THE IMPACT OF STRATEGIC ORIENTATION AND NETWORKING ON THE SUSTAINABLE PERFORMANCE OF SMALL AND MEDIUM BUSINESS IN POLOKWANE MUNICIPALITY, LIMPOPO PROVINCE

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K.P MANKGELE

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THE IMPACT OF STRATEGIC ORIENTATION AND NETWORKING ON THE SUSTAINABLE PERFORMANCE OF SMALL AND MEDIUM BUSINESS IN POLOKWANE MUNICIPALITY, LIMPOPO PROVINCE

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KHUTSO PITSO MANKGELE

[redacted]

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DECLARATION

I declare that **THE IMPACT OF STRATEGIC ORIENTATION AND NETWORKING ON THE SUSTAINABLE PERFORMANCE OF SMALL AND MEDIUM BUSINESS IN POLOKWANE MUNICIPALITY, LIMPOPO PROVINCE** hereby submitted to the University of Limpopo, for the degree of **Master of Commerce in Business Management** has not previously been submitted by me for a degree at this or any other university; that it is my work in design and in execution, and that all material contained herein has been duly acknowledge.

Mankgele khutso Pitso 12 April 2021

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Firstly, I give glory to God for giving me the strength and courage to put effort into this research study.

I would like to use this opportunity to express my gratitude to individuals without whom this thesis would not have happened. I would like to begin by expressing appreciation to my supervisor, Prof Fatoki, O.O for all the hard work he has put into this dissertation. I am very thankful for your prompt and constructive guidance.

My mother and my siblings, thank you for your moral and financial support, kindness and prayers. My late father, Mankgele John, may his souls rest in peace. All this hard work is dedicated to him. My fiancée, Ngobeni Rhandzu, for being my remarkable strength and reminder of this accomplishment. My friends for their support and encouragement. Lastly the respondents who took part in the study.

ABSTRACT

The main objective of this study was to investigate the impact of strategic orientation and networking on the sustainable performance of SMEs. A quantitative approach was used, and a self-administered questionnaire was employed during the data collection process. A four-section questionnaire covering demographic information, strategic orientation variables, networking variables and sustainable performance variables was prepared and distributed randomly to a selected sample of 300 SME owners in Polokwane Municipality in Limpopo Province. A total of 140 questionnaires were returned. 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 26.0. Correlation and regression analyses were performed to determine the relationship between strategic orientation and sustainable performance, and the relationship between networking and sustainable performance. The Cronbach's alpha was used as a measure of reliability. The results of the study revealed that both strategic orientation and networking positively impact on the performance of SMEs. Recommendations to improve the strategic orientation and networking of SMEs are suggested. These recommendations offered meaningful insights into SME owners, government, non-government organisations and other organisations for the improvement of their businesses while providing room for future research studies.

Key words: Strategic orientation; networking; sustainable performance; Small and medium enterprises (SMEs); South Africa

Table of Contents

DECLARATION ..... **iii**
ACKNOWLEDGEMENTS ..... **i**
ABSTRACT ..... **v**
CHAPTER ONE **1**
INTRODUCTION TO THE STUDY **1**
1.1 INTRODUCTION AND BACKGROUND TO THE PROBLEM 1
1.2 PROBLEM STATEMENT 3
1.3 AIM AND OBJECTIVES OF THE STUDY 4
1.3.1 Aim of the study 4
1.3.2 Objectives of the study 4
1.4 RESEARCH HYPOTHESIS 4
1.5 DEFINITION OF CONCEPTS 5
1.5.1 Small and Medium Enterprises (SMEs) 5
1.5.2 Strategic Orientation 5
1.5.3 Networking 6
1.5.4 Sustainable Performance 6
1.6 LITERATURE REVIEW 6
1.6.1 Theoretical literature 7
1.6.2 Empirical Literature 7
1.7 RESEARCH METHODOLOGY 11
1.7.1 Study area 11
1.7.2 Research design 11
1.7.3 Population of the study 11
1.7.4 Sample of the study 11
1.7.5 Data collection methods 12
1.7.6 Data analysis methods 12
1.8 RELIABILITY AND VALIDITY 12
1.9 ETHICAL CONSIDERATIONS 13
1.10 SIGNIFICANCE OF THE STUDY 14
1.11 RESEARCH FRAMEWORK 14
1.12 SUMMARY 16
CHAPTER TWO **17**
SMALL AND MEDIUM ENTERPRISES IN SOUTH AFRICA **17**
2.1 INTRODUCTION 17
2.2 DEFINITION OF SMEs 17
2.2.1 Definition of SMEs from an international perspective 17

2.2.1.1 Definition of SMEs in European Union 18
2.2.1.2 Definition of SMEs in United States of America 19
2.2.1.3 Definition of SME in Angola 20
2.2.1.4 Definition of SMEs in South Korea 20
2.2.1.5 Definition of SMEs in Nigeria 21
2.2.2 SMEs in South Africa 22
2.3 CONTRIBUTIONS OF SMEs 24
2.3.1 Contribution of SMEs in employment creation 25
2.3.2 Contribution of SMEs to economic growth 26
2.3.3 Contribution of SMEs in poverty alleviation 28
2.3.4 Contribution of SMEs to productivity and competitiveness 30
2.3.5 Contribution of SMEs in income equality 30
2.4 FAILURE RATES AND CHALLENGES FACING SMEs 31
2.4.1 Definition of the failure rate of SMEs 31
2.4.1.1 The Nemaenzhe small business failure process model 31
2.4.1.2 The four levels of failure in a business 32
2.4.2 Challenges facing SMEs 34
2.4.2.1 Internal environmental challenges 35
2.4.2.2 External-environmental challenges 38
2.4.3 The impact of business failure among SMEs 41
2.4.4 Government perspectives on SMEs in South Africa (Support for SME development). 42
2.5 SUMMARY 44
CHAPTER THREE 45
STRATEGIC ORIENTATION AND NETWORKING AND SUSTAINABLE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES 45
3.1 INTRODUCTION 45
3.2 Theoretical literature 45
3.3 DEFINITION OF STRATEGIC ORIENTATION, NETWORKING AND SUSTAINABLE PERFORMANCE 47
3.3.1 Strategic orientation 47
3.3.1.1 Indicators of strategic orientation 47
3.3.1.2 Dimensions of Strategic Orientation 51
3.3.2 Networking 53
3.3.2.1 Types of networks 55
3.3.3 Sustainable performance 57
3.3.2 Empirical Literature 62
3.3.2.1 Strategic orientation and financial performance 62
3.3.2.2 Strategic orientation and social performance 63

3.3.2.3 Strategic orientation and environmental performance 64
3.3.2.4 Networking and financial performance 65
3.3.2.5 Networking and social performance 66
3.3.3.6 Networking and environmental performance 67
3.4 SUMMARY 68
CHAPTER FOUR 69
RESEARCH METHODOLOGY 69
4.1 INTRODUCTION 69
4.2 RESEARCH PHILOSOPHY AND APPROACH 69
4.2.1 Research philosophy 69
4.2.2 Research approach 70
4.3 RESEARCH DESIGN 70
4.3.1 Types of research design 71
4.3.1.1 Qualitative research 71
4.3.1.2 Quantitative research 71
4.3.1.3 Hybrid research 72
4.4 POPULATION OF THE STUDY 74
4.5 SAMPLE OF THE STUDY 75
4.6 DATA COLLECTION METHODS 77
4.6.1 Questionnaire 79
4.7 DATA ANALYSIS METHODS 81
4.7.1 Descriptive analysis 82
4.7.2 Correlation analysis 82
4.7.3 Regression analysis 83
4.8 RELIABILITY 83
4.9 VALIDITY 84
4.10 PILOT STUDY 85
4.11 ETHICAL CONSIDERATIONS 86
4.12 SUMMARY 87
CHAPTER FIVE 88
PRESENTATION AND DISCUSSIONS OF FINDINGS 88
5.1 INTRODUCTION 88
5.2 RESPONSE RATE 88
5.5 NORMALITY ANALYSIS FOR STRATEGIC ORIENTATION AND NETWORKING ON SUSTAINABLE PERFORMANCE 89
5.2 DEMOGRAPHIC INFORMATION 95
5.2.1 Gender 95
5.2.2 Age group 96

5.2.3 Business sector 97
5.2.4 Business Category 98
5.2.5 Age of business operation 99
5.2.6 Number of employees 100
5.3 SCALE RELIABILITY 101
5.4 DESCRIPTIVE STATISTICS OF STRATEGIC ORIENTATION, NETWORKING AND SUSTAINABLE PERFORMANCE 103
5.4.1 Descriptive statistics of strategic orientation 104
5.4.2 Descriptive statistics of networking 106
5.4.3 Descriptive statistics of sustainable performance 108
5.4 SUMMATION OF SME NETWORK PARTICIPATION 110
5.5 INDEPENDENT SAMPLE T-TEST AND ANOVA 111
5.6 CORRELATION ANALYSIS 114
5.6.1 Correlation between strategic orientation and sustainable performance 114
5.6.2 Correlation between networking and sustainable performance 115
5.6.3 Correlation between strategic orientation and networking 115
5.7 REGRESSION ANALYSIS 116
5.7.1 Regression relationship between strategic orientation and sustainable performance 116
5.7.2 Regression: Relationship between networking and sustainable performance 117
5.7.3 Regression: Relationship between strategic orientation and networking 119
5.8 SUMMARY OF HYPOTHESES 119
5.9 SUMMARY 120
CHAPTER SIX 122
SUMMARY OF RESULTS, CONCLUSIONS AND RECOMMENDATIONS 122
6.1 INTRODUCTION 122
6.2 OBJECTIVES OF THE STUDY 122
6.3 RESEARCH HYPOTHESIS 122
6.5 SUMMARY OF RESULTS 123
6.5.1 Summary of results on the demographic characteristics of the respondents 124
6.5.2 Summary of key findings 124
6.5.3 Summary of the results on the relationship between strategic orientation and sustainable performance 125
6.5.4 Summary of the results on the relationship between networking and sustainable performance 126
6.6 RECOMMENDATIONS 127
6.6.1 Recommendation for SME owners 127
6.6.1.1 Recommendation for SME owners on strategic orientation and sustainable performance 127

6.6.1.2 Recommendations to SMEs owners on networking and sustainable performance 127
6.6.2 Recommendation for government and organisations that help SMEs..... 128
6.6.2.1 Recommendation for government and organisations that help SMEs on strategic orientation and sustainable performance..... 128
6.6.2.2 Recommendation for government and organisations that help SMEs on networking and sustainable performance..... 128
6.7 LIMITATIONS OF THE STUDY..... 129
6.8 SUGGESTIONS FOR FUTURE STUDIES..... 129
6.9 SUMMARY..... 130
REFERENCES 131
ANNEXURES 167
ANNEXURE 1 ENGLISH QUESTIONNAIRE..... 167
ANNEXURE 2 SEPEDI QUESTIONNAIRE 174
ANNEXURE 3 CONSENT FORM 181
ANNEXURE 4 LETTER TO AUTHORITY TO CONDUCT RESEARCH 183
ANNEXURE 5 PROOF READING AND LANGUAGE EDITING 174
ANNEXURE 6 TURNIT IN REPORT..... 181

LIST OF TABLES

Table 2.1 Quantitative definition of an SME in the European Union 18
Table 2.2 Quantitative meaning of an SME in the United States of America 19
Table 2.3 Quantitative definition of an SME in Angola 20
Table 2.4 Quantitative definition of an SME in South Korea 21
Table 2.5 Quantitative definition of an SME in Nigeria 21
Table 2.6 Quantitative definition of an SME in South Africa 22
Table 2.7 Contribution of SMEs to employment in selected developed and developing countries 25
Table 2.8 Contribution of SMEs to economic growth in selected developed and developing countries 26
Table 2.9 Contribution of SMEs to poverty alleviation in selected developed and developing countries 28
Table 2.10 The failure rate of SMEs in selected developed and developing countries 33
Table 2.11 Challenges facing SMEs in Africa 41
Table 5.1 Response rate 88
Table 5.2 Normality analysis for strategic orientation and networking on sustainable performance 89
Table 5.3 Gender of respondents 95
Table 5.4 Age group 96
Table 5.5 Business sector 97
Table 5.6 Business category 98
Table 5.7 Age of business 99
Table 5.8 Number of employees 100
Table 5.9 Scale reliability 102
Table 5.10 Descriptive statistics of strategic orientation 104
Table 5.11 Descriptive statistics of networking 106
Table 5.12 Descriptive statistics of sustainable performance 108
Table 5.13 Summation of SME network participation 110
Table 5.14 Independent sample t-test for gender on strategic orientation, networking and sustainable performace 111
Table 5.15 Anova for age group on strategic orientation, networking and sustainable performace 111
Table 5.16 Anova for business sector on strategic orientation, networking and sustainable performace 112
Table 5.17 Anova for business category on strategic orientation, networking and sustainable performace 112
Table 5.18 Anova for age of business operation on strategic orientation, networking and sustainable performace 113

Table 5.19 Anova for number of employees on strategic orientation, networking and sustainable performace 113
Table 5.20 Correlation between strategic orientation and sustainable performance 114
Table 5.21 Correlation between networking and sustainable performance 115
Table 5.22 Correlation between strategic orientation and networking 115
Table 5.23 Regression between strategic orientation and sustainable performance 116
Table 5.24 Regression between networking and sustainable performance 118
Table 5.25 Regression between strategic orientation and networking 119
Table 5.26 Summary of hypotheses 120

LIST OF FIGURES

Figure 1.1 Generic famework of the study 7
Figure 1.2 Conceptual model of the study 10
Figure 3.1 Proposed model for Strategic orientation 51
Figure 3.2 Types of networks 56
Figure 3.3 Proposed model for sustainable performance 62
Figure 5.1 Histogram with normal curve for financial performance 90
Figure 5.2 Normal Q-Q plot for financial performance 90
Figure 5.3 Box plot for financial performance 91
Figure 5.4 Histogram with normal curve for environmental performance 92
Figure 5.5 Normal Q-Q plot for environmental performance 92
Figure 5.6 Box plot for environmental performance 93
Figure 5.7 Histogram with normal curve for social performance 93
Figure 5.8 Normal Q-Q plot for social performance 94
Figure 5.9 Box plot for social performance 94
Figure 5.10 Gender 96
Figure 5.11 Age of participants 97
Figure 5.12 Business sector 98
Figure 5.13 Business category 99
Figure 5.14 Age of business 100
Figure 5.15 Number of employees 101

CHAPTER ONE

INTRODUCTION TO THE STUDY

1.1 INTRODUCTION AND BACKGROUND TO THE PROBLEM

Small and medium enterprises (SMEs) are well recognised for their potential for job creation, poverty alleviation and fostering economic growth (Cant and Wiid, 2013). In South Africa, SMEs are considered as some of the main solutions to the country's development issues, such as poverty, income inequality and unemployment (Abor and Quartey, 2010). This has been demonstrated by a number of studies (Finweek, 2012; Abor and Quartey, 2010). The outcome of these studies has shown that SMEs contribute a significant share to South Africa's Gross Domestic Product (GDP) and employment rate. Monks (2010) remarked that in South Africa, SMEs are especially important for creating jobs for the unskilled, the poor and low-income workers, which are the majority of the labour force.

SMEs face many challenges that negatively impact on their performance. These challenges include lack of access to finance, competition, globalisation, access to the latest appropriate technology, inadequate collateral to secure loans, management skills and lack of professionalism, among others. The challenges faced by SMEs in developing countries are similar to those of their counterparts in developed countries (Cant, 2012; Chimucheka and Mandipaka, 2015; Turyahikayo, 2015). Even though SMEs have a major role to play in economic development, it must be noted that their failure rate is very high. This can be attributed to the highlighted challenges (Adeniran and Johnston, 2011; Fatoki and Smit, 2011). The study examines the relationship between strategic orientation and networking on the sustainable performance of SMEs.

