

**THE INFLUENCE OF STRATEGIC LEADERSHIP ON THE PERFORMANCE OF SMALL
AND MEDIUM-SIZED ENTERPRISES AS MEDIATED BY STRATEGY
IMPLEMENTATION**

A thesis submitted in fulfilment of the requirements for the degree of
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By

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ABSTRACT

Small and medium-sized enterprises (SMEs) are viewed as the cornerstone of socio-economic development in many economies globally. The progressive contribution of SMEs to the global economy is irrefutable and enshrined in poverty alleviation, inclusive economic growth, and job creation strategies pursued by many economies worldwide. SMEs are primarily the form of enterprise that accounts for over 90% of all businesses; thus, Small and Medium-sized Enterprises are the main source of employment. SMEs' contribution to value creation is estimated to be above 50% on average. In emerging countries, particularly South Africa, SMEs contribute approximately 45% of the total employment and 33% of the Gross Domestic Product (GDP). In most countries, Small and Medium-sized Enterprises contribute to more than 50% of employment and GDP, and these figures become significantly higher when the informal small business sector is included. World Bank estimated 600 million jobs needed by 2030, making SME development a high priority for many governments worldwide.

Despite globally acknowledged SME contributions, small businesses are still faced with many challenges that have ramifications on their survival, growth, and performance. Studies highlighted challenges such as lack of access to finance and funding modalities, appropriate technology and infrastructure, markets and social networks, and lack of research and development, strategic management skills, and inability to perform managerial tasks, among others. Recent studies have been conducted on many of these challenges; however, there is little known about the strategic management challenges that face SMEs and their business performance. Several studies were conducted on some of these strategic management challenges, such as strategic planning, strategic orientation, strategic agility, organisational flexibility, and total quality management. However, a review of studies relevant to SMEs and their performance is silent on the argument regarding the influence of strategic leadership on the performance of SMEs, especially when key drivers of effective strategy implementation mediate strategic leadership. Thus, this study investigated the influence of strategic leadership on the performance of SMEs as mediated by strategy implementation in Nelson Mandela Bay (NMB).

A detailed theoretical investigation was conducted on the nature and role of strategic leadership, strategy implementation, and business performance of SMEs. Strategic leadership represents the independent variables of this study, namely: *strategic direction, balanced organisational controls, organisational culture, organisation's resource portfolio, and ethical practice*, followed by the mediating variable (*strategy implementation*) and the dependent variable (*business performance*). An empirical investigation was also conducted to test the significant influence between these variables. This study adopted a positivistic approach using a quantitative research method. The sample size of

the study was 390 respondents. Self-developed and structured questionnaires were physically distributed to 315 SME owners and managers in NMB using a convenience sampling method. Only 229 returned questionnaires were suitable and relevant to this study; thus, a 72.69% response rate was achieved. Returned questionnaires were cleansed, coded, and transferred to a statistical data analysis software called Statistica, version 14.0, for quantitative data analyses. The validity and reliability of the measuring instrument were confirmed using Exploratory Factor Analysis and the calculation of Cronbach's alpha coefficients. Descriptive statistics was calculated to summarise the empirical data on demographic variables and the main variables of this study. Pearson's correlations were calculated to determine the correlations between the main variables of this study, and the results confirmed that there is a positive influence between *strategic leadership*, *strategy implementation*, and *business performance* of SMEs. A multiple linear regression analysis was conducted to test the significance of the influence between the main variables of the study. A regression analysis outcome revealed that some of the strategic leadership activities (*strategic direction*, *balanced organisational controls*, and *organisational culture*) have a statistically significant positive influence on the *business performance* of SMEs. Furthermore, a statistically significant positive influence does exist between *strategy implementation* and *business performance* of SMEs.

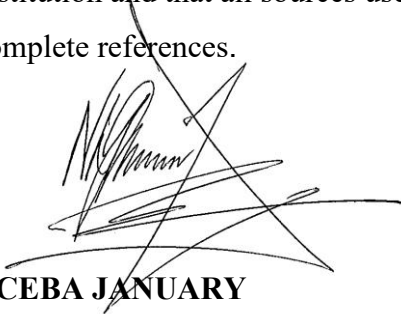
This study's recommendations were suggested to SME owners/managers. Firstly, to formulate and develop a clear long-term vision of the business for the next 3 to 5 years. Align resources to key areas of business operation and set internal controls that will help set standards of desired performance and ultimately achieve them. Secondly, to formulate and implement shared values that connect employees to the business purpose and the way it is conducted. These shared values must be underpinned by a unique, valuable, and incomparable culture against competitors to gain a competitive edge. Furthermore, consider using rewards to recognise employees who embody the shared values of the business and are committed to the success of the business because of its culture. Thirdly, ensure both strategic and financial controls support strategy implementation and guide employees to achieve performance objectives. Use balanced scorecards to assess the effectiveness of controls in the business and put corrective measures to address performance gaps. Last but not least, invest in staff development and training, technological infrastructure, and set sound processes and systems for the business operation, establish structures that have clear lines of reporting, authority, and delegation.

KEYWORDS:

Strategic leadership, strategic direction, balanced organisational controls, organisational culture, organisation's resource portfolio, ethical practice, strategy implementation, business performance, SMEs

DECLARATION

I, *Nceba January*, hereby declare that the thesis titled “The influence of strategic leadership on the performance of SMEs as mediated by strategy implementation in Nelson Mandela Bay” which I hereby submit for the degree of Master of Commerce at Rhodes University is my work. I also declare that this thesis has not previously been submitted by me for a degree at this, or any other tertiary institution and that all sources used or quoted have been acknowledged and documented by means of complete references.

A handwritten signature in black ink, appearing to read 'Nceba January', is written over a large, stylized, scribbled signature that also appears to read 'Nceba January'.

NCEBA JANUARY

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My sincere heartfelt gratitude goes to all individuals who played an exceptional role in my academic journey and to this point in completing this thesis successfully.

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- To my younger sister, Noxolo January, and close friends, thank you for your continuous support and encouragement. Your company and insights have made my research journey enjoyable.

God Bless You All.

DEDICATION

This thesis is dedicated to my late grandmother, Nompumelelo Evenly January, who instilled discipline and the value of education in me. I could not do this without your valuable teachings. May your dear soul rest in peace and rise in glory.

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CHAPTER ONE

INTRODUCTION TO THE STUDY

1.1 INTRODUCTION AND BACKGROUND TO THE STUDY

South Africa is one of the largest economies on the African Continent regarding the value of the gross domestic product (GDP) (Statista, 2021a). However, the state of the economy in South Africa over the past couple of years has been declining in terms of economic growth (Statista, 2021a). In the second quarter of 2021, South Africa recorded an unemployment rate of 34.4%, an increase from 28.47% in 2020 (Statista, 2021b). In the face of this high unemployment rate in South Africa and in addition to other socio-economic issues, the government has been increasingly looking at small businesses as a critical vehicle for driving the nation's inclusive economic growth and creating the much-needed jobs to absorb the unemployed people, as articulated in the country's National Development Plan (South African National Treasury, 2021). The National Small Enterprise Act 29 of 2019 of South Africa defines a small business as a separate, and distinct business entity, together with its branches or subsidiaries, including cooperative enterprises, managed by one owner or more predominantly carried on in any sector or sub-sector of the economy, and which is classified as a micro, a small, or a medium-sized enterprise by substantiating the criteria mentioned in the Act (Department of Small and Business Development, 2019).

This definition categorises small businesses into four groups: micro, small, and medium-sized enterprises. The categorisation is based on the size of the business, total sales revenue, and the nature of the industry in which the small business operates (Mwale, 2020). Small and Medium-sized Enterprises (SMEs) also fall under this broad definition of small businesses in South Africa (Mwale, 2020). SMEs are formal and registered small businesses (Boraine Consulting, 2021). The National Small Enterprise Act 29 of 2019 classifies SMEs as small businesses that employ between 50 and 250 full-time paid employees. Furthermore, these SMEs normally have annual sales revenue between R17 million and R35 million taking into consideration changes in inflation (Department of Small and Business Development, 2019). SMEs are key drivers of inclusive economic growth, innovation, and job creation in the economy (Desta, 2019). SMEs are also essential in lessening poverty and advancing entrepreneurial activities (Fatoki, 2020). In emerging economies, including South Africa, SMEs contribute up to 45% of the total employment and 33% of the GDP (Mwale, 2020). According to the World Bank (2020), these numbers are significantly higher when informal small businesses are included.

World Bank (2020) estimates that 600 million jobs will be needed by 2030 to absorb the growing global labour force, making SME development highly urgent for many governments worldwide. Despite the significant contributions by SMEs to the South African economy, SMEs are still faced with many challenges that hamper growth and performance (Mwale, 2020). Statistics South Africa (2021b) in the last quarter of 2020 highlights challenges presently facing SMEs, such as a lack of access to funding, appropriate technology and infrastructure, limited access to markets and social networks, lack of research and development, an inability to perform strategic management tasks, and attract and retain suitable staff. These challenges threaten SMEs' survival, growth, and performance (Fatoki, 2020). Furthermore, they result in SMEs hardly surviving beyond 3 to 5 years (Klaas, 2020; Mwale, 2020).

Kanyangale (2017) argues that an integral part of SMEs' survival, performance, and growth is a variety of dynamic abilities that SME owners/managers need to display as individuals and strategic leaders. For instance, strategic leaders have the responsibility of i) determining the strategic direction of the business, ii) establishing balanced organisational controls, iii) sustaining an effective organisational culture, iv) effectively managing the organisation's resource portfolio, and v) emphasising ethical practice. These responsibilities are referred to as strategic leadership activities by Lear (2012), Hitt, Ireland, and Hoskisson (2017), Mui, Basit, and Hassan (2018), and Mubarak and Yussof (2019). In essence, strategic leaders play an essential role in successful change strategies in the organisations they lead, and this influence can mean the difference between the failure and success of the business (Maziti, Chinyamurindi, Marange, 2018).

Strategic leadership is the person's ability to participate, envision, maintain flexibility, and empower others to create strategic change as necessary (Hitt, et al., 2017). Strategic leadership is multifunctional, involves managing through others, and helps the organisation to cope with change that seems to be increasing exponentially in today's globalised business environment (Lear, 2012; Hitt, et al., 2017; Olaka, Lewa, and Kiriri, 2017). Strategic leadership requires accommodating and integrating the organization's internal and external business environment (Mubarak and Yussof, 2019). Strategic leadership and strategy implementation are concepts within the strategic management framework. Strategic management refers to the processes that define the organisation's goals for value creation and how to structure the organisation in pursuing those goals (Louw, 2019). Strategy implementation is a critical element of the strategic management process and is viewed as translating strategies into a series of actions and then getting results to achieve the organisation's strategic objectives (Mubarak and Yussof, 2019).

Without strategy implementation, all good strategic intentions become null and void (Venter, 2019). Previous studies (Olaka et al., 2017; Kheyley and Ragui, 2018; Nyong'a and Maina, 2019) argue that most critical issues in strategic management are not related to strategy formulation, but rather to strategy implementation and that the high failure rate of businesses is primarily due to poor strategy implementation. The same studies argue that the task of implementing a strategy is intricate and more time-consuming than formulating a strategy, and consequently, only 10% and 30% of the designed strategies are fully implemented. Venter (2019) identifies the key drivers of strategy implementation as i) stakeholders, ii) internal capabilities, iii) organisational structure/systems, iv) processes, v) knowledge, skills, and abilities, and vi) information technology. Successful implementation of these drivers can mediate the influence of strategic leadership on the performance of SMEs.

Chimucheka (2013) states that the performance of SMEs is of international interest mainly because of the critical role SMEs play in the economic development of any country. The performance of SMEs relates to the efficiency and effectiveness with which they carry out the tasks in the process of providing products and services. According to Zeka (2013), the performance of SMEs can be measured by an increase in sales turnover, profits, rates of return on investments, expansion, and productivity, as well as decreases in costs and employment turnover rates. Maziriri (2020a) characterises SME performance as a pointer that measures the business's productivity and adequacy in accomplishing its objectives. According to Badi and Ishengoma (2021), performance is a term used to show the effectiveness of something in achieving the intended purpose. For this study, business performance is measured in terms of i) increase in sales turnover, ii) increase in productivity, iii) lower employee turnover, iv) return on total assets, v) decrease in operating costs, vi) employee growth, vii) profitability, and viii) the business is successful.

1.2 PROBLEM STATEMENT

Previous studies (Bruwer and Coetzee, 2016; Fatoki, 2020; Klaas, 2020; Mwale, 2020) establish the importance of SMEs and their economic role in the South African economy. These studies contend that SMEs can be a solution to South Africa's socio-economic challenges, such as high unemployment, poverty, amongst others, and the unequal distribution of income. Thus, with solid SMEs, the South African government may be able to reduce the effects of socio-economic challenges in the country. However, South African SMEs still face many challenges despite their economic significance (Mwale, 2020).

The Statistics South Africa's Quarterly Labour Force Survey (QLFS) (2021) highlights challenges presently facing SMEs in the last quarter of 2020, such as a lack of access to funding, appropriate technology and infrastructure, limited access to markets and social networks, lack of research and development, an inability to perform strategic management tasks and attract and retain suitable staff. These challenges threaten SMEs' survival, growth, and performance (Fatoki, 2020). Furthermore, they result in SMEs hardly surviving beyond 3 to 5 years (Klaas, 2020; Mwale, 2020). This study focuses on strategic management issues that face SMEs, among other challenges, as identified above. Previous studies on strategic management issues facing SMEs and their performance were conducted on strategic orientation (Dutot and Bergeron, 2016), strategic planning (Majama and Magang, 2017), total quality management (Sinha and Dhall, 2020), strategic agility (Nyamrunda and Freeman, 2021), and organisation flexibility (Anning-Dorson, 2021). However, a review of previous studies relevant to SMEs and their performance is silent on the argument regarding the influence of strategic leadership on the performance of SMEs. Thus, this study seeks to investigate the influence of strategic leadership on the performance of SMEs.

Studies pertinent to leadership literature argue that strategic leadership is one of the key drivers of strategy implementation, and lack of it is also one of the barriers to strategy implementation (Lear, 2012; Hitt et al., 2017; Mubarak and Yussof, 2019). Without strategic leadership, the prospect of achieving satisfactory or improved business performance is constrained (Olaka et al., 2017). It is through strategic leadership that organisations can implement strategies effectively and subsequently improve business performance (Mubarak and Yussof, 2019). Strategic leadership activities include: i) determining strategic direction, ii) establishing balanced organisational controls, iii) effectively managing the organisation's resource portfolio, iv) sustaining an effective organisational culture, and v) emphasising ethical practice (Hitt et al., 2017; Maziti, Chinyamurindi and Marange, 2018; Mubarak and Yussof, 2019). The same authors argue that these strategic leadership activities positively contribute to effective strategy implementation and, subsequently, to business performance. Thus, this study aims to investigate the influence of strategic leadership on the performance of SMEs as mediated by strategy implementation.

1.3 RESEARCH OBJECTIVES AND RESEARCH QUESTION

The primary objective of this study was to investigate the influence of strategic leadership on the performance of SMEs as mediated by strategy implementation in Nelson Mandela Bay, Eastern Cape, South Africa. This study conducted a theoretical investigation on the nature and role of strategic leadership, strategy implementation, and the performance of SMEs. Furthermore, this study conducted an empirical investigation to test whether strategic leadership has a statistically significant positive influence on strategy implementation and the performance of SMEs. Similarly, this study investigated whether the strategy implementation has a statistically significant positive influence on the performance of SMEs as a mediating factor. Finally, recommendations were made based on the empirical results of this study on whether strategic leadership activities influence the performance of SMEs when mediated by strategy implementation.

1.3.1 PRIMARY OBJECTIVE

The primary objective of this study was to investigate the influence of strategic leadership on the performance of SMEs as mediated by strategy implementation.

1.3.2 SECONDARY OBJECTIVES

The secondary objectives of this study investigated the following as a means of achieving the primary objective:

- The nature and role of strategic leadership, strategy implementation, and the performance of SMEs.
- Whether strategic leadership has a significant positive influence on strategy implementation of SMEs.
- Whether strategic leadership has a significant positive influence on the performance of SMEs.
- Whether strategy implementation has a significant positive influence on the performance of SMEs.
- Make recommendations based on the empirical results of the study on the influence of strategic leadership on the performance of SMEs as mediated by strategy implementation.

1.3.3 RESEARCH QUESTION

What is the influence of strategic leadership on the performance of SMEs as mediated by strategy implementation?

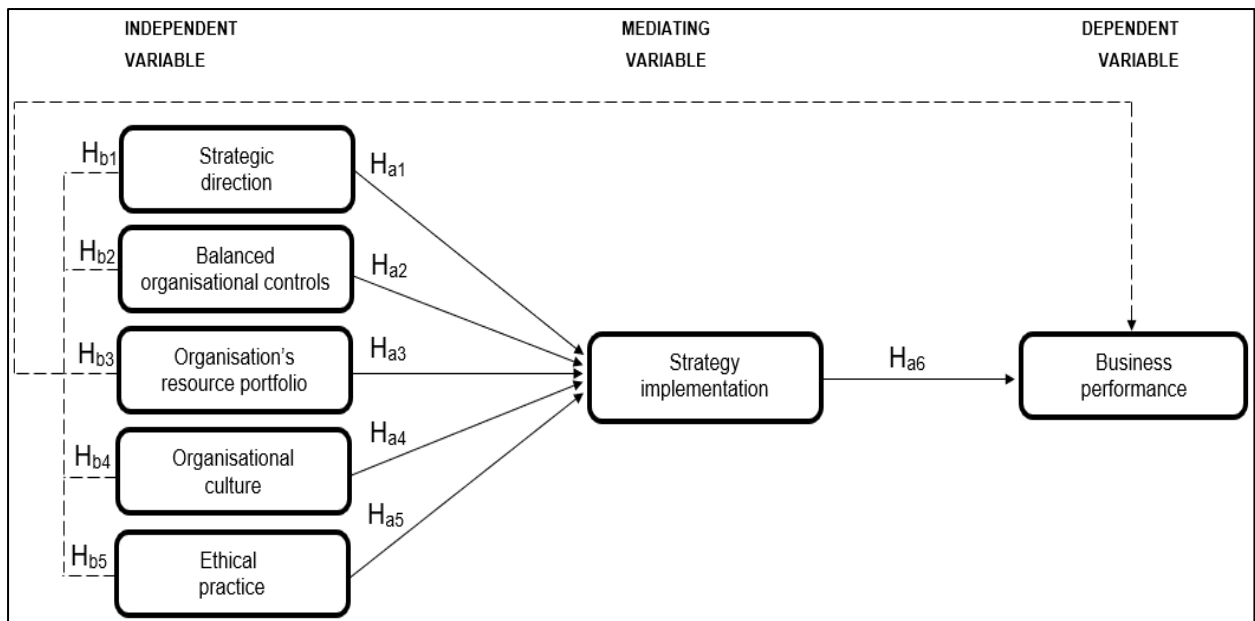
1.4 SIGNIFICANCE OF THE STUDY

Previous studies (Sitharam and Hoope, 2016; Debeila, 2018; Desta, 2019; Mwale, 2020) highlight that technological advancement, training, and development to enhance the entrepreneurial skills of owners of SMEs, sound and effective strategic management, managerial networking, improved social capital, reviewing and streamlining the prohibitive terms and conditions for SMEs accessing financial aid would improve the performance of SMEs. However, a review of previous studies relevant to SMEs and their performance was silent on the argument regarding the influence of strategic leadership on the performance of SMEs. Thus, this study significantly contributed to the body of knowledge by investigating the influence of strategic leadership on the performance of SMEs as mediated by strategy implementation. This study made recommendations based on the empirical results to SME owners/managers on areas with managerial implications for SMEs. This study may be helpful as a source of information for future research relevant to the same field of study. This study may be used as a source of knowledge to gain a deeper insight and understanding of the nature and role of strategic leadership, strategy implementation, and the business performance of SMEs. This study can be conducted on a broader scale to understand the influence of strategic leadership on the performance of SMEs as mediated by strategy implementation.

1.5 RESEARCH HYPOTHESES

The purpose of this study was to investigate the influence of strategic leadership on the performance of SMEs as mediated by strategy implementation. A hypothetical model was constructed with three variables identified in this study: independent, mediating, and dependent. The independent variables consisted of strategic leadership activities namely: strategic direction, balanced organisational controls, organisational culture, organisation's resource portfolio, and ethical practice. The mediating variable was strategy implementation, and the dependent variable was business performance. These variables were tested to investigate whether there is a statistically significant positive influence between strategic leadership, strategy implementation, and the performance of SMEs. Figure 1.1 illustrates the hypothetical model of this study.

Figure 1.1: Hypothetical model of this study



Source: Researcher's model

Figure 1.1 illustrates the hypotheses that had to be tested whether there is an influence between strategic leadership, strategy implementation, and business performance:

Hypotheses: strategic leadership on the strategy implementation:

- H_{a1} There is a significant positive influence between *strategic direction* and *strategy implementation*.
- H_{a2} There is a significant positive influence between *balanced organisational controls* and *strategy implementation*.
- H_{a3} There is a significant positive influence between *an organisation's resource portfolio* and *strategy implementation*.
- H_{a4} There is a significant positive influence between *organisational culture* and *strategy implementation*.
- H_{a5} There is a significant positive influence between *ethical practice* and *strategy implementation*.
- H_{a6} There is a significant positive influence between *strategy implementation* and *business performance*.

Hypotheses: strategic leadership on the business performance:

- H_{b1} There is a significant positive influence between *strategic direction* and *business performance*.
- H_{b2} There is a significant positive influence between *balanced organisational controls* and *business performance*.
- H_{b3} There is a significant positive influence between an *organisation's resource portfolio* and *business performance*.
- H_{b4} There is a significant positive influence between *organisational culture* and *business performance*.
- H_{b5} There is a significant positive influence between *ethical practice* and *business performance*.

The hypothetical model of this study was empirically tested following a specific research design and methodology discussed in Chapters 4 and 5.

1.6 RESEARCH DESIGN AND METHODOLOGY

To achieve this study's primary and secondary objectives and to test the proposed hypotheses listed above, it was necessary to conduct the secondary and primary research of the study. Chapter 4 described the choice of the research design and methodology adopted for this study in detail. The following section outlines the proposed research methodology for this study.

1.6.1 SECONDARY RESEARCH

Secondary research refers to data collected from existing sources such as publications, databases, and internal records. It may be available in hard copy form or on the internet (Collis and Hussey, 2009:73). The secondary data for this study was obtained from the library facilities of Rhodes University. To ensure the necessary information for this study is collected, the researcher had to use databases such as EBSCO host, Science Direct, Emerald, Sabinet, Academic Source Premier, and Google Scholar search engine. These secondary data sources helped the researcher to undertake a comprehensive literature review on the nature, importance, and economic role of and challenges that hamper SME growth and performance (as discussed in Chapter 2). In addition, a comprehensive literature review was undertaken on the nature and role of strategic leadership and strategy implementation in the context of SMEs (as discussed in Chapter 3).

1.6.2 PRIMARY RESEARCH

According to Collis and Hussey (2009:73), primary research involves collecting data from the study's respondents using experiments, questionnaire surveys, interviews, or focus groups. Primary research refers to original data or data collected by the researcher for the first time (Wiid and Diggines, 2013:34). For this study, the primary data was obtained from 229 SME owners/managers in the Nelson Mandela Bay Eastern Cape, South Africa.

1.6.3 RESEARCH PARADIGM AND RESEARCH METHOD

A research paradigm is a philosophical framework that guides how research should be conducted (Collis and Hussey, 2009:55-57). The same authors state that there are two main research paradigms namely: positivistic and phenomenological. The positivistic paradigm supports the belief that reality is independent of researchers. The positivistic paradigm claims that theory can explain the phenomena and logical reasoning can be applied to ensure precision and impartiality in the study. In contrast, the phenomenological paradigm reinforces the belief that social reality is not independent but is highly distinctive as it is shaped by the observations of the researchers and respondents. According to Teddlie and Tashakkori (2009:341), phenomenological paradigm means the research is around subjective experiences, perceptions, and events of individuals. In other words, the phenomenological paradigm intends to describe respondents' experiences and the meaning they derive from interacting with the phenomenon.

According to Collis and Hussey (2009:59), the positivistic and phenomenological paradigms are based on numerous assumptions namely: ontological, epistemological, axiological, rhetorical, and methodological assumptions. These assumptions are described as follows: i) the ontological assumption is concerned with the nature of reality, and that reality is objective and external to the researcher; ii) the epistemological assumption examines the relationship between the researcher and phenomena under research; iii) the axiological assumption is concerned with the role of values and researchers believe that the process of research is value-free; iv) the rhetorical assumption is concerned with the language of research used in the study and v) the methodological assumption relates to the process of ensuring that any variable used in the study can be operationalised and measured. When a positivistic paradigm is chosen, the researcher assumes that the reality is independent. Positivistic researchers usually choose a quantitative research method (Collis and Hussey, 2009:56-59). This study adopted a positivistic paradigm that sought to understand reality and adopted scientific practices to explain the observed reality. Furthermore, this study adopted positivistic assumptions, as discussed above.

Zikmund, Babin, Carr, and Griffin (2010:134-135) state that there are two main research methods namely: qualitative and quantitative. Quantitative research methods make use of numerical measurements and analysis. In contrast, qualitative research methods use techniques that allow the researcher to provide elaborate interpretations of phenomena without depending on numerical measurements. Quantitative researchers tend to direct a considerable amount of activity toward measuring concepts with scales that provide numerical values, while qualitative researchers are more interested in observing, listening, and interpreting. In other words, researchers in a quantitative study tend to use numerical values in statistical calculation and hypothesis testing. In contrast, researchers in a qualitative study are more involved in the research process and in constructing the results. Creswell (2014:04) explains that qualitative research aims to understand the respondent's perceptions, whereas quantitative analysis aims to examine relationships between variables and derive data that can be analysed using statistics. Given the nature of this study, the researcher adopted a quantitative research method, which allowed the researcher to test the hypotheses presented in this study.

1.6.4 SAMPLING AND DATA COLLECTION

This section summarised the research population and sampling techniques adopted for this study. Sekaran and Bougie (2009:266) outlined the sampling process as follows: i) defining the population, ii) determining the sample frame, iii) the sampling design, and iv) the appropriate sample size. Population refers to the entire group of people, events, or things of interest that the researcher wishes to investigate (Sekaran and Bougie, 2009:262). The population of this study was SME owners/managers of small businesses in Nelson Mandela Bay, Eastern Cape, South Africa. Once the population was established, it was necessary to determine the sample frame of the study. A sample represents all the elements in the population from which the sample is drawn (Sekaran and Bougie, 2009:267). The sample frame for this study exists, and it was the list of 209 SMEs registered in the supplier database of Nelson Mandela Bay Municipality. The Accounting Officer of the Municipality, after consultation with their legal department, granted permission (see Annexure B) for the researcher to access the list of SMEs with restricted information due to the Protection of Personal Information Act (POPIA). The list was issued only with the trading names of those SMEs.

The third sampling process is to determine the study's sampling design. Sekaran and Bougie (2009:267-268) state that there are two major types of sampling design namely: probability and non-probability sampling methods. Probability sampling is a sampling technique in which the

elements in the population have a known probability of being selected as sample subjects. Furthermore, probability sampling designs are used when the sample's representativeness is important in the interests of broader generalisability. All probability sampling techniques, such as simple random, systematic, stratified, and cluster sampling, are based on chance selection procedures (Zikmund et al., 2010:398). In contrast, non-probability sampling is a sampling technique in which the elements in the population do not have a known or predetermined chance of being selected as subjects. The selection of sampling units in non-probability sampling is based on personal judgment or convenience. Researchers sometimes find non-probability samples pragmatic and best suited for a specific research purpose (Zikmund et al., 2010:395).

The non-probability sampling technique was adopted to select a sample size for this study. The following section discussed the non-probability sampling techniques that helped to choose the appropriate method to select a sample size for this study. The non-probability sampling techniques include convenience, judgment, and quota. According to Sekaran and Bougie (2009:276-277), convenience sampling refers to collecting information from members of the population who can conveniently provide it. Judgemental sampling calls for special efforts to locate and gain access to individuals in the best position to provide the required information. In contrast, quota sampling ensures that certain groups are adequately represented in the study by assigning a quota. Convenience sampling is most often used in research and is the best way of getting information quickly and efficiently.

Researchers generally use convenience sampling to obtain many completed questionnaires quickly and economically (Zikmund et al., 2010:396). Researchers can choose whoever they can find (Blumberg et al., 2011:193). This study had to use convenience sampling as a non-probability sampling technique to select the study's sample size. However, it must be noted that this method can have some drawbacks that can reduce the reliability and validity of research findings. Sekaran and Bougie (2009), Zikmund, et al. (2010), and Blumberg et al., (2011) argue that these drawbacks include a lack of variety, in other words, researchers may choose respondents who are easily accessible and have comparable features. This can potentially narrow the spectrum of opinions and experiences represented in the sample. In addition, this method can lead to unknown errors since the researcher may be unaware of how skewed or unrepresentative the sample is of the population. Lastly, researchers may be more prone to select participants who they believe would offer data that supports their theory, perhaps contributing to researcher bias. Sekaran and Bougie (2009:263) state that a sample size is a subset of a population.

In a positivistic study, the researcher can choose a sample size to draw conclusions that are generalisable to the population of interest. In addition, the larger the sample size, the better it will represent the population (Collis and Hussey, 2009:210). If the researcher wants to generalise from the study results, the minimum sample size must be determined to reflect the population size. To select a sample size, Hair, Black, Babin, and Anderson (2014:100) recommend that the minimum sample size must have at least five (5) times as many observations as the number of variables to be analysed, and a more acceptable sample size will have a 10:1 ratio. Following this recommendation, the measuring instrument of this study consisted of 39 items; therefore, the minimum sample size of this study (39 x 5) was 195 respondents. A more acceptable sample size using a 10:1 ratio (39 x 10) was 390 respondents. Thus, the maximum sample size of this study was 390 SME owners/managers.

1.6.5 MEASURING INSTRUMENT, VALIDITY, AND RELIABILITY

Collis and Hussey (2009:73,76) state that in a quantitative research study, the primary data use observations, experiments, surveys, interviews, or focus groups to collect data. This study collected data using a survey in the form of a self-developed and structured questionnaire. A questionnaire survey collects primary or secondary data from a sample to analyse them statistically and generalise the results to a population. The purpose of collecting data using a questionnaire survey is that the researcher can obtain data swiftly and effortlessly in a non-threatening manner (Coldwell and Herbst, 2004:48). Questionnaire surveys provide a quick, inexpensive, efficient, and accurate means of assessing information about a population (Zikmund et al., 2010:187). According to Sekaran and Bougie (2009:197), questionnaire surveys are administered personally, mailed to the respondents, or electronically distributed. Furthermore, a good way to collect data is to administer the questionnaire for two-fold reasons namely: i) the researcher can collect all the completed responses within a short period, and ii) this allows the researcher to clarify any questions asked by the respondent on the spot.

Gray (2009:157) outlines the advantages of using questionnaires as follows, i) that it is cost-effective, ii) the flow of data is quick and collected from many respondents, iii) respondents have the flexibility to complete the questionnaires at a time and place that suits their needs, and iv) data analysis of close-ended questions are relatively easy and straightforward to code for analysis. Collis and Hussey (2009:77) state that there are two types of surveys namely: descriptive and analytical surveys. A descriptive survey accurately represents the phenomenon at one point in time.

In contrast, an analytical survey determines whether there is a relationship between pairs of variables or multiple variables. For this study, the researcher adopted a descriptive survey in the form of a questionnaire, and it was distributed to SME owners/managers of small businesses in Nelson Mandela Bay. The questionnaire of this study consisted of three sections. Section A collected the demographical data of respondents, such as years of work experience, years of existence, type of ownership, job title, number of employees, and the nature of the industry. Section B consisted of (27) items on strategic leadership. Section C consisted of (12) items on strategy implementation and business performance of SMEs. Sections B and C used a five-point Likert-type scale ranging from 'strongly disagree' (1) to 'strongly agree' (5). Sekaran and Bougie (2009:152) explain that a Likert-type scale examines how strongly respondents agree or disagree with statements on a five-point scale. Lastly, Rhodes University's Research Ethics Committee approved the ethical clearance for this study.

The measuring instrument of this study and the primary data collected from the respondents were subjected to statistical analysis procedures such as descriptive and inferential statistical methods to determine the validity and reliability of the measuring instrument and the primary data. Collis and Hussey (2009:64) state that validity refers to the extent to which the research findings accurately reflect the phenomenon under study. In other words, validity is concerned with whether the data collected represents an accurate picture of what is being studied. Zikmund et al. (2010:307-308) postulate that there are different ways to assess validity. These include the face, content, criterion, and construct validity. Face validity is concerned with whether the content of the measuring instrument logically reflects the concept it measures. Content validity tests whether the items on the measuring instrument all measure the phenomenon it is supposed to be measuring. Criterion validity concerns whether the measuring instrument can correlate with other standard measures or similar constructs. Lastly, construct validity exists when a measuring instrument reliably and truthfully represents a unique concept.

The researcher used a factor analysis to ensure the construct validity of the measuring instrument. Factor analysis is a method of statistically summarising large numbers of measured variables into fewer items (Zikmund et al., 2010:593). According to Hair et al. (2014:97), factor analysis can achieve data reduction by identifying representative variables from a much larger set of variables for use in subsequent multivariate analyses. Table 1.1 outlines the requirements of a factor analysis.

Table 1.1: Requirements of a factor analysis

• Factor analysis design	At least five (5) variables for each proposed factor must reveal the factor structure of the study. The absolute minimum sample size must be 50 observations.
• Measures of inter-correlation	Bartlett's p-value of less than 0.50 and the measure of sampling adequacy (MSA) value of more than 0.50 for the overall test and individual variables must ensure the data matrix has sufficient correlations to justify the application of factor analysis.
• Number of factors	For any decision on the number of factors to retain, the research must use Eigenvalues of more than 1.0.
• Factor rotation method	The researcher must use orthogonal rotation methods to reduce data to fewer variables.
• Factor loadings	Any factor loadings of ± 0.30 to ± 0.40 are minimally accepted. Values greater than ± 0.50 are generally considered necessary for practical significance.

Source: Hair, et al. (2014:100-120)

This study's minimum sample size was 195 observations for factor analysis design. The researcher used Bartlett's p-value (≤ 0.05) and measure of sampling adequacy (MSA) (> 0.7) to calculate and ensure that an adequate correlation existed to justify the application of factor analysis. Furthermore, the researcher used eigenvalues (>1.0) to determine how many items to load in each factor. Zikmund et al. (2010:593) explain that eigenvalues measure how much variance each factor explains. To judge the practical significance of factor loadings, Hair et al. (2014:116) state that factor loadings of ± 0.30 to ± 0.40 are minimally accepted. A factor loading is the correlation between the variable and the factor (Hair et al., 2014:114). For this study, factor loadings with the value 0.50 and above were accepted and deemed necessary for practical significance.

According to Zikmund et al. (2010:593), factor analysis consists of confirmatory factor analysis (CFA) and exploratory factor analysis (EFA). The former assesses how well the factors identified from the literature review relate to the construct under investigation, and the latter is applicable when the researcher is not sure about the number of items that may load onto a variable. Furthermore, EFA is applicable when the researcher is not sure about the relationships between the study variables. EFA can also identify hidden constructs (Wiid and Diggins, 2013:241). For this study, EFA was conducted to ensure the constructs in the measuring instrument were valid.

Regarding the reliability of the measuring instrument, Zikmund et al. (2010:305) explain that reliability refers to the importance of ensuring that the measuring instrument is error-free and produces consistent results. In other words, reliability concerns the credibility of the research findings and whether other researchers can produce the same data as the current. Collis and Hussey (2009:64) state that replication is important in a positivistic study. Furthermore, reliability tends to be higher in a positivistic study. The research paradigm of this study is positivistic, and therefore, reliability is anticipated to be higher. A measuring instrument is only reliable if it produces consistent results (Zikmund et al., 2010:305).

To test the measuring instrument's reliability and internal consistency, Wiid and Diggines (2013:238) suggest that researchers must use Cronbach's alpha coefficients. Cronbach's alpha coefficient estimates the internal consistency of responses to different scales of items. Zikmund et al. (2010:306) state that internal consistency can be regarded as an accepted measure of reliability, assuming that the individual items on the measuring instrument measure the same construct and are, therefore, highly correlated. Wiid and Diggines (2013:238) state how Cronbach's alpha coefficients are interpreted: if a value is above 0.80, reliability is acceptable; if a value is between 0.60 and 0.80, reliability is acceptable, and lastly, if a value is below 0.60 reliability is not acceptable. This study only accepted Cronbach's alpha coefficient of 0.70 and above to ensure the reliability of the measuring instrument.

