THE IMPACT OF LEARNING AND MARKETING ORIENTATION ON THE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN MSUKALIGWA MUNICIPALITY, MPUMALANGA PROVINCE

BY

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ABSTRACT

Small and medium enterprises (SMEs) are an important vehicle in income re-distribution, poverty alleviation, employment creation and contribute to the gross domestic product of South Africa. However, SMEs in South Africa suffer from weak performance and thus a high failure rate. The main objective of this study was to investigate the impact of learning and marketing orientation on the performance of SMEs. A quantitative approach was used, while a self-administered questionnaire was also employed during the data collection process. A four section questionnaire covering demographic information, learning orientation variables, marketing orientation variables and performance variables was prepared and distributed randomly to a selected sample of 390 SME owners in Msukaligwa Local Municipality in Mpumalanga Province. A total of 181 questionnaires were returned. Descriptive statistics was undertaken to evaluate the respondents' characteristics against the three research variables (learning orientation, marketing orientation and performance). The software used to analyse information gathered and to ensure accuracy and reliability of the study results was Statistical Package for Social Sciences (SPSS) version 23.0. Correlation and regression analyses were performed to determine the relationship between learning orientation and performance, and the relationship between marketing orientation and performance. The Cronbach's alpha was used as a measure of reliability. The results of the study revealed that both learning and marketing orientation positively impact on the performance of SMEs. Recommendations to improve the marketing and learning orientation of SMEs are suggested.

Key words: learning orientation; marketing orientation; performance; SME; South Africa

DECLARATION

I, Evelyn Mamogweriri Motsepe, hereby declare that this research report is my own work. It is submitted in fulfilment of the requirement for the degree of Masters of Commerce in Business Management in the Department of Business Management at the University of Limpopo. All the sources that I used or quoted have been indicated and acknowledged by means of complete references. This work has not been and will not be submitted or presented for the award of any other degree at another institution.

Evelyn Motsepe

Signed at ---

On the --------------------day of ---------------20----

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CHAPTER ONE

INTRODUCTION AND BACKGROUND TO THE STUDY

1.1 INTRODUCTION

Fatoki and Garwe (2010:729) point out that small and medium enterprises (SMEs) are central pillars of economic growth of most countries. Thus, countries all over the world concentrate on broadening the SME sector in order to accelerate economic growth. SMEs are of great socio-economic significance (Small Enterprise Development Agency (hereinafter SEDA), 2012:3). SMEs play a significant role in the economic growth of African countries (Okpara, 2011:157). The SME sector is one of the solutions to the high levels of poverty and income inequality in South Africa (Abor & Quartey, 2011:218). SMEs account for approximately 91% of formal business entities in South Africa. In addition, SMEs contribute about 50% of the gross domestic product and 60% of employment in South Africa (Department of Trade and Industry, 2012). SMEs have been focused on by the government as a priority for job creation to reduce the high rate of unemployment in South Africa is currently estimated at 27.1% (Statistics South Africa, 2017). Ayyagari, Demirguc-Kunt and Maksimovic, (2011) find that SMEs with 250 employees and less are the engine of growth in many countries. Ahmad, Rani and Kassim (2011) concurred with other scholars that SMEs are a major contributor towards the development and competitiveness of an economy.

Panitchpakdi (2006) observes that SMEs are a source of employment, competition, economic dynamics and innovation, thereby stimulating entrepreneurship skills. Hence, one of the key objectives of government worldwide is to encourage migration of SMEs from the informal to the formal sector (Panitchpakdi, 2006). Some of the world's leading Korean companies such as Samsung and LG were once categorised as SMEs (Statistics Government of Korea, 2011). (Okpara, 2011:157) affirms that despite the potential big contributions of SMEs to sustained economic development, their performance is below expectation in many developing countries. However, despite their contribution to employment creation and economic growth, SMEs in South Africa (and worldwide) suffer from a high failure rate. This negatively impacts on the performance of SMEs. The high failure rate of SMEs has negative

repercussions for the South African economy. Approximately 75% of SMEs in South Africa fail within the first five years of creation (Willesse, 2010:2). According to Van Scheers (2012:5051), some of the major challenges experienced by SMEs in South Africa are related to marketing. This includes high competition, little demand for goods, incapability to fulfil client desires, incorrect pricing plans, inadequate information, unsuitable site, product variety and labelling. Additionally, SMEs in South Africa suffer from access to finance and poor management skills. The SMEs environment has been complicated much further by inadequate infrastructure, unfair environmental conditions such as unattractive tax regimes and legal systems, small local markets and corruption (Abor & Quartey, 2011:218). These challenges results in a high rate of SME failure in South Africa (Herrington & Kew, 2013:9).

Ullah, Shah, Hassan, and Zaman (2011:86) establish that there are various challenges facing SMEs in the global environment. These include economic recession, challenges from global sourcing, low productivity, lack of managerial capabilities, lack of financing, difficulty in accessing management and technology, and heavy regulatory burden. and Steenkamp and Kashyap (2010:368) find that the major problems that negatively impact on the performance of SMEs can be categorised into three. These are the lack of intellectual capital, physical capital and financial capital.

The adoption of learning orientation can positively impact on the performance of SMEs (Rebelo & Gomes, 2011:173). A learning orientation focuses on understanding the relationship a firm places on its environment relative to both the customer and the competitor (Mahmood & Hanafi, 2013:157). In addition, a marketing orientation can have a significant positive impact on the performance of SMEs (Marandu & Themba, 2012:130). Market orientation is valuable because it helps a firm to regularly compile information in respect of desires of market clients (Mahmood & Hanafi, 2013:157). The literature is inconclusive about the relationship between learning and marketing orientation and the performance of SMEs. Studies by Dubihlela (2013) found a positive relationship between learning and marketing orientation and the performance of SMEs.

However, studies by Eris and Ozmen (2012) did not find a positive relationship between the two. In addition, the vast majority of studies on marketing and learning orientation have been done in developed countries (Jyathibabu, Pradhan & Faroog, 2010:340; Nybakk, 2012:28). The inconclusiveness of previous empirical studies and the lack of studies in South Africa on the effect of marketing and learning orientation on the performance of SMEs necessitated this study.

1.2 PROBLEM STATEMENT

SMEs contribute positively to employment creation and economic growth in South Africa. However, SMEs suffer from weak performance leading to a high failure rate. Inability to market goods and lack of skills are some of the primary causes of SME failure in South Africa (Van Scheers, 2012:5051). Learning and marketing orientation can help to improve the performance of SMEs and thus reduce their high failure rate (Nybakk, 2012:20). However, the literature is inconclusive about the direction of the relationship between learning and marketing orientation, and the performance of SMEs (Mahmood & Hanafi, 2013:157). This study seeks to understand the impact of learning and marketing orientation on the performance of SMEs from a South African perspective.

1.3 AIM OF THE STUDY

The aim of the study is to determine the impact of learning and marketing orientation on the performance of SMEs from a South African perspective.

1.4 OBJECTIVES OF THE STUDY

The objectives of the study are:

- To understand the learning orientation on SMEs in South Africa.

- To determine the marketing orientation of SMEs in South Africa.

- To investigate the relationship between learning orientation and the performance of SMEs in South Africa.

- To determine the relationship between marketing orientation and the performance of SMEs in South Africa.

1.5 RESEARCH HYPOTHESES

Ho1: There is no relationship between learning orientation and the performance of SMEs.

Ha1: There is a significant positive relationship between learning orientation and the performance of SMEs.

Ho2: There is no relationship between marketing orientation and the performance of SMEs.

Ha2: There is a significant positive relationship between learning orientation and the performance of SMEs.

1.6 DEFINITION OF CONCEPTS

- **Learning orientation**: Rebelo and Gomes (2011:173) describe learning orientation as a process or capacity within an organisation which enables it to acquire, access and revise organisational memory, providing directions for organisational action. A learning organisation always seeks ways to capture learned concepts in order to function continuously. It enables individuals and team members to express their own ideas and perspectives (Alipour, Khairuddin & Karimi, 2011:65). This study follows the definition of ((Martín-Consuegra and Esteban, 2007:383) and describes learning orientation as an organisation's obligation towards learning, shared visualisation, freedom of speech and integrated structural information sharing.

- **Marketing orientation**: Marketing orientation permits the organisation to attain fresh facts and to accommodate the eagerness of its existing and upcoming customers (Kamya, 2012:228). This study adopts the definition of marketing orientation emphasised by Yam, Tam, Tang and Mok (2011:439) as a process which involves changing the internal behaviour, and making available organisational capabilities in response to rapid environmental factors.

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- **Small and medium enterprises**: The National Small Business Act of 1996 as amended in 2003 qualitatively defines a small business as "a separate and distinct business entity, including cooperative enterprises and non-governmental organisations, managed by one owner or more which, including its branches or subsidiaries, if any, is predominantly carried on in any sector or subsector of the economy". Small businesses can be classified as micro, very small, small and medium. However, the term SMEs is generally used to describe the small business sector (Government Gazette, Republic of South Africa, 2003). Quantitatively, the National Small Business Act uses sales or turnover, total asset value and number of employees to define a small business (Government Gazette, Republic of South Africa, 2003).

- **Performance**: Performance can be well-defined as the effect of the actions of an organisation or investment over a specified time frame (Correia, Flynn, Uliana & Wormald, 2007:15). Performance indicators are often measured in terms of financial and non-financial terms ((Martín-Consuegra and Esteban, 2007:383). The majority of companies consider financial indicators as a measure for performance Rebelo and Gomes (2011:173) There are measures of performance approved by (Martín-Consuegra and Esteban, 2007:383) which are profitability, productivity, growth, market share, stakeholder satisfaction as well as competitive position. This study defines performance as an increase in sales (turnover) and profit of an organisation as pointed out on a study conducted by (Correia et al., 2007:15)

1.7 SIGNIFICANCE OF THE STUDY

SMEs create employment and economic growth in most countries. However, their failure rate SMEs is very high. This negatively impacts on their ability to contribute positively to the economic development of South Africa. Learning and marketing orientation can help to improve the performance and thus reduce the high failure rate of SMEs. However, the literature on the impact of marketing and learning orientation on the performance of SMEs is inconclusive. Empirically, this study will add to the body of literature on the impact of marketing and learning orientation on the performance of SMEs from a South African perspective. In addition, the findings of this study will be useful to the owners of SMEs and government agencies that

support the development of SMEs in South Africa in understanding if learning and marketing orientation can help to improve the performance of SMEs.

1.8 CHAPTER OUTLINE

This study comprises six chapters.

CHAPTER 1: INTRODUCTION AND BACKGROUND TO THE STUDY

This chapter presents the background to the study. It also highlighted the research problem, objectives, hypotheses for the study. Furthermore, the chapter discussed the significance of the study the outline of chapters. The chapter briefly provides literature review in order to highlight research gaps that prompted this study.

CHAPTER 2: SMALL AND MEDIUM ENTERPRISES AND THEIR CONTRIBUTION TO THE ECONOMY

This chapter provides an overview of the SME sector in South Africa. The first part of the chapter describes the concept SME by showing its various definitions worldwide after which a South African definition of the concept is given. Furthermore, the chapter presents facts on how SMEs can be a panacea to the developmental challenges facing South Africa such as high and growing levels of poverty, income inequality and unemployment. The chapter also discusses in detail the contribution of SMEs to gross domestic product, employment creation, poverty reduction and income inequality in South Africa. International comparisons are given where contributions to economic activities by SMEs in South African are compared to other selected developing and developed countries. The chapter concludes by discussing the failure rate of SMEs in South Africa.

CHAPTER 3: LEANING AND MARKETING ORIENTATION

This chapter provides an overview of learning and marketing orientation and the performance of SMEs. The overview helps to develop the hypotheses. In addition, definition and the theories related to learning and marketing orientation are discussed.

CHAPTER 4: RESEARCH METHODOLOGY

The chapter describes the research methodology. The chapter focuses on the research design, the population and sample and the data collection and analysis

methods. In addition, the reliability and validity of the research instrument will be discussed.

CHAPTER 5: RESEARCH RESULTS

The purpose of this chapter is to present and interpret the empirical findings, data analysis and hypothesis testing results of this study.

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

In this chapter, conclusions are made based on the findings of the entire study. Discussions are also presented concerning the implications of this study with regards to its theoretical and empirical contribution, business practice, academic literature and research techniques. In addition, the limitations of the study and the areas for future research are stated.

1.9 SUMMARY

The background of SMEs was outlined by highlighting some of their major benefits to economies, particularly South Africa. A brief literature review was undertaken to identify the research gap. Furthermore, the aims and objectives of the study were outlined, indicating how the research problem is to be addressed. This chapter also discussed the significance of the study by justifying its relevance to the empirical literature on learning and marketing orientation. An outline of the chapters provides guidance to readers on the direction of this thesis. The definition, contribution and the challenges faced by SMEs will be reviewed in the next chapter.

CHAPTER TWO

SMALL AND MEDIUM ENTERPRISES IN SOUTH AFRICA

2.1 INTRODUCTION

This chapter will focus on small and medium enterprises. The definition of SMEs from an international and a local perspective will be provided. In addition, SMEs' contribution in the gross domestic product (GDP), employment and poverty alleviation will be discussed. Furthermore, the challenges faced by SMEs and their failure rate will be examined.

2.2 DEFINITION OF SMEs

This section will examine the definition of SMEs from a local and an international perspective.

2.2.1 Definition of SMEs from an international perspective

Bowler, Dawood and Page (2007:10) indicate that a single universally accepted definition of the term "small and medium enterprises" does not exist. What is reported as the definition of a small enterprise in the United States of America (USA) can be regarded as a medium-sized enterprise in other countries. The definitions of small business also vary in developing countries such as South Africa and Nigeria in comparison to developed countries such as the USA and the European Union (Zheng, O'Neill & Morrison, 2009:175).

2.2.1.1 Definition of SMEs in the European Union

- **Qualitative definition**

According to the European Commission (2015:11), in determining whether or not an enterprise is an SME, the enterprise's size (employees, turnover and balance sheet total) cannot be considered as a single factor. If the enterprise has access to significant additional resources (e.g. because it is owned by, linked to or partnered by a larger enterprise), it might not be eligible for SME status. To qualify as an SME, autonomy is an important factor. The enterprise must either be fully autonomous or has single or light additional corporations (with 25% or less) with other enterprises.

- **Quantitative definition**

The quantitative meaning of an SME in the European Union is provided in table 2.1.

Table 2.1.Quantitative definition of an SME in the European Union

Business size	Employee	Income	Balance sheet total
Medium	<250	<€ 50 m	<€ 43 m
Small	<50	<€ 10 m	<€ 10 m
Micro	<10	<€ 2 m	<€ 2 m

Source: European Commission (2015:11)

Table 2.1 above shows that micro-businesses are regarded as businesses that employ fewer than ten persons, and with a yearly income and a balance sheet total of less than two million Euros. Small businesses are clarified as enterprises that employ less than fifty persons and with an income and a balance sheet total of less than ten million Euros. Medium-sized businesses are regarded as enterprises that employ less than two hundred and fifty individuals with an income of less than fifty million Euros and a balance sheet total of less than forty three million Euros (European Commission, 2015:11).

2.2.1.2 Definition of SMEs in the USA
- **Qualitative definition**

The United States Small Business Administration (2015) qualitatively defines an SME as a concern that is organised for profit, and operates primarily inside the United States of America (USA). In addition, the enterprise must make significant contribution to the economy of the USA through the use of American materials, labour, material and payment of taxes. Furthermore, the enterprise must be independently owned and operated and is not dominant in its field on a national basis.

- **Quantitative definition**

There is a schedule of standards for the quantitative definition of an SME in the USA. The standard varies marginally depending on the industry. The Size standards represent the largest size that an enterprise (including its subsidiaries and affiliates) may be to remain classified as a small business concern. (United States Small Business Administration, 2015).

Table 2.2 Quantitative meaning of an SME in the United States of America

	Manufacturing and non-exporting service firms	Exporting service firms		Farms
		Most	High value	
Number of employees	<500	<500	<500	<500
Revenue	Not applicable	<$7m	<$25m	<$250, 000

Source: United States Small Business Administration (2015)

Table 2.2 shows that to be classified as an SME in the USA, the enterprise must have less than five hundred employees. However, in the European Union, the maximum number of employees is two hundred and fifty. This demonstrates the differences in the international definitions of an SME.

2.2.1.3 Definition of SMEs in Nigeria

According to the Central Bank of Nigeria (2015), quantitative factors are used to provide the definition of SMEs in Nigeria. Table 2.3 depicts the definition of SMEs in Nigeria.

Table 2.3 Definition of SMEs in Nigeria

Size	Quantity of workers	Total cost not including working capital but excluding land
Micro	1-10	Less than N1m
Small	11-35	N1m to less than N40 m
Medium	36-100	N40m to less than N200m
Large	101 and above	N200m and above

Source: Central Bank of Nigeria (2015)

2.2.1.4 Defining an SME in South Africa

- **Qualitative definition**

The National Small Business Act of 1996, as revised in 2003, defines an SME as "as a separate distinct entity including cooperative enterprises and non-governmental organisations managed by one owner or more, including branches or subsidiaries if any is predominately carried out in any sector or subsector of the economy mentioned in the schedule of size standards" (Government Gazette, 2003). The quantitative definition focuses on the turnover, the sum of workers and the gross asset worth of SME (Government Gazette, 2003). Table 2.4 depicts the quantitative description of SMEs in South Africa.

Table 2.4: Quantifiable description of SME in South Africa

Enterprise size	Total number of Workers	Annual revenue	Gross assets not including fixed property
Medium	Fewer than 100 to 250 depending on industry	Less than 4m to 50m depending on industry	Less than R2m R18m depending on industry
Small	Fewer than 50	Less than R2m to R25m depending on industry	Less than R2m to R4.5m depending on industry
Very small	Fewer than 10 to 20 depending on industry	Less than R200,000 to R500,000 depending on industry	Less than R150,000 to R500,000 depending on industry
Micro	Fewer than 5	Less than R150 000	Less than R100,000

Government Gazette (2003)

Table 2.4 shows the description of small businesses in South Africa. The definition of small businesses, according to the Act, includes micro, very small, small and medium enterprises. However, the word SMEs is generally used. The conclusion that can be arrived at is that there is no universally agreed definition of an SME. In the United States of America, an SME is an enterprise with less than five hundred employees. However, in South Africa, the maximum number of employees to be classified as an SME is two hundred and fifty. Therefore, despite the similarities in the definition of an SME across countries, there are also differences.

2.3 MEANING OF DEVELOPMENT

Development theory manifests from development studies suggesting that all countries would go through "stages of growth" on the path to development and the stages are basically on the economic take-off, ending in an "age in higher consumption" (World Bank, 2006). Todaro and Smith (2011:1) define development as the social process which improves the quality of life of all human beings, it's a massive change which represent the whole social system, changing the basic needs and desires of individuals and groups in the system, hence change the conditions of life widely regarded as unsatisfactory.

World Bank (2006) believes that the term development can be deceiving as it sounds unselfish and words are powerful weapons. Development can be defined as the destruction of nature and society in order to pursue wealth. Hence, the word development is closely related to the promotion of capital empire(Todaro and Smith, 2009:18). Human development is observed by Todaro and Smith (2011:1) as an absolute and essential reminder that material progress is only a means and not the end of development. Development can also be defined in terms that include human rights: all valuable processes of social changes being simultaneously rights based and economically grounded (Todaro and Smith, 2011:1)

Todaro and Smith (2011:1) concludes that human development should include nutrition, education and health as ends in themselves. Apparently development depends on values and on alternative conception of good life and there is no uniform or an accepted word-wide definition of development (Todaro and Smith 2009:18). Todaro and Smith (2009:10) defined development as a multidimensional process taking in to consideration major changes in social structures, popular attitudes and national institutions, including the acceleration of economic growth, the reduction of inequality and eradication of poverty. Todaro and Smith (2011:1) affirmed that development is mostly concerned with improvements on the lives we live as well as the freedom we enjoy, hence, economic freedom which is the outcome of a decrease in poverty, unemployment and inequalities. Previous literature on the definition of development was reaffirmed by Todaro and Smith (2009:10) in that development is not only focused on economic growth but also takes in to account a decrease deprivation and an increase in choices. Deprivation represents a multi-dimensional

view of poverty that including hunger, illiteracy, illness and poor health, powerlessness, voicelessness, insecurity, humiliation, and a lack of access to basic infrastructure. Development can be expressed using elements such as political freedoms, economic facilities and social opportunities. Todaro and Smith (2009:18) presents the term development to answer the following questions:

- Changes in the poverty level.
- Changes in the unemployment level.
- As well as changes in inequality.

Todaro and Smith (2011:1) defined development in economic terms as an achievement of sustainable rates in growth of income per capita resulting in an increase on national output, which is faster than the population growth. Economic development measures suggested by Todaro and Smith (2011:1) includes; Gross National Product (GNP), GNP per capita, Welfare and Social indicators.

The World Bank (2008) defined development as a process through which people are aware of their capabilities, acquisition of knowledge and working collectively to satisfy their specific needs such as self-respect, self- confidence, self- reliance to collectively become socially economically and politically interact for a positive change in their society. Todaro and Smith (2011:1) concurs that people –centred development aims to widen people's political participation more specifically participation in the local Government.

The World Bank (2008) approached the term development in different areas of knowledge touching a state, process, well -being, progress, economic and human growth or ecological balance. While Todaro and Smith (2009:18) disagreed by explaining that development is not chimerical and cannot belittled as economic growth. The idea of development is confirmed as an ideology trap invented in a relationship between the dominating minorities and the dominated majorities in countries and among them (The World Bank, 2008). World Bank (2006) believed that development is a possible strategy which eradicates poverty. United Nations Development Plan (UNDP, 2010) gave an average concept of human development using three criteria; long and healthy life, Knowledge and an improved standard of

living measured by life expectancy during birth, expected schooling years, and the gross national income per capita at purchasing equality.

World Bank (2006), also described development within the context in which, countries can be broadly classified into developed and developing. The word developed country is most often used to describe countries that have a high level of development according to some criteria. Specifically which criteria, and which countries are classified as developed, are a contentious issue. Economic standards have a habit of dominate discussions. One such measure is income per capita and countries with high gross domestic product (GDP) per capita are described as developed countries. Another economic standard is industrialization. Countries in which the tertiary sector dominates the economy are also described as developed. Currently the third measure, the Human Development Index (HDI) which chains together an economic measure, national income, with other measures, indices for life expectancy and education has become prominent. Developed countries are countries with a high HDI rating. A developing country is a country that has a low level of industrialization, high levels of poverty and income inequality, thus a low HDI index.