Strategic orientation has developed through a blend of strategic management literature and entrepreneurship literature (Simmons, 2010), and can be understood as a cognitive understanding and interpretation of the external environment and internal resources. It represents the priority of resource allocation with long-term growth and shareholders' wealth as the ultimate objective (Lau and Bruton, 2011). The underlying assumption in strategic orientation is that substantive strategic beliefs underpin the strategic actions taken by the firm. These beliefs concern the basic thinking of the organisation in domains such as the scope of activities the firm is to pursue, where the firm is to operate, and how it is to operate (Hakala, 2011). These philosophical

underpinnings of the strategic orientation, in turn guide the strategic choices of the firm in many domains (Al-Barghouthi, 2014). Strategic orientation is a well-regarded and much-used concept in business literature concerned with firm performance (Kumar, Boesso, Favotto and Menini, 2012). Strategic orientation is the strategic direction implemented by a firm to create the proper behaviours for the continuous superior performance of the business. Recent studies on strategic orientation suggest the importance of considering the complexity of the relationship between strategic orientation and firm performance (Baker and Sinkula, 2009).

Networking is defined by Nieman and Nieuwenhuizen (2009) as patterned and valuable associations formed between individuals, groups or businesses that are used to access critical economic resources needed to start and manage a business. Machirori (2012) points out that the various definitions of networks suggest that networking is comprised of information and resources sharing, reduction of transaction costs and social interactions that exist between individuals. The importance of networking to SMEs is supported by the transaction cost theory by Coase (1937), which was further advanced by Williamson (1985), the social network theory (Moreno, 1937), the resource dependency theory by Pfeffer and Salancik (1978), and the network closure theory (Coleman, 1988). Networking has been identified as one tool that can be utilised by SMEs to improve their performance (Machirori, 2012). Networking allows a firm to establish links and relationships with mutual goals for the purpose of cost-effective economic transactions (Schott and Wickstrøm, 2016). It can supply firms with resources in a flexible manner and at a reduced cost. It can facilitate knowledge flows and technological improvements by the way it helps to stimulate product or process innovation (Vanhaverbeke, Gilsing, Beerkens and Duysters, 2009). Networking is widely seen as a key element in entrepreneurial success (Jack, 2010). Networking with other people allows managers to access new resources, opportunities and information, which can lead to desired SME performance (Naudé, Ghasem, Tavani, Neghabi and Zaefarian 2014). Networking often advances the opportunity of losing strategic information and competence to partners. Therefore, some networking relationships might not be valuable (Semrau and Werner, 2012). In terms of this opinion, this study maintains that networking is likely to be valuable if partners are skilled to launch sustainable relationships that balance resources and capability needs. In this regard, this study embraces networking capability based on the significance of the strategy to SME performance.

Lately, firms are becoming more aware of the importance of sustainable performance reporting. A growing number of companies are keen to adopt a broader and more comprehensive performance measurements model for their business (Hakala, 2011). As a result, 40-60% of firms have already started expanding their traditional financial performance measurements to a sustainable performance model that incorporates environmental and social initiatives (Hubbard, 2009). Since the use of the traditional financial performance measurements model, this move is no longer applicable and adequate for companies. The traditional performance focuses only on profitability, and has been criticised as a historically focused lagging indicator that serves only the interest of shareholders (Slaper and Hall, 2011). For this reason, sustainable performance indicators that focus not only on profitability, but also social and environmental performance have been adopted as the most capable and comprehensive measures of firm performance (Lozano, 2012).

1.2 PROBLEM STATEMENT

The failure rate of SMEs is very high in South Africa and other developing countries (Mudavanhu, Bindu, Muchabaiwa and Lloyd, 2011). According to Fatoki (2014), the high failure rate negatively impacts on their ability to contribute meaningfully to job creation, economic growth and more equal income distribution in South Africa. Fatoki and Garwe (2010) stress that without the sustainability and growth of SMEs in South Africa, the country risks economic stagnation. Hence, encouraging the creation, growth and sustainability of SMEs becomes vital to the economic prosperity of South Africa. However, most studies on strategic orientation and networking have focused on financial performance while neglecting social and environmental performance. In this era of sustainable development, the performance of SMEs is better measured using the triple bottom line approach (financial, social and environmental). Studies that examine the effect of strategic orientation and networking on the sustainable performance of SMEs are scarce. Most studies have focused on the effect of these two constructs on the financial performance of SMEs with conflicting empirical findings. The conceptual gap in the impact of strategic orientation and networking on the sustainable performance of SMEs compelled this study.

1.3 AIM AND OBJECTIVES OF THE STUDY

1.3.1 Aim of the study

To explore the impact of strategic orientation and networking on the sustainable performance of SMEs.

1.3.2 Objectives of the study

To achieve the aim of the study, the following objectives have been set:

- To examine the relationship between strategic orientation and the financial performance of SMEs.
- To determine the relationship between strategic orientation and the environmental performance of SMEs.
- To explore the relationship between strategic orientation and the social performance of SMEs.
- To understand the relationship between networking and the financial performance of SMEs.
- To determine the relationship between networking and the environmental performance of SMEs.
- To explore the relationship between the networking and the social performance of SMEs.

1.4 RESEARCH HYPOTHESIS

Ho1: There is no relationship between strategic orientation and financial performance of SMEs.

Ha1: There is a significant positive relationship between strategic orientation and financial performance of SMEs.

Ho2: Ho1: There is no relationship between networking and financial performance of SMEs.

Ha2: There is a significant positive relationship between networking and financial performance of SMEs.

Ho3: There is no relationship between strategic orientation and social performance of SMEs.

Ha3: There is a significant positive relationship between strategic orientation and social performance of SMEs.

Ho4: There is no relationship between networking and social performance of SMEs.

Ha4: There is a significant positive relationship between networking and social performance of SMEs.

Ho5: There is no relationship between strategic orientation and environmental performance of SMEs.

Ha5: There is a significant positive relationship between strategic orientation and environmental performance of SMEs.

Ho6: There is no relationship between networking and environmental performance of SMEs.

Ha6: There is a significant positive relationship between networking and environmental performance of SMEs.

1.5 DEFINITION OF CONCEPTS

1.5.1 Small and Medium Enterprises (SMEs)

According to National Small Business Act (2019), SMEs refer to "a separate and distinct business entity, together with its branches or subsidiaries, if any, including cooperative enterprises, managed by one owner or more predominantly carried on in any sector or subsector of the economy". SMEs are thus defined as firms with 0 to 250 employees, and with an annual turnover of less than 4 million to 50 million depending on the industry.

1.5.2 Strategic Orientation

Balodi (2014) stated that strategic orientation refers to the way a firm adjusts to its external environment. In other words, it relates to the pattern of responses that an organisation makes to its operating environment to improve performance and attain a competitive advantage (Masa'deh, Gharaibeh, Tarhini and Obeidat, 2015). Strategic orientation emphasises resources to realise desired outcomes (Freitas, Fontana and Adams, 2013). This is supported by Balodi (2014), who stated that strategic orientation establishes the firm's culture and aids as backgrounds to organisational practices and decisions related to resources allocation and pursuing opportunities. In this study, strategic orientation refers to principles that direct and influence activities of a firm and generate the behaviours intended to ensure its viability and performance.

1.5.3 Networking

Turyakira and Mbidde (2015) stated that networking refers to a free association of businesses with the aim of sharing information, resources and capabilities through clusters, strategic alliances or business collaboration. This strategy is significant particularly for firms like SME's which are challenged by resource insufficiency (Bengesi and Le Roux, 2014). In this study, networking refers to a free association of businesses with the aim of sharing information, resources and business collaboration.

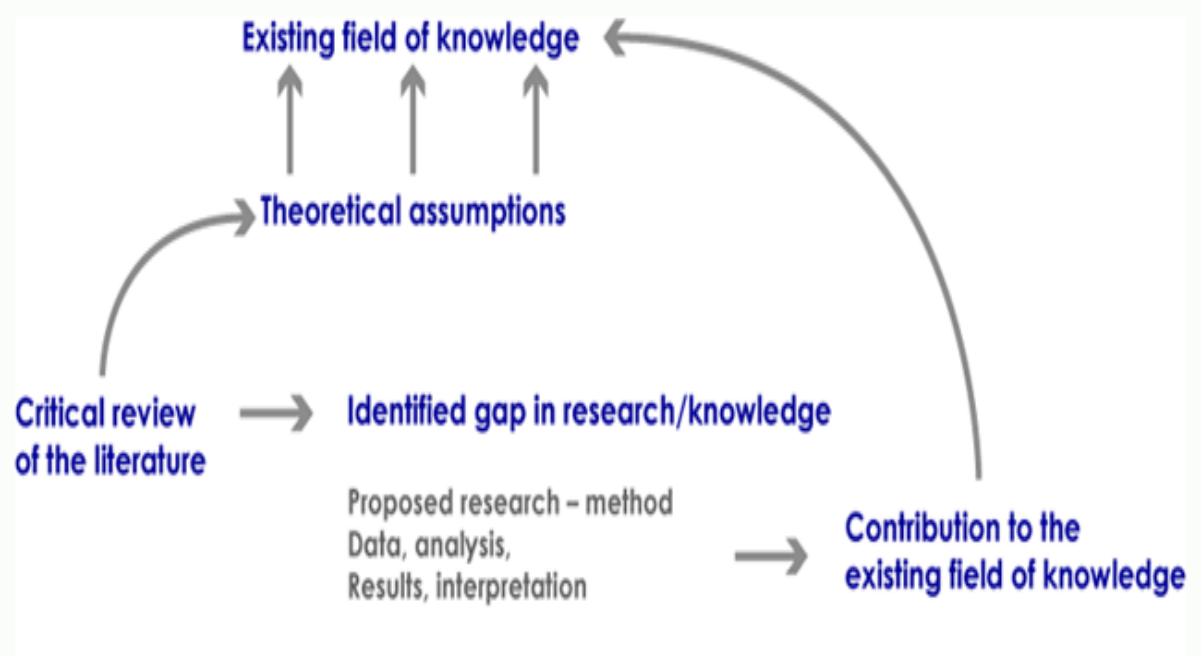
1.5.4 Sustainable Performance

A sustainable SME is characterised by long-term financial value; decrease negative effects on the environment, resulting from the business actions; and a positive social change, caring for employees, the community and customers (Remmen, Jensen and Frydendal, 2012). Sustainable performance does not only highlight the financial factor, but similarly adds the social and environmental indicators (Hourneaux, Gabriel and Gallardo-Vázquez, 2018). Sustainable performance discusses the creation or the construction of practices and strategies that back sustainable development by endorsing financial, social and environmental performance (Bansal and DesJardine, 2014). In this study, sustainable performance means the reconciliation of financial, environmental and social objectives in the delivery of core business activities in order to maximise value.

1.6 LITERATURE REVIEW

This chapter reviews the theoretical literature and empirical literature. It will conclude with a statement of the problem and the hypothesis tested. A generic framework is adopted to investigate the impact of sustainable performance and networking on sustainable performance. Figure 1.1 below outlines the generic framework adopted.

Figure 1.1: Generic framework of the study



Source: Miles and Huberman (1994)

1.6.1 Theoretical literature

Theories that were used in this study include the resource-based theory and the resource dependency theory. The resource-based theory by Wernerfelt in 1984 will be used to analyse the strategic direction of the firm and build or sustain the proper strategic fit for superior firm performance. The theory explains the origin or competitive advantage of a firm and supports the fact that intangible resources are the core concern that ensures the performance of a firm (Barney, Ketchen and Wright, 2011; Liu, Timothy and Gao, 2010). A Resource Dependence Perspective by Pfeffer and Salancik (1978) argues that the success of a business is highly influenced by its interaction with its environment, which eventually results in the formation of networks.

1.6.2 Empirical Literature

- **Strategic orientation and financial performance**

Strategic orientation has been pushed as one of the most important apparatus for superior performance by simultaneously seeking opportunities and advantages through organisational activities (Dapend, Jin and Songting, 2016). The challenge of globalisation has led to intense competition in the business world, thereby gearing organisations into finding ways by which they can achieve and sustain their performance in the global market (Kuratko and Audretsch, 2017). By employing

strategic orientation methods, SMEs can gain meaningful direction and the ability to illustrate its success to key stakeholders (Dapend et al., 2016; Kuratko and Audretsch, 2017). Through strategic orientation, firms can focus their development and growth options, and guise deeply into their opportunities and strategically plan to fully exploit the opportunities offered. Hence, the following hypothesis was developed:

Ha1: There is a significant positive relationship between strategic orientation and financial performance.

- **Networking and financial performance**

Strömberg and Bindala (2013) state that through networking, SMEs can increase information that will aid them grow their business. Hence, the information collected will help businesses make sense of the compound developments that happen in the industry and make informed decisions. Networks offer business owners with guidance that can help them know their options and make decisions accordingly (Nardos, 2015). The information provided in networks helps SMEs improve their competitive position. The influence which networking has on the performance of a business has been examined by many researchers with the outcomes displaying a positive relationship between networking and business performance (Thrikawala, 2011). Therefore, networking has a positive impact on the financial performance of the business. Hence, the following hypothesis was developed:

Ha2: There is a significant positive relationship between networking and financial performance.

- **Strategic orientation and social performance**

According to Audretsch, Lehmann, Belitski and Cajazza (2018), large companies tend to be more successful as compared to SMEs mainly because they plan strategically, hence, the need for SMEs to do the same to obtain a competitive advantage. Through strategic orientation, firms can highlight their development and growth choices, look intensely into their prospects and strategically plan to fully exploit the opportunities offered (Makinde and Agu, 2018). The worry is that by disregarding strategic orientation, SMEs may not attain their full performance and growth capacities, and their survival might be at risk. Masocha (2018) stated that social performance relates to the “firm’s actual accomplishments in enhancing and sustaining the standards of living without disregarding environmental issues”. Therefore, firms are expected to

hold legal, ethical and social economics of not only financial stakeholders, but all stakeholders (Masocha and Fatoki, 2018). There is limited literature that links strategic orientation and social performance; hence, this leaves a gap in literature. The study will try to investigate whether there is a positive or negative relationship between strategic orientation and social performance. Hence, the following hypothesis was developed:

Ha3: There is a significant positive relationship between strategic orientation and social performance.

- **Networking and social performance**

Marques, Mendonça and Jabbour (2010) revealed that the traditional measure of firm performance, that is, mainly through financial performance, has recently been asked due to its limitations in establishing issues like social performance. According to Masocha (2018), social performance emphasises that firms at the same time achieve profits and societal well-being. The division of social sustainability requires firms to accomplish their internal affairs by ensuring employee motivation through mechanisms that result in value for the firm (Groenewald and Powell, 2016). Business owners and their employees form networks through the diverse personal relations they have with the outside world (Nardos, 2015). These relationships play a vital role in the foundation of networks. Hence, the following hypothesis was developed:

Ha4: There is a significant positive relationship between networking and social performance.

- **Strategic orientation and environmental performance**

Foss and Lyngsie (2011) advised that strategic orientation is theoretically a business function which has developed a key component of the strategy of every SME in their efforts to establish and maintain their competitive edge in the market. By engaging in strategic orientation approaches, SMEs can advance meaningful direction and the skill to illustrate its success to key stakeholders (Kuratko and Audretsch, 2017). Chow and Chen (2012) stated that environmental performance comprises the responsible use of renewable and non-renewable resources, regulated pollution and waste assimilation (Chow and Chen, 2012). Environmental performance can be defined as the level of degree to which countries realise environmental objectives in the field of state of human environment and resilience of ecosystems (Hsu, Tan, Zailani and Jayaraman,

2013). There is limited literature that links strategic orientation and environmental performance; hence, this leaves a gap in literature. The study will try to investigate whether there is a positive or negative relationship between strategic orientation and environmental performance. Hence the following hypothesis was developed:

Ha5: There is a significant positive relationship between strategic orientation and environmental performance.

- **Networking and environmental performance**

According to Nardos (2015), networks can be generally defined as interactive relationships that individuals, businesses or other entities have with others. Networking is described as the process of building long term associates with the purpose to have access towards information and resources (Lama and Shrestha, 2011). Literature does not offer a clear understanding of environmental performance. Moreover, when determining environmental performance, many empirical studies do not mention the description of environmental performance at all (Schultze and Trommer, 2012). There is limited literature that links networking and environmental performance; hence, this leaves a gap in literature. The study will try to investigate whether there is a positive or negative relationship between networking and environmental performance. Hence, the following hypothesis was developed:

Ha6: There is a significant positive relationship between networking and environmental performance.