1.6.6 DATA ANALYSIS

The data collected for this study was analysed using two statistical techniques namely: descriptive and inferential statistics. According to Collis and Hussey (2009:221,240), descriptive statistics summarises the data and then presents it using tables, charts, and other graphical forms. To make the data collected valuable, it must be organised and summarised using the following methods namely: measures of central tendency and measures of dispersion. A detailed discussion of these two methods was presented in Chapter 4, but here in Chapter 1, these methods were outlined as follows. Measures of central tendency provide a convenient way of summarising a large frequency distribution by describing it with a single statistical value. Measures of central tendency are measured in three (3) ways namely: the mean, the median, and the mode. For this study, the mean value was used to summarise the demographic data of the respondents and average responses relating to each variable of the study.

In contrast, (Collis and Hussey, 2009:244) state that measures of dispersion describe how the data are spread around measures of central tendency. To measure dispersion, the following

methods are required: the range, the variance, and the standard deviation. For this study, the standard deviation was used to calculate and interpret the identified sections in the questionnaire. Conversely, inferential statistics are statistical tests to conclude a target population based on a random sample and sampling distribution (Collis and Hussey, 2009:222). Inferential statistics make inferences from the population sample (Zikmund et al., 2010:413). The following are inferential statistical tools that were effectively used in this study namely: Pearson's Product Moment Correlation coefficients and multiple linear regression analysis. Collis and Hussey (009:267) state that Pearson's Product Moment Correlation coefficients indicate the correlation between two quantitative variables. This method was used to assess the correlation between strategic leadership, strategy implementation, and business performance for this study. Multiple linear regression is a statistical technique that analyses the relationship between a single dependent and several independent variables (Hair et al., 2014:157). The objective of multiple linear regression analysis is to use the independent variables whose values are known to predict the single dependent value selected by the researcher. The regression coefficients indicate the relative importance of each independent variable in predicting the dependent variable (Sekaran and Bougie, 2009:350). For this study, the researcher used multiple linear regression to calculate and assess whether strategic leadership had a significant positive influence on strategy implementation and the performance of SMEs. These tools and their functions were discussed in more detail in Chapter 4.

1.7 DELIMITATIONS OF THE STUDY

The scope of this research investigated the phenomena under study within the limitations of Nelson Mandela Bay, Eastern Cape, South Africa. The observations in this study were limited to only 229 respondents. Therefore, this study's results were not generalised broader than the scope of indicated respondents. This study was only limited to empirical results generated using the quantitative research method and statistical data analysis techniques relevant to this method. The measuring instrument of this study was self-developed and structured; therefore, its results were tested for the first time. However, future researchers can use this instrument to test the validity and reliability of results for their research. Although the respondents of this study were SME owners/managers, there was a perceived possibility that some respondents may have delegated this questionnaire to their subordinates to complete due to their busy schedules. Despite these limitations, the research was valuable in contributing to the body of knowledge specifically to the small business sector.

1.8 ETHICAL CONSIDERATION

Collis and Hussey (2009:45) state that voluntary participation should be encouraged in the quantitative research study. Furthermore, it is advisable in academic research to avoid offering financial or material rewards to induce people to be respondents in the survey, as this will lead to bias. People must be given information about what is required if they agree to be respondents in the study, and how much time it will take to participate in the survey. Respondents must be assured of anonymity which is an assurance that they will not be identified with any of the opinions they express, and this may contribute to a higher response rate and increased honesty, especially in the questionnaire survey method.

For this study, all efforts have been made, and reasonable steps taken to ensure that the researcher adhered to strict ethical guidelines. A cover letter that accompanied the research questionnaire assured respondents that their anonymity was preserved and protected. The researcher ensured that respondents were aware of what the study was all about and clear about the expected roles and procedures that needed to be followed to participate as volunteers in this study. Respondents were asked to give consent to participate voluntarily in this study. Data collected for this study was used strictly for statistical purposes. Rhodes University's Research Ethics Committee approved the ethical clearance for this study.

1.9 STRUCTURE OF THE RESEARCH

The following section describes the structure of the research and the proposed chapters.

Chapter One: Introduction to the Study

Chapter One introduced the research by providing a discussion on the background of the study. This introduction was followed by the problem statement of the research, the primary and secondary objectives, and the research question. The chapter described the significance of the study, the proposed hypothetical model, and the hypotheses statements. An overview of the research design and methodology was discussed, but more details were provided in Chapter 4. The chapter also outlined the delimitations of the study, the ethical considerations, and the overview of the chapters. Finally, this chapter ended with a summary.

Chapter Two: Small and medium-sized enterprises in South Africa

Chapter Two provided an in-depth discussion on the nature, importance, and economic role of SMEs, the challenges that hinder the growth and performance of SMEs, and key factors that influence the performance of SMEs, followed by a chapter summary.

Chapter Three: Strategic leadership and strategy implementation in the context of SMEs

Chapter Three provided an in-depth literature review on the nature and role of strategic leadership and strategy implementation in SMEs. A literature review was structured to provide a detailed discussion on the definition and importance of strategic leadership, the influence of strategic leadership on strategy implementation, as well as strategic leadership as a key driver, and a barrier to effective strategy implementation. Furthermore, a literature review discussed the definition and importance of strategy implementation, strategy implementation as a component of the strategic management process, and the organisational alignment in strategy implementation, and finally, a summary of the chapter was provided.

Chapter Four: Research design and methodology

Chapter Four provided a detailed discussion of this study's research design and methodology. This chapter included a discussion on the research paradigm and method of this study, the proposed hypothetical model, and its hypotheses statements. Furthermore, this study discussed the population, sampling techniques, and the data collection strategy. This chapter concluded with a discussion of the data analysis methods relevant to this study, the ethical considerations, and the chapter summary.

Chapter Five: Empirical results

Chapter Five provided an analysis of the empirical results of the study. This included a discussion on the validity and reliability of the measuring instrument and the descriptive statistics on the demographic data. Subsequently, this chapter covered a detailed discussion of the results regarding the influence of strategic leadership on the performance of SMEs as mediated by strategy implementation. This chapter also examined the influence of demographic data on the independent variable used in this study and concluded with a chapter summary

Chapter Six: Summary, recommendations, and conclusion

Chapter Six was the final chapter and presented a summary of the chapters that were covered in this study namely, the introduction and background in Chapter 1, the literature review in Chapters 2 and 3, the research methodology in Chapter 4, and the empirical results in Chapter 5. This chapter provided conclusions based on the literature review and the empirical findings of this study. The contributions and possible limitations of the study were discussed, along with recommendations and suggestions for future research. Most importantly, it aimed to highlight recommendations for SMEs on the influence of strategic leadership on the performance of SMEs when mediated by strategy implementation.

1.10 CHAPTER SUMMARY

This chapter presented a broad but succinct discussion of the nature of the study. The relevant factors in this chapter were explored in-depth in the forthcoming chapters. In this chapter, it was only selected concepts and aspects of the study were presented to provide the readers with an overview of the proposed study. Chapter Two presents an in-depth literature review on the nature and importance of SMEs.

CHAPTER TWO

SMALL AND MEDIUM-SIZED ENTERPRISES AND BUSINESS PERFORMANCE

2.1 INTRODUCTION

The focus of this study is to investigate the influence of strategic leadership on the performance of SMEs as mediated by strategy implementation in the Nelson Mandela Bay region of the Eastern Cape Province, South Africa. This chapter broadly defines SMEs and their significant socio-economic role globally and in the context of the South African economy. This chapter also provides a detailed discussion of the challenges facing SMEs. This chapter outlines the factors perceived as measures of successful performance in SMEs. Lastly, this chapter concludes with a summary.

2.2 DEFINING SMALL AND MEDIUM-SIZED ENTERPRISES

While the importance of SMEs is acknowledged globally, defining SMEs is convoluted, and there is a notable variance in definitions (Furawo and Scheepers, 2018). A standard international definition of SMEs does not exist (Mwale, 2020). SMEs are defined differently in the legislation across countries, mainly because when the dimension of the enterprise is described as 'small' and 'medium,' it is relative to the size of the country's economy (OECD, 2019). In a Trade and Industry Policy Strategies report (TIPS) (2016), small businesses employ up to 250 people in various categories namely: micro enterprises employ up to 10 people; small enterprises employ 49 people; and medium-sized enterprises employ between 50 and 250 people. (TIPS, 2016). These categories are provided for statistical purposes, amongst others, for the best comparability given the varying data collection practices across countries, noting that some countries use different conventions (OECD, 2019).

The South African government's Department of Small and Business Development (2019) has legislated a definition of a small business through the National Small Enterprise Act 29 of 2019 to improve support for the small business sector as part of its efforts to transform the economy and make it more inclusive. Bosch, Tait, and Venter (2011:578) state that it is possible to identify different types of enterprises using qualitative and quantitative criteria. Qualitative criteria include variables that cannot be measured such as the form of the enterprise, the nature of activities of the enterprise, and the organisational structure. In contrast, quantitative criteria include variables that can be measured such as total annual sales, the number of employees, and the size of the enterprise. In other words, a small business can be defined qualitatively or quantitatively.

Qualitatively, a small business is a "separate, and distinct business entity, together with its branches or subsidiaries, including cooperative enterprises, managed by one owner or more, if any, predominantly carried on in any sector or sub-sector of the economy and which can be classified as a micro, a small or a medium enterprise" (Department of Small and Business Development, 2019). Quantitatively, a small business is any business that employees 50 to 250 full-time paid employees, and has an annual sales turnover of less than R35 million (Department of Small and Business Development, 2019). Table 2.1 provides an overview of the quantitative criteria used to define SMEs in South Africa.

Table 2.1: The quantitative criteria used to define SMEs in South Africa

Sector	Size of the enterprise	No. of full-time paid employees	Total annual sales (Rand)
Agriculture	Small	50	17 000 000
	Medium	250	35 000 000
Manufacturing	Small	50	50 000 000
	Medium	250	170 000 000
Retail, motor industry, and repair services	Small	50	25 000 000
	Medium	250	80 000 000
Wholesale	Small	50	80 000 000
	Medium	250	220 000 000
Finance and business services	Small	50	35 000 000
	Medium	250	85 000 000

Sources: South Africa's Department of Small and Business Development (2019)

As illustrated in Table 2.1, except for enterprises in the agricultural sector, small businesses have approximately 50 full-time paid employees, while medium enterprises have over 200 full-time paid employees. The total sales turnover for small businesses is about R17 million to R80 million, while medium-sized enterprises are R35 million to R220 million. The differentiation in the annual sales across sectors accounts for different volumes of sales experienced by enterprises, with trade sub-sectors experiencing the highest volume of annual sales due to the nature of their business (TIPS, 2016). For this study, the definition of SMEs was based on the quantitative criteria, which means that any SME owned and managed independently, employs between 50 and 250 full-time paid employees, and generates total annual sales of not more than R80 million.

2.3 OVERVIEW OF SMALL AND MEDIUM-SIZED ENTERPRISES

Previous studies (Bruwer and Coetzee, 2016; Maziti et al., 2018; Masocha, 2019; Fatoki, 2020) view SMEs as the cornerstone of socio-economic development in many economies globally. Furthermore, the progressive contribution of SMEs to the global economy is irrefutable and enshrined in poverty alleviation, economic growth, and job creation strategies pursued by many economies worldwide. According to the Organisation for Economic Co-operation and Development (OECD) (2016), SMEs are primarily the form of enterprise that accounts for over 90% of all businesses. Thus, SMEs provide the primary source of employment, estimated to be 70% of jobs on average. SMEs also contribute to value creation by generating between 50% and 60% of value added on average. In emerging countries (including South Africa), SMEs contribute approximately 45% of the total employment and 33% of the GDP. The Real Economy Bulletin (2021) reports that in South Africa, in the first quarter of 2021, SMEs accounted for 46% of all waged employment and contributed 38% towards GDP. Regarding the informal business sector, SMEs contribute to more than 50% of employment and GDP in most countries, irrespective of the national income levels. According to the World Bank (2020), these figures become significantly higher when informal small businesses are included. Moreover, it is estimated that by 2030, approximately 600 million jobs will be needed to absorb the increasing global workforce, making SME development a high priority for many governments worldwide.

Chiromo and Nani (2019) highlight the importance of policies that support SMEs, which saw countries like China, the United Kingdom, and the United States making outstanding progress in job creation and poverty reduction. Like other countries, the government of South Africa has put measures in place to promote SMEs. According to South Africa's Small Enterprise Development Agency (SEDA) (2016), the South African government promulgated the 1995 White Paper on SME development to devise a policy framework focusing on the whole spectrum of the small business sector to accelerate economic growth. The government of South Africa introduced an action plan called 'The Integrated Small Business Development Strategy,' which focused on increasing financial support for SMEs through Small Enterprise Financial Agency (SEFA) and non-financial support through SEDA, creating a demand for their products and services, and reducing regulatory constraints. A separate Ministry of Small Businesses (currently known as the Department of Small and Business Development) was also established together with other support functionaries such as SEFA and SEDA, as the government's efforts to revamp and support the small business sector as a significant contributor to the economic growth of South Africa (SEDA, 2016).

Leboea (2017) argues that despite these government efforts to offer financial and non-financial support to SMEs, the rate of failure and discontinuity of SMEs in South Africa is still reported to be one of the highest in the world. Maziti et al. (2018) outline the reasons for high failure as a lack of growth and access to finance and funding modalities. In addition, poor management skills, weak entrepreneurial culture, high market entry barriers, and a lack of government initiatives to develop SMEs. These challenges have ramifications for the survival and performance of SMEs in South Africa. Makwara (2019) argues that SME programmes implemented in South Africa do not stimulate entrepreneurship, innovation, and start-up culture that can anchor real economic growth. According to Statistics South Africa (2021b) other reasons for the high failure rate of SMEs in South Africa included: a lack of access to appropriate technological infrastructure and transition to digitalisation, and a lack of access to markets and social capital. In addition, a lack of research and development, problematic government laws, regulations, and policies, a lack of training and development, and the recent global coronavirus (COVID-19) pandemic. Leboea (2017) states that 75% of South African SMEs do not grow to become big enterprises because most close down within the first five years of operation. Klaas (2020) and Mwale (2020) lay credence that SMEs rarely survive beyond five years as these challenges mentioned above continue to threaten the existence of SMEs.

For SMEs to rise above these challenges, proposals have been made that SMEs adapt technological advancement in their operations, enhance entrepreneurial skills through being offered training and development programmes, widen their skills in strategic management, and managerial social networking, and for the government to cut down on prohibitive terms and conditions that hinder SMEs accessing financial aid (Debeila, 2018; Desta, 2019; Saah and Musvoto, 2020). Integral to the survival and growth of SMEs is a variety of dynamic abilities that owners/managers need to display as individuals and organisational leaders (Kanyangale, 2017). For instance, strategic leadership's role is to encourage a cooperative spirit amongst employees and encourage systematic thinking across the enterprise (Maziti et al., 2018). In essence, strategic leaders play an important role in successful change management strategies in the entities they lead, and this influence can mean the difference between failure and success. A review of literature relevant to SMEs was silent on the nature and role of strategic leadership on the performance of SMEs; thus, this study sought to investigate what is the influence of strategic leadership on the performance of SMEs as mediated by strategy implementation.

2.4 THE SIGNIFICANCE OF SMALL AND MEDIUM-SIZED ENTERPRISE TOWARDS SOCIO-ECONOMIC DEVELOPMENT IN SOUTH AFRICA

Previous studies as mentioned in section 2.3 view SMEs as the cornerstone of socio-economic development in most economies globally. Furthermore, the progressive contribution of SMEs to the global economy is irrefutable and enshrined in poverty alleviation, economic growth, and job creation strategies pursued by many economies worldwide. According to the OECD (2016), SMEs are primarily the form of enterprise that accounts for over 90% of all businesses. Thus, SMEs provide the primary source of employment, estimated to be 70% of jobs on average. SMEs also contribute to value creation by generating between 50% and 60% of value added on average. In emerging countries (including South Africa), SMEs contribute approximately 45% of the total employment and 33% of the GDP. The importance of SMEs towards socio-economic development in South Africa is discussed in detail in the following sections:

2.4.1 JOB CREATION

SMEs are seen as the most potent way of bringing about sustainable development in reducing unemployment and its concomitants, such as poverty and inequalities in developing countries (Makwara, 2019). According to Statistics South Africa (2021b), the unemployment rate in South Africa has increased by 0.4% to 35.3% in the fourth quarter of 2021. This is the highest unemployment rate since Statistics South Africa began recording quarterly employment statistics in 2008. The formal and public sectors have failed to absorb the growing number of job seekers (Desta, 2019). Thus, it is suggested that to tackle the high unemployment problem, South Africa needs a dynamic economy with a growing and robust SME environment. Makwara (2019) argues that unemployment in South Africa, which is already high, cannot be left to the government and large enterprises to provide a means of employment. Increased attention has been given to SMEs since they provide fresh ground for employment. OECD (2016) reports that SMEs create job opportunities across geographic areas and sectors, employing broad segments of the labour force, including low-skilled workers, and providing opportunities for skills development. Studies (Olawale and Garwe, 2010; Ayandibu and Houghton, 2017; Desta, 2019) highlight that SMEs have the propensity to provide more labour-intensive production processes than large enterprises and to generate low capital costs associated with job creation. Consequently, these SMEs contribute significantly to providing productive employment opportunities, income generation, and poverty reduction.

The Real Economy Bulletin (2021) confirms that SMEs in South Africa are relatively more labour-intensive than large enterprises and thus lead to a more equitable income distribution. In the first quarter of 2021, South African SMEs accounted for 46% of all waged employment and contributed 38% towards GDP. Overall, the SME sector in aggregation accounted for 64% of all jobs in South Africa in the first quarter of 2021 (SEDA, 2021). Ayandibu and Houghton (2017) lay credence that SMEs create over 50% of the new jobs in South Africa and need to be nurtured. Furthermore, it is argued that if better policies and institutional support can encourage more entrepreneurs to launch their SMEs, it can only be imagined what this could do for job creation in South Africa. SMEs are seen not only as employment creators but also as a sector that absorbs retrenched people from the private and public sectors. Chimucheka (2013) concurs that with large businesses being restructured or rationalised, SMEs played an increasing role in absorbing retrenched employees. Some of the state entities in South Africa have caused a loss of jobs. In such instances, the retrenched employees turned to entrepreneurial ventures, many of which are survivalist by nature (Ayandibu and Houghton, 2017).

A review of the literature on the role of SMEs and statistical accounts presented in this section reveals that SMEs are a catalyst in answering the problem of unemployment and poverty reduction in South Africa. Thus, the government must ensure that SMEs are recognised, nurtured, and supported to create employment in South Africa. According to the OECD (2019), SMEs drive job growth but need higher skills, innovation, and technology investment to boost wages and productivity. Furthermore, SMEs can offer an instantaneous escape route for people faced with few life opportunities for employment in South Africa (Makwara, 2019).

2.4.2 POVERTY REDUCTION

Poverty is one of the biggest global problems in developed and developing countries (Chimucheka, 2013). Poverty in developing countries is still more prominent and is one of the main issues to address (Leboea, 2017). More than half of the population in South Africa is living in poverty (World Bank, 2020) at the national upper poverty line of R1 335 per month per person (Statistics South Africa, 2021a). The poverty rate in South Africa is far above the international poverty line of 18.9%, as estimated by the World Bank (2021). Poverty lines are important tools that allow for the statistical reporting of poverty levels and patterns and the planning, monitoring, and evaluation of poverty reduction programmes and policies in South Africa (Statistics South Africa, 2021a). The poverty lines are determined using an internationally recognised approach.

This cost-of-basic-needs approach links welfare to the consumption of goods and services, food, and non-food items of household consumption expenditure (Statistics South Africa, 2021a). Table 2.2 below illustrates the national poverty line of South Africa.

Table 2.2: Inflation-adjusted national poverty lines for 2021

Poverty line	Rand (per person per month)
Food Poverty Line (FPL)	624.00
Lower Poverty Line (LPL)	890.00
Upper Poverty Line (UPL)	1 335.00

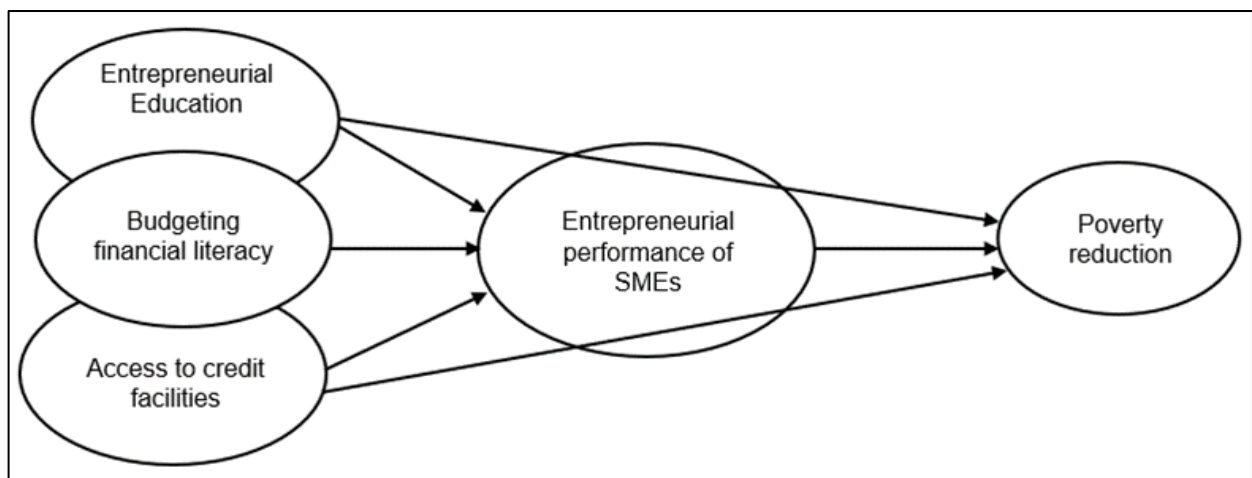
Source: Statistics South Africa (2021a)

As illustrated in Table 2.2, The FPL is R624 per person per month, meaning that this person will only afford the minimum required daily energy intake. While LPL and UPL are R890 and R1 335 per person per month, respectively, both lines include the minimum FPL and the average amount derived from non-food items of households (Statistics South Africa, 2021a). These poverty lines are determined to enhance the country's ability to target development policies, reforms, and programmes aimed at poverty reduction and eradication (Statistics South Africa, 2021a). The concept of poverty is complex by nature and depends on various contexts and perspectives for its definition, and as such, there is no universal definition of poverty (Martin and Petersen, 2018). Poverty is a lack of monetary or non-monetary resources. Regarding monetary resources, poverty is directly linked to insufficient income to buy necessities for survival. In contrast, non-material resources would mean poor access to basic service delivery, personal assets, social exclusion, poor education, poor health, and exposure to crime (Jansen, Moses, Mujuta, and Yu, 2015).

Previous Studies (Mncayi, 2016; Leboea, 2017; Singh, 2018) highlight that unemployment is the main contributing factor to poverty. Other factors include a lack of skills and social capacity to attract employment. SMEs are seen as catalysts that solve socio-economic problems (Muriithi, 2017), promote income empowerment, and provide a new approach to combat poverty in developing countries (Ifeoma, Purity, and Yusuf, 2018). According to Chiromo and Nani (2020), SMEs are seen as the solution to the poverty epidemic facing most countries globally. Because the SME sector is regarded as the primary contributor to economic development in the country, the South African government has been focusing on implementing programmes aimed at supporting and revamping SMEs to reduce poverty. Ifeoma et al. (2018) argue that SMEs contribute to poverty reduction when they create employment by establishing new entrepreneurship initiatives or expanding existing ones.

Furthermore, SMEs increase social wealth by creating new jobs, markets, industries, technology, and an equitable income distribution, which culminates in higher living standards for the population. Leboea (2017) argues that SMEs that are growing and have become successful are seen as vital contributors to the government's policy objectives of poverty reduction, employment creation, and the promotion of economic growth. Maziriri and Chivandi (2020b) conceptualised a model that seeks to demonstrate the influence of SMEs on poverty reduction through the implementation of entrepreneurial education, budgeting financial literacy, and access to credit facilities. The model is illustrated in Figure 2.1 as follows:

Figure 2.1: Entrepreneurial performance of SMEs on poverty reduction



Source: Maziriri and Chivandi (2020b)

As illustrated in Figure 2.1, Maziriri and Chivandi (2020b) argue that refocusing entrepreneurial education at advanced education levels will create youth employment opportunities and reduce poverty. According to Nwokolo, Dywili, and Chimucheka (2017), entrepreneurship education is vital in advancing entrepreneurial abilities, business culture, and confidence while keeping in mind the end goal of lessening the poverty rate in South Africa. Entrepreneurs who received entrepreneurial courses tend to exhibit a high propensity to start their businesses with the potential to create jobs. Access to microcredit lending could be an impetus to get individuals out of poverty (Maziriri and Chivandi, 2020b). Enhancing access to financial services empowers SMEs to develop beneficial resources and improve their profitability and potential for manageable jobs. Kurgat, Owembi, and Omwono (2017) state that access to credit facilities contributes positively towards poverty reduction. Regarding budgeting financial literacy and the performance of SMEs, Maziriri and Chivandi (2020b) argue that successful financial literacy skills prompt changes in entrepreneurial performance because of the enhanced capacity to track business opportunities. As such, any endeavours to establish SMEs will significantly aid poverty reduction systems in

emerging economies. Furthermore, SME performance changes decidedly and fundamentally influence poverty reduction. The higher the SME performance change, the higher the poverty reduction.

A review of the literature on the role of SMEs in poverty reduction shows that it is clear that SMEs play a considerable role in promoting prosperity by establishing new jobs and reducing unemployment in the country. Studies have shown that unemployment, amongst other structural challenges, is a predominant factor that leads to poverty. SMEs have proven to be catalysts for reducing unemployment through job creation. SMEs entering the market and others already existing or expanding in the market have promoted income empowerment, and this income is then used to help reduce poverty in households and society. The South African government needs to develop pragmatic policies and reforms that support the entrepreneurial initiatives of SMEs and, in turn, help the government achieve its goals of reducing unemployment in South Africa. In this study, the importance of entrepreneurial education, budgeting financial literacy and ensuring access to credit facilities for SMEs have been identified to be significant in enhancing the performance of SMEs, thereby reducing poverty levels in the country. Maziriri and Chivandi (2020b) argue that the higher the performance of SMEs, the higher the poverty reduction. Entrepreneurial education inspires entrepreneurs to start their businesses, as they are well exposed to entrepreneurial skills and attitudes that enable them to solve problems, create jobs, and lessen poverty.

2.4.3 ENTREPRENEURSHIP

Previous studies (Nwokolo et al., 2017; Mahadea and Kaseeram, 2018) highlight that entrepreneurship is globally recognised as a strategic mechanism or the driving force of sustainable economic growth through innovation, creativity, and job creation across international boundaries. Entrepreneurial endeavours can pull people out of poverty, whether they start their own business or are employed by another business. Furthermore, entrepreneurship promotes prosperity by creating new jobs, reducing unemployment and poverty, and increasing a nation's economic growth. Lending credence to this, (Maziriri and Chivandi, 2020b) argue that refocusing entrepreneurship education at advanced education levels will create youth employment opportunities and reduce poverty. According to Kongolo (2010), enhancing small business development and promoting entrepreneurship would be an excellent strategy to contribute to and promote economic development. Ifeoma et al. (2018) argue that entrepreneurship remains the gateway to sustainable wealth creation. If the country desires to move out of the high

unemployment and ravaging poverty level, adequate attention must be given to the growth of entrepreneurship. Mahadea and Kaseeram (2018) argue that vigorous entrepreneurship is critical for sustainable job creation, inclusive growth, and boosting tax revenue and income because of rising public debt, income inequality, and unemployment in South Africa. In addition, entrepreneurship brings labour together and generates economic growth. According to Ifeoma et al. (2018), entrepreneurship involves an individual's or individuals' effort to identify sustainable business opportunities and obtain and manage the resources needed to take advantage of those opportunities. Entrepreneurship is a catalyst to increase the rate of economic growth and job creation opportunities and reduce dependence on the import of manufactured goods. Furthermore, entrepreneurship encompasses creating innovation and promoting new attitudes and cultures to contain future challenges. SMEs can nurture entrepreneurship and innovation and could attract foreign investment (Makwara, 2019).

Maziriri and Chivandi (2020b) argue that there is a lack of literature that studies the effect of entrepreneurial education on entrepreneurial performance and poverty reduction in an emerging economy such as South Africa. Manyaka-Boshielo (2019) refers to entrepreneurial education as a skill and knowledge individuals acquire through investment in schooling, on-the-job training, and other types of experience. Iwu, Opute, Nchu, Eresia-Eke, Tengeh, Jaiyeoba, and Aliyu (2019) contend that entrepreneurial education enables the acquisition of entrepreneurial knowledge, skills, attitudes, and behaviours. Ndou, Mele, and Del-Vecchio, (2018) accentuate that, developing entrepreneurial education is a fundamental precondition for augmenting entrepreneurs' innovation in a rapidly changing environment. As a result, several universities and governments worldwide have started to support and promote entrepreneurship education by developing and investing in curricula and programmes related to entrepreneurship and new venture creation. Thus, (Maziriri and Chivandi, 2020b) posit that tertiary education institutions seek to provide individuals with the knowledge, skills, and motivation to encourage entrepreneurial success in various settings. If education prompts a higher level of entrepreneurial performance, then investment in the education of imminent business visionaries should be supported.

According to Nwokolo et al. (2017), entrepreneurship education assumes a vital role in advancing entrepreneurial abilities, business enterprise culture, and confidence and self-autonomy among college undergraduate studies, keeping in mind the end goal to lessen the poverty rate in South Africa. In addition, entrepreneurship education has proven relevant in promoting self-employment and poverty alleviation among citizenries. Entrepreneurs who received entrepreneurial courses tend to exhibit a higher propensity for starting their businesses than those who received other

business courses or did not receive a course at all (Nwokolo et al., 2017). It is clear from this discussion that entrepreneurial development is key to poverty reduction, job creation, and economic growth in South Africa. Against rising public debt, income inequality, and unemployment in South Africa, vigorous entrepreneurship is critical for sustainable job creation, inclusive growth, and boosting tax revenue (Mahadea and Kaseeram, 2018). SMEs facilitate a much more accessible entry to business and self-sustenance and provide the incubation and breeding for entrepreneurship and innovation (Rungani and Potgieter, 2018). The value of entrepreneurial education provides expertise, entrepreneurial abilities, and inspiration amongst entrepreneurs. Thus, entrepreneurial education centres in South Africa should be set up where SME owners/managers can have entrepreneurial education courses and financial literacy (Maziriri and Chivandi, 2020b). Frantic efforts must be amplified to mobilise, harness, and enhance entrepreneurial activities, benefiting individuals, the government, and society (Nwokolo et al., 2017). These efforts will help reduce the number of unemployed people by allowing them to be self-employed to escape poverty.

2.4.4 INCOME DISTRIBUTION

The International Monetary Fund (IMF) (2022) confirms that South Africa suffers among the highest levels of inequality worldwide when measured by the commonly used Gini index. According to Statista (2021c), the Gini index gives information on income distribution in a country. A Gini index of zero represents perfect equality, while an index of 100 implies perfect inequality (Statista, 2021c). The inequality rate in South Africa is 63% and is the highest in the world, as per the Gini index report (World Bank, 2021). High levels of income polarisation are manifested in very high levels of chronic poverty, a few high-income earners, and a relatively small middle class (World, 2021). Inequality manifests through a skewed income distribution and unequal access to opportunities (IMF, 2022). The wealthiest 20% of the South African population holds over 68% of the income, and the bottom 40% holds 7% (IMF, 2022).

SMEs are expected to assist in reducing this problem of inequality and, more specifically, unequal income distribution by creating more employment (Leboea, 2017). Although income earned by workers in the informal economy is less than that earned in the formal economy, entrepreneurial self-employment tends to cushion retrenched employees against abject poverty (Makwara, 2019; Mwale, 2020). The burden of poverty alleviation falls on the SMEs as most large businesses are downsizing and automating, leading to the loss of jobs (Mwale, 2020). Substantial wage differences among SMEs and large enterprises mean that the SME sector produces a more

significant percentage of output than large businesses. Taraki (2019) argues that this increases the wage bill for workers in the lower wage groups of labour-intensive enterprises. In addition, the policymakers in developing countries, particularly in South Africa, are encouraging SME sector development to achieve a more equitable income distribution and help minimise the incidence of poverty. Unlike large businesses, SMEs have to use all their capital stock to create jobs and have the advantage of utilising moderate share capital in creating sustainable jobs for employees (Maziti, 2017). Furthermore, SMEs contribute substantially towards equitable income distribution as these SMEs are scattered across the nation and are more labour-intensive than large enterprises. This helps to counter the inequality that comes with employing certain people because of their proximity. Makwara (2019) states that SMEs are perceived as more labour-intensive than large businesses. Furthermore, SMEs create jobs for those who are retrenched or deemed unproductive by large businesses. Thus, the growth of SMEs would result in higher employment levels and subsequent income generation.

2.4.5 ECONOMIC GROWTH

SMEs are expected to be an important vehicle to address the challenges of job creation, sustainable economic growth, equitable income distribution, and the overall stimulation of economic growth (Maziti, 2017). The contribution of SMEs to GDP has increased, justifying the conclusion that SMEs contribute to social development and economic growth in both developed and developing countries (Rungani and Potgieter, 2018). The South African SMEs accounted for 46% of all waged employment and contributed 38% towards GDP (Real Economy Bulletin, 2021). SMEs create job opportunities across geographic areas and sectors, employing broad segments of the labour force, including low-skilled workers, and providing opportunities for skills development (OECD, 2017). Therefore, SMEs that create jobs and value are an important channel for inclusion and poverty reduction, especially in developing countries.

In this regard, improving productivity in a large population of small businesses, including traditional segments and the informal economy, can help governments achieve economic growth and social inclusion objectives (OECD, 2017). Taraki (2019) states that SMEs' development is expected to be an essential and desired equitable economic growth path for developing countries. This is based on the factor proportion and growth rate arguments. Regarding the factor proportion argument, SMEs are considered more labour-intensive than large enterprises. Thus, this feature of SMEs leads to a choice of technology that more closely resembles the factor market in the economies with a scarcity of capital and an abundant supply of labour. In contrast, the growth rate

argument is that SME development is fundamental to developing a broad entrepreneurship base (Taraki, 2019). At the same time, extensive business development is critically important in promoting modern business practices. However, the growth of large businesses is usually coupled with the high concentration in metropolitan cities. This type of industrial concentration increases public and private sector costs and threatens to reduce the growth potential of metropolitan cities. On the contrary, SME development can create many growth poles in small towns and rural areas, which can serve as the basis for further economic growth in developing countries (Taraki, 2019). In many countries, particularly OECD countries, governments have dealt with impediments regarding low growth rates, weak trade and investment, and rising or persistently high inequality (OECD, 2016). These factors often result in a growing frustration among citizens with current affairs, which has been a drawback of globalisation and technological change (OECD, 2016). As such, governments have realised this drawback and initiated the growth and development of SMEs, providing an environment where they can quickly adapt and thrive through actively participating and thus boosting economic growth (Mwale, 2020).

Across countries at all levels of development, SMEs have proved beyond doubt that they have the potential to play a significant role in the achievement of the Sustainable Development Goals through the advancement of inclusive and sustainable economic growth that is characterised by job creation, sustainable industrial development and emphasising innovation while at the same time dipping income inequalities (Mwale, 2020). The role of SMEs in economic growth in South Africa cannot be overlooked as SMEs contribute significantly to job creation as well as to the GDP of the country. SMEs are perceived as the cornerstone to assist the government in achieving economic growth and social inclusion objectives only if small businesses can increase the productivity of their entrepreneurial activities. While large businesses create jobs in metropolitan cities, small businesses also create jobs in rural areas and small towns, bringing about further inclusive economic growth in South Africa. Thus, SMEs are perceived as vital players in inclusive and sustainable economic growth in South Africa.

2.4.6 INNOVATION

Innovation has become necessary for all contemporary enterprises that want to survive in a world characterised by competition, technological change, and recurring crises (Adam and Alarifi, 2021). From the perspective of SMEs, innovation means new products or processes that address customer needs more competitively and profitably than existing ones (Adam and Alarifi, 2021). Innovation is identified as a critical driver of long-term economic growth and an initiator of competitive

strategy in the market (Venter and Hayidakis, 2021). Considering South Africa's high unemployment rate, it has become critical for all SMEs in South Africa to engage in innovative enterprise practices. This practice will allow SMEs to improve their chances of survival and contribute to reducing unemployment, inequality, and poverty in South Africa. Innovation is defined as a mental process that leads to the creation of a new phenomenon and often results in the use of technology (Maziti et al., 2018). Innovation encapsulates all activities and processes supreme to value addition and enhanced bottom line (Saunila, 2014). Safarzadeh, Dahghan, Pazireh, and Pouraskari (2015) agree that innovation is critical for firms to create value and sustain competitive advantage in today's fast-changing and dynamic environment. SMEs that accept innovation in response to changes are more inclined to develop new capabilities to help them achieve better performance (Safarzadeh et al., 2015). Innovation involves adopting a new idea or behaviour to improve the status quo (Furawo and Scheepers, 2018).