The World Bank (2008) classified South Africa as having characteristics of a developing country. Hence, South Africa has a two-tiered economy; one rivalling other developed countries and the other with only the most basic infrastructure. South Africa is regarded as a productive and industrialized economy that exhibits many characteristics associated with developing countries such as an uneven distribution of wealth, a high level of poverty and unemployment. South Africa's per capita gross domestic product, corrected for purchasing power parity (PPP), was $10,187 per annum in 2007, making the country one of the 50 wealthiest in the world. However, strikingly poor social indicators resulted in a ranking of 115 out of 175 countries in terms of the Human Development Index (HDI) in 2007. South Africa's HDI ranking declined from 93 in 1992 to 115 in 2007 and it is one of only a handful of countries that has experienced a decline since 1995. Regardless of being among the 50 wealthiest nations in the world, the country now has a life expectancy that is among the 30 worst, while projections of mortality suggest that this measure will deteriorate further as deaths from the HIV/Aids pandemic increase.

In conclusion, previous literature recommends that development is not to economic growth as championed by classical economists such as (World Bank, 2006). Contemporary economists such as Todaro and Smith (2011:1 and 2009:4) as well as The World Bank (2008) observed development as the reduction of poverty, income inequality and unemployment. Therefore, development must be sustainable. Sustainable development also includes reduction in pollution, congestion and environmental degradation. In development term, South Africa is categorised as a developing nation with high levels of poverty, income inequality and unemployment.

2.3.1 Developmental challenges facing South Africa

2.3.1.1 Slow Economic growth

Economic growth is defined by Weil (2013:12) as the rate of growth of a national income in a country which is measured by the annual percentage rate of changes in a country's gross domestic product (GDP). Mankiw (2010) regards economic growth as a method used by developed countries to enrich themselves to secure and sustain better standards of living. Developed countries compare their present with their own history, hence, find a huge gap on their standard of living (Weil, 2013:22). An unexpected increase in the standard of living world-wide over the last half century has been observed by Weil (2013:22) while also pointing out that there is a positive relationship between education and growth.

A positive association between economic growth and the level of poverty reduction in developing countries has been identified (Mankiw, 2010). South African economy maintained an average growth rate of 5% in 2004-2007, 2.8% in 2008, and the growth rate or GDP in 2016 declined drastically to 1.1% and picked up in 2017 second quarter by 2.5% (Statistics South Africa, 2017).

2.3.1.2 Health

Todaro and Smith (2011) report that in developing countries by the year 1950, 280 out of every 1000 children died compared to 2008 where the number declined to 118 per 1000 kids. Strittmatter & Sunde, (2011:1) note that households which have better

economic growth spends less on healthcare as they can afford healthy food and better living conditions. The level of government expenditure on health services in developing countries is low and also affect the quality of health services offered (Strittmatter & Sunde, 2011:1). South Africa is faced with a huge burden of diseases such as HIV/AIDS, tuberculosis and sexually transmitted diseases which increased the rates of maternal and child deaths (National Planning Commission (NPC), 2011).

According to Lorentzen, McMillan and Wacziarg (2008:81), an upswing in the death of adults in one standard deviation reduces growth by 1.1 % points more specifically human capital and fertility channels. Todaro and Smith (2011) posit that a downswing in death of infectious deceases as a result of treatments, medication or vaccine results in an increase in life expectancy. Hence, improved health conditions might have a significant effect on economic performance, and that public health policies and health organisation environment have a major role on economic development (Strittmatter & Sunde, 2011:1). Research statistics proved that an improvement in health yields large indirect benefits through accelerated economic growth (Lorentzen *et al.*, 2008). Most of the developing countries still experience an alarming rate of fertility but tends to decrease when child survival improves (Strittmatter & Sunde, 2011:1).

2.3.1.3   Poverty and income inequality

The European community defines poverty as social exclusion, while the international development defines poverty not only as lack of social means but also as lack of basic assets for human development specifically health and education (Lorentzen *et al.,* 2008:81). In 2017 the estimates on the population living within the poverty lines in South Africa decreased from 66.6% in 2006 to 53.2% in 2011 even though it increased to 55.5% in 2015. Additionally, number of persons living in extreme poverty in South Africa increased by 2.8 million, from 11 million in 2011 to13.8 million in 2015 (Statistics South Africa, 2017). Lorentzen *et al.,* (2008:81) researched about the financial development and poverty reduction in developing countries and found that financial development fosters growth which is used as a mechanism to eradicate poverty

2.3.1.4   High unemployment

The negative impact on employment is heavily directed on women, young workers and less educated workers whose income tend to be low (Bhorat & visser, 2010). The unemployment rate in South Africa is increasing on an alarming rate from an estimate of 24.2 percent in 2011 to 27.1 percent in 2016 (Statistics South Africa, 2016). The unemployment challenges faced by South Africans is structural (Bhorat & visser, 2010), in that it affects the poorly educated workers which are the majority of the labour supply, and struggle to secure employment due to a lesser demand of low skilled workers.

In the first quarter of 2017 unemployment rate increased from 27.1% in 2016 to 27.7% in 2017 of which 58% are young people from age 15-34, while the rate of unemployment among those with education levels of less than matric is at 33.1 % in 2017, and the unemployment among graduates gradually increased from 7% in 2012 to is 7.3% in the 1st quota of 2017 (Statistics South Africa, 2017). The more educated an individual, the better the chances of securing employment (Bhorat & visser, 2010).

Bhorat & visser, (2010) defined three trends in South African economy as main contributors to a decrease in the demand for low skilled workers as such leading to an increase in unemployment;

- Substitution of skilled workers surrounding each economic activity;

- Structural movement from low-skill intensive parts of economy, especially from products to services; and

- Production techniques becoming pro-aggressively more capital intensive inside tradables or manufacturing sector.

2.3.1.5   Education

Hanushek and Wobmann (2007:24) claimed that the economies of developing countries' strength is through empowerment and recognition of higher education. Appropriate implementation of policies and strategies on higher education can be regarded as an investment and a way of improving the social-economic status of a country (Kubler & Sayers, 2010). In review of previous literature, Oketch, McCowen and Schendel (2014) found a positive correlation between education and development. Kubler & Sayers, (2010) points out that there is much more to higher education development as an effect to economic development. Oketch *et al.,* (2014) reflect a positive association between low income and low parent investment on time as well as money on their children' learning. An increase in yearly family income was strongly associated with a yearly increase in educational attainment in adolescence (Hanushek and Wobmann, 2007:24).

Education is a fundamental factor which not only facilitates development, but also contribute to advanced technological innovation resulting in increased capital and more labour productivity therefore, increasing income growth, reducing poverty and unemployment (Hannum & Buchmann, 2006). Education plays a crucial role in generating job opportunities basically for highly skilled workers and alleviating poverty Oketch *et al.,* (2014) The individual skills promote growth in the economy in a specific society through increased productivity and better governance (Hannum & Buchmann, 2006). Hanushek and Wobmann (2007:24) suggest that it is vital to investment in both human capital and facilitating research and development and enhancing technology.

2.4 CONTRIBUTIONS OF SMEs

SMEs play a crucial role in developing and sustaining economic growth. They contribute to employment creation in rural and urban areas, are a catalyst for poverty alleviation and inventors of innovative products and services (Ayyagari *et al.,* 2011). SMEs also contribute greatly towards the gross domestic product (GDP). This leads to sustainable economic growth (Katua, 2014:461). Ayyagari *et al.,* (2011) conclude that SMEs remain an imperative potion to the majority of developmental initiatives.

2.4.1 Contribution of SMEs to employment and gross domestic product in selected developed and developing countries

Table 2.5: Contribution of SMEs to employment and gross domestic product in selected developed and developing countries

Country	Contribution to employment	Contribution to gross domestic product
United States of America (1)	80%	79%
European Union (2)	67%.	58%
Nigeria (3)	50%	50%
South Africa (4)	60 %	50%

(1) United States International Trade Commission (2010); (2) Michael, Helmut, Dieter, Scott and Christin (2013:15); (3) Ariyo (2008:1); (4) Department of Trade and Industry (2012)

Table 2.5 indicates that SMEs' contribution to job employment and gross domestic product is higher in developed countries compared to developing countries. SMEs in the USA and European countries are regarded as the core of the economy and a major source of employment. They account for 67% of employment in the EU as compared to large enterprises at 33% (Eurostat, 2011:11). The argument supporting the contribution of SMEs was provoked by a report published by Birch (1979). The report established that small businesses, rather than large enterprises, are the primary creators of employment (Birch, 1979).

Birch's report of (1979) confirming that SMEs are the major contributors of employment creation the economy and their impact acknowledged over a lifetime.

Birch's findings in (1989:33) still confirmed that a huge portion of small firms claims a bigger pie to the number of new jobs created. The birch report (1989:33) differentiated the small and large companies as the 'elephants, mice and the gazelles as metaphors for companies committed to growth (Birch, 1979).

Birch (1981) emphasised that the small business sector in the United States remained a major source of employment creation. The Birch report (1979 to 1981) classified a gazelle as a business well established and managed to achievement of 20% minimum sales growth per annum over the interval, beginning with a revenue of at least $100,000.

The Eurostat and OECD (2007) differentiate the high growth enterprise and the gazelles in the following:

- High growth enterprises having an average annual growth in employment or turnover exceeding 20% p.a. for a period of three years and (provisional) threshold of 10 employees at the beginning of each period.

- Gazelles are the emerging high growth enterprises operating for less than five years.

The SME sector is recognised world-wide as the engine that drives progress in the economy and employment formation in developing and developed nations (Eurostat and OECD, 2007). SMEs often employ impoverished and low income workers and are particularly applicable in the rural areas as they are often the only sector providing job opportunities (World Trade report, 2013).

Michael and Johannes (2013:714) note that SMEs in South Africa play an essential role in the development of the country's economy. SMEs have become the primary source of job creation in South Africa. SMEs can help to address the high level of unemployment and the challenges of poverty facing South Africa (Subrahmanya, Mathirajan & Krishnaswamy, 2010:1). According to Michael and Johannes (2013:714), the concentration of SMEs has a close relationship with the dominant economic activities. SMEs dominate the world economies in terms of employment

and number of companies, yet their full potential remains remarkably untapped (Eurostat, 2011:11).

Katua, (2014:466) stated that there is a high correlation between the degree of poverty, hunger, unemployment, economic wellbeing and standard of living of the citizens of a country and the vibrancy of the country's SMEs. The SMEs constitute over 90% of total enterprises in most of the economies and are credited with generating the highest rates of employment growth and account for a major share of industrial production and exports. SMEs employ mostly people without matric qualifications than those holding higher qualifications (Subrahmanya *et al.,* 2010:1).

2.4.2 Contribution of SMEs to economic growth

A country's gross domestic product is the overall worth of all goods and services produced within the borders of the country during a year (Eurostat, 2011:11). The Accelerated and Shared Growth Initiative South Africa (2009) indicates that on average a growth rate of 5% between 2004 and 2014 is needed to achieve the social objective of the government. SMEs are expected to contribute significantly to the expected growth rate (Abor & Quartey, 2010:218). According to Maas and Herrington (2006:8), South Africa risks economic stagnation without the creation and survival of SMEs.

Eurostat (2011:11) points out that the contribution of SMEs to value added in the EU is greater than that of large enterprises. On average SMEs hold 58% as compared to 42% value added for large enterprises. SMEs account for over half of U.S. non-farm GDP, and represent 98 percent of all U.S. exporters and 34 percent of U.S. export revenue, trade-up capital fund and next trade and Group LLC March 2015. SMEs contribute greatly to the U.S. economy regarding employment, job creation, entrepreneurship and U.S. economic activity which is measured by gross domestic product (GDP Eurostat (2011:11).

Currently, the performance of SMEs in Nigeria is below expectations. The contribution of SMEs in Nigeria to the national GDP is poor for numerous reasons. These include inadequate infrastructure/financial support to businesses operating within the various sectors; limited application of innovation to operations within the segment; and unfavourable competition from foreign goods and services (World Trade report, 2013).

Table 2.6: Contributions of SMEs to poverty alleviation

Countries	contribution to poverty eradication
United states of America (1)	50%
European Union (2)	64.5%
Nigeria (3)	30%
South Africa (4)	42%

(1) Head (2003); (2) European Commission (2011); (3) (Love & Roper, 2013:1); (4) Bureau for Economic Research (BER) (2016:32)

Poverty can be categorised as both absolute and relative (World Trade report, 2013).

When poverty is said to be absolute, it is described as a lack of resources to meet the physical needs for survival, a lack of basic security, the absence of one or more factors that enable individuals and families to assume basic responsibilities and to enjoy fundamental rights. On the other hand, relative poverty can be categorised in relation to particular groups or areas in relation to the economic status of other members of the society which is interpreted as a lack of resources to achieve a standard of living that allows people to play roles, participate in relationships and live a life that is deemed normative of the society to which they belong (World Trade report, 2013).

In the case of Nigeria, SMEs have performed at a very poor level (Love & Roper, 2013:1). Their poor performance has added to the level of poverty, and the low standard of living in the county (Michael and Johannes 2013:714) .According to Subrahmanya *et al.,* *(*2010:1).the Nigeria's current problems of hunger, poverty and unemployment have been undermined by the capacity of the SMEs. In South Africa about 45.5% of the South African population lives below the poverty line (Statistics South Africa, 2014).By providing jobs, SMEs are a significant component of the solution to South Africa's high level of poverty (Maas & Herrington, 2006:9). There is a robust positive relationship between the relative size of the SME sector and economic growth (Love & Roper, 2013:1). Michael and Johannes (2013:714)) examined the role of the small business sector in poverty alleviation in Alexandra, South Africa. The results indicate that there is a positive relationship between the creation of SMEs and poverty reduction. Maas & Herrington, (2006:9) examined the financial systems supporting SMEs and found that insufficient development of rural SMEs is an important source of urban-rural income inequality.

The SME sector as the engine of economic growth and poverty eradication has been widely accepted (World Trade report, 2013). SMEs contribute to national development by positively influencing the distribution of income in both functional and nominal terms (Love & Roper, 2013:1). According to Subrahmanya *et al.,*(2010:1).the South African government identifies SMEs as keys to poverty alleviation, income equality, employment and sustainable economic growth. Michael and Johannes (2013:714) highlight that some SMEs are located in the rural areas and are of great importance for the provision of employment to poor rural workers.

2.4.4 Contribution of SMEs to productivity and competitiveness

Barney and Hesterly (2010:292) emphasise that the introduction of new products in the market is often done by SMEs. In addition, SMEs are perceived as being less complex compared to large enterprises and can easily manage or adapt to changes in the business environment. They are very important in promoting competitiveness and in bringing new products or service to the market (Barney and Hesterly ,2010:292). (Eurostat, 2011:11) posit that SMEs are crucial contributors in productivity and in securing a competitive advantage within the national production system. They usually present innovative goods and services to the marketplace

since they are less complex and have fewer procedures to follow regarding changes in the operating plan (Eurostat, 2011:11).

2.4.5 Contribution of SMEs towards technological innovation

Meeting customers' expectations and changing their needs is valued as a major competitive advantage for any profitable or sustainable business (Chaminade & Vang, 2006:1). Keeping up with technological innovation is one of the factors which ensure that small and large businesses become competitive. Technology is ever changing equally in advanced and emerging nations and moreover, the worth of products and services offered to customers is always improved to remain competitive (Subrahmanya *et al.,* 2010:1), hence it has been found that SMEs are significant in strengthening linkages in complex economic activities and in transferring technology know-how. Their technological advancement ensures fair competition to large and multinational corporations.

(World Trade report, 2013) ascertain that technological capabilities can benefit SMEs in several ways. Technologies enhance SMEs' efficiency, reduce costs and broaden market reach both locally and globally while excelling on performance (Chaminade & Vang, 2006:1). SMEs are the hub of new technology even though they encounter challenges in protecting their intellectual property, the system seem to be favourable to large, and financially stabled enterprises, who has enough resources to go through expensive procedures(World Trade report, 2013).

Subrahmanya *et al. (*2010) remark that SMEs are crucial in strengthening linkages in the complex economic activities, transferring technology know-how and complimenting large and multinational corporations in enabling sustainable development. Eurostat, (2016) emphasised that the provision of innovative services, or products to the targeted customers, results in improved business performance and economic growth. In the European Union more than half of EU enterprises contribute to innovation activities on average 53%, in addition, EU is more innovative in recent years, rising from an innovation performance index of 0,493 in 2006 to 0,554 in 2013, (Eurostat, 2016).

2.5. FAILURE RATES AND CHALLENGES FACING SMEs

2.5.1 Definition of the failure rate of SMEs

Titus (2008) observed that SME failure rate transpires when the firm fails to meet its responsibilities as per stakeholder's expectations, including employees, suppliers, customers and owners. *From this perspective, a business failure is the termination of an entrepreneurial initiative that has fallen short of its goals.* Moreover, every business has a life span that is portrayed by its business life cycle. Titus (2008) unpacked the business life cycle according to its normal definition of four stages; Introduction, Growth, Maturity and Decline. Small business failure is to a large extent the *last stage of an organization's life cycle.* An alternative definition of small business failure highlighted by Titus (2008) is that failure occurs when there are significant losses in the capital of the business which significantly lead to business discontinuance. A SME business which is not able to earn an adequate return (or does not meet owner's objectives) is usually terminated. Titus argues that the easiest definition of business failure is *"a firm's inability to exist due to loss of capital or insufficient return on investments".*

Aderina & Johnston (2011) perceives that a majority of firms continue to trade while earning low rates of return. Nevertheless, it has been noticed that from this rate of return perspective, a business is said to have "failed" if it meets any of the following criteria:

- *Earnings Criterion*: A firm has failed if its return on capital is significantly and consistently lower than that obtainable on similar investments.
- *Solvency Criterion:* A firm has failed if the owner, to avoid bankruptcy or loss to creditors after such actions such as execution, foreclosure or attachment, voluntarily withdraws, leaving unpaid obligations.
- *Bankruptcy Criterion:* A firm has failed if deemed to be legally bankrupt. Bankruptcy is normally accompanied by insolvency and/or liquidation.
- *Loss cutting criterion:* A firm has failed if the owner disposes of the firm or its assets with losses, in order to avoid further losses.

Corp (2012) in his research an expansion on the definition of SME failure, taking into consideration the seven primary reasons:

- Bankruptcy which is defined as discontinued operations with resulting losses to its creditors;

- Discontinuance which is defined as prevention from further losses. This implies that the owner recognizes the need to end the business due to continuing personal financial losses while the creditors might still be receiving their agreed-upon payments.

- Not 'making a go of it' is the most subjective reason as it is based upon personal goals not being reached. While the business may not be running at a loss, the entrepreneur gives up because it might be too time consuming, stressful, or disapproving because his effort does not compare to the profit.

- Retirement due to bad health.

- Sale of business to realize a profit.

- Unknown.

- Other reasons.

Previous research revealed numerous challenges faced by SMEs. These include factors such as attracting and retaining customers (Corp, 2012). European central bank (2015:3) observe that lack of knowledge of overseas market is regarded as a major barrier for the growth of SMEs. In addition, political and economic environmental imbalances, difficult tax systems, corrupt activities, unfriendly business regulations as well as lack of access to funding are found to be barriers to SME growth (European central bank 2015:3). Failure usually surfaces if the expected results or outcomes are not met, as such the failure might be interpreted differently by different people (April, 2005). Previous scholars predicted that the unsuccessful percentage of small, medium and micro-business is within the bracket of 70% and 80% (Aderina & Johnston, 2011), the estimates is that around 440 000 small businesses closed doors in the last five years in South Africa. European central bank (2015:3) concur that the majority of SMEs fail as a result of lack of management skills.

Table 2.7: The failure rate of SMEs in selected countries

Country	Failure rates of SMEs
European Union (1)	31%
USA (2)	50% within their 1st year 24% in the next 2 years
Nigeria (3)	70% within 5 years
South Africa (4)	75%

(1) European central bank (2015:3); (2) US Small business Administration (2015); (3) Idemobi (2012:15); (4) Willesse (2010:2)

Table 2.9 illustrates a higher failure percentage of SMEs in developing countries in comparison to developed countries. The failure rate of SMEs in South Africa is one of the highest in the world. This negatively impacts on the ability of the SME sector to contribute to employment creation, economic growth and poverty alleviation (Michael & Johannes, 2013:707).

2.5.2 Challenges faced by SMEs

There are many challenges that are responsible for the high failure rate of SMEs (Van Scheers, 2011:5048). According to Abor and Quartey (2010:225), SMEs are challenged by internal and external environmental factors. There are some challenges that contribute to the high failure rates of SMEs within the small business sector (Van Scheers, 2011:5048). A study conducted by Abor and Quartey (2010:225) realised that SMEs are constrained by factors such as lack of access to appropriate technology, limited access to international markets, weak institutional capacity and lack of management skills and training. However, access to finance remains the greatest concern for the majority of SMEs.

SEDA report (2012) persist that there are numerous barriers to enter the SMEs sector and that the challenges faced by SMEs in South Africa are both internal and external environmental factors. Pearce & Robinson, (2007:83) agreed that the environment can be regarded as the surrounding within which the organisation

operates in and from time to time has an influence towards the direction which the organisation has to take. Environmental variables create challenges and opportunities for the organisation (Gibb, 2006:263). As such, SMEs owners/managers often adapt and act due to changes in the internal and external environment (Pearce & Robinson, 2007:83).

2.5.2.1 Internal environmental challenges

Wheelen and Hunger (2012:162) point out that internal environmental factors are variables inside the organisation which are largely controllable. Internal environmental factors are specifically personal qualities, experience, skills and proficiencies that contribute positively or negatively to the success of the business Maas and Herrington (2006:8), Wheelen and Hunger (2012:162) assert that internal factors are specifically strategic factors which have to be investigated and evaluated by top management in order to find out the strength and weak points of the organisation.

- **Lack of access to finance**

Cash flow problems can occur as a result of inaccessibility of bank finances (Nieman & Nieuwenhuizen, 2009:35). Woodward, Rolfe, Ligthelm & Gruimaraes, (2011:72) reveals that almost half of the SMEs in developing countries rate access to funding as the main obstacle. SMEs find it difficult to access loans from the local banks or are restricted due to tight lending conditions. A study by Beck and Cull (2014:3) is consistent with other studies in that enterprises within Africa have a less chance of having a loan than mid-sized firms outside Africa. Herrington, Kew, Simrie and Turton (2011:44) concluded on the empirical evidence on SMEs' financing constraints and proved that SMEs are more likely as compared to large enterprises to be faced with financial constraints and other institutional obstacles.

Fatoki and Odeyemi (2010:133) proved that in South Africa to get debt funding from banks, it is important for the owner of an SME to have either business or personal assets that can be used as collateral. Research evidence shows that commercial banks in South Africa are not willing to assist many SMEs (Woodward *et al.*, 2011:72). Herrington *et al.,* (2011:44) find that lack of financial support specifically lack of venture capital and commercial bank funding are the major obstacles to the

growth of SMEs (Herrington *et al.,* 2011:44). The majority of SMEs in South Africa depends on personal funds, funds from relatives, families and friends as start-up capital. These funds are often inadequate when the SME enter the growth phase (Nieman & Nieuwenhuizen, 2009:35). This is consistent with the situation in other developing countries.