Figure 1.2: Conceptual model of the study

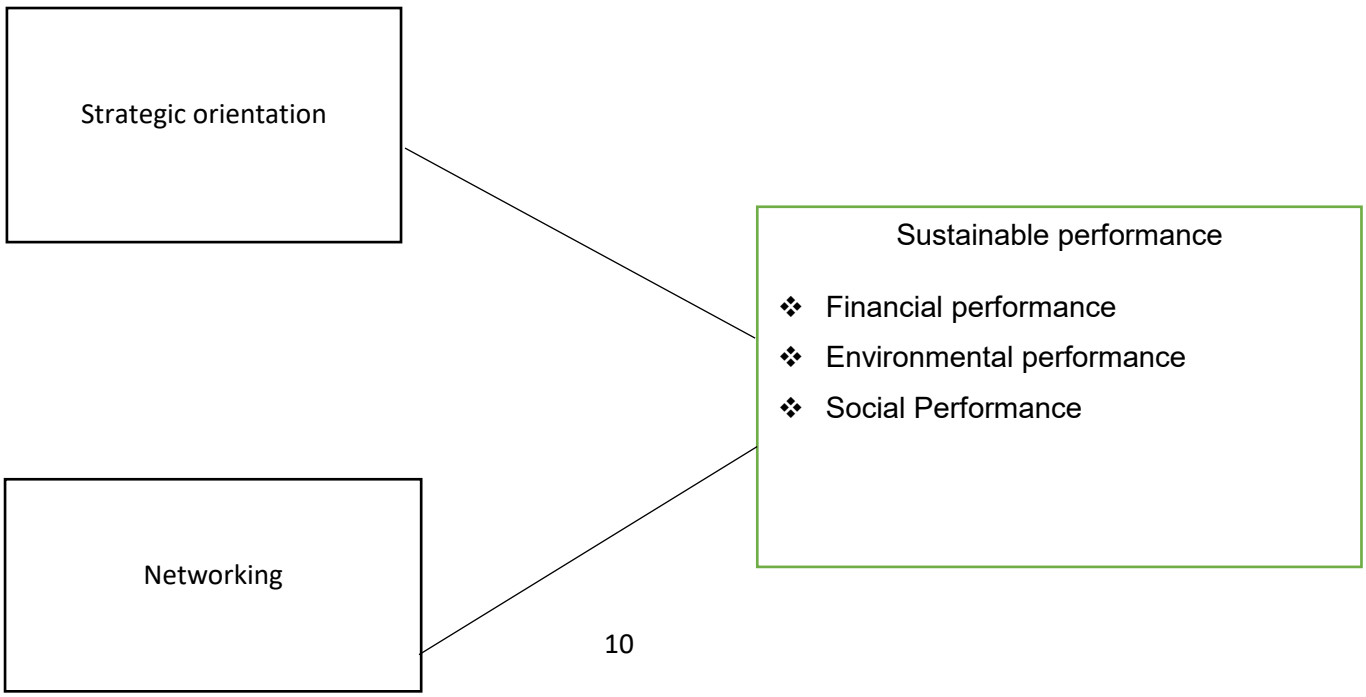


Figure 1.1 above was conceptualised based on the literature above. The model will try to show that strategic orientation and networking have an impact on the sustainable performance of businesses in Polokwane in Capricorn Municipality.

1.7 RESEARCH METHODOLOGY

After revising the existing literature, the following paragraphs describe the research methodology, including research design, a description of the data selection and sampling process, the chosen measurement method and the data collection and analysis methods.

1.7.1 Study area

The area of the study will be Capricorn Municipality in Polokwane central business district (CBD) in Limpopo Province. The researcher considered all small and medium businesses in the CBD.

1.7.2 Research design

The researcher will use the quantitative method to analyse the impact of strategic orientation and networking on the sustainable performance of small and medium business. According to Babbie and Mouton (2011), a research design is a plan of how one plans to conduct the research project. To address the objectives of the study, the researcher will make use of the quantitative method. The researcher will make use of questionnaires, and will use survey research because it is cost effective (especially self-administered surveys) and helpful in giving a detailed characteristic of a large population.

1.7.3 Population of the study

The target population is small and medium enterprises in Polokwane in Limpopo Province across all sectors of the economy. The conditions that these targeted companies had to meet for this study was that they had to fit into the definition of an SME as per the National Small Business Act of South Africa of 2019. This suggests that they will be nominated based on the number of employees and annual sales income. However, it was difficult to get the population frame of all SMEs of the study area because there is no database of all SMEs in Polokwane.

1.7.4 Sample of the study

There are two sampling methods namely, probability sampling and non-probability sampling. Babbie and Mouton (2011) describe probability sampling, which is also

known as random sampling, as sampling based on the concept of random selection, while non-probability samples are instances where the chances of selecting members from the population in the sample are unknown. Non-probability sampling depends on the discretion of the researcher. Non-probability methods include judgemental sampling, purposive sampling, convenience sampling, quota sampling and snowball sampling. The researcher chose to use the non-probability sampling in this study. The sample is based on convenience and snowball methods, which have been chosen because the researcher could not get a complete list of all small and medium businesses in Polokwane. Goodman (2011) agrees that the snowball sampling method is used to sample hard-to-reach populations.

1.7.5 Data collection methods

The researcher used a questionnaire survey approach to collect the data from SMEs. Self-administered questionnaires were distributed to the respondents. Likert scale were used to collect data where 1 = strongly disagree, 2 = disagree, 3 = neutral, 4 = agree and 5 = strongly agree. Self-administered questionnaires guarantee anonymity and privacy of the respondents, which encouraged them to respond freely and honestly. The questionnaires were delivered to the respondents by the researcher. But the latter did not take part in answering the questionnaire. The questionnaires were used to investigate the impact of strategic orientation and networking on the sustainable performance of small and medium businesses.

1.7.6 Data analysis methods

The researcher will make use of the Statistical Package for the Social Sciences (SPSS) to analyse the data and descriptive statistics, correlation and regression. Pearson's product-moment correlation coefficient is a statistical measure that tests the relationship between variables. The result of a correlation test is referred to as Correlation coefficient(r), and ranges from +1 to -1, with +1 being a total positive correlation and vice versa (Bhattacherjee, 2012). Regression is particularly important in understanding the control of autonomous variables towards the reliant variable after a causal relationship has been proven (Zikmund, Babin, Carr and Griffin, 2010).

1.8 RELIABILITY AND VALIDITY

Bryman, Bell, Hirschsohn, Dos Santos, Du Toit, Masenge, Van Aardt and Wagner (2014) point out that reliability refers to the consistency of a measure of a concept. For the study, the researcher will use the internal consistency (Cronbach's alpha) reliability

because it is the easiest to compute using software, and requires only one sample of data to estimate the internal consistency reliability. The research measured reliability using the Cronbach's alpha. The coefficient should be a minimum of 0.70, which is recognised as reasonable (Cooper and Schindler, 2008). Validity refers to whether an indicator (or set of indicators) that is devised to gauge a concept really measures that concept (Bryman et al., 2014). For this study, validity will be ensured by the researcher by doing a pre-test of the questionnaire in a pilot study to ensure that it answers the objectives of the study.

1.9 ETHICAL CONSIDERATIONS

The researcher obtained ethical approval from the University of Limpopo Turfloop Research Ethics Committee by submitting the research proposal accompanied by Faculty approval letter and the questionnaire. The questionnaire was developed before data collection. Personal information of respondents was respected at all times. This will ensure anonymity. The analysis of data will be unbiased and will only be used for academic purposes only.

1.10 SIGNIFICANCE OF THE STUDY

SMEs create employment and economic growth in most countries. However, their failure rate is very high. This negatively impacts on their ability to contribute positively to the economic development of South Africa. Strategic orientation and networking can help to improve sustainable performance and thus reduce the high failure rate of SMEs. By understanding the relationship between strategic orientation and networking and the sustainable performance of SMEs, policy makers can design training programmes to improve the sustainability of SMEs in South Africa. The information, in turn, may have an impact on not only the entrepreneurs and the businesses they run, but also on their dependants, their employees and the communities where the businesses are located.

Since SMEs are the engine of growth of an economy, investigating the means of achieving superior performance in SMEs will bring sufficient benefits. Hence studying how strategic orientation and networking impacts the sustainable performance of SMEs will assist those firms to rethink their long-term survival. The findings will support SMEs in deciding their future strategies. Since SME success is a critical factor in economic development, findings will have a significant impact on SME performance as well on economic development.

However, the literature on the impact of strategic orientation and networking on the sustainable performance of SMEs is inconclusive. Only very few studies have attempted to identify the impact of strategic orientation and networking and the sustainable performance of SMEs. Hence a lack of literature in this area has magnified the significance of the study. Empirically, this study will add to the body of literature on the impact of strategic orientation and networking on the sustainable performance of SMEs from a South African perspective. Furthermore, one of the goals of the National Development Plan 2030 is to transform the South African economy into a green or sustainability-oriented economy. Understanding the effect of strategic orientation on the sustainable performance of SMEs can help in achieving this goal.

1.11 RESEARCH FRAMEWORK

This study comprises six chapters.

CHAPTER 1: INTRODUCTION AND BACKGROUND TO THE STUDY

This chapter presents the background to the study. It also highlights the research problem, objectives and hypotheses of the study. Furthermore, the chapter discusses the significance of the study and 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. The chapter also discusses in detail the contribution of SMEs to employment creation, economic growth, poverty alleviation, productivity and competitiveness towards technological progress and unequal distribution of income in South Africa. International comparisons are given where contributions to economic activities by SMEs in South Africa are compared to other selected developing and developed countries. The chapter discussed the failure rate of SMEs in South Africa and challenges facing SMEs and government perspectives on SMEs in South Africa.

CHAPTER 3: LEANING AND MARKETING ORIENTATION

This chapter provides an overview of strategic orientation and networking and the sustainable performance of SMEs. The overview helps to develop the hypotheses. In addition, definitions and theories related to strategic orientation and networking are discussed.

CHAPTER 4: RESEARCH METHODOLOGY

This 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 is discussed.

CHAPTER 5: RESEARCH RESULTS

The purpose of this chapter is to present and interpret 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 regard to its theoretical and empirical contributions, business practice, academic literature and research techniques. In addition, the limitations of the study and areas for future research are stated.

1.12 SUMMARY

The background 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 problem statement, research questions, research aim and objectives and hypotheses were outlined, indicating how the research problem is to be addressed. This chapter outlined the gap in the literature together with the theory related to the study. This chapter also discussed the significance and contribution of the study by justifying its relevance to the empirical literature on strategic orientation and networking on sustainable performance. Ethical considerations were noted, and outline of the study chapters was provided. The chapter outline provides guidance to readers on the direction of this thesis. The definitions, contributions and challenges faced by SMEs will be reviewed in the next chapter. The next chapter discusses small and medium enterprises (SMEs).

CHAPTER TWO

SMALL AND MEDIUM ENTERPRISES IN SOUTH AFRICA

2.1 INTRODUCTION

The central focus of this chapter is to review the literature on small and medium enterprises locally and internationally. The discussion in this chapter will be on the key concepts relating to SMEs. Definitions of SMEs from an international and local perspectives will be provided. In addition, contributions of SMEs to employment creation, economic growth, poverty alleviation, productivity and competitiveness and in income equality will be discussed. The failure rate and challenges faced by SMEs will also be discussed. These challenges will focus on both internal and external factors.

2.2 DEFINITION OF SMEs

There is no standing universally acceptable definition of SMEs because there are no uniform international standards to measure SMEs in terms of the amount of capital, number of employees, turnover, investment in fixed capital and machinery, and market share. Definitions of SMEs vary from country to country and industry to industry. The reason behind this is that it is impossible to capture all the characteristics of SMEs or to highlight the differences between firms in different industrial sectors or countries (Henschel, 2009; Ogechukwu, 2011; Nyathi, Nyoni, Nyoni and Bonga, 2018). Thus, differences in the definitions of SMEs are observed from country to country, industry to industry, and from author to author (Fatai, 2010). This section will study definitions of SMEs from local and international perspectives.

2.2.1 Definition of SMEs from an international perspective

As pointed out earlier, a standard international definition of small and medium-sized enterprise (SME) does not exist. SMEs are defined differently across countries, because the dimensions “small” and “medium” of a firm are relative to the size of the domestic economy (Organisation for Economic Co-operation and Development, 2017). For statistical purposes, the Organisation for Economic Co-operation and Development defines SMEs as firms employing up to 249 persons, with the following breakdown: micro (1 to 9), small (10 to 49) and medium (50-249). In addition, the definitions of small business differ in developing countries such as South Africa and

Nigeria in contrast to developed countries such as the United States of America and the European Union (Zheng, O'Neill and Morrison, 2009).

2.2.1.1 Definition of SMEs in European Union

According to the European Union (2015), 'The category of micro, small and medium-sized enterprises is made up of enterprises which employ fewer than 250 persons and which have an annual turnover not exceeding 50 million euro, and/or an annual balance sheet total not exceeding 43 million euro'. SMEs are thus defined as firms with 10 to 250 employees and more than 10-million-Euro turnover or annual balance sheet total. This definition is more encompassing and much larger, especially with regards to turnover, than others. The main factors determining whether a company is an SME are:

1. Number of employees and

2. Either turnover or balance sheet total.

Table 2.1 Quantitative definition of an SME in the European Union

Company category	**Employees**	**Turnover**	**Balance sheet total**
Medium-sized	< 250	≤ € 50 m	≤ € 43 m
Small	< 50	≤ € 10 m	≤ € 10 m
Micro	< 10	≤ € 2 m	≤ € 2 m

Source: European Union (2015)

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

2.2.1.2 Definition of SMEs in United States of America

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 using 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”.

Table 2.2 Quantitative definition 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 regarded as an SME in the USA, the enterprise must have less than five hundred employees. Nevertheless, in the European Union, the maximum number of employees is two hundred and fifty. SMEs in the USA must have an annual income of less than seven million US dollars and a balance sheet total of less than two hundred and fifty million US dollars depending on the industry (United States Small Business Administration, 2015). This establishes differences in the international definitions of an SME. 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).

2.2.1.3 Definition of SME in Angola

According to Angola Diário da República (2011), small businesses employ more than 10 and up to 100 employees and/or have an annual gross turnover in Kwanza exceeding the equivalent of USD 250 000 (137976250 million Kwanza) and equal to or less than USD 3 million (1655715000 million Kwanza)

Table 2.3 Quantitative definition of an SME in Angola

Type of Enterprise	Size of Employee	Gross turnover
Micro	1 to 10	≤ 137976250 Kwanza
Small	10 to 100	> 137976250 Kwanza and ≤ 1655715000 million Kwanza
Medium	100 to 250	> 1655715000 million Kwanza and ≤ 5519050000 million Kwanza

Source: Green et al (2010)

Table 2.3 shows the description of small businesses in Angola. Micro enterprises are considered those that employ a maximum of 10 employees and / or have a gross annual turnover not exceeding 137976250 Kwanza (250000 U.S dollars), and small businesses are those that employ more than 10 up to 100 employees and / or have a gross annual turnover equal to 137976250 Kwanza (250000 U.S dollars) or less than 1655715000 million Kwanza (3 million U.S dollars). Medium businesses are those that employ more than 100 up to 250 employees and / or have a gross annual turnover equal to 1655715000 million Kwanza (3 million U.S dollars) or less than 5519050000 million Kwanza (10 million U.S. dollars).

2.2.1.4 Definition of SMEs in South Korea

In Korea, the definition of SMEs is prescribed in the Framework Act on SMEs and its Enforcement Decree of which the most recent definition was revised in November 2005. The Act, which was originally enacted in 1966, has received multiple revisions that have adapted to the ever-changing economic environments to incorporate different factors stemming from the evolution of industrial growth both domestically and internationally and is used to categorise SMEs and to classify whether a firm conforms to the consideration of what constitutes an SME. The reason for defining

and developing criteria of scope and classification for SMEs is to judge whether a firm is or is not eligible to receive policies to support them. According to the Act, SME's in South Korea are by definition those companies employing less than 300 people. Further definitions and details are different according to industry type, as displayed in Table 2.4.

Table 2.4 Quantitative definition of an SME in South Korea

Industry	**SMEs**	
	Number of regular employees	**Paid-in-capital or sales**
Manufacturing	Less than 300	8 billion won or less
Mining and Construction, Transportation	Less than 300	3 billion won or less
Retail, Hotel, etc.	Less than 300	30 billion won or less
Fishery, Film, Hospital, etc.	Less than 200	Sales of 20 billion won or less
Wholesale, Service, etc.	Less than 100	Sales of 10 billion won or less
Others	Less than 50	Sales of 5 billion won or less

Source: Article 2 of the Framework Act on SMEs and Article 3 of Enforcement Decree of the Act, The Framework Act on SMEs, South Korea, 2005 (small and medium business administration, 2009)

2.2.1.5 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 2.5 depicts the definition of SMEs in Nigeria.

