performance and make conditions as conducive for doing business with the government as possible.

## **6.2 Overview of the study**

The study looked at achieving high performance particularly in light of the SMEs based in and around the City of Tshwane. In order for SMEs to achieve high performance, it was significant to look at the factors that could help the SMEs in this context. Thus, the study investigated the effect that the competitive strategies had on the SMEs' high performance, the resources as the moderating variable, the SMEs' leadership characteristics and their associated business experience in years, and the SMEs' profiles amongst others. The study provided empirical data in relation to these factors and arrived at results that were compared with the existing literature within the scope of the SMEs' performance and competitive strategies.

Given the slow economic uncertainties during the period within which the study was conducted the population was limited to those SMEs with an annual turnover of between five (5) million and ten (10) million South African Rands (ZAR  $\geq 5M$ ,  $\leq 10M$ ). In line with the literature, the key determinant for the SMEs' growth was an annualized turnover of about ZAR 2M within the first two years of the SMEs' existence (Amra, Hlatshwayo, and McMillan, 2013; SAICA, 2013). StatsSA (2016) recorded the SMEs' failure every year and most of

these failures were recorded as liquidations and insolvencies. The SMEs' failure to achieve high performance could lead to slow growth if any at all and as a result contribute little to none towards the gross domestic product (GDP). The SMEs contributed about 17% of total employment in South Africa (OECD, 2015; Criscuolo, et al., 2014).

As with any other business, the SMEs were exposed to government regulation inclusive of taxation laws and other compliance prescripts. In 2014, the National Treasury ordered the Davis Tax Commission to look at the ways that SMEs could be exempted from certain tax laws. The studied SMEs fell within what the DTC (2014) termed the small business corporation category. Once the commission's recommendations were legislated this category of the SMEs would be eligible for tax incentives such as tax compliance rebates. Furthermore, with this initiative government was looking at increasing business tax compliance and increasing the total number of registered taxpayers.

### **6.3 Summary of the results**

The study provided empirical data to the SME performance literature through exploring the effect that the competitive strategies had on the SMEs achieving high performance. The study was conducted in an emerging market under slow economic growth and inclement government legislation. Hence the key question to address was,

How do the competitive strategies influence achieving high performance for the Tshwane-based SMEs in light of the slow economic growth and inclement government legislation?

Through this question, it was key to look at other factors that could be leveraged to help the SMEs achieve high performance. To this end, the SMEs' leadership qualities and their accompanying business experience in years were critical especially in determining the future of SMEs (Real, Roldan, and Leal, 2014). For the SMEs' leadership, business experience over 9 years or more was essential yet the observed data indicated that the bulk of the SMEs' leadership surveyed had a business experience of fewer than four years. The results provided empirical data to postulate that business experience in years for the

SMEs' leadership determined the high performance or failure of the SMEs (Olawale and Garwe 2010; Matzler et al., 2006).

The study looked at the SMEs' profiles in line with the definitions by the South African National Small Business Act (SANSBA) of 1996. As a consequence, the SMEs' profiles were further decomposed based on the staff complement per SME to determine the effect that the competitive strategies had on the SMEs based on the SMEs' profile. The bulk of the SMEs studied in relation to high performance were small in line with the definition of a small enterprise by the South African Government Gazette (2003) and the SANSBA (1996). This, therefore, made the study even relevant to the smaller SMEs as well as those SMEs that were generally managed as family businesses and were not too concerned with achieving high performance. It was critical, still, to note the literature findings that the larger the SMEs grew in size and the relative headcount the more resilient they became (Goddard, Tavakoli, and Wilson, 2005) thus more likely to achieve high performance.

Another dynamic in terms of the question was the effect that the competitive strategies had on the SMEs' high performance. In line with the literature (Maina and Willy, 2015), the study provided the empirical data that the competitive strategies had an effect on the SMEs' high performance. Yet, the study found out that such an effect was moderated by the SMEs' resources (Bohan, 2012; Nigam, Nongmaithem, Sharma, and Tripathi, 2011). The study found out that the SMEs' high performance was influenced by access to resources (Zeebaree and Siron, 2017; Wales et al., 2013) whether this was financial or human (Karadag, 2015; French, Kelly, and Harrison, 2004).

The study, therefore, proposed that the resources had a direct relationship with the SMEs' high performance. The overall finding in this instance was that the competitive strategies had an effect on the SMEs' performance when applied as a unit provided a mediating construct was introduced in line with Omsa et al. (2015). All the same, this was in contrast to the postulation by Porter (1980) that the competitive strategies could be applied individually and still influence the SMEs' high performance.

The study provided descriptive statistics in answering the research questions looking at different indicators and measures. Through these statistics, it was evident that the larger SMEs had access to resources and were more inclined to achieve high performance. The smaller SMEs relied more on the leadership business experience in years to grow and achieve high performance than their larger counterparts. This, therefore, made competitive strategies and access to resources such important dynamics to achieving high performance.

All the same, in order to achieve high performance, the SMEs had to start from the beginning through measuring and monitoring performance and defining baselines for high performance. Introducing incentives to the SMEs' employed managers was one avenue that could be explored to help the SMEs achieve high performance (Pouliakas and Theodossiou, 2012). Yet, such practice had to be approached carefully such that the SMEs did not set bad precedents. The study provided the empirical data in relation to the SMEs achieving high performance from the perspective of conducting SWOT analysis exercises at least twice a year. This was to enable the SMEs to keep track of their existing capabilities through a self-awareness practice.

#### **6.4 Delimitations of the study**

There were two sets of delimitations to the study as highlighted in Chapter 2. Some of these delimitations helped narrow down the scope for the research. For instance, in terms of government legislation, several dynamics went into the basket of doing business with the government. Those dynamics included the SMEs' compliance prescripts with respect to doing business with the government, bid-governing prescripts, liquidations and insolvencies, and tax clearance/tax compliance prescripts. Some of these delimitations were addressed somewhat in terms of the discussion of the Preferential Procurement Policy Framework Act (PPPFA) (Act No 5 of 2000). The tax-related prescripts were addressed to a degree with the aid of the discussion of the Davis Tax Commission (2014).

The second set of delimitations was based on the respondents for the questionnaire. An attempt was not made nonetheless to address this set of delimitations. The general

feeling was that the ordinary staff could contribute somewhat towards rich data, however. The reason for not attempting to address this set of delimitations was to make the study manageable and limit the scope per SME. Therefore, in generalizing the results it should be noted that such results were based on the general sentiments of the SMEs' leadership.

## **6.5 Limitations of the study**

The primary limitation of the study was the overall performance of the SMEs could have been thoroughly measured over time which therefore meant that a longitudinal approach could have been preferred over the cross-sectional approach. It should be pointed out though that the longitudinal studies were inclined to take somewhat longer to complete while working with the same cohort. Some cohorts might decide to discontinue participating in the study unless some form of incentives were introduced (Martin et al., 2014; Singer and Ye, 2013; Laurie and Lynn, 2008).

On a slightly different note, some cohorts might file for bankruptcy during the process of the longitudinal study or worse yet experience insolvency and liquidation (StatsSA, 2016). The said issues were bound to affect the response rate for the longitudinal study. These were just some of the issues that the study had to consider in electing the cross-sectional approach over the longitudinal approach.

The secondary limitation was that the sample only included those SMEs that had access to the Survey Monkey. It should, therefore, be noted that this factor limited the characteristics of the sample to a good degree. This limitation also missed out on the input by those SMEs that did not have access to technology.

## **6.6 Recommendations and further research**

The study sought to explore achieving high performance for the Tshwane-based SMEs on the basis of the competitive strategies and examine the effect that the competitive strategies had on the Tshwane-based SMEs' high performance despite the slow economic growth and inclement government legislation. It also emerged from the analysis results based on the structural model that two other factors directly influenced the SMEs' high

performance. It was thus key for the SMEs to continuously measure performance to be sustainable and experience growth (Beck et al., 2008; Kristiansen).

As indicated through the mediating effect discussion, the SMEs' resources acted as the mediating construct for the study. Therefore, for SMEs to be able to control the performance they needed to pay particular attention to the resources at their disposal. The resources had to be developed and leveraged to effect high performance. The SMEs' high performance should be premised on a good strategic intent (Lu and Beamish, 2006) based on the collective application of the competitive strategies (Pulaj, Kume, and Cipi, 2015).

Given the factors around government legislation and the overall competitiveness of the industry, it was of particular importance for the SMEs to invest in strategic human capital (Su-ying et al., 2013). This was not a departure from the development and leverage of the key resources and the core competencies. Rather, this was a calculated way of taking advantage of the key resources and the core competencies. The key resource and core competency of the SMEs consisted of the human capital. Therefore, the importance of strategic human capital could not be stressed any further than it already has been. It was recommended that the government speed up some of the processes and legislation aimed at assisting the SMEs to grow and become sustainable.

StatsSA (2015) reported the SMEs' failure as being generally ascribed to insolvencies and liquidations regularly. Future studies, therefore, need to focus on other key issues that result in the SMEs experiencing both the insolvencies and liquidations with the view to helping the SMEs avoid the said issues thereby experiencing poor performance. In this context, research should thus look into introducing and studying the SMEs' core competencies as an additional mediating and endogenous construct to improve the SMEs' high performance (Zeebaree and Siron, 2017). This should, therefore, be taken from the context of the type of industry within which the SMEs' competed.

The literature indicated a gap that the effect that the competitive strategies had on the SMEs' high performance required further investigation (Obeidat, 2016; Maina and Willy, 2015). Future studies should, therefore, focus on empirically exploring this gap to shed

more light on achieving the SMEs' high performance. Lastly, future studies need to measure the performance of the SMEs using a longitudinal study approach to look at how the SMEs' resources and the competitive strategies influenced the SMEs' high performance over time.

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## APPENDICES

### APPENDIX A: SMEs' TAX RELIEF

SMEs Tax Relief Preliminary Propositions (Source: DTC, 2014)

Business Type	Turnover Level	Incentive proposed	Relief provided	Expected return for the fiscus
1. Survivalist Micro business	<ZAR 335 K	No tax liability	Simple tax registration form (No RCR)	Increased number of registered taxpayers
2. Survivalist Small business	ZAR 335 – ZAR 1 M	Refundable Compliance Rebate (RCR) applicable	Progressive tax tables for Turnover tax Proposed removal of the mandatory “opt-in” 3 year period to give the taxpayer the option to choose Annual declaration	Increased number of registered taxpayers Increased tax compliance in the major taxes administered by SARS
3. Small business corporation	ZAR 1M – ZAR 20 M	Refundable Compliance Rebate  VAT compliance on a cash basis	Increase the threshold to ZAR 50 M	Increased number of registered taxpayers  Increased tax compliance in the major taxes administered by SARS

				Increased tax collection by SARS from these businesses
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# APPENDIX B: DATA COLLECTION TOOL – QUESTIONNAIRE

## Part 1 The Enterprise Profile

1. Please, indicate an estimate of the employees within your enterprise.  
1–8 ☐ 9–50 ☐ 51–100 ☐ 101–200 ☐
2. Please, select the type of your enterprise.  
ICT Services ☐ Manufacture ☐ R&D ☐ Retail ☐ Professional Services ☐ Other ☐
3. Please, select the business experience in years for your enterprise.  
Below 4 years ☐ 4–8 years ☐ 9–15 years ☐ More than 15 years ☐
4. What is your position in the enterprise?  
Owner / Director ☐ Manager ☐ Supervisor ☐ Employee ☐
5. What is your highest academic qualification?  
  
No education ☐ Secondary school or matric only ☐ Diploma ☐ Degree ☐  
Undergraduate ☐ Degree (Honours) ☐ Degree (Masters) ☐ Doctoral degree ☐

## Part 2 Performance Measurement (PM)

6. Please **tick** the type of PM as applied within your enterprise.  
**Choosing more than one is acceptable.**

Strategy measurement	1
Sustainability measurement (impact on society)	2
Customer satisfaction measurement	3

Human resource performance measurement (personal performance appraisal)	4
Financial performance measurement	5
Other ( <i>Please specify</i> ): _____	6
Not applicable	7

7. Please, **tick** the type of PM model or tool as applied within your enterprise.

***Choosing more than one is acceptable.***

Key performance indicators (KPI) method	1
Balanced Scorecard (BSC)	2
Baldrige Business Excellence criteria	3
Total quality management (TQM)	4
ISO9000 certification	5
Benchmarking structure	6
Other ( <i>Please specify</i> ): _____	7
Not Applicable	8

8. If your enterprise applies the BSC model, which of the following aspects of the BSC model does it actually use to improve enterprise performance?

***Choosing more than one is acceptable.***

Focus on learning and growth	1
Investment in strategic human capital	2
Investment in key technological systems	3
Skills audit	4
Focus on vision and strategy and internal business processes	5
Focus on financials and customer perspective	6

9. What are the initial reasons for your enterprise to implement that PM system?

***Choosing more than one is acceptable.***

For decision support at the top-management level	1
To identify possible needs for changes in strategy	2
Providing feedback for driving up the improvement effort	3
Highlighting quality problems and determining which areas most need attention	4
Justifying the use of resources	5
Ensuring customer requirements are met timeously	6
Other ( <i>Please specify</i> ): _____	7

10. The barriers to the execution of PM in your enterprise include:

***Choosing more than one is acceptable.***

PMs are not useful	1
The PM tools or models are complex; we did not know how to tailor them to suit our enterprise	2
Insufficient PM knowledge	3
No time and resources to execute them	4
Other ( <i>Please specify</i> ): _____	5

11. List any three (3) key challenges of implementing PM in your enterprise.

(1) \_\_\_\_\_,

(2) \_\_\_\_\_,

(3) \_\_\_\_\_.

12. List any three (3) key challenges with respect to business performance in your enterprise.

(1) \_\_\_\_\_,

(2) \_\_\_\_\_,

(3) \_\_\_\_\_.

13. Does your enterprise engage in benchmarking exercises? (Dfn: According to Ou and Kleiner (2015), benchmarking refers to the search for industry best practices that will lead to superior performance). Yes ☐ No ☐

14. If yes, which type of benchmarking does your enterprise use? *Please, **tick** one of the 3 types shown below.*

Internal. (Dfn: Benchmarking with partner within the same organization.)	1
External. (Dfn: Benchmarking with partner from different organization.)	2
Best practices. (Dfn: Benchmarking with the best-in-class.)	3

### Part 3 SWOT Analysis

15. How often does your company conduct SWOT analysis exercises?

Never	1
Rarely	2
Once every two years	3
Once a year	4
Biannually	5

16. What is the pressing problem that your enterprise has been facing in recent years up to 2016?

Competition	1
Access to finance	2
Access to customers	3
Operating costs	4
Availability of skilled personnel or experienced management	5



Government regulation and deregulation	6
Other ( <i>Please specify</i> ): _____	7

#### Part 4 Effect of competitive strategies on SMEs' high performance

17. What are any key two (2) Key Performance Indicators (KPIs) in your enterprise?

(1) \_\_\_\_\_,

(2) \_\_\_\_\_,

18. Are KPIs clearly linked to your enterprise's performance?

Most definitely ☐ Definitely ☐ Not sure ☐ Definitely not ☐ No idea ☐

19. How do you estimate your enterprise's performance?

Excellent ☐ Good ☐ Not bad ☐ Not good ☐ No idea ☐

20. In a scale of 1 – 5, how significant is the strategy for your enterprise to achieve high performance? Note: 1 = not sure, 2 = neutral, 3 = less significant, 4 = significant, and 5 = more significant.

Factor	Dynamic	Level of significance
Strategy	Availability of a clearly defined business strategy	
	Strategies based on target customers, markets, and environment	
	Strategy developed, reviewed, and updated annually based on the information from customers, environment, and Performance Management	
	Availability of vision, mission, and core values	
	Provision of established products to new markets	
	Provision of new products to new markets	

21. In a scale of 1 – 5, how significant is the capability for your enterprise to achieve high performance? Note: 1 = not sure, 2 = neutral, 3 = less significant, 4 = significant, and 5 = more significant.

Factor	Dynamic	Level of significance
Capability	Quick response to clients' needs	
	Effective management of people / resources	
	Appropriate managerial system	
	Understanding trends in technology	
	Flexibility to new industry and market trends	

22. In a scale of 1 – 5, how significant are the resources for your enterprise to achieve high performance? Note: 1 = not sure, 2 = neutral, 3 = less significant, 4 = significant, and 5 = more significant.

Factor	Dynamic	Level of significance
Resources	Capital availability	
	Inclusive organizational system, planning, and structure	
	Strategic human capital / well-trained staff	
	Industry expertise in customer service	
	Access to low cost distribution channels	

23. In a scale of 1 – 5, how significant is the strategic focus for your enterprise to achieve high performance? Note: 1 = not sure, 2 = neutral, 3 = less significant, 4 = significant, and 5 = more significant.

Factor	Dynamic	Level of significance
--------	---------	-----------------------

Focus	Industry focus/market targeting	
	Industry fragmentation	
	Understanding/learning about customers, anticipating customer needs, and developing business opportunities	
	Measuring customer satisfaction biannually using the results to drive up improvement	
	The enterprise knows the main competitors and is aware of its competitive position in the market	
	The enterprise gathers competitors' information continuously	
	Barriers to entry	
	Government regulation and deregulation in the industry	
	Economies of learning (learning by performing or rendering a service)	

24. In a scale of 1 – 5, how significant is the differentiation for your enterprise to achieve high performance? Note: 1 = not sure, 2 = neutral, 3 = less significant, 4 = significant, and 5 = more significant.

Factor	Dynamic	Level of significance
Differentiation	Unique business model	
	The enterprise deals in unique products	
	The employees' skills set is unique to the industry	
	Appreciation of your service/product line by clientele	
	Provision of the established product(s) to existing market(s) (differentiation on price, quality, and other values comparing competitors)	
	The enterprise sources products locally	

	The enterprise sources products internationally	
	The enterprise sources products locally and internationally	

25. In a scale of 1 – 5, how significant is the cost leadership for your enterprise to achieve high performance? Note: 1 = not sure, 2 = neutral, 3 = less significant, 4 = significant, and 5 = more significant.

Factor	Dynamic	Level of significance
Cost leadership	Pricing influenced by the market/competition	
	Standardization of the product line (goods and service)	
	Bulk rendering of goods and services	
	Custom-tailored rendering of goods and services	
	High production / operating costs	
	Cost linkages viewed as key	
	Economies of learning (learning by performing or rendering a service)	

26. If your enterprise is using competitive strategies, which of the following approaches of generic competitive strategy do you use? Please, **tick** the correct answer. **Choosing more than one is acceptable.**

Low-cost leadership strategy	1
Differentiation strategy	2
Focus/niche strategy	3
Other ( <i>Please specify</i> ): _____	4

27. Does your enterprise have access to resources? If so, please, **tick** the funding means it uses. **Choosing more than one is acceptable.**

The Enterprise Capital Funding (ECFs)	1
International Finance Corporation	2
Small Enterprise Finance Agency (SEFA)	3
Umsombovu Youth Funding as targeting young entrepreneurs	4
The departments of Trade and Industry (DTI)	5
Small Business Development	6
Bank loan	7
Other e.g., owner's own capital ( <i>Please specify</i> ) _____	8

## Part 5 Sustainability

28. Income generation indicators as applicable to your enterprise in the past 3 – 5 years are based on indicators 1, 2, or 3. Please, use 1, 2, or 3 to **tell** whether the indicator increased, remained unchanged, or decreased.

Indicator	Increased	1
	Unchanged	2
	Decreased	3
Income generation	Turnover	
	Labour costs	
	Other costs (materials, energy, etc.)	
	Net interest expenses	
	Profit (= Net income after taxes)	
	Mark-up (= Selling Price minus Production Cost per Unit)	

29. Growth and hindrances to growth. In the past 3 – 5 years, how did your enterprise grow year on year? Please, **tick** the correct answer.

Grew by over 15% a year	1
-------------------------	---

Grew by less than 15% a year	2
Experienced financial losses	3
No growth	4
Not applicable – the enterprise is less than 3 years old	5

30. SMEs are facing sustainability challenges. Please use 1, 2, or 3 to **rank** the following challenges in order of seriousness concerning your enterprise, where **1** means least serious and **3** means most serious.

Staying in business	
Breaking into the market, even fresh markets	
Lack of strategic investment	
Other ( <i>Please specify</i> ): _____	

31. Government legislation makes it hard for some SMEs to conduct business with the government due to compliance-related issues. Please, use 1, 2, 3, 4, or 5 to **rank** the following in order of seriousness concerning your enterprise, where **1** means least serious and **5** means most serious.

Preferential Procurement Policy Framework Act (PPPFA) (Act No 5 of 2000)	
Broad-Based Black Economic Empowerment (B-BBEE)	
Municipal Finance Management Act (MFMA) (Act No 56 of 2003)	
The Economic Empowerment (EE) certificates	
Generic preference point systems prescripts	
Other ( <i>Please specify</i> ): _____	

32. The economies of scale preclude the smaller SMEs from certain business opportunities simply because the SMEs might not have the might, the capacity, and the experience to compete for opportunities. Please, use 1, 2, or 3 to **rank** the

following corresponding challenges in order of seriousness with respect to your enterprise, where **1** means least serious and **3** means most serious.

Government legislation	
Performance	
Sustainability	
(Please specify): _____	

33. The SMEs are not exempt from the following economic challenges. Please **rank** them (1 – 6) in order of seriousness with respect to your enterprise, where **1** means least serious and **6** means most serious.

The growth uncertainty	
Lack of political stability	
Training and education	
Energy issues	
Tax-related issues	
Inadequate access to finance	
(Please specify): _____	

34. Please **tick** the most correct answer using the Likert scale:

1 = Strongly disagree, 2 = Disagree, 3 = Neutral, 4 = Agree, and 5 = Strongly agree.

My enterprise is aware that the competitive strategies can be harnessed to boost the SME's performance and subsequently help the SMEs stay sustainable over time

35. Any **comment** about how the SMEs can achieve high performance .....

## **B. The descriptive statistics**

### **B.1 The Enterprise Profile**

This part dealt with the biographical information about the Small and Medium Enterprises (SMEs).

#### **An estimate of the employees per SMEs**

The purpose of this field was to ascertain the conformance of the SME definitions by the South African National Small Business Act (SANSBA) of 1996 based on the staff complement per SME. The results as presented in Table B-1 showed that the bulk (94.6%) of the enterprises surveyed were small in line with the definition of a small enterprise by the SANSBA (1996). In the same breath, 5.5% represented the total medium enterprises of the entire enterprises surveyed. Most importantly, as the SMEs grew in size they became more resilient and even likely to achieve high performance (Goddard, Tavakoli, and Wilson, 2005).

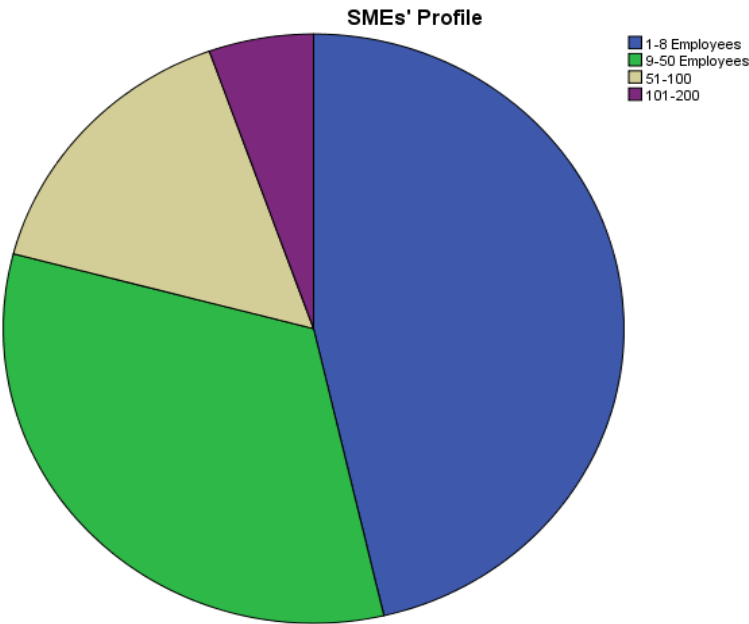
**Table B-1: Distribution of staff complement per SME**

<b>SMEs' Profile</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1-8 Employees	51	46.4	46.4	46.4
	9-50 Employees	36	32.7	32.7	79.1
	51-100	17	15.5	15.5	94.5
	101-200	6	5.5	5.5	100.0
	Total	110	100.0	100.0	

Of particular importance was the information shown in Figure B-1. Based on Table B-1, the figure illustrated the outcome that nearly one half (46.4%) of the SMEs surveyed consisted of a staff complement of 1–8. Therefore, these were the SMEs that were disposed to grow to a staff complement of 9–50, contribute to job creation and economic



growth (Criscuolo, Gal, and Menon, 2014), or fail because of the inability to manage their finances. These were also the SMEs that needed support, training, and information in relation to access to funding.



**Figure B-1: Distribution of staff complement per SME**

The study used cross-tabulations of the SMEs’ profile about other constructs such as the leadership’s highest academic qualifications, the SMEs’ access to funding, growth, and hindrances to growth, and the business experience in years for the SMEs’ leadership. The cross-tabulation indicated that the SMEs’ leadership’s academic qualifications were generally low in line with the study by Mastura, Siti, and Siti (2010). In contrast, the level of qualifications as held by the SMEs’ owners and employed managers was key to doing business (Kearney, Hisrich, and Roche, 2008).

Based on the cross-tabulation indicated in Table B-1a, the medium enterprises were least affected by access to funding as these enterprises had already built a large enough financial muscle and such a financial muscle was inclined to lead to the growth and sustainability of the SMEs (Kristiansen, Furuholt, and Wahid, 2003). This was in line with the study by Beck et al. (2008). However, to bolster up access to funding, better deal with growth and hindrances to growth, and leverage the business experience in years for the

SMEs' leadership, the SMEs could pool together their resources (Watson and Netswera, 2009).

**Table B-1a: Cross tabulations in terms of the SMEs' profile**

<b>SMEs' Profile * Leadership's highest academic qualification Cross tabulation</b>								
Count								
		Leadership's highest academic qualification						Total
		Diploma	Degree	Under-graduate	Honours	Master's	Doctoral	
SMEs' Profile	1-8 Employees	20	13	1	10	6	1	51
	9-50 Employees	13	18	0	4	1	0	36
	51-100 Employees	8	3	2	4	0	0	17
	101-200 Employees	1	4	0	1	0	0	6
Total		42	38	3	19	7	1	110

<b>SMEs' Profile * Access to Funding Cross tabulation</b>							
Count							
		Access to Funding					Total
		Not Sure	Neutral	Less Significant	Significant	More Significant	
SMEs' Profile	1-8 Employees	2	4	14	20	11	51
	9-50 Employees	2	10	5	10	9	36
	51-100 Employees	1	3	6	2	5	17
	101-200 Employees	0	0	1	4	1	6
Total		5	17	26	36	26	110

<b>SMEs' Profile * Growth and hindrances to growth Cross tabulation</b>		
Count		
	Growth and hindrances to growth	Total

		Over 15% Growth	Less 15% Growth	Financial Loss	No Growth	NA	
SMEs' Profile	1-8 Employees	15	11	9	11	5	51
	9-50 Employees	8	10	9	8	1	36
	51-100 Employees	2	7	4	4	0	17
	101-200 Employees	0	1	2	2	1	6
Total		25	29	24	25	7	110
<b>SMEs' Profile * Business experience in years for the SMEs' leadership Cross tabulation</b>							
Count							
		Business experience in years for the SMEs' leadership					
		Below 4 years	4-8 years	9-15 years	More than 15 years	Total	
SMEs' Profile	1-8 Employees	21	15	4	11		51
	9-50 Employees	19	10	5	2		36
	51-100 Employees	9	5	0	3		17
	101-200 Employees	0	1	0	5		6
Total		49	31	9	21		110

The key observation from the empirical was that the SMEs' leadership had the academic qualifications that were generically lower. This observation was in line with the findings of other scholars within the SMEs' literature (Mastura, Siti, and Siti, 2010). Therefore, this result in terms of the generic low academic qualification by the SMEs'

leadership was inclined to have a negative effect on the generic performance of the SMEs (Welmilla, Weerakkody, and Ediriweera, 2011).