In Nigeria and China, one of the major challenges faced by SMEs is the lack of capital to finance their operations (Shen, Shen, Xu and Bai, 2009:800). According to Eurostat, (2011:11) access to finance is positively associated with the success of SMEs. European Central Bank (2015:3) points out that access to finance is the second major challenge facing SMEs in Europe after competition. In addition, majority of European SMEs are faced with financial constraints compared to large enterprises. Maas and Herrington (2006:8), also observed that asymmetric information between the borrower and the lenders as well as inflated transaction costs are the major constraints to financial lending to SMEs.

Robb and Fairlie (2008:1434)'s argument differed by disagreeing with the fact that the major cause of small firm failure is lack of finance. Robb and Fairlie (2008:1434) while comparing the performance of SMEs owned by Asian immigrants and White locals in the United States. The results of that study revealed that SMEs owned by Asian immigrants face limited access to external finance and are more likely to invest personal or family savings in the business. Besides their constraints Immigrants firms have higher survival rates, profits, employment, and sales than white firms. The outmost important factor associated with the high level of success of immigrant firms is the level of education. Asian immigrant business owners have higher education levels than white business owners. This suggests that the major cause of business failure for new SMEs is inadequate managerial skills (Robb and Fairlie 2008:1434).

- **Characteristics of the entrepreneur**

The individual identity and characteristics of the entrepreneur influence small firm growth (Bowler *et al.,* 2007). According to Herrington *et al.,* (2011:44) the personal charisma of the entrepreneur and growth aspirations impact on the growth and sustainability of the business. The personal characteristics of the owner or manager of an SME include the level of education and previous management/professional

experience (Bowler *et al.,* 2007). Herrington *et al.,* (2011:44)find that there is a significant positive relationship between a high level of education of the owner and the performance of SMEs. These findings are consistent with the results of other researchers that there is a positive relationship between education and firm performance (Byers, Kist & Sutton, 2007).

Entrepreneurs use their strong and unique qualities in managing their businesses (Bowler *et al.,* 2007). The most important personal qualities of an entrepreneur are courage, self-reliance, responsibility, determination, perseverance, creativity and proactive Byers *et al.,* (2007). Risk taking and tolerant individuals often start their own business, hence the personal characters such as creativity, risk taking and independence increase the chances of being an entrepreneur and reduce the chances of being an employee in an organisation (Titus, 2008). Byers *et al.,* (2007) concur that high-risk tolerance personalities use most of their past professional knowledge to start an enterprise than the low-risk tolerance personalities. Therefore, innovativeness, risk-taking and proactivity are essential characteristics of an entrepreneurial orientation (Bowler *et al.,* 2007).

- **Managerial capability**

Herrington, Kew and Kew (2009:169) remark that the South African SMEs are challenged by inadequate managerial skills due to the weaknesses in the education system., as such other factors limiting the performance of SMEs include ineffective leadership skills and improper business control systems. Nieuwenhuizen and Groenewald (2008:128) observe that one of the principal cause of failure of SMEs in South Africa is skill deficiency. Titus, (2008) concurs that managerial skills are crucial in ensuring the sustainability and growth of SMEs. The increase in the failure rate of SMEs is strongly linked to weak and inexperienced management team Nieuwenhuizen and Groenewald (2008:128). Herrington *et al.,* (2009:169) agrees that managerial skills helps in establishing a clear understanding and provide

directions regarding organisational vision. Managerial skills also align employees with the actual vision, and motivate employees to perform.

The role of motivated and competent workforce is becoming more important. There is a positive relationship between employee competence and enterprise efficiency (Titus, 2008). Shen *et al.,* (2009:800) concludes that basic management functions such as planning, organising, staffing, directing and controlling are not properly implemented by most SMEs. In addition, most SMEs do not provide benefits such as retirement package to their employees, therefore managerial capabilities help SMEs to innovate and change. Unfortunately a large number of SMEs owner/managers in South Africa lack a good educational background Shen *et al.,* (2009:800).

- **Human Resources Management (HRM)**

The most valuable internal factor in a company is human resource. The competitiveness of a company is measured by its workers' (owners/managers) capabilities, skills and education levels (Stokes & Wilson 2006). A small business can fail as a result of the inability or unwillingness of employees to help management in achieving organisational goals (Stokes & Wilson 2006). The over-reliance on a single owner/manager by the SME results in ineffective human resources practices Stroyan and Brown (2012:17).

The employees of many SMEs are generally subject to less sophisticated HR practices, low pay and poorer terms and conditions, but at the same time have greater level of trust, engagement, and satisfaction compared to their larger counterparts (Forth, Bewley & Bryson, 2006:12007:55). It has been acknowledged that HRM decisions in SMEs are often made by the owner/manager instead of professional human resources practitioners Stroyan and Brown (2012:17).

- **Lack of access to domestic and international markets**

Siringoringo. Prihandoko & Kowanda, (2009:24) remarks that marketing and information are two export problems which revolve around lack of knowledge of foreign markets, business practices and competition strategies. Lack of strategies for sales management and lack of marketing skills are perceived as major barrier in exporting by SMEs in developing countries (Siringoringo *et al.,* 2009:24). Stroyan and Brown (2012:17) established that international marketing standards play a major

role in the economy, support innovation, growth and competitiveness of countries. Stroyan and Brown (2012:17) mentioned the seven basic functions of marketing: (1) analysis of the customer, (2) the sale of products / services, (3) planning products and services, (4) pricing, (5) distribution, (6) marketing research, and (7) analysis of opportunities.

Inaccessibility to domestic and foreign markets and competition are two of the major challenges facing SMEs in South Africa Van Scheer (2011:5056). According to Michael and Johannes (2013:714), wrong pricing strategies, low demand for products, location of the business and the knowledge of the target audience are the main marketing variables affecting SMEs in South Africa. This is consistent with the findings of Van Scheer (2011:5056) that one of the causes of the high failure rate of SMEs is marketing. Siringoringo et al., (2009:24) indicate that due to the high start-up costs of SMEs, marketing is usually not given a priority but rather seen as an expense and therefore neglected.

- **Difficulty in accessing resources**

Thwala & Mvubu, (2009:361) finds that it is difficult and expensive for SMEs to hire skilled labour in South Africa. In developing countries, many SMEs are not able to install new technology due to cost hence, lack of new technology and equipment hinder SME development Van Scheer (2011:5056). SMEs often fail due to environmental changes, which are quicker than expected and situations may easily result in to wasted resources (Thwala & Mvubu, 2009:361). According to the Resource-based theory, the competitiveness of a firm depends on the resources it possesses that differentiate it from its competitors and are durable and difficult to imitate and substitute (Van Scheer 2011:5056). Thwala & Mvubu, (2009:361) observed that the major constraints facing SMEs in many developing countries are inadequate infrastructural and institutional support: and poor infrastructural facilities such as electricity.

2.4.2.2 External-environmental challenges

Kotler and Keller, (2006:79) describes external environmental factors as consisting of extraneous variables found outside the organisation and cannot be controlled or manipulated by organisational management. Pearce and Robinson (2013) are of the opinion that the external environment is the impact of all activities outside the

organisation which affect the organisation's operations. The external environment takes into account economic forces, technological changes, political law, values and traditions of customers, population demographics and regulations (Kotler and Keller, 2006:79).

- **Economic and political factors**

Maas and Herrington (2006) remark that unstable political and economic environments are common problems faced by SMEs in developing countries. Since the economic slowdown of 2008, interest rates worldwide have dropped with some countries having interest rates as low as one percent interest. However, the prime interest rate in South Africa is higher than seven percent. This affects the cost of capital for SMEs. In addition, the exchange rate has increased because of a consistently weakening currency. This increases the cost of imported goods sold by SMEs that are engaged in the international markets and the demand for goods and services (Fatoki & Garwe, 2010:732).

Thwala & Mvubu, (2009:361) argue that unfavourable economic conditions such as soft fiscal and monetary measures, multiple taxation, poor implementation of high interest rate and unstable foreign exchange as well as high inflation rates have weakened the economies of many developing countries. Suh (2010) remarks that the SME sector is negatively/positively influenced by the economic environment, the political instability, religious conflicts, poor governance, lack of transparency and accountability in public service. Maas and Herrington (2006) indicate that entrepreneurship in South Africa has declined due to the global recession as millions of consumers are indebted to financial institutions. Other challenges such as high interest rates limit the growth of small businesses in South Africa (Herrington *et al.*, 2011:160).

Suh (2010) investigated on SME failure while separates from the liability of newness and the impact of politics. Suh (2010) contended that political institutions play an essential role in constituting the environment in which new firms have to be natured in. These conditions have long-term effects on the new organization. The major role of political institutions is to provide stable and predictable environments essential for the growth of economic activity. This is achieved through the enactment of laws, the protection of private property and the enforcement of contracts, the provision of

education and social welfare, the protection of personal safety and public order, and the organized armed protection against outside attack.

- **Lack of government support**

The South African government, in helping small business, introduced the small business policy in 1995, termed the "White Paper on National Strategy on the Development and Promotion of Small Business in South Africa (Timm, 2011:20). However, there is a general lack of awareness of government support programmes that are directed at SMEs (Timm, 2011:20). According to Herrington and Kew (2013), distractions do prevail within the SME industry, specifically in Africa therefore, most African countries do not have sufficient administrative capability to support SMEs. In order to sustain SMEs, the European Union implemented an initiative to sponsor SMEs financially to either expand or start businesses; and in South Africa the Gauteng Enterprise Propeller introduced a similar initiative. However, the awareness of such initiatives remain very low (Herrington and Kew, 2013),

- **Regulatory constraints**

World Bank Doing Business in South Africa Report (2015:20) indicates that registration of a business is regulated by the Companies Act no.71 of 2008. However, across South Africa, it takes six procedures and an average of 53 days to register a small business. In addition, post-registration includes registering the company with Companies and Intellectual Property Commission (CIPC), registering the company for different taxes. These include income tax, VAT an withholding tax. In addition, there is the registration of employees with the Department of Labour for Occupational Injuries Compensation (OIC) and Unemployment Insurance Fund (UIF). The complex procedure negatively impacts on the formation and sustainability of SMEs, especially micro and very small enterprises. Government regulations and

taxes are often harsh on SMEs (Herrington and Kew, 2013). SMEs have to pay many taxes which negatively affect their profitability (South African Revenue Services, 2016). Reduced tax rates implies that SMEs will be charged less tax rate as compared to larger enterprises. The South African legislation (2016) indicates that SMEs who make a profit lower than R70 700 are not taxed, while profits between R70 700-R365 000 are taxed at 7%, profits between 365 001-550 000 will be taxed at 12% and profits above R550 000 are taxed at the 28%.

- **High crime rate**

South African Police Service (2015) revealed that crimes such as overall aggravated robbery increased by 7.5%, whilst commercial crime increased by 29.0%and shoplifting by 4.0%. According to the statistics, business robberies increased significantly by 47.4%. As stated by Herrington and Kew (2013), majority of government policies are designed to curb the high rate of crime within the business sector. Unfortunately the policies are less effective or poorly applied. As a result of the high crime rate in South Africa, SMEs are often victims of business crime such as break-ins, robberies, vandalism as well as crime by employees.Crime has a negative impact on the performance of SMEs. Herrington and Kew (2013), confirmed that crime is one of the major challenges that negatively impacts on the growth of SMEs in South Africa. Crime negatively affects the ability of SMEs to secure customers, recruit and retain staff members, reduced workplace moral and employee's productivity.

2.5. The major effect of SMEs failure

It has been alluded by SEDA report (2012) that the outcome of new SME failure can be depicted both negatively and positively. hence the negative outcome of failure are more visible in monetary and emotional costs, but its positive effects are less visible, expressed in the form of learning, experience, maturing relating to decision making, being more informed concrete networking and other cognitive constructs. Most SME owners consider a previous failure as a virtue of being more experienced as well as an opportunity to start on a new page with more knowledge and expertise as an asset. SEDA report (2012) insist that the meaning of new SME failure must at least be understood within the context of start-up experience. There is a significant

positive relationship between experience and expertise and it's different as experience grows. Failure can actually facilitate experience and a new beginning leading to success.

Moreover Herrington *et al.,* (2011:44) depicts that the impact of failure can also have an influence on government policy and planned strategies. It has been confirmed that SMEs are the engines of economic development in most countries. Hence SMEs high failure rate has a huge impact on employment rate, lost productivity, purchasing power (unpaid wages) and finance (unpaid debts), poverty reduction and income equality. Business failures can also lead to social problems such as crime, drunkenness and prostitution. Business failure can further lead to reduced income for the government in the form of lower taxes and increased expenditures on crime prevention.

2.6 SUMMARY

This chapter has analysed the definition and contribution of SMEs in developed and developing countries, more specifically in the South African setting. Researchers agree that there is no global definition of SMEs. The literature reveals that SMEs make a positive contribution to employment creation, poverty alleviation and economic growth. The rates of SME failure are significantly higher in developing countries such as South Africa and Nigeria compared to developed countries. Challenges faced by SMEs were highlighted. These challenges include both internal and external environmental factors. The next chapter will review the literature on learning and marketing orientation.

CHAPTER THREE

LEARNING AND MARKETING ORIENTATION AND FIRM PERFORMANCE

3.1 INTRODUCTION

This chapter will review the literature on learning and marketing orientation. The chapter will provide a definition of learning and marketing orientation. The theoretical foundation of learning and marketing orientation will be discussed. In addition, the literature on the relationship between learning and marketing orientation and firm performance will be reviewed.

3.2 LEARNING ORIENTATION

This section will explore the definition and theoretical background of learning orientation. In addition, the effect of learning orientation on the performance of SMEs will be discussed.

3.2.1 Definition of learning

Nasution, Mavondo, Matanda, and Ndubisi (2011:336), argues that the term learning does not have a definition of learning as a subject matter, hence there is no general agreement on the definition of learning. Different authors define learning in different ways. Learning is a process of continuous information dissemination, processing and utilisation, often used by companies as a strategy to gain competitive advantage (Jyothibabu, Pradhan and Farooq, 2011:68). Learning is viewed as the strategy used to govern and integrate the internal and external economic environment Nybakk, (2012:1), also confirmed that learning is actually an organisation's ability to be innovative, which results in to a competitive output.

Jyothibabu *et al.,* 2011:68 concurred that a firm which commits its internal and external resources to learning gains an advantage of being innovative on the production of products and services. According to Nasution *et al.*, (2011:336), learning is a process used by organisation to combine or merge internal information. Van Scheers (2011:5054) points out that learning is the results of knowledge acquisition and combined with the actual act which SMEs put in to practice. Nybakk, (2012:1) believed that learning is a continuous process intending to improve organisational behaviour. Organisational learning is defined as a firm's ability towards knowledge processing, ability to create, acquire, transfer, and integrate knowledge, the objective being to increase firm's performance (Jerez-Gomes, Cespedes- Lorente and Valle-Cabrera, 2005:715).

Learning is a strategy which provides opportunities to sell newly developed products with success while improving the efficiency in product development (Jerez-Gomes *et al.*, 2005:715).Learning from experience enables individuals to excel in a complex and dynamic changing environment, as such learning serving as a competitive advantage (Rebelo and Gomes, 2011:173). Organisational learning is the ability of a firm to absorb and convert newly acquired knowledge, using it in the development of new products to secure a competitive advantage Mbengue and Sane (2013).

Nasution *et al.*, (2011:336), note that defining learning as a change in behaviour as a result of experience is unsatisfactory and categorised learning as a change in the mechanism of behaviour. Mbengue and Sane (2013) argue that a set of management practice remains responsible for facilitating the learning process. Learning can be used as a strategy to increase and maintain organisational ability and improve performance. According to Jerez-Gomes *et al.*, (2005:715) the structural definition intents to describe the behaviour as well as the environment in which the behaviour occurred. The functional definition focuses on the specific elements of the environment which lead to a specific behaviour.

In South Africa, learning is of significance to SMEs because of the general skill shortage Jimenez and Valle (2011:408). Van Scheers (2011:5054) established that SMEs in South Africa are negatively affected by factors such as inadequate education, practical skills shortage and lack of information. Therefore, a learning orientation is important for the survival and growth of SMEs. Akhtar Arif, Rubi and Naveed (2011:327) point out that learning in a firm is closed associated with learning orientation and is directly used to evaluate organisational learning. Organisations that are fully committed to learning often organise themselves in ways that continuously support an effort to outperform competitors Akhtar *et al.* (2011:327). Purposeful and continuous learning contributes positively to firm's effort to generate and sell new products (Chaveerug and Ussahawanitchakit, 2008:92). Learning capability can be acknowledged as a firm's capability to learn from both internal and external environments and to adjust its behaviours to reflect new environment, with the intension of improving performance (Jerez-Gomes *et al.*, 2005:715). Jimenez and Valle (2011:408) insist that the quicker an organisation learns, the better will be its control measures for speed, quality and cost of innovation process. An organisation should not only be based on being a learning oriented organisation, it must also focus on facilitating learning through the entire supply to secure a competitive advantage (Jerez-Gomes *et al.*, 2005:715).

3.2.2 Meaning of learning orientation

Learning orientation is a tool used by organisations to develop and improve their capabilities in order to be competitive in an ever-changing market environment (Rhee, Park & Lee, 2010:65). Learning orientation opens new paths and enhances creative ways of doing business (Baker & Sinkula, 2007:316). It is an organisational

behaviour that intends to influence knowledge sharing, interpretation and renewal between employees and shareholders in inter-firm relationships (Lai, Pai, Yang & Lin, 2009:166). Akhtar *et al.* (2011:327) point out that a learning organisation is represented by three dimensions. These are (1) collectively committing to learning, (2) vision and (3) broad-mindedness. Learning-oriented organisations are often the best competitors in the market. Learning organisations easily and quickly keep up with rapid environmental changes (Baker & Sinkula, 2007:316). Learning orientation is defined as the process by which organisations acquire and share knowledge about the customers, competitors, changes in the market as a mechanism to establish firm quality service compared to their competitors (Chaveerug and Ussahawanitchakit, 2008:92).

A firm's learning obligation is shown by how it emphasises the importance of learning. Commitment to learning positively impacts on a firm's ability to develop its knowledge regarding the market, competitors and customers (Chaveerug and Ussahawanitchakit, 2008:92). In addition, learning requires mutual visualisation. This alludes to a firm's bigger focal point towards learning. Barring common vision, individuals in a firm are unable to learn (Eshlaghy & Maatofi, 2011:116). Learning also requires open-mindedness. This is the interpretation of an organisation's daily procedures and the admission of emerging ideas (Eshlaghy & Maatofi, 2011:116). It is a process by which a firm probes and assesses existing knowledge or the old ways of doing things, culture, habits and behaviours (Chaveerug and Ussahawanitchakit, 2008:92).

Learning orientation is observed as a firm's major education values which have a positive impact on the organisation's acquisition, transfer and knowledge use (Zhao, Li, Lee & Chen, (2011:293) Managers are often committed to ensure that the culture of learning orientation is one of the main values of a firm (Real, Roldán & Leal, 2012:1). Learning orientation is captured as the overall reaction towards learning, and the organisational and managerial characteristics responsible for coordination and preservation of organisational learning process and procedure (Real *et al.*, 2012: 23). The process of learning orientation takes in to account the key components which supports knowledge productivity process, involving searching for information which add value to firm's outcome (Eshlaghy & Maatofi, 2011:116). Learning orientation takes in account all activities of the firm which are useful in creating

knowledge, and in applying that knowledge in production and business activities, to improve competitive advantage (Chaveerug and Ussahawanitchakit, 2008:92).

Leaning orientation is acknowledged as an organisational process which creates customer- and competitor-related information and specifying the method of collecting, sharing and interpreting the knowledge gathered (Covin, Green & Slevin, 2006:57). A learning orientated organisation is supported by learning objectives, continuous commitment to resources and a culture of information sharing results in to a positive outcome. Learning orientation emphasises organisational resource introspection as an important variable in developing the implementation of strategies (Covin *et al.,* 2006:57). Organisational learning is an attempt to make sure that education and training opportunities, as well as plans for employees and customers fit with the innovative goals of the organisation (Akhtar *et al*., 2011:327) Learning orientation is focused on a firm's intention to create, and effectively utilising knowledge to broaden its competitive advantage through compiling and information sharing, in relation to the customer's needs and wants, market niche, competitive advantage, new and innovative product development (Nybakk, 2012:1).

3.2.2.1 The three dimensions of learning orientation

- Commitment to learning

A firm's commitment to learning is shown on how it emphasises the importance of learning. Commitment to learning has an impact on a firm's capability in developing its knowledge regarding the market, competitors and customers (Martinette and Obenchain-Leeson, 2012). Commitment to learning takes in to account information sharing about customer needs, competitors' product development, and markets (Eshlaghy & Maatofi, 2011:116).

- Shared vision refers to an organisation-wide focus on learning. Without shared vision, individuals in a firm will be unable to learn (Eshlaghy & Maatofi, 2011:116). Martinette and Obenchain-Leeson, (2012) identified that when

information is speculated to decision makers it eventually presents accurate opportunities to use that information as a differentiation strategy.

- Open-mindedness is the evaluation of organisation's daily operations and the acceptance of new ideas (Eshlaghy & Maatofi, 2011:116). It is a process by which a firm probes and assesses existing knowledge or the old ways of doing things, culture, habits and behaviours (Akhtar *et al.* 2011:327). Innovation is considered as a learning process based on different sources and adaptation (Tang, 2006:68). Open mindedness positions new ideas in the organisation, reinforces creativity ability to grasp new and innovative opportunities (Calisir, Gumussoy, and Guzelsoy, 2013:176). Open mindedness places a firm in a competitive advantage position, leading to increased organisational performance (Eshlaghy & Maatofi, 2011:116).

Learning orientation is observed as a company's major values which has a positive impact on the organisation's acquisition, transfers and knowledge use (Zhao *et al.*, 2011:293). Managers are often committed to ensure that the culture of learning orientation is one of main values of a company (Real, *et al.,* 2012:1). Learning orientation is captured as the overall reaction towards learning; the organisational and managerial characteristics responsible for coordination and preservation of organisational learning process and procedure, therefore these research study aims to adopt the definition of learning orientation as described by (Real *et al.,* 2012: 23).

 Learning orientation emphasises organisational resource introspection, as an important variable in development and implementation of strategies (Covin, *et al.,* 2006:57). Organisational learning is an attempt to make sure that education and training opportunities as well as plans for employees and customers fit with innovative goals of the organisation (Nasution & Mavondo, 2008:477). Learning orientation involves all employees in an organisation and is used to develop and use the acquired knowledge as a competitive advantage (Lavarie, Madhavaram, and Mcdonald, 2008:35).

3.2.3 Theory of learning orientation

Suliyanto and Rahab (2012:134) explored learning orientation as a description of the importance of learning within the organisation. Organisations that have a high degree of learning will have a strong commitment to learning (Nyback,

2012:28).Hussein, Mohamad, Noordin and Ishak (2014:229) point out that the degree of learning orientation can be reflected in the of importance of learning within the organisation. The learning process plays an important role in the improvement of knowledge and capabilities in the economy (Nasution & Mavondo, 2008:477)

Mahmood and Hanafi (2013:2046) revealed that a learning organisation focuses on understanding the customers, as a process used to effectively satisfy their needs through new products and services. Learning orientation results in superior growth and profitability (Altbach, Reisberg & Rumbley, 2009:1). Learning orientation in an organisation results in the formation of new knowledge, enabling the organisation to satisfy changing market demand and secure a share in market opportunities (Lavarie *et al.*, 2008:35).