Table 2.5 Quantitative definition of an SME 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)

2.2.2 SMEs in South Africa

The lack of a uniform definition of SMEs observed internationally is also evident in South Africa. The only definition of SMEs in South Africa is the one given by The National Small Business Act (2019). Qualitatively, the act defines SMEs as "a separate and distinct entity including cooperative enterprises and non-governmental organisations managed by one owner or more, including its branches or subsidiaries if any is predominantly carried out in any sector or sub-sector of the economy mentioned in the schedule of size standards and can be classified as an SME by satisfying the criteria mentioned in the schedule of size standards" (The National Small Business Act, 2019).

Table 2.6 Quantitative definition of an SME in South Africa

Company category	**Employees**	**Annual turnover (SA Rand)**	**Gross assets, excluding fixed assets**
Medium-sized	51 to 250	Less than 4m to 50m depending on Industry	Less than 2m to 18m depending on Industry
Small	11 to 50	Less than 2m to 25m depending on Industry	Less than 2m to 4.5 m depending on industry

Micro	1 to 10	Less than 150 000	Less than 100 000

Source: The National Small Business Act (2019)

Table 2.6 shows the description of small businesses in South Africa. This definition, according to the Act, includes micro, very small SMEs. However, the word SMEs is generally used. The maximum number of employees to be classified as an SME is two hundred and fifty. A micro business is a business that employs 1 to 10 employees with an annual turnover of less than R1500000 and assets less than R100000. A small business employs 11 to 50 employees with an annual turnover of less than 2 million to 25 million depending on the industry and assets less than 2 million to 4.5 million depending on the industry. Finally, a medium-sized business that employs 51 to 250 employees with an annual turnover of less than 4 million to 50 million depending on the industry and with assets less than 2 million to 18 million depending on the industry. Therefore, despite the similarities in the definition of an SME across countries, there are also differences.

The literature contains major differences in the definition of small and medium enterprises. Statistical agencies, international organisations and governments of independent countries emerge with different definitions and categorisations for businesses which do not reflect the differences between them. Different SME definitions are more random than a similarity of the level and the nature of economic development. There is no unique, universally accepted definition of small and medium enterprises. Current criteria have endured revisions and are always in the process of evaluation. There is neither agreement nor a propensity for approximation in respect of definitions, even among international organisations, which assemble as members of the very same states. The definition of small and medium enterprises is relevant for the statistical purposes of assessing economic performance within a country, across sectors and between states. It varies from country to country, and often even within countries.

Analysis of different definitions of SMEs from international and local perspectives reveals that it is very difficult to arrive at a common definition. This demonstrates that there is no common accepted definition of SMEs. Depending on the country and industry, business size, assets and products, the definitions will continue to vary. In developed countries like The European Union, SMEs refer to small businesses with

less than 250 employees and a turnover of less than €50 million. In the United States of America, SMEs are those with less than 500 employees and a turnover of less than $24 million. For developing countries (Africa included) like Angola, an SME has a limit of 250 employees and a turnover of less than $3 million. In South Korea, SMEs refer to small businesses with less 300 employees, while in Nigeria SMEs are those with less than 100 employees. In South Africa, SMEs refer to small businesses with less than 250 employees and a turnover of less than 50 million rand depending on the industry. The most used definitions are generally quantitative in nature focusing mostly on the number of employees, assets, size and revenue. Nevertheless, recent research defines SMEs as those with less than 250 employees although very small businesses may have less than 50 employees.

2.3 CONTRIBUTIONS OF SMEs

Birch's report (1979) confirms that SMEs are major contributors of employment creation in the economy and their impact is acknowledged over a lifetime. Birch's findings of 1979 still confirm that a huge portion of small firms claims a bigger pie in terms of the number of new jobs created. The Birch report (1989) differentiated small and large companies as the elephants, mice and the gazelles as metaphors for companies committed to growth (Birch, 1979).

According to the Birch report (1979), small firms created the majority of new jobs in the USA and spread quickly around the world. Birch's work and the rising interest by policy makers in employment issues led to further studies on the subject, both in the USA and in other countries. Policy makers paid increasing attention to SMEs' actual or perceived job creation capacity, and a significant number of support programmes and policies for SMEs were developed. The small business sector in South Africa is a critical part of the national economy with the government's National Development Plan 2030 (NDP 2030) looking to SMEs as major sources of employment and drivers of growth in our economy (The SME Landscape report, 2018).

For many years, the performance of SMEs has been the focus of many researchers (Kongolo, 2010; Cant and Wiid, 2013). It has been considered one of the most important critical factors behind economic success of both developed and developing countries due to their multiple contributions to economic growth, employment generation and innovations (Kongolo, 2010; Asian Productivity Organisation, 2011).

SMEs have been recognised over the world as the key engine to economic development as they create almost half of the new jobs in the world economy (Katua, 2014). They play an important role in contributing to the economic growth of many countries around the world (Kongolo, 2010). Figures from both developed and developing countries have shown that the SME sector is a dynamic and vibrant power for economic growth, job creation and innovation (Katua, 2014; Andzelic, Dzakovic, Lalic, Zrnic and Palcic, 2011).

2.3.1 Contribution of SMEs in employment creation

Table 2.7: Contribution of SMEs to employment in selected developed and developing countries

Country	Contribution to employment	Unemployment rates
United States of America (1)	80%	3.6%
European Union (2)	66%.	7.5%
Nigeria (3)	50%	23.10%
South Africa (4)	47%	30.1%

(1) United States International Trade Commission (2010); Bureau of Labor Statistics, U.S (2019); (2) Rotar, Pamić and Bojnec (2019); Eurostat (2019); (3) Nigeria SME survey (2017); Nigeria Employers' Consultative Association (2019); (4) Business Unity South Africa (Busa) (2019); Statistics South Africa (2020)

Table 2.7 indicates that the contribution of SMEs to job employment is higher in developed countries compared to developing countries. Developed countries like the USA contribute 80% towards employment creation while the European Union contributes 66%. Those countries are regarded as the core of the economy and a major source of employment. Developing countries like Nigeria contribute 50% towards employment creation while South Africa contributes 47%. Furthermore, Table 2.7 shows the unemployment rate of developed and developing countries. The USA and EU show a low rate of unemployment with 3.6% and 7.5%, respectively, while Nigeria and South Africa show a high rate of unemployment compared to developed countries with 23.10% and 30.1%, respectively.

Michael and Johannes (2013) noted that SMEs in South Africa play an important role in the development of the country's economy. SMEs have become the main source of job creation in South Africa, and can assist to address the high level of unemployment and the challenges of poverty in the country (Subrahmanya, Mathirajan and Krishnaswamy, 2010). According to Michael and Johannes (2013), the concentration of SMEs has a close relationship with the main economic activities. SMEs control the world economies in terms of employment and number of companies, yet their full potential remains remarkably untapped (Eurostat, 2011).

According to the SME landscape report (2018), the SME landscape in South Africa is made up of relatively young businesses. The majority of South African small businesses generate revenue of less than R200,000 annually and nearly half of SMEs employ between two to five employees. In South Africa, the skill of SMEs to create jobs is obviously a major attraction for both public- and private-sector investors. Consequently, there is a need for change in terms of supporting SMEs so that they can grow and flourish (Booyens, 2011). One major challenge in business support interventions for SMEs in South Africa is the lack of emphasis on the crucial areas that enhance the success rate and sustainability of SMEs (Mashombo, 2014; Pergelova and Angulo-Ruiz, 2014). Given the relative scarcity of the typical SME achieving substantial growth, academics, management experts and government have been keen to discover ways in which SME success could be encouraged (FinMark, 2010). According to Statistics South Africa (Stats SA 2015), the SME sector contributes approximately 60% employment, as well as provides an incubator and breeding ground for entrepreneurship and innovation. The National Treasury (2015) indicates that job creation, wealth generation and improved standards of living for all South Africans are major issues that can transform the South African economy.

2.3.2 Contribution of SMEs to economic growth

Table 2.8: Contribution of SMEs to economic growth in selected developed and developing countries

Country	Contribution to GDP
United States of America (1)	44%

European Union (2)	67%.
Nigeria (3)	48%
South Africa (4)	20%

(1) U.S Small Business Administration (2019); (2) Rotar et al. (2019); (3) Nigeria SME survey (2017); (4) Business Unity South Africa (Busa) (2019)

Table 2.8 shows the contribution of SMEs to economic growth in the USA, EU, Nigeria and South Africa. SMEs in the European Union contribute 67% to economic growth, making it higher than the USA with 44% in developed countries, while South Africa with 20% remains the lowest country to contribute towards economic growth in both developed and developing countries. 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). In recent time, interest in the linkages between Small and Medium Scale Enterprises (SMEs) and economic performance of countries has attracted the attention of researchers and policy makers and spawned volumes of studies (Kadiri, 2012; Taiwo, Ayodeji and Yusuf, 2012). Numerous studies have shown that small and medium scale enterprises act as a catalyst for the growth and development of a national economy (Vijayakumar, 2013). Given the implication of SMEs in economic growth and development, several studies have evaluated the role of the SMEs sector considering numerous activities inspiring growth and development. For example, Nagaya (2017) examines the impact of SMEs on economic growth using dataset for India, and found that SMEs activities are growth enhancing through various channels like employment and poverty reduction. Correspondingly, Aremu and Adeyemi (2011) find similar evidence that SMEs are vital agents in creating job opportunities and reducing poverty.

SMEs establish an important role in economic growth of any given country, and contribute significantly to regional economic growth by generating new jobs, providing investment opportunities and establishing economic capital and potential required for justifiable economic growth (Koudelková and Svobodová, 2014; Simionescu, Bilan,

Smrcka and Vincurova, 2017). They are important players in the economy and the broader eco-system of firms. Allowing them to adjust and succeed in a more open environment and participate more aggressively in the digital transformation is important for boosting economic growth and bringing a more inclusive globalisation (EU, 2016). Across countries at all levels of growth, SMEs have an important role to play in achieving the Sustainable Development Goals (SDGs); in encouraging inclusive and sustainable economic growth; providing employment and decent work for all; encouraging sustainable industrialisation and fostering innovation; and dropping income inequalities (Motilewa, Ogbari and Aka, 2015).

2.3.3 Contribution of SMEs in poverty alleviation

Table 2.9: 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) United States International Trade Commission (2010); (2) European Commission (2011); (3) Love and Roper (2013); (4) Bureau for Economic Research (2016)

Table 2.9 shows the contribution of SMEs to poverty alleviation in the USA, EU, Nigeria and South Africa. In developed countries like the USA, SMEs contribute 50% towards poverty alleviation, while in European countries, they contribute 64.5%. Developing countries like Nigeria contribute 30% towards poverty alleviation, while South Africa contributes 42%. SMEs in developing countries show a low contribution towards poverty alleviation.

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, and 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 and Roper, 2013). Their poor performance has added to the level of poverty, and the low standard of living in the county (Michael and Johannes 2013). According to Subrahmanya et al. (2010), Nigeria‘s current problems of hunger, poverty and unemployment have been undermined by the capacity of SMEs. By providing jobs, SMEs are a significant component of the solution to South Africa’s high level of poverty. Michael and Johannes (2013) 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.

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 and Roper, 2013). According to Subrahmanya et al. (2010), the South African government identifies SMEs as key to poverty alleviation, income equality, employment and sustainable economic growth. Michael and Johannes (2013) highlight that some SMEs are in the rural areas and are of great importance in the provision of employment to poor rural workers.

SMEs contribute to national expansion by positively manipulating the distribution of income in both functional and nominal terms (Love and Roper, 2013). According to Subrahmanya et al. (2010), the South African government recognises SMEs as a solution to poverty alleviation, employment, income equality and justifiable economic development. Michael and Johannes (2013) show that most SMEs are in the rural areas and are important in the establishment of employment to poor rural workers. Ali and Ali (2013) advised that by creating jobs, SMEs are an important component to answer South Africa’s high level of poverty. Michael and Johannes (2013) observed the part played by the small business sector in poverty alleviation in Alexandra, South

Africa. The outcomes show that there is a robust relationship between the formation of SMEs and poverty reduction.

2.3.4 Contribution of SMEs to productivity and competitiveness

Barney and Hesterly (2010) pointed out 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). They 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).

2.3.5 Contribution of SMEs in income equality

South Africa is known as one of the most unequal countries in the world, reporting a per-capita expenditure Gini coefficient of 0,67 in 2006, dropping to 0,65 in 2015 (Statistics South Africa, 2019). With a Gini coefficient of 0.65, South Africa has one of the most unequal income distributions in the world. The Gini coefficient measures inequality on a scale of 0 to 1. The closer the Gini score is to 1, the more unequal the society's income is and vice versa. Even though there has been a decline in between-race income inequality in post-apartheid South Africa, it still remains remarkably high by international standards (Hagen-Zanker, Morgan and Meth, 2011; Leibbrandt, Woolard, Finn and Argent, 2010). Africans are much poorer when compared to other races (Leibbrandt et al., 2010). Furthermore, within-race inequality has shown an increase significant enough to stop South Africa's aggregate inequality from declining (Leibbrandt et al., 2010). The highest interracial inequality in South Africa was observed within the Black African race (Hagen-Zanker et al., 2011; Leibbrandt et al., 2010). The income equality of a country is directly influenced by a lack of jobs and employment (Leibbrandt et al., 2010). Thus, unequal income distribution can be improved by the creation of employment opportunities. Therefore, job creation through SMEs can go a long way in reducing the high-income inequality gap which South Africa is facing.

However, despite all the expectations on SMEs in solving South Africa's economic problems, whether directly or indirectly, different studies have concluded that these businesses do not grow (Fatoki, 2013; Fatoki and Garwe, 2010; Smit and Watkins, 2012). Furthermore, Atkinson (2012) added that "South Africa generally has a low SME start-up rate and a high failure rate of young SMEs". Consequently, the South African government has come up with different measures to help SMEs overcome the challenges they face. It has set up several institutions with the aim of creating more businesses and growing the existing ones.

2.4 FAILURE RATES AND CHALLENGES FACING SMEs

2.4.1 Definition of the failure rate of SMEs

Pretorius (2009) discovered that understanding business failure presents a massive theoretical challenge and that no one universal definition exists. The author studied the literature on the definitions of business failure and stated that "A venture fails when it involuntarily becomes unable to attract new debt or equity funding to reverse decline; consequently, it cannot continue to operate under the current ownership and management". Arasti (2011) states that a failure is the closing down of a small business, the "entrepreneurial exit, discontinuance, insolvency, or organisational mortality". Failure is the endpoint at discontinuance (bankruptcy) and when it is reached, operations cease, and judicial proceedings take effect. Fatoki (2014) revealed that the easiest way to understand "failure" is legal failure. This happens when a small firm is officially liquidated or in the case of an unincorporated enterprise, the owner becomes insolvent for business reasons.

2.4.1.1 The Nemaenzhe small business failure process model

The Nemaenzhe model outlines a sequence of three steps, emphasising resources and opportunities. When these are poorly combined, they lead to business failure.

First step: this step supports that poor business management results in inefficiencies that lead to internal failures, which are further affected by environmental uncertainties. Nemaenzhe (2010) states that poor business management results in a poor combination of resources and opportunities. Mahamid (2012) holds a similar view that incompetent management causes many business failures.

Second step: the second step reveals the effects of the combination of resources and opportunities, which when both are lower, they may lead to business failure, mainly

due to the incapacity of management to administrate them. In contrast, businesses with a high combination of the two should remain sustainable (Nemaenzhe, 2010). To better clarify the above statements, resources are those as listed by Nieman and Nieuwenhuizen (2009) and include financial, human, physical and information resources. Opportunities are those emanating from business environmental factors, which may facilitate the creation or development of new products, meeting new customers, innovation, etc.

Third step: the third step, which combines four failure factors (i.e. monitoring and control, experience and planning, income constraints and cash control), assumes that when they are not efficiently conducted, these factors are influenced by external environmental factors and hindsight factors, and together lead to the final failure of the small business (Nemaenzhe, 2010). Although according to Arasti (2011), and Mahamid (2012), most business failures may be linked to economic "external non-financial factors that affect the survival of business", these factors should not be neglected in a business.