Innovation catalyses the birth of new products, processes, and novel ways of working. Furthermore, innovation champions change and discovering what works better by embracing the exploration of uncharted territories. From a comprehensive perspective, other definitions of innovation include research and development (R&D), the commercialisation of technology, and the reinforcement of competitiveness (Jin and Lee, 2020). According to Beynon, Jones, and Pickernell (2020), in-house R&D is critical to the SME's ability to generate the knowledge base for proprietary intellectual property (IP) and innovation. Furthermore, there is a correlation between R&D and product innovation. An investment in R&D is argued to be a key mechanism, along with knowledge development and competencies, in determining overall levels of innovation in a small business sector/industry (Beynon et al., 2020). Laying credence to this argument, Rajagopaul, Magwentshu, and Kalidas (2020) posit that R&D is fundamental for innovation and growth, and thriving entrepreneurship ecosystems recognise this. Rajagopaul et al. (2020) make an example of Malaysia's national commercialisation platform (PlatCOM Ventures), which helps SMEs to turn their ideas into successful products and services. This venture is needed in South Africa to identify and fund high-growth SMEs and support innovation even where current financials do not support this.

Jin and Lee (2020) posit that SMEs enhance innovation performance by developing new technology and obtaining patent registrations from R&D, and they gain the ability to absorb and use external knowledge. As such, R&D contributes to the direct creation of innovation performance and the development of the ability to absorb knowledge. Harris, McAdam, McCausland, and Reid (2013) in Furawo and Scheepers (2018) describe three levels of innovation in SMEs namely:

incremental, radical, and the lack of innovation. Table 2.3 contains an elaboration of these levels of innovation as follows:

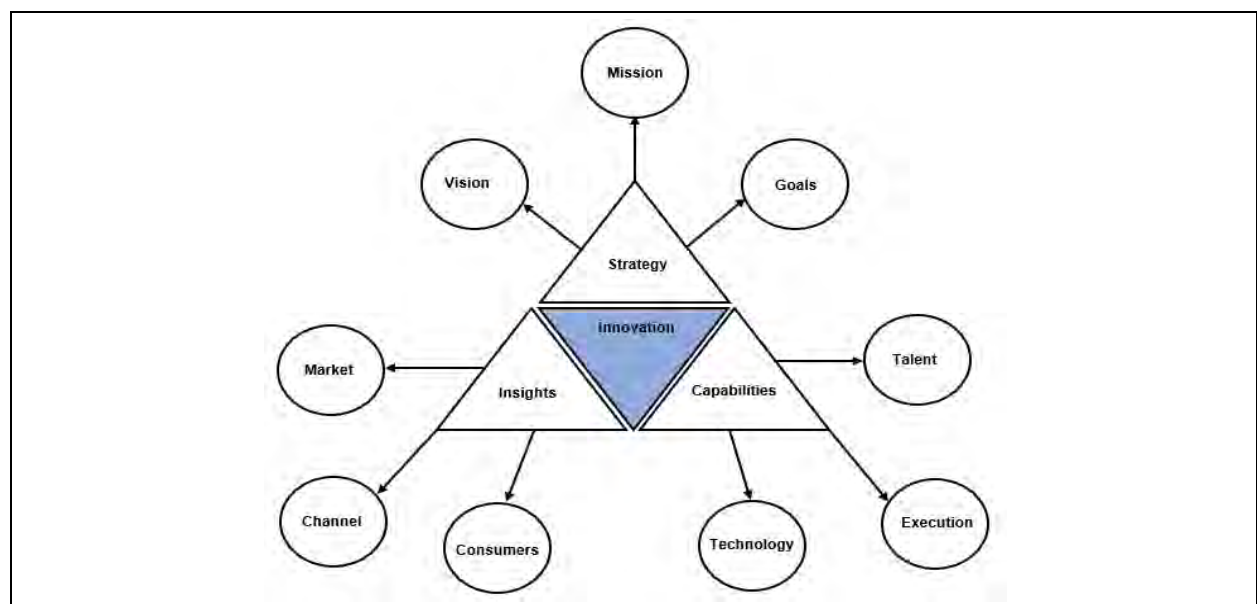
Table 2.3: Levels of innovation for SMEs

Level of innovation	Activity
Radical	Revolutionary products, services, or systems are created to transform the way business is done radically. Usually, it involves enormous investments with a high risk. The payoff is limitless.
Incremental	There is a slight enhancement to existing products, services, or systems. There is a minimal investment toward innovation and, subsequently, a low risk. The returns are usually minimal.
Lack of innovation	There is no supportive environment for innovation to thrive.

Source: Harris, McAdam, McCausland and Reid (2013)

As revealed in Table 2.3, radical innovative SMEs are perceived as those enterprises that take high risks and invest mainly in innovative products. Furawo and Scheepers (2018) state that meanwhile incremental innovative SMEs take minimal risk and invest in improving existing products, services, and systems. SMEs' innovative capacity is augmented by their ability to forecast, plan, design, schedule, and organise their innovation activities in incremental steps. SMEs must strategically position innovation as a business priority, without which they have a fatal plan. Furawo and Scheepers (2018) used the model designed by Muldoon (2012) to illustrate in Figure 2.2 how innovation feeds the sustenance of the organisation's strategy.

Figure 2.2 Innovation Model:



Sources: Muldoon (2012) in Furawo and Scheepers (2018)

In the competition of SMEs, innovation feeds the sustenance of the SME's strategy and all its capabilities and insights. SMEs that do not embrace innovation undermine their abilities to realise vision, mission and goals, technological needs, talents, and the execution of the strategy of their enterprises, or even worse; they fail to understand their customers, market, and distribution channels. While not all SMEs are innovative, some small enterprises are often the driving force behind radical innovations important for economic growth since they can work outside of dominant paradigms and exploit technological or commercial opportunities that have been neglected by more established companies (OECD, 2017). For instance, SMEs account for 20% of patents (one measure of innovation). SMEs also contribute to value creation by adopting innovation generated elsewhere, adapting it to different contexts through incremental changes, and supplying new or niche products that respond to diverse customer needs (OECD, 2017).

Innovation by SMEs is primarily influenced by knowledge spillovers, access to networks, and opportunities to build partnerships with other players, including larger enterprises (OECD, 2017). Globalisation has increased the importance of cross-border collaboration in innovation. Both in obtaining inputs for innovation, that is, ideas, finance, skills, and technologies from abroad, and also using outputs, that is, products and services, patents, licenses, and other factors in foreign markets (OECD, 2017). In a review of the literature on the role of SMEs towards innovation in South Africa, Furawo and Scheepers (2018) argue that radicalism is only employed by a few SMEs, as slight changes or improvements to existing products or services is a preferable strategy for greater SME populace in South Africa. According to the OECD (2019), to strengthen SMEs, innovation support packages must be revamped to become more accessible and better targeted to SMEs. According to Venter and Hayidakis (2021), innovation plays an important role in improving the financial performance of SMEs. In addition, financial and human resources are not necessarily the main determinants of innovation in South Africa but rather the creation of innovation.

2.4.7 PRODUCTS AND SERVICES

SMEs in South Africa contribute significantly to the country's GDP by providing goods and services to final consumers and other enterprises (Klaas, 2020). In the last quarter of 2021, SMEs in South Africa accounted for 38% of the country's GDP (Real Economy Bulletin, 2021). This means that the country's production level has increased, equivalent to the contributions made by SMEs in South Africa. SMEs have a more significant positive impact on job creation and sustainable livelihood (Klaas, 2020). Small businesses worldwide are known to be employers, customers, and suppliers of goods and services to the local markets (Kongolo, 2010).

According to Ayandibu and Houghton (2017), the SME sector often drives many innovative products and services, new delivery models, and general innovations. According to the OECD (2017), SMEs contribute to value creation by implementing innovation generated elsewhere and modifying it to different contexts by supplying new or niche products and services that respond to customer needs. SMEs also contribute by serving locations that do not have a large enough scale to attract large enterprises. The Real Economy Bulletin (2021) reports that the formal SME sector in South Africa grew to almost 625,000 enterprises in 2019, which means an increased production level for new or existing goods and services in the economy. Mahadea and Kaseeram (2018) argue that SMEs employ a combination of resources to develop new productions, processes, and goods and services in South Africa. Saah and Musvoto (2020) argue that for SMEs in South Africa to be successful and sustainable, SME owners/managers must effectively manage the systems or processes that provide goods and services. This will result in high productivity and increased profitability, which, in turn, leads to the success and sustainability of the business enterprises. According to Ayandibu and Houghton (2017), choosing the product or service that appeals to customers is also necessary to satisfy customer needs fully.

2.5 THE CHALLENGES FACING SMALL AND MEDIUM-SIZED ENTERPRISES IN SOUTH AFRICA

South African SMEs accounted for 46% of all waged employment and contributed 38% towards GDP in the last quarter of 2021 (Real Economy Bulletin, 2021). According to SEDA (2021), the SME sector in aggregation accounted for 64% of all jobs in the first quarter of 2021 in South Africa. Taraki (2019) states that SMEs are an integral part of any economy and play a critical role in supporting stable economic development. Previous studies (Maziti et al., 2018; Rungani and Potgieter, 2018; Tala, 2021) state that, despite these commendable contributions by SMEs to the nation's economy, South African SMEs continue facing challenges that have ramifications on their survival and performance. According to Maziti et al. (2018), these challenges include a lack of growth, poor management skills, a weak entrepreneurial culture, and high barriers to market entry. SMEs also face challenges such as a lack of government initiatives to develop SMEs (Walters and Manamela, 2016), a lack of access to finance and funding modalities (Mutoko and Kapunda, 2017), a low level of research and development, and a lack of access to markets (Maziti, 2017). In addition, it has to deal with government laws, regulations, and policies (Leboea, 2017), a lack of access to quality infrastructure and social capital (Klaas, 2020), and a lack of access to appropriate

technology and transition to digitalisation, and training and development (Woldie, Laurence and Thomas, 2018; Taraki, 2019; Tala, 2021).

The following paragraphs discuss the challenges facing SMEs in South Africa.

2.5.1 LACK OF ACCESS TO FINANCE AND FUNDING MODALITIES

Access to finance is characterised as access to banking services in the form of deposits on demand, loans, payments, or insurance (Khan and Anuar, 2018). When businesses can use financial services that are accessible, functional, and satisfy their financial obligations, they have good access to finance (Ye and Kulathunga, 2019). Private financial resources establish many SMEs. Family members, relatives, and friends also provide financial capital in exchange for a stake in the enterprise (Stenrud, 2017). As the enterprise expands, more financial resources are needed for growth and innovation and to guarantee the business's survival (Msomi and Olarewaju, 2021). Accessing sources of financing, such as banks, stock markets, or other credit providers, is more challenging for SMEs than for larger organisations (Schmidt, Mason, Bruwer, and Aspeling, 2017). While all businesses require financial capital to start, thrive, and expand, access to external financial resources for SMEs is difficult and expensive, and the accessibility of such resources has deteriorated sharply (Chowdhury and Alam, 2017).

Restricted access to finance has therefore been identified as one of the key obstacles to the full realisation of SMEs' capacity (Anton and Bostan, 2017). Leboea (2017) posits that access to finance is a major obstacle and challenge the SME sector faces in South Africa. Access to finance hinders SMEs' growth and decreases SMEs' chances of survival in South Africa. Furthermore, a lack of access to finances impedes the realisation of the full potential of SMEs as engines of poverty alleviation, employment creation, and economic growth at large. Evidence from the Global Entrepreneurship Monitor (GEM, 2015) suggests that access to formal financial support in South Africa is no worse than in other developing countries—only 27% of people starting businesses expected to receive loans from formal financial institutions. Rungani and Potgieter (2018) argue that while this suggests that most people starting businesses struggle to secure finance from financial institutions, the pattern in other developing countries included in the GEM is no different from South Africa.

Venter and Hayidakis (2021) state that having access to adequate internal financial resources can be a challenge for SMEs, as they frequently have to turn to external financiers or risk operating without innovation, which could hamper their development and leave them sprawling behind their competitors. According to the OECD (2017), credit constraints are especially severe in mid and

low-income countries, where funding gaps are often the main barrier to formalisation and SME development. In addition, credit conditions for many SMEs worsened after the global crisis, intensifying the effects of long-standing challenges, such as lack of collateral and fixed costs for banks in processing loan applications. Mole and Namusonge (2016) state that access to credit is imperative in fast-tracking investment and job creation and transforming small businesses into solid enterprises. Furthermore, access to credit facilities is important for improving entrepreneurial performance among SMEs.

2.5.2 LACK OF STRATEGIC MANAGEMENT

Louw (2019:22) posits that strategic management refers to the management processes that define the organisation's goals for value creation and how to structure it to pursue its goals. According to Olaka et al. (2017) and Mubarak and Yussof (2019), strategic management encompasses the full set of commitments, decisions, and actions that result in the formulation, implementation, and control of plans intended to achieve the organisation's strategic vision and its mission and objectives in the business environment in which it operates. Zeka (2013) postulates that strategic management in SMEs is different from the management of larger enterprises. The same author argues that SME owners/managers have to perform multiple functions and concentrate on conducting various strategic management tasks. Furthermore, large enterprises can reduce the workload through delegation to managers on different levels; however, SME owners/managers do not have the same opportunity, as the manager of the SME is often also the owner; thus, managerial inefficiency is common among SMEs.

Nieman (2006) points out that the owners of SMEs are forced to understand every aspect of the business due to financial constraints that hinder the owner from having managers for all the different managerial functions of the business. As a result, it becomes a challenge for SME owners/managers to specialise in all various fields of strategic management, such as strategy formulation, implementation, monitoring and evaluation, strategic leadership, delegation, coordination, and communication, as well as employee motivation. It is notable that some SME owners/managers have workable ideas and are competent in their specific fields; however, they lack strategic management competence in how to run a business. The problem of poor strategic management is noted as a major cause of business failure (Muriithi, 2017). The primary objective of strategic management is to achieve a sustainable competitive advantage for the organisation (Louw, 2019), which most SMEs lack (Rahman, Yaacob, and Radzi, 2016).

To cope with the constant rapid changes in the business environment, strategic management skills are significant in preparing SMEs for growth.

2.5.3 ACCESS TO MARKETS

Chimucheka (2013) posits that to survive and achieve success, SME owners/managers need to understand the dynamics of competition in their industry and develop skills and competencies to give them a competitive advantage. To understand the market dynamics, SME owners/managers need to scan and interpret environmental changes, especially the level of current and future competition. The level of competition and future competition affects SMEs' market potential and growth opportunities, although the intensity of competition among enterprises varies extensively across industries. According to Maziti (2017), the inability of SMEs to access markets has been noted as one of the major factors threatening their longevity. In addition, SMEs' survival is significantly rooted in the ability of the owners/managers being able to comprehend the market dynamics and have the ability to provide a competitive advantage. One of the most significant impediments to SMEs' success is market inaccessibility.

Most SMEs find entering or diversifying into new markets difficult. A more vigorous participation by SMEs in global markets can help to strengthen their contributions to economic development and social well-being by creating opportunities to scale up, fast-track innovation, facilitate spill overs of technology and managerial know-how, increase and develop the skills set, and improve productivity (OECD, 2017). In addition, greater flexibility and a capacity to customise and differentiate products can give SMEs a competitive advantage in global markets relative to larger firms, as they can respond rapidly to changing market conditions and increasingly shorter product life cycles.

2.5.4 ACCESS TO SOCIAL CAPITAL

Desta (2019) states that social capital refers to the relationships maintained by an individual in social networks and the cumulative capacity of these relationships. According to Klaas (2020), social capital explains how social relationships in businesses provide individuals with specific resources. Social capital impacts SMEs primarily through interactive contact with other entrepreneurs. Most SMEs engage in networking activities like business associations in South Africa. The networking activities contribute to business growth and success. While this is the case, the social capital of SMEs in South Africa is minimal. Furthermore, very few SMEs engage in networks. SMEs lack access to social capital essential to enhancing their growth and performance.

Due to the lack of social capital, SMEs may have an unrealistic expectation of incoming revenues from sales (Dhanah, 2016). To improve robust social capital, SMEs must maintain strong network connections with customers, suppliers, commercial banks, and government agencies (Klaas, 2020).

2.5.5 ACCESS TO TECHNOLOGICAL RESOURCES AND TRANSITION TO DIGITALISATION

Chimucheka (2013) posits that an investment in technology and keeping up with information technology is becoming increasingly important to all businesses today. Technology plays a very crucial role in the development of businesses. It helps businesses to maximise business opportunities and to improve sales turnover. The use of technology involves costs because computer hardware will need to be purchased, and software will need to be installed. Furthermore, it is beyond doubt that SMEs without access to finance will find it difficult to access modern technology. According to the OECD (2017), digital technologies allow SMEs to advance market intelligence, reach scale without mass, and access global markets and knowledge networks at relatively low costs. While digitalisation offers new opportunities for SMEs to reach global markets, the reality is that a large number of SMEs have not been able to reap the benefits of the technological transition.

According to Taraki (2019), low technological capability is recognised as one of the main obstacles to SME growth in developing countries. It prevents SMEs in developing countries from fully grabbing the benefits of modern technology. The status quo of SMEs in developing countries is that these enterprises have a low level of productivity, low-quality products, and only export to small and local markets. OECD (2019) reports that all these challenges originate from using conventional technology due to the limitation of human capital. Digitalisation means opening up new prospects for SMEs to innovate and flourish as they acquire the capacity to use and combine evolving digital technologies to transform their business model and work practices. In addition, digital business platforms ease access to markets, strategic resources, and networks by reducing associated costs, information asymmetries, and the structural disadvantages SMEs face to reach scale without mass.

However, SMEs lag in digitalisation, and face more complications in undertaking the matching investment in skills and organisational changes needed to adapt and benefit from technology. Digitalisation can create effective mechanisms to reduce size problems in international trade, for example, by reducing the absolute costs associated with transport and border operations. Lastly, OECD (2019) reports that digitalisation acts as a significant channel for improving enterprise performance, but SMEs need to seize the benefits better. SMEs should focus on critical areas of

competitiveness in their value creation, product, and operations and identify the best technology levers to enhance competitiveness (Rajagopaul et al., 2020).

2.5.6 GOVERNMENT LAWS, REGULATIONS, AND POLICIES

Leboea (2017) posits that most SMEs in South Africa feel they cannot deal with government requirements. In addition, the cost of compliance with legislation is high and a threat to the SME sector and entrepreneurship. According to the OECD (2017), regulatory uncertainty, intricacy, and inconsistency affect SMEs excessively. SMEs are typically less efficient than large firms in screening the regulatory environment and dealing with relevant norms. SMEs often incur indirect costs, such as paying for external advisors with specific legislation knowledge or investing in specific staff training to comply with new requirements. Thus, the intricacy of regulatory procedures and conditions for regulatory compliance are especially important for SMEs. Leboea (2017) states that the regulatory problem is perceived as a significant issue facing South African SMEs. The main contributors to this already heavy regulatory problem faced by SMEs in South Africa are: i) frequent changes in the regulatory environment; ii) the need to keep track of overlapping and sometimes conflicting regulatory requirements across government departments and levels of government; iii) poor communication and access to information and iv) administrative inefficiencies in government departments and levels of municipalities. All these regulatory matters stated above mean that SME owners/managers spend a disproportionate amount of time dealing with regulatory compliance. SMEs spend, on average, eight working days a month dealing with government, compliance, legal, and regulatory red tape. Each day of the eight days spent on dealing with regulations means not focusing on income-generating activities, resulting in income loss over those days.

According to Maziti (2017), government policies are influential in enhancing entrepreneurial activities, as they set the platform upon which new businesses can be started and sustained. However, the government bureaucracy is seen as one of the significant impediments to entrepreneurial activities in South Africa. The delays in the time required to obtain permits and licenses and the issue of red tape associated with starting up and managing a business were the main challenges facing SMEs in South Africa. The Department of Trade and Industry in South Africa, in its policy report on the integrated strategy for promoting entrepreneurship and small businesses, identifies inter-departmental government collaboration as a weakness regarding programme planning and implementation. The level of inter-departmental conflict in government departments results in departments abandoning coordination efforts and creating their own SME

functions instead. This results in replicating functions and, subsequently, hampers the development of the monitoring and evaluation framework for measuring the success of SME programmes (Maziti, 2017).

2.5.7 LACK OF TRAINING AND DEVELOPMENT

Maziti (2017) states that a lack of education and training reduces management capacity in SMEs. In addition, a lack of education and training is one of the reasons why there is a very high failure rate of SMEs and low levels of entrepreneurial creation in South Africa. Chimucheka (2013) lays credence that the lack of education in South Africa is seen as one of the most significant barriers to entrepreneurial activities. SME owners/managers lack management skills due to insufficient education and training. Education and training help SME owners/managers to develop management competencies, which are necessary for the success of the enterprise. Beynon et al. (2020) posit that staff training and development positively influence performance and capabilities through enhanced productivity, firm survival rates, quality, labour turnover, financial results, and potential growth. Antonioli and Della-Torre (2016) argue that technological innovations are linked to increased external training activities, while organisational innovation, job rotation, multitasking, and decentralisation are linked to increased internal training activities. Training and development assist in developing SMEs' human capital absorptive capacity (Antonioli et al., 2016). An investment in training and development alone provides greater innovation capacity for SMEs. However, when training and development interact with the firm's knowledge, its effect becomes highly significant, highlighting the potential importance of research and development (Beynon et al., 2020).

2.5.8 LOW LEVELS OF RESEARCH AND DEVELOPMENT

Rajagopaul et al. (2020) posit that research and development (R&D) are key fundamentals for innovation and SME growth. Building R&D capabilities is important for SMEs because they determine the feasibility of transforming ideas into actual businesses (Maziti, 2017). Investing in R&D allows businesses to access innovative solutions through discovery (Chinomona and Maziriri, 2016). In addition, innovative SMEs are likely to grow faster than traditional start-ups. South African SMEs are less innovative compared to those in developed countries. This reduced innovation failure denies SMEs opportunities for technology diffusion. Beynon et al. (2020) suggest that in-house research and development is critical to a firm's ability to generate the knowledge base for intellectual property and innovation. Due to their size, SMEs are subject to

constraints on internal resources such as capital, human resources, and knowledge (Okamuro, Nishimura, Colombo, and Stam, 2019). In addition, access to external resources is limited due to market failure; thus, SMEs have disadvantages in R&D and innovation compared to large enterprises.

2.5.9 THE IMPACT OF CORONAVIRUS (COVID-19) PANDEMIC

The COVID-19 pandemic profoundly disrupted the global economy (Mkhonza and Sifolo, 2022). Many SMEs in sectors such as alcoholic beverages, tobacco, accommodation, and metals recorded huge losses due to COVID-19. According to Mene (2022), travel and tourism were among the most affected sectors by Covid-19. The outbreak of Covid-19 led to unprecedented restrictions on mobility. In addition, mobility restrictions, tight budgets, and few resources hampered the ability of SMEs to quickly adapt to change. These restrictions led many of the SMEs to have to work from home. However, not all SMEs can work virtually, which is costly and sometimes impossible because of the limited resources. GEN (2021) reports that the South African government placed the country under national lockdown to reduce the spread of the virus, resulting in the closure of many businesses. Mkhonza and Sifolo (2022) accentuate that this has affected many businesses, including SMEs, as the lockdown resulted in a lack of revenue and other challenges. Laying credence is the GEN report (2021) which indicates that 92% of small businesses have been affected by Covid-19 in South Africa. The report estimates that over 55,000 small businesses would not survive the pandemic, and at least 42,350 workers in the SMEs would lose their jobs. According to Kunene (2020), the government of South Africa responded late to the challenges of SMEs, as a result, many of the SMEs would not be able to survive the adverse effects of the pandemic.

2.6 THE BUSINESS PERFORMANCE OF SMALL AND MEDIUM-SIZED ENTERPRISES

Chimucheka (2013) states that the performance of SMEs is of international interest mainly because of the critical role SMEs play in the economic development of any country. The performance of SMEs relates to the efficiency and effectiveness with which they carry out the tasks in the process of providing products and services. According to Badi and Ishengoma (2021), performance is a term used to show the effectiveness of systems and processes in achieving the intended strategic goals and objectives of the organisation. Maziriri (2020a) characterises SME performance as a pointer that measures the business's productivity and adequacy in accomplishing its objectives. According to Zeka (2013), the performance of SMEs can be measured by looking at the sales turnover, profitability, rates of return on investments, expansion, and productivity, as well as

decreases in costs and employment turnover rates. For this study, the business performance of SMEs was measured based on the following factors namely: i) increase in sales turnover, ii) increase in productivity, iii) lower employee turnover, iv) return on total assets, v) decrease in operating costs, vi) employee growth, and vii) profitability. These measures of SME performance are discussed in the following section.

2.6.1 INCREASE IN SALES TURNOVER

Meggison, Byrd, and Meggison (2006:350) define sales income as the value an enterprise receives in return for a product or service. The increased sales turnover can be driven by an increased demand for SMEs' products and services (Chimucheka, 2013). It may also be difficult for growth in other dimensions to occur without increasing sales. Sales growth reflects both short-term and long-term changes in the business enterprise. Furthermore, it is easy to obtain sales figures and volume changes. Sales growth is considered the most common performance measure by entrepreneurs. Sales data is usually available, and SME owners/managers attach high value to sales as one of the indicators of SME performance. According to Statistics South Africa (2021b), the formal business sector in South Africa generated R10.5 trillion in total turnover in the 2019 financial year. Turnover includes money from selling goods and services rendered and leasing or hiring transport equipment, machinery, equipment, land and buildings, and mineral rights. A breakdown of turnover by business size shows that SMEs generated R2.3 trillion (or 22%) of the R10.5 trillion. Sales turnover is frequently used to measure business performance (Zeka, 2013). Thus, an increase in sales turnover signifies good business performance.

2.6.2 INCREASE IN PRODUCTIVITY

According to Zeka (2013), productivity also refers to the ratio between the products or services manufactured and the resources used to manufacture these products or services. In addition, productivity indicates the efficiency with which labour, materials, and capital are combined and used to manufacture products or services of a specific quantity. According to the OECD (2019), SME productivity is affected by internal and external factors in the enterprise. Internal factors are typically levers such as workforce and managerial skills on which business owners/managers can act to improve SME performance. External factors would include market, industry, and local conditions such as level of competition, technology development, education level, economies of agglomeration, and specialisation, which influence productivity growth and dissemination by shaping business owners' incentives and investment choices. An increase in productivity indicates

that an enterprise is utilising its resources effectively, thus creating positive business performance (Zeka, 2013).

2.6.3 LOWER EMPLOYEE TURNOVER

Amah and Oyetuunde (2020) posit that employee turnover refers to the ratio of employees who have left during a particular period to the average number of employees in an organisation in the same period. Committed and satisfied employees are more productive and less likely to leave their employer, thus resulting in a low employee turnover rate (Amah and Oyetuunde, 2020). Employees are an important aspect of the enterprise, and a high employee turnover rate can profoundly impact the enterprise's performance, growth, and general business outcomes (Zeka, 2013). Thus, a low employee turnover rate indicates good business performance. In addition, a loss of employees negatively affects overall business performance and success, as it hinders the development of new products, the execution of services, and the enterprise's relationship with its customers. According to Thorne, Ferrell, and Ferrell (2008:422), employees carry out the operations of an enterprise, and thus, any issues an employee might have are vital. A high employee turnover rate indicates employee dissatisfaction. Therefore, a low employee turnover rate provides a positive indication of sound business performance.

2.6.4 RETURN ON TOTAL ASSETS

Return on total assets (ROA) refers to the firm's ability to generate sales with its assets. In addition, ROA indicates how productively the enterprise employs its assets to produce sales revenue (Mokhtar and Muda, 2012). ROA is the rate of return earned on the total assets of an enterprise. It measures how efficiently the total assets or the total capital of an enterprise generates revenue (Els, du Toit, Erasmus, Kotze, Ngwenya, Thomas, and Viviers, 2010). ROA compares the value of the business's assets with its profits over a set period (Birken and Curry, 2021). Furthermore, ROA is a tool used by managers and financial analysts to determine how effectively a company is using its resources to make a profit (Birken and Curry, 2021). Therefore, a high ROA indicates that the enterprise is successful and performing well, which indicates good business performance.

2.6.5 DECREASE IN OPERATING COSTS

Operating costs include both fixed costs and variable costs. Megginson et al. (2006:114) state that fixed costs are expenses that do not change with the output, and therefore, fixed costs remain constant when the volume of output changes. Variable costs are expenses that change as the volume

of outputs changes. When the output volume is low, the operating costs are low; when the output is high, the costs also go up. Expenses such as wages, telephone bills, and electricity, among others, are variable costs. While rent, salaries, municipal rates, and insurance, among others, are examples of fixed costs (Zeka, 2013). Operating costs are directly related to the manufacturing and distribution of products, and include expenses associated with the selling of products, general and administrative costs, and depreciation expenses (Els et al., 2010). In addition, operating costs include all the expenses incurred by the enterprise to support its basic operations, and these operating costs may include employee costs, depreciation, and operating lease charges. Bosch, Tait, and Venter (2011) state that profit equals sales less costs. Thus, profit will increase if all variables remain constant and the costs decline. As profit is also a measure of business performance, evident later in this section, a cost decrease indicates good business performance (Zeka, 2013). Therefore, a decrease in operating costs indicates a positive business performance.

2.6.6 EMPLOYEE GROWTH

Nieman (2006:192) states that an increase in sales has a direct impact on the SME and also has an impact on employees; therefore, the need to increase the number of employees in the workforce of the enterprise becomes important. Sales increase due to increased demand for a product or service. Therefore, more employees are required to increase the production capabilities of the enterprise. This indicates that increased employee numbers reflect increased business performance (Zeka, 2013). When the sales of the SME increase, it is important that the SME owners/managers undergo training, along with their employees, to ensure that they acquire the necessary skills they need to manage the enterprise. For the SME to remain successful and effectively compete in the marketplace, well-trained SME owners/managers and employees are necessary. Therefore, enterprises that experience a growth in employees need well-trained SME owners/managers to accommodate the rise in employee numbers, as growth in employees shows good business performance (Zeka, 2013).

2.6.7 PROFITABILITY

Profitability is the ratio used to measure the performance of the business (Margaretha and Supartika, 2016). In addition, profitability shows the ability of the business to generate earnings for a given period at a rate of sales and assets. According to Badi and Ishengoma (2021), profitability is the financial measure of performance that measures how healthy firms use their assets to generate revenues. One of the important preconditions for long-term survival and success

is a firm's Profitability (Yazdanfar, 2013). The same author points out that the firm's profitability significantly affects the enterprise's achievement and other financial goals. Margaretha and Supartika (2016) state that the primary goal of the business is to maximise its profitability. Without profitability, a business cannot attract outside capital and will not survive in the long run. Prijadi and Desiana (2017) agree that without profitability, the continuation of a firm in the long run is doubtful. Werther, Jr, and Chandler (2006:50) state that an enterprise cannot ignore its primary objective of wealth maximisation. This primary objective is obtained through maximising profit. McGuigan, Moyer, Roa, and Kretlow (2012) posit that profitability measures how effectively the management of the enterprise generates profits on sales, total assets, and shareholder investments. Financial growth, as a result of increasing profits, has been widely adopted by most enterprises in determining the performance of an enterprise.

2.7 CHAPTER SUMMARY

The main aim of this chapter was to study the nature of SMEs in South Africa and the world in general. The economic role of SMEs, as well as their challenges globally and nationally, were discussed in-depth. For this study, SMEs were defined as businesses owned and managed independently, employing between 50 and 250 full-time paid employees, with an annual sales turnover of not more than R80 million. The literature review on the economic role and challenges facing SMEs was discussed. Studies perceived SMEs as the cornerstone of socio-economic development in most economies worldwide. The progressive contribution that SMEs make globally and nationally was noted as irrefutable and enshrined in economic growth, poverty alleviation, value creation, and job creation. Furthermore, SMEs were perceived to be predominantly the form of enterprise that accounts for over 90% of all businesses; thus, it was apparent that SMEs provide the primary source of employment, estimated to be over 70% of jobs on average.

However, despite these commendable contributions by SMEs globally and nationally, there were still perceived challenges facing SMEs that have ramifications on their survival and performance. Among those challenges was a lack of access to financial resources as the second most reported contributor to SME failure. Other challenges included a lack of access to the market, social capital, and technological resources. Government bureaucracy was also highlighted as a significant obstacle to entrepreneurial activities in South Africa due to red tape associated with starting a business and delayed permits and licenses required to operate a small business. A lack of training and development, the impact of the COVID-19 pandemic, and low levels of research and

development were among other challenges facing SMEs. The performance of SMEs was perceived to be of great interest globally and nationally mainly because of the critical role played by these businesses in the economic development of any country. The performance of SMEs is concerned with the efficiency and effectiveness with which they carry out the tasks in the process of providing products and services. For this study, the efficiency and effectiveness of SME performance were measured based on the following factors namely: increase in sales turnover, decrease in operating costs, increase in productivity, low employee turnover, employee growth, return on total assets, and profitability. As highlighted earlier in this study, integral to SMEs' survival and growth are various dynamic abilities that SME owners/managers need to display as individuals and organisational leaders. For instance, an ability to encourage employees and systematic thinking across the enterprise is demonstrated through strategic leadership. It was highlighted in this chapter that strategic leaders play an important role in the entities that they lead, and this influence can mean the difference between failure and success. Thus, in the next chapter, the focus will be on strategic leadership and strategy implementation.

CHAPTER THREE

STRATEGIC LEADERSHIP AND STRATEGY IMPLEMENTATION IN THE CONTEXT OF SMALL AND MEDIUM-SIZED ENTERPRISES

3.1 INTRODUCTION

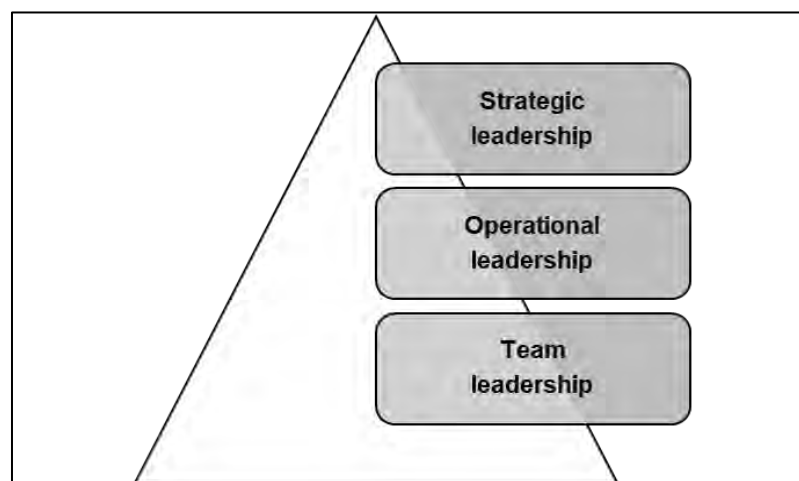
This chapter provides a discuss on the concept of leadership in general and strategic leadership in particular. This chapter provides a further discussion on the concept of strategy implementation within the context of strategic management. The definition of leadership and strategic leadership, the importance of strategic leaders in terms of their responsibilities and effect on organisational performance as well as, perceived challenges they face in an organisational are in-depthly discussed. This chapter also provides a discussion on strategic leadership as a key driver of effective strategy implementation. The selected strategic leadership activities in strategy implementation are also discussed in-depth and followed by a discussion on strategic management and its framework, as well as perspectives on the concept of strategy implementation. This chapter concludes with a discussion on organisational alignment in strategy implementation as mediated by key pillars of organisational architecture, a chapter summary, and an introduction to the next chapter.

3.2 DEFINING STRATEGIC LEADERSHIP

Although there are many definitions, theories, and interpretations of what leadership means, Amos (2019) defines leadership as the ability of one person to influence another to move in a specific direction. Furthermore, leadership is about influencing the behaviour of other people. According to Svotwa (2019), leadership is a process of influencing people within an organisation who facilitate the attainment of the goals and objectives of the organisation. Mubarak and Yussof (2019) posit that leadership is an arrangement of conduct that urges the people to define the organisational objectives and afterward encourages them to mutually contribute with a specific end goal to accomplish the organization's strategic objectives. Leadership manifests itself when a person effectively influences individuals or a group of individuals to act in a positive way to accomplish the desired goals (Ndlovu, 2016). Any leader in a leadership position is expected to determine the organization's future and use all the available organisational resources to achieve the organisation's goals and objectives. This suggests that leadership is an ongoing phenomenon and is not a once-off event or a position one occupies in an organisation.