The Resource Based View provides the theoretical foundation for learning orientation in an organisation. According to the Resource Based View, a competitive advantage is the outcome of the unique resource which has been identified and specified by an organisation (Barney, 1991:99). An example of such resources is relationship building capacity. Learning oriented organisations have an advantage of being in a position to effectively and efficiently utilise their learning capabilities (Nasution & Mavondo, 2008:477).

Lu, Zhou, Bruton and LI, (2010:419) suggest that learning orientation enables the firm to understand the needs of customers better than its competitors, as such a firm needs to learn what customers' desire or need so that it can understand what it takes to create superior value and to have competitive advantage in the market place (Lavarie *et al.*, 2008:35).Competitive advantage is often built through technological innovation, scarce resources and the ability to develop new knowledge (Calisir *et al.,* 2013:176).

It has been found that organisational learning is a factor which is significant in obtaining competitive advantage (Lonial and Carter, 2015:94).The objectives of learning orientation is to have a positive impact on innovation, to develop and maintain new knowledge related to product, process and services (Lavarie *et al.*, 2008:35).

Learning orientation has been observed as an essential variable directly linked to innovation (Rhee *et al.,* 2010:65). Learning orientation has a direct and positive influence on customer value (Nasution & Mavondo, 2008:477). Organisation which adopt learning orientation are in a better position and cope much better in an evolving business environment (Lonial and Carter, 2015:94).

Lavarie *et al.,* (2008:35) discovered that learning orientation has many factors that affect an organisation's learning orientation. These include:

- Informed employee's commitment.

- Top management's commitment in execution of learning process.

- Clear line manager's guidance and responsibility.

- Government policies on learning.

- Outsourcing of HR activities and processes.

3.2.4 The effect of learning orientation on the performance of SMEs

Studies by Nybakk (2012:28) and Mahmood and Hanafii (2013:2046) find a significant positive relationship between learning orientation and the performance of SMEs. This can be attributed to the fact that learning orientation relates to vast organisational actions aimed at generating and providing information and awareness to build-up a competitive edge. Lonial and Carter, (2015:94) verified that there is a close and positive relationship between learning orientation and organisational performance. Nasution & Mavondo, (2008:477). analysed the importance of learning organisations in shaping organisational outcomes, but also took in to consideration the effects market orientation.

Learning orientation is an organisation's ability to obtain, share, exploit and preserve relevant information (Jyathibabu *et al.,* 2010:302). Nasution & Mavondo, (2008:477). found that learning orientation has a positive effect on the firm's financial and social performance. Learning orientation enhances an organisation's ability to acquire knowledge as a means of sustaining solid competitive advantage, and increase organisational performance (Lonial and Carter, 2015:94).There is a positive

correlation between learning orientation, organisational results, innovation and flexibility and effectiveness of strategy (Santos-Vijande, Lopez-Sanchez and Trespalacios, 2012:1079).

Covin *et al.,* (2006:5) and Jyathibabu *et al.,* (2010:302) also found a positive relationship between learning orientation and firm performance. Learning orientation is considered an organisation's capability in which scarce resources are utilised effectively, and efficiently to build customer value and to achieve the greatest performance. These findings are consistent with the results of similar empirical studies (Santos-Vijande *et al.,* 2012:1079; Zhao *et al.,* 2011:293; Hussein, *et al.,* 2014:302). Learning orientation on SMEs is a positive indicator of a solid competitive advantage and directly linked to performance (Lonial and Carter, 2015:94). Jyathibabu *et al.,* (2010:302) also explained that learning orientation can result in to an increased firm output.

Lavarie *et al.,* (2008:35) concurred that an increase in the level of learning orientation results in an increase in organisational performance. Organisations which develops learning mechanisms such as socialisation, internalization, externalisation and management practices which provides a conducive learning environment, often maximise their profit margins (Mbengue and Sane, 2013:i). A study conducted by Spicer, and Sadler-Smith, (2006:133) asserts a positive association between learning orientation and firm performance. Akgun, Keskin, Byrne and Aren, (2007:501) in agreement with other studies find that learning orientation has a significant impact on performance of SMEs, but mediated by innovation. Brachos, Kostopoulos, Soderquist, and Prastacos, (2007:31) also found a positive association between learning orientation and SMEs performance. Lonial and Carter, (2015:94) established that there is a positive correlation between knowledge-sharing orientation and the performance of SMEs.

Learning orientation has close relations with product innovation which is used to maintain customer value and quality services resulting in improved non-financial and financial performance Jyathibabu *et al.,* (2010:302). Constant innovation is difficult to achieve without constant commitment to organisational learning (Martin de Castro, Delgado-Verde, Navas-Lopez and Cruz-Gonzalez, 2012:351). Jimenez-Jimenez and Sanz-Valle, (2011:408) argue that there is a positive relationship between learning

orientation, innovation and performance factors. The practice and implementation of organisational learning by SMEs results in to innovation Martin de Castro, *et al.,* 2012:351).). Salim, and Sulaiman, (2011:118) proved that learning orientated firms in Malaysia contributes to innovation used to maximise performance. Learning orientation and knowledge management are important variables to an organisation's capability and also generate superior performance (Simonin and Ozsomer, 2009:505). Martinette and Lesson, (2009:45) and (2012:43) concluded that there is a positive significant association between learning orientation and SMEs performance.

However, research conducted by Eris, Ozmen and Neczan,   (2012:77) did not find a significant positive relationship between learning orientation and the performance of SMEs. This suggests that literature is inconclusive about the direction and strength of the relationship between learning orientation and the performance of SMEs. Rhee *et al.,* (2010:65) posit an indirect relationship between learning orientation and organisational performance. Learning within organisations is considered a variable closer to organisational performance (Hui, Radzi, Jenatabadi, Kasim and Radu, 2013:166).

Kocuglu, Imamoglu, and Ince (2012:384) however found that the correlation between learning orientation and performance is weak. Hongming, Changyong, and Chunhui, (2007:222) also found that learning orientation can result in to improved organisational performance only through the intervention of innovation. Ismail, Rose, Abdullah and Uli, (2010:157) did not find a significant positive relationship between learning orientation, competitive advantage and the performance of SMEs. Hair, Bush, and Oritinau, (2009:111) show that organisational learning has a positive association but not a significant one with organisational performance. A study conducted by Prieto and Revilla, (2006:166) find that there is no relationship between learning orientation and performance. Panayides, (2007:68) agreed that there is no consensus on the concepts used to measure organisational performance relative to organisational learning.

Despite the inconclusiveness of previous research, the argument of this study is that learning orientation positively impacts on the innovativeness of SMEs. Thus, learning orientation can lead to competitive advantage, which can positively impact on the

performance of SMEs. Thus, it is hypothesised that there is a significant positive relationship between learning orientation and the performance of SMEs.

3.3 MARKETING ORIENTATION

This section will explore the definition and theoretical background of marketing orientation. In addition, the effect of marketing orientation on the performance of SMEs will be discussed.

3.3.1 Definition of marketing

Marketing can be defined as an instrument of organising and operating the conception, valuing, advertising and circulation of merchandise and services to establish interactions that fit the specific needs of an individual or organisation (Kotler and Keller, 2006:40). Marketing is also described as a management function (Blackson and Cheng, 2005:317). Marketing is also an ethical concern in that all marketing related activities must be specified as ethical concerns in any organisation (Mattsson, 2008:175).

Kotle, Roberto and Lee (2008) define marketing through the marketing management philosophy in which accomplishing organisational goals depends on understanding the needs, and wants of target markets including better service compared to competitors. Marketing entails the environment in which the entire organisation is compelled by the aim of meeting and serving consumers, in order to achieve organisational objectives which can be financial or strategic or both Voola and O'Cass, (2010:245).

Babin and James (2010:471) evaluates marketing as a concept with remarkable influence in building relationships but gives little attention to the concept of value. Marketing relates to the activities, pair of institutes, including practices for building, interactive, distributing and swapping valuable products to the overall people, associates and certain clients Kotler and Keller, (2006:4). The ideology of the new marketing is that the marketing department must involve the company's staff in other departments in all the marketing activities and marketing plans (Mattsson, 2008:175). Thus, marketing can be described as a set of activities and processes in an organisation, aimed at creating, communicating, delivering, and exchanging products or services which are valuable to the customer, clients, partners, and

society as a whole (Kotler and Keller, 2006:40). The two authors believe that the concepts of marketing activities must be incorporated in a firm are production, product, selling, marketing and holistic marketing concepts. Marketing is crucial to the success of the organisation in determining the needs, wants, aspiration, and satisfaction of the target markets (Blackson and Cheng, 2005:317).

3.3.2 The meaning of marketing orientation

Market orientation refers to the organisation's capability to create competitive advantage through a customer-oriented approach. Customers are regarded as the core values of a firm Motwani, Levenburg, Schwars and Blacvkson (2006:572. Effective and efficient satisfaction of customer needs and wants is a priority (Blackson and Cheng, 2005:317). Voola and O'Cass, (2010:245) remarks that market orientation is practically part of marketing knowledge, skills and the organisation's operational systems within competitive business environments.

Motwani *et al*.,(2006:572) describe market orientation as a practice of specifying and meeting customer needs. The ability to satisfy specific customer needs gives the organisation superior value on its customers. Market orientation can be classified as a coordinator and measure used to ensure the smooth development of an SME, which increases the company's planned outcome in a specific fiscal environment (Mattsson, 2008:175).

Information circulating within the organisation is the one selling the company, and experts in organisational marketing orientation used it to their advantage (Blackson and Cheng, 2005:317). Babin and James (2010:471) describe marketing orientation as a continuous behaviour focused on information and a culture of competitor and consumer orientation as well as inter-functional co-ordination. Market orientation is valued as a set of organisational capabilities which assists in serving the target market and keeping abreast of the organisation's opponents (Voola and O'Cass, 2010:245).

Market orientation reflects as marketing concept and a strategy used by management to acquire and develop marketing knowledge which also sustains a competitive advantage and improve organisational performance (Mokhtar and Yusoff

and Ahmad 2014:49). Market orientation has been observed as a continuous variable accessed to acquire information regarding markets, customers and competitors, highlighting the importance of creating collective customer value (Mattsson, 2008:175).Basically market orientation is compulsory in all organisations as a mechanism which can be used to build marketing capabilities, meet customer needs and compete with the competitors (Voola and O'Cass, 2010:245).

3.3.3 Theory of marketing orientation

Previous literature investigates three types of strategic orientation as crucial elements and determinants of performance and innovation of firms. These are entrepreneurial orientation, marketing orientation and learning orientation (Rhee *et al.,* 2010:65). Mokhtar *et al*., (2014; 49) agree that market orientation obtains its roots from the market concept (also referred to as marketing concept), which has a significant impact on the whole business strategy. Narver and Slater (1990:20; 1994:22) acknowledge that the market concept is a process which takes into account customer-orientation, innovation and profit which are crucial in creating satisfied customers. Motwani *et al*., (2006:572) notes that in 1990 the concept marketing was re-defined to become a new concept: market orientation. Some scholars tried to differentiate the terms market orientation and marketing orientation, while others viewed them as substitutes (Kotler and Keller, 2006:40). The preferred term appeared to be marketing orientation because it can be widely utilised and linguistically the meaning refers to the concept of marketing (Mattsson, 2008:175).One of the factors which diminish market orientation seems to be management risk aversion.

Blackson and Cheng, (2005:317) maintain that the value of market-oriented behaviour is diverse, hence the worth of innovation may differ as well. A massive academic interest on market orientation was observed from a seminar study conducted by Kohli and Jaworski (1990) in that market orientation is an organisation's huge generation of market intelligence, entailing the current and future customer needs, distribution of the intelligence across departments and organisations as well as their responses.

The theoretical foundation of marketing orientation can be traced to the work of Narver and Slater (1990:22). The authors define marketing orientation as a strategic

management process, organisational culture, and a strategy used to secure and build a unique competitive advantage Marketing orientation is a process of focusing on collection of information regarding customers and information sharing across all department to generate customer value. Marketing orientation behaviour must be directed at quality customer satisfaction. Slater and Naver (1995:22) concluded market orientation is a culture that places most of its priority towards profit-making and maintenance of quality customer value. Marketing orientation takes into consideration the interest of other key stakeholders; and provides norms of behaviour towards organisational development. Market orientation is documented as a certain portion of business strategy in an organisation and also regarded as a significant strategic orientation in the literature (Motwani *et al.*, 2006:572). Voola and O'Cass, (2010:245) contend that in comparison to other forms of business, SMEs owners are more reluctant towards marketing, marketing and marketing costs often gets less priority. Therefore most SMEs are unable to conduct market research and operates their business without a viable marketing plan (Mokhtar *et al.*, 2014; 49).

Kohli, Jaworski, and Kumar, (1993:467) alluded that the MARKOR approach is a measure used to evaluate companies based on the implementation of marketing-orientation or fulfilling   specific marketing-oriented activities. However, the latest approach to marketing orientation concept is defined from the value chain point, customer expectations considering the competitiveness in satisfying the target market which connects directly with information gathering, valuable for building superior value. Marketing orientation can be analysed on a behavioural perspective and also on a cultural perspective (Kirca, Jayachandran and Bearden, 2005:24). Narver and Slater (1990:20) supports the cultural approach and discovered that market orientation contains three marketing foundations namely:

- **Consumer orientation**: This encompasses clarification of the targeted consumers and understanding the target customers and successfully recruiting required professionals and inputs of the company to meet customer needs through developing strategies.

- **Competitor orientation**: This generates greater value by understanding central competitors' temporary strength and weakness, including permanent strategies and abilities; and

- **Inter-functional coordination**: This comprises the incorporation of firm activities to deliver standard output (Narver and Slater, 1990:20).

3.3.4 The effect of marketing orientation on the performance of SMEs

Market orientation remains an exclusive philosophy that successfully and excellently initiates behaviour that generates recognised client worth and thus creates admirable outcomes (Marandu & Themba, 2012:130). The evidence of the relationship between marketing orientation and the performance of SMEs is mixed. Researchers such as Idar and Mahmood (2011:1); Kumar, Jones, Venkatesan and Leone (2011:16) and Dubihlela (2013:55) found a significant positive relationship between marketing orientation and the performance of SMEs. Marketing orientation helps innovation in firms. Several scholars examined the relationship between marketing orientation, innovation and of SMEs (Bigliardi, Colacino, and Dormio 2011:83). Market orientation impacts on the performance of any organisation regardless of the size, sector and specification (Bathgate, Omar, Nwankwo and Zhang, 2006:340; Blankson, Motwani, & Levenburg, 2006:572; Li, Zhao, Tan & Liu, 2008:120). Alper, Akyn, and Orhan (2006:591) affirm than market orientation is of significance to Turkish accounting firms and is closely related to customer values.

Market orientation is a practice used to ensure superior business performance in both large enterprises and SMEs (Kim & Mauborgne, 2009:73). Mahmoud and Mohammed (2011) report that market orientation developments in Ghananian SMEs results in an increase in organisational performance regardless the constant competitive environment.. Marketing orientation is linked to knowledge management. This shows that knowledge management, an offshoot of learning orientation helps to ensure marketing management. A significant association has been acknowledged between knowledge management and market orientation, which further influences firm growth Alper *et al.*, (2006:591). Market orientation makes use of important marketing processes to provide an organisation with positional advantages (Kim & Mauborgne, 2009:73). Marketing orientation results in the manifestation of new marketplaces and stations, or competitive edge (Kumar *et al.,* 2011:16-30).

Kim & Mauborgne, (2009:73) find that market orientation through the dedicated efforts of employees, customers and other stakeholder results in superior organisational brand equity. Sin, Tse, Heung, and Yim, (2005:555) examined the

hotel industry in Hong Kong and Smirnova,Naude, Henneberg, Mouzas, and Kouchtch, (2011:44) did a similar study in Russia, Both studies validated a positive and significant association between marketing orientation and business performance. Boohene, Agyapong, and Asomaning, (2012:229) discovered a positive association between marketing orientation and the financial performance of SMEs. Market orientation activities plus organisational capabilities lead in to an increase in performance (Motwani *et al.*, 2006:572)

Marketing orientation is viewed by Kim and Mauborgne (2009:73) as a long-term strategy used to enable organisations to derive sustainable unique competitive superiority, remarkably impacting on performance. Advancement of marketing orientation creates a unique organisation that is able to satisfy the needs of customers (Kumar *et al.,* 2011:17). Raju, Lonial, and Crum (2011:1320) recommended that the relationship between market orientation and performance is significantly strong in smaller enterprises than in larger enterprises. Boohene *et al.*, (2012:229) find that innovation efforts and organisational ability in recognising market opportunities result in positive commercial relationships. Transition to innovation takes in to account market orientation through organisational learning and behaviour change approach, which are the mediating factors in the relationship between market orientation and performance (Raj and Srivastava 2016:370). A positive impact of market orientation on organisational performance has been emphasised by Frosen, Luoma, Jaakkola, Tel, Tiikkanen, Aspara and Laukkanen, 2016:1).

Keskin (2006:396); Jeong, Pae and Zhou (2006:348) agree that marketing orientation positively impacts on all measures of the performance of SMEs. The relationship between market orientation and innovation and performance is clearly supported by the litterature (Kim and Mauborgne, 2009:73). Raju, *et al.*,(2011:1320) concur that an increase in market orientation has a positive effect on service standards and service principles which leads directly in to a rise in organisational performance. Martin-Consuegra and Esteban, (2007:383) studied the effects of market orientation on the performance of the retail sector. The outcome

demonstrates a positive association on both the financial and non-financial performance.

According to Mashahadi, Ahmad, and Mohamad, (2016:145), marketing orientation is significantly associated with the development of technological and non-technological innovation among SMEs in Malaysia. Mashahadi *et al.*, (2016:145), viewed marketing orientation as an important variable which provides a business with clear and relevant information about its customers, competitors and environments which eventually result in to increased firm performance. Marketing orientation has the capability of changing organisational outcomes which are innovation capacity/ success (Martin-Consuegra and Esteban ,2007:383).

In contrast, De-luca, Verona and Vicara (2010:299) explored the association between marketing orientation and the performance of technology firms and found inconclusive results. This is consistent with findings by Mokhtar, Yusoff and Arshad (2009:77), that there is no significant positive relationship between marketing orientation and the performance of SMEs. In addition, studies such as Ledwith and Dwyer (2009:652) and Jabeen, Alekam, Aldaoud, Mat, Zureigat, Nahi and Al-Junaidi (2013) found that marketing orientation does not have a positive impact on new product performance. Hinson and Mahmoud, (2011) investigated SMEs operating in Ghana and found that majority of SMEs that participated in the survey did not understand or acknowledge the significance of marketing orientation. Shin (2012:23) found that three marketing orientation dimensions, customer orientation, competitor orientation and inter-functional coordination do not have an effect on organizational performance. Dwairi, Bhuian and Turkus, (2007:713) investigated the relationship between marketing orientation and performance. The results indicated an insignificant positive relationship.

Li, Ching-Yick-Tse and Yan-Gu (2006:77) also found that marketing orientation has no positive effects on new product performance. Scholars such as Demirbag, Lenny, Tatoglu and Zaim (2006:1206) discovered a negative relationship between marketing orientation and firm performance.This suggests that empirical findings are inconclusive about the relationship between marketing orientation and the performance of SMEs. Jabeen *et al.,* (2013) revealed that competitor orientation has a positive correlation with organisational performance, but customer orientation does

not have a positive correlation with performance. The argument of this study is that marketing orientation helps to identify the needs of customers and product and process innovation by SMEs. Thus it is hypothesised that there is a significant positive relationship between marketing orientation and the performance of SMEs.

3.4 Performance

(Lonial and Carter, (2015:94) specified that performance outcomes of market orientation are the following, organisational (financial) performance, customer related outcomes (customer satisfaction), innovative outcomes (innovation) and employee related outcomes (employee satisfaction). Mahmoud, (2011:241) ascertain that performance of SME is based on financial resources (monetary value) such as profit, sales and market, and non- financial resources measures (productivity, quality, efficiency, and attitudinal and behavioural measures such as commitment, intention to quit and satisfaction. The operational value consists of production flexibility, product cost, product quality, number of customers.

Covin *et al.,* (2006:5) affirms that performance is the evaluation of financial resources of the firm such as the rate of profit, investment level with both growth in sales and profit. The measured of firm's performance can also be based on stakeholder theory (the Balanced Scorecard), which takes into consideration employees and their representatives, customers, suppliers, governments, industry bodies and local communities (Mahmoud, 2011:241). Ledwith and Dwyer (2009:652) contested that firm performance can be measured in terms of; customer satisfaction, customer preference, share of customer mind, customer perception. A company which has the capability to develop and sustain a superior brand equity is also able to achieve greater financial goals Covin *et al.,* (2006:5)

Mahmoud (2011:241) concludes that performance is measured in terms of qualitative and quantitative elements, which consist of "sales-based and firm-based objectives. A crucial and positive connection between competitive advantage and the sales-based performance of organizations has been proved by most authors. Profitability, growth, productivity, return on sales , market share and product, return on investments, product added value are used as measures of Sales-based performance (Mokhtar, *et al.,* 2009:77). The resource - based theory, classified sustainable competitiveness of a firm as dependent on the resources it has in place,

which distinguish it from its competitors and it is often valuable, unique and almost impossible to copy or replace. (Jeong *et al.,* (2006:348). Business performance is regarded as a change (either negative or positive) in market share growth, profitability, sales, corporate performance and return on performance and overall investment (Kumar *et al.*, 2011).

Martín-Consuegra and Esteban, (2007:383),affirmed that organisational performance is often measured based on market performance (MP) and financial performance , which consists of organization's profits, return on investments (ROI), market share, and also growth of sales. SMEs performance can also be defined in terms of short term debt, long term and total debt. Market performance is correlated to organisational performance based on market share growth; profit ratio, sales growth, or customer satisfaction, the profitability ratios of an organisation is determined by the market performance level (Marandu & Themba, 2012:130).

Ledwith and Dwyer (2009:652) posit in order to evaluate the success or failure rate in any organisation, it's important to measure performance. Performance measures help to analyse the activities in all functions of the organisation. To obtain differentiation strategy in the market, organizations often improve their performance specifically looking at their competitors (Kumar *et al.*, 2011).

organizational performance can be evaluated using factors such as profitability measures, shareholder return, return on sales, (Kumar *et al.*, 2011), number of new products, return on assets, return on capital, return on sales, service productivity, customer satisfaction, employee satisfaction, service quality, market share, and size of the firm, age of the firm.

Other academics measured performance based on external business performance or quantitative performance (Martín-Consuegra and Esteban, 2007:383), and also on internal performance or qualitative performance measures, for example, new product performance, financial performance, retail performance and specific brand performance (Mahmoud, 2011:241).