2.4.1.2 The four levels of failure in a business

Dasgupta and Sanyal (2010) pointed out that a small business failure happens slowly with a series of small failures, concluding in final, complete failure; consequently, it is not an instant occurrence. Nieman and Nieuwenhuizen (2009) recommend four characteristic levels of failure that may occur, triggering a business that is performing well to become a failed business. They argue that business failure can be material to certain performance level of the business, making it risky in the performance level where the business is already found in a critical condition (Nieman and Nieuwenhuizen, 2009). The four levels of failure in a business are discussed below:

Level 1: The business is performing well – on this level the business presents an excellent performance, apparently not showing a clear problem at all. It is achieving its long term-goals; shareholders are happy with the business, and all its acquired tangible and intangible assets are perceptible. In this stage, small failures can happen at a lower management level but are easily corrected as the business is well structured and controlled. However, it can be material if originating from senior management at a strategic level.

Level 2: The business is underperforming – on this level, failure signs are not easily noticeable. However, they may become visible when comparative examinations are done of the financial statements at different points in time. The main sign is a decrease in gross profit.

Level 3: The business is in trouble – the business starts facing complex problems and not achieving its short-term goals; net profits decrease and there are cash flow problems. In this instance, failure is a danger, but business failure may depend on the severity of the hazard to the business.

Level 4: The business in crisis – the business starts experiencing extreme cash flow problems; stakeholders start losing interest in the business or withdraw; the firm experiences a constant decline in sales and various other problems. Failure at this level can be more dangerous and risky, and finally the business fails. In business failure, the entrepreneur loses control, or the business is bankrupt, and finally closes down (Nieman and Nieuwenhuizen, 2009).

A complete understanding will indicate that business failures are being caused by the acts of stakeholders and events happening in the external environment. According to Wu (2010), business failure is a damaging event that not only wipes out the benefits of stakeholders, but it similarly harms the continuing development of an economy and society. The effects of small business failure are not wanted in any economy, as countries around the world are continuously looking to innovate and develop new customs of improving the performance and success rate of businesses (Holt, 2013). A study Abor and Quartey (2010) showed that SMEs are inhibited by factors such as lack of access to appropriate technology, weak institutional capacity, limited access to international markets, and lack of management skills and training. Nevertheless, access to finance will always be the greatest worry to most SMEs.

Table 2.10: 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); (2) US Small Business Administration (2015); (3) Idemobi (2012); (4) Willesse (2010)

Table 2.10 illustrates the failure rate of SMEs in developing countries in comparison to developed countries. Developed countries like the European Union show a failure rate of 31%, while the USA shows 50% within their first year and 24% in the next second year. Developing countries like Nigeria show SMEs failure rate of 70%, while South Africa shows a 75% failure rate. South Africa has one of the highest rates of failure and that failure is higher in developing countries compared to developed countries. This negatively impacts on the ability of the SME sector to contribute to employment creation, economic growth and poverty alleviation (Michael and Johannes, 2013). Small businesses in South Africa are disadvantaged by three primary challenges, namely access to a workforce that is skilled, business regulations and access to finance. Small businesses in South Africa did worse in these particular areas when compared to other African countries. Small businesses often struggle to scale up due to the restricted amount of gifted and skilful employees in South Africa (Mail & Guardian, 2013).

According to the Mail & Guardian (2013), the high rate of failure can clarify why South Africa has not been that successful in encouraging small businesses to drive the creation of jobs. Big firms generate more net jobs in South Africa than small firms do, mainly because of the high attrition rate of small businesses. There is a high failure rate of SMEs in South Africa, which negatively impacts on their ability to meaningfully contribute to economic growth, job creation and a more equal income distribution (Hiatt and Sine, 2012).

2.4.2 Challenges facing SMEs

From the review of literature, it is identified that SMEs are facing many challenges because of external environmental changes along with changing social, economic, cultural and political changes in the country (Syamala, Nune and Dasaraju, 2017). It is known that SMEs are facing more challenges like surveillance problems because of

the changing external environment structure. These challenges contribute to the high failure rate.

2.4.2.1 Internal environmental challenges

Internal environmental factors are variables inside the organisation which are largely controllable. Internal factors are specifically strategic factors which have to be investigated and evaluated by top management in order to find the strength and weak points of the organisation (Wheelen and Hunger, 2012).

- **Lack of access to finance**

Financing is needed for SMEs to start and expand operations, develop new products and invest in new staff or production facilities. A huge majority of SMEs depend on internal finance (contribution from the owners, family and friends) and external finance (equity and debt). Internal finance is often in adequate for SMEs to survive and grow. A large percentage of SME failure is attributed to inadequate capital structure or resource poverty. External equity in the form of venture capital or the stock exchange is usually not available to SMEs (Majed, Alsharayri and Dandan, 2010; Sorooshian, Norzima, Yusuf and Rosnah, 2010; Fatoki and Asah, 2011). Bank debt is a source of financing. Access to bank debt is a challenge for SMEs. It has been noted that SMEs in South Africa struggle to raise finance from banks (Majed et al., 2010). They can consider two types of financing, namely equity financing and debt financing.

1. Equity financing

The equity financing method refers to the extent to which the company issues a certain portion of shares of its stock and in return receives money. Equities are issued in the form of common stocks, which give a claim to share in the net incomes after expenses and taxes. Equity holders are paid periodically in the form of dividends and can be considered as a long-term security as there is no maturity date (Osano and Languitone, 2016). Due to limited equity financing, SMEs rely more on bank lending and other types of finances. Access to equity finance remains difficult in many countries, especially for fast-growing firms, with adverse implications for economic growth and inclusiveness (Rossi, 2014).

2. Debt financing

Debt financing refers to the case where companies get finance products in the form of loan from lending institutions and give their promise to repay at a given period of time and interest rate. Debt financing includes secured loans, which involve collateral requirements for securing bank financing. When SMEs default on the loan commitments, banks usually rely on collateral to recover the money invested in a particular business (Mahembe, 2011; Osano and Languitone, 2016). In the case of unsecured loans, the lender provides loans considering the borrower's reputation. For this transaction to take place, a strong relationship between the borrowers and the banks is needed. Loans of this kind are usually short term and the rate of interest is often high (Anzoategui and Rocha, 2010).

Many SMEs commence their operations with insufficient financial resources because they have a tough time raising capital from banks. Justin, William, Leslie and Francis (2012) support this argument by asserting the following: "In 2010, lending by banks and other financial institutions to small businesses had decreased by $40 billion from two years earlier." Furthermore, European Central Bank (2011) reports that 16% of firms trust that banks are becoming less ready to offer them loans. The majority of SMEs in South Africa depend on personal funds, and funds from relatives, families and friends as start-up capital. These funds are often inadequate when the SME enters the growth phase (Herrington, Kew, Simrie and Turton, 2011). Allan, Barbara, Spence and Belanger (2010) found that commercial banks distinguish small businesses in their loaning proceedings and that adding more capital requirements strengthens this discrimination, which makes getting loans extremely difficult for small businesses. Nikolaos, Jarvis and Schizas (2013) claim that small firms prefer more debt, explicitly long-term debt, because of their inadequate access to debt financing. Consequently, large firms continued to benefit from better access to finance than SMEs.

- **Entrepreneur Characteristics**

Most SMEs lack the requisite entrepreneurial skills to explore investment opportunities and enhance their competitiveness (Sidika, 2012; Kazimoto, 2014; Chinonso and Zhen, 2016). Inappropriate managerial activities also prevent banks from offering loans to SMEs. In order to improve the chances of SMEs access to loans, they must develop the integrity of entrepreneurs through positive financial management and

business practices (Chinonso and Zhen, 2016). Islam, Khan, Obaidullah and Alam (2011) found that entrepreneurial characteristics increase the success of SMEs. Small business owners should be more enthused about their products and services and be willing to be personally involved and to stick with their policies. There is a need for SMEs to build strong business networks, including developing government relationships. The outcome of business emanates from how business is being done. Business success also comes through inter-firm cooperation, flexibility performance measurement and consultation (Sidika, 2012; Kazimoto, 2014).

- **Lack of managerial skills and training**

Amra, Hlatswayo and McMillan (2013) relived that the root cause of poor SME performance in the local economy and trends in the global economy raise the bar and essence of what has been termed “learning-led competitiveness” even higher. To answer to the challenge of competitiveness, entrepreneurs are obliged to create strategies intended at improving individual employees and their own level of business skills and knowledge. The part of training and skills growth is consequently seen as essential for particularly emerging SME enterprises for them to ‘learn to grow’. Herrington, Kew and Kew (2009) remark that 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. Herrington et al. (2009) agree that managerial skills help 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. Management or leadership faults are some of the reasons for the failure of SMEs (Valdiserri and Wilson, 2010). Some of the leading leadership faults that lead to business failures are miscalculating business time requirements, lack of market awareness, going into business for wrong reasons, lack of financial responsibility, family pressure on time and funds and lack of a clear focus.

2.4.2.2 External-environmental challenges

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.

- **Competition**

Businesses have to make decisions which deal not only with business survival opportunities, but also with business development in a changing environment under dynamic competitive conditions where each competitor tries to do impossible things to survive (Scarborough, Wilson and Zimmerer, 2009). The competitive standards change continuously due to consumers' changing needs and expectations, technological developments and the globalisation of markets. Over the years, competition among SMEs has increased radically. Competition and sustainability for SMEs involve factors such as changing market trends, changing technologies and emerging new management and organisational techniques. SME survival is increasingly dependent on a number of factors, including resilience of SMEs to refocus some of their strategies and technologies (Gunasekaran, Rai and Griffin, 2011).

- **Business development services**

Mbonyane and Ladzani (2011) as well as Lekhanya (2015) affirm that government does not have adequate mechanisms in place to provision small businesses and train small business owners how to efficiently run a business. This was further stressed by Van Aardti, Hewitt, Bendeman, Bezuidenhout, Janse Van Rensburg Naidoo, Van Aardt, Van Der Bank and Visser (2011), who mentioned that failure to use, or absence of access to business support systems by new business owners are some of the reasons why business start-ups failure in South Africa is high. Moos (2014) recognised business mentors and business incubators as some of the business support services that might help entrepreneurs create and operate successful and sustainable businesses. Consequently, Raiz (2014) upheld that the emphasis should be on entrepreneurial skills development as opposed to access to finance. Nevertheless, experts in entrepreneurship emphasised that government involvement programmes were unsuccessful due to lack of monitoring, problems of poor management and poor implementation, amongst other things (Herrington et al., 2011; Turton and Herrington, 2012).

- **Access to the latest appropriate technology**

Using the latest suitable technology is one of the most significant factors behind the competitive advantage of successful SMEs (Mahembe 2011). The growth and development of small businesses is inadequate by the absence of technology or expertise to research and advance new business ideas (Rankhumise, 2017). SMEs have inadequate access to technological growth, partly because they lack the applicable information and continue to embrace poor and outdated technologies (Chipangura and Kaseke, 2012). Risk and uncertainty involved in obtaining technology could result in underinvestment by SMEs. According to Phangwana (2014), most SMEs are not up to date with their technology, neither are they conscious that they can access appropriate technology by means of services provided by the South African Bureau of Standards and the National Research Foundation.

- **Unfavourable regulatory environment**

A difficult regulatory environment has been found to diminish the rate of entrepreneurial activity (Organisation for Economic Co-operation and Development, 2017). According to Herrington et al. (2012), preventive labour regulations are classified as the second most challenging factors for doing business in South Africa after inadequately educated workforce. According to Shane (2014), compliance with governmental rules and regulations is a greater encumbrance on small companies than large ones, and regulation hinders small business formation, job creation and growth. The high start-up costs for firms, including licensing and registration requirements, can enforce excessive and unnecessary burdens on SMEs (Kamara, 2017). The World Bank Doing Business in South Africa Report (2015) indicates that the 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) and registering the company for different taxes such as corporate income 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). Herrington, Kew and Mwanga (2016) and

Nyamwanza, Paketh, Makaza and Moyo (2016) maintain that regulations and legislations are the most important constraints to SME growth in many developing countries.

- **Globalisation**

Small businesses can no longer consider themselves to be strictly domestic businesses in the competitive global environment. For businesses across the globe, going global is not a preference or a matter of choice, but rather a necessity. Failure to cultivate global markets can be a lethal mistake for modern businesses, whatever their size. To be successful, businesses must consider themselves to be businesses without borders. Going global can put a tremendous strain on a small company (Scarborough et al., 2009). Though the trend toward convergence has been developing for some time, the pace seems to be quickening, creating global opportunities and competition that did not exist even a few years ago. With the astounding rate of economic growth in countries such as China and India, a small business owner would be unwise to ignore overseas opportunities (Longenecker, Petty, Hoy and Palich, 2012).

- **High crime rate**

The South African Police Service (2020) revealed that crimes decreased by 2.7% as compared to an increase of 0.7 % in 2019. Overall, aggravated robbery decreased by 10.4%, commercial crime increased by 0.1% and shoplifting decreased by 0.5%. 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 productivity. Due to the high incidents of crime, businesses are incurring huge costs to safeguard not only goods but customers as well (Fatoki and Garwe, 2010). The authors further reveal that owners of SMEs are not aggressively pursuing avenues to grow their market shares and stay ahead of competitors. Rather, they are focusing on operational matters because of the high crime rate. Moreover, crime increases expenditures or investments in security measures to eliminate or minimise the likelihood of crime.

Table 2.11: Challenges facing SMEs in Africa

Challenges	Supporting Resources
1. Electricity supply	Fjose et al., 2010; World Bank Enterprise Survey, 2010; Muriithi, 2017
2. Access to financing	Fjose et al., 2010; Wanomo etal., 2012; Preprah, 2016; Waked, 2016
3. Poor management	Benzing and Chu, 2012; Jindrichovska, 2013; Muriithi, 2017;
4. Competency and capability	Aylin et al., 2013; Bouazza et al., 2015; Muriithi, 2017;
5. Negative perception	Bowen et al., 2009; Kazimoto, 2014; Muriithi, 2017;
6. Access to reliable information	Kamunge et al., 2014; Ayyagari et al. 2011; Wanomo etal., 2012; Muriithi, 2017;
7. Government support	Gunto and Alias, 2013; Lings 2014; Kamunge et al., 2014
8. Corruption	Benzing and Chu, 2012; Galli et al., 2017; Sulemenova et al., 2018

Source: Muriithi (2017)

2.4.3 The impact of business failure among SMEs

It has been alluded by the SEDA report (2012) that the outcome of new SME failure can be depicted both negatively and positively. The negative outcomes 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. The SEDA report (2012) insists 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 is different as experience grows. Failure can actually facilitate experience and a new beginning, leading to success.

Moreover, Herrington, Kew, Simrie and Turton (2011) argue that the impact of failure can also have an influence on government policy and planned strategies. It has been confirmed that SMEs are engines of economic development in most countries. Hence their 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. It can further lead to reduced income for the government in the form of lower taxes and increased expenditures on crime prevention.

2.4.4 Government perspectives on SMEs in South Africa (Support for SME development)

Countries all over the world have long recognised the importance of SMEs for economic growth. As a result, they have been coming up with different policy measures and creating organisations to foster the growth of the sector. South Africa is no exception. The government sees SMEs as a key resolution in resolving many socio-economic problems. In addition, the government has also put a lot of expectations on the SME sector to attain economic growth and other social objectives (Fatoki and Garwe, 2010; Smit and Watkins, 2012). It sees SMEs as "critical in stimulating economic development, and that it is also a pivotal area in terms of innovation, skills development, entrepreneurship, labour- absorption and job-creation" (Krause, Schutte and Du Preez, 2012).

As a result, the government has invested much attention by putting in place support programmes and policies for SMEs (Abor and Quartey, 2010). The government has also created institutions that provide financial and non-financial assistance for businesses. Some of the enterprises are listed below.