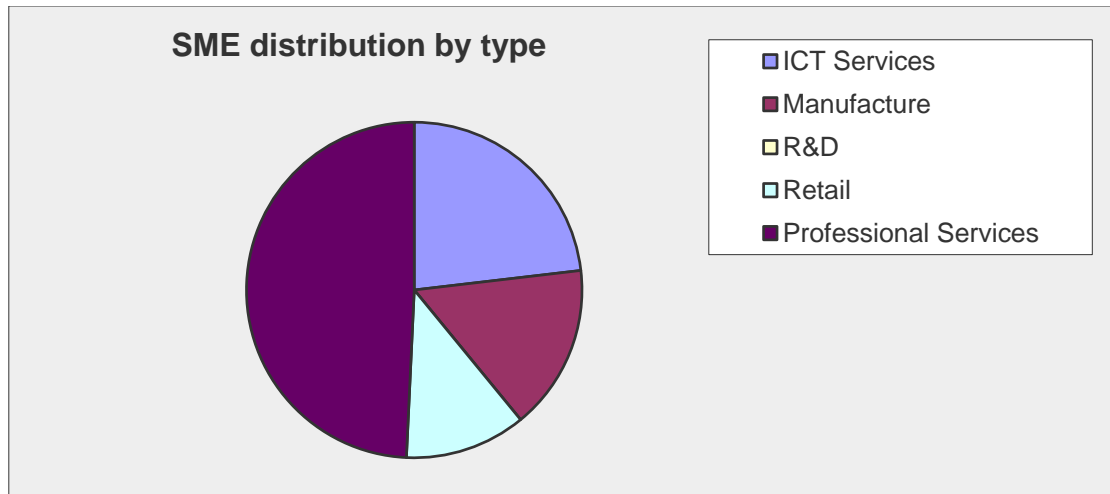
### **Selecting the type of enterprise.**

The rationale of this field was to investigate which types of the Small and Medium Enterprises (SMEs) experienced challenges the most from the basket of service provision in relation to Information and Communication Technology (ICT), manufacturing, research and development (R&D), retail, professional services, and other sectors. Therefore, the outcome showed that the bulk of the SMEs sampled was in the bracket of professional services followed by those providing ICT services as shown in Table B-2. Consequently, the challenges were usually dependent on the context within which the SMEs competed (Adegbite, 1986).

**Table B-2: SME distribution by type of business**

<b>SME type by business</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Other (please specify)	7	6.4	6.4	6.4
	ICT	25	22.7	22.7	29.1
	Manufacture	19	17.3	17.3	46.4
	R&D	1	.9	.9	47.3
	Retail	11	10.0	10.0	57.3
	Professional Services	47	42.7	42.7	100.0
	Total	110	100.0	100.0	

At nearly 1 %, Figure B-2 showed that a comparatively smaller number of the SMEs sampled did offer R&D services. However, there were also those SMEs surveyed that offered other services than any of the five listed services.



**Figure B-2: SME distribution by type of business**

The total percentage of these other SMEs was however rather small though worth detailing. The other services (that is, the 6.4% of the total respondent SMEs) included building (construction), cleaning, restaurant (fast food), hospitality, power utility (independent power producers), insurance, and transport. When slicing through these 'other SMEs' it was found that at least 60% of them consisted of the 1-8 staff complement while the remaining 40% of the 'other SMEs' were spread out in the other categories of the SME staff estimates.

Further drilling down indicated that 60% was composed of those SMEs that operated in the space of transportation, building, cleaning, and power utility. The 1-8 staff complement was mostly the case within the building sector (Peterson, 2005) since these types of SMEs hired temporary labour based on each project they were busy with. As highlighted earlier, it was significant to note that these were the SMEs that could use the support of government and government legislation the most. The distribution by business type indicated that at least 60% of the 'other SMEs' had a business experience of fewer than four years.

### **Selecting the business experience in years for the enterprise.**

The total number of business experience in years could count in the favour of a Small and Medium Enterprise (SME) (Zehir et al., 2015; Ahmad, 2005) though this might not

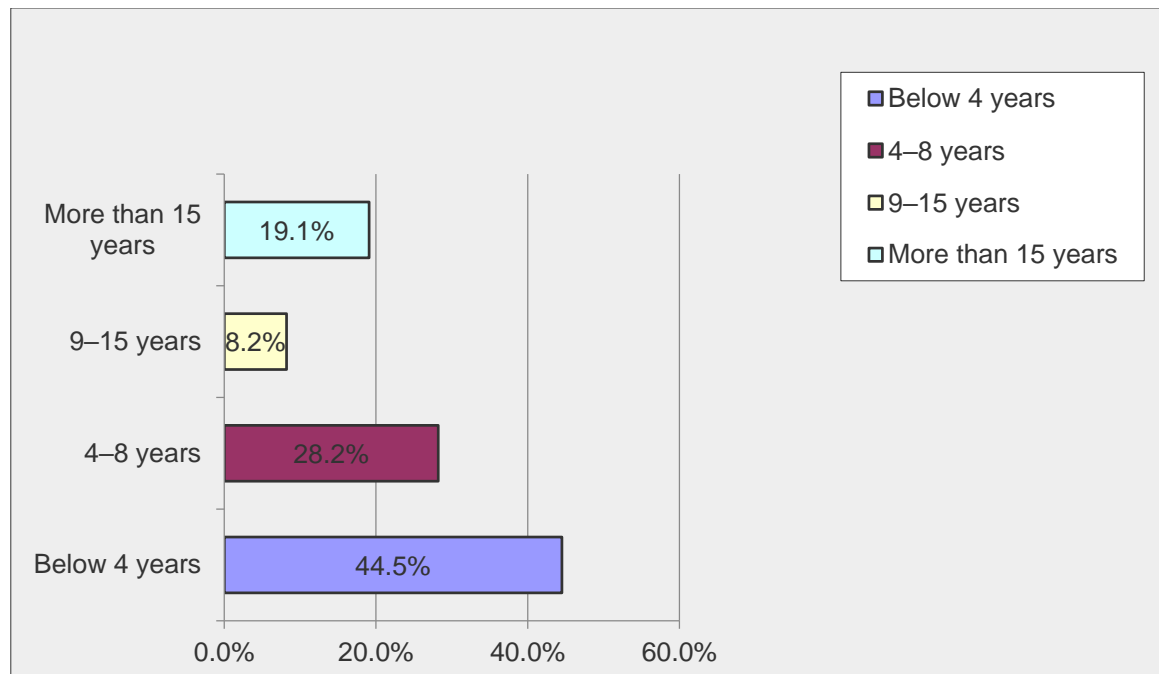
necessarily be a ticket to business sustainability and growth. The experience in years meant exposure to challenges in relation to both growth and sustainability. As such, this exposure, therefore, meant that the SMEs were ready and willing to try new and trusted ways of doing business. Such trusted ways ranged from how to best deal with competition, break into new markets to diversifying. These trusted ways had to be supported by competitive strategies.

The rationale for this field was to investigate the generic business exposure in years by the SMEs. As indicated in Table B-3 the bulk of the SMEs surveyed had a business experience of fewer than four years. Business experience of fewer than four years amounted to limited exposure to such trusted ways of doing business such as performance measurement and the implementation of competitive strategies. Therefore, the SMEs had to have business experience in years that was more than four years for them to grow and become sustainable (Olawale and Garwe, 2010)

**Table B-3: SME business experience in years**

<b>SME business experience by years</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Below 4 years	49	44.5	44.5	44.5
	4-8 years	31	28.2	28.2	72.7
	9-15 years	9	8.2	8.2	80.9
	More than 15 years	21	19.1	19.1	100.0
	Total	110	100.0	100.0	

Figure B-3 further indicated that over 25% of the surveyed SMEs had business experience above 9 years or more.



**Figure B-3: SME business experience in years**

To further build on to the business experience, it was significant to contrast the issues highlighted by the SMEs with 9 years or more business experience and those that had less than four years of business experience. A slice through the data indicated that those SMEs whose business experience was below 4 years generally felt that performance measurement tools or models were too complex and they did not know how to tailor them to suit their SMEs. In the same vein, these SMEs generally felt that they had insufficient experience to begin carrying out performance measurement to enhance their overall business. According to Lee and Tsang (2001), the SMEs were more likely to grow if they were exposed to more business experience in years inclusive of other factors such as relationships with other businesses and the SMEs' drive towards success.

Therefore, the obvious avenue available to the SMEs in question was benchmarking (Ou and Kleiner, 2015) especially external or competitive benchmarking to be exact. Internal benchmarking was as such a no-go area for them. Strange as it might seem when drilling through the per-respondent data, the bulk of these SMEs either skipped field 14 further down or selected an internal benchmarking as what they needed. Based on the per-respondent statistics it indicated that these SMEs with less than four years of business

experience did indeed need support in relation to performance and growth. Such support was in the form of exposure or rather introduction to competitive strategies, performance measurement models, and benchmarking.

On the other hand, those SMEs whose business experience exceeded 9 years did not indicate any trends in their answer choices but rather went through the gamut of choices. These experienced SMEs selected best practices and external benchmarking as something they needed. These kinds of choices depicted some sort of maturity by the experienced SMEs (Endi et al., 2013) and as such presented a good room for them to explore the available options to boost performance and growth.

### **Selecting the employee role in the enterprise.**

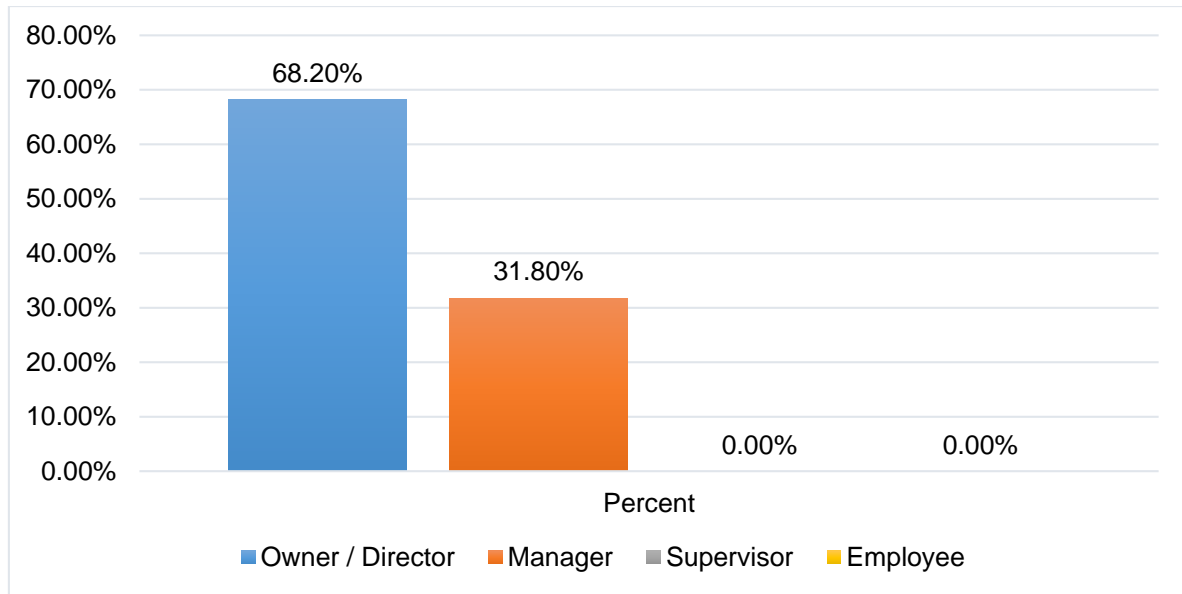
The purpose of this field was along the lines of validity and as such the field only served to ensure that the raw data emanated from both the owners/directors and the employed managers of the Small and Medium Enterprises (SMEs) as indicated in Table B-4.

**Table B-4: Position of the respondents per SME**

<b>Position per respondent</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Owner Director	75	68.2	68.2	68.2
	Manager	35	31.8	31.8	100.0
	Supervisor	0	0.0	0.0	0.0
	Employee	0	0.0	0.0	0.0
	Total	110	100.0	100.0	

Figure B-4 graphically indicated that just shy of one-third of the respondents consisted of the owners/directors of the SMEs. As such, the choices as analysed already in the preceding fields and the analysis of the fields to follow were based on the overall sentiments of the leadership of the SMEs.





**Figure B-4: Position of the respondents per SME**

#### **Selecting the SMEs' leadership's level of academic qualification.**

The purpose of this field, from a biographical perspective, was to capture the level of academic qualification that the owners/directors and the managers of the Small and Medium Enterprises (SMEs) had. The management of the SMEs was supposed to be professional persons (Mastura, Siti, and Siti, 2010) with a working knowledge of how dynamics such as taxes, tax rebates, tax bases, government legislation, employment equity, labour relations act, business competition, competitive strategies, and so on worked.

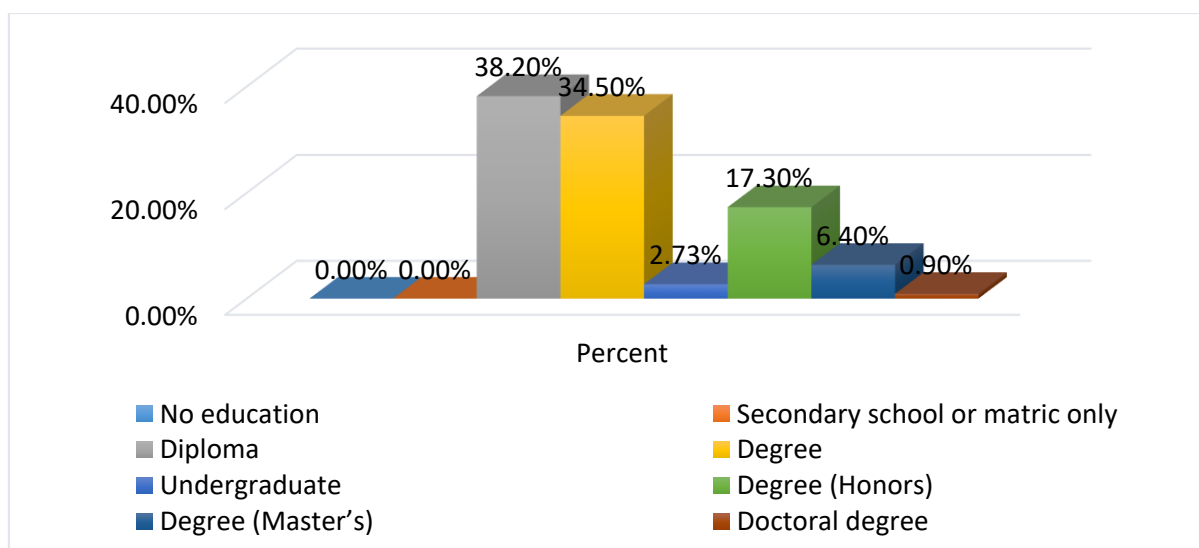
As such, good exposure to these aspects might come somewhat natural for an owner/director or manager whose academic qualification might be a bit higher as against an owner/director or manager who either had a secondary school/matric only or no education at all (Kearney, Hisrich, and Roche, 2008). Table B-5 showed the academic qualifications for the SMEs' leadership.

**Table B-5: Respondent's highest academic qualification**

Respondent's highest academic qualification
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		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Diploma	42	38.2	38.2	38.2
	Degree	38	34.5	34.5	72.7
	Undergraduate	3	2.7	2.7	75.5
	Honours	19	17.3	17.3	92.7
	Masters	7	6.4	6.4	99.1
	Doctoral	1	.9	.9	100.0
	Total	110	100.0	100.0	

The statistics shown in Figure B-5 were rather encouraging in the sense that none of the SMEs' leadership either had no education at all or had matric only.



**Figure B-5: Respondent's highest academic qualification**

This was positive since nearly a quarter of the leadership of the SMEs put together had a combination of Honours, Master's, and Doctoral degrees. There was an interesting point to note however in relation to the level of academic qualifications by the SMEs' leadership and the SMEs' total business experience in years. A drill through the data indicated that the bulk of the SMEs' whose total business experience in years was less than 4 years had a leadership whose dominant highest academic qualification was the Diploma. The combination of the total qualifications held by the respondents between the Diplomas and the Degrees was a whopping 72.7%. However, the qualifications for the SMEs' owners

were generally low (Mastura, Siti, and Siti, 2010) since some of the SMEs mostly started as family businesses.

## **B.2 Performance Measurement (PM)**

The focus of this part was to build around the concept of performance measurement by Small and Medium Enterprises (SMEs). This part was then capped with benchmarking as one of the ways and means that the SMEs could fall back on to enhance their overall performance. As in the descriptive stats, some of the analysis in the performance measurement came out clearer when the responses in question were contrasted with the responses in another field.

### **Selecting the type of Performance Measurement as applied within the enterprise.**

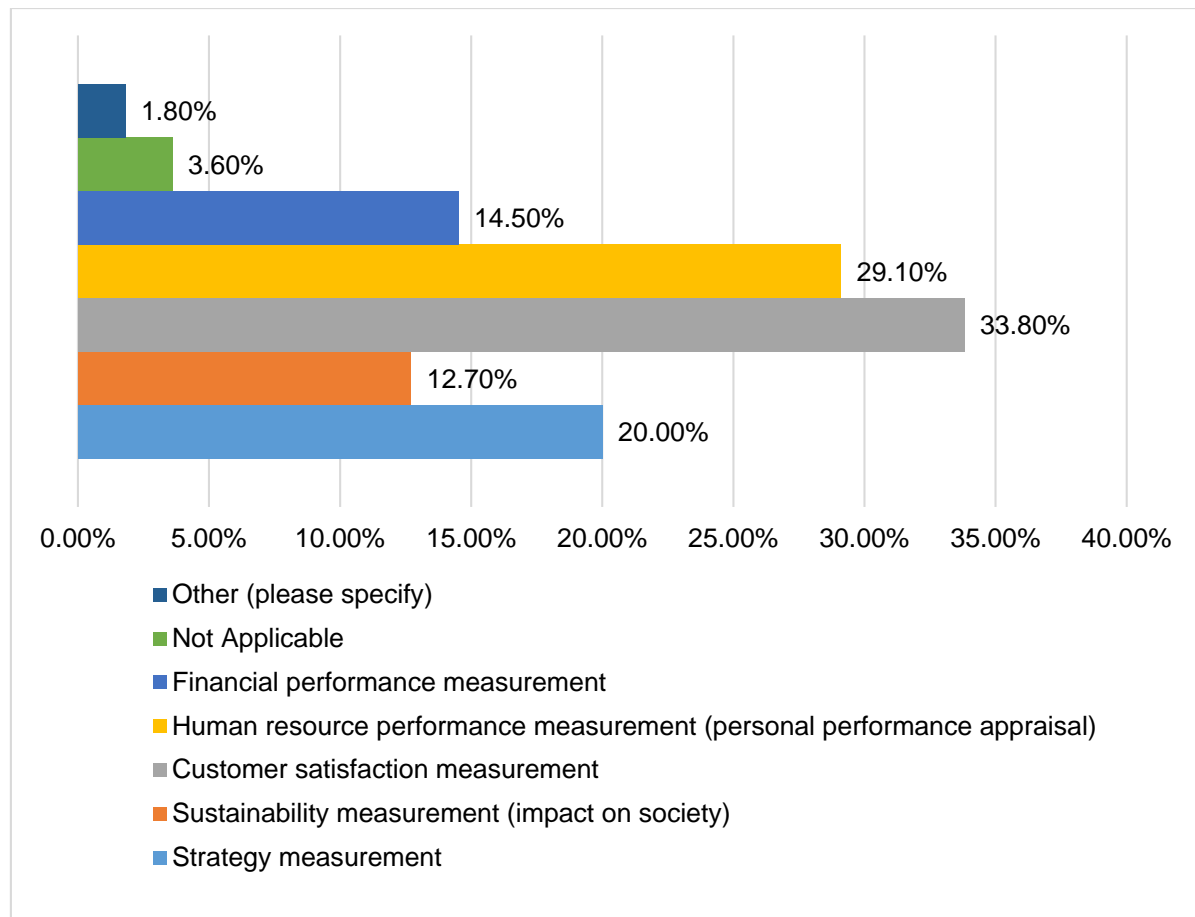
This field served to investigate whether the Small and Medium Enterprises (SMEs) were taking advantage of performance management (PM). Therefore, the field investigated the impact of either using or not using PM to boost performance. The field further served to determine which specific PM type the SMEs were using, which type was dominant, whether such a type had an impact on performance and growth. Table B-6 indicated the different types of PM that the SMEs could use to bump up their overall performance. In contrast, Pouliakas and Theodossiou (2012) were of the view that performance could be boosted through offering incentives to the SMEs' leadership.

**Table B-6: Performance Measurement type by SME**

<b>PM type applied by SME</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Strategy Measure	22	20.0	20.0	21.8
	Sustainability Measure	14	12.7	12.7	34.5

Customer Satisfaction Measure	32	29.1	29.1	63.6
HR Performance Measure	20	18.2	18.2	81.8
Financial Performance Measure	16	14.5	14.5	96.4
Other	2	1.8	1.8	1.8
NA	4	3.6	3.6	100.0
Total	110	100.0	100.0	

For graphical illustration purposes, Figure B-6 depicted the distribution in percentage terms of the diverse performance measurement types. By distribution the dominant performance measurement type by SME was the customer satisfaction measurement.



**Figure B-6: Performance Measurement type by SME**

About 3.6% of the SMEs, as highlighted in Figure B-6, indicated that performance measurement did not apply to them which meant these SMEs did not measure performance at all. A drill through the data on a per-respondent basis indicated that these SMEs belonged to the manufacturing sector and their business experience in years ranged from below 4 years to 4 – 8 years. However, these SMEs believed in performance boost by incentives (Pouliakas and Theodossiou, 2012). The leadership of these SMEs had an overall academic qualification of a Diploma. But in contrast, the incentives to the leadership only played a smaller role as Oyedijo (2012) found out.

About 20% of the surveyed SMEs indicated that the measurement of the strategy was key to performance measurement. By deduction, these SMEs believed that performance measurement had to be supported by a good strategy. This was in line with the study by Stan and Nedelcu (2015). A drill through the data on a per-respondent basis showed that

the majority of these SMEs had a leadership whose combined level of academic qualification was a Diploma. In the same breath, the dominant pressing issues that these SMEs experienced were access to business funding and the availability of skilled personnel and seasoned leadership. A quick drill through the data in a backward direction indicated that these were the SMEs whose overall experience in years ranged from below 4 years to 4 – 8 years.

Therefore, these SMEs indicated that they engaged in the Threats, Opportunity, Weaknesses, and Strengths (TOWS) analysis exercises either once or twice a year. There was however no agreed number of times to conduct the TOWS analysis. Yet, according to Ommani (2011) and Singh (2010), the TOWS analysis focused the SMEs on the key goals for the year ahead and this analysis preceded the annual strategy review. With that being said, it goes to show that these SMEs were concerned about performance measurement and they could use all the help available.

As for the dominant performance measurement type, customer satisfaction measurement, the SMEs that were applying this type of performance measurement indicated that they either never or rarely engaged in the TOWS analysis exercises. However, as Stan and Nedelcu (2015) noted it was significant to point out the TOWS had their opportunities and dangers worth noting by the SMEs. Thus, it was evident that these SMEs paid little if any attention to the inherent issues that kept them from achieving high performance and achieving sustainability. The only concern that was key to them was whether their clientele was happy or not. None the less, it seemed rather difficult for these SMEs to keep up with their customers' needs if they constantly failed to measure and evaluate their core competencies from time to time.

### **Selecting the type of Performance Management model or tool as applied within the enterprise.**

There were many different performance measurements (PM) models/tools. This field sought to investigate which PM model or tool the enterprises were using. The field further

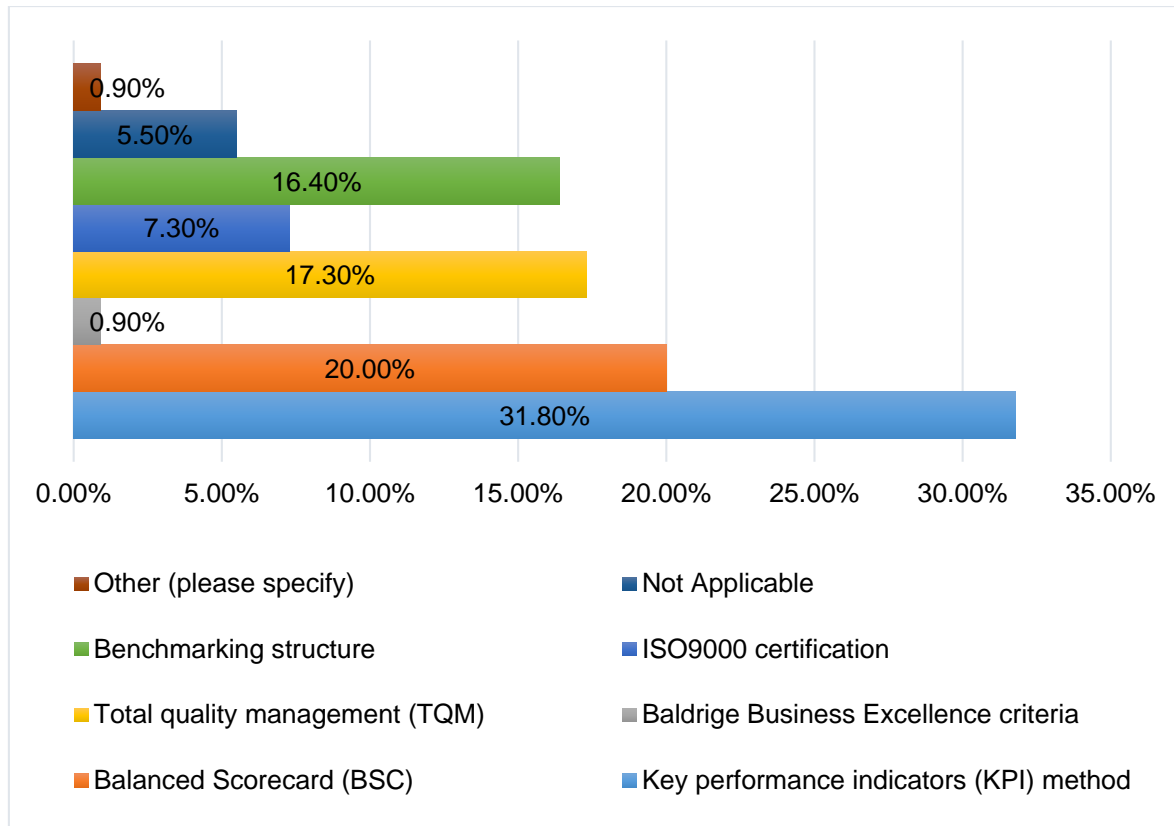
sought to investigate the impact of using any of these PM types to boost performance. The different statistics per PM tool were indicated in Table B-7.

**Table B-7: Performance Measurement model/tool by SME**

PM model/tool applied by SME					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	KPI	35	31.8	31.8	32.7
	BSC	22	20.0	20.0	52.7
	Baldrige	1	.9	.9	53.6
	TQM	19	17.3	17.3	70.9
	ISO9000	8	7.3	7.3	78.2
	Benchmarking	18	16.4	16.4	94.5
	NA	6	5.5	5.5	100.0
	Other	1	.9	.9	.9
	Total	110	100.0	100.0	

Figure B-7 showed that the combination of the key performance indicators (KPIs) and the Balanced Scorecard (BSC) collectively formed the dominant performance measurement model. The BSC on its own accounted for 20.0% of the data collected from the Small and Medium Enterprises (SMEs). The success of the SMEs consisted in the performance measurement and this was line with Kaplan and Norton (2001).

However, it was important to note that the SMEs had to be aware that the BSC was at this stage a powerful PM model (Kaplan and Norton, 2008) that could help turn around the fortunes of many an SME in relation to performance measurement. A drill through to the data indicated that the bulk (over 50%) of the SMEs that selected both the customer satisfaction measurement and strategy measurement as their preferred PM types hardly chose the BSC as their ideal PM Model. On a serious note, over 50% of these SMEs as discussed in field 6 earlier indicated that they lacked the availability of skilled personnel. Now, this then tied well with their choices since it took skilled personnel or the personnel with well-rounded skills to effect the BSC.



**Figure B-7: Performance Measurement model/tool by SME**

**If the enterprise applies the BSC performance measurement model, which of the following aspects of the BSC model does it use to improve enterprise performance?**

Building on the previous field, this field investigated if the BSC performance measurement model was being applied correctly by the SMEs. Table B-8 indicated how each of the five perspectives of the BSC was applied by the surveyed SMEs to boost performance.