Organizational performance is concluded as the satisfactory or unsatisfactory achievements on the activities performed by the employees, owners, shareholders,

customers and suppliers of a specific organization Mokhtar, *et al.*,(2009:77), This research study will discuss the measures of performance in terms of sales turnover, profit, employment as well as sales growth compared to competitors (Kumar *et al.*, 2011)

3.5 SUMMARY

This chapter has defined and provided the theoretical foundation of learning and marketing orientation. In addition, the chapter has reviewed the literature on the relationship between learning and marketing orientation and the performance of SMEs. The review revealed that the literature is inconclusive about the relationship between learning and marketing orientation and the performance of SMEs. In addition, there is a paucity of literature on learning and marketing orientation and the performance of SMEs from the South African perspective. The noted gaps in the literature supported the need for an empirical study from the South African perspective. The next chapter will focus on the research methodology that will be used for the empirical part of the study.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1. INTRODUCTION

This chapter intents to explain the research methodology followed in the observed in the study. Crowther and Lancaster, (2009:23) perceived research methodology as a

way in which data are gathered for a research project. It is also considered as a draft data for the collection, measurement, and analysis of data in order to achieve the objectives of a research project. The research methodology used for this study will follow a research process. The research process is divided into seven steps. Step one of the research process will focus on the problem statement, the research questions, the research hypotheses and the research objectives. The 2nd step will present the various types of research designs such as qualitative, quantitative, exploratory, descriptive and causal. In motivation, the type of research chosen for this study will be specified. The 3rd step will explain the primary data collection methods which includes observation, experiment and survey. The motivation for the primary data collection method used for this study will also be given. This will be followed by the 4th step. In the 4th step, the sampling method used for this study will be presented. Step five will present how data was gathered for the study. The 6th step will present the data analysis methods that can be used for research as well as the motivation for the data analysis method used for this study. Finally, the 7th step will give an idea of how the research results will be presented.

4.2 RESEARCH DEFINED

The word research is defined as a process gathering data, information and facts for the advancement of knowledge. Research is also well-defined as a systematic process of collecting, analysing and interpreting data to increase the understanding of a phenomenon or concern of interest (Gerber-Nel, Nel and Kotze, 2005:13). In all study areas, knowledge and relevant information can be gathered by asking relevant questions and then seeking answers through systematic research (Crowther and Lancaster, 2009:23), Because this study focused on new SMEs, which are businesses, the term business research will be used.   Gerber-Nel *et al.* (2005:13) described business research as the systematic and objective process of planning, gathering, analyzing and reporting data, which may be used to solve a specific problem or opportunity. Business research can also be defined as a systematic and objective process of gathering, recording and analyzing data for aid in making business decisions. Business research must follow a process termed the research process. The next section will discuss the research process followed for this stuy.

4.3 STATEMENT OF THE PROBLEM

SMEs are the main drivers of employment creation, wealth redistribution and poverty alleviation in South Africa. However, SMEs face major challenges due to high failure rate and weak performance. In addition SMEs are unable to meet local and international market demands and also to survive operating as a result of external and internal environmental challenges. Therefore learning and marketing orientation may be a solution to the high failure rate of SMEs (Kumar *et al.* 2011:27).

4.4 HYPOTHESES

To investigate this topic the researcher has to find answers to the following hypothesis

Ho1: There is no relationship between learning orientation and the performance of SMEs.

Ha1: There is a significant positive relationship between learning orientation and the performance of SMEs.

Ho2: There is no relationship between marketing orientation and the performance of SMEs.

Ha2: There is a significant positive relationship between learning orientation and the performance of SMEs.

4.5 RESEARCH OBJECTIVES

The objectives of the study are:

• To examine the learning orientation of SMEs in South Africa.

• To determine the marketing orientation of SMEs in South Africa.

- To investigate the relationship between learning orientation and the performance of SMEs in South Africa.

- To examine the relationship between marketing orientation and the performance of SMEs in South Africa.

4.6 RESEARCH PHILOSOPHY AND APPROACH

4.6.1 Research philosophy

Depending on the nature of the research, various research philosophies such as pragmatic, positivism, realism and interpretivism can be adopted by researchers. The researcher of this study belongs to the positivist school of thought. Positivism provides the philosophical basis for the research design of this study. As a philosophy, positivism adheres to the observation that only "factual" knowledge obtained through observation and measurement is trustworthy (Crowther & Lancaster, 2009:21). In a positivism study, the role of the researcher is limited to data collection and interpretation. When applying positivism, the research findings are usually quantifiable (Crowther & Lancaster, 2009:21). Babbie (2013:92) in positivism the researcher must be independent, and be able to formulate hypotheses and generalise the results through statistical probabilities.

4.6.2 Research approach

There are two major types of research approaches. These are inductivism and deductivism. The inductive approach is concerned with the generation of a new theory; deductivism is concerned with the testing of an existing theory (Babbie, 2013:92). This study used the deductive approach. Deductive research develops

theories or hypotheses through empirical observation (Crowther and Lancaster, 2009:23). Deductive research was appropriate for this study because learning and marketing theories were adopted for the study; hypotheses were developed and empirically tested to assess the validity of the theory.

4.7 RESEARCH DESIGN

A research design can be described as a planning process on the methods employed to acquire and evaluate evidence for a study (Hair *et al.,* 2009:130). It is a systematic process (Babbie, 2011), or a specific technique detailing the methods and practices of gathering evidence and evaluating the evidence acquired (Zikmund, Babin, Carr & Griffin, 2010). A research design provides detailed information about the nature of investigation, sampling methods, sources of data, procedures aggregating facts, breaking down acquired knowledge assessment concerns and processes for evidence scrutiny (Babbie, 2011).

A research design provides the glue that holds a research project together. It involves plans that promote the systematic management of data collection. Therefore, the research design is a plan, structure and strategy of investigation conceived so as to obtain answers to research questions and to control variances. The research design includes an outline of what the researcher will do from writing the hypotheses and their operational implications to the final analysis of the data. It is used to structure the research, to show how all of the major parts of the research project such as sampling, data collection and data analysis will try to address the central research questions (Malhotra, 2007:73; Zikmund *et al.*, 2010).

A perfect and reliable research design is important when a quality research report is provided (Zikmund *et al.* 2010). A research design can be regarded as procedures or steps which will be followed to kick start the research project (Maholtra, 2010:73). A research design can be considered as a planned strategy for conducting the research and validates the steps which will be followed in obtaining the accurate information required to solve the research problem (Malhotra, 2007:73). A research

design is observed as a process that will be followed, detailing how the data will be collected and specify the method that the researcher will use in conducting the research. Research design consists of the following classifications, exploratory, casual and descriptive research (Malhotra, 2007:73).

4.7.1 Types of research design

There are three basic types of research design. These are qualitative, quantitative and a hybrid of the two. Crowther and Lancaster, (2009:23) note that the choice of a research design centres on the nature of the research, the setting, the possible limitations and the underlying paradigm that informs the research project.

4.7.1.1 Qualitative research

Qualitative research is concerned with qualities that cannot simply be analysed as statistical or numerical information. The variables are most often not known and are useful and effective when collecting data from a small sample population. The objectives are to obtain complex and deep understanding of a specific research statement. Qualitative research is commonly known to use unstructured data collection methods (Maholtra, 2010:73). Qualitative research is useful in exploring the depth of new developments and assist in thoroughly explaining and managing those developments (Maholtra, 2010:73). This study did not adopt the qualitative research design because the aim of the study is to investigate the relationship between learning and marketing orientation and the performance of SMEs.

4.7.1.2 Quantitative research

A quantitative research is a systematic scientific investigation of quantitative properties and phenomena and their relationships. The objective of quantitative approach is to develop and employ mathematical models, theories and/or hypotheses pertaining to a phenomenon. The provision of measurement is central to quantitative research because it provides the fundamental connection between empirical observation and mathematical expression of quantitative relationships (Malhotra, Birks & Wills, 2012:182). According to Cooper and Schindler (2008:563), the requirements for quantitative research include (1) the generation of models, theories and hypotheses; (2) the development of instruments and methods for measurement; (3) the collection of empirical data; (4) the analysis of data; and (5) the evaluation of results.

Quantitative research is the examination of the methods of research objectives, and the evaluation of associations between variables (Cooper and Schindler, 2008:563). A variable can be documented as dynamics easily manipulated on a research (Malhotra *et al.,* 2012:182). The word quantitative is regarded as numbers or units. Data gathered during a specific study is captured in quantities or numerically hence, captured information is considered statistical data (Babbie, 2013:92)

Quantitative research is considered the best research method especially when sampling large results and making generalisations. Quantitative research leads to the acquisition of data and the study of correlation between variables. These outcomes are quantified in numbers (Malhotra *et al.,* 2012:182). This study adopted the quantitative research approach. This is consistent with previous empirical research on learning and marketing orientation and the performance of SMEs (Malhotra *et al.,* 2012:182).

In addition, the study used the quantitative research design because the aim is to investigate the impact of learning and marketing orientation on the performance of SMEs. Quantitative research is a commonly used method to measure the relationship between variables. The main feature of quantitative research is the heavy reliance of the researcher on data analysis in order to arrive at findings or conclusions. Numbers are assigned to properties in the phenomena to represent their qualities (Malhotra *et al.,* 2012:182).

There are three types of research that can be used in quantitative research or qualitative research or both, depending on the information required by the research problem. The three types of research are exploratory, descriptive, explanatory and casual.

- **Explanatory research**

The purpose of explanatory research is to question how things are (Babbie 2013:92). (Malhotra *et al.,* 2012:182) examines the use of explanatory research with the objective of developing and testing theories in a specific field of study, hence explanatory research reveals causes, validates causality between factors and determines the impact of a social behaviour. Explanatory research relates to the quantitative method, which makes use of statistical analysis to interpret data (Churchill & Brown, 2007:105). When new information is collected, previous explanations of behaviour are often retained for future purposes (Babbie 2013:92). Explanatory research must explain why events happened and the data gathered using this type of research is used to evaluate and test theories or hypotheses (Malhotra *et al.,* 2012:182)

The researcher in this study used exploratory research for the following purpose: (1) to discover other studies related to the research problem; (2) to discover whether there are any significant gaps in the literature that necessitate this study; and (3) to formulate the research problem and questions for more precise investigation in order to formulate hypotheses. In order to conduct exploratory research as pointed out by Churchill & Brown, (2007:105) the researcher also used secondary data analysis by reviewing peer-reviewed journal articles, books and other sources of information related to the study. Babbie (2013:92) describe a pilot study as the collective term for any small-scale exploratory research technique that uses sampling, but does not apply rigorous standards. Pilot studies usually generate primary data for qualitative analysis. This study used a pilot study. The pilot study helped to refine the questionnaire. This helped to improve the validity of the research.

- **Descriptive research**

Descriptive research is used to describe the research problem in detail. Descriptive research answers questions: who, what, when, where and how? Implicit in descriptive research is the realisation that the researcher already knows or understands the underlying relationships of the research problem Churchill & Brown, (2007:105). The researcher may have a general understanding of the research problem, but conclusive evidence that provides answers to the question should still be collected to determine the course of action. Descriptive research can be conducted in two ways, namely longitudinal or cross-sectional (Blanche, Durrheim & Painter 2006:45).

According to Cooper and Schindler (2008:45), longitudinal studies are investigations involving a fixed sample of element (a panel) that is measured repeatedly. Cross-sectional studies, on the other hand, are a type of research that involves the collection of information from any given sample population elements only once. This study used the cross-sectional approach, where data was collected from the respondents only once through the survey method. (Churchill & Brown, 2007:105).

- **Causal research**

Cooper and Schindler (2008:46) point out that causal research examines whether one variable causes or determines the value of another variable. Causal research reveals a cause-and-effect relationship between dependent and independent variables. A dependent variable is a symbol or concept that is expected to be explained or caused by an independent variable. An independent variable is a symbol or concept over which the researcher has some control (Zikmund *et al.,* 2010). This study used causal research to investigate the relationship between learning and marketing orientation and the performance of SMEs.

4.8 PRIMARY DATA COLLECTION METHODS

Cooper and Schindler (2011:114) point out that the three main data collection methods are observation, experiment and survey. Observation is a process through which primary data is obtained by observers (humans or machines) about the behavioural pattern of people, objects or occurrences. Through the experiment method of data collection, the researcher manipulates an independent variable and then measures the effect.

A survey can be defined as a process in which the researcher poses a list of questions to willing participants (Churchill & Brown, 2007:105). A survey is regarded as a relevant strategy in scientific findings for business and management research (Hair *et al.,* 2010) Survey research encompasses any measurement procedures that involve asking questions to respondents. A survey will ask a series of questions that require answers from these groups, which are then analysed at the end of the survey when the participant level has been reached.

In survey research, the researcher selects a sample of respondents from a population and administers a standardized questionnaire to them (Gaiser & Schreiner, 2009:47). This study used the survey as the research method because other methods of data collection such as observations and experiments were inapplicable to collecting data to investigate the research problems. In addition, the survey method was chosen in conducting the research due to its advantages: it is quick, less expensive and is a relevant means of analysing evidence regarding a specific group (Gaiser & Schreiner, 2009: 47).

The study followed the survey research process as pointed out by Gerber-Nel *et al.* (2005:94):

• The population to be studied was defined.

• A representative sample was selected.

• Data was collected through the use of self-administered questionnaires.

• SPSS (Statistical Package for Social Sciences) was used to tabulate and analyse the sample to produce various sample statistics.

- Inferences were made from sample statistics to population parameters of interest.

(Churchill & Brown, 2007:105) point out that the methods of conducting surveys are personal interviews, telephone surveys, mail surveys, self-administered surveys and computer-assisted surveys. A personal interview (i.e. face-to-face communication) is a two-way conversation initiated by an interviewer to obtain information from a participant. Telephone interviews take place when the respondents are telephoned in order to gather primary data about a specific research problem. The researcher often have a access a list of people who have telephone, as such it yields higher response rate as compared to mailed questionnaires; telephone interviews are not expensive and less time consuming they can only be costly if it involves a long distance call (Churchill & Brown, 2007:105).

A mail survey is a survey that takes place when the researcher selects a sample of names and addresses, and then sends questionnaires to these respondents with the aim of collecting data. With a computer-assisted survey, questionnaires are sent by email to the respondents. In addition, a website may be created, in which a questionnaire is placed for the attention of the respondents (Cooper and Schindler, 2011:340).

This study used self-administered questionnaires. The researcher used the questionnaire as the primary research instrument. A questionnaire can be described as a formalised set of questions for obtaining information from the respondents. A questionnaire is a structured standardised procedure, pre-coded and containing open-ended questions that are at times used to collect information from the respondents who record their own answers (Churchill & Brown, 2007:105).The researcher used the questionnaire to collect data from the respondents because the questionnaires help to ensure that information from different respondents is comparable. In addition, responses obtained through questionnaires can easily be coded, and this facilitates data processing. Furthermore, questionnaires are economical in terms of money and time (Cooper and Schindler, 2011:286). The questionnaires were personally delivered to the respondents by the researcher but completed by the respondents without her involvement.

The researcher used self-administered questionnaires for the following reasons as pointed out by Cooper and Schindler (2011:326).

- Self-administered questionnaires ensure anonymity and privacy of the respondents, thereby encouraging more candid and honest responses.

- Self-administered questionnaires have proved to have a higher response rate than other data gathering techniques such as mail surveys.

- Self-administered questionnaires are less expensive than other data gathering methods such as personal interviews where the researcher must be present with respondents at all times.

The researcher was also able to obtain the names and telephone numbers of the respondents when the questionnaires were distributed. Repeated call backs were made to the respondents to ensure they completed the questionnaires.

4.9 Secondary research survey

Secondary data is information acquired and collected by other authors, while primary data is original data collected by the researcher. Secondary data is instrumental not only to clarify research problems but assist to clearly understand and explain the research problems (Gaiser & Schreiner, 2009:47).). Secondary data is information gathered from books, scientific articles, company reports, and internet to gather relevant information used to support methodology of the research (Churchill & Brown, 2007:105).The secondary data was obtained from other sources such as journal articles which were relevant to the study, previous research works, dissertations and theses containing the necessary data relevant to the study.

4.10. QUESTIONNAIRE DESIGN AND CONTENT

- **Questionnaire**

The primary research instrument which will be used by the researcher is the questionnaire. Cooper and Schindler (2011:326) described a questionnaire as a formalized set of questions for obtaining information from respondents. However a questionnaire can also be described as a booklet of structured standardised procedure, pre-coded and containing open-ended questions at times that are used to collect information from the respondents who record their own answers. It can also be considered as a data-collection instrument which sets out the questions to be

asked in a formal way in order to produce the desired information. A questionnaire was used in by the researcher in this research study for the following reasons:

➢ Questionnaires help to ensure that information from different respondents is comparable.

➢ Questionnaires increase the speed and accuracy of recording.

➢ Questionnaires facilitate data processing.

➢ Questionnaires are economical in terms of time and money.

➢ Questionnaires enable the respondents to remain anonymous and be honest in their response.

4.10.1 Survey questions

There are two primary types of survey questions that a researcher can use. These are open-ended and closed-ended. For open-ended questions, respondents use their own words (Churchill & Brown, 2007:105).The researcher limited the use of open-ended questions because they are difficult to code and analyse as responses can vary widely (Cooper and Schindler, 2011:197). Close-ended questions specify permitted responses and make information available to the respondents. Close-ended response questions offer respondents a selection of possible responses (Gaiser & Schreiner, 2009:47).). Closed-ended questions were used by the researcher because they can be easily coded and analysed. Cooper and Schindler (2011:120) point out that close-ended questions include dichotomous questions and Likert scale questions. Dichotomous questions only have two response alternatives.

A Likert scale is simply a statement that the respondent is asked to evaluate according to any kind of subjective or objective criteria; generally the level of agreement or disagreement is measured. When responding to a Likert questionnaire item, respondents specify their level of agreement to a statement.

The researcher used Likert scale questions because of the under listed reasons as pointed out by Cooper and Schindler (2011:421):

• The Likert scale eliminates the development of response bias amongst the respondents.

- The Likert scale can be used to assess attitudes, beliefs, opinions and perception.

- Using the Likert scale makes the response items standard and comparable amongst the respondents.

- Responses from the Likert scale questions are easy to code and analyse directly from the questionnaires.

- They are easy to code and analyse.

- Interviewer bias is reduced and questions can be administered more quickly.

The researcher used the Likert scale questions because they are easy to code and to analyse. In addition, the use of Likert scale questions is consistent with the data collection method of previous empirical studies on learning and marketing orientation and performance of SMEs (Jyathibabu *et al.*, 2010:303; Dubihlela, 2013:55).

4.10.2 Questionnaire content

The questionnaire was divided into four parts. These are (1) demographic and company information; (2) learning orientation; (3) marketing orientation; and (4) performance. Demographic information included the gender, age and level of education of the respondents. Company information included the length of operation, the sector and the number of employees of the respondents.

The scale used to measure learning orientation was adapted from previous literature (Austin & Harkins, 2008:105; Mahmood & Hanafii, 2013:2046). These studies used an eleven-question scale to measure learning orientation with high degree of reliability as evidenced by the Cronbach alpha coefficients (greater than 0.7). The five-point Likert scale ranging from "1 strongly disagree", " 2 disagree", "3 neutral", "4 agree" and "5 strongly agree" was used to measure learning orientation.

In addition, the scale used to measure marketing orientation was adapted from previous literature (Ledwith & Dwyer, 2009:652; De-luca *et al.*, 2010:9). These studies used a thirteen-question scale to measure marketing orientation with a high degree of reliability as evidenced by the Cronbach alpha coefficients (greater than 0.7). The five-point Likert scale ranging from "1 strongly disagree", " 2 disagree", "3

neutral", "4 agree" and "5 strongly agree" was used to measure marketing orientation.

The scale to measure performance was adapted from Idah and Mahmood (2011:1), with a Cronbach's alpha coefficient of 0.76. The study used a four-point scale to measure performance. The five-point Likert scale ranging from "1 significant decline", " 2 decline", "3 remained the same", "4 increase" and "5 significant increase" was used to measure performance. All the scales used by this study have acceptable psychometric properties in terms of their reliability and validity.

4.11 PRE-TESTING (PILOT STUDY)

The questionnaire was pre-tested with twenty owners of SMEs. The respondents did not participate in the final study. Cooper and Schindler (2011:206) describe pre-testing as the testing of the questionnaire on a small sample of respondents to identify and eliminate potential problems. This helps the researcher to be satisfied that the designed questionnaire will do the right job and that the data collected will be relevant and accurate. A pilot study helps to improve the phrasing and content of a questionnaire. The researcher pre-tested the questionnaire because as pointed out by Churchill (2002:251), pre-testing:

- Permits a thorough check of the planned statistical and analytical procedures, giving the researcher a chance to evaluate their usefulness for the data. The researcher may then be able to make needed alterations in the data collecting methods, and therefore, analyze data in the main study more efficiently.

- Can greatly reduce the number of unanticipated problems because the researcher has an opportunity to redesign parts of the study to overcome difficulties that the pilot study reveals.

- Saves a lot of time and money. The pre-testing almost always provides enough data for the researcher to decide whether to go ahead with the main study.

The results of the pilot study led to the removal of the name of the respondents (demographic information) and the name of the places of work (company information) of the respondents from the questionnaire because some of the respondents were not willing to divulge the information to the researcher.

4.12. POPULATION AND SAMPLING

This section will discuss the population and sampling method used to conduct the empirical research. The motivation for selecting the sampling method used for the study will be provided.

4.12.1 Population

Cooper and Schindler (2011:374) describe the population as the study subject, which may be individuals, groups or organisations. The population encompasses all units of analysis about which the researcher wishes to draw conclusions. The study was based on existing SMEs operating within Msukaligwa Municipality in Mpumalanga province.

4.12.2 Sampling

Cooper and Schindler (2008:180) remark that sampling is the act, process, or technique of selecting a suitable sample, or a representative part of a population for the purpose of determining parameters or characteristics of the whole population. The primary purpose of sampling is to make generalisations about the whole population which are valid and which allow prediction. Sampling allows the researcher to draw conclusions about the entire population as it is impossible to observe all relevant events in the population because of time and cost. There are two major types of sampling designs. These are probability and non-probability sampling (Zikmund *et al.*, 2010).

Sampling is the process of selecting a small number of items or a portion of a bigger population to draw conclusions about the whole population (Zikmund *et al.*, 2010). Descriptive research often use probability sampling methods namely, simple random, stratified sampling, proportionate stratified sampling and cluster sampling (Malhotra *et al.,* 2012:182). Random sampling is also referred to as probability sampling, rather than non-probability sampling, which ensures every element is likely to be included in the sample (Malhotra *et al.,* 2012:182). SMEs will be randomly selected from the population so that each population unit has an equally and non-

zero chance of being selected, hence grant statistical references to be made (Gaiser & Schreiner, 2009:47).