- The Ministry of Small Business Development was set up to improve the performance of small businesses in South Africa, thereby achieve economic growth, reduce unemployment and poverty rates and meet social objectives (Parliamentary monitoring group, 2014). The ministry was mandated to review rules and regulations that need to be put in place to ease the burden on small businesses and additionally allow for direct interaction with the government (Wealthwisemag, 2014). The ministry deals with small business policy, business

cycle support, small business financial solutions and moving the current Small Enterprise Development Agency (SEDA) into the Small Business Development Department (Parliamentary monitoring group, 2014). In addition, the ministry is expected to provide a solution with regards to the gap that exists between banks and development finance institutions and small businesses by serving as a bridge. Banks and development finance institutions (DFIs) face difficulties in finding newly established SMEs with feasible business plans, combined with the management skills to achieve the objectives set out in their plans (Standardbank, 2014). In addition, DFIs also struggle to find small businesses that exhibit growth potential (Wealthwisemag, 2014). On the other hand, SMEs have reported that financial assistance services of DFIs are largely inaccessible in addition to being administratively complex (Standardbank, 2014). Furthermore, applicants often receive inadequate feedback and are not aware of where to get assistance with funding and improving their business plans (Wealthwisemag, 2014). Thus, the ministry's role in providing co-ordination at government level and improved direct interaction of SMEs with the government (Wealthwisemag, 2014) can go a long way in diminishing the gap. Additionally, the minister's efforts to define market segments on a competitive basis will allow private sector financial institutions to be in a better position to support small businesses (Standardbank, 2014). The ministry is also expected to play a role in the collection and analysis of data that has relevance in assisting small business owners to make informed and strategic decisions (Standardbank, 2014).

- The Small Enterprise Development Agency (SEDA): An agency of the South African DTI, which was established in 2004. SEDA's main mission is to develop, support and promote small enterprises in South Africa in general. Services provided by this institution include tender advice, networking and business links, providing guidance to access markets, technical support for businesses and improving productivity (Atkinson, 2012).
- The Industrial Development Corporation (IDC): State-owned and self-financing institution which was founded in 1940. The institution promotes entrepreneurial activities by providing financial and non-financial support to SMEs (Ismaila, 2011).

Other institutions that support SMEs include Small Enterprise Finance Agency (SEFA), National Empowerment Fund (NEF), National Youth Development Agency (NYDA), Land Bank and Mafisa. The institutions established to provide support for small businesses are not only unproductive, but many entrepreneurs are not even aware of their existence (Atkinson, 2012).

After reviewing the literature on SMEs in South Africa, previous studies show that SMEs make several contributions in the country of their operation. Furthermore, the failure rate and challenges that are faced by SMEs were discussed. Strategic orientation and networking can assist in reducing the failure rate of SMEs in South Africa, while at the same time resolving the different challenges faced by SMEs in the country. The next chapter will focus on the literature relating to strategic orientation, networking and the sustainable performance of the study.

2.5 SUMMARY

This chapter reviewed small businesses from both an international and local perspective. The chapter has analysed the definitions and contributions 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 shows that SMEs make a positive contribution to employment creation, economic growth, poverty alleviation, productivity and competitiveness, and in income equality. The failure rate of SMEs was discussed as well as challenges that they face. These challenges can be internal environmental and external environmental challenges. Internal environmental challenges include lack of access to finance, lack of managerial skills and training and business development services, while external environmental challenges include competition, access to the appropriate technology, unfavourable regulatory environments, globalisation and high crime rate. The impact of business failure among SMEs and government perspectives on SMEs in South Africa were discussed. The next chapter will review the literature on strategic orientation and networking on sustainable performance.

CHAPTER THREE

STRATEGIC ORIENTATION AND NETWORKING AND SUSTAINABLE PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES

3.1 INTRODUCTION

This chapter will provide a definition of strategic orientation, networking and sustainable performance. The first part will discuss strategic orientation and the theory that will be adopted in the study, indicators and dimensions of strategic orientation. The second part will discuss networking and the theory adopted in the study and types of networks. The third part will discuss sustainable performance and the theory of sustainable performance and the type of sustainable performance. The fourth part will discuss both theoretical literature and empirical literature. The theoretical foundation of strategic orientation and networking will also be discussed. In addition, the empirical literature on the relationship between strategic orientation and networking on sustainable performance will be reviewed.

3.2 Theoretical literature

The resource-based theory by Wernerfelt in 1984 will be used to analyse the strategic options of a firm for choosing resources. The theory explains the origin or competitive advantage of a firm and supports the idea that intangible resources are the core concern that ensures performance of a firm (Liu et al., 2010). The central point in achieving competitive advantage and superior performance is the management of the company's strategic resources known as resource-based theory (resource-based theory-RBT (Barney, Ketchen, Wright, 2011). The resource-based theory (RBT) is one theory in the field of strategic management that provides a strategic framework to explain and predict the basis of competitive advantage and firm performance (Barney et al., 2011). The resource-based theory (RBT) asserts that performance difference across firms is a result of different resources and capabilities that hey control (Murray, Gerald and Masaaki, 2011). The RBT plays a critical role in strategic orientation research. Scholars frequently argue that strategic orientations can be leveraged for competitive advantage and performance outcomes (Cadogan, Olli and Sanna, 2009; Ruokonen and Saarenketo, 2009). While individual strategic orientations have long been discussed as important drivers of business performance, our current understanding of which and how multiple strategic orientations affect business performance remains limited (Ruokonen and Saarenketo 2009). The resource-based

theory further claims that complementary resources may interact and produce synergistic effects on performance (Kozlenkova, Samaha and Palmaier, 2014). Despite several calls to improve our understanding of the interaction effects of strategic orientations (Hakala 2011; Mu and Di Benedetto 2011), only a handful of studies directly examine the synergistic effects of complementary strategic orientation on business performance.

The Resource Dependency Theory was first formalised by Pfeffer and Salancik (1978) in their book “The External Control of Organisations: A Resource Dependence Perspective”. Pfeffer and Salancik (1978) argue that the success of a business is highly influenced by the interaction of a business with its environment. The theory contends that businesses are resource deficient (AbouAssi, 2013; Hillman, Withers and Collins, 2009; Lama and Shrestha, 2011) to overcome the external influences on their own. Hence, they must rely on each other and their environment to acquire resources such as financial, physical and human resources which they do not have. In this regard, the survival as well as the growth of a business highly depends on the networking which the business engages in. The Resource Dependency Approach of businesses being resource-insufficient and being highly influenced by their external environment specially holds true for SMEs (Wincent, Anokhin and Ortqvist, 2010). Consequently, SMEs rely on networks to receive the necessary resources and information to withstand competition as well as changes that occur in their industry. In conclusion, the Resource Dependency Approach emphasises the notion that businesses may not have all the necessary human, physical and financial resources to overcome changes and influences from the external environment (Lama and Shrestha, 2011). Therefore, businesses must depend on one another by creating networks in order to access the resources they lack to stay in competition as well as to grow their business (AbouAssi, 2013).

The resource-based theory advocates that firms should obtain competitive advantage to promote performance. In conclusion, the theory emphasises the notion that businesses may not have all the necessary human, physical and financial resources to overcome changes and influences from the external environment. Therefore, businesses have to depend on one another by creating networks in order to access the resources they lack to achieve sustainable performance in the long run.

3.3 DEFINITION OF STRATEGIC ORIENTATION, NETWORKING AND SUSTAINABLE PERFORMANCE

3.3.1 Strategic orientation

The strategy of a firm is one of the most critical concepts in management research and can be defined in a number of ways. A strategy is a set of competitive changes and business approaches that managers perform to achieve the best performance of the company (Emerson, João and Mário, 2014). It is the managerial plan to enhance the organisation's position in the market, boost customer satisfaction and achieve performance targets. A strategy communicates what an entity creates, by whom, how, for whom and why it is valuable (Huff and Terjesen, 2009; Hakala, 2010). Strategic orientation is an elusive phenomenon. Researchers attempt to describe how firms allocate and coordinate resources to accomplish their goal. Hakala (2010) describes strategic orientations as "simply reflections of how firms operate". This is similar to a definition which is commonly adopted by an existing study (e.g. Hakala 2011). Strategic orientation is about underlying principles that are reflected in various activities, processes and strategic directions undertaken by the firm to achieve superior performance (Cadogan 2012; Hong, Song and Yoo, 2013). It is an option that can create capabilities dynamically in a constantly changing business environment, and enables companies to respond quickly to these changes (Al-Barghouthi, 2014). According to Eitrem and Oberg (2018), strategic orientation refers to how a company responds to factors in the business environment. Therefore, such orientation is often portrayed as a predictor of high performing firms which have a competitive advantage (Liu et al., 2011). Strategic orientation is commonly used as a generic umbrella term to describe a number of different constructs such as market orientation, entrepreneurial orientation and learning orientation (Hakala, 2011).

3.3.1.1 Indicators of strategic orientation

Previous studies have confirmed the importance of strategic orientation as a factor contributing to company performance even at the level of SMEs (Deshpande, Grinstein and Ofek, 2012; M'zungu, Merriless and Miller, 2017). Strategic orientations are description of how resources allocation and coordination patterns are brought into, embedded, adopted, and/or enacted at some level within the firm (Cadogan, 2012). The three most commonly cited strategic orientations are entrepreneurial orientation, market orientation and learning orientation. These strategic orientations direct various

company behaviours, each of them addressing in its own way the issue of how to compete in any given market segment (Hakala, 2011).

- **Entrepreneurial orientation**

Entrepreneurial orientation places greater value on the importance of actively searching for new market opportunities (Krzakiewicz and Cyfert, 2019). The classic approach is to analyse entrepreneurial orientation in terms of three components: innovativeness (willingness to experiment and create new ideas), proactiveness (looking for new market opportunities) and risk acceptance (organisation's willingness to engage in risky ventures). In a broader approach to entrepreneurial orientation, other components are included as well, such as autonomy (organisation's independence in developing new ideas and opportunities) and competitiveness (propensity to achieve and sustain a strong position in the marketplace through aggressive competition). Entrepreneurial orientation consists of five dimensions: (1) autonomy, (2) competitive aggressiveness, (3) innovativeness, (4) proactiveness, and (5) risk taking.

1. Autonomy

The autonomy dimension reflects independent and autonomous actions that are implemented by leaders and teams with the aim of launching a new venture. Autonomy is the independent action undertaken by a firm's entrepreneurial leaders or teams directed at bringing about a new venture and seeing it to fruition. Autonomy represents an individual's independent action and self-direction in search of a new opportunity (Rauch, Wiklund, Lumpkin and Frese, 2009). Rauch et al. (2009) found a positive relationship between a firm's performance and autonomous attitude.

2. Competitive aggressiveness

Competitive aggressiveness refers to the intensity of approach and head-to-head posturing that a company may need in order to compete with its rivals. Competitive aggressiveness is described as a firm's proclivity to straightaway challenge its market competitors and to surpass the rivals. It exhibited that high performing firms are likely to be more aggressive in a hostile environment (Choi and Williams, 2016).

3. Innovativeness

Innovativeness refers to the propensity toward creativity and experimentation through the introduction of new products and services, as well as to technological leadership in new processes. Innovativeness represents a firms' propensity to be involved in creative processes, experiments, and support novel ideas. These kinds of activities would create and facilitate new and innovative methods, opportunity recognition, processes and technologies (Buli, 2017). The author further stated that a small firm's owner might apply innovative techniques of enhancing their firm's performance.

4. Proactiveness

Proactiveness is about seeking opportunities and refers to how an organisation goes about anticipating future market needs. Proactiveness demonstrates a firm's anticipatory action in the future market demand to gain competitive advantages over its market competitors, followed by opportunity scanning (Wales, Shirokova, Sokolova and Stein, 2016). According to Wales (2016), proactive business firms are able to capitalise first mover lead and dominate over market distribution channels.

5. Risk taking

Risk-taking is the degree to which firms or managers are willing to consider investing in and committing resources to projects that may well fail, and to assume the risks associated with such initiatives. Risk-taking tendency measures the inclination to invest the potential amount of resources to the opportunities which would possess a rational likelihood of both success and failure. Firms with high risk-seeking tendency tend to obtain superior growth and profitability in the long run (Wang and Poutziouris, 2010; Altinay and Wang, 2011).

- **Market orientation**

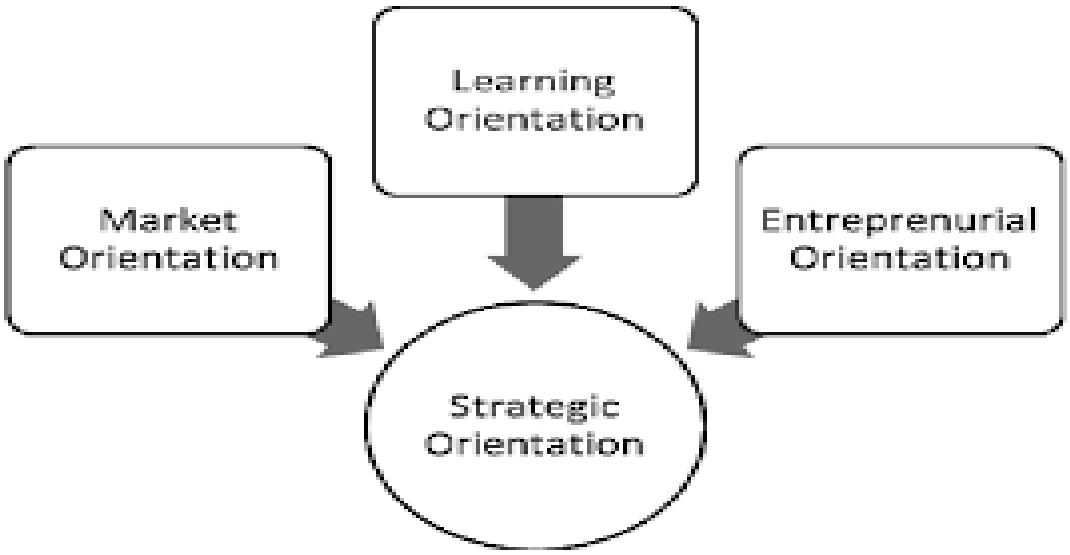
Market orientation is a well-established construct in the strategic orientation literature and has been studied extensively in terms of its nature, structure and outcomes. Market orientation refers to the extent to which the firm's strategies and operations are ready to respond to market demands and changes in the market. It involves knowing and understanding customers and competitors. It essentially provides the underpinnings for planning and executing strategies that aim to deliver customer satisfaction, and accomplish and sustain competitive advantage (Liao, Chang, Wu and Katrichis, 2011; Suharyono, Imam and Zainul, 2014). Market orientation is valued as

a set of organisational capabilities which assist in serving the target market and keeping abreast of the organisation's opponents. It 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 (Voola and O'Cass, 2010; Mokhtar and Yusoff and Ahmad 2014). Market orientation is compulsory in all organisations as a mechanism which can be used to build marketing capabilities, meet customer needs and compete with competitors (Voola and O'Cass, 2010).

- **Learning orientation**

Learning orientation influences the inclination of a firm to create and utilise all kinds of knowledge. It moreover affects the degree to which firms are likely to promote generative learning as a core competence. The notion of learning orientation can also be understood as a set of organisational values that influence the propensity of the firm to create and use knowledge. It refers to an organisation-wide activity of creating and using knowledge to enhance competitive advantage (Laukkanen, Nagy, Hirvonen, Reijonen and Pasane, 2013). It is focused on developing and leveraging knowledge within an organisation. The traditional approach to conceptualising learning orientation places the analytical focus on three components: commitment to learning, shared vision of organisational development, and open-mindedness (Lonial and Carter, 2015). In a broader approach, intra-organisational knowledge-sharing is added as another component. It assumes that there is an effective knowledge transfer system in place that allows an organisation to analyse current decision-making processes and implement new ways or organisational activities (Calantone, Cavusgil and Zhao, 2012). Learning orientation focuses on a firm's intention to create, and effectively utilise knowledge to broaden its competitive advantage through compiling and information sharing in relation to the customer's needs and wants, market niche, competitive advantage, and new and innovative product development (Nybakk, 2012).

Figure 3.1 Proposed model for strategic orientation



Source: Sarker (2015)

The proposed model of strategic orientation in Figure 3.1 from the existing literature has been used to explain the performance of SMEs. Several studies explained strategic orientation as organisational resource which can give an organisation a competitive advantage (Hult, Hurley and Knight, 2004).