Svotwa (2019) alludes that the key difference between leadership and strategic leadership is that the former refers to leaders at any level within an organisation. In contrast, the latter refers to a study of leaders at the top level. Amos (2007) confirms that leadership occurs at all organisational levels, with the best organisations having effective leaders. However, it is the top-level executives like CEOs, top management teams, and the board of directors who are ultimately responsible for the survival and success of the organisation. On strategic leadership, Amos (2019) posits that strategic leadership is about the leadership 'of' entire organisations by top-level executives, as compared to leadership 'in' organisations, which is the responsibility of all other managers at the middle and lower levels of the organisation, and focuses on operational or tactical aspects of leadership. Figure 3.1 below illustrates the levels of leadership in an organisation.

Figure 3.1: Levels of leadership in an organisation



Source: Researcher's model

As illustrated in Figure 3.1, strategic leadership is the leaders at the top level of the organisation who are responsible for a wide range of organisational functions and for contributing to major decisions affecting the organisation. Other leaders are generally responsible for operational or tactical decisions affecting the organisation (Amos, 2019). This study focuses mainly on strategic leadership, and thus, it is important to focus on the concept of strategic leadership more broadly. Rowe (2001) defines strategic leadership as the ability to influence others to voluntarily make day-to-day decisions that enhance the long-term viability of the organisation while at the same time maintaining its short-term financial stability. Lending credence to this definition, Amos (2007) also defines strategic leadership as the ability of the leader to understand the entire organisation and the environment within which the organisation operates and use this understanding to create strategic change through other people to position the organisation in the environment for both short-term stability and long-term viability.

Hitt et al. (2017) define strategic leadership as the leader's ability to anticipate, envision, maintain flexibility, and empower others to create strategic change as necessary. Strategic change is the change brought about by choosing and applying a firm's strategies. Effective strategic leaders, by word or personal example and through their ability to envision the future, can expressively influence the behaviour, thoughts, and feelings of those who work with them.

Strategic leadership is multifunctional, involves managing through others, and helps the organisation to cope with the change that seems to be increasing in the fast-changing global economy (Hitt et al., 2017). Strategic leadership requires the ability to accommodate and integrate the organization's internal and external business environment. Kim (2020) posits that strategic leadership formulates and achieves long-term vision and the top management's goals for the organization's future. To effectively implement strategic leadership, the author argues that top-level executives must maintain and strengthen strategic competitiveness against changes in the internal and external business environment. Mui, Basit, and Hassan (2018) argue that an organisation can attain superior or higher performance with strategic leadership despite the challenges of a turbulent global economy. However, to achieve this, strategic leaders must be able to formulate and implement strategies while influencing the whole organisation with diverse behavioural characteristics, personal interests, and hierarchical levels to gain a competitive advantage in the volatile external environment.

3.3 THE IMPORTANCE OF STRATEGIC LEADERS IN AN ORGANISATION

Jooste and Fourie (2009) state that the fast-changing and increased levels of volatility and uncertainty in the business environment have increased the need for strong strategic leadership in organisations. Without a solid strategic leadership team and a clear strategic management process that enables effective formulation, implementation, and control of strategy, no organisation can create and realise a competitive advantage, maximisation of wealth, and survival in the long term. This section discusses the responsibilities of strategic leaders, their effect on organisational performance, and the challenges they face in organisations.

3.3.1 THE RESPONSIBILITIES OF STRATEGIC LEADERS AND THEIR IMPACT ON ORGANISATIONAL PERFORMANCE

O'Shannassy (2021) posits that strategic leaders include chief executive officers, company directors, and top managers who must lead functional line managers and the wider organisation personnel to deliver stakeholder value. Strategic leaders make critical choices to facilitate the

transfer of information, influence, and resources with implications for the organisation's performance (Simsek, Heavey, and Fox, 2018). Strategic leaders must have a robust strategic orientation while embracing change in the dynamic competitive landscape (Hitt et al., 2017). To manage changes effectively, strategic leaders must be innovative thinkers and promote innovation in their organisations. Promoting innovation is facilitated by diverse top management representing different types of expertise and leveraging relationships with external parties. Strategic leaders can best leverage partnerships with external parties when their organisations are innovative and good at implementing the strategy. Table 3.1 below represents the responsibilities strategic leaders must implement to achieve the desired organisational performance.

Table 3.1: The responsibilities of strategic leaders in an organisation

Author(s)	Responsibilities of Strategic Leaders
Samimi, Cortes, Anderson and Hermann (2019:4-7)	<ul style="list-style-type: none"> • make strategic decisions • engage and maintain relationships with stakeholders • motivate and influence stakeholders, i.e., employees. • manage information and resources • manage social and ethical issues • manage conflicting demands
Amos (2019:417)	<ul style="list-style-type: none"> • set organisational direction • ensure the leadership necessary to drive the strategy • staff the organisation and manage social capital • build and use core competencies • create organisational alignment
Gakenia, Katuse and Kiriri, 2017)	<ul style="list-style-type: none"> • formulate strategies, and maintain effective communication • develop structures, processes, and controls • exploit core competencies • choose key executives, and groom them for the future • provide strategic direction • maintain an effective organisational culture

As illustrated in Table 3.1, strategic leaders influence organisations through their strategic decisions (Samimi et al., 2019). Unlike other decisions taken at middle and lower management levels, decisions taken by strategic leaders imply major allocations of resources and commitments

that can have lasting implications for the organisation's performance (Wang, Holmes, Oh, and Zhu, 2016). Strategic leaders build and manage relationships with external stakeholders while representing the organization's image to those external stakeholders (Samimi et al., 2019). With this responsibility at hand, strategic leaders interact with external stakeholders to attract those who can influence the organisation positively. The behaviours displayed by strategic leaders can unify, motivate and encourage employees to pursue a strategic vision and shape organisational culture. Studying the specific behavioural styles that strategic leaders display is valuable, but one significant effort is to contextualise these behaviours more clearly for strategic leaders (Samimi et al., 2019). Strategic leaders gather, process, and use the information available in the internal and external environment to make strategic decisions that will impact the organisation's performance (Nadkarni and Chen, 2014). Besides using this information to make strategic decisions, strategic leaders can influence the organisation's access to information and its integration and distribution throughout the organisation (Samimi et al., 2019). Strategic leaders have privileged access to information and can choose to frame, distribute, and withhold it based on various interests (Cao, Simsek, and Jansen, 2015).

According to Amos (2019), top-level executives (strategic leaders) are responsible for formulating, changing, and implementing strategy. The same author argues that when implementing the strategy, strategic leaders need to engage successfully in the following tasks (as indicated in Table 3.1) namely: set organisational direction, ensure the leadership necessary to drive the strategy, staff the organisation, and manage social capital, build and use core competencies, and create organisational alignment. These tasks are discussed in more detail in section 3.5 of this chapter. It is evident from this discussion that the primary responsibility for effective strategic leadership rests at the top of the organisation, particularly with the Chief Executive Officer, the top management team, and the board of directors. Their responsibilities, inter-alia, motivating and influencing others, pursuing a strategic vision, shaping organisational culture, setting organisational direction, managing information, engaging external stakeholders, and making strategic decisions, have a lasting impact on and implications for the organisational performance.

3.3.2 THE CHALLENGES FACING STRATEGIC LEADERS IN AN ORGANISATION

Svotwa (2019) states that strategic leaders' major challenges include managing strategic change, exercising strategic flexibility, and the implementation process. The same author argues that effective change management is needed in organisations but is difficult and risky.

Strategic leaders ought to have the capacity and be able to initiate and manage strategic change in an organisation. Previous studies (Serfontein, 2010; Hagen, Vaicys, and Hassan, 2011; Wolfe, 2012, Mubarak and Yussof, 2017; Svotha, 2019) highlight that discontinuous changes in the business environment that are highly turbulent and competitive demand strategic leaders who can manage change effectively, adjust and adapt their business practices rapidly enough to keep up with the pace while balancing the management of change. Pearse (2012) argues that strategic leadership emphasises the central role of leadership in ensuring successful change endeavours. Moreover, strategic leaders are primarily responsible for initiating, implementing, and managing organisational change. Leading change in an organisation has significant implications for social capital, which may be seen as a great facilitator of change or as a great hindrance to change.

In terms of strategic flexibility, strategic leaders must continuously examine their current decisions, communication systems, structures, and organisational cultures (Svotha, 2019). Strategic flexibility implies that the organisation has capabilities in different areas of operations that add value to how it responds to external opportunities and challenges in a dynamic and uncertain environment (Louw, 2019). Strategic leaders should be flexible since the environment is highly unpredictable (Hagen et al., 2011). Svotha (2019) argues that issues affecting strategy implementation, such as inefficiencies in the coordination of activities, inadequate leadership and direction, inadequate training and development of staff, and poor definition of key implementation tasks and activities. All these issues are pointed out as challenges facing strategic leaders in an organisation. Lending credence to these views, Mubarak and Yussof (2019) concur that the main obstacles to implementing strategies incorporate the absence of coordination and the precise definition of the key strategy implementation tasks.

Previous studies (Jooste and Fourie, 2009; Njuguna-Chege, Wachira and Mwenda, 2015; Kheyley and Ragui, 2018, Mubarak and Yussof, 2019) confirm that strategy implementation is perceived as one of the significant challenges facing strategic leaders in organisations. Furthermore, these studies highlight that the high failure rate of change initiatives is primarily due to poor strategy implementation. Hrebiniak (2013) posits that strategic leaders are more conversant with formulating strategies than in the implementation process, making the strategy implementation process challenging. Venter (2019) argues that without effective strategy implementation, all good strategic intentions effectively become naught. Facilitating an effective strategy implementation depends entirely on the organisation's internal functioning, driven by strategic leaders.

3.4 STRATEGIC LEADERSHIP IN EFFECTIVE STRATEGY IMPLEMENTATION

Studies (Jooste and Fourie, 2009; Olaka et al., 2017; Nyong'a and Maina, 2019) highlight that leadership, specifically strategic leadership, is widely recognised as one of the key drivers of strategy implementation. However, a lack of leadership, specifically strategic leadership by top management of the organisation, has been identified as one of the significant barriers to strategy implementation. Hitt et al. (2017) define strategic leadership as the person's ability to anticipate, envision, maintain flexibility, and empower others to create strategic change as necessary. This section discusses strategic leadership as a key driver of effective strategy implementation.

3.4.1 STRATEGIC LEADERSHIP AS A KEY DRIVER OF EFFECTIVE STRATEGY IMPLEMENTATION

Mubarak and Yussof (2019) posit that leadership in general and specifically strategic leadership are critical to ensuring that organisations' strategies are effectively implemented. Strategic leadership is the ability to anticipate, envision, maintain flexibility, and empower others to create strategic change as necessary (Hitt et al., 2017). Organizations need competent leaders who can translate strategy into actions and then results. Mubarak and Yussof (2019) argue that one of the primary reasons for the failure of strategy implementation efforts is that many organisations do not recognise the leadership capacity that new strategies will require, let alone treat leadership as the departure point of strategy. Jooste and Fourie (2009) posit that precise and robust strategies can only be formulated and implemented when the following two essential criteria are in place, namely: i) an effective, proven process that addresses the formulation, implementation, and control of the strategy, and ii) a top management team that can meet the challenges presented in the volatile business environment. The successful transition from strategy formulation to strategy implementation depends on the strategic leaders mainly because strategy implementation is viewed as the prime responsibility of strategic leaders in an organisation (Mubarak and Yussof, 2019). Furthermore, strategic leaders must be personally and deeply engaged in the implementation process and understand the organisation, people, and environment.

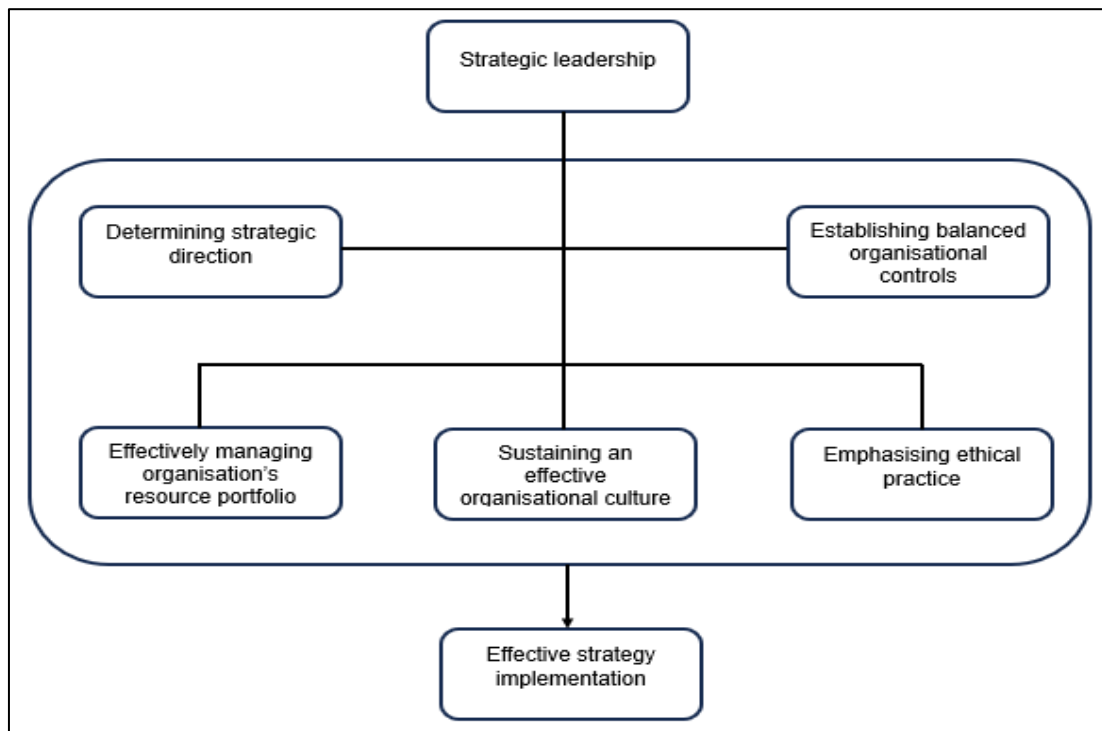
Hitt et al. (2017) state that it is through effective strategic leadership that organisations can implement strategy effectively. Furthermore, strategic leaders and top management teams should know that reluctance or incompetence in crafting the process for implementing strategic change is the most reliable predictor of failure. Hrebiniak (2013) states that strategic leaders are more likely to fail if they are not well-versed in the conditions that affect strategy implementation. Hitt et al. (2017) posit that strategic leadership is critical to effectively implementing strategy

Implementing a chosen strategy or strategies requires a change in the internal environment of an organisation and effective strategic leaders are required to drive this change. Thus, strategic leaders with a strong vision of the desired future and a willingness to guide the organisation toward achieving this vision are required to affect the required change to effectively implement the strategy. Hrebreniak (2013) adds that strategic leadership must be biased toward strategy implementation and drive the organisation toward successfully implementing the strategy.

3.5 THE ROLE OF STRATEGIC LEADERSHIP ACTIVITIES IN STRATEGY IMPLEMENTATION

Hitt et al. (2017) state that specific actions characterise effective strategic leadership. Many of these actions interact with each other. For instance, managing the firm's resources effectively includes developing human capital and contributing to establishing a strategic direction, fostering an effective culture, exploiting core competencies, using effective organisational control systems, and establishing ethical practices. Most effective strategic leaders create viable options in making decisions regarding these key strategic leadership actions. This section discusses the role of selected strategic leadership actions that positively contribute to effective strategy implementation. Figure 3.2 below illustrates the selected strategic leadership actions that positively contribute to effective strategy implementation.

Figure 3.2: Selected strategic leadership activities in effective strategy implementation



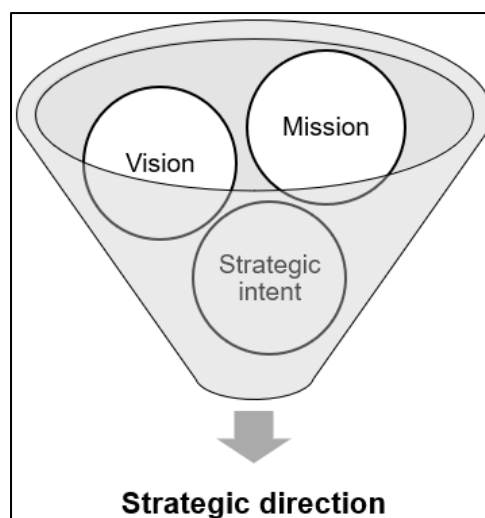
Sources: Hitt et al. (2017:396)

3.5.1 DETERMINING STRATEGIC DIRECTION

Determining strategic direction involves specifying the image and personality the organisation seeks to develop and become over time (Hitt et al., 2017). Strategic direction is framed within the conditions strategic leaders expect their organisations to face in the next three to five years. According to Mui et al. (2018), strategic direction is perceived to be an important element for organisational performance as it is connected with the long-term vision of the organisation and its strategic goals. The ideal long-term strategic direction of the organisation consists of two parts: a core ideology and an envisioned future. The core ideology motivates employees through the company's traditions and customs practices. However, the envisioned future inspires employees to stretch beyond their expectations of achievement and requires significant change and progress to be realised (Hitt et al., 2017). The envisioned future guides many facets of the organisation's strategy implementation process, including motivation, leadership, empowerment, and organisational design.

Munyao, Chiroma, and Ongeti (2020) posit that the top management uses tools to determine the strategic direction of an organisation, such as vision, mission, and strategic intent. Van Rensburg (2019) corresponds that vision, mission, and strategic intent are the most important tools management uses to develop and convey the strategic direction of an organisation. Some organisations do not use all of these tools. Some combine them to determine strategic direction for their organisations. Lending credence to this statement, Munyao et al. (2020) allude that while vision, mission, and strategic intent are interrelated and tend to overlap, each tool provides a different approach to determining the strategic direction of an organisation. Figure 3.3 below illustrates the tools widely used to determine the strategic direction of an organisation.

Figure 3.3: The tools used in determining strategic direction.



Source: Researcher's model

According to Munyao et al. (2020), vision is the mental picture of what does not exist now but will exist in the future. A good vision captures where and what the firm wants to be in the future and the level it wants to attain in terms of desired performance. A vision can guide an organisation by providing direction for progress and indicating the core ideology to be preserved (Van Rensburg, 2019). For a vision to become a reality, it must be communicated and lived. Mui et al. (2018) state that strategies with realistic and viable plans are needed to interpret vision into workable action and implementation to achieve the long-term vision. After formulating a vision, it is important for an organisation to clearly state its mission which, in essence, briefly explains how the vision will be achieved. The mission is the context in which strategies are created by organisations and aligned to both their present and future directions (Ng'ang'a, 2018).

The purpose of a mission is to explain how to get where the organisation wants to be in the future (Munyao et al., 2020). Additionally, it describes the customers and significant processes and informs the organisation about the desired level of performance the organisation wants to achieve. A mission is a countenance of what strategic leaders in an organisation perceive as the main objective of being in business. To formulate the vision and mission of the organisation, strategic leaders must have a helicopter view of the organisation and pursue a holistic and broad organisational perspective (Svotwa, 2019). A clearly defined mission can give executives the necessary direction to develop strategies in line with changing trends through 'real-time planning'; thus, a mission is more concrete than the vision statement (Van Rensburg, 2019). Strategic intent focuses on a desired leadership position and establishing the organisation's requirements to achieve its goals.

Strategic intent is more than simply 'unfettered ambition' because it involves an active management process that will motivate its people by communicating the value of the target and providing the scope for individual and team contributions. Furthermore, strategic intent should also sustain interest and eagerness by redefining operations guided by the intent to allocate resources as the business changes (Van Rensburg, 2019). Both strategic intent and vision contain a conviction to achieve a specific state of affairs. The difference between these tools is the 'degree of collectivity'. Strategic leaders need to formulate and develop a vision, mission, and strategic intent for their organisation to define the image and personality of the business and where it wants to be in the long term. According to Amos (2019), strategic leaders need to interpret their strategies into a vision that will direct and guide people to behave in ways that will successfully implement the strategy.

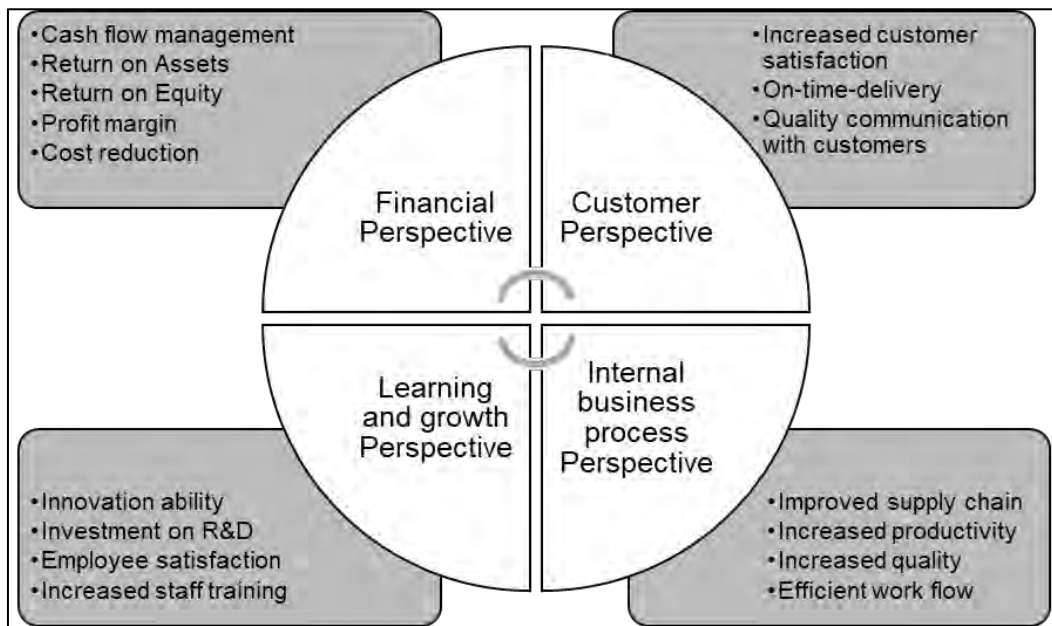
3.5.2 ESTABLISHING BALANCED ORGANISATIONAL CONTROLS

Hitt et al. (2017) define organisational controls as the "formal, information-based procedures used by managers to maintain or alter patterns in organisational activities," Controls provide limitations for the implementation of strategies as well as corrective actions to be taken when implementation adjustments are required. Olaka et al. (2017) state that controls guide strategy use by facilitating the comparison between actual and desired results and then implementing corrective actions when the difference is decidedly intolerable. Controls influence and guide work to achieve performance objectives, and these controls can be used as the basis for the implementation of strategies and the corrective actions to be taken if there are any deviations from the norm (Svotwa, 2019). Organisations use strategic and financial controls to support the implementation of their strategies.

Strategic controls are subjective measures intended to verify that the organisation is using appropriate strategies for the conditions in the external environment and the organisation's strategic competitiveness (Hitt et al., 2017). On the other hand, financial controls are primarily objective measures used to assess the organisation's performance against previously recognised quantitative standards. Strategic controls demand rich and effective communication between managers responsible for using them to judge the business performance and those responsible for implementing the business strategies (Hitt et al., 2017). Financial controls, on the other hand, use accounting-based measures such as return on investment (ROI) and return on assets (ROA) to measure the organisation's actuals against desired financial results. The challenge strategic leaders face is verifying that their organisation is emphasising financial and strategic controls to improve performance.

In doing so, strategic leaders use the balanced scorecard, a monitoring system, to assess the effectiveness of controls in the organisation. Hitt et al. (2017) define the balanced scorecard as the framework organisations use to verify that they have established strategic and financial controls to assess their performance. A proper balance between strategic and financial controls allows organisations to monitor their performances effectively. Van Rensburg (2019) identifies four perspectives integrated to form the balanced scorecard framework: financial, customer, internal business process, and learning and growth perspectives. Figure 3.4 below illustrates the elements of a balanced scorecard framework.

Figure 3.4: Elements of a balanced scorecard for both strategic and financial controls



Source: Researcher's model

As illustrated in Figure 3.4, the financial perspective is concerned with delivering maximum value to stakeholders; the customer perspective is concerned with the amount of value customers perceive as created by the organisation's products and services; the internal business process perspective is concerned with processes that create customer and shareholder satisfaction; and the learning and growth perspective is concerned with the organisation's effort to create a climate that supports change, innovation, and growth (Van Rensburg, 2019). These elements of a balanced scorecard offer a balance between financial and non-financial measures for the organisation's performance and a focus for many critical management decisions. Hitt et al. (2017) state that when using the balanced scorecard framework allows the organisation to understand how it looks to shareholders (financial perspective), how customers view the organisation (customer perspective), the processes the organisation must emphasise to use its competitive advantage (internal perspective) successfully, and what the organisation can do to improve its performance to grow (learning and growth perspective).

Strategic controls tend to be emphasised when an organisation assesses its performance relative to the learning and growth perspective. In contrast, financial controls are emphasised when assessing performance from a financial perspective (Hitt et al., 2017). A firm should select the number of criteria that will allow it to have a strategic and financial understanding of its performance without becoming immersed in too many details. Strategic leaders are important in determining a proper balance between strategic and financial controls, whether in a single business, large, diversified, or multinational corporation.

A proper balance between controls is important so that 'wealth creation for organisations where strategic leadership is exercised is possible because these leaders make appropriate investments for future viability through strategic control while maintaining an appropriate level of financial stability in the present through financial control' (Hitt et al., 2017).

3.5.3 EFFECTIVELY MANAGING THE ORGANISATION'S RESOURCE PORTFOLIO

Hitt et al. (2017) posit that the organisation's resources are classified as financial capital, human capital, and social capital. Financial capital is critical to the organisation's success, and strategic leaders understand this reality; however, most effective strategic leaders recognise the equivalent importance of managing each resource type and its integration. Effective strategic leaders manage the organisation's resource portfolio by organising those resources into capabilities and choosing strategies to leverage the capabilities to create value for customers. Core competencies are the resources and capabilities that give organisations a competitive advantage over their competitors (Hitt et al., 2017), and they ensure the delivery of a unique value to customers (Svotwa, 2019). Core competencies significantly impact the achievement of competitive advantage (Mui et al., 2018). Strategic leaders should be conversant with their resource capabilities and source competencies that are incomparable and rare, which will act as a source of competitive advantage (Svotwa, 2019). Lending credence to this view, Amos (2019) agrees that core competencies must be valuable, allowing the organisation to seize opportunities and counteract threats. They are rare because competitors do not own them, are costly for competitors to emulate, and are non-substitutable in that there is no equivalent.

Human capital refers to the knowledge, skills, and abilities of the entire workforce within an organisation (Hitt et al., 2017). Employees are viewed as a strategic resource demanding continuous investment to ensure the organisation's sustainability (Mui et al., 2018). Strategic leadership is responsible for developing and implementing a talented management strategy for organisational success. Mui et al. (2018) argue that it is the responsibility of the top management team to ensure that employees are trained and developed into a dynamic, motivated, and long-term workforce in the organisation. Human capital is usually reflected in a person's education, experience, training, and specific identifiable skills (Svotwa, 2019). To boost the organisation's competitiveness, strategic leaders need to attract top talent (Frantz, Dugan, Hinchberger, Maseth, Al Sharfa, and Al-Jaroodi, 2017). Thus, developing the right people to perform their best will enable the organisation to thrive in the highly competitive business environment (Mui et al., 2018).

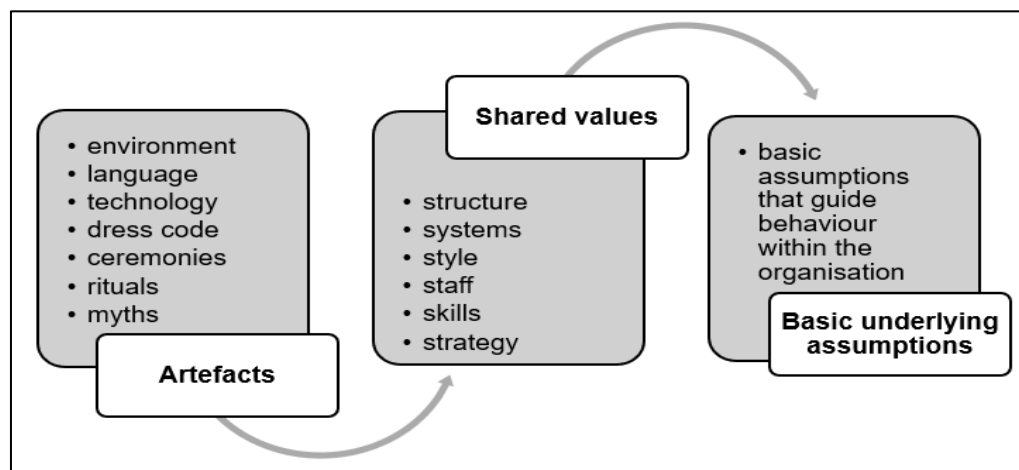
Social capital refers to relationships maintained by an individual or a group of individuals in social networks and the cumulative capacity of these relationships (Desta, 2019). Social capital explains how social relationships in organisations provide individuals with specific resources (Klaas, 2020). Most organisations engage in networking activities like business associations in South Africa, and these networks contribute to business growth and success. Subramony, Segers, Chadwick, and Shyamsunder (2018) argue that through social capital, positive relationships between an organisation's employees can create efficiencies in the use of resources by facilitating coordination. Social capital can expand the resource base of work units by fostering employees' desire to grant each other access to information and skills that would not otherwise be available. This occurs by creating a preference among employees for open-ended and generalised mutuality instead of immediate returns. This allows the unit to divert resources to employees who need these resources the most and allows work units to adapt quickly to disruptions, that is, increased job demands and organisational change. Thus, social capital positively impacts an organisation's financial performance, productivity, and innovation.

3.5.4 SUSTAINING AN EFFECTIVE ORGANISATIONAL CULTURE

Organisational culture is a complex set of philosophical ideas, beliefs, symbols, and core values that are shared throughout the organisation and influence how business is conducted (Hitt et al., 2017). Organisational culture is also about behaviours that are unique to the employees of the organisation and assist as an enabler in implementing and achieving unique organisational goals and plans (Gasela, 2022). According to Ostos, Hinderer, and Bravo (2017), organisational culture is a key tool at an organisation's disposal to implement its selected strategies. Amos (2019) alludes to the possibility that each organisation has its unique personality that influences the behaviour of individuals in an organisation. Therefore, strategic leaders need to accept that as leaders of an organisation, they need to act as primary transmitters of organisational culture and be aware of the consequences and inferences of this role. For the culture to have a sustained competitive advantage, Svotwa (2019) argues that culture must meet three conditions, namely, i) the culture must be valuable in terms of the organisation's processes; ii) the culture must be rare in terms of its unique characteristics and iii) the culture must be incomparable, in other words, competitors must find it hard to copy the organisational culture. Strategic leaders must develop an organisational culture that inculcates an entrepreneurial spirit which can be a seedbed for innovation (Olaka et al., 2017) and strategic competitiveness (Svotwa, 2019).

In other words, strategic leaders must create an organisational culture that motivates employees to innovate and pursue entrepreneurial opportunities. Hitt et al. (2017) posit that entrepreneurial opportunities are vital for growth and innovation. The same authors suggest five dimensions that characterise a firm's entrepreneurial mindset, namely, i) autonomy, ii) innovativeness, iii) risk-taking, iv) proactiveness, and v) competitive aggressiveness. In combination, these dimensions influence a firm's actions to be innovative and launch new ventures. Strategic leaders with an entrepreneurial mindset are committed to pursuing profitable growth. Amos (2019) argues that when implementing strategy, it is important that strategic leaders analyse the organization's culture to determine its appropriateness and relevance, create and manage culture, and sometimes even change it. This implies that the strategic leader needs to understand and work with the organization's culture. Amos (2019) posits that an organization has different levels of culture, namely, artifacts, espoused values, and basic assumptions. Gasela (2022) refers to them as 'cognitive levels of organisational culture.' Figure 3.5 below illustrates the cognitive levels of organisational culture within an organisation.

Figure 3.5: Cognitive levels of organisational culture



Source: Researcher's model

As illustrated in Figure 3.5, the artifacts represent what one 'senses' about the organisation regarding dress code, language, and physical environment. Espoused values (shared values) represent 'what ought to be' as distinct from 'what is.' These values influence how to deal with new tasks, problems, or situations. If the solutions work, the value can become a belief (Amos, 2019). As evident in the discussion on organisational culture, the organization's shared values need to be aligned with and supportive of the strategy to be implemented. Strategic leaders must develop an organisational culture that inculcates entrepreneurial spirit while promoting innovation by pursuing entrepreneurial opportunities through investments.

To ensure competitive aggressiveness, strategic leaders must ensure that culture is valuable, rare, and non-substitutable. Strategic leaders should also act as transmitters of organisational culture and be aware of the consequences and inferences of this role. Changing a firm's organisational culture is more complicated than maintaining it. Effective strategic leaders recognise when change is needed (Hitt et al., 2017). Regardless of the reason for the change, shaping and reinforcing a new culture requires effective communication and problem-solving, selecting the right people, engaging in effective performance appraisal, and using appropriate reward systems.

3.5.5 EMPHASISING ETHICAL PRACTICE

Hitt et al. (2017) posit that the effectiveness of processes used to implement the organisation's strategies increases when they are based on ethical practices. Ethical organisations encourage and enable employees at all levels of the organisation to act ethically when taking actions to implement strategies. In turn, ethical practices and the judgment on which they are based create social capital in the organisation, increasing the benevolence available to individuals and groups. In this context, ethics refers to fundamental principles that govern the interaction process within and outside the organisation with external parties (Alayoubi, Al Shobaki, and Abu-Naser, 2020). Ethics in the organisation play a dynamic role in developing a sense of integrity, transparency, and trustworthy relationship of an individual with other employees working in the same organisation (Sharma, Agrawal, and Khandelwal, 2019). Strategic leaders who uphold honesty can be trusted and display integrity in decision-making. They can motivate employees and create an organisational culture that encourages using ethical practices daily in rendering their assigned duties (Svotwa, 2019).

Hitt et al. (2017) posit that ethical practices must shape the organisation's decision-making process and be an integral part of organisational culture to appropriately influence employees' judgment and behavior. In addition, research evidence highlights that a value-based culture is the most effective means of ensuring that employees comply with the organisation's ethical requirements. Strategic leaders are most likely to integrate ethical values into their decisions when the organisation has an unambiguous ethics code. Extensive ethics training integrates the ethics code into the organisation, and shareholders expect ethical behaviour. Organisations should employ strategic leaders who are ethical and able to include ethical practices as part of their strategic direction and leaders who are longing to do the right thing and for whom honesty, trust, and integrity are important.

Strategic leaders who constantly display these qualities inspire employees as they work with others to develop and support an organisational culture in which ethical practices are the expected behavioural norms (Hitt et al., 2017). Strategic leaders who practice ethical behaviour such as trust, power distribution, and awareness of leadership responsibilities will significantly affect employees' organisational commitment (Aryati, Sudiro, Hadiwidjaja, and Noermijati, 2018). An increased emphasis on ethical practice reduces employee's deviant behaviour in the workplace. When strategic leaders conduct themselves ethically and normatively in line with ethical behaviour, employees will also pleasantly conduct ethical behaviour at work. They will be less likely to engage in deviant behaviour (Aryati et al., 2018). When organisations have lax expectations for individuals to follow regarding ethical behaviour, leaders may act opportunistically and make decisions that are in their best interests and not necessarily the organisation's (Olaka et al., 2017).

To lessen unethical practices in organisations, they must have a set of core ethical values, establish a formal ethics program, and have ethical leadership that sets an appropriate tone at the top management level. Though distinct, these actions overlap, relate to, and underpin each other. The effectiveness of these actions increases when they are taken simultaneously and are, therefore, mutually supportive (Olaka et al., 2017). Strategic leaders can take several actions to develop an ethical organisational culture. According to Hitt et al. (2017:403), these actions include:

- creating and communicating specific goals to describe the organisation's ethical standards, for instance, developing the ethics code;
- reviewing and updating the ethics code based on employees' inputs and from other stakeholders and circulating the ethics code to all stakeholders;
- developing and implementing methods and procedures to use in achieving the organisation's ethical standards, for instance, using internal auditing practices;
- creating and using clear reward systems that appreciate acts of courage, for instance, rewarding those who use proper channels and procedures to report observed wrongdoing and
- creating a work environment in which all people are treated with dignity.

The effectiveness of these actions increases when they are taken concurrently and thereby are equally supportive. When strategic leaders and others throughout the organisation fail to take such actions, perhaps because an ethical culture has not been created, problems are likely to occur (Hitt et al., 2017).

3.6 STRATEGIC MANAGEMENT PERSPECTIVE

This section provides discuss the concept of strategic management by first looking at what strategic management is and the importance of strategic management in the context of organisations. It is followed by a discussion on the framework of strategic management. This framework is also a critical component of the strategic management process. The following section focuses on the concept of strategy implementation and its importance as one of the critical components of the strategic management process.