Probability sampling can be described as a controlled procedure that assures that each element of the population is given a known non-zero chance of selection. In contrast, non-probability sampling is arbitrary (non-random) and subjective. Each element of the population does not have a known non-zero chance of being included in the study (Malhotra *et al.,* 2012:182).   This study used probability sampling because as pointed out by Cooper and Schindler (2011:179), it allows the researcher to make inferences from information about a random sample to the population from which it was selected. This implies that findings derived from a sample can be generalised to the population.

Cooper and Schindler (2011:192) identify four major types of probability sample. These are systematic sampling, stratified sampling, cluster sampling and simple random sampling. Under systematic sampling, every kth element in the population is sampled, beginning with a random start of element in the range of 1 to k. Systematic sampling selects an element of the population at a beginning with a random start, and following the sampling fraction selects every kth element. The main advantage of systematic sampling is that it is simple to design and easy to determine sampling the distribution of mean or proportion. The disadvantage is that periodicity within the population may skew the sample and results. Most populations can be segregated into several mutually exclusive subpopulations or strata. The process by which sample is construed to include elements from each of the segments is called stratified sampling. The main advantage of stratified sampling is that it provides data to represent and analyse subgroups. The main disadvantage of this type of sampling is that it increases error which will lead into subgroups, then selected at different rates. It is also time consuming.

According to Cooper and Schindler (2011:192), cluster sampling involves the division of the population into mutually exclusive and collectively exhaustive clusters or subgroups after which certain clusters are selected in the sample. The advantage of cluster sampling is that it is easy and cost effective. However, cluster sampling is often imprecise and results are difficult to compute and interpret. With simple random sampling, each member of the population has an equal probability of inclusion in the

sample. This study used the simple random sampling method. Simple random sampling is simple to apply in that random sample is chosen from a population and without any order. Furthermore, data analysis is reasonably easy and has a sound mathematical basis. The sample was obtained from all the elements of the population.

4.12.2.1 Sample size

The sample size is the total number of elements included in the research (Malhotra, Hall, Shaw & Oppenheim, 2008; Zikmund, *et al*., 2010). The researcher's time and budget constraints made it impractical to include all the owners and managers of SMEs in this study. Zikmund *et al*. (2010) ascertain that the correct sample size is dependent on the population and the significance of the study. The Raosoft sample size calculator can be used to calculate the sample size. Raosoft is statistical software used in the calculation of sample size. Raosoft takes into consideration four factors in determining sample size. These factors include the margin of error, the confidence level, the population and the response distribution (Raosoft, 2017). The Mpumalana Province Development Agency has a database of SMEs in the province. The database shows that there are five hundred and twenty SMEs in the Msukaligwa Municipality**.**

The researcher used the 5% margin of error and 95% confidence interval to obtain the sample size. According to the Raosoft sample size calculator, the minimum recommended sampling size is two hundred and twenty two (222) SMEs. However, the researcher decided to send three hundred and ninety (390) questionnaires out to the respondents because of the high non-response that is usually associated with self-administered surveys. In addition, data analysis such as factor analysis usually requires at least one hundred (100) respondents (Zikmund *et al*., 2010).

4.13 CONDUCTING FIELDWORK

After selecting the actual respondents, the researcher informed and distributed the questionnaire to SME owners/managers in the study area, Msukaligwa Municipality. The municipality covers towns such as Breyten, Chrissismmerre, Davel, Ermelo and Lothair.

4.14 Gathering the data

This section will describe the actual data collection and the treatment of missing values. The researcher distributed the questionnaire and collected data between the 1st of September and the 2nd of December, 2016. The questionnaires for SME owner/managers were distributed to the Department of economic development in Ermelo. While other questioners were hand delivered to SME owners/managers who are resides in areas such as Breyten, Chrissismmerre, Davel, and Lothair. The respondents were given a month to complete the questionnaires. The researcher managed to obtain the names and telephone numbers of the SMEs from officials at the Regional Department of economic development's data base. The data base made it easy to for the researcher to make appointment during the drop off point. The regional Department of Economic Development was also used as a pick up and drop off point after completion of the questionnaire.

4.14.1. Missing values

As stated by (Malhotra *et al.,* 2012:182) a missing value may represent or is a product of an unknown value. In surveys, respondents may not answer certain questions. It is very important for the researcher to manage missing values efficiently. If the researcher does not handle the missing values properly, then he/she may end up drawing an inaccurate inference about the data. Due to improper handling of missing values, the result obtained by the researcher will differ from those where the missing values are present. Churchill & Brown, (2007:105) insist that a researcher must fully understand the concept of missing values. Item non-response occurs when the respondent does not respond to certain questions due to stress, fatigue or lack of knowledge. Sometimes the respondent does not respond because some questions are sensitive. This leads to missing values. There is no fixed rule about the proper handling of missing values. The researcher may

leave the data or do data imputation to replace the missing values. It entirely depends upon the researcher's experience in dealing with missing values.

According to Churchill & Brown,(2007:105) affirmed that there are three basic options when dealing with missing values. The first option is to do nothing. Leave the data as it is, with the missing values in place. This is the most frequent approach, for a few reasons. First, the number of missing values is typically small. Second, missing values are typically non-random. However, if a researcher chooses the first option, he must keep in mind how SPSS will treat the missing values. SPSS will either use listwise deletion or pairwise deletion of the missing values. The researcher can elect either one when conducting each test in SPSS.

- **Listwise deletion**

Churchill & Brown, (2007:105) noted that under listwise deletion, SPSS will not include cases (subjects) that have missing values on the variable(s) under analysis. If only one variable is been analysed, listwise deletion simply analyses the existing data. If multiple variables are being analysed, listwise deletion removes cases (subjects) if there is a missing value on any of the variables. The disadvantage is a loss of data because you are removing all data from subjects who may have answered some of the questions, but not others (e.g., the missing data).

- **Pairwise deletion**

Churchill & Brown, (2007:105) also points out that with pairwise deletion, SPSS will include all available data. Unlike listwise deletion, which removes cases (subjects) that have missing values on any of the variables under analysis, pairwise deletion only removes the specific missing values from the analysis (not the entire case). In other words, all available data is included. Pairwise deletion is useful when the sample size is small. The second option is to delete cases with missing values. For every missing value in the dataset, the researcher can delete the subjects with those missing values. This means that the researcher is left with complete data for all subjects. The disadvantage to this approach is that the sample size is reduced. The third option to replace missing values is imputation. This could be done by mean substitution or regression substitution. Mean substitution replaces the missing value

with the mean of the variable. Regression substitution uses regression analysis to replace the missing value. Regression analysis is designed to predict one variable based upon another variable, so it can be used to predict the missing value based upon the subject's answer to another variable. Missing values presented a problem that had to be addressed in this research before evaluation could proceed. There were only three cases of missing values and pairwise deletion method under SPSS was used.

4.15 DATA ANALYSIS

Data analysis is defined as a statistical interpretation employed to analyse data, and to explain why these are relevant (Blanche, *et al.*, 2006:86). Data analysis usually involves the reduction of accumulated data to a manageable size, developing summaries, looking for patterns and applying statistical techniques. It also includes the interpretation of research findings in the light of the research questions, and determines if the results are consistent with the research hypotheses and theories. Data analysis is a process of gathering, modelling and transforming data with the goal of highlighting useful information, suggesting conclusions, and supporting decision making (Gaiser & Schreiner, 2009:47).).

In this study statistics were analysed using SPSS version 23.0. SPSS is regarded as the most popular known program offering an advanced, speedy and dependable statistical analysis. It is an abbreviation of Statistical Package for the Social Science (Blanche, *et al.*, 2006:86). The statistician of the University of Limpopo assisted with data coding, analysis and interpretation to ensure quality information. The data collected was coded. Coding implies applying a set of rules to the data to transform it from one form to another (Blanche *et al.,* 2006:189). Both descriptive and inferential analysis were used in analysing the data.

4.15.1 Descriptive analysis

Descriptive analysis takes place at the beginning of the data analysis process, which is regarded as a summary of raw data converted into a simple interpretable and understandable data (Zikmund *et al.*, 2010:1). Descriptive statistics is effective in evaluating the basic characteristics of the data, which are often shown in frequencies and which measure the central tendency and dispersion (Malhotra & Peterson,

2006:435). In the study, the data collected was analysed by the form of mean and standard deviation.

In this study, the following statistical techniques were use as the tools of descriptive analysis as pointed out by Gerber-Nel *et al.,* (2005:204).

- The Distribution*:* The distribution is a summary of the frequency of individual values or ranges of values for a variable. Tables and bar charts were used.

- Central Tendency*:* The central tendency of a distribution is an estimate of the "centre" of a distribution of values. The mean and standard deviation were used. The mean or average is probably the most commonly used method of describing central tendency. The median is the score found at the exact middle of the set of values. The standard deviation is a more accurate and detailed estimate of dispersion. The standard deviation shows the relation that set of scores has to the mean of the sample.

4.15.2 Factor Analysis

Factor analysis procedures are statistical methods used to examine the relationship between a group of observed variables, as analysed through questions or items (Malhotra & Peterson, 2006:435). It has been noted that factor analysis is not only a singular statistical approach, but also a group of statistical analysis sharing similar methodologies and functions (Cooper and Schindler (2008:180)). Factor analysis has been selected as an approach for this study, as it is effective in examining factor variables, and validation of measures such as personality scales (Gerber-Nel *et al.,* 2005:204). It is reliable in advancing the accuracy of the factor analysis used, and in enhancing the quantity of the outcome/results (Malhotra & Peterson, 2006:435). Factor analysis is a statistical approach that can be used to analyze inter-

relationships among a large number of variables and to explain these variables in terms of their common underlying dimensions (factors).

The statistical approach involving finding a way of condensing the information contained in a number of original variables into a smaller set of dimensions (factors) with a minimum loss of information. Factor analysis could be used to verify a construct of interest. Factor analysis has two main purposes. Firstly, it is used for data reduction and secondly for detection of structure (underlying dimensions) in a set of variables. Factor analysis also helps to confirm the validity and reliability of the measuring instruments. Factor analysis was used in this study to enhance the reliability and validity of the measuring instrument, as well as for data reduction. Factor analysis also assisted in classifying the variables and in developing and refining research questions (Gerber-Nel *et al.*, 2005:204).

4.15.2.1 Assumptions of factor analysis

Leech, Barret and Morgan (2005:80) note the assumptions for factor analysis include:

- Normality*:* Factor analysis is robust to the assumption of normality. However, if variables are normally distributed, then the solution is enhanced.

- Sampling adequacy*:* Bartlett's test of sphericity and the Kaiser-Meyer-Olkin (KMO) measure the sampling adequacy and can be used to determine the factorability of the matrix as a whole. If Bartlett's test of sphericity is large and significant, and if the KMO is greater than .6, then factorability is assumed. The Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy is an index used to examine the appropriateness of factor analysis. High values (between 0.5 and 1.0) indicate factor analysis is appropriate. Values below 0.5 imply that factor analysis may not be appropriate. The KMO tells the researcher whether or not enough items are predicted by each factor. The Bartlett test should be significant (i.e., a significance value of less than .05). This means that the variables are highly correlated enough to provide a reasonable basis for factor analysis (Leech *et al.,* 2005:82).

4.15.2.2 Procedures followed for factor analysis

The procedures followed for the factor analysis in this study were as pointed out by Leech *et al.,* (2005:80).

- Eigenvalues greater than 1.00 were identified.

- The variables are subjected to exploratory factor analysis. Where the variables loaded were found to be less than 0.300, they were removed and another round of exploratory factor analysis carried out.

- Rotated, unrotated and sorted factor analyses are carried out for the factors. Item analysis is then carried out for all the factors.

  - A confirmatory factor analysis is performed to test the homogeneity of underlying constructs.

4.15.3 Correlation analysis

Correlation is a statistical process used to discover whether two or more variables are in a way related to the other. The outcome statistics is regarded as correlation coefficient, which is a number between -1 and+1. A correlation is significantly strong if the coefficient is between 0, 6 to 0.9. The P-value measures the significance. 5% level of significance was used for this study. This is consistent with the significance level of most of the empirical studies on business management (Blanche *et al.,* 2006:189). The researcher used correlation to determine the level of association between learning and marketing orientation and the performance of SMEs.

4.15.4 Regression analysis

Regression is particularly important in understanding the control of autonomous variables towards the reliant variable after a causal relationship has been proven Zikmund *et al.*, 2010:1. Simple linear regression was demonstrated to appraise the impact of marketing orientation on the performance of SMEs as well as learning orientation on SMEs performance. Regression analysis assists the researcher to fully understand the extent to which alterations to the degree of reliant factor affect alterations to the degree of the independent factor, while other independent variables remain constant (Zikmund *et al.*, 2010:1). In this study, the constructs of marketing orientation are customer complaints, commitment to customers, customer value, customer satisfaction, quality, monitoring competition, marketing data, competitors'

action, and opportunities, inputs on development, information shared, departmental involvement and marketing as a guideline. The SMEs performance constructs are sales turnover, profit, employment and growth as compared to competitors. The constructs for learning orientation are organisations' learning ability, learning as investment, learning as organisation's vision, agreement on organisation's vision, commitment to goals, employees viewed as partners, perceptions on the market place, judgement on decisions, lessons learned from history, mechanisms for sharing lessons and little effort in sharing.

4.15.5. Statistical Package for Social Sciences (SPSS)

This study used SPSS Version 12.0 for Windows as the statistical software for data analysis**.** Arkkelin (2014:1) introduced SPSS as a software used to perform statistical procedures in the social sciences field. SPSS is one of the most widely used programs for statistical analysis in social science. SPSS is a complete statistical package that is based on a point and click interface. SPSS has almost all statistical features available and is widely used by researchers to perform quantitative analysis.

4.16 RELIABILITY VALIDITY AND ERRORS

This section will examine the issues related to the reliability and validity of the study. The definition of reliability and validity will be provided. In addition, the measures to ensure reliability and validity will be discussed.

4.16.1 Reliability

The extent to which results are consistent over time and an accurate representation of the total population under study is referred to as reliability. Reliability is concerned with consistency of measures. The level of an instrument's reliability is dependent on its ability to produce the same result when used repeatedly (Malhotra, 2010:284). According to Zikmund *et al.*, 2010:1), the Cronbach's alpha can be used to measure reliability. The Cronbach's alpha is a test for a survey's internal consistency. It is also called the scale reliability test. It is a measure of how well each individual items in a scale correlates with the remaining items. The alpha coefficient ranges in value from

0 to1. The higher the score, the more reliable the generated scale is. A score of 0.7 is the acceptable reliability coefficient Leech *et al.,* (2005:80).

4.16.2 Validity

Validity refers to whether an instrument actually measures what it is supposed to measure given the context in which it is used (Leech *et al.,* (2005:80).The credibility of a study is mostly important and depends on how valid a measuring instrument is, Zikmund *et al.*, (2010:1), identify four major types of validity. These are face (content) validity, criterion related validity, content validity and construct validity.

According to Zikmund *et al.*, (2010:1), face (content) validity refers to the fact that the concept being measured is done so appropriately. Face validity of a measuring instrument is the extent to which the instrument provides adequate coverage of the concept. Face validation is a judgmental process that can be done in many ways. The researcher may choose to do it alone or may use a panel of experts or senior researchers in the field of study to judge how well the instrument meets the standard. Cooper and Schindler (2011:214) note that criterion related validity, also referred to as instrumental validity, is used to demonstrate the accuracy of a measure or procedure by comparing it with another measure or procedure, which has been demonstrated to be valid. Gerber-Nel *et al.* (2005:30) point out that content validity refers to the use of measures that will incorporate all of the meanings associated with a specific concept. Cooper and Schindler (2011:214) refer to construct validity as how adequately a scale or a test measures what it proposes to measure. The researcher used the following steps to ensure the validity of the study as pointed out by Cooper and Schindler (2011:214).

- Pre-testing the research instrument in a pilot study.

- Sampling was carried out using probability methods ensuring external population validity.

- Using self-administered questionnaires, which generally have a high response rate.

- Using a big sample size with a margin of error of not more than 5% and a confidence level of 95%.

- Comprehensively reviewing the literature for theoretical constructs and empirical conclusions.

4.16.3 ERRORS

Cooper and Schindler (2011:332) insist that errors, specifically on the response and non-response errors, actually can pose a serious threat to the reliability of data and must be minimised by the researcher. Response errors are defined as the estimated inaccuracies which are introduced by the researcher, the interviewer or the respondents. The researcher can make the error in the design of the measurement instrument or may not properly define the problem and the related information required. Response errors also occur when the respondent intentionally or mistakenly makes available an incorrect answers to the survey questions.

As described by Gerber-Nel *et al.* (2005:231) a non-response error is an error caused by failure to contact all members of a sample and/or the failure of some contacted members of the sample to respond to all or a specific part of the questionnaire. Non-response error occurs because people who respond to the survey might not have characteristics similar to those who do not. The steps used to reduce non-response errors as highlighted out by Cooper and Schindler (2011:332)
  - Using self-administered questionnaires, which involved a direct meeting between the researcher and the respondents.
  - Repeated telephone calls and visits to the respondents.
  - Removing sensitive questions from the questionnaire.
  - Carefully constructing and pre-testing the questionnaires.

- **4.17 ETHICAL CONSIDERATIONS**

Ethical clearance was obtained from the Ethics Committee of the University of Limpopo after the development of the questionnaire but before data collection. The company name and the names of the respondents were not included in the questionnaire to ensure confidentiality and anonymity. The participants were fully informed about the aim of the research and that participation was voluntary.

4.18 REPORTING THE RESULTS

The final stage in the business research process will be clearly demonstrated and discussed in chapter six, as the interpretation of the results and the drawing of conclusions relevant to SMEs owns/managers 's decision-making. At this stage the researcher intents to reports the research findings, conclusions and provide recommendations (Gerber-Nel *et al.,* 2005:234). The research results will be presented in the next chapter.

4.19 SUMMARY

The chapter discussed the research methodology used for the empirical part of the study. The research approach and philosophy were provided. In addition, the research design of the study was explained. This included the motivation for using the quantitative approach, the data collection method, the sampling method and the data analysis method. The issues of reliability, validity and ethical consideration were also discussed. The following chapter will focus on the presentation of the research results.

CHAPTER FIVE

RESEARCH RESULTS

5.1 INTRODUCTION

The chapter presents the results of the study on the impact of learning and marketing orientation on the performance of SMEs. This chapter comprises of ten sections. The response rate is presented. In addition, the demographic characteristics of the respondents are discussed. This is followed by the presentation of descriptive and inferential results on the relationship between marketing and learning orientation and the performance of SMEs.

5.2 RESPONSE RATE

Table 5.1 response rate

| Respondents	No. sent out	No. returned	Response rate percentage	No. not returned	Non-return percentage
SME owners	390	181	46.4%	209	53.6%

Table 5.1 presents the response rate of the survey. Three hundred and ninety (390) questionnaires were sent out to the respondents and one hundred and eighty one (181) questionnaires were returned. The response rate was 46.4%.

5.3 DEMOGRAPHICS CHARACTERISTICS OF THE RESPONDENTS

The demographic variables consist of the respondents' gender, age, education level, and industry/sector, total number of employees and years of operation. Demographic variables are demonstrated using tables and figures as indicated below.

5.3.1 Gender of the respondents

Figure 5.1 Gender of the respondents
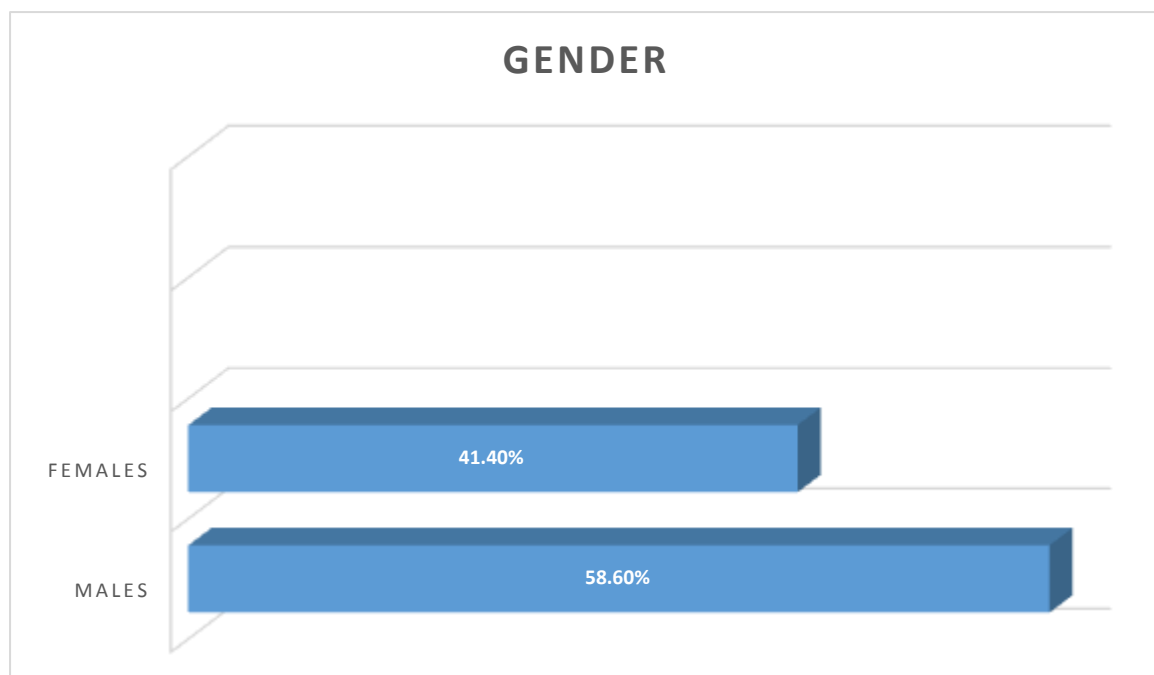
The results in Figure 5.1 indicate that from a total of 181 SME owners that participated in the study, 106 (58.6%) are males while 75 (41.4%) are females. The results indicated that male SME owners dominated the survey. The results are consistent with previous empirical findings on the gender of entrepreneurs in South Africa. A study by Brijial, Naicker and Peters (2013:860) also obtained 71% male

participants and 29% female participants. In addition, Farrington, Gray and Sharp (2012:10) also found that the SME sector in South Africa is male dominated.