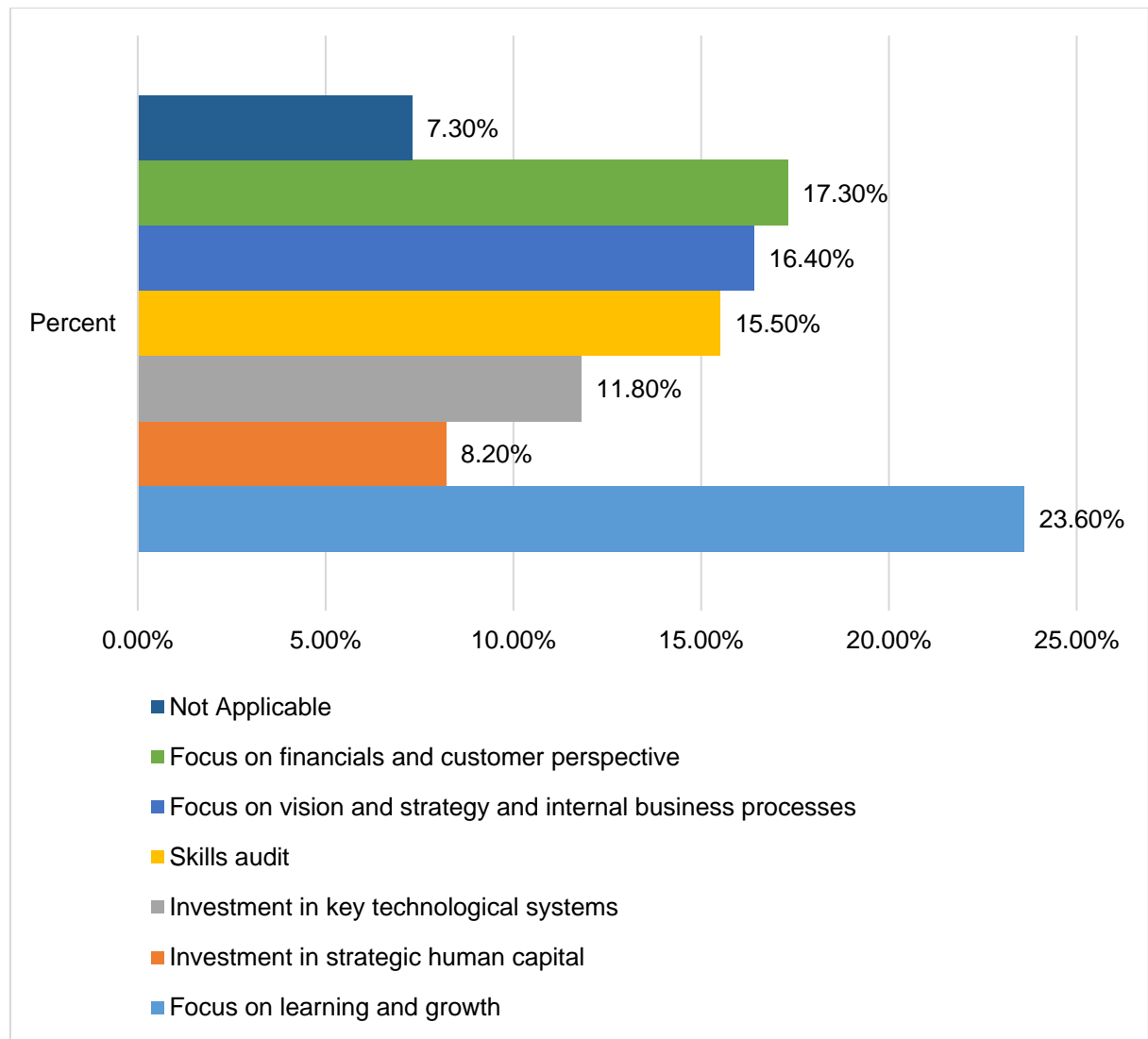
**Table B-8: The Balanced Scorecard performance measurement model**

BSC model applied by SME				
	Frequency	Percent	Valid Percent	Cumulative Percent



Valid	Focus on Learning and Growth	26	23.6	23.6	23.6
	Investment in Strategy HR	9	8.2	8.2	31.8
	Investment in Key Tech Systems	13	11.8	11.8	43.6
	Skills Audit	17	15.5	15.5	59.1
	Focus on Vision and Strategy	18	16.4	16.4	75.5
	Focus on financials	19	17.3	17.3	92.7
	NA	8	7.3	7.3	100.0
	Total	110	100.0	100.0	

The BSC PM model consisted of five perspectives namely vision and strategy, financials, customers, learning and growth, and the internal business processes. The sampled SMEs ranked skills audit below focus on financial in relation to performance improvement. This was however contrary to the proposition by Kaplan and Norton (2008) that in order to improve the generic business performance it was important to invest in strategic human capital aided by regular skills audit.



**Figure B-8: The Balanced Scorecard performance measurement model**

Good financial management was one of the factors that contributed to driving the sustainability of SMEs. As highlighted in Chapter 2, the catch with good financial management was how to best separate the SME's money from the individual's private money though some of these SMEs might be privately funded (Eniola and Ektebang, 2014).

From a performance point of view, Figure B-8 indicated that SMEs were mostly concerned with learning and growth. This was however critical in the sense that the learning and growth perspective was about the SMEs learning from their performance mistakes and correcting those mistakes going forward. The second most rated perspectives were the

combination of the vision/strategy and the internal business processes. About 7.3% of the surveyed SMEs indicated that the BSC did not apply to them as business which was fair enough since some of these SMEs did not pick the BSC as their PM type in the previous field. It was encouraging to note from the data analysis that skills audit and strategic human capital featured high on the agenda of the SMEs (Belanger and Hart, 2012).

However, the BSC was one of those performance models that effectively aligned the SMEs’ high performance to the strategy whether it was the competitive strategies. Through the BSC’s learning and growth perspective, the SMEs could leverage high performance by focusing on and developing the strategic human capital’s skills and the SMEs’ key capabilities. Still, it had to be pointed out that for some of these SMEs the BSC could only be successfully implemented if the vision/strategy and the internal business processes were up to scratch. To this end, the vision/strategy perspective had to factor in the strategic human capital and the skills audit (Belanger and Hart, 2012) approach as a good start.

**What are the initial reasons for the enterprise to implement that Performance Measurement system?**

The purpose of this field was to investigate the initial reasons why SMEs were implementing the performance measurement system, in the first place. Based on this investigation it became practical to determine why the SMEs were battling with performance and growth. The investigation in this instance was based on the analysis of responses (raw data by respondent). Table B-9 showed different reasons as applicable to the SMEs that could be the grounds for the implementation of a performance measurement system.

**Table B-9: Reasons for Performance Measurement implementation**

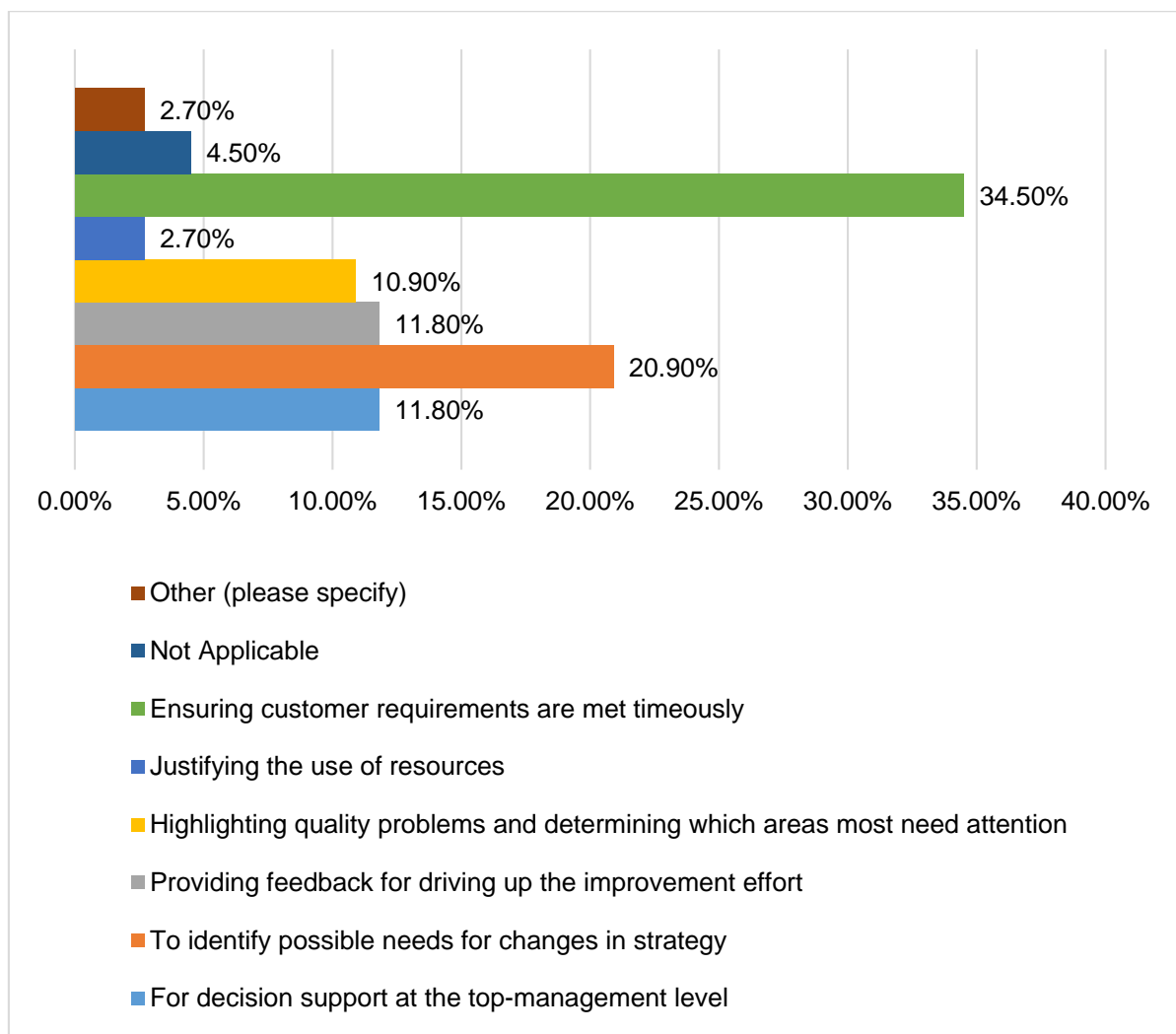
Reasons for PM system implementation				
	Frequency	Percent	Valid Percent	Cumulative Percent

Valid	For decision support at the top-management level	13	11.8	11.8	14.5
	To identify possible needs for changes in strategy	23	20.9	20.9	35.5
	Providing feedback for driving up the improvement effort	13	11.8	11.8	47.3
	Highlighting quality problems and determining which areas most need attention	12	10.9	10.9	58.2
	Justifying the use of resources	3	2.7	2.7	60.9
	Ensuring customer requirements are met timeously	38	34.5	34.5	95.5
	NA	5	4.5	4.5	100.0
	Other	3	2.7	2.7	2.7

	Total	110	100.0	100.0	
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The performance of the SMEs was determined by the competition or rather the industry within which the SMEs competed. Based on Table B-9 above the SMEs ranked the changes in strategy somewhat low. However, this was inconsistent with the literature on the SMEs' performance (Wright et al., 2005; Shimizu and Hitt, 2004; Ward et al., 1995).

Figure B-9 indicated that the prevailing reason for the SMEs to measure performance stemmed from ensuring that the customers' requirements were met timeously. This result was in line with a study by Cachon and Swinney (2001) who further postulated swift response to customers' needs and requirements as a secondary reason.



### **Figure B-9: Reasons for Performance Measurement implementation**

This, therefore, meant that the majority of the surveyed SMEs were concerned about meeting the customer needs, at least based on the data analysed. This view had been expressed as the entrenched orientation by most SMEs (Arief et al., 2013).

Worth noting though, was the view by at least 4.5% of the surveyed SMEs that performance measurement did not apply to them. The non-applicability of the performance measurement system is not new as similar views were expressed by some of the SMEs in this part of the survey. On a similar note, about 2.7% of the surveyed SMEs indicated that they initiated performance measurement for other reasons than those listed in Table B-9. Those different reasons were to monitor the performance of their employees (Lee and Peterson, 2000) and to ensure the SMEs met their strategic implementation and strategic improvement.

Of key importance were the second and third most dominant reasons for implementing the performance measurement system. The second dominant reason at 20.9% was that SMEs were concerned about identifying the possible needs to effect changes in strategy (Wright et al., 2005). It then became easier for these SMEs to experience a turnaround in fortunes when they admitted to having challenges with their overall performance. The third dominant reason standing at 11.8% was that the SMEs had to improve the overall decision-making process at the executive management level and provide feedback for driving up the improvement effort. This was therefore key in the sense that the SMEs' leadership had to make business decisions that were informed by the facts rather than myths. It was also important to note that harvesting feedback from the customers could help the SMEs' executive management make informed decisions based on hard facts.

#### **The barriers to the execution of PM in the enterprise include:**

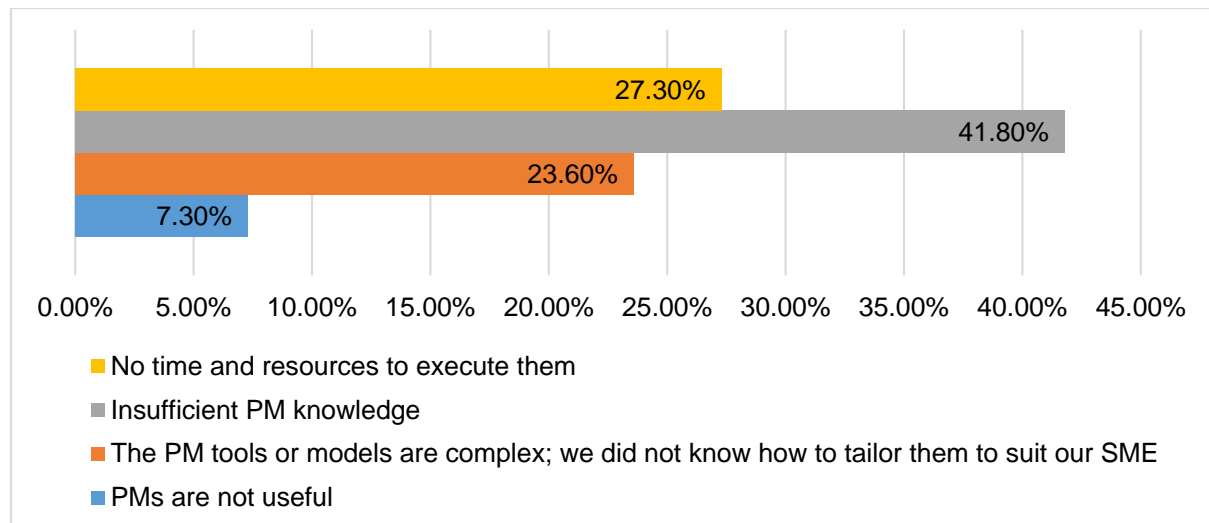
This field sought to investigate the barriers to the execution of performance measurement (PM) as experienced by the SMEs. From the data analysis so far, it became clear that some of the SMEs were rather intimidated by the PM systems, in the first place.

The top reason for some of the SMEs to feel intimidated by the PM systems was that the PM systems were too complex and rather overwhelming for the small enterprises. Table B-10 listed the possible barriers that could preclude the SMEs from carrying out the PM systems

**Table B-10: Barriers to the performance measurement execution**

<b>Barriers to PM execution by SME</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	PMs not useful	8	7.3	7.3	7.3
	PM tools complex	26	23.6	23.6	30.9
	Insufficient PM Knowledge	46	41.8	41.8	72.7
	No Time and Resources	30	27.3	27.3	100.0
	Total	110	100.0	100.0	

Figure B-10 indicated that the SMEs were mostly kept from implementing the PM systems owing to the lack of sufficient expertise on the performance measurement. The SMEs ranked no time and resources higher with respect to the barriers to performance measurement execution. This was not surprising as Arief et al. (2013) postulated that access to inadequate resources had an effect on the performance measurement execution. Be that as it may, this should not be a deterrent since other avenues such as the different types of benchmarking came to their own in this instance. The two barriers together tallied to 69.1% and as such accounted for the biggest chunk for the SMEs' overall inability to carry out the PM systems.



**Figure B-10: Barriers to the performance measurement execution**

In the analysis for the field on the Balanced Scorecard, the SMEs indicated that skilled personnel was a challenge. This was where the question of investment in strategic human capital (Yan, 2011; Kaplan and Norton, 2008) became even more evident. The remaining combination of 30.9% of the surveyed SMEs indicated that the two barriers were that the PM systems were not useful and that the PM models were rather too complex and as such the SMEs lacked the expertise to tailor them to fit into their business models.

**List any three (3) key challenges of implementing Performance Measurement in the enterprise.**

For informed analysis, the barriers to the execution of the Performance Measurement (PM) systems had to be decomposed into specific and dominant challenges that could be analysed further to assist the SMEs break into the PM systems. The statistics shown in Table B-11 were a summary of the challenge count presented as a semantics analysis to investigate the dominant challenges that the SMEs were experiencing in applying PM systems.

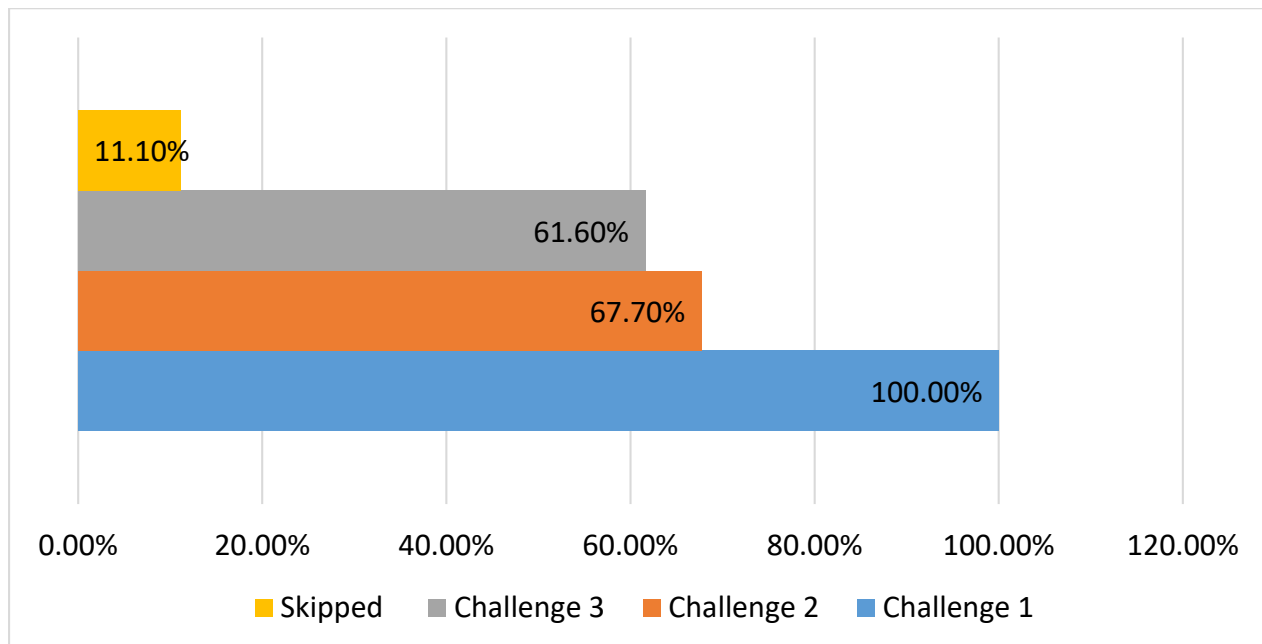
**Table B-11: Key challenges in applying performance measurement**

Key challenges in applying PM by SME	Percent	Frequency
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Challenge 1	100.0%	99
Challenge 2	67.6%	67
Challenge 3	61.6%	61
Total		99
Skipped		11

Figure B-11 indicated that at least 10.0% of the surveyed SMEs declined to list their key challenges for executing the PM systems. However, about 227 challenges were noted by the respondent SMEs and recorded electronically on the system.



**Figure B-11: Key challenges in applying performance measurement**

Challenge 1 was dominant among the SMEs as such a brief discussion of this challenge was done first. Among the 99 responses to challenge 1, the surveyed SMEs indicated that time was invariably an issue in executing the PM systems. The PM systems were deemed as not useful. In line with Abu Rahim and Abu Bakar (2014) money was listed as the issue since the PM systems needed funds to be put in place and as such some of the SMEs listed funding in field 16 further down as a barrier. Lack of expertise and leadership were cited as some of the top contributors to challenge 1.

In relation to challenge 2, lack of resources ranked high. These resources included lack of executive support, insufficient funding (the PM systems were costly), unreliable employees, and overloaded strategic plans. Key in this challenge was that financial viability held a key to the barriers to the execution of the PM systems (Abu Rahim and Abu Bakar, 2014). When the SMEs either did not have a competitive strategy in place or were executing a wrong strategy they were bound to end up with a multiplicity of concerns as highlighted in challenge 2.

Challenge 3 was the least populated and included some of these issues, the PM models were not that simple, it was not easy to incorporate the PM tools with the overall business performance, general incompetence by the SMEs (Andersen and Samuelsson, 2016), lack of knowledge or recognition of the PM importance, lack of customer feedback, lack of clear strategy, employee resistance, and tough competition.

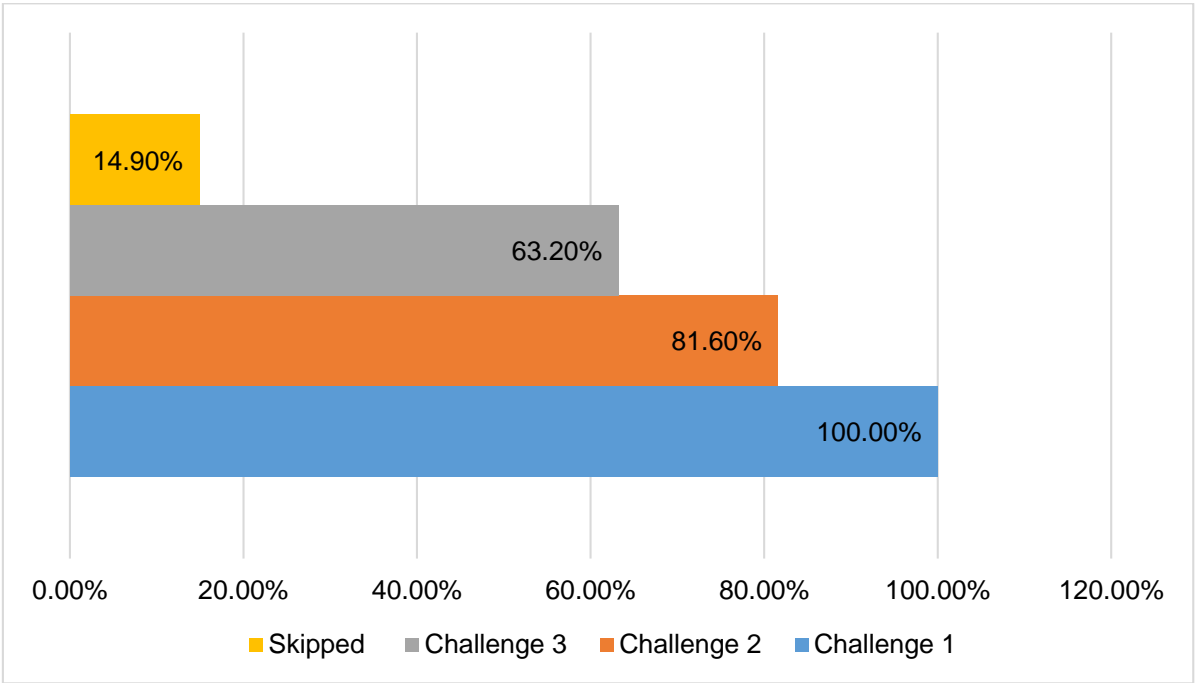
**List any three (3) key challenges with respect to business performance in the enterprise.**

As a follow-up analysis of the challenges of implementing the PM systems were the challenges to the SMEs' business performance. The SMEs were asked to list 3 challenges with respect to business performance and 111 challenges were noted and nearly half of the surveyed SMEs declined to comment on the challenges. A tabulated format for the said statistics is shown in Table B-12.

**Table B-12: Key challenges in terms of business performance**

<b>Key challenges in terms of business performance</b>	<b>Percent</b>	<b>Frequency</b>
Challenge 1	100.0%	87
Challenge 2	81.6%	71
Challenge 3	63.2%	55
Total		87
Skipped		13

Figure B-12 graphically depicts the population of the challenges by percentage inclusive of the 11.8% of the SMEs that elected to skip the challenges. Since this was a semantics analysis, each challenge was analysed separately based on Figure B-12. As such, the dominant semantics per challenge was highlighted to determine the dominant challenges that the SMEs experienced in relation to business performance.



**Figure B-12: Key challenges in terms of business performance**

In relation to challenge 1 which was depicted as 100% in Figure B-12, there were trends established. The SMEs noted their issues that included employees who were not committed, lack of resources and leadership commitment (Yanney, 2014), the inability to carry out the performance measurement systems on an enterprise-wide basis, competition, lack of strategy, and financial problems. Looking at some of these issues it was easy to tell that the SMEs were of the view that the overall business performance and performance measurement could not be separated.

As such, the issues identified were representative of the challenges that the SMEs were facing in relation to performance. In the same breath, some of the SMEs seemed not too concerned about performance and blamed everything on uncommitted staff and funding

challenges. Contrastingly, the SMEs' leadership's job was to provide direction and motivate the employees (Yang, 2008; Thomas, 1988) so high performance could be achieved. Be that as it may, the said issues in terms of challenge 1 could not just go away unless the SMEs' leadership started choosing the correct competitive strategy, implementing and monitoring that chosen competitive strategy, and measuring and monitoring performance regularly.

Challenge 2 as representing about 81.6% was the second most dominant challenge. In this regard, the SMEs noted their issues inclusive of lack of business training, lack of tools for the team to achieve their goals, procrastination to implement the performance measurement systems, lack of skills or ensuring that the team members had the required competencies, failure to link performance to strategy, unfair business conditions, and managing the performance system. This result was in line with the study by Postma and Zwart (2001).

These issues were rather concerning in the sense that challenge 2 proved that some of the SMEs did not know how to link their overall business performance with their strategy. The performance measurement system was a competency on its own and as such needed trained/skilled personnel for effective management and monitoring. None the less, the key with business performance was to ensure its linkage to the strategy (Maina and Willy, 2015) was kept intact.

Challenge 3 was the least dominant of the three and stood at 63.2% as shown in Figure B-12. There were several commonalities noted here as well. For instance, the SMEs noted issues that included lack of resources, lack of experience on how to measure and monitor business performance (Kaplan and Norton, 2008), failure to keep a constant customer base, failure to communicate strategy to the employees, volatility of the Rand / Dollar exchange rate, lack of a solid strategy, and employee skills.

The commonalities captured in challenge 3 went to show that the SMEs were facing global and common challenges. To labour the point, the issue of resources was key whether it was human, financial, or infrastructural (Abu Rahim and Abu Bakar, 2014). The

lack of experience on how to measure and monitor business performance boiled down to the SMEs being oblivious of the fact that benchmarking was there to help them bridge this gap. There was an issue noted to do with training in generic terms. The department of Higher Education and Training had a unit called the National Skills Fund (NSF) whose mandate was about providing targeted training to the SMEs. The NSF had a national footprint as such the SMEs that needed a particular training on how to improve their overall business whether it was performance, turnaround, funding, etc. were welcome to contact the NSF.

**Does the enterprise engage in benchmarking exercises? (Definition: According to Ou and Kleiner (2015), benchmarking refers to the search for industry best practices that will lead to superior performance.)**

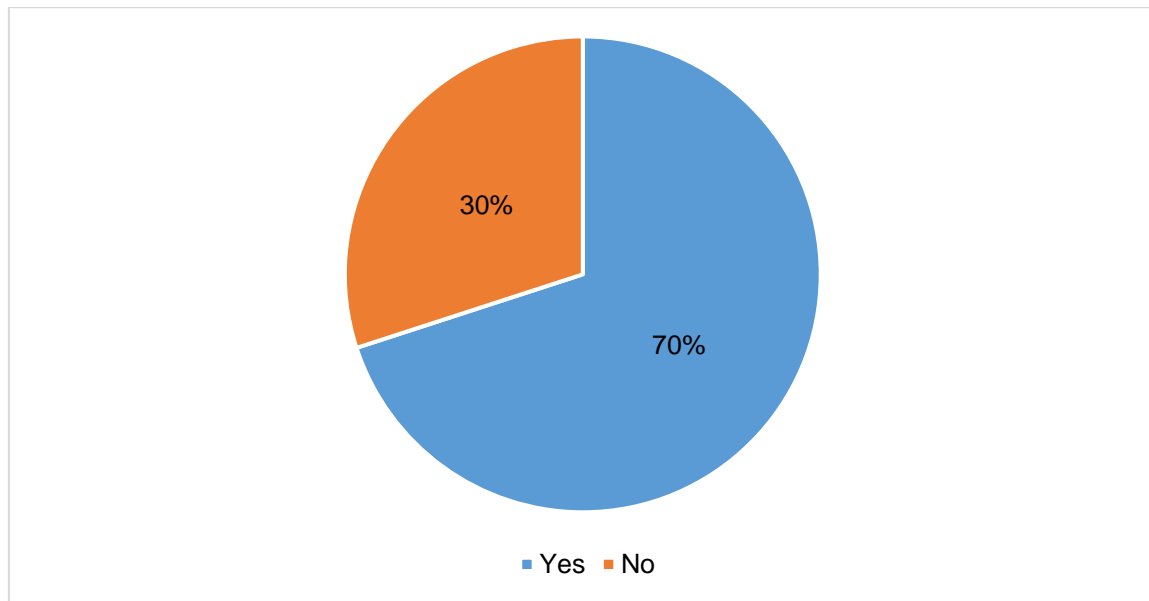
The point in this instance was to investigate if the SMEs were using some sort of benchmarking or not to boost growth and performance. It was significant to determine whether the SMEs were engaging in some form of benchmarking to enhance their performance. This was vital particularly if benchmarking was being done from the perspective of sustainability and growth. Most of the challenges that the SMEs were experiencing could be alleviated, if not sorted out completely, through benchmarking. Table B-13 indicates that most of the SMEs were engaging in benchmarking exercises.