3.6.1 DEFINING STRATEGIC MANAGEMENT

Louw (2019:22) posits that strategic management refers to the management processes that define the organisation's goals for value creation and how to structure it to pursue its goals. According to Olaka et al. (2017) and Mubarak and Yussof (2019), strategic management encompasses the full set of commitments, decisions, and actions that result in the formulation, implementation, and control of plans intended to achieve the organisation's strategic vision and its mission and objectives in the business environment in which it operates. Grainger-Brown and Malekpour (2019) explain that strategic management is about understanding the strategic position of an organisation, making strategic choices for the future, and managing that strategy in action. Effectively, strategic management allows for a range of possibilities to be sorted by highlighting those most important and valuable to the organisation's future. The primary objective of strategic management is to achieve a sustainable competitive advantage for the organisation. This can only be achieved if the strategy is formulated and implemented correctly (Louw, 2019).

Strategic management addresses the complexity that accompanies any decision-making process in an organisation (Grainger-Brown and Malekpour, 2019). Traditionally, the importance of strategic management has been conceptualised as part of the dynamic capabilities framework for organisational competitive advantage. This framework is based on the premise that strategic management effectively wields an organisation's assets and strategies to achieve and maintain a competitive advantage in changing environments (Grainger-Brown and Malekpour, 2019). More specifically, strategic management can be used to reconfigure internal and external factors for the organisation to succeed under dynamic conditions.

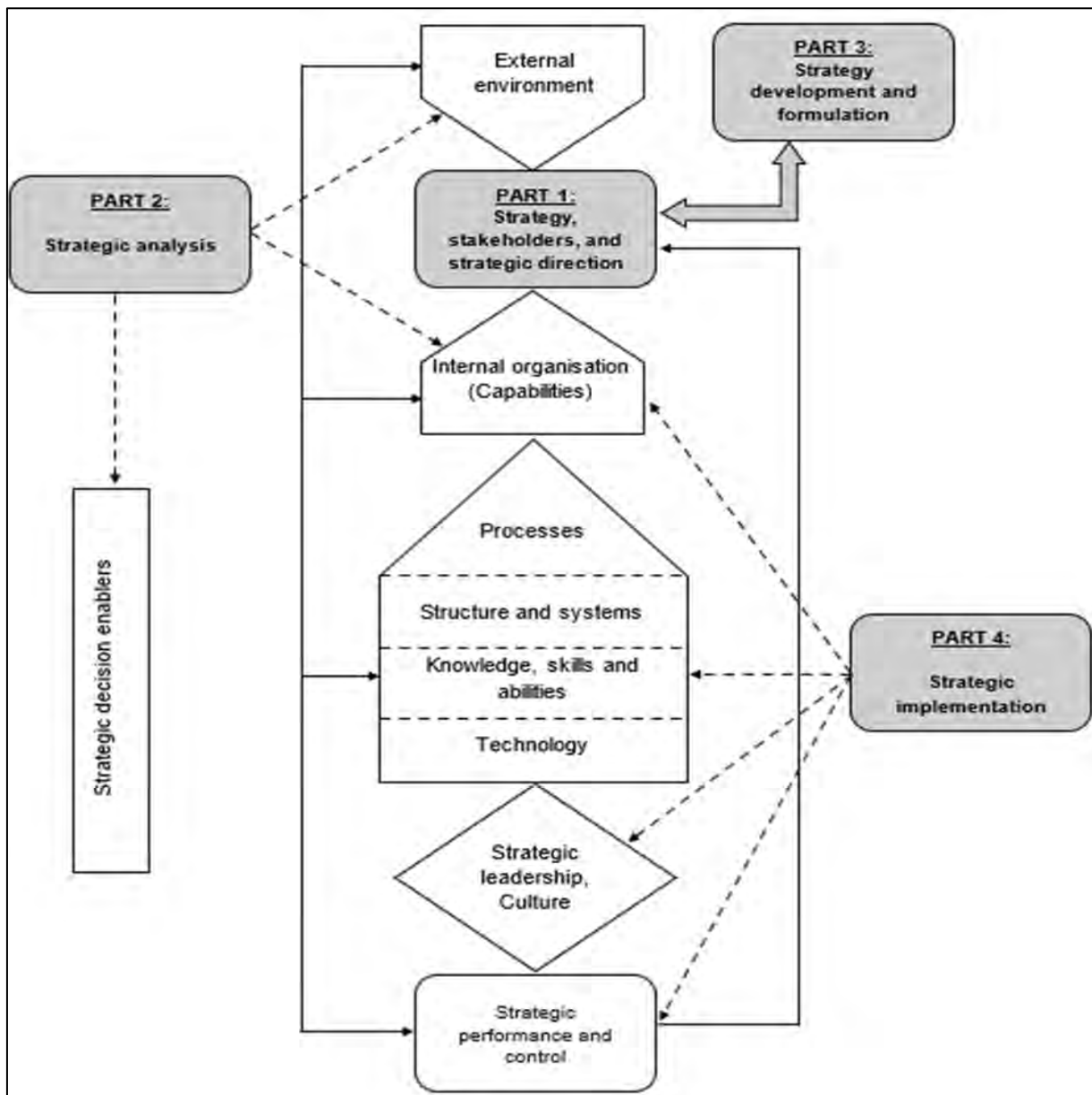
This positioning of strategic management as a critical component of an organisation's future illustrates the significance of the process and the potential for significant change if the process is improved (Grainger-Brown and Malekpour, 2019). Jooste and Fourie (2009) state that the 21st-century competitive landscape is characterised by inherent volatility and sporadic change, mainly

due to the emergence of rapid global technological change. Thus, strategic management remains a key element of success in this highly tempestuous business environment. Asobee (2021) states that the concept of strategic management has impressively grown over the last decades. Thinking and acting strategically have become critically important in a rapidly changing environment. Individuals and organisations are constantly developing new and purposeful strategies to be more innovative, competitive, and effective in the globalised world, and to realise these actions; strategic management is key to success.

3.6.2 STRATEGIC MANAGEMENT PROCESS

The strategic management process is defined as the full set of commitments, decisions, and actions required for an organisation to achieve strategic competitiveness and earn above-average returns (Hitt et al., 2017:26). Strategic competitiveness is achieved when an organisation successfully formulates and implements a value-creating strategy. When selecting a strategy, organisations make choices among competing options as the trail for deciding how they will pursue strategic competitiveness. Above-average returns exceed what an investor expects from other investments with similar risks. Returns are often measured in accounting financial ratios, such as the return on assets and the return on equity or sales turnover. Figure 3.6 below illustrates the linear form of the strategic management framework, also known as components of the strategic management process.

Figure 3.6 Strategic Management Framework



Source: Louw (2019:34)

The strategic management framework by Louw (2019), as depicted in Figure 3.6, outlines four main components of the strategic management process, namely, i) sustainable organisation and strategic direction, ii) strategic analysis, iii) strategy development and formulation, and iv) strategy implementation. A sustainable organisation involves designing and implementing business models that are financially feasible and contribute to solving complex socio-environmental challenges faced by contemporary organisations (Hamman, 2019). A sustainable organisation integrates corporate social responsibility, stakeholder claims, corporate citizenship, and environmental responsibility into its strategies (Louw, 2019).

Louw (2019) explains the strategic management framework as follows: i) Strategic direction (as discussed in section 3.5.1) is concerned with the direction the organisation wants to advance and how it makes propositions to achieve this direction. Strategic direction is vitally important for organisational performance as it is connected with the long-term vision of the organisation and its strategic goals. When an organisation relentlessly pursues its long-term vision, mission, and goals and focuses all its resources and competitive actions on achieving its goals, it demonstrates strategic direction. In terms of strategic analysis, the emphasis is often placed on the importance of the external and internal environment in supporting strategic decision-making; however, few recognise the importance of having an infrastructure in place to support strategic decision-making.

Louw (2019) further explains the strategic management frameworks as follows: Strategic decision enablers refer to the complex infrastructure of a network of people, processes, and technology that processes intelligence and presents it in a form that adds value and support to and supports management decision-making. The strategic analysis consists of analysing and evaluating the link between opportunities and threats using competitive intelligence and its internal strengths and weaknesses using a business intelligence system. The internal environment should enable the organisation to design and develop strategies around its resources and distinctive and dynamic capabilities to take advantage of political, economic, social, legal, ethical, technological, and physical opportunities. After analysing an organisation in terms of its environment facilitated by the network of strategic decision enablers, it needs to formulate and develop its strategies.

The first strategies to formulate are business-level strategies, also known as competitive strategies. Davis (2019) defines business-level strategy as one that deals with an organisation's plans to compete successfully in a particular market. It deals with the organisation's products and services that must be developed and positioned in the market to achieve a competitive advantage and long-term survival. Strategic innovation is also key as it searches for new competing methods based on customer value in existing industries (Staude and Callaghan, 2019). This approach involves finding new markets rather than competing in the existing market. In creating net value for buyers, organisations must consider gaining a competitive advantage by operating concurrently in several industries beyond their business-level strategies (Louw, 2019). In doing so, organisations must devise corporate-level and other strategies for achieving a global competitive advantage and examine the motives for internationalisation and the strategic choices available to expand their organisation to an international market.

Regarding strategy implementation, Louw (2019) posits that successful implementation relies on sound organisational architecture and strategic performance and control. Effective strategic leaders are responsible for setting organisational direction, creating alignment and a supportive culture, and managing the change process (Amos, 2019) to implement strategies effectively. In addition, strategic leaders need to monitor organisational performance and strategic controls using the balanced scorecard (as discussed in section 3.5.2) as part of the strategy implementation monitoring system, aspects of risk management, and sustainable reporting (Louw, 2019). As discussed in this section, the strategic management framework is critically important for strategic leaders to follow and undertake the steps required for a firm to achieve strategic competitiveness and earn above-average returns. These steps include developing a sustainable organisation and strategic direction, a strategic analysis, strategy development and formulation, and strategy implementation.

3.7 STRATEGY IMPLEMENTATION PERSPECTIVE

This section provides a discussion on the concept of strategy implementation within the context of strategic management. The definition of strategy implementation and a brief discussion of the importance of strategy implementation are both covered in this section. The perceived importance of strategy implementation as a critical component of the strategic management process is presented in this section. Subsequently, this section presents a discussion on the importance of organisational alignment in strategy implementation as mediated by organisational architecture.

3.7.1 DEFINING STRATEGY IMPLEMENTATION

Kihara, Bwisa, and Kihoro (2016) define strategy implementation as turning strategies and plans into actions to achieve organisational goals and objectives. Mubarak and Yussof (2019) state that strategy implementation is a process of transforming strategies into a sequence of activities and then getting results to achieve the strategic objective along vision and mission of the organisation. According to Ondari, Koech, and Otieno (2020), strategy implementation is the process that enables organisations to define what activities (at what time) and what processes need to be followed to pursue the strategic vision and the mission and goals of an organisation. Ondari et al. (2020) posit that an effective strategy implementation depends on the internal dynamic capabilities of working through others and organisations. It also depends on motivation, culture, and building and creating a solid fit between strategy and how the organisation does things. In addition, strategy implementation entails identifying measures and mutually determining annual

objectives, converting long-term objectives into specific short-term goals. Nyong'a and Maina (2019) posit that strategy implementation consists of securing, organising, and directing resources within and outside the organisation. Strategy implementation is only successful when backed by effective strategic leadership.

3.7.2 THE IMPORTANCE OF STRATEGY IMPLEMENTATION

Previous studies (Jooste and Fourie, 2009; Olaka et al., 2017; Nyong'a and Maina, 2019; Ondari et al., 2020) contend that the formulation of strategy has been widely regarded as the most important component of strategic management, more than the implementation of strategy; however, recent literature indicates that the ability to implement strategy is viewed as significantly more important than the formulation of strategy. Furthermore, that strategy implementation, rather than strategy formulation, is key to superior organisational performance. According to Quaye, Osei, Sarbah, and Abrokwah (2015), the best-formulated strategies may fail to produce superior performance for the organisation if they are not successfully implemented. The same authors argue that even the most brilliant strategy is useless without implementation. Other studies (Kheyley and Ragui, 2018; Ogola, 2019; Mubarak and Yussof, 2019) argue that implementing a strategy is more intricate and time-consuming than formulating one. Organisations struggle with effectively implementing strategies (Tawse and Tabesh, 2021). As a result, the effectiveness of strategy implementation is a significant source of performance variability between organisations, emphasising the need for a clear understanding of the strategy (Greer, Lusch, and Hitt, 2017).

An effective strategy implementation is more important than the content of the strategy itself (Jooste and Fourie, 2009). Lending credence to this view, Mubarak and Yussof (2019) state that the implementation of a strategy is more significant and more valuable than the preparation of a strategy. In addition, it is one thing to sit down and craft what is a winning strategy, but effectively implementing it is another. Jooste and Fourie (2009) reveal that, for an average organisation, a 35% improvement in the quality of strategy implementation was associated with a 30% improvement in shareholder value. However, a similar improvement in the suitability of the strategy itself did not affect organisational performance. A strategy can be well developed but fails to be implemented (Baroto, Arvand, Ahmad, 2014). Lending credence to this view, Kimiti, Okello, and Karanja (2014) argue that the actual value of strategic management lies in its implementation, strategies formulated, but no implementation serves little purpose, and even the best-formulated strategy is competitively irrelevant if it is not effectively implemented.

According to Tawse and Tabesh (2021), a well-formulated strategy cannot guarantee success until effectively implemented. Strategies often fail due to ineffective implementation (Baroto et al., 2014). The success of an organisation in terms of its overall performance is determined to a large extent by how its strategy implementation is undertaken (Ogola, 2019). Ondari et al. (2020) posit that an effective strategy implementation positively impacts strategic and organisational success and is a potential source of competitive advantage.

The effective implementation of strategy can also contribute to good corporate governance. Deloitte (2016) in The King IV report on corporate governance in South Africa states that it is the responsibility of the board of directors of an organisation to formulate a strategy based on the expectations of identified stakeholders. In addition, it is the responsibility of the board of directors to ensure that managers not only implement the formulated strategy but also that the implementation efforts are monitored and controlled. The board of directors must ensure that the implementation of the strategy considers issues such as social responsibility, environmental responsibility, stakeholder engagement, and sustainability. The claims of internal and external stakeholders should be considered during the organisation's strategy implementation efforts.

Previous studies ((Jooste and Fourie, 2009; Olaka et al., 2017; Nyong'a and Maina, 2019; Mubarak and Yussof, 2019) contend that there is a growing recognition that the most important problems in the field of strategic management are not strategy formulation problems but strategy implementation problems and that the high failure rate of organisational initiatives in a dynamic environment is primarily due to the poor implementation of new strategies. Notwithstanding the importance of strategy implementation as a component of the strategic management process, it must be emphasised that strategy formulation and implementation are intertwined processes with success in both processes necessary for superior organisational performance.

3.7.3 STRATEGY IMPLEMENTATION AS A COMPONENT OF THE STRATEGIC MANAGEMENT PROCESS

It is evident from Figure 3.6 of this study that strategy implementation is an integral part of the strategic management process. Kimiti et al. (2014) concur that strategy implementation is an integral component of the strategic management process and is viewed as the process that turns the formulated strategy into a series of actions and then results in ensuring that the strategic vision, mission and objectives of the organisation are successfully achieved as planned. Hitt et al. (2017) and Mubarak and Yussof (2019) contend that strategy implementation is conceptually viewed as the step or stage in the strategic management process that follows strategy formulation

and precedes strategic control. Tawse and Tabesh (2021) lay credence that strategy implementation follows strategy formulation and its effectiveness depends on how closely outcomes match what was intended in the strategic plan. Although strategy formulation and strategy implementation are depicted as two sequential steps in a linear process, in practical terms, these two often overlap in the strategic management process (Quaye et al., 2015; Lee and Puranam, 2016).

Kimiti et al. (2014) state that a formulated strategy may be obsolete when implemented in the volatile contemporary business environment characterised by high uncertainty, turbulence, and discontinuous change. Thus, strategy implementation and formulation cannot be separated, as a well-formulated strategy must consider how it will be implemented. The same authors argue that only through implementation can a strategy be refined and reformulated. To facilitate the successful implementation of strategy, effective top management teams recognise the importance of considering strategy implementation issues during the formulation strategy. Strategy formulation and strategic control that do not consider the problems associated with implementing these strategies run the risk of being ineffective.

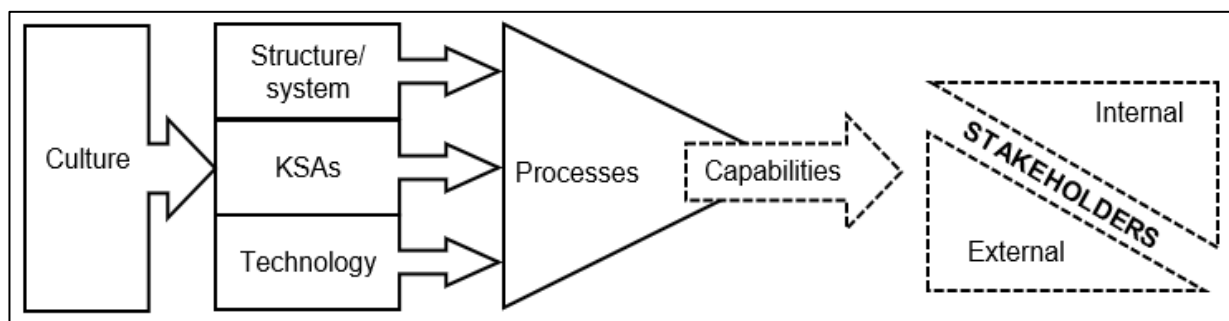
3.8 ORGANISATIONAL ALIGNMENT IN STRATEGY IMPLEMENTATION

Amos (2019) posits that a sustainable and effective strategy implementation depends on all parts of an organisation being aligned and synergistic to the strategy to support implementation efforts. Furthermore, strategic leaders must identify various elements of an organisation and their interrelatedness to create the required alignment. Kaul (2019) explains that strategic alignment is essential to fulfilling long-term goals and objectives and relating strategy formulation to the implementation and control with management, structure, resources, capabilities, and organisational culture. According to Venter (2019), strategies are implemented, and results are delivered using alignment between organisational culture, policies and procedures, knowledge and skills base, internal capabilities, structure, and different processes and systems. If these key dimensions are not aligned well with the strategy, it is doubtful whether the implementation of the strategy will produce the desired results.

Organisational architecture is an integrated strategic response that draws together key dimensions of an organisation, such as structure, leadership, culture, policies and procedures, and strategies to guide strategy formulation, alignment, and implementation (Venter, 2019). Organisational architecture allows strategic leaders to align key dimensions of their organisations with their strategy, attaining more effective implementation. The same author states that there are various

models of organisational architectures namely: Ulrich, Lee, et al., Higgin's 8-S model, Mckinsey's 7-S, Nihilent's MC framework, Jay Galbraith's Star framework, Veasey, Wolfenden and Welch, and V2MOM. Each model presents a set of key dimensions intended to align organisations to their strategies for effective strategy implementation. Venter (2019) argues that Lee et al.'s organisational architecture provides the most recent model to integrate the various architectures into a cohesive framework. Figure 3.7 below depicts Lee et al.'s organisational architecture in a flow diagram highlighting interrelationships between critical dimensions.

Figure 3.7: Lee et al.'s organisational architecture



Source: Venter (2019:455)

As illustrated in Figure 3.7, capabilities are distributed to the various stakeholders through different processes. The structure/systems, knowledge, skills, abilities (KSAs), and technology specific to each organisation shape these processes, which are all, in turn, accentuated by culture (Venter, 2019). The following section discusses the key dimensions of Lee's organisational architecture in aligning the organisation to its strategy to ensure it is in the best position to implement an effective strategy.

3.8.1 STAKEHOLDERS

Stakeholders are defined as individuals or groups of individuals who can affect the organisation's vision and mission and also can be affected by the strategic outcomes achieved and have enforceable claims on the organisation's performance (Hitt et al., 2017). Stakeholders are both internal and external to an organisation and may be classified as primary or secondary stakeholders depending on the overall strategic thrust, and are consequently allocated resources accordingly (Venter, 2019). Primary stakeholders are usually shareholders, management, and employees, with direct and well-established legal claims on the organisation's resources. Secondary stakeholders, such as local communities, do not have legal claims but instead rely on ethical obligations (Hamman, 2019). If an organisation chooses to pursue a total quality improvement strategy to increase customer satisfaction, then primary stakeholders, such as

shareholders, should enjoy higher returns on their investment. Employees should enjoy greater job autonomy and empowerment, and customers should enjoy better products. In contrast, secondary stakeholders such as communities may benefit from a more responsive organisation that provides better products and increased job opportunities (Venter, 2019). Organisations that manage stakeholder relationships effectively outperform those that do not. Thus, well-managed stakeholder relationships can be a source of competitive advantage.

3.8.2 INTERNAL CAPABILITIES

Hitt et al. (2017) state that capabilities exist when resources have been purposefully integrated to achieve a specific set of tasks. According to Venter (2019), capabilities are deliverables an organisation provides to stakeholders. In addition, these deliverables are variable and entirely dependent on the nature of the strategy adopted and the organisation. Critical to building competitive advantages are capabilities often based on developing, carrying, and exchanging information and knowledge through an organisation's human capital (Hitt et al., 2017). Larger organisations with more resources are better positioned to deliver various capabilities (Venter, 2019). Table 3.2 below contrasts an organisation's capabilities underlying cost leadership and differentiation strategies.

Table 3.2: Organisation's capabilities delivered to various stakeholders

Stakeholder	Capabilities delivered per competitive strategy	
	Cost leadership	Differentiation
Shareholders	Higher returns through cost-effective operations	Higher returns through diversified product offerings
Employees	A more rigid, high degree of specialisation in production	Autonomous teamwork with high-end skilling involved
Customers	Low-priced goods yet represent value for money	A more comprehensive range of differentiated products and innovation
Suppliers	Emphasis on renegotiating contracts on price and value	Joint venture, committed to innovation and quality
Community	Maintaining a good public image	Proactive initiatives to respond to community needs

Source: Venter (2019:460)

Venter (2019) states that niche and combination strategies usually draw on elements from both sets of capabilities depending on the strategic focus. The foundation of many capabilities lies in

the unique skills and knowledge of employees in an organisation and often their functional expertise (Hitt et al., 2017). Global leaders progressively support the view that the knowledge owned by human capital is among the most significant of an organisation's capabilities and may eventually be at the root of all competitive advantages (Hitt et al., 2017). Building important capabilities is critical for effective strategy implementation and achieving high performance or desired results.

3.8.3 ORGANISATIONAL STRUCTURE/SYSTEM

According to Hitt et al. (2017), a structure specifies an organisation's formal reporting relations, procedures, controls, authority, and decision-making processes. A structure creates a framework of order and command through which the organization's activities can be planned, organised, directed, and controlled. When structure elements are suitably aligned, the structure facilitates the effective use of an organisation's strategies. Thus, structure is critical for effective strategy implementation. Effective structures provide the stability an organisation needs to successfully implement its strategies and maintain its current competitive advantage while at the same time providing the flexibility to develop the advantages it will need in the future.

Venter (2019) states that current demands for efficiency, global effectiveness, and flexibility calls for organisational structures that are appropriately responsive. A well-established framework of reward systems, policies, and procedures that are strategically supportive is key to driving an organization's key processes and, in turn, achieves strategic alignment and implementation. In terms of reward systems, it is common practice for managers to provide monetary or non-monetary motivational factors to retain the commitment and loyalty of employees and to direct their behaviour towards the achievement of the organisational goals. Monetary factors include combinations of bonuses, performance bonuses, and share options. In contrast, non-monetary factors are directly related to the job itself by making work more challenging through job enrichment and job enlargement and making the work environment more stimulating and conducive to work.

A strategically aligned reward system should incorporate the following principles: i) it should be internally equitable and acceptable to employees; ii) it should be market-related; iii) it should comprise a healthy mix of financial and non-financial rewards; iv) it should link financial incentives to output and performance, and v) it should link executive-level reward to overall organisational performance (Venter, 2019).

Performance management systems (PMS) help to align employees' performance with the organisation's strategy (Venter, 2019). Organisations must appraise, assess, and remedy performance regularly to ensure their employees meet performance objectives. To effectively align performance with strategy, PMS should incorporate the following actions: i) allow organisations to identify deficiencies in employee performance and rectify these through training and development; ii) play an evaluative function by enabling organisations to reward good performance and punish poor performance when necessary; iii) ensure organisations assess performance accurately and fairly; iv) provide feedback timeously; v) train managers to rate and provide feedback effectively, and vi) pay attention to the type of appraisal tool they adopt, which can either be an outcome-based or process-based appraisal tool (Venter, 2019).

Organisations design policies and procedures to guide and align their employees in their activities and behaviours. Policies and procedures facilitate strategic alignment and implementation in three ways: i) they are prescriptive by nature and are intended to guide and create uniformity in behaviour; ii) they create consistency in operations; and iii) they facilitate the formation of an organisational culture conducive to strategic implementation. However, too many policies and procedures are likely to create a bureaucratic morass simply because they are likely to block activity and stifle creativity. While policies and procedures should create a sense of restrictions, they should primarily guide and facilitate effective and efficient behavior, decision-making, and practices (Venter, 2019).

3.8.4 PROCESSES

Venter (2019) posits that processes are central to the organisational architecture and are instrumental in delivering the capabilities. These processes are classified as management, operational, and support processes. Management processes encapsulate the basic managerial tasks of planning, organising, leading, and controlling and, in addition, the work methods, roles, work agenda, and knowledge, skills, and levels of performance required by a job. In turn, the manager's work agenda ensures that the work methods feed into and inform the basic managerial tasks and delivering capabilities. Delivery is then moderated by the manager's skills and knowledge. Operation processes produce goods and services by converting inputs into outputs. As such, organisations produce most goods or services by using one of the three strategies, namely, process focus (production of customised products), repetitive focus (akin to assembly line), and product focus (high volume production of similar goods). Support processes are those organisational functions that provide backing for the core business, for instance, human resource

management, finance, production, and marketing. Unless these functions are the core business, they are key to ensuring its ongoing functionality by ensuring the effective and efficient running of the organisation.

3.8.5 KNOWLEDGE, SKILLS AND ABILITIES (KSAs)

Venter (2019) states that KSAs are important drivers of strategic processes. KSAs include the necessary expertise and know-how to run the organisation efficiently and effectively to retain a competitive edge. Venter (2019) outlines three types of KSAs: i) basic KSAs, which include the various knowledge, skills, and abilities required of all employees to maintain the organisation's functionality on a day-to-day basis; ii) specific KSAs related to performing core competencies and key operations in an organisation. They are crucial elements of strategy and expertise in innovation and new product development; and finally, iii) distinctive KSAs, which provide a competitive advantage because they are unique and superior to what competitors have.

3.8.6 INFORMATION TECHNOLOGY

Technology is essential to the effective implementation of processes in almost all organisations. Venter (2019) states that technology is seen as applying science to improve the organisation's operational capability. Technology falls into three categories. Firstly, there are office technologies that facilitate the day-to-day running of the organisation through networked computers that aid in decision-making, meetings, communication, and administrative support. Secondly, service technologies enable providers to network more effectively with their customers. They also simplify efficient and smooth organisational operations using bar-coded stocktaking systems and just-in-time (JIT) inventory ordering systems. Thirdly, manufacturing technologies facilitate the conversion of inputs into intermediate or finished goods through computer-aided manufacturing (CAM), computer-aided design (CAD), and robotic assembly lines and quality control systems.

Venter (2019) posits further that, technologies are generally short-lived, given the fast pace of technological advancement. However, they can still offer significant strategic gains. Being a pioneer of a new technology does not necessarily translate into competitive gain because of the costs involved in development and the likelihood of rapid uptake by followers. The advantages of being a technological leader include increased market share and higher profits by adopting new technologies ahead of competitors. Procuring tested and more reliable technologies provide greater choice as suppliers increase, attracting customers who settle towards organisations that

adopt state-of-the-art products and services with cutting-edge technology. There are also opportunities to modify and improve technologies before late adopters catch up. Key and pace technologies provide the necessary competitive advantage and are generally unique to only a few players. However, regardless of the level adopted, training staff to develop and use technology competently is an absolute requirement for interventions to overcome resistance to introducing new technology.

3.9 CHAPTER SUMMARY

This chapter detailed a discussion on various aspects of strategic management. Leadership and strategic leadership were discussed, and it was evident that leaders exist at the team, operational and strategic levels in an organisation. The difference between leadership and strategic leadership is that leaders play a role in influencing processes. In contrast, strategic leaders are the top management team of the organisation. They are responsible for developing and formulating long-term strategic vision, mission and goals and objectives, and strategies to realise them. Furthermore, they are responsible for shaping organisational culture, setting strategic direction, and making decisions that impact the organisation's performance. However, major challenges facing strategic leaders include managing change, strategic flexibility, and strategy implementation, and as noted, strategic flexibility is critically important in a highly unpredictable environment.

Strategic leadership as a driver of strategy implementation was discussed, and it was evident that it is through effective strategic leadership that organisations can implement strategy effectively. The role of strategic leadership actions in strategy implementation was also discussed, and it was evident that strategic leadership actions contribute positively to effective strategy implementation. Strategic management and its framework were discussed, and it was evident that strategy implementation is a critical component of the strategic management process. However, implementing strategy is the most challenging component of the strategic management process. Without effective strategy implementation, any best strategy is ineffective. This chapter concluded with a discussion on the importance of organisational alignment to strategy implementation. An organisational architecture was used as a mediating tool to ensure that the organisational alignment to strategy can place an organisation in the best position for effective strategy implementation. This chapter concludes the literature of this study, and Chapter 4 discusses the research design and methodology of this study.

CHAPTER FOUR

RESEARCH DESIGN AND METHODOLOGY

4.1 INTRODUCTION

This chapter provided a detailed description of the research design and methodology adopted for this study. The research objectives and a research question were outlined. This chapter motivated the choice of the research paradigm and research method relevant to this study, followed by a detailed discussion on how secondary and primary data were collected. Furthermore, the population and sampling techniques used in this study were also outlined. This chapter also discussed the validity and reliability of the measuring instrument of this study, as well as the data analysis procedure that was followed. This chapter concluded with a summary and then introduced the next chapter of the study.

4.2 RESEARCH PARADIGM AND THE RESEARCH METHOD

Collis and Hussey (2009:11) state that the starting point in research design is to determine the research paradigm of the study. A research paradigm is a framework that guides how research should be conducted based on people's philosophies and their assumptions about the world and the nature of knowledge. Researchers usually distinguish between two research paradigms namely: positivistic, and phenomenological paradigms. According to Teddlie and Tashakkori (2009:342), a positivistic research paradigm refers to social research that adopts scientific methods and meticulously tests hypotheses using data that takes the form of quantitative measurement. Collis and Hussey (2009:56-57) explain that the positivistic research paradigm is underpinned by the belief that reality is independent of the researchers, and the goal is the discovery of theories based on empirical research. Logic and reasoning are applied to the positivistic research paradigm to ensure precision, objectivity, and thoroughness. Furthermore, the positivistic paradigm focuses on measuring social phenomena.

In contrast, Teddlie and Tashakkori (2009:341) state that the phenomenological research paradigm means that research is orientated around subjective experiences, perceptions, and events of individuals. According to Collis and Hussey (2009:57), the phenomenological research paradigm is underpinned by the belief that reality is not independent but is highly subjective because the perceptions of researchers and respondents shape it. The phenomenological paradigm focuses on exploring and understanding how reality can be interpreted from the respondents' perspective. Collis and Hussey (2009:58) provide a summary of philosophical assumptions that underpin

positivistic and phenomenological paradigms namely: ontological, epistemological, axiological, rhetorical, and methodological assumptions. The ontological assumption is concerned with the nature of reality. In contrast, epistemological assumption is concerned with what researchers accept as valid knowledge. The axiological assumption is concerned with the role of values. Rhetorical assumption is concerned with the language of research. In contrast, methodological assumption is concerned with the process of research. Collis and Hussey (2009:57) postulate that when a positivistic research paradigm is chosen, it implies that researchers assume that reality is independent. Positivistic researchers usually choose a quantitative research method, while phenomenological researchers choose a qualitative research method.

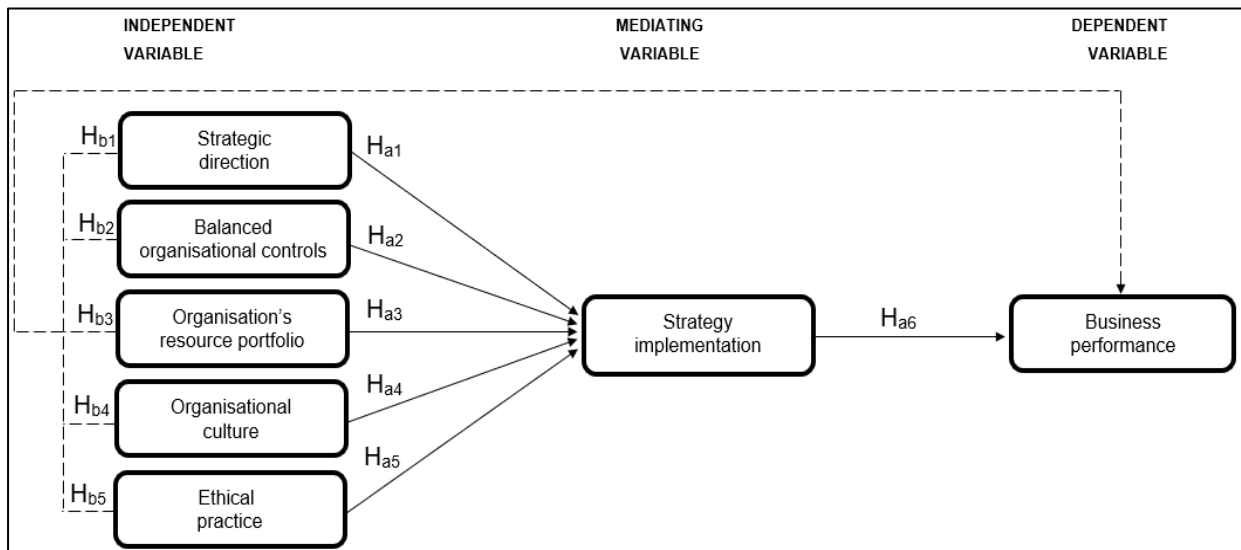
Wiid and Diggins (2013) state that there are two types of research methods namely: qualitative and quantitative research methods. These two methods are used to describe data rather than paradigms because the data collected in positivistic research can be quantitative and represents the phenomenon under study by assigning numbers in an ordered and meaningful way. In contrast, data collected in phenomenological research can be qualitative and represent the phenomenon under study using words and other expressive descriptions (Zikmund et al., 2010:136). Qualitative research addresses the objectives of the study through techniques that allow the researcher to provide data without depending on numerical measurement. In contrast, quantitative research addresses the objectives of the study through empirical assessments that involve numerical measurement and analysis (Zikmund et al., 2010:134).

Qualitative research is most suitable for generating and developing theories, while quantitative research is more useful for research that attempts to test theories (Dahlberg and McCaig, 2010:27). Qualitative research aims to understand the respondent's perceptions about the phenomena under study, while quantitative research is about examining relationships between variables and deriving data that can be analysed statistically (Creswell, 2014:10). For the positivistic paradigm, researchers use large samples, hypothesis testing, produces quantitative data and allows results to be generalised from the sample to the population (Collis and Hussey, 2009:62). These features are consistent with the approach that was used in this study. The researcher used hypothesis statements to test relationships between strategic leadership, strategy implementation, and the business performance of SMEs. This study adopted a positivistic research paradigm and, thus, a quantitative research method.

4.3 HYPOTHETICAL MODEL OF THE STUDY

The hypothetical model of this study, as illustrated below in Figure 4.1, was used to test the significant positive influence between strategic leadership, strategy implementation, and business performance of SMEs. Collis and Hussey (2009:191) postulate that in many statistical tests, it is necessary to identify the dependent variable and the independent variable. The variables identified for the hypothetical model of this study were divided into three parts namely: the independent variable, the mediating variable, and the dependent variable. The same authors argue that the dependent variable is a variable whose values are influenced by one or more independent variables. In contrast, an independent variable is a variable that influences the values of a dependent variable. A mediating variable is a second independent variable that is included because it is believed to have a significant contributory or contingent effect on the first independent variable and the dependent variable (Blumberg et al., 2011:30). In other words, the mediating variable affects the relationship between a first independent variable and a dependent variable. For this study, an independent variable was strategic leadership, the mediating variable was strategy implementation, and the dependent variable was business performance. Figure 4.1 illustrates the hypothetical model of this study.