5.3.2 Age of the respondents

Figure 5.2 Age of the respondents
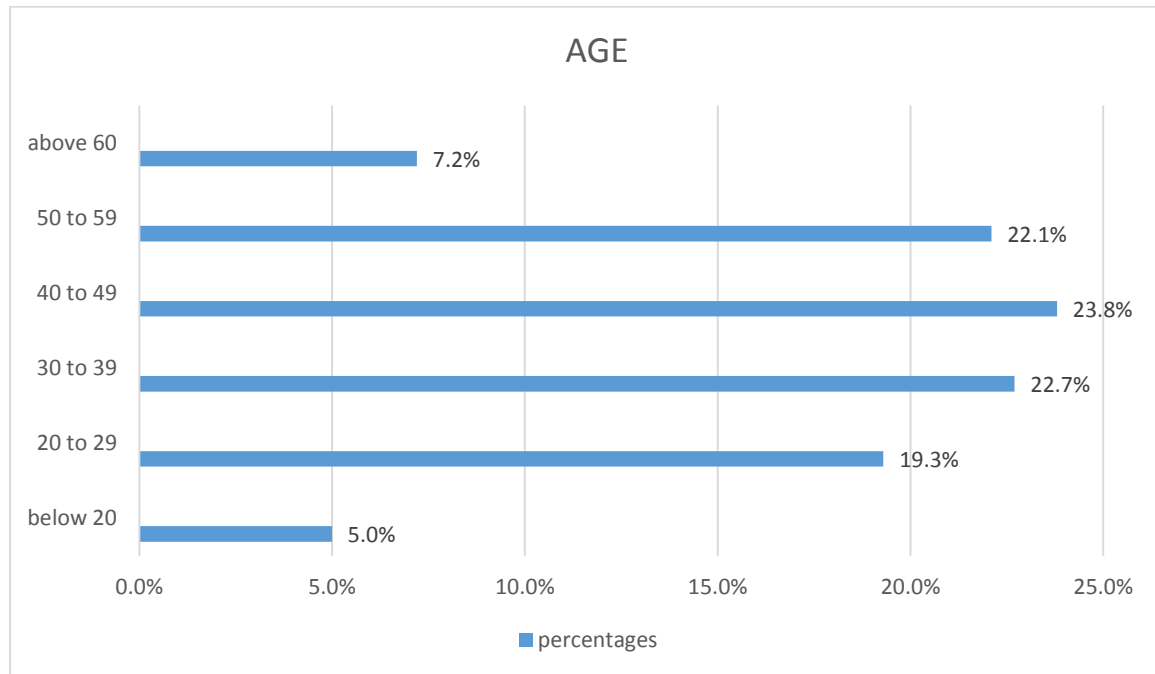
As indicated in Figure 5.2, the majority of SME owners are in the 40-49 age group at 23.8%. This is followed by SME owners in the 30-39 age group at 22.7%. However, only 5% of SME owners that participated in the survey are below 20 years. In addition, SME owners in the 20-29 age group account for 19.3% whilst those in the 50- 59 age group account for 22.1%. The remaining 7.2% represents SME owners above 60 years. The results in Figure 5.2 are consistent with Farrington *et al.,* (2012:10), Dubihlela (2013:55) and Brijial *et al.*, (2013860), that the majority of SME owners in South Africa are in the 40-49 age group.

5.3.3 The education level of the respondents

Table 5.2 Education level of the respondents

Education level	Frequency	Percentage
Below matric	58	32%
Matric	82	45%
Post matric	41	23%
Total	181	100%

Table 5.2 indicates that highest education qualification for the majority of SME owners that participated in the survey is matric. The survey indicates that 45% of SME owners that participated in the survey have matric. 32% hold qualifications below matric, and 23% of the participants have post-matric qualifications. The results are supported by findings by Radipere and Dhliwayo (2014:107) and Agbenyegah (2013:1). The two studies found that SME owners with matric certificates as their highest qualification dominate the SME sector in South Africa.

5.3.4 Sector of business of the respondents

Table 5.3 Sector of business of the respondents

Sector	Frequency	Percentage
Manufacturing	42	23.2
Retail	59	36.6
service	80	44.2
total	181	100

The results as shown in Table 5.3 indicate that at 44.2%, the majority of the participants in the survey are in the service sector. This is followed by participants in the retail sector (36.6%). Herrington *et al.,* (2009); Farrington *et al.*, (2012:10) and Michael *et al.*, (2013) also found that the majority of SMEs in South Africa are in the retail and service sectors. Compared to large enterprises, SMEs often participate more in the service industry (Cambridge, 2011:8).

5.3.5 Total number of employees of the respondents

Figure 5.3 Total number of employees of the respondents
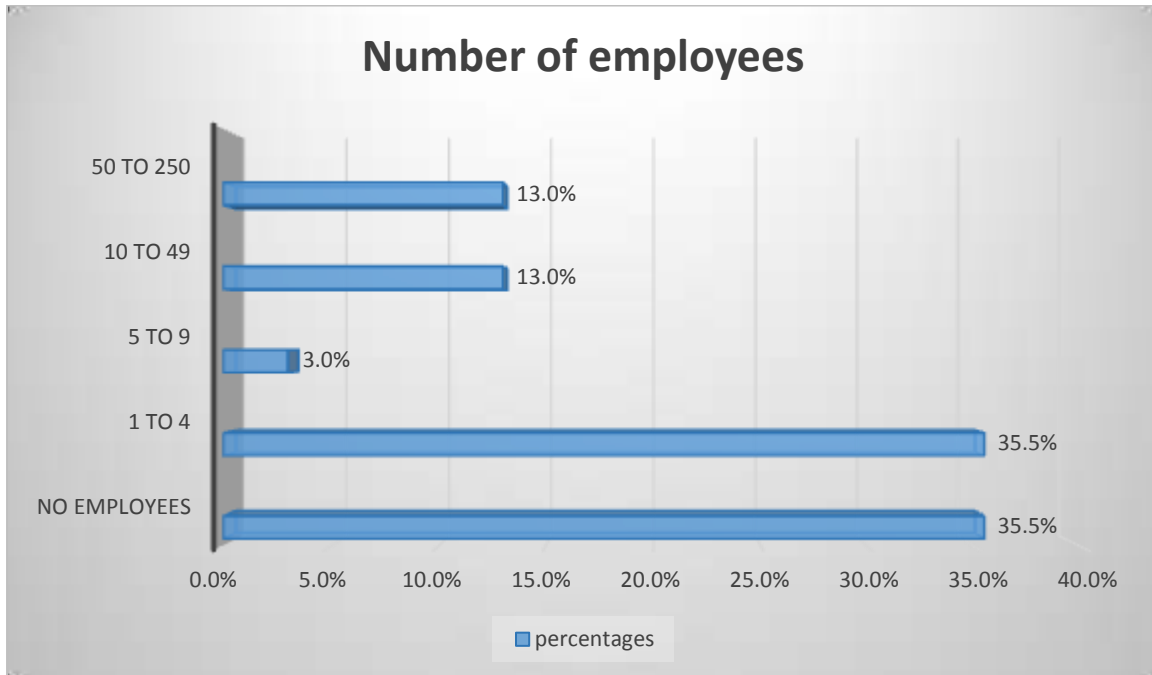
The results as indicated in Figure 5.3 show the (35 %) of SMEs have no employees, while the same percentage (35%) of SMEs can only employ 1 to 4 employees. Hence SMEs which employ 1 to 4 people are classified as the micro enterprises. Hatten (2011) used the number of employees to differentiate between large and small businesses (Herrington *et al.,* 2009).However, defining SMEs by the number of employees is a method that can be easily applied, but has certain limitations considering the number of individuals employed. Different business section makes it impossible to have a generalised definition of SMEs, due to differences in number of employees per business sector (Stokes and Wilson 2010). A business in a specific industry can be regarded as small, while a business in another industry can be regarded as medium or large business based on the number of employees (Lee-Ross & Lashley, 2009).

5.3.6 Years of operation of the respondents

Figure 5.4 Years of operation of the respondents
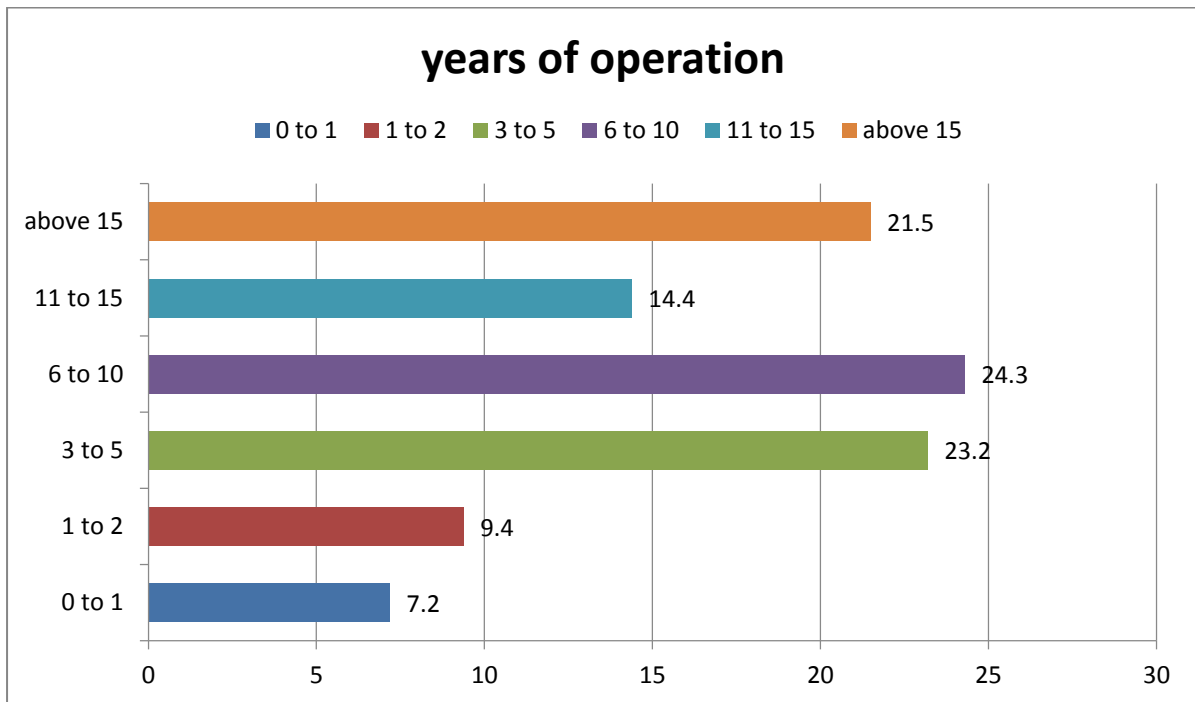
The results in Figure 5.4, at a percentage of 24.3%, indicate that a larger number of SMEs have been in operation for between 6-10 years. SMEs operating for between 3-5 years account for 23.2%. The results in the figure above correspond with previous literature such as Idar and Mahmood (2011:5) and Dzansi and Okyere (2015:476). The two studies also found that the majority of SMEs that participated in their surveys have been in operation for between 6-10 years.

5.4 MARKETING ORIENTATION

The marketing orientation variables intend to measure the marketing behaviour of SMEs through descriptive analysis of marketing orientation. Descriptive analysis will be based on the scale mean, standard deviation and the Cronbach's Alpha.

5.4.1 Descriptive analysis of marketing orientation variables

Table 5.4 descriptive analysis of marketing orientation variables

	Mean	Standard deviation
Our company motivates consumers to give us remarks and complaints which improve products and services offered to them	4.28	0.920
Our company is loyal and trustworthy to the clients	4.23	0.908
We continuously assess steps in which customer value can be developed on the products and services offered	3.97	1.021
We consistently evaluate customer satisfaction	3.87	1.033
Customer satisfaction on goods and services is expressed as valuable quality in our company	3.98	1.100
We consistently screen our opponents' move in the market	3.83	1.078
Our company regularly gather marketing information regarding our opponents to assist in redirecting our marketing strategy	3.82	1.021
Our company replies quickly to competitor's move	3.78	1.045
Our company considers a break-through built on a competitive advantage	3.81	1.021
The marketing section staff have major inputs towards the growth and expansion of emerging products and services	3.83	1.046
The marketing data gathered is mutually shared in all sections of the company	2.88	1.307
All sections and sub-units are responsible for the preparations of business plans and strategies	2.90	1.304
Marketing is considered a major guideline or gives directions to the whole company	2.56	1.334
Valid N (listwise) Scale mean Standard deviation Cronbach's alpha	13 3.6723 1.0875 0.896	

The presentation of the results in table 5.4 shows that Cronbach alpha coefficient is 0.896. This is above the 0.700 that is normally acceptable and indicates the reliability of the measuring scale for marketing orientation. The scale mean for the marketing orientation of SMEs is 3.6723, and has a relatively high internal consistency, which is a reliable coefficient of 0.896, which is higher than 0.7. The items with the highest mean are 'Our company motivates consumers to give us remarks and complaints which improves products and services offered to them' (mean=4.28); 'Our company is loyal and trustworthy to the clients' (mean=4.23); and 'We continuously assess steps in which customer value can be developed on the products and services offered' (mean=3.97). Thus the items with the lowest mean 'Marketing is considered a major guideline or gives directions to the whole company' (mean=2.56); 'The marketing data gathered is mutually shared in all sections of the company' (mean=2.88), followed by 'All sections and sub-units are responsible for the preparations of business plans and strategies' (mean=2.90).

The scale mean in table 5.4 is above 3, meaning that there is an acceptable high level of marketing orientation in SMEs being consistent with Gustaffsson, Johnson & Roos (2006:215), while other scholars are inconsistent with the high level of marketing orientation on SMEs (Mokhtar *et al.*, 2009:77); Ledwith and Dwyer, 2009:652; Jabeen *et al.*, 2013:18).

5.4.2 Factor analysis for marketing orientation
Table 5.5 Factor analysis for marketing orientation

Items	Factor loading
Our company regularly gather marketing information regarding our opponents to assist in redirecting our marketing strategy We consistently evaluate customer satisfaction	.930 .914

We continuously assess steps in which customer value can be developed on the products and services offered	.908
Customer satisfaction on goods and services is expressed as valuable quality in our company	.904
Our company replies quickly to competitor's move	.903
Our company considers a break-through built on a competitive advantage	.885
Our company replies quickly to competitor's move	.874
The marketing section staff have major inputs towards the growth and expansion of emerging products and services	.776
Our company is loyal and trustworthy to the clients	.724
Our company motivates consumers to give us remarks and complaints which improve products and services offered to them.	.677
The marketing data gathered is mutually shared in all sections of the company	.121
All sections and sub-units are responsible for the preparations of business plans and strategies	.244
Marketing is considered a major guideline or gives directions to the whole company	.049
Cumulative percentage of the variance explained (%)	72.881

Items below 0.3 have been removed

Table 5.5 shows a one- factor solution of marketing orientation. Three out of thirteen items have been eliminated as a result of low loading. This explained one factor as 72.881 of the total variance. The items which are lower than .3 will be excluded because of low loading which is accepted by Hair, Anderson, Tatham, and Black (2006). The low loading items are 'Marketing is considered a major guideline or gives directions to the whole company = .49'; 'All sections and sub-units are responsible for the preparations of business plans and strategies =.244'; and 'The marketing data gathered is mutually shared in all sections of the company=121'. Therefore, marketing orientation has a significant and acceptable Kaizer-Meyer-Olkin measure of sampling Adequecy=.928. KMO is significant and acceptable if it is larger than

0.05. Bartlett's test of sphericity=2.112E2, p=0.000, df= 45(Kaiser, 1974). An acceptable high level of marketing orientation is consistent with previous studies by (Walsh and Lipinski 2009:56; Kuksov and Lin, 2010:122 and Boohene and Agyapong, 2011:229).

5.5 LEARNING ORIENTATION

Descriptive analysis of learning orientation will be based on the scale mean, standard deviation and the Cronbach's alpha. Learning orientation variables are linked with demographic variables using Anova test. Furthermore, factor analysis on learning orientation is used to eliminate specific variables through factor reduction.

5.5.1 Descriptive analysis of learning orientation variables

Table 5.6 Descriptive analysis of learning orientation variables

	Mean	Std deviation
Management essentially concurs that our company's capability to learn strengthen our competitive advantage	3.77	1.044
The understanding surrounding this argument is that it is	3.75	1.044

a huge investment for employees to learn and not expenditure		
In this company learning is a necessity essential to secure the survival and longevity of the company	4.25	.788
We all understand and mutually agree with the company's aims and visions in all sections and sub-sections	3.75	1.085
Employees are dedicated to company goals in all sections	4.25	.793
Employees see themselves co-partnering with management towards moving the company to the right direction	2.58	1.140
The company staff found that their perceptions about the market place is regularly questionable	3.62	1.122
The company consistently assesses the quality of decisions and actions implemented afterwards	3.69	1.113
The company has a respectable communication platform which revives previous lessons experienced	3.69	1.077
The company has a special technique of sharing previous experiences on company's actions in every section	2.71	1.218
The company positioned a slight determination in sharing lessons and experiences	3.56	1.180
Valid N (listwise) Scale mean Standard deviation Crombach's alpha	11 3.6018 1.05490 .842	

Table 5.6 illustrates the results of descriptive analysis on learning orientation, of which two of the three items with the highest mean are: 'learning is an important commodity in our company, which declares continuity of the organisation' (means 4.25) and 'personnel's devotion to meeting company aims is essential' (means 4.25)

are both equally important.   This is followed by the item 'management team understood that a company's capability to learn serves as a competitive benefit' (mean=3.77). The three items with the lowest mean are: 'Employees see themselves co-partnering with management towards moving the company to the right direction' (mean=2.58); 'The company has a special technique of sharing previous experiences on company's actions in every section' (mean=2.71). The scale mean in table 5.6 is above 3, which shows a high level of learning orientation on SMEs.

The results are consistent with (Austin and Harkins 2008:105; Nybakk 2012:24 and Mahmood and Hanafii 2013:2046). However, other researchers are inconsistent with the high level of learning orientation on SMEs (Eris *et al.*, 2012:77). The importance of learning orientation has been accepted by (Niazi, 2011:42 and Grip, 2015:162).

5.5.2 Factor analysis on learning orientation

Table 5.7 factor analysis on learning orientation

Items	Factor loading
The company has a special technique of sharing previous experiences on its actions in section.	.931
The company consistently assesses the quality of decisions and actions implemented afterwards	.923
Management essentially concurs that our company's capability to learn strengthen our competitive advantage	.917
The company staff found that their perceptions about the market place is regularly questionable	.903
The understanding surrounding this argument is that it is a huge investment for employees to learn and not expenditure	.901
We all understand and mutually agree with the company's aims and visions in all sections and sub-sections	.884
The company positioned a slight determination in sharing lessons and experiences	.716
In this company learning is a necessity essential to secure the survival and longevity of the company	.390
Employees are dedicated to company goals in all sections	.302
The company has a respectable communication platform which revives previous lessons experienced	.248
Employees see themselves co-partnering with management towards moving the company to the right direction	-.133
Cumulative percentage of the variance explained (%)	56.561

Items below 0.3 have been removed Extraction method: principal component analysis

a.   1 components extracted.

Table 5.7 displays one-factor clarification of learning orientation (2 out of 11 items have been eliminated as a result of low loading), which explained one factors as 56.561 of the total variance. The items which are lower than .3 include: 'The company has a respectable communication platform which revives previous lessons experienced =.248 as well as Employees see themselves co-partnering with management towards moving the company to the right direction=.133.   Learning orientation has a meaning and admissible Kaizer-Meyer-Olkin that is .917. KMO is regarded as acceptable and significance if it is greater than 0.50, Bartlett's test of sphericity=2.161E3, p=0.000, df= 78. The acceptable high level of learning orientation is consistent with studies such as Kotabe, Dunlap-Hinkler, Parente & Mishra 2007:259; Gnyawall, Singal & Mu 2009:387; Kafouros, Buckley & Clegg 2012:848). The Eigen value of the first factor is quite bigger than that of the next factor (5.6 versus 7.3). Additionally, the leading factor is aimed at 51% to the whole variance.

5.6 PERFORMANCE

Descriptive analysis of performance focused on the scale mean, standard deviation and the Cronbach's alpha. The performance variables are linked to demographic variables using Anova test. As such factor analysis on performance is used to eliminate specific factors through factor reduction. The process of factor reduction can also be regarded as the removal of outliers.

5.6.1 Descriptive analysis on performance

Table 5.8 Descriptive analysis of performances

Performance variables	Mean	Standard deviation
Sales turnover	3.75	1.017
Profit	2.16	.950
Employment	1.91	1.034
Sales growth compared to competitors	3.67	1.131
Valid N (listwise) Scale mean Std deviation Cronbach's Alpha	4 2.87 1.033 .708	

Table 5.8 shows that descriptive analysis on performance confirmed that items with the highest mean is 'sales turnover' with (mean= 3.75), as well as 'sales growth compared to competitors' being second most important item (mean= 3.67). The results indicate that an increase in performance will result in an increase in sales turnover and profit. An increase in performance also leads to an increase in sales growth compared to competitors. Daramaju, Eisner and Dess (2007) concluded that in the airline industry, a cost consciousness and employee commitment is translated into operational excellence and increased profitability. The item with the lowest mean is 'employment' with a (mean 1.91), meaning an increase in performance does not lead to an increase in the number of employees. The importance of performance on SMEs has been accepted by previous studies (Lin and Chen 2007:115 and Salim and Sulaiman 2011:118).

5.7 The relationship between learning orientation, marketing orientation and performance

5.7.1 The relationship between learning orientation and performance

Table 5.9 The correlation between learning orientation and performance

	Learning orientation	Performance
Learning orientation: Pearson correlation	1	.722
Sig.(tailed)		.000
N	181	181
Performance: Pearson correlation	.722	1
Sig.(tailed)	.000	.000
N	181	181

Table 5.10 Regression analysis between learning orientation and performance

Model	Unstandardized coefficient		Standardised coefficient	T	Sig
	B	Std. Error of the estimate	Beta		
1 (constant)	3.161	.234		9.245	.000
Learning orientation	.063	.0.10	.722	6.270	.000

Dependent variable: Performance

Table 5.9 presents a correlation between learning orientation and performance, which is (r=.722, p=0.000). In this study the Pearson's r is .722, which is positive as it is closer to 1. This means an increase in learning orientation value will result in an increase in the value of performance; similarly, a decrease in learning orientation value will lead to a decrease in the value of SMEs performance. A strong correlation between learning orientation and performance has been affirmed with a sig value of less than .05.

Table 5.10 indicates that the regression coefficient between learning orientation and performance is predicted by Beta=.722, P<.000 with a significant T value 9.245, P<.000 and F value of 2.601 and P<000. The Beta =.722 which is closer to 1

supported by significant P value of .000 concludes that the performance of SMEs can be predicted, based on efforts invested in learning orientation. Hence, the correlation results in table 5.12 and the regression analysis in table 5.13 correspond in accepting the hypothesis Ha1. There is a positive significant relationship between learning orientation and the performance of SMEs.

The respondents confirmed that learning orientation gives the SME an opportunity to consider the following variables, which strongly predict a significant and increased SME growth and performance: management essentially concurs that our company's capability to learn strengthen our competitive advantage; the understanding surrounding this argument is that it is a huge investment for employees to learn and not expenditure; in this company learning is a necessity essential to secure the survival and longevity of the company; we all understand and mutually agree with the company's aims and visions in all sections and sub-sections; employees are dedicated to company goals in all sections; employees see themselves co-partnering with management towards moving the company to the right direction; the company staff found that their perceptions about the market place is regularly questionable; the company consistently assesses the quality of decisions and actions implemented afterwards; the company has a respectable communication platform which revives previous lessons experienced; and the company has a special technique of sharing previous experiences on its actions in all sections.