**Table B-13: SMEs and benchmarking**

<b>Whether SMEs conduct benchmarking</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Yes	77	70.0	70.0	70.0
	No	33	30.0	30.0	100.0
	Total	110	100.0	100.0	

Benchmarking was there to help the SMEs learn from themselves as well as from their competitors, even industry leaders (Ou and Kleiner, 2015). The pie chart (Figure B-13) showed that just over two-thirds of the surveyed SMEs understood and applied benchmarking. This was reassuring as the same frequency of these SMEs went on to

respond to the fields that followed. It was concerning, nevertheless, to note that over one-quarter of the surveyed SMEs did not use benchmarking since by this means they were missing out on the good opportunity that they could use to improve their overall performance.



**Figure B-13: SMEs and benchmarking**

The good things that they could use to improve performance from the perspective of benchmarking included getting to learn how the best in the game were faring, how best had they been measuring performance, and how did they learn from their mistakes. Some of the SMEs were having business units that on their own were having effective internal business processes that enhanced their unit-level performance. As such, with the aid of internal benchmarking (Ou and Kleiner, 2015) the SMEs could improve their overall internal business process towards improved overall business performance.

**If yes, which type of benchmarking does the enterprise use? Select one of the 3 types shown.**

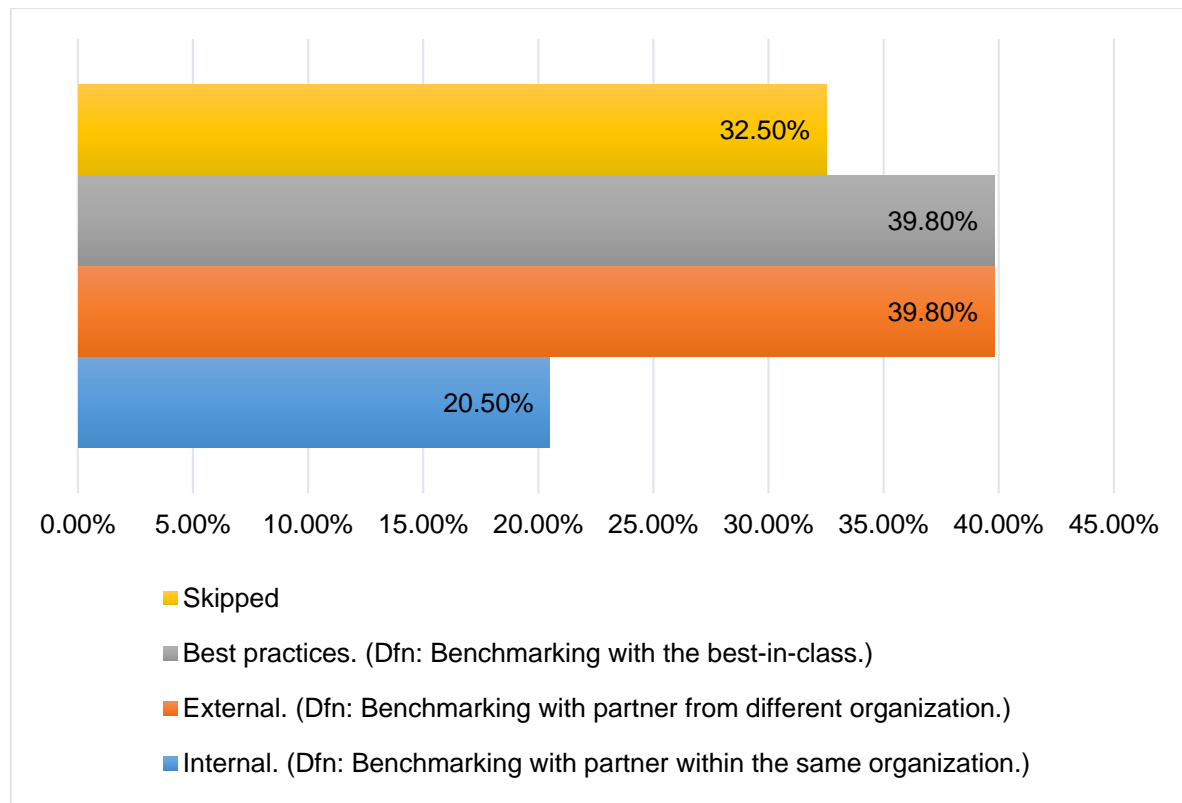
Building on the previous field, this field investigated the dominant benchmarking types that the two-thirds of the surveyed SMEs were using to boost growth and performance. In line with the benchmarking literature, there were at this stage different types of

benchmarking including internal benchmarking, external benchmarking, competitive benchmarking and benchmarking that was based on best practices (Ou and Kleiner, 2015). Table B-14 lists 3 types of benchmarking that the SMEs were asked to pick from as the most likely type that they would use or as the type that they were currently using.

**Table B-14: Benchmarking types as used by the SMEs**

The benchmarking type used by SME					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Internal	17	15.5	20.5	20.5
	External	33	30.0	39.8	60.2
	Best Practices	33	30.0	39.8	100.0
	Total	83	75.5	100.0	
Missing	System	27	24.5		
Total		110	100.0		

Based on Figure B-14 the dominant benchmarking type that the SMEs were using or were most likely to use was the external benchmarking. In terms of external benchmarking an SME could enter into some form of partnership with a different SME to have a formalized and controlled way of learning about some of their business processes. This different SME with which the benchmarking SME entered into a partnership was most likely a competitor, as a result, this kind of benchmarking was as much competitive as it was external (Ou and Kleiner, 2015). On a similar note, benchmarking with the best in class involved learning from the industry's best practices and the best SMEs within the industry. Figure B-14 indicates that the external and best practices benchmarking types were the most dominant benchmarking at 30%.



**Figure B-14: Benchmarking types as used by the SMEs**

The least dominant type was the internal benchmarking sitting at 20.5% which meant that some of the SMEs were learning from within themselves. It was worth noting that the best possible way of ensuring that their issues were made prominent was through the SMEs' admission that they were experiencing issues and some of their competitors were doing well for themselves. Hence, it became significant for the SMEs to engage in benchmarking for performance enhancement. As highlighted earlier on about 32.5% of the surveyed SMEs elected not to participate in benchmarking at all.

### **B.3 Strengths, Weaknesses, Opportunities, and Threats Analysis (SWOT)**

The purpose of the SWOT analysis was to serve as the basis for strategy and key performance indicators. Thus, the SWOT analysis also focused on the pressing problem that the SMEs had been having until 2016. It made business sense for the SMEs to be alive to their key competencies as well as their urgent problems.



### How often does the company conduct SWOT analysis exercises?

The business was about competition and competing for customers and business opportunities. To this end, the SMEs could take advantage of their core capabilities, turn around their weaknesses (Stan and Nedelcu, 2015), and leverage the economies of scale. The field sought to investigate how regularly the SMEs engaged in the analysis of their core capabilities as well as their weaknesses and evaluate their business threats and opportunities.

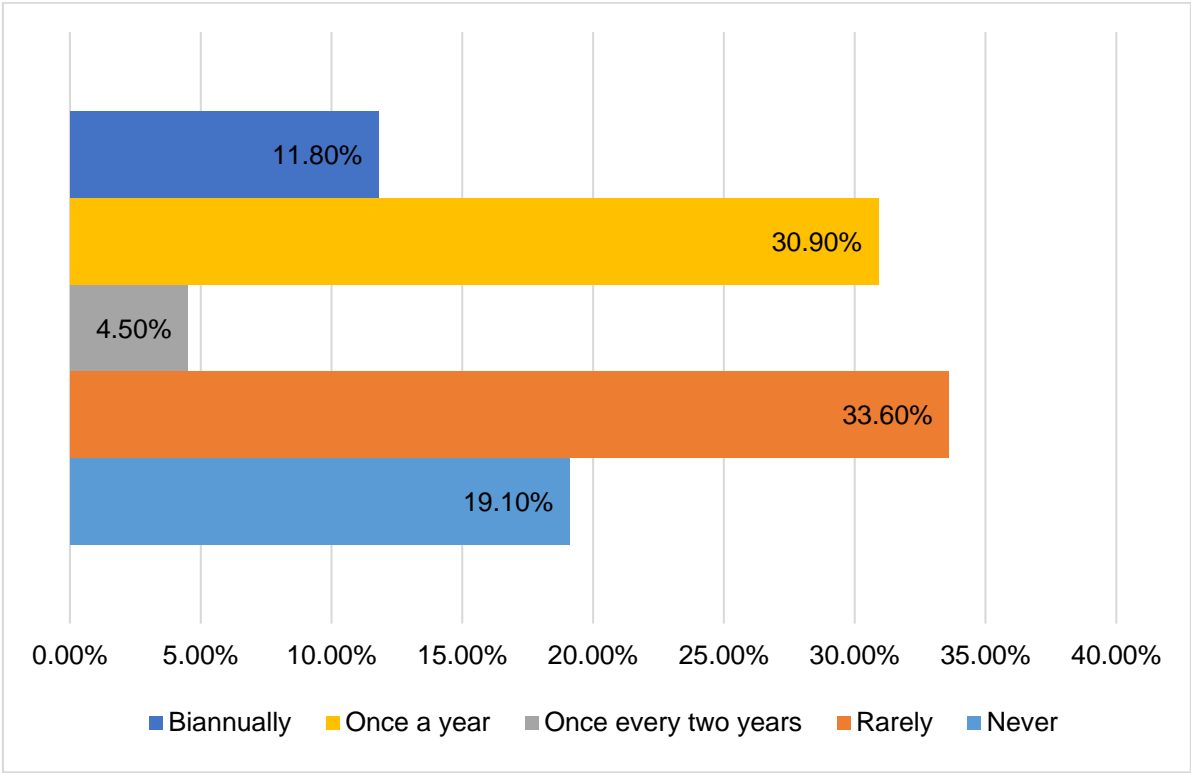
To determine the frequency in which the SMEs reassessed their SWOT to boost growth and performance (Eniola and Ektebang, 2014) it was imperative to divide up the analysis exercise frequencies into five categories as shown in Table B-15. The analysis exercises were conducted to establish the current state of the SMEs in relation to both their internal and external environments.

**Table B-15: Frequency of SWOT analysis exercises**

Frequency of SWOT analysis exercises					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Never	21	19.1	19.1	19.1
	Rarely	37	33.6	33.6	52.7
	Once Every 2 Years	5	4.5	4.5	57.3
	Once A Year	34	30.9	30.9	88.2
	Biannually	13	11.8	11.8	100.0
	Total	110	100.0	100.0	

As shown in Figure B-15 the majority (33.6%) of the surveyed SMEs rarely engaged in SWOT analysis. About 19.1% of the surveyed SMEs indicated that they never conducted any SWOT analysis which was concerning. Failure to take stock of their SWOT could be detrimental to the SMEs (Porter, 1985) as this negatively affected the SMEs in their effort to achieve high performance and realize competitive advantage. Such SMEs risked

overreaching themselves for one and failure to take advantage of some long-term business opportunities.



**Figure B-15: Frequency of SWOT analysis exercises**

In the best of settings, it was worthwhile for the SMEs to conduct their SWOT analysis exercises at least twice a year since the SWOT analysis usually preceded the annual strategy review (Ommani, 2011; Singh, 2010). Twice a year meant being cognizant of the fact that an SME had to keep its foot on the pedal and was able to pounce on business opportunities at the right time. This also meant that the SMEs were able to proactively respond to the challenges pertaining to performance and sustainability. None the less, the SMEs that conducted their SWOT analysis exercises (Keskin and Senturk, 2010) once a year were not that bad either. The fact of the matter was that in one calendar year these SMEs should at least know what their key issues were as such they should be in a position to do something about those issues. Speaking of the SMEs knowing what their issues were based on the SWOT analysis, the following field drove the SMEs to invariably be cognizant of their urgent issues.

**What is the pressing problem that the enterprise has been facing in recent years up to 2016?**

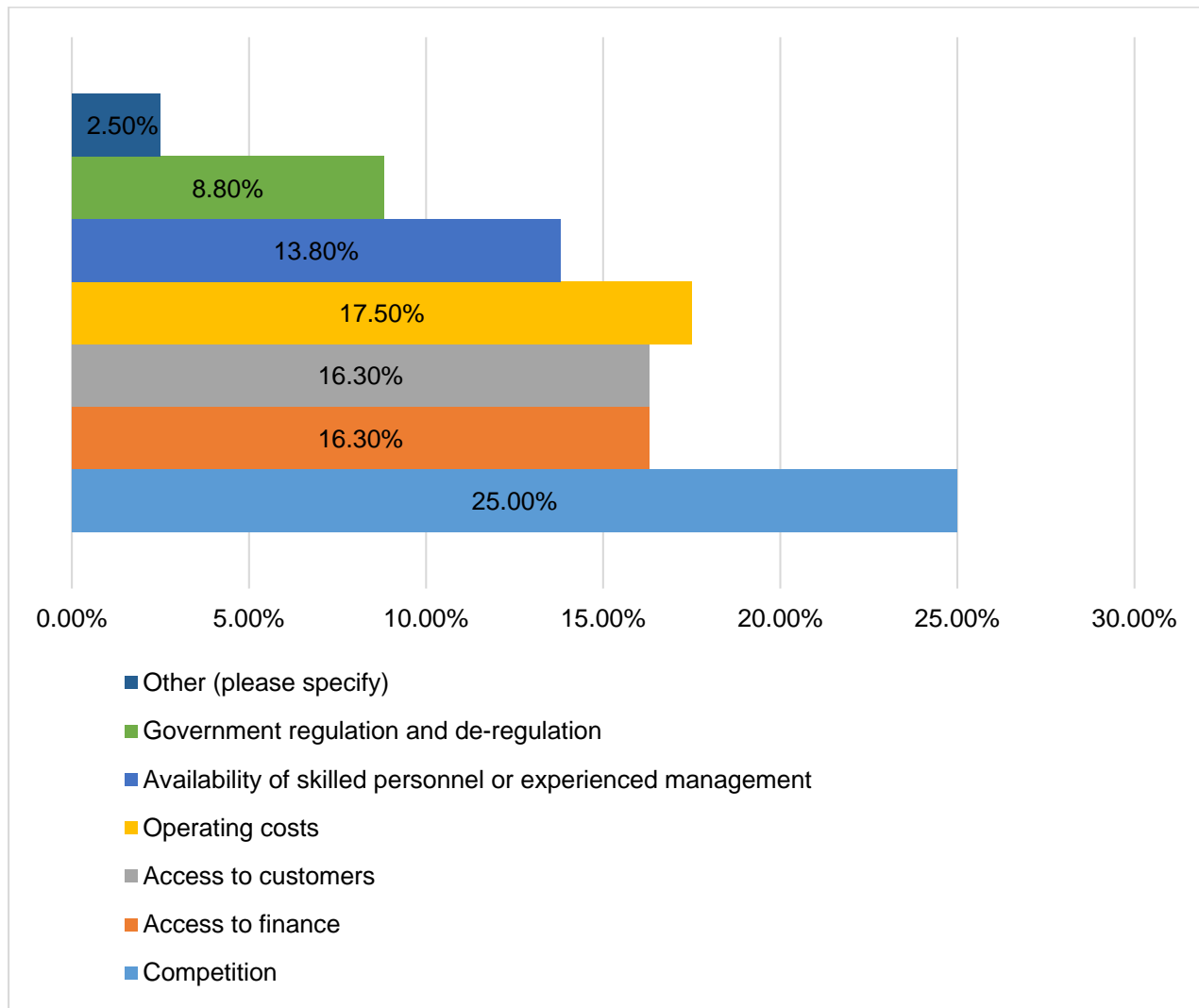
This field investigated some of the urgent problems that SMEs might have been experiencing up to 2016. The investigation built on the previous field and therefore tried to draw the attention of the leadership of the SMEs to the value and urgency of conducting the SWOT analysis exercises on a regular basis (Keskin and Senturk, 2010) such as at least twice a year. These pressing problems had a bad effect on growth and performance. Table B-16 shows some of the key pressing problems as being experienced by the SMEs up to 2016

**Table B-16: Pressing problem faced by SMEs up to 2016**

The pressing problem faced by SMEs up to 2016					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Competition	25	22.7	22.7	25.5
	Access to Finance	20	18.2	18.2	43.6
	Access to Customers	20	18.2	18.2	61.8
	Operating Costs	17	15.5	15.5	77.3
	Availability of skilled personnel or experienced management	13	11.8	11.8	89.1
	Government Regulation and de-regulation	12	10.9	10.9	100.0
	Other	3	2.7	2.7	2.7
	Total	110	100.0	100.0	

The analysis to determine the dominant urgent problems was based on Figure B-16. Figure B-16 indicates that government regulation and de-regulation were some of the dominant pressing problems that the SMEs had been experiencing up to 2016. This was

not surprising given that Bakan and Dogan (2012) established that government regulation and de-regulation ordinarily hindered the SMEs' overall performance. As such, government regulation and de-regulation acted as the barrier to executing the performance measurement systems. The SMEs listed competition as a top challenge in both fields. Thus, it was significant for the SMEs to appreciate the urgency of government regulation and deregulation.



**Figure B-16: Pressing problem faced by SMEs up to 2016**

To dwell to a certain extent on the dynamic of the pressing problem it was just as important for the SMEs to start investing in the SWOT analysis exercises towards selecting a suitable competitive strategy. To all intents and purposes, the competition was best dealt

with when the SMEs knew their key capabilities and their inherent weaknesses/failures (Stan and Nedelcu, 2015). Second to none was the concept of benchmarking wherein the SMEs entered the territory of their competition and learned how the competition took on their weaknesses/problems, enhanced their strong points, and took advantage of the opportunities out there.

For the less experienced SMEs having to deal with issues about government legislation and access to funding seemed like a mountain to climb. None the less, learning how the best dealt with such issues might free up the SMEs from some of these pressing problems. Based on Figure B-16, the operating costs ranked as the second most pressing problem faced by the SMEs. This was consistent with the findings by Andersen and Samuelsson (2016). However, this promised to linger on for a good while since the operating costs got compounded by such economic issues as the rising cost of electricity and the cost of office space that rose over the country's inflation rate.

Access to both finance and customers tied at 16.3% as indicated in Figure B-16. The commonality in this instance was that sustaining a customer base needed funding or rather access to finance as such it was not surprising that the two were tied. However, it was key to point out that access to finance (Abu Rahim and Abu Bakar, 2014) had to be sustainable over time so the SMEs could be in a position to commit funds to certain areas that helped them sustain their business. These areas included investment in marketing, strategic positioning, strategic human capital, infrastructure, and so on.

#### **B.4 The effect of competitive strategies on SMEs' high performance**

This part honed in on the influence of the competitive strategies on achieving the SMEs' high performance (Oyedijo, 2012). This part further focused on the competitive strategies and the resultant key performance indicators (KPIs) that had to be developed from the strategy as a measurable way of executing and monitoring the strategy. The KPIs were linked with the performance of the Small and Medium Enterprises (SMEs) as such it was significant that the KPIs were clearly defined such that they talked to specific elements of the strategy in relation to performance. A fair assessment of the SMEs' high performance

could lead to a fair assessment of the strategies that should be put into place for improved performance.

Therefore, each of the competitive strategies was considered as a factor subsumed under the effect of the competitive strategies on the SMEs' high performance. For the effective measurement and monitoring of the competitive strategies, it was key to follow a bottom-up approach. To this end, the following field sought to analyse the KPIs (Kaplan and Norton, 2000) first and the strategic analysis followed.

The survey participants were requested to rate the effect of the competitive strategies on the SMEs' high performance based on a level of significance. As indicated in Table B-17, over 50% of the surveyed SMEs' was of the view that the competitive strategies had an effect on the SMEs' high performance particularly when the competitive strategies were applied as a unit in contrast to the postulation by Porter (1980). However, this was the case only when a mediating construct was introduced in line with Omsa et al. (2015). In this case, the mediating construct introduced was the SMEs' resources.

**Table B-17: Rating high performance in terms of competitive strategies**

<b>Focus</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Sure	4	3.6	3.6	3.6
	Neutral	13	11.8	11.8	15.5
	Less Significant	13	11.8	11.8	27.3
	Significant	36	32.7	32.7	60.0
	More Significant	44	40.0	40.0	100.0
	Total	110	100.0	100.0	
<b>Differentiation</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Sure	4	3.6	3.6	3.6
	Neutral	16	14.5	14.5	18.2

	Less Significant	27	24.5	24.5	42.7
	Significant	31	28.2	28.2	70.9
	More Significant	32	29.1	29.1	100.0
	Total	110	100.0	100.0	
<b>Cost Leadership</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Sure	6	5.5	5.5	5.5
	Neutral	13	11.8	11.8	17.3
	Less Significant	32	29.1	29.1	46.4
	Significant	24	21.8	21.8	68.2
	More Significant	35	31.8	31.8	100.0
	Total	110	100.0	100.0	

Owing to the extreme industrial competition, it was important for the SMEs to aim for the realization of high performance (Obeidat, 2016; Altindag et al., 2011) through the alignment of their strategic intent with the competitive strategies. Maina and Willy (2015) found out that the competitive strategies had an effect on the SMEs' high performance. However, the authors proposed that the SMEs choose an appropriate competitive strategy based on their environment and the industry within which they competed. Such a choice of a competitive strategy might need to be supported by the resources at the disposal of the SMEs especially the strategic human resource (Bohan, 2012; Nigam et al., 2011; Furtan and Sauer 2008).

### **What are any key two (2) key performance indicators in the enterprise?**

The purpose of this field was to investigate the two dominant key performance indicators (KPIs) that the surveyed SMEs collectively noted in relation to boosting growth and performance. Table B-18 listed the statistics for the two KPIs with a frequency of 34 out of 110 SMEs that opted not to note any key KPIs.

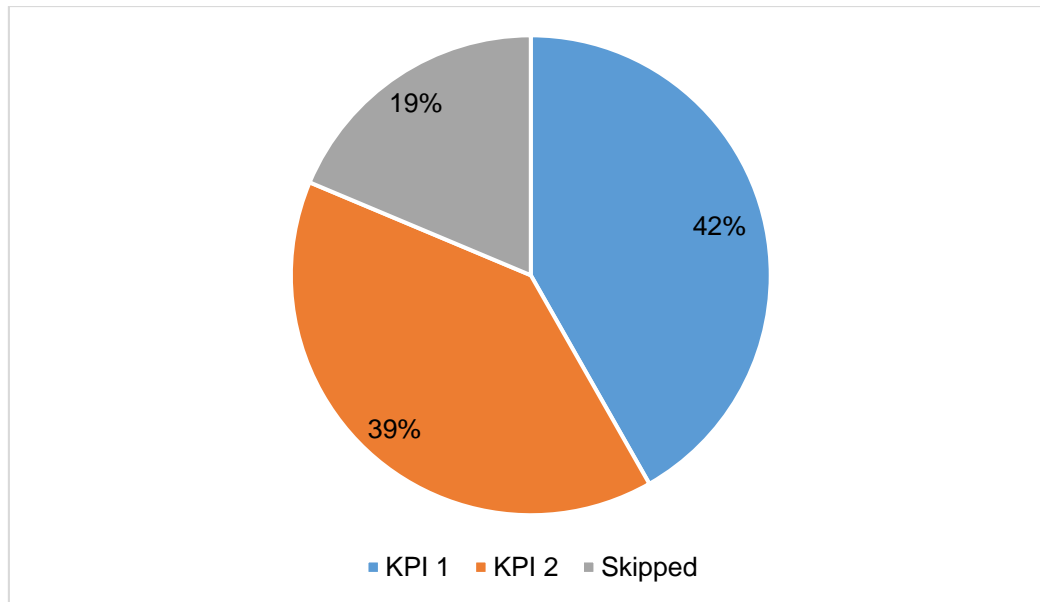
**Table B-18: Key two KPIs by SME**

<b>Key two KPIs by SME</b>	<b>Percent</b>	<b>Frequency</b>
KPI 1	100.0%	76
KPI 2	94.7%	72
Total		76
Skipped		34

Figure B-18 indicates that KPI 1 was dominant at 100%. To be able to appreciate the drivers of KPI 1 it was significant to delve deeper into the semantics analysis of these drivers. The dominant drivers of the KPI 1 included the sales metrics, customer metrics, process metrics, good performance, growth, internal business process scale-up, resources, focus, and financial management. For a good measure, some of these dynamics were studied by Andersen and Samuelsson (2016).

Thus, it was significant to note that this bottom-up approach was put to good use particularly when looking at the dominant pointers noted under KPI 1. The metrics that should be in place as KPIs for the SMEs to be able to measure and monitor strategy were process-driven, customer-focused, and sales-driven. This was in line with Andersen and Samuelsson (2016). It was worth pointing out though that at this lower level the SMEs should get it right otherwise their strategy was bound to fail. The SMEs indicated that they were willing to look into financial management which was encouraging given that the financial management was one of the problem areas for SMEs.





**Figure B-17: Key two KPIs by SME**

The resource management was better tackled from the KPI level as such the battle could be won here if there was some sense of ownership. Good performance and growth were also noted as some of the key areas that went into the KPI level. But then good performance and overall growth (Lu and Beamish, 2006) were the areas that were the ultimate result of a couple of things put together. For instance, growth could result when the SMEs were better managing and measuring their performance, there was good financial accountability, the customer base was stable and grew steadily, and the correct competitive strategy was in place.

With respect to the KPI 2, the SMEs noted commonalities which included good financial management, sales metrics, and customer metrics. Other dominant inputs to the KPI 2 included good corporate governance (Omsa et al., 2015), effective reporting and budgeting, targeting a 10% annual revenue growth, and reduced operational expenditure. The two KPIs seemed to be converging in relation to the issues raised. As such, this appeared more like a good start for the bottom-up approach to dealing with improved performance and overall growth.

Most importantly, the catch was finding out whether the said KPIs were linked to the SMEs' high performance (Kaplan and Norton, 2008) bearing in mind the bottom-up approach to the strategic measurement and monitoring.

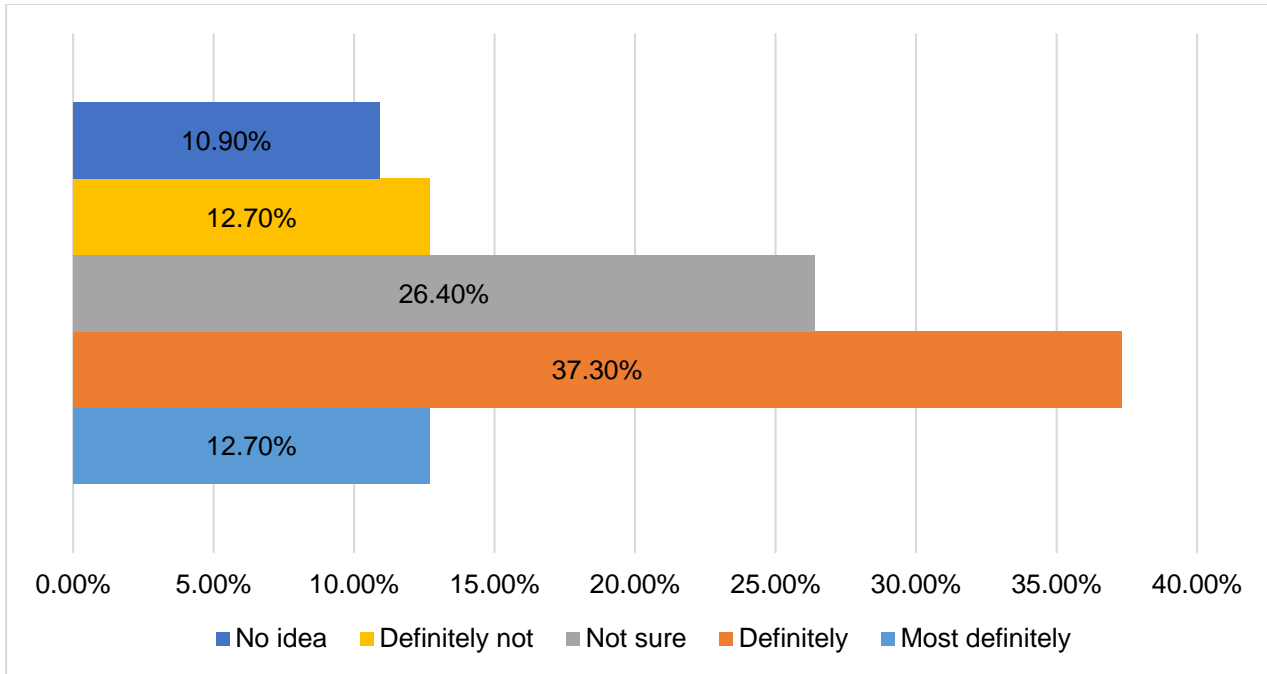
### **Are KPIs clearly linked to your enterprise's performance?**

This field sought to investigate if the KPIs were clearly linked to performance to boost growth and sustainability. On the basis of the previous field, the ultimate performance and sustainability of the SMEs became only possible once the SMEs had developed the KPIs from their strategic intent and clearly aligned the KPIs with the SMEs' high performance (Lu and Beamish, 2006). The respondents' views were solicited in Table B-19 if the KPIs were clearly linked to performance.