3.3.1.2 Dimensions of Strategic Orientation

In addressing how the strategy construct can be measured, Venkatraman (1989) posited that there are three approaches to strategy measurement: the narrative, the classificatory and the comparative approach. The comparative approach is relevant to this study and is aimed at identifying and measuring key traits or dimensions of the strategy construct. The focus is on “measuring the differences along a set of characteristics that collectively describe the strategy construct” (Venkatraman, 1989). This approach identified six traits of competitive strategy, namely aggressiveness, analysis, defensiveness, futurity, proactiveness and riskiness. The dimensions of strategic orientation are based on Venketaraman’s (1989) original work, who defined strategic orientation through the dimensions of strategic analysis, defensiveness, aggressiveness, futurity, proactiveness and riskiness. Basu and Gupta (2013), Espino-Rodriguez and Ramirez-Fierro (2018), Agu, Emezue and Okocha (2019) and

Lau and Bruton (2011) further expanded on Venketaraman's (1989) work and discussed the dimensions below:

Analysis dimension refers to the overall problem-solving posture of an organisation, the extent of tendency to search deeper for the roots of problems and understanding of the organisation's internal and external environment to generate the best possible solution alternatives and allocate the resources for the chosen objectives (Lau and Bruton, 2011; Basu and Gupta, 2013). This dimension of strategic orientation indicates the level of internal consistency that is achieved in overall resource allocation for achieving target objectives for the firm

Defensive dimension refers to the defensive behaviour of an organisation, characterised by emphasis on efficiency, productivity and cost reduction in operations. Defensive organisations focus on a product and market domain that is narrow and relatively stable, tending to defend their products, markets and core technology rather than develop new products or markets (Basu and Gupta, 2013; Espino-Rodriguez and Ramirez-Fierro, 2018). Firms exhibiting this dimension can secure capabilities and skills that develop comprehensive strategies which give them advantage over firms that are less specialised.

Aggressiveness dimension trait in a firm is reflected in its propensity to face up to and challenge its rivals directly and intensely and to outperform them in the marketplace. Furthermore, organisations, in their pursuit for aggressive growth, exhibit a clear and pronounced strategic focus of beating the competition (Basu and Gupta, 2013). Aggressiveness signals a clear mindset oriented towards market share development by fighting competition in an aggressive manner.

Futurity dimension relates to the future; to temporal considerations or time orientation in decision making. It is reflected in key strategic decisions where a balance is kept between effectiveness or longer- term considerations versus efficiency or shorter-term considerations. Futurity is also reflected in deliberate engagement by firms in long-term relationships with suppliers or other strategic business partners to cultivate a sustainable competitive advantage that impacts favourably on business performance (Basu and Gupta, 2013; Espino-Rodriguez and Ramirez-Fierro, 2018). Futurity applies particularly in areas pertaining to forecasting sales, customer preferences and environmental trends.

Proactiveness dimension may be defined as a forward-looking perspective characteristic of a marketplace leader that uses its foresight to anticipate future demand and shape the environment. It also reflects how an organisation reacts to market opportunities, acting with initiative opportunistically to influence market trends, expectations and demand. The proactiveness dimension is the readiness of a firm to constantly search for growing opportunities (Lau and Bruton, 2011; Agu, Emezue and Okocha, 2019). Proactiveness explains the readiness exhibited by a firm to enter new markets, introduce new products and brands before competition arrives, and similarly to eliminate operations that have reached their optimum level or are on the verge of decline in their life cycle.

Riskiness dimension is defined in various ways depending on the context, such as venturing into the unknown and heavy borrowing. The first of these contexts, relevant to the discussion, gives a sense of uncertainty associated with the commitment of resources in an organisation. Risk taking and the way it impacts on the economic performance of the organisation represent critical issues in strategic management (Lau and Bruton, 2011; Basu and Gupta, 2013). It is a calculated behaviour displayed by firms on the basis of their analysis and risk-taking appetite in order to target growth. This calls for decisions involving substantial financial and human resource investments.

3.3.2 Networking

Machirori (2012) defines networking as a set of continuous and sustained relationships which involve collaboration and cooperation which is mutually beneficial to all parties involved. Networking is also defined by Nieman and Nieuwenhuizen (2009) as patterned and valuable associations formed between individuals, groups or businesses that are used to access critical economic resources needed to start and manage a business. Machirori (2012) points out that the various definitions of networks suggest that networking is comprised of information and resources sharing, reduction of transaction costs and social interactions that exist between individuals. According to Nieman and Nieuwenhuizen (2009), networking has been established to contribute to the growth of businesses by providing new ideas, practical assistance and emotional support. Thrikawala (2011) established a positive relationship between small business networking and performance.

According to Lawal (2018), networking in SMEs refers to the network process that is undertaken by SME owner-manager to manage business activities. In Niu's study (2010), it is argued that the benefits of networking involvement enable trusting relationships among businesses. Furthermore, SMEs harvest from individual ties in their networks, including suppliers, customers, friends and relatives for various purposes (De Jong and Hulsink, 2012). According to Kariv, Menzies, Brenner and Filion (2009), networking enhances a business's competitiveness. SMEs rely on their networks to support and enhance their business efforts to be competitive (De Klerk and Saayman, 2012). A well-networked business enjoys higher growth rates and competitiveness (Hakimpoor, Hon Tat, Khani and Samani, 2011). SMEs with more open networks and diverse connections have greater opportunities to develop successful businesses than an individual with many connections within a single or closed network (Harris, Rae and Misner, 2012).

Several studies have established that SMEs can innovate and achieve efficient growth of their businesses by creating and maintaining a network of partners (Cantù, Montagnini, and Sebastiani, 2010; Naudé et al., 2014). Networks are important especially to SMEs with limited resources as they are dependent on the other firms´ resources (Mäläskä, Saraniemi and Tähtinen, 2011). Networking seems to have a positive impact on growth, it is a source of benefits (Hashi and Krasniqi, 2011). Networks are strategic for development and expansion of new ideas and innovations. Innovations are key in the creation of competitive advantage. According to LaPlaca (2014), networks provide access to resources, knowledge and skills required for the development and exploitation of new business opportunities.

Watson (2011) provides insights as to how networking may be comprehensively measured. Networking was measured using a series of close-ended dichotomous questions based on the network's respondents that could be engaged. Specifically, general networks refer to membership in professional associations, attendance of trade fairs, use of accountants and relationships with government agencies and external consultants. Managerial networks included relationships with suppliers, competitors and customers while social networks included relationships with friends and family/relatives, and membership in social clubs or associations.

3.3.2.1 Types of networks

Networking can be divided into general networks, managerial networks and social networks (Machirori, 2012; Ngoc and Nguyen, 2009).

- **General Networks**

General networks refer to networks which SMEs have with governmental/non-governmental organisations that provide assistance for small businesses and networks which SMEs have with business consultant firms. General networks can have an influence on the growth of a business. This view is supported by Chittithaworn, Islam, Keawchana and Yusuf (2011), who pointed out that general networks play a significant role in helping businesses gain organisational legitimacy and build a good reputation. The relationships formed in business networks create an opportunity where businesses can access information about industry trends and future business opportunities

- **Managerial Networks**

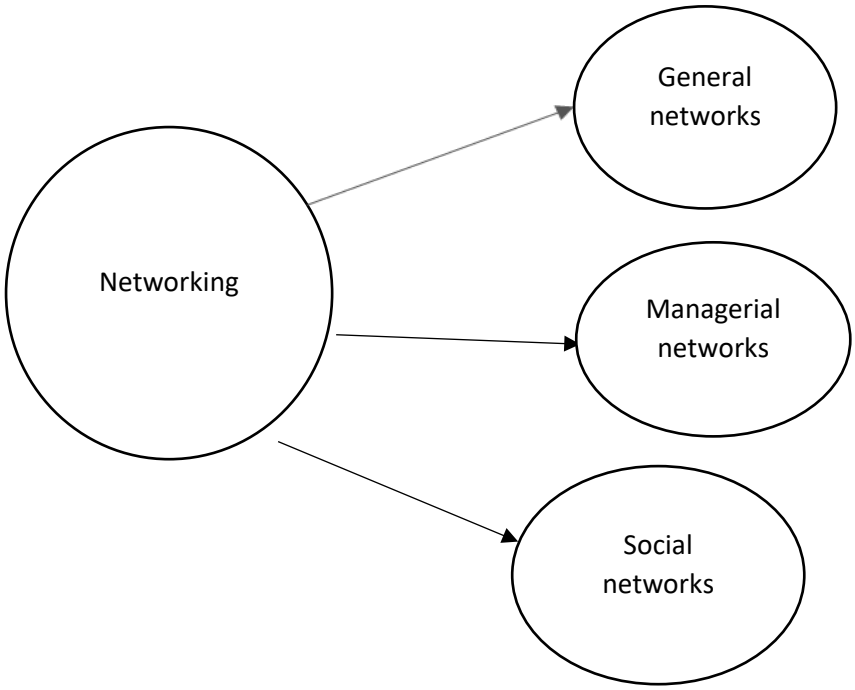
Panda (2014) describes managerial networks as "the structure in which top managers of firms connect with others who are directly or indirectly connected with the organisation". Ngoc and Nguyen (2009) emphasise that managerial networks are relationships with suppliers, customers and other businesses that enhance the legitimacy of the business. Managerial networks require a tie between managers of a business and managers of other businesses. Hence, managerial networks are directly related to the managers of a business (Heshmati, 2013). Managerial networks also improve the business's strategic position, help them focus on its core business, enter international markets, learn new skills and adapt to rapid technological changes (Chittithaworn et al., 2011). Networking between businesses creates credibility and a name for members of the network (Côté, 2011), which is important in receiving external finance. Recommendations from respected business managers create a positive image of a business (Ngoc and Nguyen, 2009). Banks are more likely to give loans for SMEs that have positive recommendations (Heshmati, 2013).

- **Social Networks**

Companies recognise that social networks represent a new way to communicate with consumers, allowing a company to extend its communications, develop a reputation and promote firm image (Becker, Nobre and Vijay, 2012). It would seem natural then

that firms would look to this channel to promote their brands, communicate with customers and increase sales (Marsteller, 2010). Social networks provide modern methods of collaboration in the innovation process between SMEs representatives and customers, partner companies, suppliers and academia representatives. Even though worldwide most companies understand the necessity of being active on the social platforms like Facebook, Twitter, Instagram and others, they do not understand the full potential of using social networks for innovative purposes as studies done in other countries in Finland have shown (Konsti-Laakso, Pihkala, and Kraus, 2012). Social networks refer to social connections and interconnections between users, with the potential to reach and engage other individuals. In other words, they are means of communication that provide the construction of relationships through mobile interfaces and desktop devices that have recreational functions, whose operations are fed by various data, whether through images, videos, or texts being shared or developed by the users themselves (Kaplan and Haenlein, 2010; Kietzmann, Hermkens, McCarthy and Silvestre, 2011).

Figure 3.2: Types of networks



Source: Leroy (2012)

Figure 3.2 above shows sources of networks that range from general networks (membership in professional associations; attendance of trade fairs). Managerial

networks include relationships with suppliers, competitors and customers. Social networks include relationships with friends and family and membership in social clubs.

3.3.3 Sustainable performance

The major theories on sustainability include Corporate Social Responsibility, Stakeholder Theory, Corporate Sustainability and Green Economics (Rui-Dong, Jian, Zhen-Yu, George, Xiao-Long and Veronica, 2017). According to Brundtland Report (1987), “sustainable development is development that meets the needs of the present without compromising the ability of future generations to meet their own needs”. Since the release of the Brundtland Report in 1987, the concept of sustainable development has been playing a critical role in policy making. Sustainable development can be traced back to the concept of sustainable societies which appeared in 1974 (Rui-Dong et al., 2017). To achieve the vision of sustainability, some international political agendas are in place. As the outcome document of the World Summit on Sustainable Development, the Johannesburg Plan of Implementation identifies three overarching objectives of, and essential requirements for sustainability worldwide, i.e. “1) poverty eradication, 2) changing unsustainable patterns of production and consumption, and 3) protecting and managing the natural resource base of economic and social development”. Eradicating poverty is identified by this document as “the greatest global challenge facing the world today and an indispensable requirement for sustainable development, particularly for developing countries” (Rui-Dong et al., 2017). The three overarching aims, and essential requirements of sustainable development have been reaffirmed by the Future We Want, the outcome document of the United Nations Conference on Sustainable Development held in Rio 2012.

The three main pillars of sustainable development include economic growth, environmental protection, and social equality. While many people agree that each of these three ideas contribute to the overall idea of sustainability, it is difficult to find evidence of equal levels of initiatives for the three pillars in policies of countries worldwide (Slaper and Hall, 2011). With the overwhelming number of countries that put economic growth on the forefront of sustainable development, it is evident that the other two pillars have been suffering, especially with the overall wellbeing of the environment in a dangerously unhealthy state. The Brundtland Commission has put forth a conceptual framework that many nations agree with, and want to try to make a difference within their countries, but it has been difficult to change these concepts

about sustainability into concrete actions and programmes. Implementing sustainable development globally is still a challenge, but because of the Brundtland Commission's efforts, progress has been made (Cowan, Dopart, Ferracini, Sahmel, Merryman and Gaffney, 2010; Rui-Dong et al., 2017).

Although many use the terms sustainable development and sustainability interchangeably, they are inherently different. In terms of the first perspective, sustainable development is the journey or process to achieve sustainability (Ratiu and Anderson, 2015), and from the second perspective, sustainability is the process to achieve sustainable development (Sartori, Latronico and Campos, 2014). Irrespective of the two contradicting perspectives, the research turns to address and explain sustainability (Sartori et al., 2014). ‘Sustainability’ has been treated as an umbrella term that covers various issues, concepts, practices and ways of thinking (Isada and Isada, 2015) that are complex. Its concept remains theoretical and abstract, leading to various research proposing different definitions depending on how it is approached and perceived (Barkemeyer, Holt, Preuss and Tsang, 2014; Owens and Legere, 2015).

Nowadays, driven by the increasingly pressing concerns raised around environmental, social and economic issues, the multifaceted constructs of sustainability emerge as high priority for the business world and all key players in the various chains of production (Sancha, Wong and Thomsen, 2016). In this regard, the notion of organisational sustainability has received considerable interest by practitioners and researchers alike (e.g. Linnenluecke, Russell and Griffiths, 2009), describing proactive activities aimed at contributing to the sustainability equilibria. Such equilibria pertain to the integration of socio-economic and environmental performance aspects, as well as underlying inter-relations within and throughout the time dimension while addressing the organisational system as a whole and its critical stakeholders (Lozano, 2012; Lozano, Carpenter and Huisingh, 2015).

The term sustainable growth has also been defined variously by different studies. From the financial standpoint, sustainable growth denotes growth within the firm’s financial constraints (Huang and Liu, 2009; Alayemi and Akintoye, 2015) without increasing its financial leverage (Ross, Westerfield, and Jordan, 2010). Harmon, Fairfield and Behson (2009) define it as the ability of the firm to achieve its objectives

and shareholders' value through a concerted effort to integrate economic, environmental and social activities into its strategies. Nonetheless, not all SMEs are able to achieve all the three factors or even have at their disposals necessary resources to incorporate the three elements of sustainability as their mission and objectives (Goswami and Ha-Brookshire, 2015). Guoli and Shujun (2011) define sustainable growth as affordable growth. Stefanikova, Rypakova and Moravcikov (2015) define sustainable growth as long term perspective of growth. This definition is also used by Mogos, Davis and Baptista (2015), who define sustainable growth as achieving long term growth with low downside. According to Ali, Ismail, Khurram, Soehod and Omar (2014), Jafri, Ismail, Khurram and Soehod (2014), and Ismail, Jafri, Khurram and Soehod (2012), sustainable growth has been defined as achieving growth without having financial, structural or strategic setbacks. Schwab, Gold, Kunz and Reiner (2017) add to the list by defining sustainable growth as growth in economic, social and environmental performance.

- **Financial performance**

Farah, Farrukh and Faizan (2016) state that financial performance is the extent to which a company's financial health over a period is measured. In other words, it is a financial action used in order to generate higher sales, profitability and worth of a business entity for its shareholders through the management of its current and non-current assets, financing, equity, revenues and expenses. Jayeola (2015) states that there are many ways to measure financial performance, but all measures should be taken in aggregation. At the same time, each of these measures may slightly measure different aspects of financial performance. Vijfvinkel, Nasser and Jolanda (2011) explain that some, such as profitability, evaluate return; others, like sales growth and market share growth, measure the growth of a firm. Jayeola (2015) agrees that some gauge profitability (return on investment, return on equity), some liquidity (quick ratio, current ratio), and still others solvency (gearing). Some measures are indicators of commercial success (growth, market share) while others are indicators of financial success (profitability, revenue). From this point of view, it can be argued that a single measurement may not capture an acceptable financial performance.