In fact, companies that emphasise, motivate and put more efforts towards learning orientation are often inventors of new ideas and innovative products, which contributes directly to growth (Martinette, 2006; Martinette and Obechain-Leeson, 2010; Martinette & Obenchain-Leeson, 2012:52). Hence learning orientation is regarded as an organisation's strategy aimed at using the scarce resources considerably, while building customer value and satisfaction to improve performance, however, a negative relationship between learning orientation and performance has been predicted by (Eris *et al.*, 2012:17).

5.7.2 The relationship between marketing orientation and performance

Table 5.11 The correlation between marketing orientation and performance

	Learning orientation	Performance

Performance mean: Pearson correlation
        Sig.(tailed)
                N
	1
	
	181
		.802
		.000
		181

Marketing   orientation: Pearson correlation
        Sig.(tailed)
                N
	.802
	.000
	181
		1
		.000
		181

Table 5.12 Regression analysis between marketing orientation and performance

Model	Unstandardized coefficient		Standardised coefficient	T	Sig
	B	Std. Error of the estimate	Beta		
1 (constant) Marketing mean	3.161 2.047	1.613 .431	 .802	9.245 7.270	.000 .000

Dependent variable: performance

Table 5.11 points out a positive correlation between marketing orientation and performance, which is highlighted with (r=0.802, p=.000). The results of Pearson correlation between marketing orientation and performance is very strong due to the fact that Pearson's r is .802, which is closer to 1. The results conclude that changes in marketing orientation strongly correlates with changes in the performance of SMEs. This is supported by the sig value of less than .05, confirming a positive correlation between marketing orientation and performance of SMEs.

Table 5.12 depicts that the regression coefficient between marketing orientation and performance has also been predicted (Beta=.802, P<000) with a significant T value (9.245, p<000 and F value (4.298, p<000. The Beta =.802 which is strongly closer to 1, supported by significant P value of .000 concludes that marketing orientation can be a perfect predictor of SMEs performance. Hence the correlation results in table 5.12 and the regression analysis in table 5.13 correspond in rejecting the hypothesis Ho2. There is no relationship between marketing orientation and the performance of SMEs, meaning there is a positive significant relationship between marketing orientation and the performance of SMEs (Lings and Greenly, 2009:41and Kelson, 2012:101).

The respondents agreed that marketing orientation gives an SME an opportunity to consider the following variables, which strongly predict a positive or increased SME performance: our company motivates consumers to give us remarks and complaints, which improve products and services offered to them; Our company is loyal and trustworthy to the clients; we continuously assess steps in which customer value can be developed on the products and services offered; we consistently evaluate customer satisfaction; customer satisfaction on goods and services is expressed as valuable quality in our company; we consistently screen our opponents' move in the market; our company regularly gather marketing information regarding our opponents to assist in redirecting our marketing strategy; Our company replies quickly on competitors' move; our company considers a break-through built on a competitive advantage; the marketing section staff has major inputs towards the growth and expansion of emerging products and services; the marketing data gathered is mutually shared in all sections of the company; all sections and sub-units are responsible for the preparations of business plans and strategies; and marketing is considered a major guideline or gives directions to the whole company.

As such marketing orientation was viewed by Kim and Mauborgne (2009:73) as a long-term strategy used to ensure that organisations secure a sustainable unique competitive advantage, which has an impact on performance and growth. However, scholar such as Mokhtar *et al.* (2009:77) concur that there is no significant positive relationship between marketing orientation and the performance of SMEs.

5.8 SCALE RELIABILITY

Table 5.13 Scale reliability

Construct	Number of items	Cronbach's Alpha
Marketing orientation	13	0.896
Learning orientation	11	0.842
Performance	4	0.708

Table 5.13 presents the results on Cronbach's Alpha, which is activated throughout the evaluation of reliability (internal consistency) of every single variable measure by survey instrument. The tools were intended for the study before conveying the work study and earlier proven to substantiate consistency. Several questions endorsed were reformed to align them with the intentions of the work study. A consistency assessment had to be administered to ensure the rationality of the dependability method used.

The results in table 5.13 confirmed the Cronbach's alpha statistics of 13 marketing orientation items, which were on a five likert scale. It has been proved that Cronbach's alpha on marketing orientation items had a strong consistency strength at 0.896, which is closer to 1. This high coefficient in the number of marketing items means the majority of items probably measure the same underlying concept. The Cronbach's alpha on learning orientation items consist of 11 items all arranged on a Likert scale. The results affirmed that the learning orientation items did share an average covariance with Cronbach's alpha of 0.842 being closer to 1. The Cronbach's alpha on performance provided an acceptable consistent strength of 0.708, meaning the performance variables out of the 4 items tested measured similar concepts.

Similarly, the overall Cronbach's alpha presented a highly acceptable reliability on the marketing and learning orientation as well as performance items tested being too close to 1 at 0.920. The overall scale reliability on learning and marketing orientation as well as performance items tested most measured the same underlying concept, acknowledge by (Hair *et al.,* 2009:130). considering 0.6 to below 0.7 as reasonable and satisfactory for usage in the review of Cronbach's alpha.

5.9 SUMMARY OF HYPOTHESES

Table 5.14 Summary of hypotheses

	Hypothesis	Results
Ha1	There is a significant positive relationship between learning orientation and the performance of SMEs	Accepted
Ho1	There is no relationship between learning orientation and the performance of SMEs	Rejected
Ho2	There is no relationship between marketing orientation and the performance of SMEs	Rejected
Ha2	There is a significant positive relationship between learning orientation and the performance of SMEs	Accepted

5.10 SUMMARY

This chapter revealed that most SMEs use learning and marketing orientation to maintain sustainability and to remain competitive, which often leads directly to an increase in performance. Hence the respondents acknowledged a positive significant relationship between learning orientation and the performance of SMEs. Learning orientation helps SMEs to focus more on employee's learning goals, employees sharing previous lessons and experience. SMEs also agreed that formal communication platform as well as viewing learning as necessity to ensure longevity are not important and don't contribute towards high performance. A negative relationship between marketing orientation and performance has been rejected. Marketing orientation is significant in securing customer loyalty, competitive advantage, while the respondents concurred that involving all sections in preparing organisational strategies and plans, sharing marketing data in all sections as well as using marketing as a major guideline do not contribute to performance. The overall scale reliability on learning, marketing orientation as well as performance proved a very strong significant consistency, meaning all the items tested in the survey are similar concepts for SMEs.

CHAPTER SIX

SUMMARY OF RESULTS, CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

This chapter concludes the study on the impact of learning and marketing orientation on the performance of SMEs in Msukaligwa Local Municipality, Mpumalanga Province. The chapter presents the summary of the research findings, conclusions and recommendations. The limitations of the study and the areas for future research are also presented.

6.2 OBJECTIVES OF THE STUDY

The objectives of the study are:

- To understand the learning orientation on SMEs in South Africa.

- To determine the marketing orientation on SMEs in South Africa.

- To investigate the relationship between learning orientation and the performance of SMEs in South Africa.

- To determine the relationship between marketing orientation and the performance of SMEs in South Africa.

6.3 RESEARCH HYPOTHESES

Ho1: There is no relationship between learning orientation and the performance of SMEs.

Ha1: There is a significant positive relationship between learning orientation and the performance of SMEs.

Ho2: There is no relationship between marketing orientation and the performance of SMEs.

Ha2: There is a significant positive relationship between learning orientation and the performance of SMEs.

6.4 SUMMARY OF RESULTS

6.4.1 Summary of results on the demographic characteristics of the respondents

The results on demographic characteristics indicate that the SME sector is dominated by males at 58.6%. However, the majority of SME owners are aged between 40-49 years. The survey found that SME owners with matric certificates as their highest qualification dominate the SME industry. In addition, the highest percentage of SMEs participates in the service sector as opposed to the retail and manufacturing sectors. The results presented that the majority of SMEs which participated in the survey employed between zero to five employees, and that operational SMEs have been in business for 6 to 10 years.

6.4.2 Summary of the results on the impact of learning orientation on SMEs in South Africa

An acceptable significant high level of learning orientation on SMEs presented took into account a high mean scale of 39.62. The respondents concurred that some of the learning orientation items do not have an impact on SMEs, which are 'employees see themselves co-partnering with management towards moving the company to the right direction', and 'the company has a special technique of sharing previous experiences on company's action in all sections'. Furthermore, the importance of learning orientation on SMEs was affirmed with a factor analysis indicating a positive impact on the learning orientation of SMEs. The respondents agreed that only two items of learning orientation are not important for SMEs, which are 'the company has a respectable communication platform which revives previous lessons experienced', and 'in this company learning is a necessity essential to secure the survival and longevity of the company'. These results are inconsistent with a study conducted by Suwannaparn and Speece (2010:364), positing that identification of informal communication during the work process, information and communication procedures are strong factors for the success of SMEs.

6.4.3 Summary of the results on the effect of marketing orientation on SMEs in South Africa

The results on the effect of marketing orientation on SMEs indicates that there is an acceptable high level of marketing orientation on SMEs, taking into consideration a higher scale mean of 47.74. The respondents agreed that some marketing orientation items are not important for SMEs. These are 'the marketing data gathered is mutually shared in all sections of the company; 'all sub-units are responsible for the preparation of business plans and strategies'; and 'marketing is used as a major guideline or gives directions to the whole company'. The reason is that the majority of SMEs which participated in the survey employed zero to five people, which makes it impossible to have sections and sub-sections. Furthermore, a significant and acceptable level of marketing orientation on SMEs has been confirmed with a factor analysis. A positive cumulative percentage of the variance = 72.881 which eliminated the same three items due to low loading of less than 3, was regarded as not important. The results of this study are consistent with previous studies, concluding that there is an acceptable high level of marketing orientation on SMEs (Gustaffsson *et al.,* 2006:215).

6.4.4 Summary of the results on the importance of performance to SMEs

The effect of performance on SMEs has been accepted significantly, indicating that the most important performance items for an SME are sales turnover, and sales growth as compared to competitors and profit. The respondents considered changes in employment as not important and not contributing to the performance of an SME. The results are inconsistent with a study conducted by Phillips and Bhatia-Panthaki (2007:793) contesting that mostly, in developing countries, SMEs are not only significant due to their contribution in creating jobs, but also due to the fact that they create employment for the unskilled workforce who are often redundant.

6.4.5 Summary of the results on the relationship between learning orientation and performance

The study revealed that there is a significant positive relationship between learning orientation and performance of SMEs. The development of new methods and learning culture can be impaired on employees during change process, while preparing people in those environments to be open-minded, and be open to new ideas for creativity change process ((Alipour *et al.*, 2011:65).

In general SME performance is positively influenced by a company's capability to learn, which strengthens a competitive advantage, looking at employees' learning as an investment and not as expenditure; learning as a necessity essential to secure the survival and longevity of the company; understanding and mutually agreeing on the company's aims and visions in all sections and sub-sections; employees are dedicated to company goals in all sections; employees seeing themselves co-partnering with management towards moving the company to the right direction; the company staff found that their perceptions about the market place is regularly questionable; the company has a respectable communication platform which revives previous lessons experienced; the company consistently assesses the quality of decisions and actions implemented afterwards; the company has a special technique of sharing previous experiences on its actions in all sections; and the company positioning a slight determination in sharing lessons and experiences.

6.4.6 Summary of the results on the relationship between marketing orientation and performance

The study revealed that there is a significant positive relationship between learning orientation and the performance of SMEs. Barney and Hesterly (2010:292) insist that a company can secure a strong competitive advantage if it can create more economic value than its rivals.

The performance of SMEs is positively influenced by a company that motivates consumers to make give them remarks and complaints, which improves the products and services offered to them; when the company is loyal and trustworthy to the clients; the company that continuously assess steps in which customer value can be developed on the products and services offered; and a company that consistently evaluates customer satisfaction. Customer satisfaction on goods and services is expressed as a valuable quality in the company. The company should consistently screens its opponents' move in the market; should regularly gather marketing information regarding its opponents to assist in redirecting its marketing strategy; reply quickly to competitors' move; considers a break-through built on a competitive advantage; the company whose marketing section staff have major inputs towards the growth and expansion of emerging products and services; the company whose marketing data gathered is mutually shared in all sections of the company, all sections and sub-units being responsible for the preparations of business plans and

strategies; and the company whose marketing is considered a major guideline or gives directions to the whole company. The results are consistent with a research conducted by Martin-Consuegra and Esteban, (2007:383) who claim that customer loyalty can be regarded as the link between customer attitude, repeat purchasing, and financial performance. Hence market orientation has been considered as an organisational strategy and an important approach to understanding markets (Vorhies, Morgan and Mason, 2009:909).

However, these findings are inconsistent with a research conducted by Barney and Hesterly (2010:292), who investigated factors influencing performance of micro-finance firms in Pakistan. The study findings revealed that market orientation is negatively associated with micro-finance performance.

6.5 CONCLUSIONS
6.5.1 Conclusion on demographic variables
The study concludes by highlighting that the SME industry is dominated by males, and that the majority of SME owners are aged between 40-49 years. It is also highlighted that a larger percentage of SME owners are based in the service sector. The study also concludes that a larger percentage of SMEs employ between zero to five employees. The conclusions are consistent with the study conducted by the European Commission (2015:15), stating that the most demographic variable used in SMEs classification are the number of employees, the annual turnover and the active balance.

6.5.2 Conclusion on the impact of learning orientation on SMEs in South Africa
The study concludes that there is a high level of learning orientation on SMEs, but some of the learning variables do not have an impact on SMEs. These learning orientation variables that are not important for SMEs are: 'the company has a respectable communication platform which revives previous lessons experienced', and 'in this company learning is a necessity essential to secure the survival and longevity of the company'. The importance of a high level of learning orientation on SMEs is consistent with a research conducted by Alipour *et al.*, (2011:65) positing that learning orientation influences the inclination of a company to create and utilise

all kinds of knowledge, while affecting the level at which an organisation is likely to promote generative learning as a core competence.

6.5.3 Conclusion on the effect of marketing orientation on SMEs in South Africa

The study concludes by highlighting a high level of marketing orientation on SMEs, while pointing out that some of the marketing orientation variables are not important for SMEs. Marketing orientation variables that are not important for SMEs are as follows 'all sections and sub-units are responsible for the preparations of business plans and strategies', and 'the marketing data gathered is mutually shared in all sections of the company'. This conclusion of the study is consistent with a research conducted by Vorhies *et al.*, (2009:909) positing that marketing orientation also provides an organisation with a strategy and is a vital approach to understanding markets.

6.5.4 Conclusion on the importance of performance to SMEs

The study findings conclude by highlighting that the most important performance measures are sales turnover and sales growth as compared to competitors and profit. The results are consistent with a research conducted by (Martín-Consuegra and Esteban, 2007:383) who concur that performance in an organisation can be measured in terms of sales relative to target and total sales growth.

6.5.5 Conclusion on the relationship between learning orientation and performance of SMEs.

The study concludes by highlighting a significant positive relationship between learning orientation and the performance of SMEs. The conclusion is consistent with previous research conducted by Martinette and Obenchain-Leeson (2010-2012), insisting that business performance measures (sales and profit) were influenced by the way an organisation uses sources of competitive advantage and how it moderates learning orientation's relationship to firm performance.

6.5.6 Conclusion on the relationship between marketing orientation and performance of SMEs

The study concluded by highlighting a strong significant positive relationship between marketing orientation and performance of SMEs. The study findings is consistent with a study conducted by Martin-Consuegra and Esteban, (2007:383) suggesting that in order to achieve success and profit, focus must be on the interest of customers.

6.6 RECOMMENDATIONS

6.6.1 Recommendations on the impact of learning orientation on SMEs in South Africa

SMEs in the study area do not have respectable communication platform which revives previous lessons experienced, as well as perceive learning as a necessity to secure the survival and longevity of the company. SMEs are using learning orientation to effectively utilise all kinds of knowledge gathered, while at the same time promote generative learning as core competence. Customer information must not only be acquired, but also disseminated and applied within the company, calling for attention to the importance of internal communication (Correia *et al.*, 2007:15).

6.6.2 Recommendations on the effect of marketing orientation on SMEs in South Africa

SMEs in the study area are using marketing orientation as a strategy and an approach to understand their target market. SMEs in this study do not position all sections and sub-units to be responsible for the preparation of business plans, as well as ensuring that marketing data gathered is mutually shared in all sections of the company. Most often the actions and decisions in SMEs revolve around the owner/manager such that its goals are the owner/manager's vision (Jyathibabu *et al.,* 2010:302) SMEs that engage in strategic planning are also more likely to be more innovative, have new patented products, employ new process management technologies and achieve international growth (Voola and O'Cass, 2010:245)

6.6.3 Recommendation on the importance of performance of SMEs

SMEs which participated in this study measured performance based on sales turnover and sales growth as compared to competitors and profit. The majority of them did not use the number of employees in measuring their performance. SME owners must use both financial and non-financial measures to evaluate their business performance. Non-financial measures include market shares, customer satisfaction, customer referral rates, delivery time waiting time and employee turnover, while financial measures include profit before tax and turnover (Correia *et al.*, 2007:15).The majority of SME owners are reluctant to fully disclose their financial data (Rebelo and Gomes, 2011:173)

6.6.4 Recommendations on the relationship between learning orientation and performance of SMEs

Learning orientation can actually increase the performance level if SMEs learning is viewed as an investment and not an expense to the company. SMEs should have respectable communication platform which revives previous lessons experienced. SME owners must be made aware of the importance of learning orientation on performance. The local mines, Eskom and Transnet surrounding Msukaligwa Local Municipality must ensure its part of their social responsibility to educate the local SMEs. Government Agencies such as the Small Business Development Agency (SEDA) and the National Youth Development Agency (NYDA) should organise formal trainings and workshops in order to promote and encourage SMEs to be more learning oriented.

6.6.5 Recommendations on the relationship between marketing orientation and performance of SMEs.

Marketing orientation can actually increase the level of performance in SMEs. Government agencies must ensure that SMEs marketing strategies and tools are core in developing and sustaining all small enterprises. Marketing and promotional materials such as burners, signage, business plans and profiles, radio, newspaper and TV advertising, flyers, and business cards are more costly. Accessibility and affordability of these marketing tools will be to the advantage of most SMEs.

6.7 STUDY LIMITATIONS

This study provided relevant evidence about the impact of learning orientation, marketing orientation and performance of SMEs.

Limitations discovered by the research team were as follows:

The acquisition of full and relevant information from SME owners was difficult due to the fact that it is difficult to disclose confidential company information. The assessment found the actual amount of responses was limited to 181 SME owners while the participants were selected using simple random sampling. This sampling method limited the specified quantity of SME owners/managers, which voluntarily wanted to participate in the survey.

The time-frame restricted the study. The entire information was put together over a specific period. Other participants could not submit within the limited time period and were excluded from the research. Another limitation is that the participants selected were from one municipality i.e. Msukaligwa, Mpumalanga Province in South Africa. As such other municipalities and provinces were restricted from participating in the research. The study was only limited to the retail, service and manufacturing sector. As such, it excluded other sectors such as the mining, agriculture and construction industries.

6.8 SUGGESTIONS FOR FUTURE STUDIES

The same study can be carried out on a provincial or national level. Other studies can also be undertaken to investigate the effect of government intervention on learning and marketing orientation towards the performance of SMEs. The effect of e marketing on the performance of SMEs can also be examined.

6.9 SUMMARY

The chapter presented the summary, conclusions and recommendations of the study. The findings of the data collected have been discussed. The research objectives and have been revisited. In addition, the limitations and areas for further research have been suggested. Furthermore, the recommendations to improve learning and marketing orientation on the performance of SMEs were indicated.

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ANNEXURES

ANNEXURE 1 QUESTIONNAIRE

Dear Madam/ Sir

I am a student in the Department of Business Management at the University of Limpopo. I am conducting a study about the impact of learning and marketing orientation on the performance of small and medium enterprises (SMEs) in the Msukaligwa Municipality. This study intends to investigate and bridge the gap on the impact of learning and marketing orientation on the performance of SMEs. This is an academic questionnaire and the information and responses provided will be regarded as confidential. Your assistance in enabling me to carry out this research would be greatly appreciated.

Section one: Demographic and company information

Please tick the relevant box below

1. What is your gender?

Male	
Female	

2. What is your age?

Below 20 years	
20-29 years	
30-39 years	
40-49 years	
50-59 years	
60 years and above	

3. What is your educational level?

Below Matric	
Matric	
Post Matric	

4. In which sector does your business operate?

Manufacturing	
Retail	
Service	

5. How many employees does your business have?

No employee	
1-4 employees	
5-9 employees	

10-49 employees	
50-250 employees	

How long has your business been in operation?

Below 1 year	
1-2 years	
3-5 years	
6-11 years	
12-15 years	
Above 15 years	

Section two: Marketing Orientation

For the following questions please put down the number which best describes the usage of the following concepts in your organisation (1= strongly disagree, 2= Disagree, 3= neutral, 4= agree, 5= strongly agree)

NO	Marketing orientation measures	1	2	3	4	5
1	Our company motivates consumers to give us remarks and complaints which improve the products and services offered to them					
2	Our company is loyal and trustworthy to the clients					
3	We continuously assess steps in which customer value can be developed on the products and services offered					
4	We consistently evaluate customer satisfaction					
5	Customer satisfaction on goods and					

	services is expressed as a valuable quality in our company					
6	We consistently screen our opponents' move in the market					
7	Our company regularly gathers marketing information regarding our opponents to assist in redirecting our marketing strategy					
8	Our company replies quickly to competitors' move					
9	Our company considers a break-through built on a competitive advantage					
10	The marketing section staff have major inputs towards the growth and expansion of emerging products and services					
11	The marketing data gathered is mutually shared in all sections of the company					
12	All sections and sub-units are responsible for the preparations of business plans and strategies					
13	Marketing is considered a major guideline or gives directions to the whole company					

Section three: Learning Orientation

For the following questions please put down the number which best describes the usage of the following concepts in your organisation (1= strongly disagree, 2= Disagree, 3= neutral, 4= agree, 5= strongly agree

NO	Learning orientation measures	1	2	3	4	5
1	Management essentially concurs that our company's capability to learn strengthen our competitive advantage					
2	The understanding surrounding this argument is that it is a huge investment for employees to learn and not expenditure					
3	In this company learning is a necessity essential to secure the survival and longevity of the company					
4	We all understand and mutually agree with the company's aims and visions in all sections and					

	sub-sections					
5	Employees are dedicated to company goals in all sections					
6	Employees see themselves co-partnering with management towards moving the company to the right direction					
7	The company staff found that their perceptions about the market place is regularly questionable					
8	The company consistently assesses the quality of decisions and actions implemented afterwards					
9	The company has a respectable communication platform which revives previous lessons experienced					
10	The company has a special technique of sharing previous experiences on company's actions in all sections.					
11	We put little effort in sharing lessons and experiences					

Section four: Performance

On the scale of 1 to 5, how would you describe the performance of your business over the last few months or few years in the following areas?

	Significant decline 1	Decline 2	Remained the same 3	Increase 4	Significant Increase 5
1. Sales turnover					
2. Profit					
3.Employement					
4. Sales growth compared to competitors					

THANK YOU FOR YOUR PARTICIPATION