**Table B-19: KPI alignment with the SMEs' high performance**

<b>KPIs alignment with the SMEs' high performance</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Most Definitely	14	12.7	12.7	12.7
	Definitely	41	37.3	37.3	50.0
	Not Sure	29	26.4	26.4	76.4
	Definitely Not	14	12.7	12.7	89.1
	No Idea	12	10.9	10.9	100.0
	Total	110	100.0	100.0	

It was encouraging to note that none of the surveyed SMEs skipped the field. Figure B-19 indicates that a whopping 50% of the respondents did not know whether their KPIs were clearly linked to performance, were not sure whether their KPIs were clearly linked to performance, and were definitely sure that their KPIs were not clearly linked to performance. This combination, by deduction, could mean that the KPIs were not clearly linked to the SMEs' high performance. In line with Delios and Beamish (2001) such lack of alignment could negatively impact the SMEs' performance and growth.



**Figure B-18: KPI alignment with the SMEs' high performance**

On the other hand, about 37.3% of the respondents indicated that their KPIs were linked to performance. About 12.7% of the respondents were confident that their KPIs were linked to performance. With KPIs linked to performance, it grew within reach for the SMEs to achieve growth and improved overall SME performance (Delios and Beamish, 2001). If these statistics were anything to go by the SMEs could turn around their growth and sustainability with the bottom-up approach to performance. With the KPIs linked to performance, the SMEs should have measurable performance, at least by deduction.

#### **How do you estimate the enterprise's performance?**

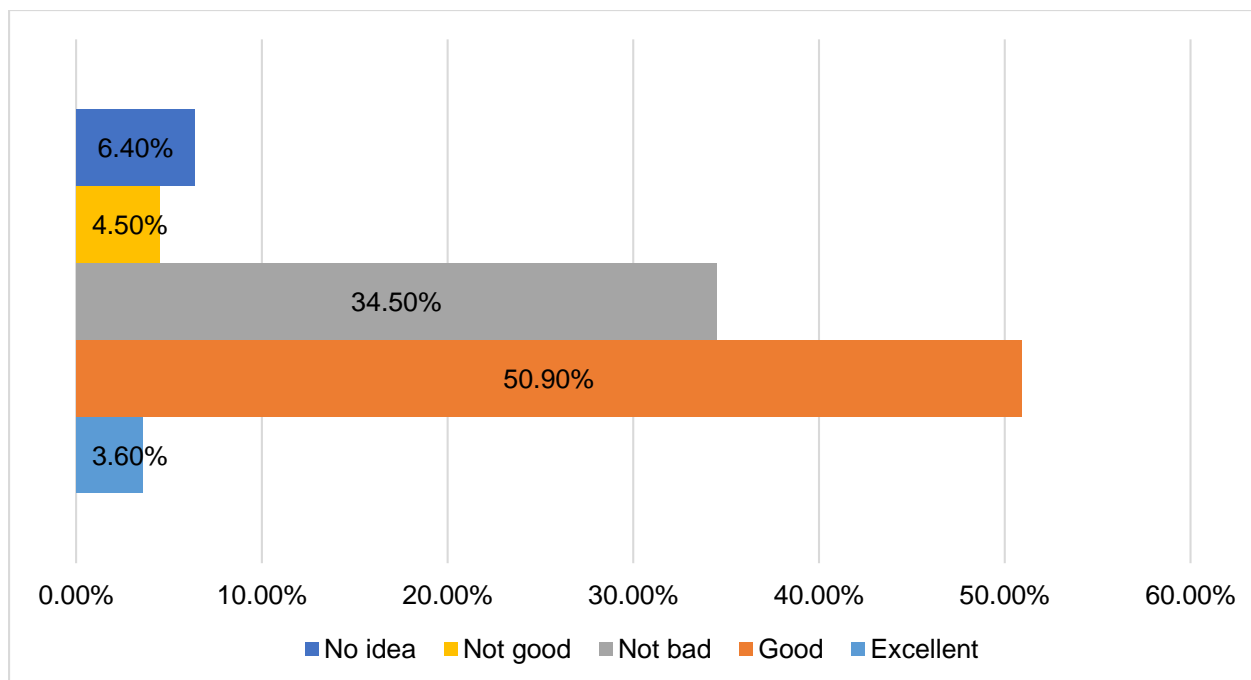
The purpose of this field was to get a rating of the SMEs' performance based on the opinion of the leadership (director/owner/manager). The rating built on to the previous field and as such the logical expectation was that the bulk of the SMEs should rate themselves as experiencing a performance that was either good or excellent. Table B-20 lists the different rating options for performance per SMEs. This field was generally subjective yet per the SMEs' literature, the SMEs' performance depended on the attributes of their leadership (Endi et al., 2013; Zoysa and Herath, 2007; O'Regan et al., 2005).

**Table B-20: Estimation of the SMEs' high performance**

Estimation of the SMEs' high performance					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Excellent	4	3.6	3.6	3.6
	Good	56	50.9	50.9	54.5
	Not Bad	38	34.5	34.5	89.1
	Not Good	5	4.5	4.5	93.6
	No Idea	7	6.4	6.4	100.0
	Total	110	100.0	100.0	

Figure B-20 indicates that nearly 54% of the respondents rated their SMEs' overall performance as either good or excellent however subjective (Zoysa and Herath, 2007; O'Regan et al., 2005) this might have been. This was positive though since in the previous field nearly 60% of the respondents indicated that their KPIs were clearly linked to performance. With that being said, it goes to show that there was a sense of consistency between the two fields.

About 39% of the respondents indicated that their SMEs' high performance was neither good nor bad. Just about 6.4% of the respondents indicated that they did not have any idea as to how their SMEs' performance was. Strange as it might seem, it was quite unexpected for a manager or a director to be oblivious of the performance of their SMEs (Zoysa and Herath, 2007; O'Regan et al., 2005) particularly given that performance should be a priority for the directors and managers of the SMEs.



**Figure B-19: Estimation of the SMEs' high performance**

Be that as it may, the performance was key to both growth and sustainability.

**In a scale of 1 – 5, how significant is the strategy for the enterprise to achieve high performance? Note: 1 = not sure, 2 = neutral, 3 = less significant, 4 = significant, and 5 = more significant.**

This field investigated the significance of good strategy for SMEs in relation to achieving performance, growth, and sustainability (De Clercq et al., 2010). Worth noting was the fact that over 50% of the respondents were using some sort of strategy in their businesses.

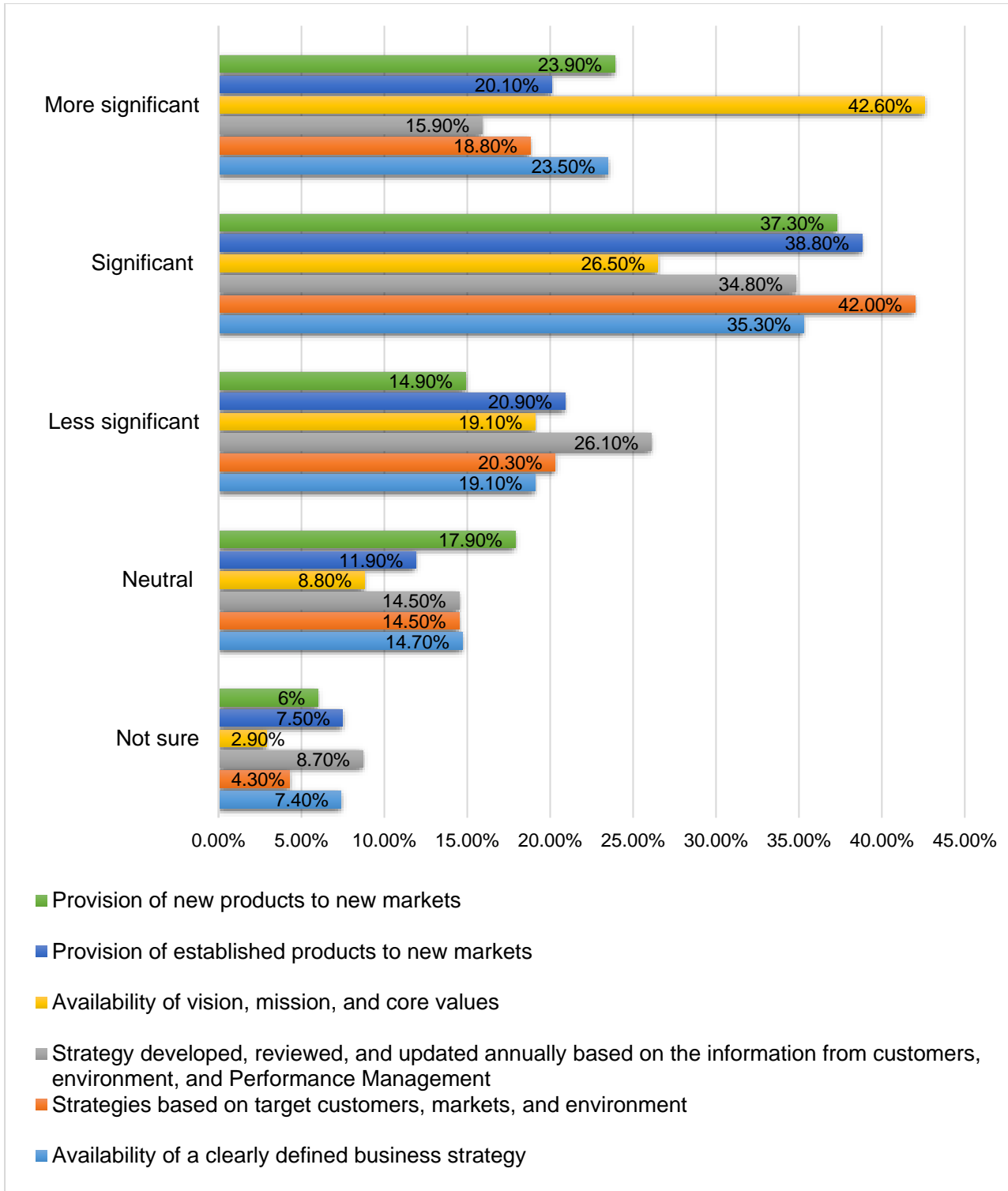
**Table B-21: Rating high performance in terms of strategy**

		Strategy			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Most Definitely	14	12.7	12.7	12.7
	Definitely	41	37.3	37.3	50.0

	Not Sure	29	26.4	26.4	76.4
	Definitely Not	14	12.7	12.7	89.1
	No Idea	12	10.9	10.9	100.0
	Total	110	100.0	100.0	

Figure B-21 graphically illustrated the per-dynamic analysis for rating performance in relation to strategy. Based on Figure B-20, about 42% of the surveyed SMEs rated strategies based on target customers, markets, and the environment as being significant. About 42.6% of the surveyed SMEs rated strategies based on the availability of vision, mission, and core values as being more significant. By contrast, about 35.3% and 23.6% of the surveyed SMEs rated strategies based on the availability of a clearly defined business strategy as being significant and more significant respectively. This was rather odd in the sense that a clearly defined business strategy should lead to the target customers, markets, and the environment. In the same breath, according to Wright et al. (2005), the environment within which the SMEs competed decided the performance of the SMEs.

By contrast, about 34.8% of the surveyed SMEs rated strategies based on the strategy developed, reviewed, and updated annually based on information from customers, environment, and performance management as being significant. This was in line with Wright et al. (2005). In the previous fields on challenges experienced by the SMEs, the surveyed SMEs mentioned customer feedback as key to achieving the objectives of growth and improved performance.



**Figure B-20: Rating high performance in terms of strategy**

Less than 9% of the surveyed SMEs indicated that they were not sure about the relationship between strategy and high performance. This was rather surprising since the

SMEs' leadership had to be prepared for such questions in line with Shimizu and Hitt (2004). Just about 17.9% of the surveyed SMEs were neutral as to whether strategies based on the provision of new products to new markets could be significant to achieving high performance. In the same breath, about 11.9% of the surveyed SMEs were neutral as to whether strategies based on the provision of established products to new markets could be significant to achieving high performance.

Breaking into fresh/new markets could be what the SMEs needed from time to time to achieve steady growth and improved performance.

**In a scale of 1 – 5, how significant is the capability for the enterprise to achieve high performance? Note: 1 = not sure, 2 = neutral, 3 = less significant, 4 = significant, and 5 = more significant.**

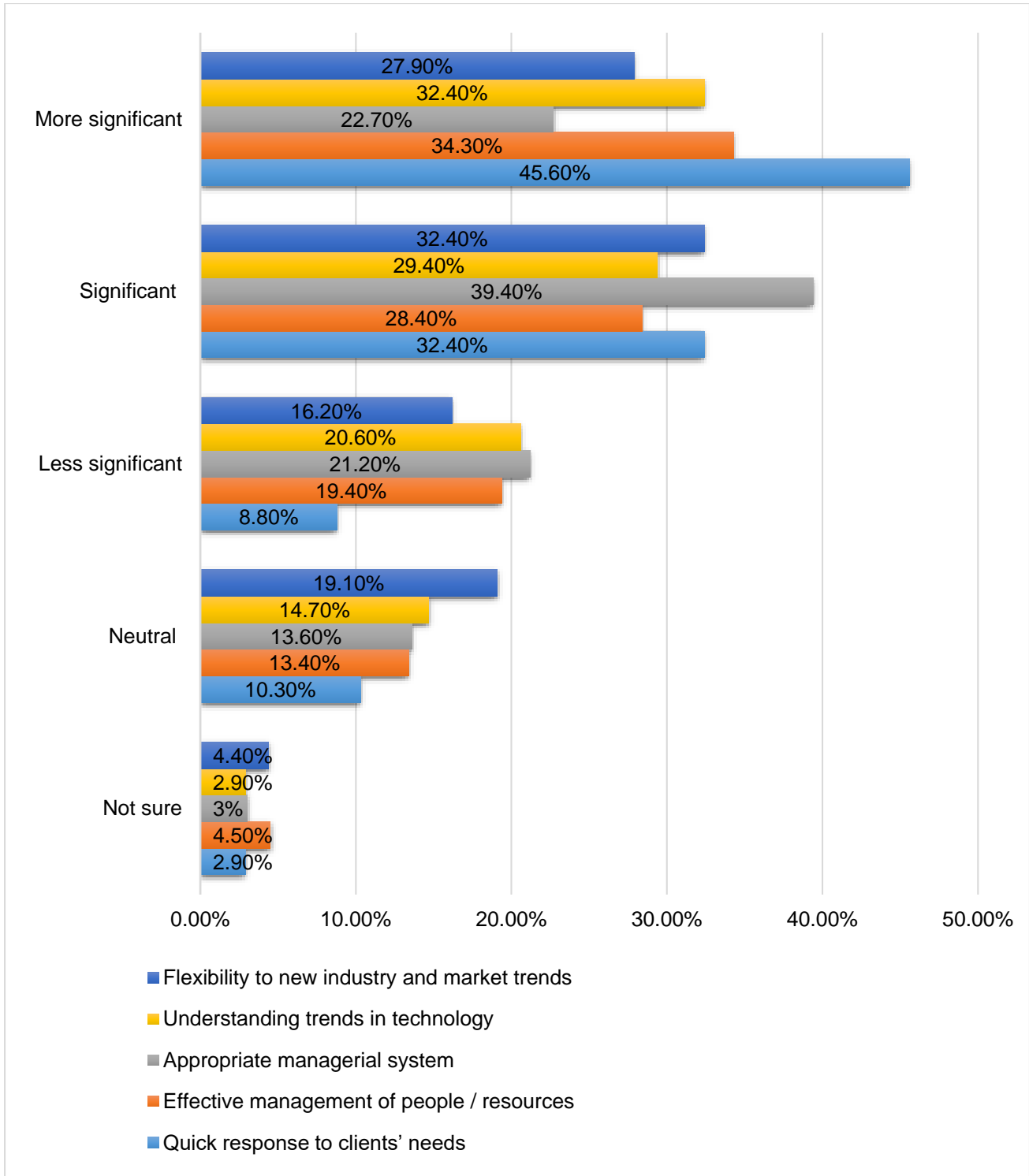
The field investigated if core capabilities were viewed as significant by the SMEs in relation to boosting performance, growth, and sustainability. Table B-22 lists the various dynamics of the capabilities that could potentially contribute to achieving high performance.

**Table B-22: Rating high performance in terms of capability**

Capability					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Excellent	4	3.6	3.6	3.6
	Good	56	50.9	50.9	54.5
	Not Bad	38	34.5	34.5	89.1
	Not Good	5	4.5	4.5	93.6
	No Idea	7	6.4	6.4	100.0
	Total	110	100.0	100.0	

Figure B-21 graphically illustrates the per-dynamic analysis for rating performance in relation to the core capabilities. According to Zoysa and Herath (2007) the core capabilities could either negatively or positively affect the SMEs' performance.





**Figure B-21: Rating high performance in terms of capability**

However, as shown in Figure B-21, about 21.2% of the surveyed SMEs rated core capabilities based on the appropriate managerial system as being less significant. At the

same time, about 8.8% of the surveyed SMEs rated core capabilities based on quick response to the clients' needs as being less significant. Both appropriate managerial system and quick response to the clients' needs should be the prioritized core capabilities for the SMEs to achieve high performance. Contrastingly, Figure B-21 illustrates that about 45.6% of the surveyed SMEs rated core capabilities based on quick response to the clients' needs as being more significant. About 34.2% of the surveyed SMEs rated core capabilities based on understanding trends in technology as being more significant. This was critical since the agility in dealing with clients and understanding trends in technology complemented each other in order to offer a vigorous value proposition. In line with Sanchez (2011), appreciating the SMEs' capabilities was key to achieving high performance.

Figure B-21 shows that about 39.4% of the surveyed SMEs rated core capabilities based on the appropriate managerial system as being significant. This was consistent with the study Sanchez (2011). About 32.4% of the surveyed SMEs rated core capabilities based on flexibility to new industry and market trends as being significant. By the same token, about 3% of the surveyed SMEs indicated that they were not sure as to whether core capabilities based on appropriate managerial systems contributed towards high performance. The inherent value of an appropriate managerial system lied in the measurement and monitoring of performance which in turn resulted in growth and sustainability.

**In a scale of 1 – 5, how significant are the resources for the enterprise to achieve high performance? Note: 1 = not sure, 2 = neutral, 3 = less significant, 4 = significant, and 5 = more significant.**

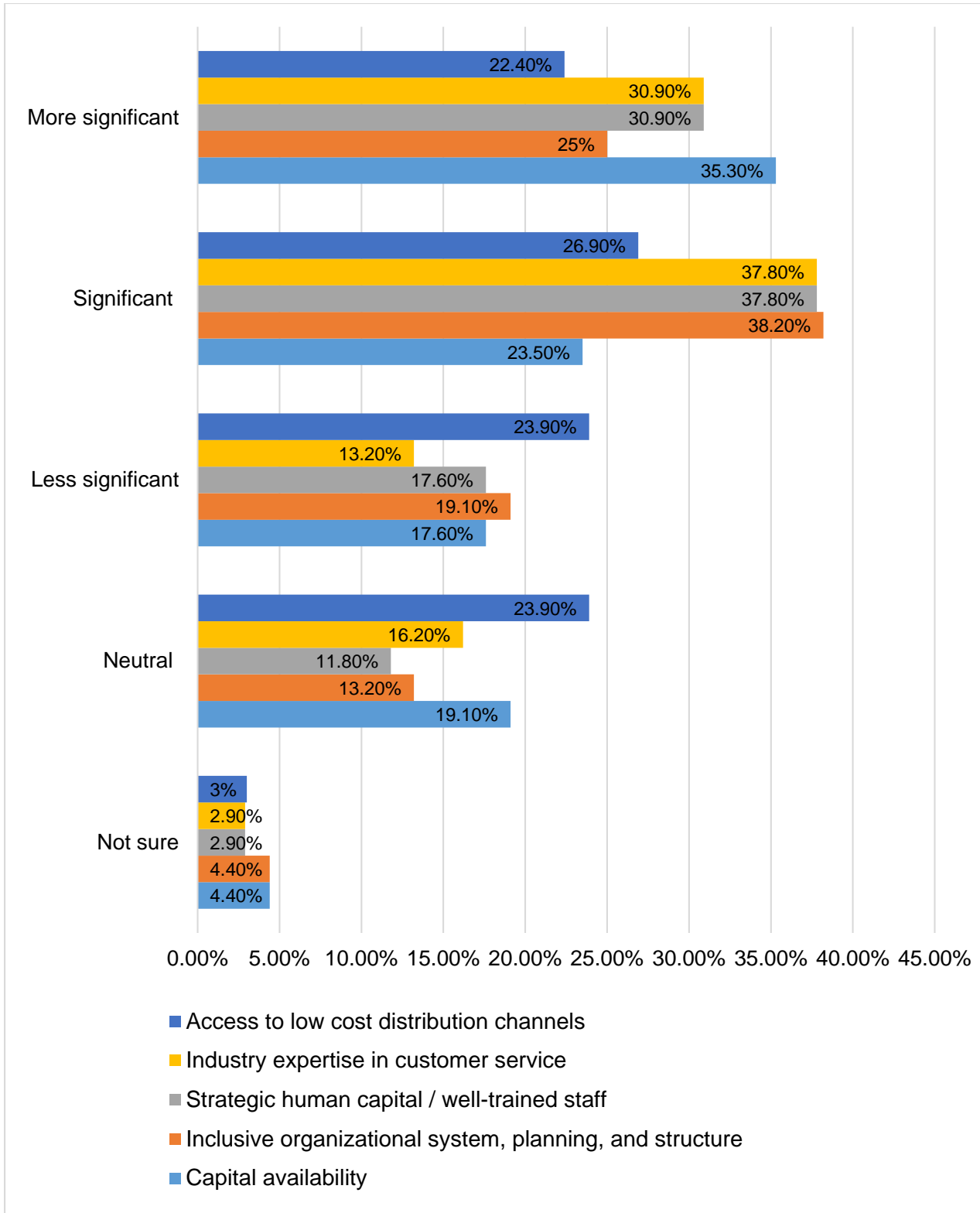
Building on the previous field, this field, therefore, investigated if leveraging resources was viewed as significant by the SMEs in relation to boosting performance, growth, and sustainability. Leveraging resources at the disposal of the SMEs (Obeidat, 2016; Sulaiman, Noor, and Shehnaz, 2015) should be handled with care in the sense that resources could build or break the SMEs. Table B-23 lists the various dynamics of the capabilities that could

potentially contribute to achieving high performance. Exactly 12 of the surveyed SMEs elected not to answer this field.

**Table B-23: Rating high performance in terms of resources**

		Resources			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Sure	10	9.1	9.1	9.1
	Neutral	15	13.6	13.6	22.7
	Less Significant	22	20.0	20.0	42.7
	Significant	38	34.5	34.5	77.3
	More Significant	25	22.7	22.7	100.0
	Total	110	100.0	100.0	

Figure B-22 graphically illustrated the per-dynamic analysis for rating performance in relation to the resources. As shown in Figure B-22, about 35.5% of the surveyed SMEs rated resources based on the capital availability system as being more significant. All the same, this result was consistent with the literature (Obeidat, 2016; Sulaiman, Noor, and Shehnaz, 2015). At the same time, about 4.4% of the surveyed SMEs indicated that they were not sure as to whether resources based on capital availability were significant. Both sets of respondents seemed poles apart yet the issues at play here revolved around how the SMEs could leverage resources to achieve high performance.



**Figure B-22: Rating high performance in terms of resources**

Figure B-22 illustrated that about 37.8% of the surveyed SMEs rated resources based on both the strategic human capital and the industry expertise in customer service as being significant. This was in line with Sanchez (2011). Comparatively, about 30.9% of the surveyed SMEs rated resources based on both the strategic human capital and the industry expertise in customer service as being more significant. Resources built on the strategic human capital and the industry expertise in customer service were key to improving performance and growth. The overriding challenge that the SMEs were facing was access to resources (Zeebaree and Siron, 2017; Wales et al., 2013) as shown in both the barriers to executing performance measurement systems and the challenges to overall performance.

In contrast, Figure B-22 showed that about 23.9% of the surveyed SMEs could not make up their minds as to whether resources based on access to low-cost distribution channels were significant. This was however inconsistent with the literature (Zeebaree and Siron, 2017; Wales et al., 2013). The surveyed SMEs mentioned operating costs and meagre budgets as contributing to their failure to sustain growth over time. Yet, a whopping 23.9 % still could not rate access to low-cost distribution channels as significant which was inconsistent as well.

**In a scale of 1 – 5, how significant is the strategic focus for the enterprise to achieve high performance? Note: 1 = not sure, 2 = neutral, 3 = less significant, 4 = significant, and 5 = more significant.**

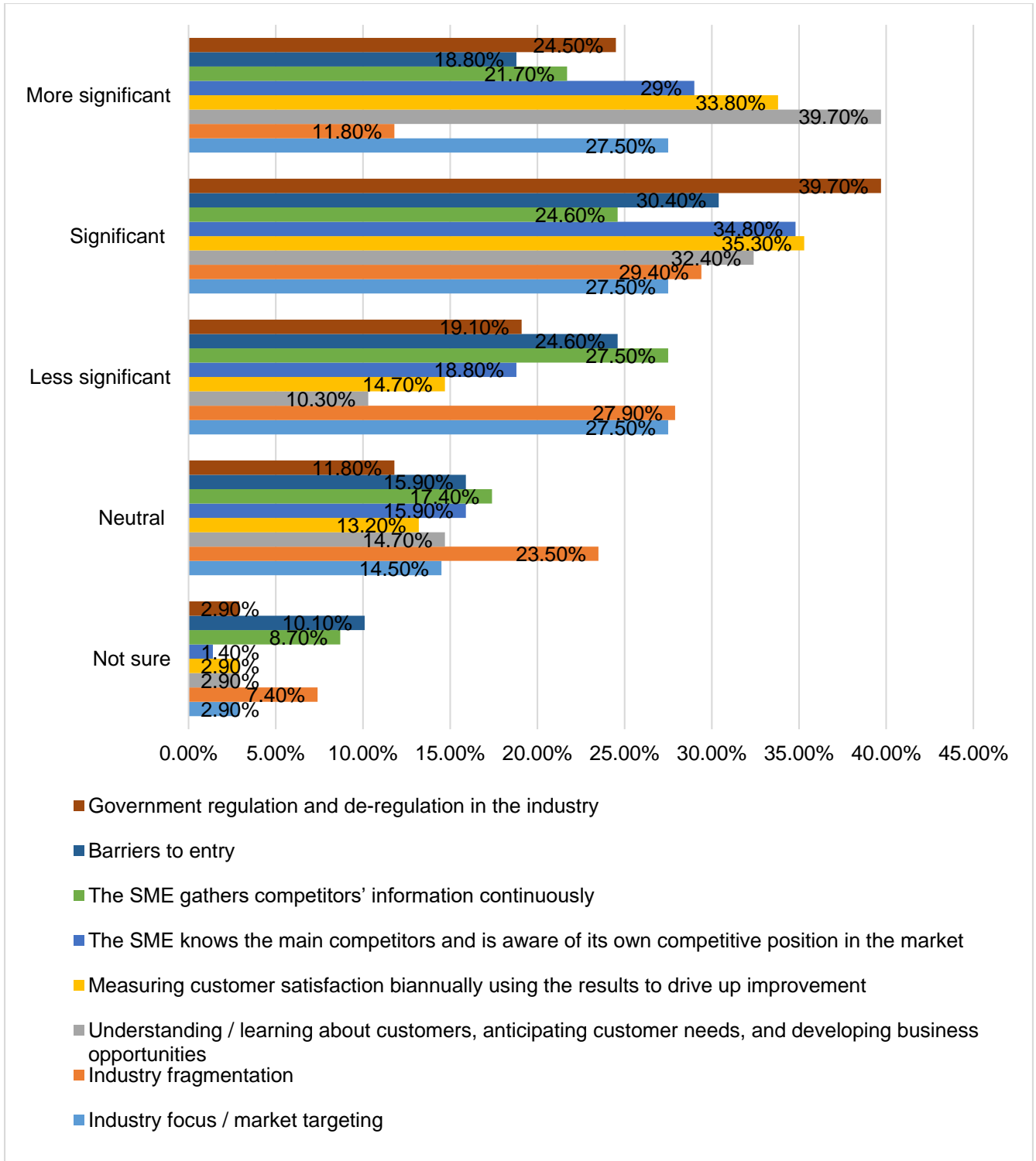
This field investigated the significance of adapting and leveraging the strategic focus as having an impact on boosting performance, growth, and sustainability. Leveraging the strategic focus particularly in a bottom-up approach could stand the SMEs in good stead from the perspective of overall performance. The focus strategy channelled the SMEs towards the power of concentration through training their key competencies on a particular market segment, customer base, or unique product line (Chi, 2015). Table B-24 focuses on rating high performance with respect to the strategic focus. Exactly 11 of the surveyed SMEs elected not to answer this field.