Figure 4.1: Hypothetical model of this study



Source: Researcher's model

As illustrated in Figure 4.1, the following hypotheses were identified to test the influence between the three variables highlighted in the hypothetical model of this study. The following section presents two (2) sets of hypothesis statements for this study. The first set of hypotheses tested whether there is a statistically significant positive influence between strategic leadership and strategy implementation, as well as between strategy implementation and business performance of

SMEs. A second set of hypotheses tested whether there is a statistically significant positive influence between strategic leadership and business performance of SMEs.

A first set of hypotheses:

- H_{a1} There is a significant positive influence between *strategic direction* and *strategy implementation*.
- H_{a2} There is a significant positive influence between *balanced organisational controls* and *strategy implementation*.
- H_{a3} There is a significant positive influence between *an organisation's resource portfolio* and *strategy implementation*.
- H_{a4} There is a significant positive influence between *organisational culture* and *strategy implementation*.
- H_{a5} There is a significant positive influence between *ethical practice* and *strategy implementation*.
- H_{a6} There is a significant positive influence between *strategy implementation* and *business performance*.

A second set of hypotheses:

- H_{b1} There is a significant positive influence between *strategic direction* and *business performance*.
- H_{b2} There is a significant positive influence between *balanced organisational controls* and *business performance*.
- H_{b3} There is a significant positive influence between *an organisation's resource portfolio* and *business performance*.
- H_{b4} There is a significant positive influence between *organisational culture* and *business performance*.
- H_{b5} There is a significant positive influence between *ethical practice* and *business performance*.

4.4 OPERATIONALISATION OF VARIABLES

The definitions of concepts identified in the variables of this study are presented in Table 4.1 below. These definitions are based on the existing literature that was discussed in-depth in Chapters 2 and 3. Babbie (2010:46) postulates that to test hypotheses, the researcher must specify the meanings of all variables involved in the study. According to Zikmund et al. (2010:295),

variables are measured through a process of operationalisation. In other words, the process of developing operational definitions or specifying the exact operations involved in measuring a variable (Babbie, 2010:46). The definitions for the variables identified in this study are operationalised in Table 4.1 as follows:

Table 4.1: Operationalisation of variables of the study

Independent variables	Definition	Items
Strategic direction	Developing a long-term vision for the organisation (Kitonga, Bichanga, and Muema, 2016), specifies the image and character the organisation seeks to develop over time (Hitt, et al., 2017), a statement of direction and intent for the organisation (Ng'ang'a, 2018), states where the organisation wants to be in future (Munyao, et al., 2020).	06
Balanced organisational controls	Strategic and financial controls of the organisation that support the strategy implementation (Hitt et al., 2017). Controls can be used as a basis for strategy implementation and take corrective actions if there are any deviations from the norm (Svotwa, 2019).	06
Organisational culture	A set of shared values and beliefs that define the way an organisation conducts itself (Hitt et al., 2017). Describes the unique personality that influences the behaviour of employees in an organisation (Amos, 2019). It is about unique behaviour that enables employees to implement and achieve organisational goals (Gasela, 2022).	05
Organisation's resource portfolio	The firm's resources such as financial, human, and social capital should be managed effectively and organised into capabilities that create value for customers (Hitt et al., 2017). Resources that are incomparable and rare to achieve competitive advantage (Svotwa, 2019), and must be valuable, allowing the organisation to seize opportunities and counteract threats (Amos, 2019).	05
Ethical practice	The effectiveness of processes used to implement the organisation's strategies increases when they are based on ethical practices (Hitt et al., 2017). The ethical principles govern the process of interaction between internal and external parties of the	05

	organisation and to act ethically when taking actions to implement organisational strategies (Alayoubi, 2020).	
Mediating variable		
Strategy implementation	Turning strategies and plans into actions to achieve organisational goals and objectives (Kihara, et al., 2016). Transforming strategies into a sequence of activities and then getting results to achieve organisational objectives (Mubarak and Yussuf, 2019). Enables the organisation to define activities and processes that need to be followed to pursue the strategic goals of the organisation (Ondari, et al., 2020).	04
Dependent variable		
Business performance	Refers to a firm's growth in terms of sales turnover, profit, rates of return on investments, expansion, and decrease in operational costs and employee turnover rates (Zeka, 2013:38). Measures the business' productivity and adequacy in accomplishing its goals (Maziriri, 2020a). It shows the effectiveness of systems and processes in achieving the intended strategic goals and objectives of the organisation (Badi and Ishengoma, 2021).	08

Table 4.1 provides definitions of the variables identified for this study. In addition, Table 4.1 used literature review sources to define the variables of this study and the number of items evident for each variable in the measuring instrument. The measuring instrument consisted of 39 items that helped the researcher obtain the primary data for this study.

4.5 DATA COLLECTION

This section discusses the sources of data and how data was gathered for the analysis, hypothesis testing, and answering the research question. Sekaran and Bougie (2009:180) state that the data can be collected from primary and secondary sources. Primary data refers to information obtained first-hand by the researcher on the variables of interest for the specific purpose of the study. According to Collis and Hussey (2009:73), primary data are data generated from a source such as own experiments, questionnaire surveys, interviews, or focus groups.

This means that primary data is obtained directly from the respondents of the current study. For this study, the primary data was collected from SME owners/managers of small businesses in Nelson Mandela Bay. In contrast, secondary data refers to information gathered from sources that already exist (Sekaran and Bougie, 2009:180), such as books, reports, journal articles, publications, databases, and internal records, and may be available in hard copy form or on the internet (Collis and Hussey, 2009:73).

According to Zikmund et al. (2010:161), secondary data are usually historical and already assembled, and they require no access to respondents. The same authors outline the advantages and disadvantages of secondary data as follows: firstly, obtaining secondary data is always faster and less expensive than acquiring primary data; secondly, access to secondary data is instantaneous, and data is often available; and thirdly, secondary data are essential in instances when data cannot be obtained using a primary data collection process. However, there are also inherent disadvantages of secondary data. Firstly, secondary data are not designed specifically to meet the researcher's needs; thus, researchers must ask how pertinent the data is to their particular research. Secondly, secondary data may not adequately satisfy the research needs due to outdated information, variation in the definition of terms, different units of measurement, and lack of information to verify the data's accuracy. The secondary data of this study was collected in the library facilities of Rhodes University. The researcher used the following databases to collect secondary data, namely, Science Direct, Emerald Insight, and Google Scholar search engine. The secondary data assisted the researcher in writing the literature review of the study.

4.5.1 POPULATION AND SAMPLING TECHNIQUES

This section provides a detailed discussion of the population and sampling techniques adopted for this study. Sekaran and Bougie (2009:262) define population as the entire group of people, events, or things of interest that the researcher wishes to investigate. According to Collis and Hussey (2009:209), population refers to any precisely defined body of people or collection of items under consideration for statistical purposes. Researchers could study every element of a population to draw some conclusion (Babbie, 2011:91). The population of this study consisted of SME owners/managers of small businesses in Nelson Mandela Bay. Sekaran and Bougie (2009:266) outline the steps of the sampling process in research as follows: i) defining the population, ii) determining the sample frame, iii) sampling design, and iv) appropriate sample size. The population for this study is already defined. The second step of the sampling process is to determine the sample frame.

Sekaran and Bougie (2009:267) define a sample frame as a representation of all the elements in the population from which the sample is drawn. The sample frame for this study exists, and it was the list of 209 SMEs registered in the supplier database of Nelson Mandela Bay Municipality. The Accounting Officer of the Municipality, after consultation with their legal department, granted permission (see Annexure B) for the researcher to access the list of SMEs with restricted information due to the Protection of Personal Information Act (POPIA). The list was issued only with the trading names of those SMEs.

The third step of the sampling process is to determine the sampling design of the study. According to Sekaran and Bougie (2009:267-268), there are two main types of sampling design namely: probability and non-probability sampling. Probability sampling is a sampling technique in which the elements in the population have a known probability of being selected as a sample subject. A probability sampling design is used when the representativeness of the sample is of importance in the interests of wider generalisability. According to Zikmund et al. (2010:395,398), probability sampling requires that every member of the population has an equal probability of being selected. All probability sampling designs, such as simple random sampling, systematic sampling, stratified sampling, and cluster sampling, are based on chance selection procedures. In contrast, non-probability sampling is a sampling technique in which the elements in the population do not have a known or pre-determined chance of being selected as subjects (Sekaran and Bougie, 2009:268). The selection of sampling units in non-probability sampling is based on personal judgment or convenience. Researchers sometimes find non-probability samples pragmatic and best suited for a specific research purpose (Zikmund et al., 2010:395).

Non-probability sampling techniques include convenience sampling, judgemental sampling, and quota sampling. According to Sekaran and Bougie (2009: 276-277), convenience sampling refers to the collection of information from members of the population who are conveniently available to provide it. Judgemental sampling calls for special efforts to locate and gain access to individuals who are in the best position to provide the required information. In contrast, quota sampling ensures that certain groups are adequately represented in the study through the assignment of a quota. Convenience sampling is most often used in research and is the best way of getting information quickly and efficiently (Sekaran and Bougie, 2009:276). Researchers generally use convenience sampling to obtain a large number of completed questionnaires quickly and economically (Zikmund et al., 2010:396). Researchers have the freedom to choose whoever they can find (Blumberg et al., 2011:193). However, it must be noted that this method can have some drawbacks that can reduce the reliability and validity of research findings.

Sekaran and Bougie (2009), Zikmund, et al. (2010), and Blumberg et al., (2011) argue that these drawbacks include a lack of variety, in other words, researchers may choose respondents who are easily accessible and have comparable features. This can potentially narrow the spectrum of opinions and experiences represented in the sample. In addition, this method can lead to unknown errors since the researcher may be unaware of how skewed or unrepresentative the sample is of the population. Lastly, researchers may be more prone to select participants who they believe would offer data that supports their theory, perhaps contributing to researcher bias. For this study, convenience sampling was the most expeditious way to collect primary data from the respondents on the phenomenon under study. Questionnaires were physically distributed at the researcher's convenience to the most accessible SME owners/managers to collect the primary data. The fourth and last step of the sampling process is to determine the appropriate sample size for the study. The sample size of this study is discussed in section, 4.5.2 of this study.

4.5.2 SAMPLE SIZE AND RESPONSE RATE SUMMARISATION

According to Collis and Hussey (2009:62), a sample is a subset of a larger population. In a positivistic study, a sample is chosen to be representative of the population from which it is drawn. Therefore care must be taken to ensure that the sample is unbiased in a way that represents the phenomenon under study. The larger the sample size, the better it will represent the population; therefore, if the researcher wants to generalise from the results of the study, the researcher must determine the minimum sample size to reflect the size of the population under consideration. To determine the sample size of the study, Hair et al. (2014:100) recommend that the minimum sample size must have at least five (5) times as many observations as the number of variables to be analysed, and the more acceptable sample size would have a 10:1 ratio. After following this recommendation, the items (39) in the measuring instrument were multiplied by five (5) to determine a minimum sample size of 195 respondents for this study. A more acceptable sample size was 390 respondents (39 x 10). Punch (2003:42) states that researchers should target at least a response rate of 60 percent, although a higher response rate is better. A response rate refers to the total number of questionnaires that have been returned or completed, then divided by the number of eligible respondents who were requested to participate in the study (Zikmund et al., 2010:221). A high response rate means less chance of significant non-response bias than a low rate. Conversely, a low response rate is a dangerous signal because the non-respondents are likely to differ from the respondents in ways other than their willingness to participate in the survey (Babbie, 2011:261).

Zikmund et al. (2010:222-223) outline strategies that can be used to increase the response rate of the study namely: a cover letter, follow-ups, and interesting questions. A cover letter accompanying a questionnaire is an important means of inducing a reader to complete and return the questionnaire. The letter's first paragraph must explain why the study is important. A cover letter must guarantee anonymity and describe the incentives or rewards for participation, explaining that answering the questionnaire will not be difficult and will only take a short time. The 'follow-up' approach is a follow-up letter or a postcard reminder to request respondents to return questionnaires. Multiple contacts almost always increase the response rate; the more attempts are made, the greater the chances of getting responses. For this study, the researcher had inserted i) on the cover letter the explanation as to why this study was important, ii) an individual consent letter that guaranteed anonymity for participating in this study, iii) interesting questions or statements were placed at the beginning of the questionnaire and iv) a follow-up approach was used to attract a high response rate of 72.69%. Table 4.2 summarises the response rate for this study.

Table 4.2: Response rate summarization

1. Distributed questionnaires (based on convenience)	315
2. Returned questionnaires	263
3. Returned questionnaires accepted for this study (after data cleansing)	229
Response rate	72,69%

As illustrated in Table 4.2, only 315 questionnaires were conveniently and physically possible to distribute to SME owners/managers of small businesses in Nelson Mandela Bay. The researcher could not be able to distribute beyond 315 questionnaires due to cost factors and the unavailability of other SMEs of interest to this study. Only 263 questionnaires were completed and returned successfully. Of the 263 questionnaires, only 34 were removed from the data capturing on Excel as they did not meet the criteria of small businesses as defined in this study. This study focused only on small businesses that have 50 or more full-time paid employees. The removed questionnaires accounted for small businesses that employed less than 50 full-time paid employees. It was only 229 returned questionnaires that met the criteria of small businesses defined in this study. Thus, the accurate response rate was 72.69%. Punch (2003:42) states that researchers should target at least a response rate of 60%, although a higher response rate is better.

4.5.3 ADMINISTRATION OF QUESTIONNAIRES

This study adopted the quantitative research method and used a measuring instrument in the form of a questionnaire to collect the primary data. Coldwell and Herbst (2004:48) posit that collecting primary data through questionnaires enables the researcher to acquire data swiftly and effortlessly in a non-threatening manner. Questionnaires have the advantage that they can be completed anonymously and are inexpensive to administer. Collis and Hussey (2009:192) state that before a questionnaire is designed, the researcher must identify variables in which data will be needed to address the research question of the study.

For this study, questionnaires were physically distributed to SME owners/managers of small businesses in Nelson Mandela Bay. The measuring instrument of this study was divided into three sections namely: Section A collected demographic data of the respondents, such as years of experience in the business, years of business existence, job title, number of employees, and the nature of the industry. Section B collected data on the items that described to what extent strategic leadership activities positively contribute to effective strategy implementation. Section C collected data on the items that described the nature and role of strategy implementation and the factors that measure the business performance of SMEs. Sections B and C of the measuring instrument used a Likert-type scale to collect data from the respondents. A Likert-type scale measures attitudes designed to allow respondents to rate how strongly they agree or disagree with carefully constructed statements in the questionnaire. Furthermore, researchers assign scores to each possible response (Zikmund et al., 2018:318).

According to Blumberg et al. (2011:418), Likert-type scales help researchers compare one respondent's score with a distribution of scores from a well-defined sample group. Respondents generally choose from approximately five response alternatives from 'strongly disagree' (1) to 'strongly agree' (5), the most favourable attitude. According to Cooper and Schindler (2003:253-256), the advantages of using Likert-type scales include the following: i) responses are collected in a standardised manner; ii) it is a relatively simple tool of collecting information; iii) responses can be collected from a large segment of a sample; iv) it is relatively simple to use and easy to construct, and v) it provides respondents with a variety of choices which may make them feel more comfortable in responding to questions. Cooper and Schindler (2003:253-256) also outline the disadvantages as follows: i) respondents may not entirely be honest in their answers; ii) biases may occur as respondents may base their responses on their feelings towards the assessor or subject matter; iii) respondents may provide their responses in accordance to what they think is expected

of them from the assessor; iv) the scales used in the questionnaire requires a significant amount of decision making and v) it may take a long period to analyse and interpret the data collected.

Collis and Hussey (2009:193) postulate that several distribution methods can be used to administer a questionnaire to respondents, and the cost is often an important factor when choosing the method, and that the best method will depend on the size and location of the sample. The following distribution methods are identified as follows: postal, telephone, online-web-based, and face-to-face distribution, among others. A face-to-face method enables the researcher to distribute questionnaires to respondents in the streets, homes, workplaces, or any other convenient place (Collis and Hussey, 2009:193). For this study, a face-to-face method was used to collect data as respondents were easily accessible at their workplaces or any other convenient place they preferred.

Babbie (2011:244) explains that the researcher has two options to ask questions in a questionnaire namely: open-ended and closed-ended. Researchers can ask open-ended questions that respondents can answer in their own words. In contrast, in close-ended questions, respondents select the answer from a number of pre-determined alternatives (Collis and Hussey, 2009:200). Researchers who use open-ended questions allow respondents to answer with whatever is foremost in their minds (Zikmund et al., 2010:338). However, some respondents may give answers irrelevant to the researcher's intent (Babbie, 2011:244). Furthermore, the researcher can be biased or misinterpret responses (Zikmund et al., 2010:339). In contrast, closed-ended questions are very convenient and are usually easy to analyse since the range of responses is limited and can be coded in advance (Collis and Hussey, 2009:201). According to Sekaran and Bougie (2009:200), close-ended questions help respondents make quick decisions to choose among several alternatives. Close-ended questions provide comparability of responses, facilitating coding, tabulating, and interpreting the data when standardised in groups before data collection.

Zikmund et al. (2010:340) state that two structural requirements should guide the designing of close-ended questions namely: i) response categories should be exhaustive by including all possible responses that might be expected, and ii) response categories must be mutually exclusive. In other words, the respondent should not feel compelled to select multiple responses. This study used close-ended questions when the researcher developed the questionnaire.

4.5.4 PILOT STUDY

Babbie (2011:255) states that no matter how carefully researchers design a data collection instrument such as a questionnaire, errors are always possible and inevitable. Researchers will always make some mistakes. The surest protection against such errors is to pre-test the questionnaire in whole or part. It is better to ask people to complete the questionnaire than to read through it, looking for errors. The questionnaire of this study was pre-tested in a pilot study to ensure that it is relevant. A pilot study is a small-scale study that collects data from respondents similar to those targeted for the main study (Zikmund et al., 2010:65). A pilot study assists researchers in determining the time respondents take to complete the questionnaire, the problems that may be faced by respondents in completing the questionnaires, and whether the respondents understand the instructions in the questionnaire (Wiid and Diggines, 2013:171). For this study, the questionnaire was piloted on strategic management specialists such as Professors, Senior Lecturers, and Lecturers in the Faculty of Commerce at Rhodes University. This pilot study was conducted to assist the researcher in redesigning any items that may not be relevant to the questionnaire.

4.5.5 ETHICAL CONSIDERATION

Collis and Hussey (2009:45) state that coercion should not be used to force people into taking part in the research, while respondents should not be offered financial or material rewards to induce them to participate in the research, and they should be offered anonymity. Anonymity protects respondents by ensuring their names are not identified with the information they give. The researcher needs to complete an ethics form for approval, which will be looked at by the university's ethics committee. Once approval is obtained, the researcher can proceed with the study (Blumberg et al., 2011:135). Ethical clearance was obtained for this study and approved by Rhodes University's Human Ethics Committee.

4.6 DATA ANALYSIS

Researchers usually generate information by analysing data after it is collected. Zikmund et al. (2010:70) define data analysis as the application of reasoning to understand the data that have been collected. According to Blumberg et al. (2011:60), data analysis involves reducing accumulated data to a manageable amount, developing summaries, looking for patterns, and applying statistical techniques. Wiid and Diggines (2013:231) explain that before any data can be subjected to data analysis, it must first be cleaned of any errors after data entry. Data entry is transferring data from

a research study to computers (Zikmund et al., 2010:477). For this study, data cleaning was conducted to ensure no errors in the data entry on the Excel Spreadsheet. Cleansed data was transferred to a data analysis software called Statistica (version 14.0) to perform the data analysis. This section provides a discussion on the validity and reliability analysis of the measuring instrument, the statistical techniques relevant to analyse the primary data of this study, and the testing of hypotheses.

4.6.1 VALIDITY OF THE MEASURING INSTRUMENT

According to Zikmund et al. (2010:307-308), validity is the accuracy of a measure or extent to which a score truthfully represents a phenomenon under study. The same authors state that there are several ways the validity of research can be assessed namely: face validity, content validity, criterion validity, and construct validity. Face validity involves ensuring that the measuring instrument represents what it is supposed to measure. Face validity is relatively easy to assess; however, researchers are generally not satisfied with simply establishing face validity because of the elusive nature of the attitudes of respondents. Content validity determines how much a measuring instrument adequately measures the concept. Criterion validity, or predictive or concurrent validity, compares how respondents view a new measure of a concept within an existing concept. Construct validity exists when a measuring instrument reliably measures and truthfully represents a unique concept. For this study, face validity, content validity, and construct validity were considered when the measuring instrument was developed.

The researcher used factor analysis to ensure the validity of the measuring instrument. Zikmund et al. (2010:593) define factor analysis as a multivariate technique that statistically identifies a reduced number of factors from a large number of measured variables. A factor analysis aims to summarise the information in a large number of variables into a small number of factors. The same authors state that factor analysis can be divided into two types namely: exploratory factor analysis (EFA) and confirmatory factor analysis (CFA). EFA is performed when the researcher is uncertain how many factors may exist among a set of variables. CFA is performed when the researcher has solid theoretical expectations about the factor structure before performing the analysis. For this study, an EFA was used to ensure the validity of the measuring instrument. The requirements for a factor analysis were discussed in section 1.6.5, including Table 1.1 of Chapter 1 and the approach taken to ensure the validity of the measuring instrument for this study.

4.6.2 RELIABILITY OF THE MEASURING INSTRUMENT

Collis and Hussey (2009:64) explain that a repeat study should produce the same results for the study's results to be reliable. Moreover, replication is important in a positivistic study. Reliability tends to be high in positivistic studies. For phenomenological studies, it has little importance. This study used a positivistic research paradigm; thus, reliability was high. Zikmund et al. (2010:305-306) explain that reliability revolves around consistency. Internal consistency can be regarded as an accepted measure of reliability, assuming that individual items or indicators of a measuring instrument measure the same construct and, therefore, are highly correlated. Cronbach's alpha coefficients were calculated to test the reliability and internal consistency of the measuring instrument used in this study. Cronbach's alpha is an estimate of the internal consistency of responses to different scales of items, it indicates how reliable a measuring instrument is based on different scales. According to Wiid and Diggins (2013:238), Cronbach's alpha coefficients are interpreted as follows: if a value is above 0.80, reliability is acceptable; if a value is between 0.60 and 0.80, reliability is also acceptable, and lastly, if a value is below 0.60 reliability is unacceptable. Cronbach's alpha coefficient of 0.70 and above was accepted for this study to ensure the consistency of the measuring instrument.

4.6.3 STATISTICAL TECHNIQUES

The data collected for this study was analysed using two statistical techniques namely: descriptive statistics and inferential statistics. According to Collis and Hussey (2009:221), descriptive statistics are used to summarise the data so that it can be presented in tables, charts, and other graphical forms. Collis and Hussey (2009:240) state that to make the data collected useful, it must be organised and summarised using the following methods: measures of central tendency and measures of dispersion. Measures of central tendency provide a convenient way of summarising a large frequency distribution by describing it with a single statistical value. Measures of central tendency are measured in three ways namely: the mean, the median, and the mode. For this study, the mean value was calculated to summarise the respondents' demographic data and the average responses related to each variable of this study. In contrast, Collis and Hussey (2009:244) state that measures of dispersion describe how the data are spread around measures of central tendency. The following methods are required to measure dispersion namely: the range, the variance, and the standard deviation. For this study, the standard deviation was used to calculate and interpret the sections in the questionnaire.

Inferential statistics are statistical tests to conclude a target population based on a random sample and sampling distribution (Collis and Hussey, 2009:222). Pearson's Product Moment Correlation coefficients and the multiple linear regression analysis were used as inferential statistical methods for this study. Pearson's Product Moment Correlation coefficient indicates the correlation between two quantitative variables (Collis and Hussey, 2009:267). This method was used to assess to what extent there is a linear relationship between strategic leadership, strategy implementation, and business performance of SMEs. In contrast, multiple linear regression was used to analyse the significance of the relationship between strategic leadership on strategy implementation and the business performance of SMEs.

4.6.4 TESTING OF HYPOTHESES

The data analysis procedure of this study included inferential statistics such as Pearson's Product Moment Correlation and multiple linear regression analysis. According to Collis and Hussey (2009:267), Pearson's Product Moment Correlation measures the direction and strength of association between two quantitative variables. In other words, it measures the direction and strength of any linear relationship between the two variables. The correlation coefficient is measured from -1 to +1 (Collis and Hussey, 2009:268). If the direction of the correlation is positive, then both variables increase together, but if the direction is negative, one variable increases as another decreases. Pearson's Product Moment Correlation coefficient also illustrates the strength of the relationship between the variables. According to Kornbrot (2005), the following guidelines may be used to interpret Pearson's Product Moment Correlation coefficient:

- -1.0 to -0.5 : strong negative relationship.
- -0.5 to -0.3 : moderate negative relationship.
- -0.3 to -0.1 : weak negative relationship.
- -0.1 to 0.1 : none or very weak relationship.
- 0.1 to 0.3 : weak positive relationship.
- 0.3 to 0.5 : moderate positive relationship.
- 0.5 to 1.0 : strong positive relationship.

For this study, correlation coefficients were calculated to assess the linear relationship between strategic leadership, strategy implementation, and business performance of SMEs. Whereas multiple linear regression analysis was calculated to assess whether there is a statistically significant relationship between strategic leadership and other two variables namely: strategy

implementation and business performance of SMEs. According to Zikmund et al. (2010:584), multiple linear regression analyses the influence of two or more independent variables on a single dependent. The coefficient of multiple linear regression analysis indicates the percentage change in the dependent variable caused by all the independent variables.

4.7 CHAPTER SUMMARY

This chapter discussed the research design and methodology of this study. The research objectives and the research question of the study were identified. This chapter presented a discussion on the research design which led to the selection of a descriptive research design for this study. The rationale for the research paradigm and method were discussed, thus the positivistic paradigm and quantitative research methods were adopted for this study. The variables in the hypothetical model were identified and each variable was defined for what it means. The population of this study was SME owners/managers of small businesses in Nelson Mandela Bay. A sample size of 390 respondents was drawn up using a non-probability sampling technique, particularly a convenience sampling method. However, the empirical sample size of 229 respondents was accepted for this study. A self-developed and structured questionnaire was used to collect the primary data for this study. The data collected from respondents was analysed using both descriptive and inferential statistical methods such as Pearson's Product Moment Correlations coefficients and multiple linear regression. Cronbach's alpha coefficients of 0.70 and above were accepted to ensure the consistency of the measuring instrument. The factor loadings of 0.50 and above were accepted to ensure the validity of the measuring instrument. Chapter 5 presents a discussion of the empirical results of this study.

CHAPTER FIVE

EMPIRICAL RESULTS AND DISCUSSION

5.1 INTRODUCTION

This chapter presents a discussion of the empirical results of the methodology described in Chapter 4. This chapter also presents descriptive statistics calculations for mean, standard deviation, and frequency distributions to summarise the demographic information of the respondents of the study. This chapter also presents an exploratory factor analysis to assess the validity of the measuring instrument and, subsequently, to present calculations of Cronbach's alpha coefficient to assess the reliability of the measuring instrument. This is followed by a discussion on Pearson's Product Movement Correlations to assess if correlations exist between the independent, mediating, and dependent variables. Lastly, the results of the multiple linear regression analysis are presented to determine if there is a significantly positive influence of independent variables on mediating and dependent variables.

5.2 DESCRIPTIVE STATISTICS ON DEMOGRAPHIC VARIABLES

Section A of the questionnaire consists of several items concerning the demographic information of the respondents. Table 5.1 presents a summary of all the demographic information of this study, which includes the respondents' years of work experience, job title, ownership of the business, the nature of the industry, number of employees, and how long the business has been in existence.

Table 5.1: Frequency table on demographic variables

Item	Frequency	Percentage
Work experience		
Less than 1 year	0	0.00
1 to 2 years	22	9.61
3 to 4 years	99	43.23
5 years	63	27.51
More than 5 years	45	19.65
Total	229	100.00
Business existence		
Less than 1 year	0	0.00
1 to 2 years	14	6.11
3 to 4 years	75	32.75
5 years	58	25.33
More than 5 years	82	35.81
Total	229	100.00
Ownership		
Less than 1 year	0	0.00
1 to 2 years	21	9.17
3 to 4 years	99	43.23
5 years	64	27.95
More than 5 years	45	19.65
Total	229	100.00
Job title		
Owner	39	17.03
Manager	87	37.99
Both owner and manager	89	38.86
Other	14	6.11
Total	229	100.00
Number of employees		
50 – 100	174	75.98
101 – 150	50	21.83
151 – 200	5	2.18
Total	229	100.00
Nature of industry		
Manufacturing	67	29.26
Retail	61	26.64
Service provider	41	17.90
Other	60	26.20
Total	229	100.00

As presented in Table 5.1, respondents were asked to indicate their current job title or position which they hold in their small businesses. The majority of respondents running small businesses in the Nelson Mandela Bay region indicated that they hold a position as both owners and managers

(38.86%), followed closely by those who indicated they were only managers (37.99%). Some respondents indicated that they were owners (17.03%), and the remaining respondents indicated other positions (6.11%), such as the managing director, chief executive officer, director, or executive manager. Respondents were asked to indicate the total number of years of work experience in their small businesses. Most respondents indicated that they have between 3 to 4 years of total work experience in a small business, while others have indicated that they have less than two years (9.61%) of work experience. Similarly, in terms of owning/managing a small business, 43.23% of the respondents indicated that they had owned their businesses for a period between 3 to 4 years, followed by 27.95% of the respondents who indicated five years. Only 19.65% indicated that they had owned/managed their small businesses for more than five years.

The respondents were requested to provide the number of years their businesses had been in existence. Most respondents indicated that their small businesses existed for more than five years (35.81%) and between 3 to 4 years (32.75%), followed by small businesses that existed for five years (25.33%) and others for less than two years (6.11%). The majority of respondents indicated that the number of people hired in their businesses ranged between 50 and 100 people (75.98%), and (21.83%) indicated that they hired between 101 and 150 people. These small businesses operate in different industries within the region of Nelson Mandela Bay. Most respondents indicated that they were either employed in a manufacturing industry (29.26%) or in different retail businesses (26.64%). In comparison, 26.20% indicated other types of businesses not of the same nature as manufacturing and retail or service providers (17.90%).

5.3 VALIDITY AND RELIABILITY OF THE MEASURING INSTRUMENT

As previously discussed in Chapter 4, validity is the extent to which research findings accurately reflect the phenomenon under study (Collis and Hussey, 2009:64). In other words, validity tests how well a measuring instrument that was initially developed measures the concept it is intended to measure (Sekaran and Bougie, 2009:157). For this study, content validity and construct validity were considered to ensure that the measuring instrument measures the concept adequately and that the measuring instrument taps the concept as theorised (Sekaran and Bougie, 2009:159). In terms of content validity, senior lecturers and a professor in the Department of Management and the Department of Statistics at Rhodes University were consulted as specialists in the field of strategic management to scrutinise the measuring instrument to ensure its suitability before it was distributed to the respondents. All advice and comments from the specialists were fully taken into consideration to come up with an accurate measuring instrument, which was then distributed to the respondents.

An exploratory factor analysis (EFA) was conducted to determine the construct validity. EFA is conducted when the researcher is uncertain about the number of factors that exist in a set of variables (Zikmund et al., 2010:593). EFA provides two-fold important pieces of information, namely: i) the number of factors that exist among a set of variables and ii) the strength of the relationship between each factor (Zikmund et al., 2010:593-594). Eigenvalues greater than 1.0 were used to determine the number of factors to be retained. For this study, there were eight factors returned, as presented in section 5.5. Factor loadings determine the correlation between the variant and the factor (Hair et al., 2014:114). To judge the practical significance of factor loadings, Hair et al. (2014:114) state that factor loadings of approximately 0.40 are minimally accepted and considered fair. Furthermore, factor loadings that are greater than 0.50 are considered necessary for practical significance (Hair et al., 2014:114).

For this study, factor loadings of 0.50 and above were retained. Cronbach's alpha coefficients were calculated to test the reliability and internal consistency of the measuring instrument. Wiid and Diggins (2013:238) outline how to interpret Cronbach's alpha coefficients as follows: if a value is above 0.80, reliability is acceptable; if a value is between 0.60 and 0.80, reliability is also acceptable, and if a value is below 0.60 its reliability is unacceptable. For this study, Cronbach's alpha coefficient of 0.70 and above was accepted. The validity and reliability analysis results of this study are presented in section 5.5.

5.4 RESULTS OF THE VALIDITY AND RELIABILITY ANALYSIS FOR THE INDEPENDENT VARIABLE

This section presents the validity and reliability analysis for the scale measuring the independent, mediating, and dependent variables. An exploratory factor analysis (EFA) was conducted for all three variables, namely i) strategic leadership (that is, strategic direction, balanced organisational controls, organisational culture, organisation's resource portfolio, and ethical practice) as independent variables; ii) strategy implementation as the mediating variable and iii) business performance as the dependent variable. This section presents the results of EFA for the independent variables of this study, namely, strategic direction, balanced organisational controls, organisation's resource portfolio, organisational culture, and ethical practice. The factors presented in Table 5.2 were generated using EFA and based on the factor loadings.

Table 5.2: Factor loadings for independent variables

Item	Organisational culture	Strategic direction	Balanced organisational controls	Organisation's resource portfolio	Ethical practice
B2.1	0.158611	0.567217	0.024880	-0.012660	0.105596
B2.2	0.078640	0.826994	0.065058	0.127716	0.049945
B2.3	0.056669	0.817712	0.071225	0.157911	0.038385
B2.4	0.101265	0.643361	0.067802	0.233013	0.018650
B2.5	0.061678	0.665066	0.208066	0.223910	-0.062433
B2.6	0.059683	0.573187	0.159173	0.219795	-0.012343
B3.1	0.087587	0.522900	0.464529	-0.098393	0.319633
B3.2	0.016780	0.365704	0.507453	-0.101639	0.342758
B3.3	0.084039	0.360419	0.531515	0.027187	0.179000
B3.4	0.052467	0.389703	0.600472	0.150410	0.070875
B3.5	0.084036	0.047105	0.862553	0.154552	0.031771
B3.6	0.067426	0.034304	0.832843	0.118191	0.023936
B4.1	0.619706	0.165426	0.015341	0.210770	0.343179
B4.2	0.901869	0.104321	0.064546	0.101676	0.162724
B4.3	0.877948	0.097138	0.081699	0.051741	0.143303
B4.4	0.914625	0.114239	0.033992	0.059258	0.090759
B4.5	0.276481	-0.025163	0.113832	0.184057	0.183148
B5.1	0.098716	0.239750	0.166554	0.590779	0.170641
B5.2	0.118324	0.168218	0.128528	0.765920	0.156398
B5.3	0.137708	0.134420	0.049362	0.832931	0.081645
B5.4	0.048679	0.138020	-0.001655	0.746842	0.041213
B5.5	0.115782	0.026251	0.079184	0.469822	0.336769
B6.1	0.182189	0.250775	0.075043	0.109130	0.776810
B6.2	0.143291	0.133590	0.125994	0.164991	0.812590
B6.3	0.137143	-0.093043	0.081707	0.182823	0.784999
B6.4	0.070069	0.126018	0.000193	0.177003	0.275846
B6.5	0.151167	-0.077644	0.003093	0.062759	0.524765

The results of each factor, as presented in Table 5.2, are summarised individually in the following tables: 5.4, 5.5, 5.6, 5.7, and 5.8.

5.4.1 STRATEGIC DIRECTION

This section presents the number of items that are loaded on the factor called *strategic direction*. Strategic direction involves specifying the image and character the firm seeks to develop over time. (Hitt, et al., 2013:361). In the original measuring instrument developed to measure *strategic direction*, there were six items (B2.1, B2.2, B2.3, B2.4, B2.5, B2.6) in total, and all these items loaded successfully on the factor. In addition, item B3.1 is also loaded on the factor's *strategic direction*. A possible reason for this can be linked with item B2.5, which states that strategic

direction helps to better the performance of the business. To better the business' performance, controls should be put in place to set the standards of the desired performance (B3.1). Factor loadings between 0.522900 and 0.826994 provided evidence that the validity for this construct is present. Cronbach's alpha for the factor's *strategic direction* is 0.880918, which means that the scale measuring the factor's *strategic direction* is reliable. Table 5.3 presents the validity and reliability analysis of the factor's *strategic direction*.

Table 5.3: Validity and reliability analysis: Strategic direction

Item	Statement	Cronbach's alpha = 0.880918		
		Factor loading	Item-total correlation	Cronbach's alpha (if deleted)
B2.1	Vision, mission, and strategic intent form the basis for determining the strategic direction of the business	0.567217	0.550326	0.877289
B2.2	The business has a clear long-term vision.	0.826994	0.844658	0.838590
B2.3	The business has a clear mission for how it will achieve its long-term vision.	0.817712	0.855893	0.836417
B2.4	Strategic direction is used as a basis for resource allocation to the business.	0.643361	0.662206	0.865299
B2.5	Strategic direction helps to better the performance of the business.	0.665066	0.688702	0.861106
B2.6	The strategic direction of the business is for the next three to five years.	0.573187	0.595147	0.875279
B3.1	Controls help the business to set standards for the desired performance.	0.522900	0.495594	0.882710

As presented in Table 5.3, results show that *strategic direction* can be defined as a clear long-term vision and mission that specifies the image and character of the business over three to five years. Meanwhile, it forms the basis for resource allocation, which can help the business better its performance and put controls in place to set standards of the desired performance.

5.4.2 BALANCED ORGANISATIONAL CONTROLS

For the factor *balanced organisational controls*, the original instrument entailed six items (B3.1, B3.2, B3.3, B3.4, B3.5, and B3.6), of which only one item (B3.1) did not load successfully on the factor, as it was below the value of 0.50. Consequently, this item was excluded from further analysis. Balanced organisational controls refer to both strategic and financial controls of the organisation to support the implementation of strategies (Hitt et al., 2013:367). Factor loadings between 0.507453 and 0.862553 were returned and confirmed the validity of this construct. Cronbach's alpha for the factor *balanced organisational controls* is 0.822007, meaning that the scale measuring this factor is reliable. Table 5.4 presents the validity and reliability analysis of the factor-*balanced organisational controls*.

Table 5.4: Validity and reliability analysis: Balanced organisational controls

Item	Statement	Cronbach's alpha = 0.822007		
		Factor loading	Item-total correlation	Cronbach's alpha (if deleted)
B3.2	Controls in the business use deviations to make corrective actions on strategy implementation.	0.507453	0.494868	0.819123
B3.3	The business uses both strategic and financial controls to support the strategy implementation.	0.531515	0.581107	0.797617
B3.4	Strategic controls help the business to achieve strategic competitiveness.	0.600472	0.594038	0.794875
B3.5	Financial controls support the business's return on investment (ROI).	0.862553	0.737486	0.747650
B3.6	Financial controls support the business's profitability.	0.832843	0.693575	0.762561

As presented in Table 5.4, the EFA results indicate that *balanced organisational controls* use both strategic and financial controls to support the implementation of a selected strategy in pursuit of achieving profitability and return on investment (ROI). In addition, these controls use deviations to make corrective actions intended to support the business to achieve its strategic competitiveness.

5.4.3 ORGANISATIONAL CULTURE

This section presents the number of items that are loaded onto the factor called *organisational culture*. Organisational culture refers to a complex set of values, beliefs, assumptions, and symbols shared throughout the business and defines ways in which a business conducts its activities (Hitt et al., 2013:365). The original measuring instrument was developed with five items (B4.1, B4.2, B4.3, B4.4, and B4.5) to measure *organisational culture*, but only four items (B4.1, B4.2, B4.3, and B4.4) loaded on the factor. Item B4.5 did not load on the factor as it was less significant than the value 0.50, and as a result, this item was excluded from further analysis. Factor loading between 0.619706 and 0.914625 confirmed that this construct is valid. Cronbach's alpha for the factor of *organisational culture* is 0.903999, which confirms that the scale measuring this factor is reliable. Table 5.5 presents the validity and reliability analysis of the factor of *organisational culture*.

Table 5.5: Validity and reliability analysis: Organisational culture

Item	Statement	Cronbach's alpha = 0.903999		
		Factor loading	Item-total correlation	Cronbach's alpha (if deleted)
B4.1	Culture influences the manner in which the business is conducted.	0.619706	0.602103	0.952066
B4.2	The culture of the business is unique in that it gives the business a competitive advantage.	0.901869	0.880307	0.843124
B4.3	The culture of the business is incomparable in that it gives the business a competitive advantage.	0.877948	0.843465	0.855903
B4.4	The culture of the business is valuable in that it gives the business a competitive advantage.	0.914625	0.861021	0.850188

As presented in Table 5.5, the results show that *organisational culture* can be defined as a culture that is unique, valuable, and incomparable for the business to make the business gain and maintain a competitive advantage. Meanwhile, culture influences the manner in which business is conducted.

5.4.4 ORGANISATION'S RESOURCE PORTFOLIO

This section presents the number of items that are loaded on the factor called the *organisation's resource portfolio*. Organisation's resource portfolio refers to the firm's resources that consist of financial, human, and social capital. These resources should be managed effectively by organising them into capabilities that could be leveraged to create value for customers (Hitt et al., 2013:362). In the original measuring instrument, there were five items (B5.1, B5.2, B5.3, B5.4, and B5.5) used to measure an *organisation's resource portfolio*. However, only four items (B5.1, B5.2, B5.3, and B5.4) loaded successfully onto the factor. Item B5.5 did not load on the factor as it was less significant than the value 0.50, and as a result, this item was excluded from further analysis. Factor loadings between 0.590779 and 0.832931 were returned for the *organisation's resource portfolio*, and this provides evidence that the validity for this construct is present. Cronbach's alpha for the factor *organisation's resource portfolio* is 0.842178, suggesting that the scale measuring this construct is reliable. Table 5.6 presents the validity and reliability analysis of the factor *organisation's resource portfolio*.

Table 5.6: Validity and reliability analysis: Organisation's resource portfolio

Item	Statement	Cronbach's alpha = 0.842178		
		Factor loading	Item-total correlation	Cronbach's alpha (if deleted)
B5.1	Financial capital is critical to the success of the business.	0.590779	0.580371	0.839240
B5.2	Human capital serves as a source of competitive advantage.	0.765920	0.754706	0.765360
B5.3	Resources are used effectively to achieve a competitive advantage.	0.832931	0.771814	0.755978
B5.4	Resources are organised into capabilities that could be leveraged to create value for customers.	0.746842	0.607972	0.829907

Table 5.6 presents the results of EFA, which confirm that *organisation's resource portfolio* refers to resources that can be organised into capabilities that could be leveraged to create value for customers. Meanwhile, human capital, as a source of competitive advantage, when used effectively together with other resources such as financial capital, is critical to creating competitive advantage and success for the business.

5.4.5 ETHICAL PRACTICE

The original measuring instrument, which consisted of 5 items (B6.1, B6.2, B6.3, B6.4, and B6.5) intended to measure the factor of *ethical practice*, only four items (B6.1, B6.2, B6.3, and B6.5) loaded together. The remaining item (B6.4), which was intended to measure *ethical practice*, did not load significantly on the factor as it was below the value of 0.50. This item was then excluded from the analysis. Ethical practice refers to the effectiveness of processes used to implement the business's strategies, which increases when they are based on ethical conduct (Hitt et al., 2013:366). Factor loadings between 0.524765 and 0.812590 were returned and confirmed the validity of this construct. Cronbach's alpha for the factor of *ethical practice* is 0.812418, which means that the scale measuring the factor of *ethical practice* is reliable. Table 5.7 presents the validity and reliability analysis of the factor of *ethical practice*.

Table 5.7: Validity and reliability analysis: Ethical practice

Item	Statement	Cronbach's alpha = 0.812418		
		Factor loading	Item-total correlation	Cronbach's alpha (if deleted)
B6.1	The effectiveness of processes used to implement business strategies increases when they are based on ethical practice.	0.776810	0.734216	0.711870
B6.2	Ethical practice plays a role in developing a sense of integrity, transparency, and trustworthy relationships among staff.	0.812590	0.774531	0.693873
B6.3	Strategic leaders implement methods and procedures to use in achieving the business ethical standards.	0.784999	0.673093	0.746510
B6.5	The business has proper channels and procedures to report acts of wrongdoing.	0.524765	0.379989	0.876233

Based on the EFA results presented in Table 5.7, *ethical practice* can be defined as the effectiveness of processes used to implement the business's strategies, which increases when they are based on ethical conduct. *Ethical practice* also plays an important role in developing a sense of integrity, transparency, and trustworthy relationships among staff members in the business. Meanwhile, strategic leaders implement methods and procedures to use in achieving business ethical standards. They also implement proper channels and procedures that are needed to report acts of wrongdoing in the business.

5.5 RESULTS OF THE VALIDITY AND RELIABILITY ANALYSIS FOR THE MEDIATING AND DEPENDENT VARIABLES

This section presents the results of the validity and reliability analysis for mediating and dependent variables. EFA was conducted on both variables, *strategy implementation*, and *business performance*. Table 5.8 presents the factor loadings of the mediating and dependent variables.

Table 5.8: Factor loadings for the mediating and dependent variables

Item	Strategy implementation	Business performance
C1.1	0.751902	0.170474
C1.2	0.842201	0.137928
C1.3	0.876768	0.151865
C1.4	0.869149	0.174818
C2.1	0.049482	0.807279
C2.2	0.057872	0.811394
C2.3	0.075011	0.656978
C2.4	0.064697	0.736293
C2.5	0.102184	0.585562
C2.6	-0.016847	0.661024
C2.7	0.145382	0.803093
C2.8	0.174017	0.799765

The results of each factor, as presented in Table 5.8, are summarised individually in the following tables: 5.9 and 5.10.

5.5.1 STRATEGY IMPLEMENTATION

This section presents the number of items that are loaded on the factor called *strategy implementation*. Strategy implementation is viewed as a process of transforming strategies into a sequence of activities. Then, it gets results to achieve the strategic objective of the organization (Mubarak and Yussof, 2019:34). The original measuring instrument consisted of 4 items (C1.1, C1.2, C1.3, and C1.4), which were used to measure *strategy implementation*. All four items loaded successfully onto the factor. Factor loadings between 0.751902 and 0.876768 were returned for *the organisation's resource portfolio*, and this provided evidence that the validity for this construct is

present. The Cronbach's alpha for the factor *organisation's resource portfolio* is 0.905330, suggesting that the scale measuring this construct is reliable. Table 5.9 presents the validity and reliability analysis of the factor *strategy implementation*.

Table 5.9: Validity and reliability analysis: Strategy implementation

Item	The following elements, when 'properly aligned to a selected strategy, contribute positively to effective strategy implementation.	Cronbach's alpha = 0.905330		
		Factor loading	Item-total correlation	Cronbach's alpha (if deleted)
C1.1	Organisational structure.	0.751902	0.750637	0.903741
C1.2	Processes (policies and procedures).	0.842201	0.842350	0.857398
C1.3	Skills, knowledge, and abilities	0.876768	0.804115	0.879785
C1.4	Information systems.	0.869149	0.806187	0.871629

As presented in Table 5.9, the results show that organisational structure, processes, skills, knowledge and abilities, and information systems, when properly aligned to a selected strategy of the organisation, contribute positively to effective strategy implementation.

5.4.2 BUSINESS PERFORMANCE

For the factor *business performance*, the original instrument entailed eight items (C2.1, C2.2, C2.3, C2.4, C2.5, C2.6, C2.7, and C2.8), of which all of them loaded together on the factor. Business performance refers to the firm's growth in terms of sales turnover, profit, rates of return on investments, expansion, and decrease in operational costs and employee turnover rates (Zeka, 2013:38). Factor loadings between 0.585562 and 0.811394 were returned and confirmed the validity for this construct. The Cronbach's alpha for *business performance* as a factor is 0.897470, meaning that the scale measuring this factor is reliable. Table 5.10 presents the validity and reliability analysis of the factor *business performance*.

Table 5.10: Validity and reliability analysis: Business performance

Item	Over the past two years, the business	Cronbach's alpha = 0.897470		
		Factor loading	Item-total correlation	Cronbach's alpha (if deleted)
C2.1	has increased the annual sales turnover.	0.807279	0.748903	0.877770
C2.2	has increased the business's productivity.	0.811394	0.757563	0.877592
C2.3	has experienced a low employee turnover rate.	0.656978	0.603400	0.891239
C2.4	has increased the return on total assets.	0.736293	0.687848	0.883859
C2.5	has decreased the operating costs.	0.585562	0.537025	0.896458
C2.6	has experienced growth in employees.	0.661024	0.583865	0.893537
C2.7	is profitable.	0.803093	0.756461	0.876976
C2.8	can be regarded as successful.	0.799765	0.767761	0.876128

As presented in Table 5.10, the results of the EFA show that business performance refers to the firm's growth in terms of the increase in sales turnover, productivity, return on total assets, profitability, and decrease in operating costs and staff turnover rate.

5.6 REOPERATIONALISATION OF VARIABLES

The results of the EFA, as presented in section 5.4, require that different variables such as *strategic direction*, *balanced organisational controls*, *organisational culture*, *organisation's resource portfolio*, and *ethical practice* be re-operationalised in terms of their definitions because the items of those different variables were deleted or added as a result of the EFA. Table 5.11 presents re-operationalised definitions.

Table 5.11: Reoperationalisation of definitions

Variable	New definition
Strategic direction	Strategic direction can be defined as a clear long-term vision and mission that specifies the image and character of the business over three to five years. Meanwhile, it forms a basis for resource allocation, which can help the business better its performance and put controls in place to set standards of the desired performance.
Balanced organisational controls	Balanced organisational controls use both strategic and financial controls to support the implementation of a selected strategy in pursuit of achieving profitability and return on investment (ROI). In addition, these controls use deviations to make corrective actions intended to support the business to achieve its strategic competitiveness.
Organisational culture	Organisational culture can be defined as a culture that is unique, valuable, and incomparable to make the business gain and maintain a competitive advantage. Meanwhile, culture influences the manner in which the business is conducted.
Organisation's resource portfolio	Organisation's resource portfolio refers to resources that can be organised into capabilities that could be leveraged to create value for customers. Meanwhile, human capital, as a source of competitive advantage, when used effectively together with other resources such as financial capital, is critical to creating competitive advantage and success for the business.
Ethical practice	Ethical practice can be defined as the effectiveness of processes used to implement the business's strategies, which increases when they are based on ethical conduct. Ethical practice also plays an important role in developing a sense of integrity, transparency, and trustworthy relationships among staff members in the business.

The new operational definitions of the factors are presented in Table 5.11 based on the results of the EFA. The factor *strategic direction* added a new item to the factor loadings, and the remaining factors had one or more items deleted. Thus, new operational definitions had to be reformulated for these factors.

5.7 EMPIRICAL RESULTS ON THE RELATIONSHIP OF VARIABLES

The following section presents the results of the descriptive statistics on the independent, mediating, and dependent variables of this study. Pearson's Product Moment Correlations that were conducted to establish the correlations between various factors under investigation are discussed, followed by the analyses conducted using multiple linear regression analysis to investigate the significant positive influence of the independent variables on mediating and dependent variables. The last section concludes with a summary of the main findings presented in this chapter.

5.7.1 DESCRIPTIVE STATISTICS ON THE INDEPENDENT, MEDIATING AND DEPENDENT VARIABLES

In section 5.2 of this chapter, the descriptive statistics were calculated to summarise the demographic information of respondents drawn from section A of the measuring instrument of this study. In this section, descriptive statistics are now conducted on variables identified in sections B and C of the measuring instrument. Mean scores, standard deviations, and frequency distribution were calculated to summarise the information relating to independent, mediating, and dependent variables. Although the measuring instrument used a five-point Likert-type scale, the frequency distribution response for the categories 'strongly disagree' and 'disagree' were combined as 'disagree.' Similarly, the response categories 'strongly agree' and 'agree' were combined as 'agree.' Table 5.12 presents the descriptive statistics on the variables.

Table 5.12: Descriptive statistics on the independent, mediating, and dependent variables

Factors	Mean	Std.Dev.	Percentage (%)		
			Disagree	Neutral	Agree
Strategic direction	3.884	0.595	6.70	25.11	68.20
Balanced organisational controls	3.976	0.545	3.49	16.30	80.20
Organisational culture	3.943	0.621	5.33	28.91	65.76
Organisation's resource portfolio	4.360	0.496	2.27	14.06	83.67
Ethical practice	4.014	0.487	5.07	21.40	73.54
Strategy implementation	4.199	0.619	1.86	12.23	85.92
Business performance	3.017	0.615	33.42	32.66	33.92

As presented in Table 5.12, the independent variable *strategic direction* reported a mean score of 3.884, with the majority of the respondents (68.20%) agreeing that *strategic direction* in their small businesses entails a clear long-term vision and mission that specifies the image and character of the business over three to five years. Furthermore, strategic direction forms the basis for resource allocation, which can help small businesses better their performance. Meanwhile, controls are put in place to set standards for the desired performance. The independent variable, *balanced organisational controls*, reported a mean score of 3.976, with the significant majority of the respondents (80.20%) agreeing that *balanced organisational controls* in their small businesses use both strategic and financial controls to support the implementation of a selected strategy. In addition, these controls use deviations to make corrective actions intended to support their businesses to achieve strategic competitiveness. Furthermore, respondents agreed that financial controls are key to supporting their small businesses to increase profitability and return on investment (ROI).

Organisational culture returned a mean score of 3.943, with 65.76% of the respondents agreeing that the culture in their small businesses is unique, valuable, and incomparable for the businesses to gain and maintain a competitive advantage in the industry in which they operate. Furthermore, respondents agreed that culture influences the manner in which their businesses are conducted. The independent variable *organisation's resource portfolio* returned the highest mean score of 4.360 and with the significant majority of respondents (83.67%) agreeing that the resources they have in their businesses are organised into capabilities that could be leveraged to create value for customers. Meanwhile, human capital, in particular, as a source of competitive advantage, when used effectively together with other resources such as financial capital, is critical for their business to create competitive advantage and success for their businesses. *Ethical practice* reported a high mean score of 4.014, with 73.54% of respondents agreeing that ethical practice plays an important role in their small businesses in developing a sense of integrity, transparency, and trustworthy relationships among staff members. Respondents also agreed that as owners/managers, they implement methods and procedures to ensure they achieve business ethical standards and implement proper channels and procedures intended to report acts of wrongdoing in their businesses.

The mediating variable *strategy implementation* returned a high mean score of 4.199, with the significant majority of the respondents (85.92%) agreeing that the following elements, namely, organisational structure, processes, skills, knowledge and abilities, and information systems, contribute positively to effective strategy implementation when properly aligned to a selected strategy of their businesses. The dependent variable, *business performance*, returned a mean score of 3.017, with only 33.92% of the respondents agreeing that their businesses have experienced

growth in sales turnover, productivity, return on total assets, and profitability. Meanwhile, operating costs and staff turnover rates were kept low.

5.7.2 RESULTS OF THE PEARSON'S PRODUCT-MOMENT CORRELATIONS

Table 5.13 presents the results of Pearson's Product Moment Correlations, which were calculated for investigating the correlations between independent, mediating, and dependent variables used in this study.

Table 5.13: Pearson's Product-Moment Correlations

	Strategic direction	Balanced organisational controls	Organisational culture	Organisation's resource portfolio	Ethical practice	Strategy implementation	Business performance
Strategic direction	1.000	0.530	0.310	0.416	0.254	0.343	0.333
Balanced organisational controls	0.530	1.000	0.258	0.325	0.308	0.351	0.295
Organisational culture	0.310	0.258	1.000	0.315	0.433	0.263	0.278
Organisation's resource portfolio	0.416	0.325	0.315	1.000	0.323	0.303	0.189
Ethical practice	0.254	0.308	0.433	0.323	1.000	0.244	0.254
Strategy implementation	0.343	0.351	0.263	0.303	0.244	1.000	0.334
Business performance	0.333	0.295	0.278	0.189	0.254	0.334	1.000
(Correlations are significant at $p < .05000$) N=229							

The hypothetical model of this study seeks to test a significant positive relationship between strategic leadership actions (independent variables), strategy implementation (mediating variable), and business performance (dependent variable). As presented in Table 5.13, a moderate positive correlation was observed between the independent variables (*strategic direction*, *balanced organisational controls*, and *organisation's resource portfolio*) and the mediating variable (*strategy implementation*) with Pearson's correlations (r) of 0.343, 0.351, and 0.303 correspondingly. *Organisational culture* ($r = 0.263$) and *ethical practice* (0.244) have shown a weak positive correlation with *strategy implementation*. As a result of Pearson's correlation calculations, it is evident that there is a positive relationship between the independent and mediating variables of this study. The mediating variable *strategy implementation* reported a moderate positive correlation with the dependent variable *business performance* ($r = 0.334$). Consequently, there is a positive relationship between the mediating and dependent variables of this study.

The independent variable *strategic direction* presented a moderate positive correlation with the dependent variable, *business performance* ($r = 0.333$). The remaining independent variables, *balanced organisational controls* ($r = 0.295$), *organisation's resource portfolio* ($r = 0.189$), *organisational culture* ($r = 0.278$), and *ethical practice* ($r = 0.254$), reported a weak positive correlation with the dependent variable *business performance*. For this study, the independent variables tested a significant positive relationship with the dependent variable *business performance*.

5.7.3 RESULTS OF THE MULTIPLE LINEAR REGRESSION ANALYSIS

This section presents the multiple linear regression analysis on the influence of independent variables (*strategic direction*, *balanced organisational controls*, *organisation's resource portfolio*, *organisational culture*, and *ethical practice*) on mediating variable (*strategy implementation*) and dependent variable (*business performance*) of this study. Three (3) separate regression summaries were conducted for this purpose. Table 5.14 presents the first multiple linear regression summary, which considers the influence of the independent variables on *strategy implementation* (mediating variable).

Table 5.14: Regression summary of independent variables on strategy implementation

Mediating variable: Strategy implementation			
Independent variables	Beta	t-value	p-value
Strategic direction	0.146	1.870	0.063
Balanced organisational controls	0.214	2.593	0.010**
Organisational culture	0.101	1.468	0.143
Organisation's resource portfolio	0.163	1.893	0.060
Ethical practice	0.081	0.924	0.356
(*p<0.05; **p<0.01; ***p<0.001)			
Adjusted R² = 0.178			

Table 5.14 shows that a significant positive linear relationship (0.010; $p < 0.05$) is reported between *balanced organisational controls* and *strategy implementation*. Meaning that small businesses may use balanced organisational controls, both strategic and financial, to support the implementation of a selected strategy to ensure the business is profitable and has a return on investment. The remaining independent variables have a positive but not significant relationship with the mediating variable

strategy implementation. A second multiple linear regression summary considered the influence of the independent variables on the dependent variable *business performance*. Results are presented in Table 5.15.

Table 5.15: Regression summary of independent variables on business performance

Dependent variable: Business performance			
Independent variables	Beta	t-value	p-value
Strategic direction	0.210	2.659	0.008**
Balanced organisational controls	0.138	1.657	0.099
Organisational culture	0.140	2.013	0.045*
Organisation's resource portfolio	-0.018	-0.213	0.832
Ethical practice	0.136	1.532	0.127
(*p<0.05; **p<0.01; ***p<0.001)			
Adjusted R² = 0.149			

From Table 5.15, it can be seen that *strategic direction* and *business performance* have a significant positive linear relationship (0.008; p<0.01). In other words, a small business that uses strategic direction as a basis for the allocation of resources can help the business better its performance and experience growth in sales turnover and profitability over three to five years. A significant positive linear relationship between *organisational culture* and *business performance* exists (0.045; p<0.05). In other words, a small business that adapts to a unique, valuable, and incomparable culture can create a competitive advantage for the business; thereby, it will likely experience an increased business performance. Table 5.16 presents a third regression summary, which was conducted to test the significant positive influence of the mediating variable *strategy implementation* on the dependent variable *business performance*.

Table 5.16: Regression summary of the mediating variable on business performance

Dependent variable: Business performance			
Mediating variable	Beta	t-value	p-value
Strategy implementation	0.331	5.334	0.000***
(*p<0.05; **p<0.01; ***p<0.001)			
R² = 0.111			

As depicted in Table 5.16, it can be seen that a significant positive linear relationship exists between *strategy implementation* and *business performance* (0.000; $p < 0.001$). In other words, small businesses can increase their business performance when their selected strategies are effectively implemented, taking into consideration the structure of the organisation, internal processes, staff development and training, and information technology.

5.7.4 EVALUATION OF HYPOTHESES ACCEPTED FOR THIS STUDY

After performing the results of the multiple linear regression analysis, the proposed hypothetical model of this study that was formulated to test the relationships between the independent, mediating, and dependent variables can now be evaluated. Table 5.17 presents the evaluation of the first set of hypotheses of this study.

Table 5.17: Evaluation of the first set of hypotheses

H _{a1}	There is a significant positive influence between <i>strategic direction</i> and <i>strategy implementation</i> .	Rejected
H _{a2}	There is a significant positive influence between <i>balanced organisational controls</i> and <i>strategy implementation</i> .	Accepted
H _{a3}	There is a significant positive influence between an <i>organisation's resource portfolio</i> and <i>strategy implementation</i> .	Rejected
H _{a4}	There is a significant positive influence between <i>organisational culture</i> and <i>strategy implementation</i> .	Rejected
H _{a5}	There is a significant positive influence between <i>ethical practice</i> and <i>strategy implementation</i> .	Rejected
H _{a6}	There is a significant positive influence between <i>strategy implementation</i> and <i>business performance</i> .	Accepted

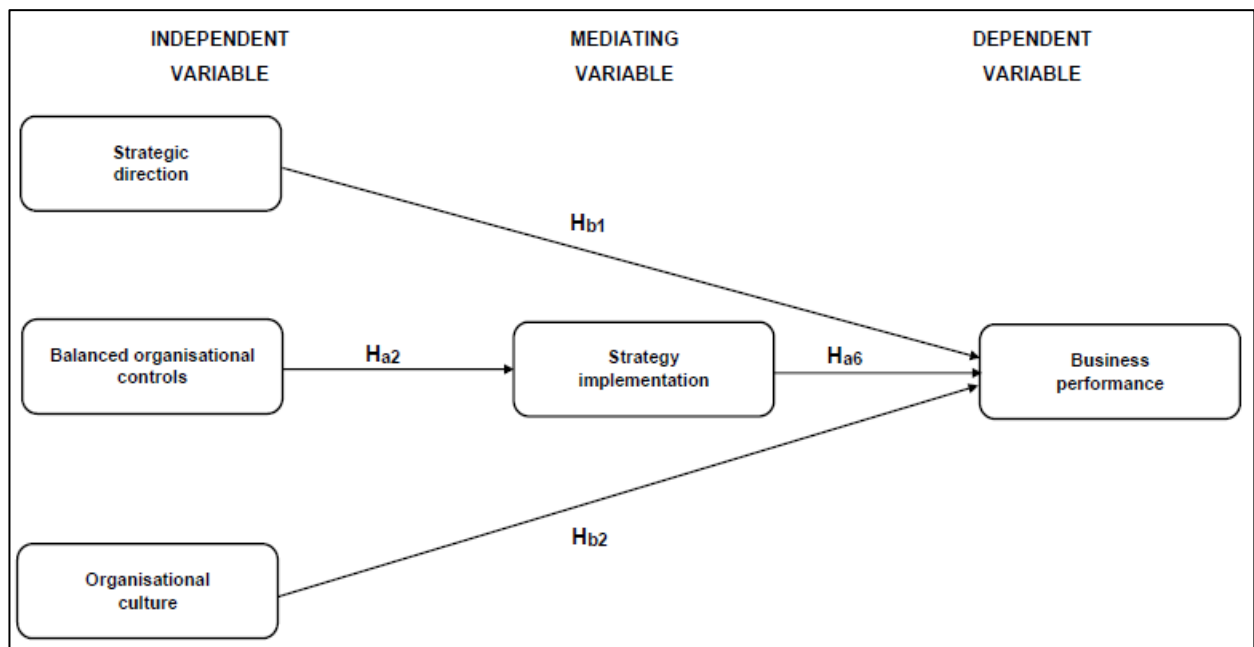
The empirical results returned only two hypotheses (H_{a2} and H_{a6}) that are accepted, whereas hypotheses (H_{a1}, H_{a3}, H_{a4}, and H_{a5}) are rejected as they do not have a significant relationship with the mediating variable *strategy implementation*. Table 5.19 presents the evaluation of the second set of hypotheses.

Table 5.18: Evaluation of the second set of hypotheses

H _{b1}	There is a significant positive influence between <i>strategic direction</i> and <i>business performance</i> .	Accepted
H _{b2}	There is a significant positive influence between <i>balanced organisational controls</i> and <i>business performance</i> .	Rejected
H _{b3}	There is a significant positive influence between an <i>organisation's resource portfolio</i> and <i>business performance</i> .	Rejected
H _{b4}	There is a significant positive influence between <i>organisational culture</i> and <i>business performance</i> .	Accepted
H _{b5}	There is a significant positive influence between <i>ethical practice</i> and <i>business performance</i> .	Rejected

The results of the regression summary returned only two hypotheses (H_{b1} and H_{b4}) that were accepted. Hypotheses (H_{b2}, H_{b3}, and H_{b5}) are rejected as they do not have a significant relationship with the dependent variable *business performance*. The following empirical hypothetical model illustrated in Figure 5.1 is accepted for this study and is based on empirical results that were performed in this section.

Figure 5.1. Empirical hypothetical model of this study



Source: Researcher's model

As illustrated in Figure 5.1, the following empirical hypotheses presented in Table 5.19 were tested and accepted for this study.

Table 5.19: Empirical hypotheses accepted for this study

H _{a2}	There is a significant positive influence between <i>balanced organisational controls</i> and <i>strategy implementation</i> .	Accepted
H _{a6}	There is a significant positive influence between <i>strategy implementation</i> and <i>business performance</i> .	Accepted
H _{b1}	There is a significant positive influence between <i>strategic direction</i> and <i>business performance</i> .	Accepted
H _{b4}	There is a significant positive influence between <i>organisational culture</i> and <i>business performance</i> .	Accepted

5.8 CHAPTER SUMMARY

Chapter 1 presented the theoretical framework to be empirically investigated by collecting the primary data from the owners/managers of the SMEs in the Nelson Mandela Bay region, Eastern Cape. The empirical results were then presented in this chapter in various categories, which included the calculations of descriptive statistics on demographic variables and subsequently on the independent, mediating, and dependent variables. Other categories included the exploratory factor analysis (EFA) and Cronbach's alpha to confirm the validity and reliability of the measuring instrument used in this study and Pearson's Product Moment Correlations to determine the correlations between the independent, mediating, and dependent variables. Multiple linear regression analysis was performed to determine which hypotheses were accepted for this study.

In terms of descriptive statistics on demographic variables, the frequency table indicated that the majority of the respondents (35.81%) have been operating their small businesses for more than five years in their positions as both owners and managers (38.86%) and others (37.99%) as managers. Most respondents confirmed that their businesses operate in the manufacturing industry (29.26%); meanwhile, others were in retail (26.64%) and various other industries (26.20%), hiring employees between 50 to 100 people (75.98%) and between 101 and 150 people (21.83%). In terms of the EFA results, the factor loadings returned seven factors, namely, *strategic direction*, *balanced organisational controls*, *organisational culture*, *the organisation's resource portfolio*, *ethical practice*, *strategy implementation*, and *business performance*. Factors such as *strategy implementation* and *business performance* loaded similar items as formulated in the original measuring instrument. All these factors obtained a Cronbach's alpha of 0.812 and above, which confirmed the reliability of the factors.

Each factor loaded items with a significant value of 0.50 and above to confirm the validity of the factors. Based on the EFA results, some factors were given new definitions based on the new items loaded on or deleted. The descriptive statistics were also calculated for the independent, mediating, and dependent variables. Results reported that most of the respondents agreed with the items loaded on each factor in the following order, namely, *strategic direction* (68.20%), *balanced organisational controls* (80.20%), *organisational culture* (65.76%), *the organisation's resource portfolio* (83.67%), *ethical practice* (73.54%), *strategy implementation* (85.92%) and *business performance* (33.92%). The correlation of these factors was calculated, and the results returned a weak and moderate positive correlation. Lastly, the proposed hypotheses of this study were empirically tested using the multiple linear regression analysis. The results returned the following empirical hypotheses (H_{a2} , H_{a6} , H_{b1} , and H_{b4}), which were accepted, as they represented significant relationships among the variables of this study.

Chapter 6 is the final chapter of this study, and it provides the summary and conclusion of the entire study. It presents the recommendations of this study based on the empirical results, as presented in Chapter 5. The contributions and limitations of this study, as well as the recommendations for future research, are presented in Chapter 6.

CHAPTER SIX

SUMMARY, RECOMMENDATIONS AND FINAL CONCLUSION

6.1 INTRODUCTION

This final chapter provides an overview of the entire study. The main empirical findings are discussed and followed by recommendations based on the empirical results of this study, which are suggested to SME owners/managers and other relevant stakeholders in the formal small business sector. This chapter also highlights the contributions of this study as well as its limitations. The possibilities for future research are suggested, and lastly, the conclusion that summarises the entire study,

6.2 OVERVIEW OF THE RESEARCH

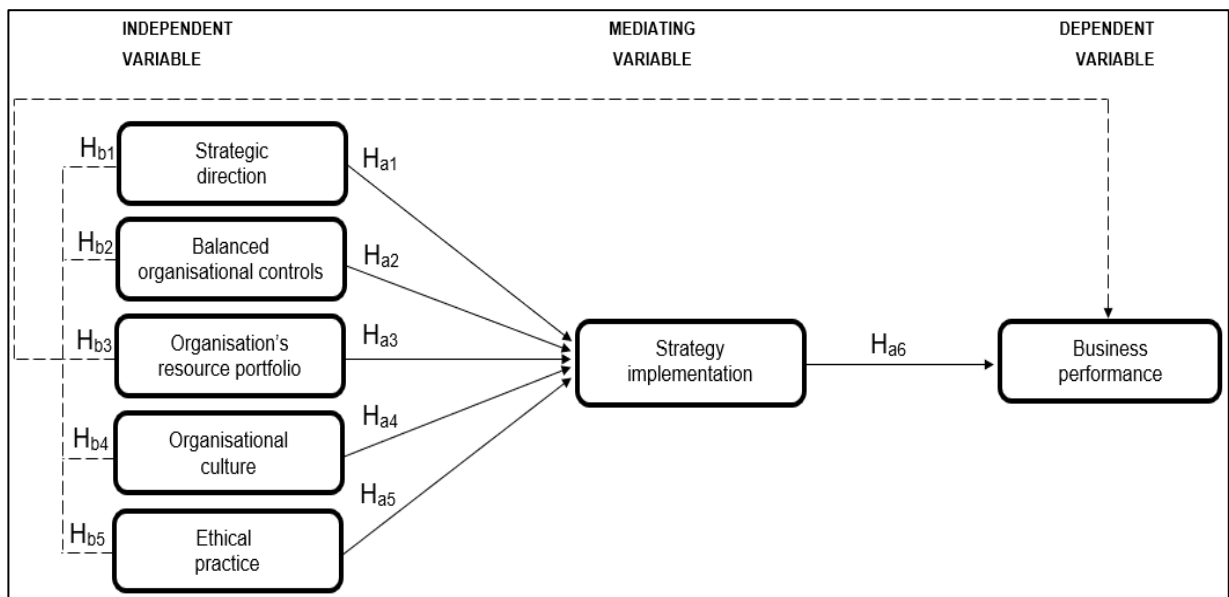
This section provides the 'helicopter view' of the entire study based on the chapters that were discussed in this final chapter. Each chapter provides a summary of the main important aspects that were discussed in this study. The following chapters are presented as follows:

Chapter One: Introduction to the Study

This chapter presented a brief discussion on the importance of small businesses in South Africa, particularly Small and Medium-sized Enterprises (SMEs), and their economic role in South Africa's socio-economic challenges, such as unemployment, poverty, and unequal distribution of wealth, among other challenges. Thus, with strong SMEs, the South African government may be able to reduce the effects of socio-economic challenges in the country (Klaas, 2020). This chapter has also presented a brief discussion on the challenges that faced SMEs in South Africa despite their significant contributions (Mwale, 2020). These challenges included a lack of access to funding, limited access to markets, appropriate technological infrastructure, research and development, and being unable to perform strategic management tasks, among other challenges (Statistics South Africa, 2021c). These challenges and contributions by small businesses were discussed in-depth in Chapter 2. This chapter also presented a discussion on the problem statement, which was centric on investigating the influence of strategic leadership on the performance of SMEs when mediated by strategy implementation. A review of previous studies relevant to SMEs and their performances has been silent on the influence of strategic leadership, or there is little known about strategic leadership on SME performance; thus, more research was

required in this area. Consequently, the research question for this study was to investigate the influence of strategic leadership on the performance of SMEs as mediated by strategy implementation. The influence of strategic leadership was measured using the following factors, namely, *strategic direction*; *balanced organisational controls*; *organisational culture*; *the organisation's resource portfolio*, and *ethical practice*. A hypothetical model presenting the possible relationship between strategic leadership, strategy implementation, and business performance was proposed. Figure 6.1 illustrates the hypothetical model of this study.

Figure 6.1: Hypothetical model of this study



Source: Researcher's model

As illustrated in Figure 6.1, the independent variables identified for this study were a *strategic direction*, *balanced organisational controls*, *organisation's resource portfolio*, *organisational culture*, and *ethical practice*. The mediating variable was *strategy implementation*, and the dependent variable was *business performance*.

This study investigated the significant influence of strategic leadership on the performance of SMEs as mediated by strategy implementation. The primary objective of this study was to investigate the influence of strategic leadership on the performance of SMEs as mediated by strategy implementation. The secondary objectives of this study were to investigate the following as a means of achieving the primary objective:

- To investigate the nature and role of strategic leadership, strategy implementation, and the performance of SMEs.
- To determine whether there is a significant positive influence of strategic leadership on strategy implementation of SMEs.