**Table B-24: Rating high performance in terms of strategic focus**

Focus					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Sure	4	3.6	3.6	3.6
	Neutral	13	11.8	11.8	15.5
	Less Significant	13	11.8	11.8	27.3
	Significant	36	32.7	32.7	60.0
	More Significant	44	40.0	40.0	100.0
	Total	110	100.0	100.0	

Figure B-23 graphically illustrates the per-dynamic analysis for rating performance in relation to the strategic focus. As shown in Figure B-23, about 2.9% of the surveyed SMEs indicated that they were not sure as to whether the strategic focus based on industry focus/market segment was significant. In the same vein, about 7.4% of the surveyed SMEs indicated that they were not sure as to whether strategic focus based on industry fragmentation was significant. These results were however inconsistent with the literature (Chi, 2015; Porter 1985).

The view by both sets of respondents seemed misplaced as by not engaging in concentration (Chi, 2015) the SMEs were inclined to shoot themselves in the foot. When all was said and done, it was not advisable for the SMEs to be all over in their business endeavours as this could cause them to overreach themselves.



**Figure B-23: Rating high performance in terms of strategic focus**

Figure B-23 illustrates that about 39.7% of the surveyed SMEs rated strategic focus based on understanding / learning about customers, anticipating customer needs, and

developing business opportunities as being more significant. This result was consistent with the literature (Zhang and Hathcote, 2008; Chi and Kilduff, 2006). This also tied well with the challenges noted by the SMEs in the earlier fields wherein the SMEs indicated that retaining a constant, or rather steadily growing, the customer base was key to sustaining growth. Essentially, the practical way of keeping the customer base happy and probably retaining them was through understanding their needs as well as being able to anticipate and nimbly respond to their needs. On this basis, it became easier to develop business opportunities rather than waiting for business opportunities to come up and pounce on them.

About 39.7% (Figure B-23) of the surveyed SMEs rated strategic focus based on government regulation and de-regulation in the industry as being significant. This was in line with Bakan and Dogan (2012). Government regulation and de-regulation played a key role in the overall growth and sustainability of SMEs. For instance, some government regulations such as the Public Procurement Policy Framework Act (PPPFA) regulations of 2015 were inclement towards the SMEs and were inclined to act as business inhibitors. Fortunately, the government realized the impact that the PPPFA regulations of 2015 were having on the SMEs and resolved to repeal the Act and its attendant regulations in favour of the Public Procurement Policy Act (PPPA) of 2012 whose regulations were set to be revised to be more SME friendly.

**In a scale of 1 – 5, how significant is the differentiation for the enterprise to achieve high performance? Note: 1 = not sure, 2 = neutral, 3 = less significant, 4 = significant, and 5 = more significant.**

This field investigated the significance of adapting and leveraging strategic differentiation as having an impact on boosting performance, growth, and sustainability. Leveraging the strategic differentiation particularly in a bottom-up approach could stand the SMEs in good stead from the perspective of overall performance. The differentiation strategy channelled the SMEs towards offering a unique value proposition, the different product lines, and the exclusive service catalogue. Table B-25 focuses on the rating of high performance with respect to the strategic differentiation as potentially contributing to



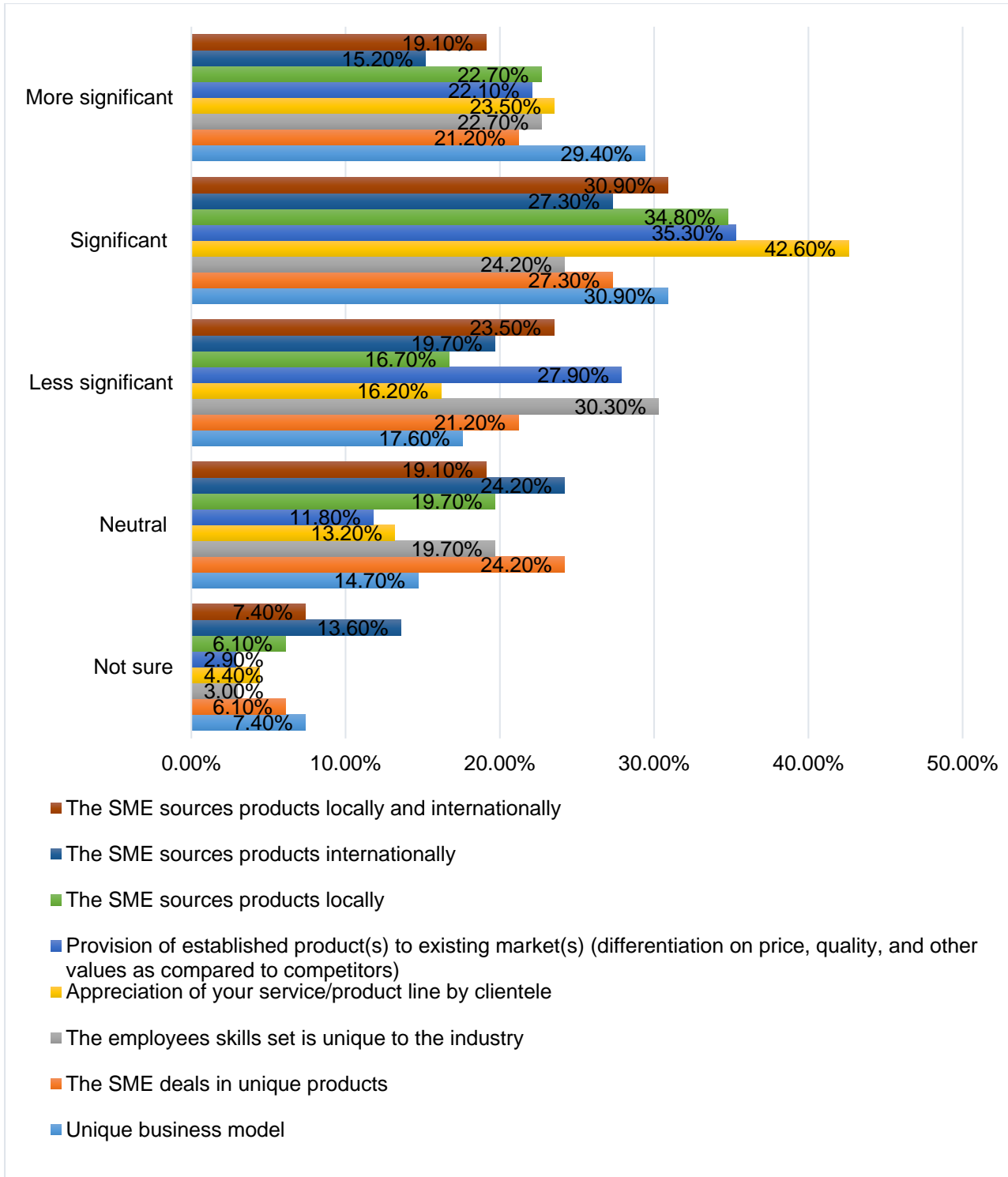
achieving high performance (Chi, 2015). Exactly 12 of the surveyed SMEs elected not to answer this field.

**Table B-25: Rating high performance in terms of strategic differentiation**

		Differentiation			
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Sure	4	3.6	3.6	3.6
	Neutral	16	14.5	14.5	18.2
	Less Significant	27	24.5	24.5	42.7
	Significant	31	28.2	28.2	70.9
	More Significant	32	29.1	29.1	100.0
	Total	110	100.0	100.0	

Figure B-24 graphically illustrates the per-dynamic analysis for rating performance in relation to the strategic differentiation. Based on the statistics in Figure B-24, about 24.2% of the surveyed SMEs indicated neutrality as to whether the strategic differentiation based on both the SMEs sourcing products internationally and the employees' skills set as unique to the industry were significant. This result was inconsistent with the literature, however (Chi, 2015).

Despite this neutrality displayed by the surveyed SMEs, it was important to point out that the employees' skills set was invariably unique to the industry as such an investment in employee training to develop industry-unique skills was a must. This was in line with Abu Rahim and Abu Bakar (2014). In the same breath, sourcing products internationally, though somewhat costly on account of the import duties, might help the SMEs enhance their different product line. This, in turn, might also boost the SMEs' offering of an exclusive service catalogue.



**Figure B-24: Rating high performance in terms of strategic differentiation**

On a slightly different note, Figure B-24 indicates that about 7.4% of the surveyed SMEs indicated that they were not sure as to whether strategic differentiation based on a

unique business model was significant. This result was however inconsistent with the literature (Raut et al., 2012; Chi, 2010). For the life of the SMEs, striving to be different could set them apart from within the industry. The market was already saturated with similar business models for businesses that scramble for similar business opportunities and similar customer bases.

Figure B-24 illustrated that about 30.3% of the surveyed SMEs rated strategic differentiation based on the provision of established products to existing markets (differentiation on pricing, quality, and other values as compared to competitors) as being less significant. In the same breath, about 16.2% of the surveyed SMEs rated strategic differentiation based on the appreciation of the SMEs' service offering and their product line by the customers as being less significant. Doing business became impracticable if the SMEs' customer base did not appreciate either the service offering or the products on offer (Boyer and Pagell, 2000). It, therefore, might come as not surprising if the customer base stopped asking for either the service offering or the products that the SMEs had to offer. Therefore, caution had to be exercised in how the SMEs looked at some of the dynamics about differentiation strategy.

In stark contrast, Figure B-24 indicates that about 42.6% of the surveyed SMEs rated strategic differentiation based on the appreciation of the SMEs' service offering and their product line by the customers as being significant. This was however in line with Boyer and Pagell (2000). This was some welcome news given that some of these SMEs were start-ups with a business experience of fewer than 4 years.

**In a scale of 1 – 5, how significant is the cost leadership for the enterprise to achieve high performance? Note: 1 = not sure, 2 = neutral, 3 = less significant, 4 = significant, and 5 = more significant.**

Building on the previous field, this field investigated the significance of adapting and leveraging the strategic cost leadership as having an impact on boosting performance, growth, and sustainability (Chi, 2015). Leveraging the strategic cost leadership particularly in a bottom-up approach could help the SMEs attract and retain a sizable customer base,

bump up revenue, and ultimately have enough budgets to be able to measure and achieve high performance. The cost leadership strategy might expose the SMEs to the neglected and low-income markets/customer bases that could prove loyal to the SMEs in the long run.

Table B-26 focuses on rating performance with respect to the strategic cost leadership that could potentially contribute to achieving high performance. Exactly 12 of the surveyed SMEs elected not to answer this field.

**Table B-26: Rating high performance in terms of cost leadership**

<b>Cost Leadership</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Sure	6	5.5	5.5	5.5
	Neutral	13	11.8	11.8	17.3
	Less Significant	32	29.1	29.1	46.4
	Significant	24	21.8	21.8	68.2
	More Significant	35	31.8	31.8	100.0
	Total	110	100.0	100.0	

Figure B-25 graphically illustrates the per-dynamic analysis for rating performance in relation to the strategic cost leadership. Based on the statistics in Figure B-25, about 14.7% of the surveyed SMEs indicated neutrality as to whether the strategic cost leadership based on both the economies of learning (learning by performing or rendering a service) and the cost linkages was significant. This result was however inconsistent with Chi (2015).

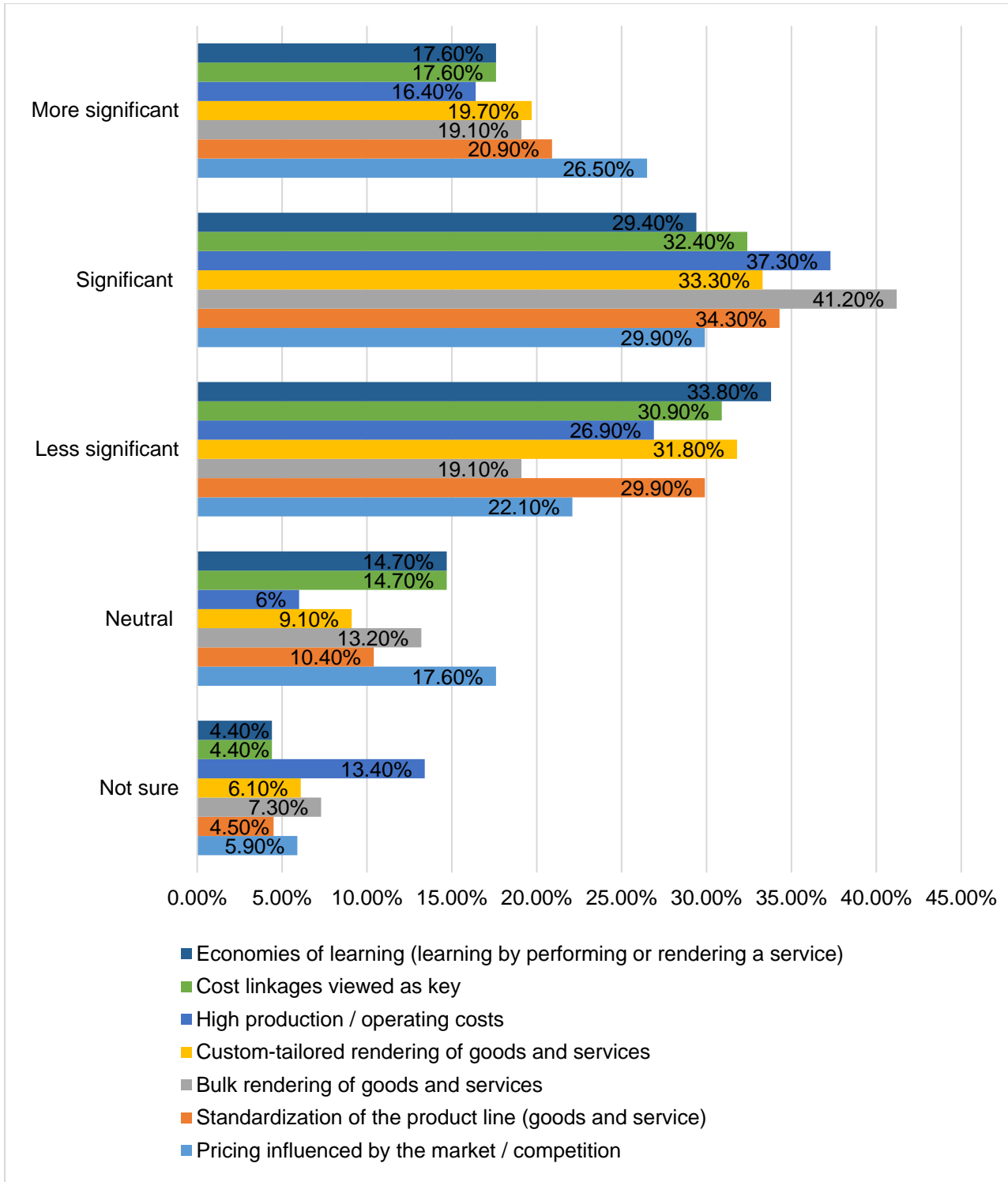
As far as the cost linkages were concerned it was critical for the SMEs to develop a medium- to a long-term plan. This then meant that the business processes in relation to product development should be aligned from end to end with a business efficiency concept such as Lean for overall business efficiency (Andersen and Samuelsson, 2016). Lean

sought to scale down the total cost of production with the resultant cost savings being transferred to the customers through a cost leadership strategy.

On the other hand, the economies of learning boasted the competitive advantage in the sense that when the SMEs' unique employees' skills had been developed the SMEs could leverage the employees' knowledge to deliver value. Abu Rahim and Abu Bakar (2014) postulated that the employees' skills were to the survival of SMEs particularly when it came to the pursuance of opportunities by the SMEs. This was the knowledge economy as such the SMEs could not afford to ignore the learning economy for by that means they were committing a costly and economical mistake.

Therefore, the surveyed SMEs' neutrality with regard to the said dynamics could be counterproductive and suicidal in as far as performance was concerned in line with Abu Rahim and Abu Bakar (2014). By contrast, Figure B-25 indicates that about 4.4% of the surveyed SMEs indicated that they were not sure as to whether strategic cost leadership based on both the economies of learning and the cost linkages was significant. The arguments advanced above about the two dynamics held water in this instance, still.

Figure B-25 illustrates that about 37.3% of the surveyed SMEs rated strategic cost leadership based on high production or operating costs as being significant. High production or operating costs were contrary to the development and carrying out of the cost leadership strategy, to start with. As such, it was important for the SMEs to streamline their business processes and production processes from end to end (Andersen and Samuelsson, 2016). This was where Lean, as a quality management driver, came in so the SMEs could be streamlined. As highlighted earlier, for the cost leadership strategy to thrive the production costs had to be reduced.



**Figure B-25: Rating high performance in terms of cost leadership**

On a positive note based on Figure B-25, about 34.3% of the surveyed SMEs indicated that the strategic cost leadership based on the standardization of the SMEs'

product line was significant. Standardization as a strategy could be in line with cost leadership. The standardization approach, just like the Lean, was aimed at reducing the production costs (Chi and Kilduff, 2006; Mintzberg, 1979) inclusive of the post-sale service or maintenance costs. On an overall pricing note, Figure B-25 indicates that about 26.5% of the surveyed SMEs rated strategic cost leadership based on pricing being influenced by either the market or the competition as being more significant. Despite everything else mentioned so far about pricing, the SMEs needed to be alive to the fact the competition was disposed to influence even guide the pricing strategies for the industry.

**If the enterprise is using competitive strategies, which of the approaches of the generic competitive strategy does the enterprise use?**

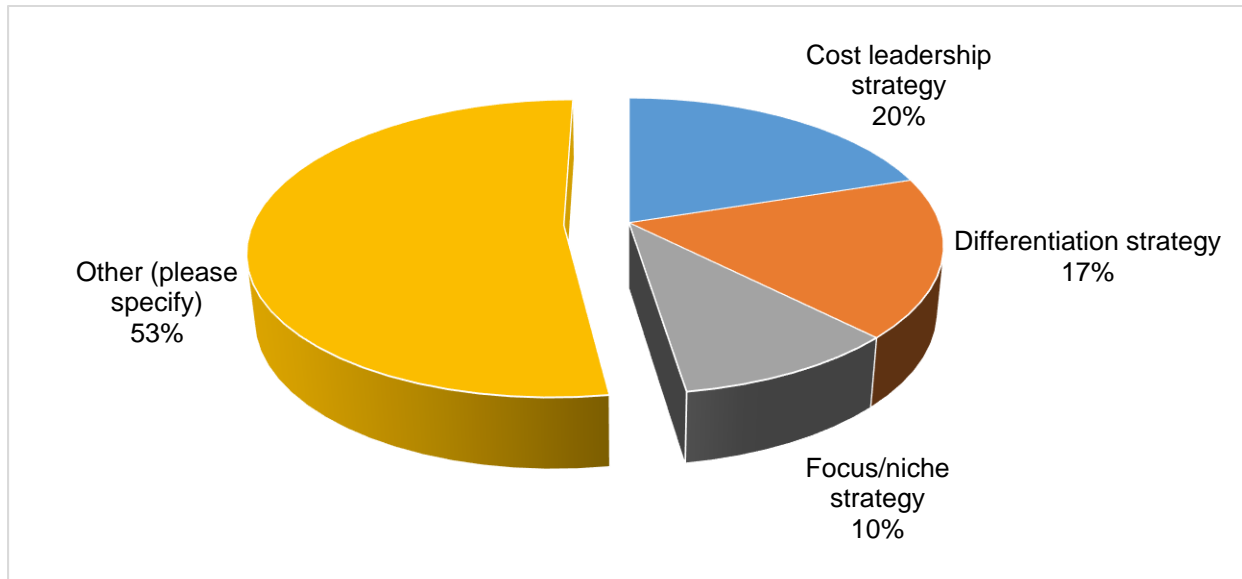
The purpose of this field was to investigate which of the three competitive strategies was dominant amongst the SMEs particularly when these strategies were considered from the perspective of boosting performance, growth, and sustainability. Table B-27 focuses on the three competitive strategies as applied by the SMEs and their associated statistics. Most importantly, none of the surveyed SMEs skipped this field.

**Table B-27: Competitive strategy used by SME**

Competitive Strategies					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Sure	7	6.4	6.4	6.4
	Neutral	17	15.5	15.5	21.8
	Less Significant	29	26.4	26.4	48.2
	Significant	27	24.5	24.5	72.7
	More Significant	30	27.3	27.3	100.0
	Total	110	100.0	100.0	

Based on Figure B-26, 20% of the surveyed SMEs indicated that they were using cost leadership as a competitive strategy. This was in line with Chi (2015) since the SMEs were

in the business of achieving cost leadership to attract more business and score business opportunities. Cost leadership was dominant since 17% and 10% of the surveyed SMEs indicated that they were using differentiation strategy and focus strategy respectively.



**Figure B-26: Competitive strategy used by SME**

Contrastingly, over one half of the surveyed SMEs indicated that they were not using competitive strategies. For a good measure, the near 53% (Figure B-26) of the surveyed SMEs indicated that they were either not having any strategies in place or viewed competitive strategies as not applying to them. This was surprising as the SMEs' survival, growth, and sustainability depended on a strategic drive (Lu and Beamish, 2006). It was, however, concerning to realize just how these SMEs were functioning and directing their business operations without the competitive strategies or business strategies. Just how these SMEs managed to develop their strategic intents was unclear.

For the sake of completeness, a drill through the data indicated that these very SMEs that indicated that they were not using the competitive strategies or business strategies at all indicated in earlier fields that their performance was generally not good. The remainder of these SMEs had no idea as to how their overall performance was faring. This was inconsistent with the literature, however (Endi et al., 2013; Zoysa and Herath, 2007). In



addition, the business experience of the SMEs in question ranged from below 4 years to between 4 – 8 years.

When all was said and done, it did not sound pragmatic for the SMEs to continue to operate without some sort of strategy in place. Strategy determined the direction of the SMEs from measuring performance and sustaining growth to leveraging access to funding (Watson and Netswera, 2009). With strategy, the SMEs were in a position to measure and control performance for after all it was hard to control what could not be measured.

**Does the enterprise have access to resources? Select the funding means it uses.**

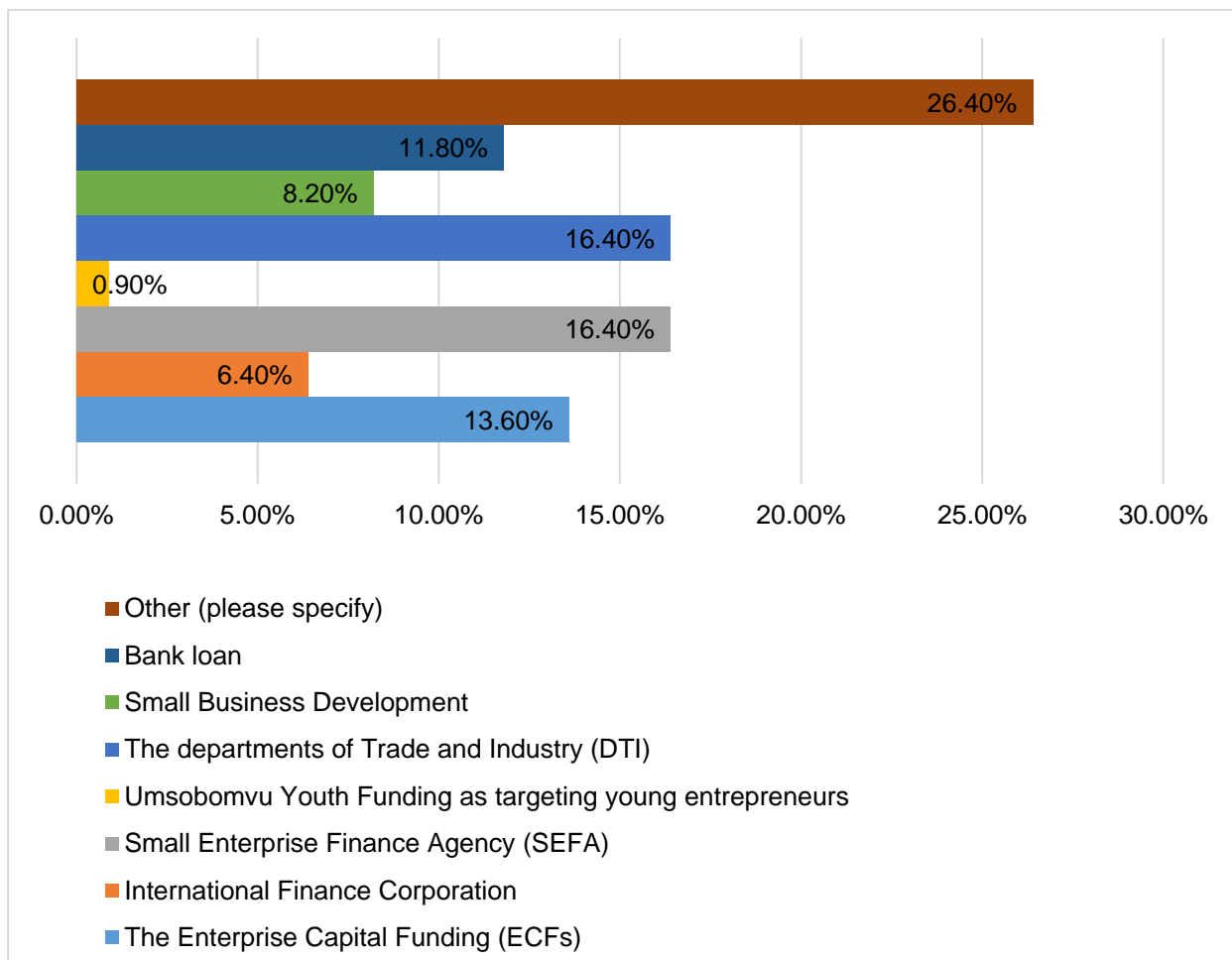
The purpose of this field was to investigate if the SMEs were having free access to resources, were having challenges to access the resources, and to determine the dominant financial resources the SMEs were having access to (Watson and Netswera, 2009). Table B-28 focuses on the different financial resource types that the SMEs could try to assist them with business funding. It was encouraging to note that none of the surveyed SMEs skipped the field on the existing funding avenues.

**Table B-28: Access to resources (funding means)**

Resources (funding means)					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	ECFs	15	13.6	13.6	40.0
	IFC	7	6.4	6.4	46.4
	SEFA	18	16.4	16.4	62.7
	Umsombovu Youth Fund	1	.9	.9	63.6
	DTI	18	16.4	16.4	80.0
	Small Business Development	9	8.2	8.2	88.2
	Bank Loan	13	11.8	11.8	100.0

	Other	29	26.4	26.4	26.4
	Total	110	100.0	100.0	

Based on Figure B-27 about 26.4% of the surveyed SMEs were using other funding means. A semantics analysis revealed that some of these SMEs were dependent on the owners' or directors' own monies as a form of funding (Olatunji, 2013). A balance of these SMEs were funded through either the Gauteng Growth Development Agency (GGDA) or the National Treasury. About 11.8% and 6.4% of the surveyed SMEs opted for bank loans and the International Finance Corporation respectively for their funding models. The department of Small Business Development was established with the express mandate of taking care of the SMEs. Despite the department's specific mandate, it appeared that the SMEs were not turning to this department for various solutions inclusive of funding.



**Figure B-27: Access to resources (funding means)**

Hence, Figure B-27 indicates that about 8.2% of the surveyed SMEs were being funded through the Small Business Development. As far as awareness initiatives and campaigns were concerned, the Department of Small Business Development had not been very active, unlike the GGDA.

The department of Trade and Industry (DTI) on the other hand, was somewhat popular with the SMEs probably because its agency the Companies and Intellectual Property Commission (CIPC) handled all registrations for companies, cooperatives, and intellectual property rights across the country. On this basis, Figure B-27 shows that about 16.4% of the surveyed SMEs were funded through the DTI.