- To determine whether there is a significant positive influence of strategic leadership on the performance of SMEs.
- To determine whether there is a significant positive influence of strategy implementation on the performance of SMEs.
- To make recommendations based on the empirical results of this study on the influence of strategic leadership on the performance of SMEs as mediated by strategy implementation.

A comprehensive literature review on SMEs, strategic leadership, and strategy implementation was discussed in Chapters 2 and 3, respectively.

Chapter Two: Small and Medium-sized Enterprises in South Africa

This chapter presented a discussion on the nature of SMEs in the world in general, particularly in South Africa. While the importance of SMEs is acknowledged globally, defining SMEs was convoluted, and there was a notable variance in definitions (Furawo and Scheepers, 2018). In this study, it was discovered that there was no standard international definition of SMEs, and it never existed (Mwale, 2020). SMEs are defined differently across countries, particularly because of the dimensions 'small' and 'medium' of the enterprise, which are relative to the size of the country's economy (OECD, 2019). For this study, the definition of SMEs was based on quantitative criteria. It was defined as any small business owned and managed independently, employing between 50 and 250 employees, with an annual turnover of not more than R26 million and a gross asset value of not more than R5 million, excluding fixed property. The review of the literature on SMEs' economic role and its challenges revealed that SMEs are a cornerstone of socio-economic contribution development in most economies around the world. The progressive contribution that SMEs make globally and nationally is irrefutable and enshrined in economic growth, poverty alleviation, value creation, and job creation. However, despite these commendable contributions by SMEs, this chapter revealed that there were still challenges facing SMEs that have ramifications on their survival and performance. The following challenges were identified, namely, a lack of access to funding, markets, social capital, and technological resources. Government bureaucracy, among others, could be a challenge.

Chapter Three: Strategic leadership and strategy implementation in the context of SMEs

A comprehensive discussion in this chapter was presented on the nature and role of strategic leadership and strategy implementation in the context of SMEs. It was evident that leaders, in general, existed mainly at operational and strategic levels in an organisation, including in

teamwork. The difference between leadership and strategic leadership was perceived as leadership playing a significant role in influencing processes. In contrast, strategic leadership at the top management of the organisation plays a significant role in developing and formulating long-term strategic vision, mission and goals, and objectives, as well as selecting strategies to realise them. Furthermore, it was discovered that strategic leadership is responsible for shaping organisational culture, setting strategic direction, and making decisions that have a lasting impact on the organisation's performance.

In this chapter, it was discovered that there were challenges facing strategic leaders in many organisations, which included managing change, strategic flexibility, and strategy implementation. Strategic leadership as the driver of strategy implementation was discussed, and it was evident that through effective strategic leadership, organisations can implement strategies effectively. The role of strategic leadership in effective strategy implementation was discussed. It was evident that strategic leadership factors, namely *strategic direction*, *balanced organisational controls*, *organisational culture*, *organisation's resource portfolio*, and *ethical practice*, contribute positively to effective strategy implementation. Furthermore, the concept of strategic management and its framework were discussed. It was discovered that strategy implementation is a critical component of the strategic management process. However, the implementation of strategy is the most difficult component of the strategic management process. Without effective strategy implementation, any best strategy is ineffective. This chapter concluded with a discussion on the importance of organisational alignment to strategy implementation. An organisational alignment was used as a mediating tool for ensuring that the organisational alignment to a selected strategy can place the organisation in the best position to implement the strategy effectively.

Chapter Four: Research design and methodology

This chapter was mainly focused on the research design and methodology of this study. The primary objective of this study was to investigate the influence of strategic leadership on the performance of SMEs as mediated by strategy implementation. In particular, the secondary objectives were identified and used in an attempt to achieve the primary objective of this study. Given the primary and secondary objectives, as well as the nature of the problem statement of this study, a positivistic research paradigm was adopted. Thus, a quantitative research method was followed. The population of this study comprised all SME owners/managers in the Nelson Mandela Bay region of the Eastern Cape Province.

The sample size of this study consisted of 390 respondents, which were selected using a non-probability sampling method, particularly a convenience sampling method. The questionnaire of this study was self-developed using closed-ended questions that consisted of three sections, namely, *demographic variable* in section A, *strategic leadership* in section B, and *strategy implementation and business performance* in section C. A total of 315 questionnaires were distributed conveniently, and only 263 respondents were returned successfully. However, only 34 of the 263 returned questionnaires were excluded from the data capturing as they did not meet the criteria of the SMEs being under investigation in this study. Thus, only 229 returned questionnaires were found suitable for statistical analysis in this study. The response rate for this study was 72.69%, which was reasonably higher than the recommended 60% by Punch (2003) to represent the population of this study.

The data collected from 229 returned questionnaires was analysed using both descriptive and inferential statistical analysis tools. These included descriptive statistics for demographic variables, independent, mediating, and dependent variables, Pearson's Product Moment Correlations, and the multiple linear regression analysis. The outcomes of these analyses were fully discussed in Chapter 5. The hypothetical model and the set of hypotheses of this study were proposed to test the significant positive influence of the independent variables on mediating and dependent variables. All the variables in the hypothetical model were operationalised based on the existing literature views found in Chapters 2 and 3 of this study. Lastly, Chapter 5 presented the empirical results of this study.

Chapter Five: Empirical results and discussion

This chapter presented the empirical results of this study in various categories of data analyses, followed by calculations of descriptive statistics on demographic variables and subsequently on the independent, mediating, and dependent variables. Exploratory factor analysis (EFA) and Cronbach's alpha were used to determine and confirm the validity and reliability of the measuring instrument used in this study, respectively. Pearson's Product Moment Correlations were calculated to determine correlations between the independent, mediating, and dependent variables. Multiple linear regression analysis was performed to determine the empirical hypotheses accepted for this study. In terms of descriptive statistics on demographic variables, the majority of the respondents (35.81%) indicated that they had been operating their small businesses for more than 5 years in their positions with job titles as both owners and managers (38.86%), while others were only managers (37.99%). Most respondents confirmed that their

small businesses operate in the manufacturing industry (29.26%), the retail (26.64%), and other industries (26.20%). Respondents indicated that they hire between 50 to 100 employees (75.98%) and between 101 and 150 employees (21.83%).

There were only seven (7) factors returned by EFA results, namely, *strategic direction*, *balanced organisational controls*, *organisational culture*, *organisation's resource portfolio*, *ethical practice*, *strategy implementation*, and *business performance*. Factors such as *strategy implementation* and *business performance* loaded similar items as formulated in the original measuring instrument. All seven (7) factors obtained a Cronbach's alpha of 0.812 and above, which confirmed their reliability in the measuring instrument. Each factor has loaded items with a significant value of 0.50 and above to confirm the validity of the items in the measuring instrument. Based on EFA results, some factors were re-operationalised in terms of their definitions based on the new items that were loaded on or deleted from the factor.

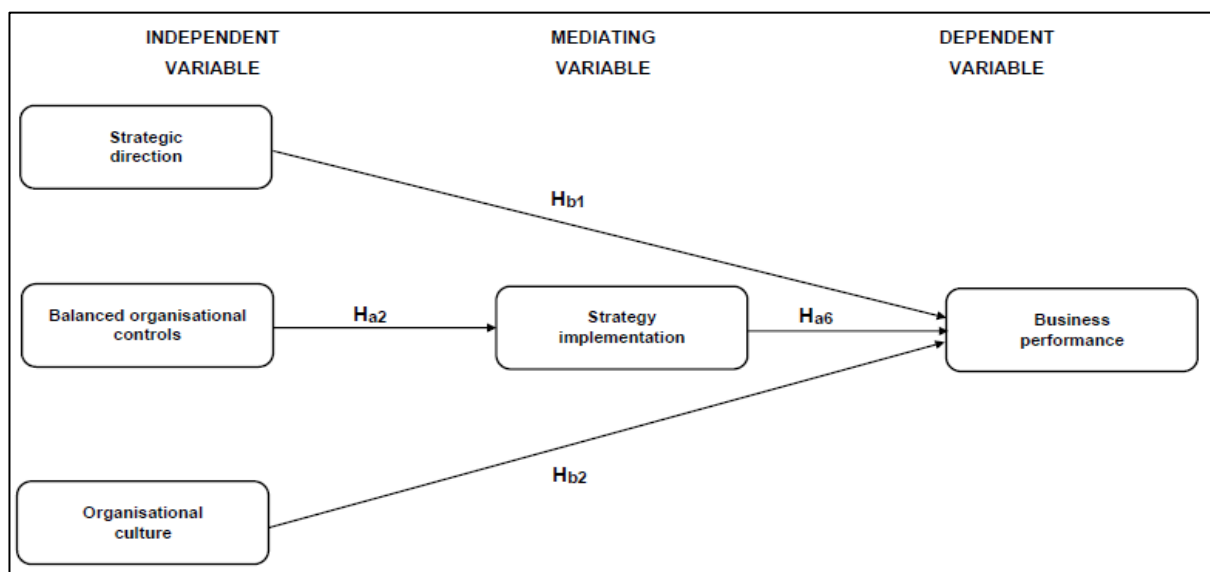
The descriptive statistics were also calculated for the independent, mediating, and dependent variables. The independent variables returned mean scores between 3.884 and 4.014, with respondents agreeing that the items of *strategic direction* (68.20%), *balanced organisational controls* (80.20%), *organisational culture* (65.76%), *organisation's resource portfolio* (83.67%), and *ethical practice* (73.54%) which appeared in the original measuring instrument were used to measure the independent variables. The mediating variable *strategy implementation* returned a high mean score of 4.199, with the significant majority of the respondents agreeing (85.92%) that organisational structure, processes, skills, knowledge and abilities, and information technology, when properly aligned to a selected strategy of their small businesses contributed positively to effective strategy implementation. The dependent variable *business performance* returned a mean score of 3.017, with only 33.92% of the respondents agreeing that their small businesses experienced growth in sales turnover, productivity, return on total assets, profitability, and lower operating costs and staff turnover rate.

Pearson's Product Moment Correlations were calculated to establish correlations between the independent, mediating, and dependent variables. The results reported a moderate positive relationship between independent variables' *strategic direction* ($r=0.434$), *balanced organisational controls* ($r=0.351$), an *organisation's resource portfolio* ($r=0.303$), and the mediating variable *strategy implementation*. The remaining independent variables, such as *organisation culture* ($r= 0.263$) and *ethical practice* ($r=0.244$), reported a weak positive relationship with the mediating variable *strategy implementation*. As a result of Pearson's correlation, it is evident that there is a positive relationship between independent variables and

mediating variables. The mediating variable *strategy implementation* ($r=0.334$) tested a moderate positive relationship with the dependent variable *business performance*. Consequently, a positive relationship between mediating and dependent variables exists. The independent variable, *strategic direction* ($r=0.333$), reported a moderate positive relationship with the dependent variable, *business performance*. The remaining independent variables reported a weak positive relationship with the dependent variable. Based on these results, it was evident that there is a positive relationship between independent and dependent variables; however, this relationship is not strong or significant.

The multiple linear regression analyses were undertaken to investigate the influence of independent variables on the *business performance* of the SMEs as mediated by *strategy implementation*. The relationships at 5% ($p<0.05$), 1% ($p<0.01$), and 0.1% ($p<0.001$) levels were considered significant in this study. The results have shown that only one independent variable, *balanced organisational controls* (0.010; $p<0.05$), reported a significant positive relationship with the mediating variable *strategy implementation*. Furthermore, only two independent variables, *strategic direction* (0.008; $p<0.01$) and *organisational culture* (0.045; $p<0.05$), reported a significant positive relationship with the dependent variable, *business performance*. The mediating variable *strategy implementation* (0.000; $p<0.001$) reported a significant positive relationship with the dependent variable *business performance*. Figure 6.2 presents the empirical hypothetical model of the study after the results of the multiple linear regression analyses were performed

Figure 6.2: Empirical hypothetical model of this study



Source: Researcher's model

As illustrated in Figure 6.2, the following hypotheses presented in Table 6.1 were confirmed and based on the empirical results of this study.

Table 6.1: Empirical hypotheses accepted for this study

H _{a2}	There is a significant positive influence between <i>balanced organisational controls</i> and <i>strategy implementation</i> .	Accepted
H _{a6}	There is a significant positive influence between <i>strategy implementation</i> and <i>business performance</i> .	Accepted
H _{b1}	There is a significant positive influence between <i>strategic direction</i> and <i>business performance</i> .	Accepted
H _{b4}	There is a significant positive influence between <i>organisational culture</i> and <i>business performance</i> .	Accepted

The primary objective of this study was to investigate the influence of strategic leadership on the performance of SMEs as mediated by strategy implementation. Based on the results of various statistical analyses conducted in this study, it was evident that there is a significant positive influence of strategic leadership (*balanced organisational controls*, *strategic direction*, and *organisational culture*) on the *business performance* of SMEs as mediated by *strategy implementation*. Therefore, the primary objective of this study was achieved.

6.3 EMPIRICAL FINDINGS OF THE STUDY WITH RECOMMENDATIONS

This chapter highlighted that strategic leadership (*strategic direction*, *balanced organisational controls*, and *organisational culture*) was reported to have a significant positive influence on the *performance* of SMEs as mediated by *strategy implementation*. These relationships have been summarised and illustrated in Figure 6.1 of this study. The following section provides a discussion of these relationships and, subsequently, recommendations to SME owners/managers; thus, the final and fifth secondary objectives of this study will be achieved.

6.3.1 STRATEGIC DIRECTION

Strategic direction is a strategic leadership action that reported a significant positive influence on the *performance* of SMEs, which means that small businesses that use *strategic direction* as a basis for the allocation of resources can help better their business performance and experience

growth in the next 3 to 5 years. For SMEs to improve their business performance through the use of *strategic direction*, the following recommendations are suggested:

- SME owners/managers must formulate and develop a clear long-term vision and strategic intent in terms of where they would want their businesses to be in the next 3 to 5 years.
- SME owners/managers should interpret their selected strategies into a vision that will direct and guide people to behave in ways that will result in the successful implementation of the business strategy. A successful strategy implementation is key to improving business performance.
- SME owners/managers must formulate a clear mission in terms of how they will achieve their long-term vision, which will require a clear description of who their customers are, the major internal processes and systems, and the desired level of performance their small businesses would want to achieve.
- SMEs should allocate resources and align them to the key areas of business operations that contribute to increased performance of the business.
- SME owners/managers should set internal controls that will help their small businesses set standards of desired performance.

6.3.2 ORGANISATIONAL CULTURE

Organisational culture reported a significant positive influence on the *performance* of SMEs. This means that small businesses that maintain a culture that is unique, valuable, and incomparable can create and maintain a competitive advantage in the industry in which they operate and, thereby, are likely to experience increased business performance. The following recommendations are suggested for SMEs to improve their business performance through *organisational culture*.

- Formulate and implement shared values that connect employees to the purpose of the business and the ways the business is conducted.
- When SME owners/managers formulate a culture for their businesses, it must be a culture that is unique, valuable, and incomparable to other existing competitors, and this can create a competitive advantage for the business.
- SME owners/managers should consider using appropriate rewards to recognise employees who embody the shared values of the business and are well-engaged and committed to the success of the business because of its culture.

- SME owners/managers should actively advocate for employee development and proactively connect their employees with meaningful opportunities, which make them more deeply connected to one another, and contribute to a stronger organisational culture.
- Shared values and cultural artifacts of the organisation need to be aligned with and supportive of the strategy to be implemented.

6.3.3 BALANCED ORGANISATIONAL CONTROLS

Balanced organisational controls tested a significant positive influence on *strategy implementation* and the *performance* of SMEs. This means that small businesses can use both strategic and financial controls to support the implementation of their selected strategies to ensure their businesses are profitable and have sound returns on investment. SMEs are recommended to use *balanced organisational controls* to ensure an effective strategy implementation and increased *business performance* through the following suggestions:

- SME owners/managers should implement internal controls that can be used to take corrective actions when implementing their selected strategies.
- SME owners/managers should implement financial controls that support both the business's profitability and the return on investment.
- SME owners/managers will need to ensure that both strategic and financial controls support the implementation of their selected strategies and guide workers to achieve performance objectives.
- SME owners/managers should implement strategic controls to ensure their small businesses use appropriate strategies for the fast-changing conditions in the external environment.
- SME owners/managers should put in place corrective measures to address the performance gap issues in the business.
- SME owners/managers should introduce the use of balanced scorecards, a monitoring system designed to assess the effectiveness of controls in the organisation.

6.3.4 STRATEGY IMPLEMENTATION

Strategy implementation has reported a significant positive influence on the *performance* of SMEs, which means that small businesses can increase their performance when selected strategies are effectively implemented, taking into consideration the organisational structure of the organisation, processes used, staff development and training, and information technology. The following recommendations are suggested to SMEs:

- SME owners/managers should create and communicate clear lines of authority for reporting, delegation, clear procedures and controls, as well as the decision-making process.
- SME owners/managers should create a clear framework of order and command through which activities of the small business can be planned, organised, directed, and controlled.
- SME owners/managers must ensure that the organisational structures of the business are suitably aligned with one another, which would facilitate the effective use of an organisation's strategies. Thus, structure is a critical component for effective strategy implementation processes.
- To ensure effective and functional processes in the business, SME owners/managers should establish clear work methods, individual and team roles, as well as the knowledge, skills, and levels of performance required by a job.
- SME owners/managers should invest largely in staff development and training aimed at increasing expertise in innovation and new product development, which can be a distinct opportunity for the business to create a competitive advantage over its competitors as staff will be more innovative and superior in what they do for the business.
- SMEs should establish forums where they can seize opportunities together and share knowledge and issues of common interest to the advancement of their small businesses.
- SMEs should also invest in technological infrastructure to improve the organisation's operational capability. For instance, they should invest in office technologies that facilitate the day-to-day running of the business through networked computers that help in decision-making, meetings, communication, and administrative support. Furthermore, they should invest in service technologies that enable the business to network more effectively with the service providers. In addition, to make operations more smooth and efficient by implementing bar-coded stocktaking systems and just-in-time (JIT) inventory ordering systems.
- Each SME owner/manager should strive to be a technological leader by being proactive in seizing opportunities to modify and improve technologies before late adopters catch up. By doing this, it opens up an opportunity for an increased market share and high profit-making potential by adopting new technologies ahead of competitors.

6.4 MAIN CONTRIBUTIONS OF THE STUDY

This study has contributed to the body of strategic management practice, particularly in the field of small businesses. The extent to which small businesses engaged in strategic leadership and strategy implementation in Nelson Mandela Bay, Eastern Cape, is a specific area that has been

largely neglected. There is an argument that strategic leadership influences strategy implementation and business performance; however, a review of previous studies relevant to SMEs and their performance is silent on the influence of strategic direction. Thus, this study has contributed to the body of knowledge by investigating the influence of strategic leadership on the performance of SMEs as mediated by strategy implementation.

The empirical results of this study confirmed that some strategic leadership elements, such as *balanced organisational controls*, tested a significant positive influence on *strategy implementation* and *business performance* of SMEs. Other elements, *strategic direction*, and *organisational culture* tested a significant positive influence on the *business performance* of SMEs. The validity and reliability of the measuring instrument that was developed for this study were confirmed. Furthermore, the measuring instrument was used to collect the primary data of this study. This measuring instrument can be used to develop other questionnaires for future research. This study has made a significant contribution towards understanding the nature and role of strategic leadership, strategy implementation, and business performance of SMEs. Recommendations were based on the empirical results of this study and specifically attempted to assist SME owners/managers and all relevant stakeholders in understanding, engaging, and strategise about strategic leadership activities, as well as assisting with strategy implementation to improve their business performance continuously.

6.5 LIMITATIONS AND RECOMMENDATIONS FOR FUTURE RESEARCH

This study has made a significant contribution to the body of knowledge as far as strategic management practice is concerned with strategic leadership on the performance of SMEs. However, it is acknowledged that there were limitations encountered. This study has not only investigated and developed a greater understanding of the concept of strategic leadership, strategy implementation, and business performance, but it has also revealed opportunities for future research. The limitations and areas recommended for future research in strategic leadership on the performance of SMEs are outlined as follows. This study was only conducted among SME owners/managers operating small businesses in the Nelson Mandela Bay region of the Eastern Cape Province. This study can be extended on a broader scale that entails the whole of the Eastern Cape Province and possibly the Republic of South Africa. In addition, this study can be investigated further in other developing countries like South Africa for comparative analysis. This study used a convenience sampling method to select a sample size of 390 respondents. The method and sample size both presented limitations in this study.

Zikmund (2010:395) highlighted that this method is less representative of the population. In addition, this method provides a limited generalisation of the results (Wiid and Diggins, 2013:190). Therefore, the findings of this study cannot be generalised to the entire population of SMEs in the Eastern Cape. However, for future research, it can be recommended that a database from which probability samples can be drawn for other researchers be determined. In terms of the sample size, it was impossible to provide an accurate generalisation of the SME population in the Eastern Cape. To address this limitation in the near future, researchers will need to consider increasing the sample size to gain a better representation of SMEs in the Eastern Cape. Only seven variables (*strategic direction, balanced organisational controls, organisational culture, organisation's resource portfolio, ethical culture, strategy implementation, and business performance*) were selected for this study. It is acknowledged that there may be other variables that exist and can be used to assess this study. The primary objective of this study was to investigate the influence of strategic leadership on the performance of SMEs as mediated by strategy implementation. Other possible variables, such as *strategic analysis, strategy development, and formulation*, as well as a *selected strategy*, can each be a mediating variable for this study other than *strategy implementation*. Similarly, strategic leadership can entail other independent variables such as *core competencies, human capital, and social capital* to test their influence on the performance of SMEs. Thus, future research could look at investigating other variables concerning strategic leadership on the performance of SMEs.

6.6 CHAPTER SUMMARY AND FINAL CONCLUSION

The primary objective of this study was to investigate the influence of strategic leadership on the performance of SMEs as mediated by strategy implementation. Based on the empirical results presented in this study, the primary objective was achieved. The first secondary objective was to investigate the nature and role of strategic leadership, strategy implementation, and business performance of SMEs. A literature review in Chapters 2 and 3 was conducted on the nature and role of these concepts to gain a deeper insight and understanding of their role in the context of SMEs. Thus, the first secondary objective was achieved. The second secondary objective was to investigate the significant positive influence of *strategic leadership* on the *strategy implementation* of SMEs. Based on the empirical results of this study, it was evident that the elements of strategic leadership had a positive relationship with the strategy implementation of SMEs; however, they were not as significant as *balanced organisational controls*. Thus, the second secondary objective was achieved.

The third secondary objective was to investigate the significant positive influence of strategic leadership on the performance of SMEs. All the elements of strategic leadership had a positive relationship with the performance of SMEs, but not as significant as *strategic direction*, *balanced organisational controls*, and *organisational culture*. Thus, the third secondary objective was achieved. The fourth secondary objective was to investigate the significant positive influence between strategy implementation and the performance of SMEs. It was evident that there is a significant positive relationship between strategy implementation and the performance of SMEs, and the fourth secondary objective was achieved. Lastly, a fifth secondary objective was to make recommendations based on the empirical results of this study to SME owners/managers. In Chapter 6, the recommendations were suggested in all aspects of the main findings of this study. Thus, the fifth secondary objective of this study was achieved. Overall, this study has made a significant contribution to the body of knowledge and is a first step in gaining greater insight into how strategic leadership influences the performance of SMEs as mediated by strategy implementation.

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ANNEXURE A: QUESTIONNAIRE

SECTION A: DEMOGRAPHIC INFORMATION

Please kindly mark your selection with an (X)

1. How long is your work experience as the owner/manager of this business?

Less than 1 year	1	
1 to 2 years	2	
3 to 4 years	3	
5 years	4	
More than 5 years	5	

2. How long this business has been in existence?

Less than 1 year	1	
1 to 2 years	2	
3 to 4 years	3	
5 years	4	
More than 5 years	5	

3. How long have you been owning/managing this business?

Less than 1 year	1	
1 to 2 years	2	
3 to 4 years	3	
5 years	4	
More than 5 years	5	

4. Which one of the following best describes your current job title?

Owner	1	
Manager	2	
Both owner and manager	3	
Other (please specify):	4	

5. How many employees do you have in this business?

Less than 50	1	
50 – 100	2	
101 – 150	3	
151 – 200	4	

6. What is the nature of the industry in which this business operates?

Manufacturing	1	
Retail	2	
Service provider	3	
Other (please specify):	4	

SECTION B: STRATEGIC LEADERSHIP

Please use the rating scale below to answer the following question:

Rating scale: (1) strongly disagree, (2) disagree, (3) neutral, (4) agree, (5) strongly agree

Please indicate to what extent **you agree** that:

1	The following <u>strategic leadership actions</u> contribute positively to effective strategy implementation.	Disagree...Agree				
1.1	Determining strategic direction.	1	2	3	4	5
1.2	Establishing balanced organisational controls.	1	2	3	4	5
1.3	Effectively managing the organisation's resource portfolio.	1	2	3	4	5
1.4	Sustaining an effective organisational culture.	1	2	3	4	5
1.5	Emphasising ethical practice.	1	2	3	4	5
1.6	Developing human capital.	1	2	3	4	5
1.7	Developing social capital.	1	2	3	4	5

Please indicate to what extent **you agree** with the following statements:

2.	Strategic Direction	Disagree...Agree				
2.1	Vision, mission, and strategic intent form the basis for determining the strategic direction of the business.	1	2	3	4	5
2.2	The business has a clear long-term vision.	1	2	3	4	5
2.3	The business has a clear mission for how it will achieve its long-term vision.	1	2	3	4	5
2.4	Strategic direction is used as a basis for resource allocation to the business.	1	2	3	4	5
2.5	Strategic direction helps to better the performance of the business.	1	2	3	4	5
2.6	The strategic direction of the business is for the next three to five years.	1	2	3	4	5

3.	Balanced organisational controls	Disagree...Agree				
3.1	Controls help the business to set standards of the desired performance.	1	2	3	4	5
3.2	Controls in the business use deviations to make corrective actions on strategy implementation.	1	2	3	4	5
3.3	The business uses both strategic and financial controls to support the strategy implementation.	1	2	3	4	5
3.4	Strategic controls help the business to achieve strategic competitiveness.	1	2	3	4	5
3.5	Financial controls support the business's return on investment (ROI).	1	2	3	4	5
3.6	Financial controls support the business's profitability.	1	2	3	4	5

4.	Organisational culture	Disagree...Agree				
4.1	Culture influences the manner in which the business is conducted.	1	2	3	4	5
4.2	The culture of the business is unique in that it gives the business a competitive advantage.	1	2	3	4	5
4.3	The culture of the business is incomparable in that it gives the business a competitive advantage.	1	2	3	4	5
4.4	The culture of the business is valuable in that it gives the business a competitive advantage.	1	2	3	4	5
4.5	Changing culture is a more difficult task than maintaining it.	1	2	3	4	5

5.	Organisation's resource portfolio	Disagree...Agree				
5.1	Financial capital is critical to the success of the business.	1	2	3	4	5
5.2	Human capital serves as a source of competitive advantage.	1	2	3	4	5
5.3	Resources are used effectively to achieve a competitive advantage.	1	2	3	4	5
5.4	Resources are organised into capabilities that could be leveraged to create value for customers.	1	2	3	4	5
5.5	Social capital has a positive impact on the financial performance of the business.	1	2	3	4	5

6.	Ethical practice	Disagree...Agree				
6.1	The effectiveness of processes used to implement business strategies increases when they are based on ethical practice.	1	2	3	4	5
6.2	Ethical practice plays a role in developing a sense of integrity, transparency, and trustworthy relationships among staff.	1	2	3	4	5
6.3	Strategic leaders implement methods and procedures to use in achieving the business ethical standards.	1	2	3	4	5
6.4	Strategic leaders use clear reward systems that appreciate acts of courage to report observed wrongdoing.	1	2	3	4	5
6.5	The business has proper channels and procedures to report acts of wrongdoing.	1	2	3	4	5

SECTION C: STRATEGY IMPLEMENTATION AND BUSINESS PERFORMANCE

C1: STRATEGY IMPLEMENTATION

Please use the rating scale below to answer the following question:

Rating scale: (1) strongly disagree, (2) disagree, (3) neutral, (4) agree, (5) strongly agree

Please indicate to what extent **you agree** that:

1.	The following elements, when 'properly aligned to' a selected strategy, contribute positively to effective strategy implementation.	Disagree...Agree				
1.1	Organisational structure.	1	2	3	4	5
1.2	Processes (policies and procedures).	1	2	3	4	5
1.3	Skills, knowledge, and abilities (staff development and training).	1	2	3	4	5
1.4	Information technology.	1	2	3	4	5

C2: BUSINESS PERFORMANCE

Please use the rating scale below to answer the following question:

Rating scale: (1) strongly disagree, (2) disagree, (3) neutral, (4) agree, (5) strongly agree

Please indicate to what extent **you agree** with the following statements:

2.	Over the past two years, the business	Disagree...Agree				
2.1	has increased the annual sales turnover.	1	2	3	4	5
2.2	has increased the business's productivity.	1	2	3	4	5
2.3	has experienced a low employee turnover rate.	1	2	3	4	5
2.4	has increased the return on total assets.	1	2	3	4	5
2.5	has decreased the operating costs.	1	2	3	4	5
2.6	has experienced growth in employees.	1	2	3	4	5
2.7	is profitable.	1	2	3	4	5
2.8	can be regarded as successful.	1	2	3	4	5

THANK YOU FOR YOUR PARTICIPATION

Please send the completed questionnaire to:

Mr. Nceba January (Researcher)

E-mail: n.january@sacschool.com

OR

Fax number: 046 603 2397

OR

Postal Box at **St. Andrew's College**
P.O. Box 182
Grahamstown, 6140

THE END

ANNEXURE B: INSTITUTIONAL PERMISSION TO ACCESS THE LIST OF SMES



CITY MANAGER

tel: +27 (0) 41 506 3208/9
fax : +27 (0) 41 506 2422
PO Box 116, Port Elizabeth 6000
Republic of South Africa
www.nelsonmandelabay.gov.za
email: cm@mandelametro.gov.za

19 August 2021

Nceba January
Research Student
Per electronic mail: n.january@sacschool.com

Dear Sir,

REQUEST FOR INFORMATION

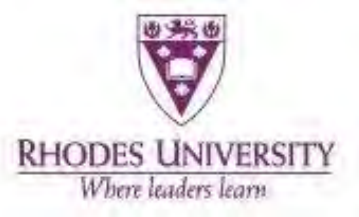
This letter serves to inform you that you have been granted permission to receive the list of SMMEs registered in the Nelson Mandela Bay Supplier Database.

Yours faithfully,


MR A QABA
ACTING CITY MANAGER

CC: ACTING CHIEF FINANCIAL OFFICER

ANNEXURE C: PARTICIPATION LETTER AND INFORMED CONSENT FORM



Makhanda • 6140 • South Africa

INDIVIDUAL PARTICIPATION LETTER
Department of Management

DEPARTMENT OF MANAGEMENT

Tel: [+27] 046 603 8246

Cell: [+27] 071 963 0261

Email: n.january@sacschool.com

December 2022

Dear Sir/Madam

Re: Invitation to participate in the research study as outlined below:

My name is Nceba January. I am a Management Master's student in the Department of Management at Rhodes University, Makhanda, Eastern Cape. I am studying towards completing the following research study, in which your assistance will be pivotal.

TOPIC: The influence of strategic leadership on the performance of small and medium-sized enterprises (SMEs) as mediated by strategy implementation.

This study aims to investigate the influence of strategic leadership on the performance of SMEs in the Nelson Mandela Bay (NMB). An empirical investigation will lead to the results analysis to understand the selected strategic leadership activities that contribute positively to strategy implementation and the performance of SMEs. Empirical results will assist in developing recommendations that would be suggested to SME owners/managers on managerial and policy implications for small businesses operating in NMB .

For this reason, I hereby invite you to participate in this study by responding to the attached questionnaire to the best of your knowledge. Please be aware that your participation in this study is voluntary and completely anonymous, and no confidential information is required. Furthermore, please understand that the Human Ethics Research Committee of the University has approved this research. If you agree to participate, please can you read and sign the attached consent form.

The questionnaire should not take you **longer than 5 minutes** to complete. Once the research has been conducted, all the data collected will be handed to the University for private storage and safekeeping. Please note that you will be provided with all the necessary information to assist you in understanding the study and explain what would be expected of you. These guidelines would include risks, benefits, and your rights as a study subject.

The questionnaire is structured as follows:

Section A: Demographic information

Section B: Strategic leadership

Section C: Strategy implementation and business performance

Your assistance will be greatly appreciated. Thank you for your time in reading this invitation and for your consideration. If you have any queries, please feel free to contact me.

Yours sincerely,

Nceba January
Research Student

Trevor Amos
Research Supervisor



Makhanda • 6140 • South Africa

INFORMED CONSENT FORM

Department of Management

Research Project Title:	The influence of strategic leadership on the performance of SMEs as mediated by strategy implementation.
Principal Investigator:	Mr. Trevor Amos
Investigator:	Mr. Nceba January

Participation Information

- I understand the purpose of the research study and my involvement in it
- I understand the risks of participating in this research study
- I understand the benefits of participating in this research study
- I understand that I may withdraw from the research study at any stage without penalty
- I understand that participation in this study is done on a voluntary basis
- I understand that while information gained during the study may be published, I will not be identified, and my personal results will remain confidential
- I understand that I will receive no payment for participating in this study
- I am over the age of 18 years and do not need consent from a legal guardian
- I understand that by participating in this study, I will be treated strictly as anonymous, and the information provided will be treated in strictest confidence
- I have not been coerced or forced into participation in any way

Information Explanation

The above information was explained to me by: _____


The above information was explained to me in: English Afrikaans IsiXhosa
 IsiZulu Other: _____

And I am in command of this language

OR it was comprehensively translated to me by: _____

Voluntary Consent

I, _____, hereby voluntarily consent to participate in the above-mentioned research.

Signature:	OR right-hand thumb print	Date: / /
		
	Witness signature:	

Investigator Declaration

I, _____, declare that I have explained all the participant information to the participant and have truthfully answered all questions asked by the participant.

Signature:	Date: / /
------------	-------------------

ANNEXURE D: ETHICS CLEARANCE



RHODES UNIVERSITY
Where leaders learn

Rhodes University Human Research Ethics Committee

PO Box 94, Makhanda, 6140, South Africa

t: +27 (0) 46 603 7727

f: +27 (0) 46 603 8822

e: ethics-committee@ru.ac.za

NHREC Registration number: RC-241114-045

<https://www.ru.ac.za/researchgateway/ethics/>

9 August 2022

Mr Nceba January

Email: g08J0478@campus.ru.ac.za

Review Reference: 2022-5121-6984

Dear Mr Nceba January

Re: Human ethics renewal application: The influence of strategic leadership on the performance of SMEs as mediated by strategy implementation

Researcher: Mr Nceba January

Supervisors: Mr Trevor Amos,

This letter confirms that the above Annual Report has been reviewed and **APPROVED** by the Rhodes University Human Research Ethics Committee (RU-HREC). Your Approval number is: 2022-5121-6984. Approval has been granted for 1 year. An annual progress report will be required in order to renew approval for an additional period.

Please ensure that the Human Research Ethics Committee is notified should any substantive change(s) be made, for whatever reason, during the research process. This includes changes in investigators. Please also ensure that a brief report is submitted to the ethics committee on the completion of the research. The purpose of this report is to indicate whether the research was conducted successfully, if any aspects could not be completed, or if any problems arose that the Human Research Ethics Committee should be aware of. If a thesis or dissertation arising from this research is submitted to the library's electronic theses and dissertations (ETD) repository, please notify the committee of the date of submission and/or any reference or cataloguing number allocated.

Sincerely,

A handwritten signature in purple ink that reads "Janet Hayward".

Dr Janet Hayward

Chair: Rhodes University Human Research Ethics Committee, RU-HREC

cc: Ethics Coordinator

ANNEXURE E: THESIS LANGUAGE EDITOR

10 Sandra Street

Cannon Rocks

6186

EASTERN CAPE

bouwerrobyn@gmail.com

24 August 2023

TO WHOM IT MAY CONCERN

I, **ROBYN BOUWER**, do have significant experience in English language editing. I am a former English teacher and, as such, also have a 3-year qualification in English obtained from Rhodes University. I currently edit reports for a school in South Africa and Japan.

I hereby confirm that I have completed a language edit of the Master's dissertation by **NCEBA JANUARY**.

Entitled:

The influence of strategic leadership on the performance of SMEs as mediated by strategy implementation.

The work was edited to achieve

- clarity of expression and style,
- accuracy of grammar, spelling, and punctuation,
- and consistency in all aspects of language and presentation.

The author was requested to attend to suggestions for the improvement of the text and is responsible for the quality and accuracy of the final document. References were not included in the language edit.

Robyn Boucher, Mrs.