The Small Enterprise Finance Agency and the Enterprise Capital Funding accounted for 13.6% and 16.4% respectively of the funding of the surveyed SMEs. It was important to note that there were a great many other funding models (Riding et al., 2012) that the SMEs could try. The catch though was whether the SMEs' business models and plans were evaluated as viable by these funding bodies.

None of the surveyed SMEs indicated that they used the Umsombovu Youth Funding as targeting young entrepreneurs.

### **Effect of access to resources on the SMEs' high performance**

As indicated in Table B-28a, 57.2% of the surveyed SMEs were of the view that the SMEs' resources had an effect on the SMEs' high performance. This result had empirical support in the SMEs' resources and high-performance literature (Andersen and Samuelsson, 2016; Wales et al., 2013). The overall implication in terms of this result was that the SMEs' resources played a moderating role between the SMEs' high performance and competitive strategies. Moreover, this implied that the competitive strategies had a collective effect on the SMEs' high performance so long as the resources at the disposal of the SMEs were taken into account.

Thus, the SMEs' high performance was influenced by access to resources (Zeebaree and Siron, 2017; Wales et al., 2013) be it financial or human (Karadag, 2015; French, Kelly,

and Harrison, 2004). Such influence of the resources on the SMEs' high performance stemmed from the resource-based view (RBV) literature (Sulaiman, Noor, and Shehnaz, 2015; Husnah et al., 2013; Dutta, Narasimhan and Rajiv, 2005; Mahoney and Pandian, 1992). In the same breath, the government was expected to support the SMEs and facilitate their access to resources (Okapara, 2011; Agyapong, 2010) inclusive of making this possible through legislation that was friendly towards the SMEs. The government had a role to play in boosting the SMEs' access to financial resources as indicated in the 2017 State of the Nation Address (South African Government, 2017).

**Table B-28a: Rating high performance in terms of resources**

<b>Resources</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Not Sure	10	9.1	9.1	9.1
	Neutral	15	13.6	13.6	22.7
	Less Significant	22	20.0	20.0	42.7
	Significant	38	34.5	34.5	77.3
	More Significant	25	22.7	22.7	100.0
	Total	110	100.0	100.0	

It could further be argued that the SMEs' resources were key in helping SMEs achieve high performance through competitive strategies (El Sahn et al., 2013). That is, it was important for the SMEs to effectively mobilize the resources at their disposal as they endeavoured to achieve high performance through competitive strategies. The resources at the disposal of the SMEs were an absolute necessity especially in relation to achieving high performance. This was partly in terms of the RBV and partly in terms of access to the resources.

In terms of the RBV, the competitive advantage had to be sustained by the resources at the disposal of the SMEs (Husnah et al., 2013; Kor and Mahoney 2005). According to

Suhong et al. (2004), having a competitive advantage (Porter, 1985) could help SMEs achieve high performance. On the other hand, the SMEs' access to particular resources at the start of the SMEs' development had a direct effect on the future performance of the SMEs (Sulaiman, Noor, and Shehnaz, 2015). In this instance, access to resources expressly meant owning and using such resources as and when needed. Hence, owning the requisite in-house resources gave the SMEs a competitive advantage (Warraich, Warraich, and Asif, 2014) and helped with growth.

## B.5 Sustainability

The gist of this part was the generic awareness by the SMEs of the effect that the competitive strategies had on their performance. The sustainability dynamic was broken down into a number of fields to help make the investigation specific and measurable.

**Income generation indicators as applicable to the enterprise in the past 3 – 5 years are based on indicators 1, 2, or 3. Please, use 1, 2, or 3 to tell whether the indicator increased, remained unchanged, or decreased.**

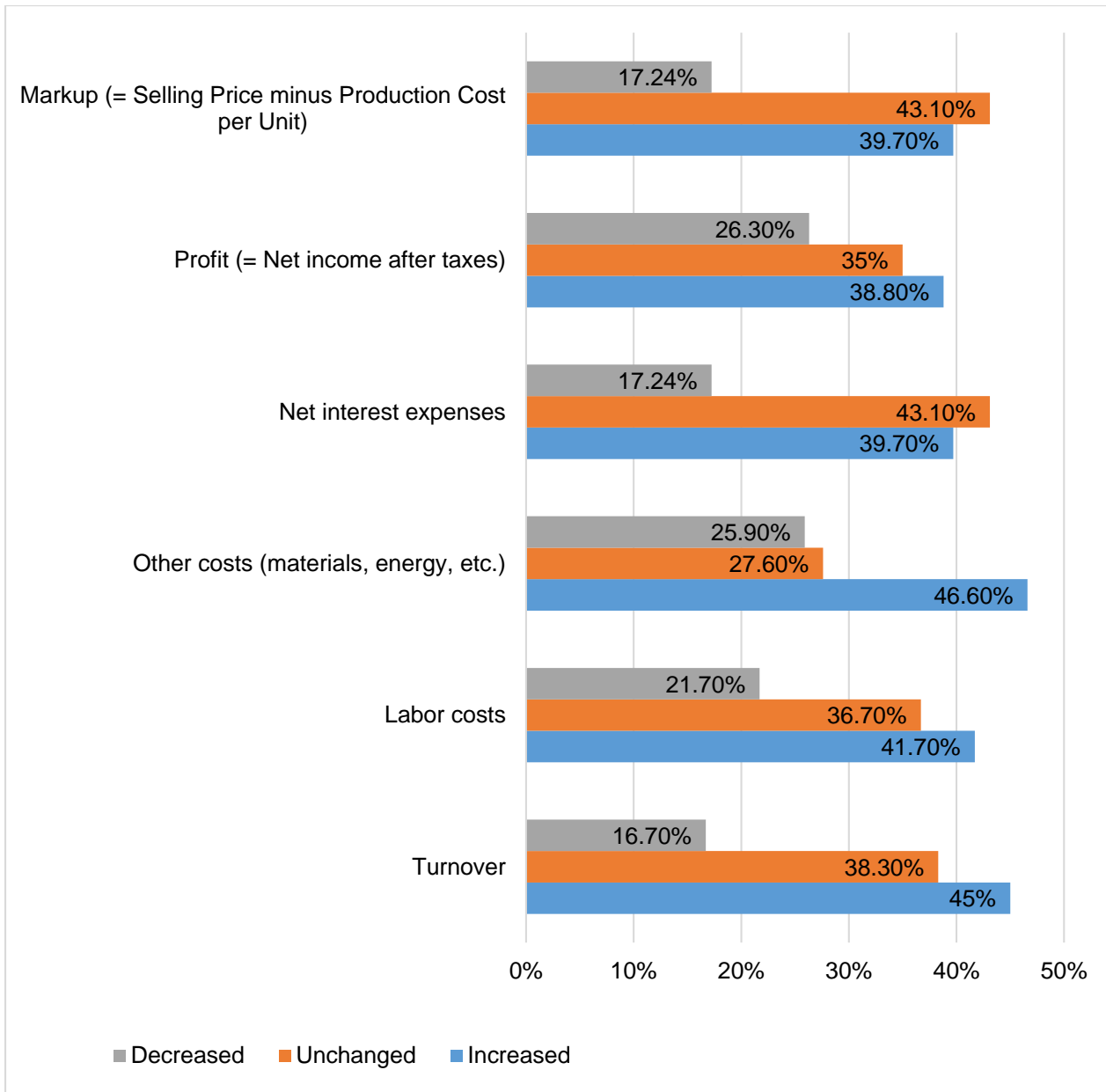
The business was about posting a turnover that was growing. To this end, the purpose of this field was to investigate if in the past 3 – 5 years income generation for the SMEs increased, unchanged, or decreased in terms of turnover, labour costs, other costs, net interest expenses, or profit. The field sought to find out if the dynamics listed in Table B-29 had an impact on growth, performance, and sustainability.

**Table B-29: Income generation indicators**

Income generation indicators					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Increased	57	51.8	51.8	51.8
	Unchanged	40	36.4	36.4	88.2
	Decreased	13	11.8	11.8	100.0
	Total	110	100.0	100.0	

As a point of departure, Figure B-28 indicates that about 38.8% of the surveyed SMEs experienced an increase in profits in the past 3 – 5 years, about 35% of the SMEs had profits that neither increased nor decreased, and about 26.3% of the SMEs suffered a loss in profits. Unfortunately, other key dynamics in this regard shot up in the past 3 – 5 years much to the disadvantage of the SMEs. These key dynamics included the net interest expenses, other costs such as energy and raw materials, and labour costs. As Chi (2015) found out the cost of doing business kept rising and hence the results of this study concurred. Based on Figure B-28 about 39.7% of the surveyed SMEs indicated that the net interest expenses increased, about 46.6% of the SMEs reported an increase in other costs, and about 41.7% of the SMEs noted an increase in labour costs in that order.

This, therefore, meant that in the past 3 – 5 years the overall expenditure for the surveyed SMEs grew by an average of nearly 42.6%. By contrast, in the same period, the net profits and turnover for the surveyed SMEs grew by an average of nearly 41.9%. On this basis, it was evident that the SMEs posted negative combined growth in net profits and a turnover of about 0.7% in the past 3 – 5 years. One of the reasons for the slight negative growth could be put down to the mark-up (production cost per unit subtracted from the selling price) that largely remained the same for the period under review based on the responses by the surveyed SMEs as shown in Figure B-28. This was not a rosy picture though. Despite everything, things could be turned around through ways such as the bottom-up approach and being able to control, measure, and monitor performance. In contrast, Mintzberg (1979) postulated that the SMEs could work around the increasing cost of doing business through ways such as the reduction of production costs and inventories and drive up productivity.



**Figure B-28: Income generation indicators**

Overall, based on Figure B-28, about 45% of the surveyed SMEs indicated that they posted an increased turnover in the past 3 – 5 years. Comparatively, about 38.3% of these SMEs experienced a turnover that did not change while about 16.7% of them suffered a decrease in turnover.

**Growth and hindrances to growth. In the past 3 – 5 years, how did the enterprise grow year on year? Select the correct answer.**

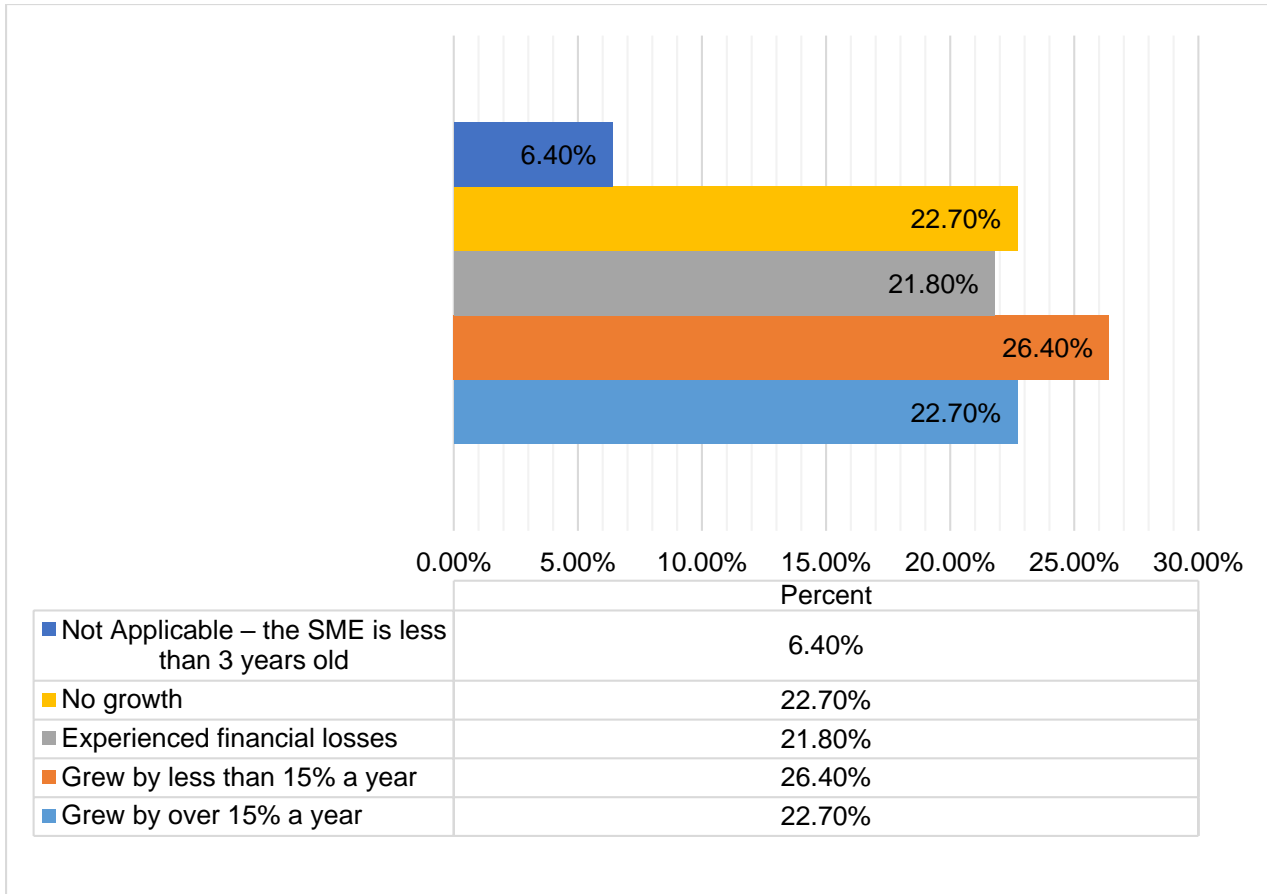
Building on the previous fields as such this field sought to investigate the SMEs' growth and hindrances to growth. The period under review was the past 3 – 5 years on a year on year basis. Table B-30 shows the different factors as determining if the SMEs grew less significantly, significantly, didn't grow, suffered financial losses in the last 3 – 5, and if the said growth/loss had impacted growth, performance, and sustainability.

**Table B-30: Growth and hindrances to growth**

<b>Growth and hindrances to growth</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Over 15% Growth	25	22.7	22.7	22.7
	Less 15% Growth	29	26.4	26.4	49.1
	Financial Loss	24	21.8	21.8	70.9
	No Growth	25	22.7	22.7	93.6
	NA	7	6.4	6.4	100.0
	Total	110	100.0	100.0	

Based on Figure B-29 just about 6.4% of the surveyed SMEs indicated that the growth and hindrances to growth as a generic dynamic did not apply to them as these SMEs had been in existence for less than 3 years. As such, these SMEs were still trying to find their feet within their first 1000 days. On a concerning note, however, just about a quarter of the surveyed SMEs indicated that they did not grow in the past 3 – 5 years. In line with the literature, SMEs were bound to experiences hindrances to growth (Christina et al., 2014). On a lighter note though, some of these SMEs were in existence for either less than 4 years or 4 – 8 years.





**Figure B-29: Growth and hindrances to growth**

About 26.4% of the surveyed SMEs experienced a year on year growth in the period under review though this was a less 15% growth. Comparatively, Figure B-29 indicated that about 22.7% of the surveyed SMEs experienced a year on year growth over 15% in the period under review. The growth by more than 15% was positive as such the SMEs were able to serve their purpose namely to alleviate poverty through job creation and to help grow the economy through the contribution to the growth domestic product (Okpara, 2011).

About 21.8% of the surveyed SMEs posted financial losses in the period under review. This was a huge disappointment given that about 21.8% was too great a percentage and this, therefore, had to be managed sensitively. Again, the financial losses dynamic served as a challenge to the SMEs to relook the way they were doing business on an overall basis. The leadership should ask themselves questions about whether they were having a competitive strategy in place. If yes, was it the correct competitive strategy given their

business model? Were these SMEs investing in the unique skills of their teams (Kiggundu, 2002)? Overall, this became a question of a mindset change towards better and innovative ways of doing business. The leadership should look at different ways of generating revenue streams.

**SMEs are facing sustainability challenges. Please use 1, 2, or 3 to rank the following challenges in order of seriousness with respect to the enterprise, where 1 means least serious and 3 means most serious.**

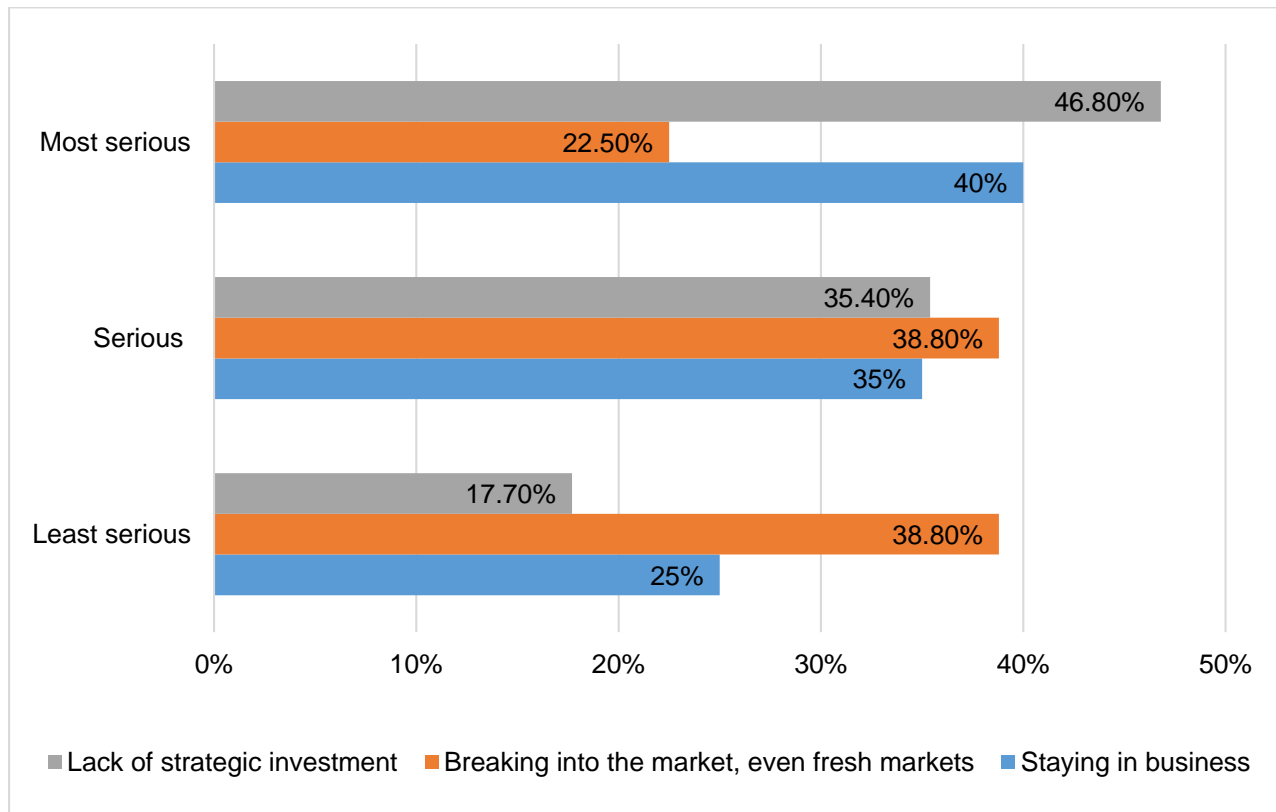
The purpose of this field was to investigate the sustainability challenges as experienced by SMEs. The field sought to determine the kind of seriousness that the SMEs were experiencing in terms of sustainability issues as impacting on growth and performance. Table B-31 shows the different sustainability challenges faced by SMEs.

**Table B-31: Sustainability challenges faced by SMEs**

Sustainability challenges faced by SMEs					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Serious	31	28.2	28.2	28.2
	Serious	32	29.1	29.1	57.3
	Most Serious	47	42.7	42.7	100.0
	Total	110	100.0	100.0	

Based on Figure B-30 about 46.8% of the surveyed SMEs indicated that their biggest challenge was the lack of strategic investment followed by the challenge of staying in business at about 40%. Sometimes it made business sense for the SMEs to enter into some sort of partnerships with their competitors and pool their resources together (Watson and Netswera, 2009) for either a joint venture or projects that needed management on a large scale. The spinoffs of the strategic investment might include helping the SMEs navigate the journey of staying in business through growth and cross-training of the teams from either strategic partner.

Contrastingly, nearly 17.7% of the surveyed SMEs indicated that the challenges of the lack of strategic investment were least serious. These were, however, the SMEs who had access to funding and were sustainable (Kristiansen, Furuholt, and Wahid, 2003). On the other hand, about 25% of the surveyed SMEs indicated that the challenge of staying in business was the least serious.



**Figure B-30: Sustainability challenges faced by SMEs**

The challenge of breaking into the markets was rated as both serious and least serious by about 38.8% of the surveyed SMEs, as shown in Figure B-30. The rating came across as rather strange but the gist of the matter was that it was largely different SMEs that rated this challenge serious on the one hand and least serious on the other.

**Government legislation makes it hard for some SMEs to conduct business with the government due to compliance-related issues. Please, use 1, 2, 3, 4, or 5 to rank the following in order of seriousness with respect to the enterprise, where 1 means least serious and 5 means most serious.**

The purpose of this field was to investigate the challenges posed by government legislation when it came to the SMEs doing business with the different spheres of government. The field further sought to determine the kind of seriousness that the SMEs were experiencing as presented by the different government legislations and regulations (Bakan and Dogan, 2012). Table B-32 lists the different government legislations and regulations as impacting the SMEs' growth and performance.

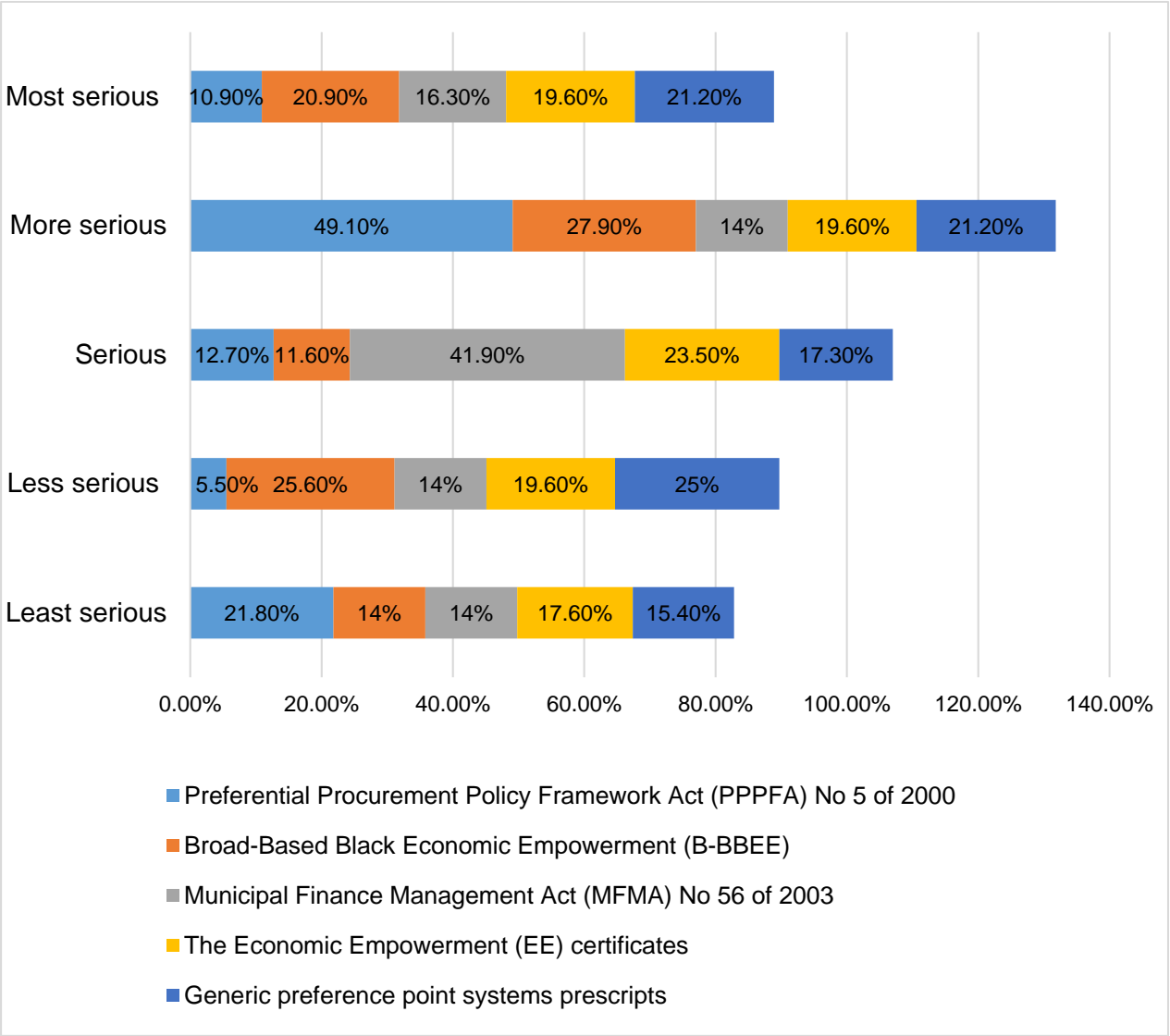
**Table B-32: Impact of government legislation on SMEs**

Impact of government legislation on SMEs					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Serious	25	22.7	22.7	22.7
	Less Serious	22	20.0	20.0	42.7
	Serious	21	19.1	19.1	61.8
	More Serious	19	17.3	17.3	79.1
	Most Serious	23	20.9	20.9	100.0
	Total	110	100.0	100.0	

Based on Figure B-31 about 21.2% of the surveyed SMEs indicated that the government's generic preference point systems prescripts dynamic was both serious and more serious. In simple terms, this meant the generic preference point systems prescripts dynamic posed the biggest stumbling block for the SMEs to conduct business with the government. This became even worse for the start-ups because the preliminary requirements put forward through the preference point system in the tendering system effectively eliminates the start-ups. Other inclement requirements included asking for reference letters from at least 3 medium to large businesses where the SMEs completed similar projects as per the PFMA (1999). For a start-up, this served an effective failure to meet the preliminary requirements and the grounds for the bid proposal to be disqualified.

In contrast, Figure B-31 shows that about 14% of the surveyed SMEs indicated that the Municipal Finance Management Act (MFMA) (Act No 56 of 2003) was both less serious and least serious. This, therefore, meant that the overall impact of the MFMA on the SMEs doing business with the government was not that serious and as such this did not pose

much of a challenge. The overriding legislations and regulations for doing business with government, however, were the Preferential Procurement Policy Framework Act (PPPFA) (Act No 5 of 2000) and the preference point systems.



**Figure B-31: Impact of government legislation on SMEs**

Figure B-31 indicates that about 27% of the surveyed SMEs felt that the Broad-Based Black Economic Employment (B-BBEE) was more serious while about 20.9% in the same vein felt that the B-BBEE was most serious. The regulations governing the B-BBEE were based on the preference point system. Without taking anything away from the B-BBEE as legislation, however, the catch with the legislation was that the government did not have

the hard and fast rules of enforcing it. As such, the legislation did not accomplish its intended goal of empowering the largely black-owned SMEs. On this basis, the B-BBEE posed a serious challenge to growth and sustainability for the SMEs. The South African government was intending to overhaul the inclement PPPFA and replace it with PPPA (Fin24, 2018).

On the other hand, about 23.5% of the surveyed SMEs indicated that the Economic Empowerment (EE) certificates were serious. By deduction, this meant that the EE in terms of the PPPFA (2000) posed a serious growth and sustainability challenges to the SMEs. The EE was not divorced from the B-BBEE and as such the EE was dedicated to being economically accommodative towards the SMEs that were owned by previously disadvantaged people. None the less, the same challenge with the B-BBEE occurred with the EE, and as such the two regulations failed to live up to expectations.

**The economies of scale preclude the smaller SMEs from certain business opportunities simply because the SMEs may not have the might, the capacity, and the experience to compete for opportunities. Please, use 1, 2, or 3 to rank the following corresponding challenges in order of seriousness with respect to the enterprise, where 1 means least serious and 3 means most serious.**

The purpose of this field was to investigate the impact of the economies of scale on SMEs particularly the smaller SMEs. The investigation based on this field built on the investigation effected in the previous field. Table B-33 shows the different dynamics from the perspective of the economies of scale as affecting the SMEs' growth and performance.

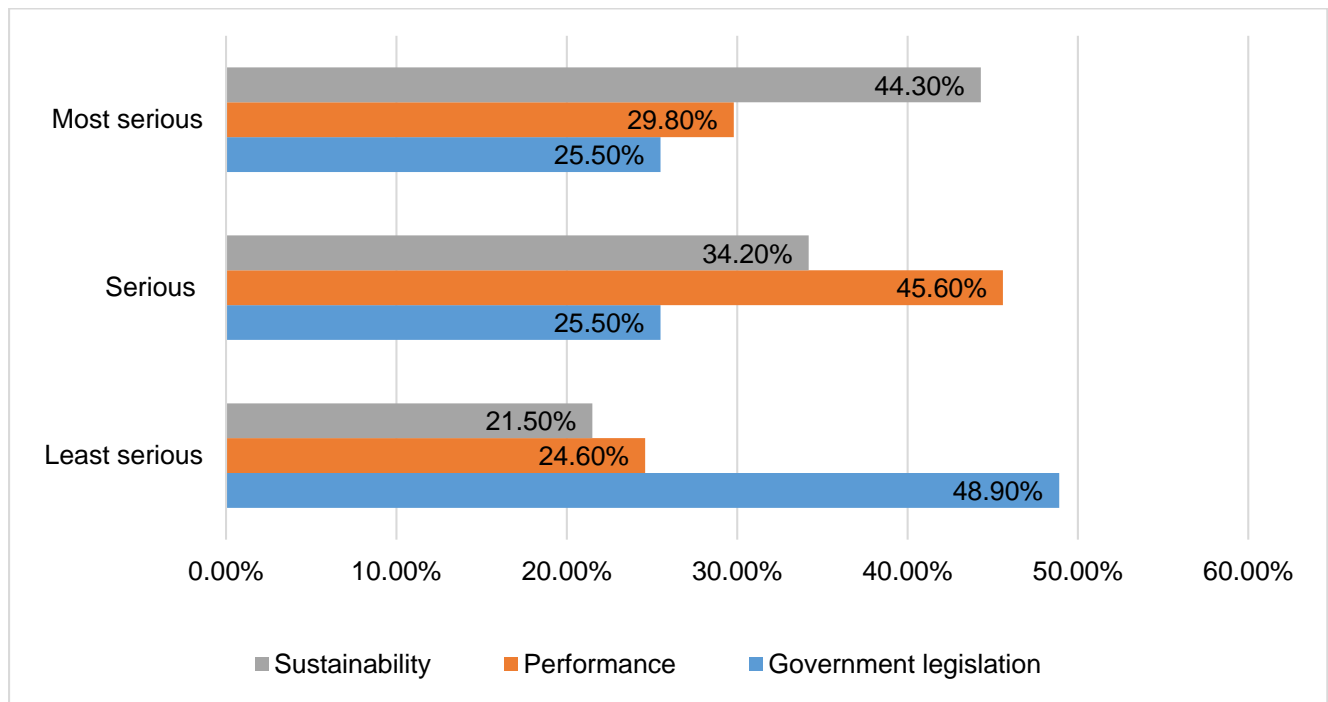
**Table B-33: Economies of scale affect smaller SMEs**

<b>Economies of scale affect smaller SMEs</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Serious	43	39.1	39.1	43.6
	Serious	38	34.5	34.5	78.2
	Most Serious	24	21.8	21.8	100.0
	Other	5	4.5	4.5	4.5

	Total	110	100.0	100.0	
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Based on Figure B-32 about 34.5% and 21.8% of the surveyed SMEs indicated that sustainability was serious and more serious respectively. This was in view of the relative magnitude of the SMEs. The relative magnitude of the SMEs was normally proportional to the sustainability dynamic of the SMEs. Therefore, the smaller the SMEs the lower the sustainability ratio (Goddard, Tavakoli, and Wilson, 2005).

In simple terms, this meant that the smaller SMEs became exposed to more sustainability risks as such the economies of scale played out in disfavour of the smaller SMEs in line with Goddard, Tavakoli, and Wilson (2005). This became even more evident as the start-ups were more likely to fail in their first 1000 days or the first 4 years of being open for business. Contrastingly, the bigger SMEs had better odds of being successful. A slice through the raw data indicated that it was largely the smaller SMEs that ranked sustainability as being proportionate to the relative size of the SMEs. That is, the SMEs whose staff complement ranged from 1–8 to 9–50 were vocal in this instance.



**Figure B-32: Economies of scale affect smaller SMEs**

Figure B-32 indicates that about 25.5% of the surveyed SMEs ranked the performance as being both serious and more serious. Performance, just like sustainability, was proportional to the relative size of the SMEs. This too showed that the dynamic of performance relied on the economies of scale. For instance, for relatively smaller SMEs to compete with the giants in the industry became simply a pipe dream. As an alternative strategy to fighting the economies of scale, the smaller SMEs should focus on something else rather. The alternative strategy should be based on competing for the customer (Passemard and Kleiner, 2000) rather than competing for the opportunity. This took a strong value proposition and a focus strategy that was geared towards the ultimate goal.

On the other hand, nearly one half of the surveyed SMEs indicated that the government legislation did not pose much of a challenge to the overall growth of the SMEs and as such did not keep them from competing for opportunities. This was however inconsistent with the study by Bakan and Dogan (2012). Despite these sentiments, it was significant to note that government legislation as discussed in the previous fields was inclement towards smaller SMEs especially the start-ups.

The government was planning to force the bigger SMEs to share business opportunities particularly those emanating from the government with smaller SMEs through the government’s ‘procurement muscle’ (Fin24, 2018). Just how this would be enforced and monitored remained unclear at this stage.

**The SMEs are not exempt from the following economic challenges. Please rank them (1 – 6) in order of seriousness with respect to the enterprise, where 1 means least serious and 6 means most serious.**

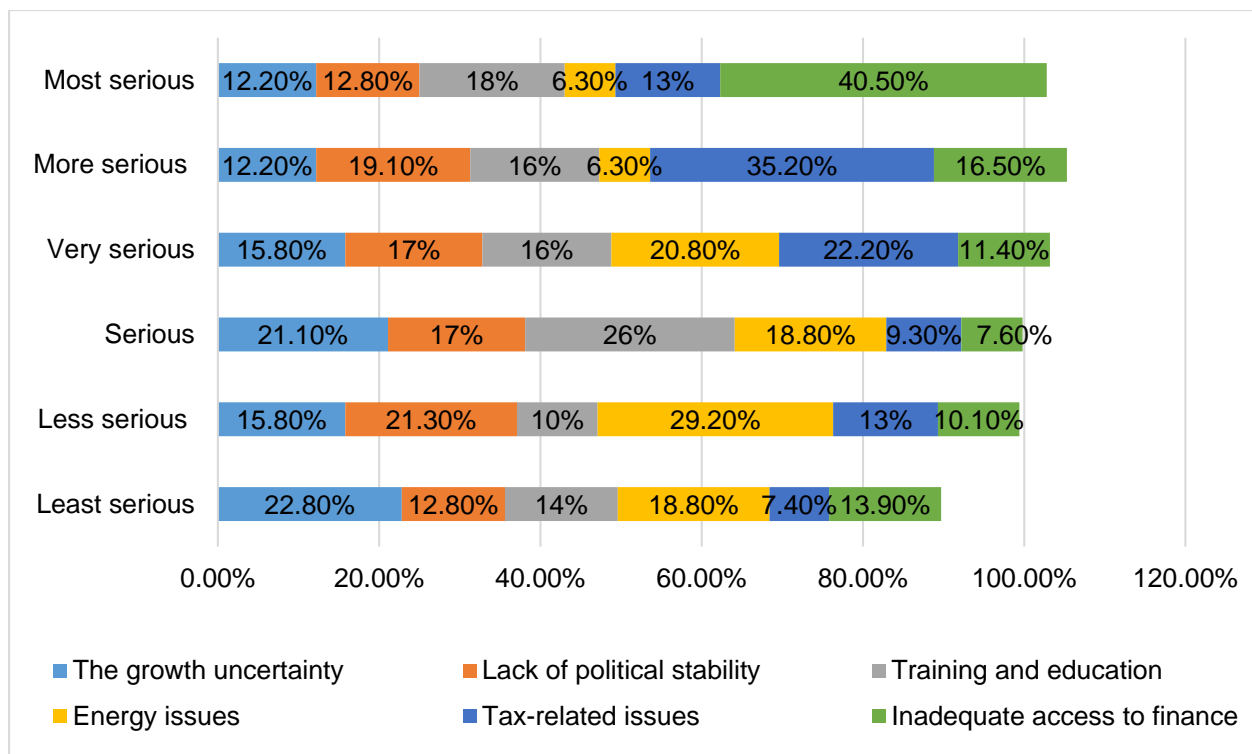
Building on the previous fields, this field sought to investigate the impact of the economic challenges on the SMEs regardless of size. Table B-34 shows the different dynamics from the perspective of the economic challenges as affecting the relative growth and sustainability of SMEs.

**Table B-34: Economic challenges as faced SMEs**



<b>Economic challenges as faced SMEs</b>					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Least Serious	16	14.5	14.5	17.3
	Less Serious	18	16.4	16.4	33.6
	Serious	22	20.0	20.0	53.6
	Very Serious	21	19.1	19.1	72.7
	More Serious	16	14.5	14.5	87.3
	Most Serious	14	12.7	12.7	100.0
	NA	3	2.7	2.7	2.7
	Total	110	100.0	100.0	

Based on Figure B-33 about 40.5% of the surveyed SMEs indicated that inadequate access to finance was more serious. In line with the literature access to resources was key to the growth, sustainability, and ultimate performance of SMEs (Parnell, 2008; Kim, Nam, and Stimpert, 2004). An investment in such systems as performance measurement and financial management needed budgets. Therefore, without budgets, it was near impossible for SMEs to achieve their goals. In the same breath, about 35.2% of the surveyed SMEs indicated that tax-related issues were serious. These issues inhibited the SMEs from growing and being ultimately sustainable.



**Figure B-33: Economic challenges as faced SMEs**

On the positive side of things, it was significant to point out that the government had appreciated the tax-related issues. As such, there had been some work being done by the government to advance tax breaks to the SMEs at the same boosting economic growth through the DTC (2014) as highlighted in appendix A. Contrastingly, about 10.10% of the surveyed SMEs indicated that inadequate access to finance was less serious. A slice through the raw data indicated that not surprisingly it was largely the smaller SMEs that expressed the said sentiment and this tied well with other sentiments about the inadequate access to finance being more serious as ranked by 40.5% of the surveyed SMEs.

Figure B-33 indicated that about 21.10% of the surveyed SMEs ranked growth uncertainty as being serious. Growth was not guaranteed in the SMEs' circles especially when issues such as economies of scale and government legislation were unfriendly. There were also issues with the ever-increasing cost of the electricity and lack of political stability that complicated the landscape in which the SMEs operated. Lack of political stability, in turn, could result in structural reforms that were not responsive to economic growth. In the previous fields, the SMEs recorded the challenges that revolved around the lack of training

in both their leadership and the key employees (Ensley et al., 2007). Training and education could not be stressed any further. With that being said, the uncertainty of growth for the SMEs was such a challenge that could use more hands on deck to surmount.

**My enterprise is aware that competitive strategies can be harnessed to boost the SME's performance and subsequently help SMEs stay sustainable over time. Please tick the most correct answer using the Likert scale:**

Building on the previous field, this field sought to investigate the awareness by the SMEs' leadership of the potential effect that the competitive strategies had on boosting performance and sustainability. Table B-35 shows the different options as presented to the SMEs in relation to their awareness of the potential effect of the competitive strategies.

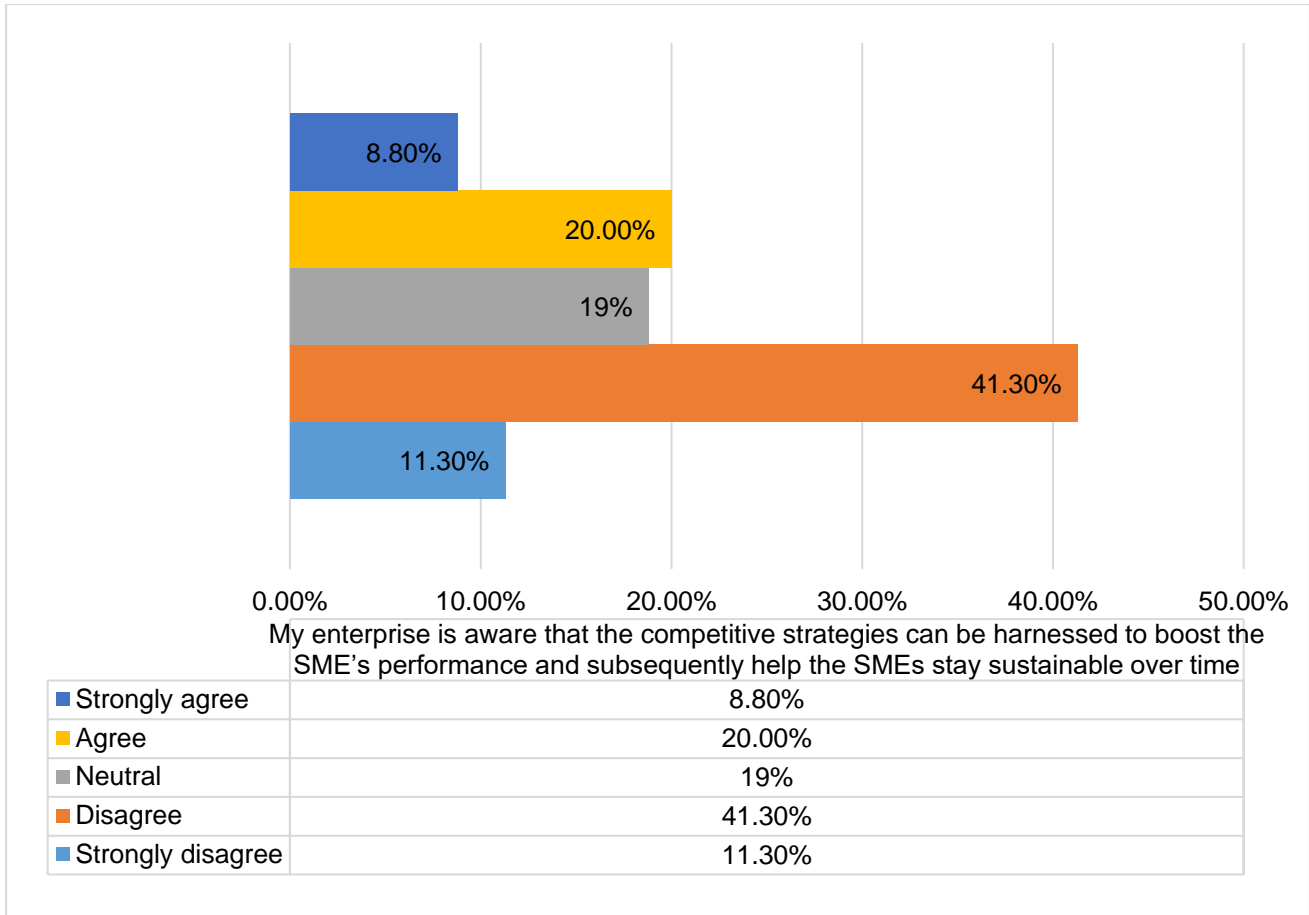
**Table B-35: Awareness of the effect of competitive strategies by SMEs**

<b>Awareness of the effect of competitive strategies by SMEs</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>	<b>Percent</b>	<b>Frequency</b>
My enterprise is aware that the competitive strategies can be harnessed to boost the	16	33	28	24	9	100%	110

SME's performance and subsequently help the SMEs stay sustainable over time							
Total						100%	110
Skipped						0%	0

Based on Figure B-34 about 8.8% of the surveyed SMEs strongly agreed that they were aware that the competitive strategies could be harnessed to boost the SMEs' high performance and subsequently help the SMEs stay sustainable over time. In the same vein, about 20.0% of the surveyed SMEs agreed that they were aware that the competitive strategies could be harnessed to boost the SMEs' high performance and subsequently help the SMEs stay sustainable over time. This was in line with Chi (2016).

Overall about 28.8% of the surveyed SMEs were aware of the potential effect of the competitive strategies on performance. According to Porter (1980), the competitive strategies when harnessed by the SMEs could improve their performance. A slice through the raw data could not establish any trends in relation to whether it was largely the smaller or bigger SMEs that expressed this sentiment. What the trends did indicate however was that most of these SMEs fell in the categories of less than 4 years and 4 – 8 years of business experience.



**Figure B-34: Awareness of the effect of competitive strategies by SMEs**

In contrast, Figure B-34 indicates that about 41.3% of the surveyed SMEs disagreed that they were aware that the competitive strategies could be harnessed to boost the SMEs' high performance and subsequently help the SMEs stay sustainable over time. This was inconsistent with Porter (1980). This result was also not surprising since about 70.1% of the respondents had the highest qualification that was either a Degree or a Diploma. In the same breath, about 11.3% of the surveyed SMEs strongly disagreed that they were aware that the competitive strategies could be harnessed to boost the SMEs' high performance and subsequently help the SMEs stay sustainable over time.

About 19% of the surveyed SMEs was non-committal as to whether or not they were aware that the competitive strategies could be harnessed to boost the SMEs' high performance and subsequently help the SMEs stay sustainable over time. The neutrality expressed in this instance came from the smaller SMEs on the basis of slicing through the

per-respondent answers. In line with the literature, the smaller SMEs were ordinarily family businesses that did not subscribe to the formal ways of doing business (Kotey, 2005).

Overall about 52.6% of the surveyed SMEs disagreed that they were aware of the potential effect of the competitive strategies. Not any trends could be established as to whether it was largely the smaller or bigger SMEs that generally disagreed to be aware of the potential of the competitive strategies. Similarly, trends indicated nevertheless that most of these SMEs fell in the categories of less than 4 years and 4 – 8 years of business experience. However, it could be that these SMEs were somewhat inexperienced and therefore paid a little attention if any to the tried and trusted ways of ensuring that they achieved high performance (Olawale and Garwe, 2010)

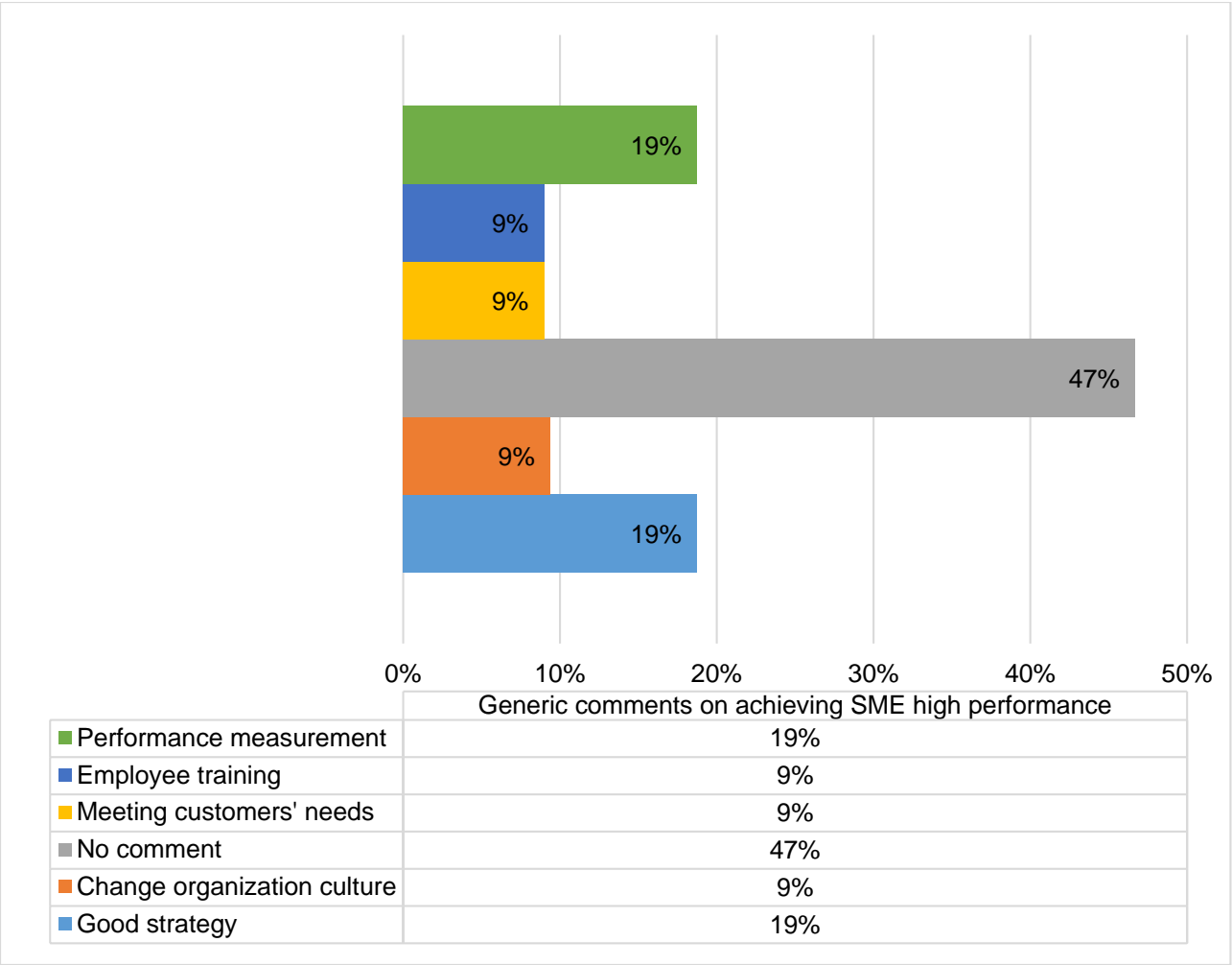
#### **Any comment about how SMEs can achieve high performance.**

The purpose of this field was mere to collect any valuable suggestions from the SMEs as to what else could be done to help them achieve high performance. Therefore, this was a semantics analysis focusing on the dominant ideas only. Table B-36 indicated that about 40% of the surveyed SMEs put forward ideas on how to achieve high performance.

**Table B-36: Generic comments on achieving SME high performance**

<b>Generic comments on achieving SME high performance</b>	<b>Percent</b>	<b>Frequency</b>
Answered	56.4%	62
Total	100%	110
Skipped	43.6%	48

Based on Figure B-35 the bulk of the respondents did not have any suggestions. None the less, the trends established were that high performance could be further achieved if the SMEs could invest in performance measurement and employee training (Chiliya and Roberts-Lombard, 2012). High performance could further be achieved if the SMEs could develop and execute good strategies, could strive towards meeting the customers' needs (Arief et al., 2013), and could work towards changing the current organizational culture.



**Figure B-35: Generic comments on achieving SME high performance**

# APPENDIX C: INFORMED CONSENT LETTER

## UNIVERSITY OF KWAZULU-NATAL GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP

Dear Respondent,

### **PHD Research Project**

**Researcher:** Cecil Hlophego Kgoetiane (0123829093)

**Supervisor:** Dr. Rosemary Sibanda (0312601479)

**Research Office:** Ms. P. Ximba 031-2603587

I, **(Cecil Hlophego Kgoetiane)** am a PhD student, at the Graduate School of Business and Leadership, of the University of KwaZulu Natal. You are invited to participate in a research project entitled **Achieving High Performance through Competitive Strategy: A Case of the Tshwane-Based Small and Medium Enterprises**. The aim of this study is to: **To explore achieving high performance for the Tshwane-based SMEs on the basis of the competitive strategies and examine the effect that the competitive strategies have on the Tshwane-based SMEs' high performance despite the slow economic growth and inclement government legislation.**

Through your participation I hope to understand **the relationship between performance and competitive strategy within the SMEs**. The results of the focus group are intended to contribute to **helping the Tshwane-based SMEs create and sustain jobs, stay sustainable over time, and achieve high performance.**



Your participation in this project is voluntary. You may refuse to participate or withdraw from the project at any time with no negative consequence. There will be no monetary gain from participating in this survey/focus group. Confidentiality and anonymity of records identifying you as a participant will be maintained by the Graduate School of Business and Leadership, UKZN.

If you have any questions or concerns about completing the questionnaire or about participating in this study, you may contact me or my supervisor at the numbers listed above.

The survey should take you about **35** minutes to complete. I hope you will take the time to complete this survey.

Sincerely

Cecil Kgoetiane

**This page is to be retained by participant**

**UNIVERSITY OF KWAZULU-NATAL**  
**GRADUATE SCHOOL OF BUSINESS AND LEADERSHIP**

**PHD Research Project**

**Researcher:** Cecil Hlophego Kgoetiane (0832657850 (C), 0123829093 (W))

**Supervisor:** Dr. Rosemary Sibanda (0312601479)

**Research Office:** Ms. P. Ximba 031-2603587

**CONSENT**

I.....(full names of participant)  
hereby confirm that I understand the contents of this document and the nature of the  
research project, and I consent to participating in the research project.

I understand that I am at liberty to withdraw from the project at any time, should I so desire.

SIGNATURE OF PARTICIPANT

DATE

.....

**This page is to be retained by researcher**

# APPENDIX D: ETHICAL CLEARANCE LETTER



4 April 2017

Mr Cecil Hlophego Kgoetiane 216071083  
Graduate School of Business & Leadership  
Westville Campus

Dear Mr Kgoetiane

Protocol Reference Number: HSS/2131/016D

Project Title: Shaping High performance through competitive strategy: A case of the Tshwane-based small and medium enterprises

## Full Approval – Expedited Application

In response to your application received 13 December 2017, the Humanities & Social Sciences Research Ethics Committee has considered the abovementioned application and the protocol has been granted **FULL APPROVAL**.

Any alteration/s to the approved research protocol i.e. Questionnaire/Interview Schedule, Informed Consent Form, Title of the Project, Location of the Study, Research Approach and Methods must be reviewed and approved through the amendment /modification prior to its implementation. In case you have further queries, please quote the above reference number.

**PLEASE NOTE:** Research data should be securely stored in the discipline/department for a period of 5 years.

The ethical clearance certificate is only valid for a period of 3 years from the date of issue. Thereafter Recertification must be applied for on an annual basis.

I take this opportunity of wishing you everything of the best with your study.

Yours

Dr Shenuka Singh (Chair)  
Humanities & Social Sciences Research Ethics Committee

/pm

cc Supervisor: Dr Rosemary Sibanda  
cc. Academic Leader Research: Dr M Khoza  
cc. School Administrator: Ms Zarina Bullyraj

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Humanities & Social Sciences Research Ethics Committee

Dr Shenuka Singh (Chair)

Westville Campus, Govan Mbeki Building

Postal Address: Private Bag X54001, Durban 4000

Telephone: +27 (0) 31 260 3587/8350/4557 Facsimile: +27 (0) 31 260 4609 Email: [ximbap@ukzn.ac.za](mailto:ximbap@ukzn.ac.za) / [snvntenn@ukzn.ac.za](mailto:snvntenn@ukzn.ac.za) / [mohunp@ukzn.ac.za](mailto:mohunp@ukzn.ac.za)


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# APPENDIX E: TURNITIN REPORT



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UNIVERSITY OF KWAZULU-NATAL SHAPING HIGH PERFORMANCE THROUGH COMPETITIVE STRATEGY: A CASE OF THE TSHWANE-BASED SMALL AND MEDIUM ENTERPRISES By Cecil Hlophego Kgoetiane 216071083

**A thesis submitted in partial fulfillment of the requirements for the degree of Doctor of Philosophy** **Graduate School of Business Faculty of Management Studies Supervisor: Dr. Rosemary Sibanda**

22

September 2017 DEDICATION To my lovely wife, Musa, and our beautiful kids, Boitumelo and Boikanyo. To mum and dad, you have always been my muse. ACKNOWLEDGEMENTS The Lord is my Song – "He is my Shepherd. I shall not want". A special word of thanks is due to my study leader, Rosemary Sibanda (PhD), for her unwavering support and meticulous guidance through my PhD journey. Her invaluable guidance during the proposal phase made the PhD journey such a fun and bearable one. Her incredible work ethic throughout this journey rubbed off on me and this has been so amazing, I must say. To the Tshwane-based Small and Medium Enterprises, thank you very much for agreeing to participate in the study. ABSTRACT The goal of the study was to explore shaping high performance for the Tshwane-based SMEs on the basis of the competitive strategies and examine the effect that the competitive strategies had on the Tshwane-based SMEs' high performance despite the slow economic growth and inclement government legislation. However, to succeed in shaping high performance for the Tshwane-based SMEs it was significant to introduce the SMEs' resources as a moderating construct. The SMEs' resources therefore provided a moderating effect to the relationship between competitive strategies and the Tshwane-based SMEs' high

performance. The study further sought to determine the existence of

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the relationship between the competitive strategies/resources and the SMEs' high performance through the quantitative methods. As such, this was a quantitative study based on the case study methods using an online questionnaire for data collection with the Tshwane-based SMEs' serving as the unit of analysis. The questionnaire yielded an 80% response rate. The structural equation modeling was effected as a

test to prove the goodness of fit index for the conceptual model

71

- 1% match (Internet from 13-May-2011)  
<http://adt.lib.rmit.edu.au>
- < 1% match (student papers from 02-Mar-2015)  
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