- **Environmental performance**

The World Bank probably first used the term "environmental sustainability" as a component of sustainable development (Moldan, Janouskova and Hak, 2012).

Spence and Perrini (2012) define environmental sustainability as “a long-term perspective that aims to ensure that economic can progress without damaging the environment”. The aim of the environmental performance typically includes reducing the exploitation of invaluable resources and the environment, decreasing the creation and operation of harmful substances, and curbing environmental pollution and waste production. Furthermore, it is also driven towards a reduction of harmful substances, environmental pollution as well as waste (Zamfir, 2014; Kraus, Burtscher, Niemand, Roig-Tierno and Syrjä, 2017).

Some companies are increasingly conscious of the need to reduce their environmental hazards but the spectrum of environmental initiatives they may undertake is very broad (Vijfvinkel et al., 2011). A small number of firms have already made significant progress in responding to the environmental challenge while others display a lacklustre attitude to internalise environmental issues and are still driven by compliance with legislation and risk avoidance (Jayeola, 2015). Being environmentally conscious in business operations at least should have some payoffs. If this environmental sustainability is to be sustained for long, then the incentive for business should be encouraging rather than having little or nothing as value added (Vijfvinkel et al., 2011). Some companies focus on a single area, which is regarded as the most important for them or where they have the highest impact.

According to Natarajan (2012), the most common environmental sustainability measures include Environmental Sustainability Index (ESI), Ecological footprint (EF) and Dashboard of Sustainability (DS). The Environmental Sustainability Index measures the overall progress of nations toward environmental sustainability. As a composite index, it tracks a set of environmental, socioeconomic and institutional indicators that characterise and influence environmental sustainability at a national level (Natarajan, 2012). The ecological footprint is a measure of resources necessary to produce the goods that an individual or population consumes. It is also used as a measure of sustainability, though evidence suggests that it falls short (Living Planet report, 2014). The Dashboard of Sustainability is a free of charge non-commercial software package configured to convey complex relationships among economic, social and environmental issues. The software is designed to help developing countries to achieve the Millennium Development Goals and work towards sustainable development (Shields and Shelleman, 2020).

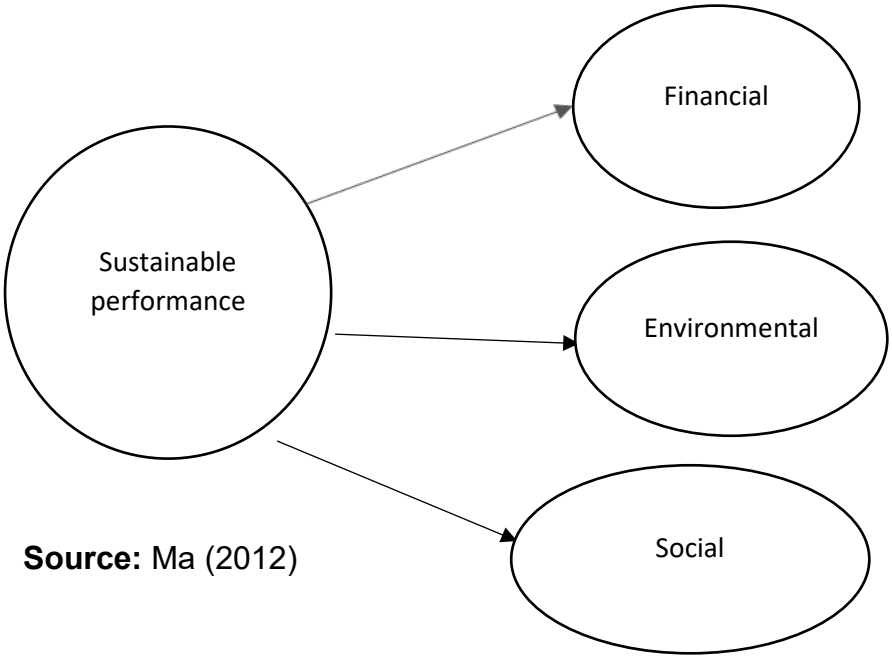
- **Social performance**

Social sustainability includes definitions of society, community and culture and is measured in the firm's performance in donations, safety, strategic philanthropy and corporate citizenship. Thus, social sustainability places a demand upon firms to play an active role and acknowledge more responsibilities toward stakeholders and the social environment they operate in (Ciasullo and Troisi, 2013; Høgevold, Svensson, Klopper, Wagner, Valera, Padin, Ferro and Petzer, 2015). Overall, social sustainability is measured through principles, actions and measures implemented (Sy, 2016). In Africa, among others, SMEs contribute towards social sustainability through the employment of people with inadequate education and skills levels, and women in the lower spectrums of the society (Masocha, 2019).

According to Chen and Delmas (2010), the most common social performance measures include labour right protection and the transparency of social and environmental performance reporting. With regards to labour right protection, through a constructive worker management relationship, and by treating workers fairly and providing them with safe and healthy working conditions, clients/investees may create tangible benefits, such as the enhancement of the efficiency and productivity of their operations (Chen and Delmas, 2010). Over the last decade, we can also observe how transparency has enhanced environmental corporate compliance, which was traditionally based on regulation. As a result, large companies subjected to greater public scrutiny try to legitimise their activities not only by complying with regulations, but also by voluntary reporting to justify these practices (Bednárová, Klimko and Rievajová, 2019).

Social performance consists of a set of principles and processes of social responsibility of the company and policies, programmes and observable externalities exerted on various stakeholders. From the perspective of stakeholder theory and sustainability, CSR consists in meeting society's expectations about the economic, legal, ethical, social and philanthropic activities carried out by an organisation (Carroll and Shabana, 2010; Oh and Park, 2015).

Figure 3.3: Proposed model for sustainable performance



Source: Ma (2012)

Figure 3.3 above shows that the model is based on financial, environmental and social performance of sustainable performance (Ma, 2012).

3.3.2 Empirical Literature

Sustainability defines a business model that encompasses many elements of companies' performances that contribute to environmental and social progress (Klettner, Clarke and Boersma, 2014). Sustainability is a multidimensional concept defined by the United Nations and involves taking into consideration three main pillars, which are environmental, social, economic pillars (Sancha et al., 2016).

3.3.2.1 Strategic orientation and financial performance

Previous studies have found a link between firms' capability to implement strategic orientation and company performance. Altuntaş, Semerciöz and Eregez (2013) conducted research on healthcare providers in Turkey through a combination of email surveys and telephone interviews with 74 companies. They found that there was a relationship between strategic orientation and company performance. Moreover, Ho (2014) also found that strategic orientation influences company performance, especially in industries with a high level of competition, such as technology-based companies. In the context of SMEs, Abiodun and Kida (2016) conducted a study of

238 companies in Nigeria. The study found a positive and significant relationship between strategic orientation and their performance.

Rauch et al. (2009) argue that firms are likely to benefit from strategic orientation and increase their firm performance. Rauch et al. also suggest that the direct effect of entrepreneurial orientation on firm performance is influenced by the size of the business. The smaller the firms (size of the business), the greater the direct effect of entrepreneurial orientation on firm performance. A study of entrepreneurial orientation among Japanese cuisine restaurants (SMEs with less than 50 employees) in South Korea demonstrates that the size of the firm is the strongest factor (Lee and Lim, 2009). Since the respondents of this study are Malaysian SMEs (<50 employees), it is suggested that there will be a direct effect of entrepreneurial orientation on firm performance. Thus, the following were hypothesised:

Ha1: There is a significant positive relationship between strategic orientation and financial performance.

3.3.2.2 Strategic orientation and social performance

According to Audretsch, Lehmann, Belitski and Cajazza (2018), large companies tend to be more successful as compared to SMEs mainly because they plan strategically, hence, the need for SMEs to do the same to obtain a competitive advantage. Through strategic orientation, firms can highlight their development and growth choices, look intensely into their prospects and strategically plan to fully exploit the opportunities offered (Makinde and Agu, 2018). The worry is that by disregarding strategic orientation, SMEs may not attain their full performance and growth capacities, and their survival might be at risk. Masocha (2018) stated that social performance relates to the “firm’s actual accomplishments in enhancing and sustaining the standards of living without disregarding environmental issues”.

Corporate social responsibility (CSR) has become an integral part of business practice over the last decade or so (Servaes and Tamayo, 2013). In fact, many corporations dedicate a section of their annual reports and corporate websites to CSR activities, illustrating the importance they attach to such activities. Servaes and Tamayo (2013) pointed out that companies began implementing social responsibility activities and other strategies that allow them to improve their reputation and restore stakeholders’ confidence. Busch and Hoffmann (2011) emphasise that the stakeholder theory,

referred to as good management theory, is about doing good to those that the firm interacts with in order to create the enabling environment for the business firm to gain competitive advantage and grow. This approach assumes that being a good corporate citizen can also make a firm more profitable (Matuszak and Różańska, 2017). Thus, the following were hypothesised:

Ha2: There is a significant positive relationship between strategic orientation and social performance.

3.3.2.3 Strategic orientation and environmental performance

During the last few decades, ecosystem degradation has grown to become a major topic among several actors in society, such as politicians, NGOs and consumers. In this debate, much responsibility is placed on businesses, which together with consumers are often key players on the road towards increased environmental sustainability (Haddock-Fraser and Tourelle, 2010; Sandhu, Ozanne, Smallman and Cullen, 2010). Considering the increase in CSR advertising, sustainability reporting and corporate CSR rhetoric (Moore and Manring, 2009; Wong, Lai, Shang and Lu, 2014), it seems that the corporate sector is increasingly becoming aware of the sustainability and environmental aspects of their operations. However, while this is the case among larger companies, much research indicates that small and medium-sized enterprises (SMEs) are lagging behind (Brammer, Hoejmose and Marchant, 2012; Cassells and Lewis, 2011; Revell, Stokes and Chen, 2010).

An important role in achieving the sustainability of a business is played by environmental protection. The environmental sustainability should have the long-term perspective considering the evolution of business systems and feedback, the necessity to be flexible and adaptable, with constant attention on local and global conditions, and respecting the living nature end biological diversity (Moldan et al., 2012). Environmental sustainability synthesises the economic growth and environmental protection in a way that means investments in resources saving and natural capital preservation with achieving benefits from the development of new cleaner sustainable technologies and production.

Pursuing green economic growth is becoming a strategic business opportunity for enterprises to cope with the environmental market requirements (Li, 2014). In this context, the development of green innovation has become an inevitable choice to lead

low-carbon development, transform economic growth mode, and build ecological civilisation. Green innovation may reduce the negative impact of economic activities on the environment through innovation in products, processes, society, institutions or organisations (Borghesi, Cainelli and Mazzanti, 2015). More and more enterprises choose to use green innovation as an effective strategy to achieve their sustainable competitive advantages. Thus, the following were hypothesised:

Ha3: There is a significant positive relationship between strategic orientation and environmental performance.

3.3.2.4 Networking and financial performance

SMEs must use different tools in order to overcome these challenges and grow their business. Networking is an important tool by which SMEs can overcome such challenges (Leroy, 2012). One way in which networking can do this is by helping them achieve economies of scale. Harvie, Narjoko and Oum (2010) further pointed out that by creating networks, SMEs can integrate with each other based on the industry they are in. The network formed will help SMEs take advantage of economies of scale that would have been impossible for them to achieve if they were to operate individually. For instance, SMEs can buy raw materials in bulk and distribute it amongst each other in order to achieve economies of scale in production or deliver orders that are beyond their normal output. Therefore, networking helps SMEs use market opportunities that require large input and output quantities (Thrikawala, 2011).

Networks also serve as a source of information for SMEs. They help SMEs gain knowledge on the ever-changing market conditions. Information such as profitable market segments, as well as information on how to improve product quality can be found in networks (Chittithaworn et al., 2011). Networks provide a space where SMEs can exchange and evaluate their ideas. They serve as learning habitat from which SME owners gain understanding regarding the opportunities they have and the resources that are available to them. It can therefore be concluded that by networking, SMEs are able to gain information that will help them grow their business (Strömberg and Bindala, 2013).

The high level of competition in today's business environment requires businesses to be equipped with the necessary resources. However, often SMEs have the disadvantage of lacking essential resources (Akande, 2012; Wincent et al., 2010).

They experience difficulties in obtaining finance. This presents a great hindrance for business growth as finance is “the life-blood of any business enterprise” (Leroy: 2012). Networking can enhance access to finance for SMEs (Fatoki and Odeyemi, 2010). One of the ways in which networks can do this is by improving the legitimacy of a business (Fatoki and Garwe, 2010). This means that networks provide the necessary information to trade creditors (Ngoc and Nguyen, 2009). Hence, they can positively impact the business’s access to external financing (Fatoki and Garwe, 2010). In addition, networks can also provide capital to SMEs through informal methods such as from family and friends (Ngoc and Nguyen, 2009). Eggers, Kraus, Hughes, Laraway and Snycerski (2013), on the other hand, found no significant or positive relationship between networking and SME growth.

Vermeulen, Niemann and Kotzé (2016) state that networking is an agreement between firms to do business together in ways that go beyond normal company-to-company dealings but fall short of a merger or a full partnership. Findings by Tooksoon and Mudor (2012) showed that the business network was statistically significant and positively associated with performance. Ge Hisrich and Dong (2009) studied the impact of networking on the performance of SMEs. The study was conducted by taking a total sample of 227 firms from three cities in China. The study found that the outcome of the network was positively related to firm performance. In addition to this, some previous studies have shown that networks with other firms are positively associated with the performance of the firm (Prashantham and Dhanaraj 2010). Considering the foregoing, it is hypothesised that:

Ha4: There is a significant positive relationship between networking and financial performance.

3.3.2.5 Networking and social performance

Many firms and companies engage in CSR to improve their efficiency and enhance their reputation, brand and trust (Porter and Kramer, 2011). Such actions may attract new customers (socially conscious customers, “green” consumers, etc.), increase the companies’ profitability and enhance their competitiveness (Flammer, 2014). Empirical studies identify corporate social responsibility as a tool for competitive advantages (Hernandez, Palacios and Galvan, 2017). According to a significant study, socially responsible policies generate a positive impact on corporate performance

(Kim and Kim, 2014), thus providing several benefits such as reduced operating costs and financial risks, and enhanced efficiency and competitiveness, as well as increased corporate reputation and consumer confidence (Flammer, 2015).

Chi Vo (2011) suggested that enabling the dialogue and networking between SMEs about CSR adoption and implementation helps in enhancing their knowledge about the topic. By interacting and networking with their peers, SMEs owners can have a much better understanding and a higher degree of awareness about CSR. Another way to improve SME knowledge of CSR is to provide training and workshops on the issue (Gallardo-Vázquez and Sanchez-Hernandez, 2014). Guidance and coaching during the CSR implementation process are also crucial, as learning by doing is an effective way to obtain knowledge.

Benn et al. (2014) argued that the lack of accountability and poor information availability from business organisations restrict SMEs' engagement in social activities. The development of CSR learning networks through trade associations to enhance access to a range of complementary experiences and expertise is therefore necessary (Klettner et al., 2014). There are a number of platforms and business institutions locally or internationally (e.g. Honolulu Japanese Chamber of Commerce) that advocate and forward CSR ideas to local Chambers of Commerce. The responsible government ministry can simply attach themselves to these networks in order to accumulate free updated information that will assist in educating the wholesale and retail SMEs on CSR (Busch and Hoffmann, 2011). Considering the foregoing, it is hypothesised that:

Ha5: There is a significant positive relationship between networking and social performance.

3.3.3.6 Networking and environmental performance

In the small business context, growing literature and awareness has emerged about the effectiveness of implicit and embedded approaches to environmental responsibility (Wickert, Scherer and Spence, 2016). Effective implementation of SMEs requires cooperation in which firms draw on their social capital and connections to stakeholders with high proximity (Wickert et al., 2016). External knowledge compensates the constrained in-house expertise and provides appropriate solutions to ecological challenges (Bos-Brouwers, 2010). Participation in external networks to share best practices is particularly appropriate for this purpose. Indeed, small businesses that

invest in tools and solutions with significant pro-environmental impact identify these solutions through other participants in their networks (Wohlfarth, Eichhammer, Schlomann and Mielicke, 2017).

Network for Business Sustainability (2013) stated that achieving an economic, social and environmental balance is not only difficult for a single company, but often far less effective than when the balance is achieved by a network of firms working together. This signals the importance of collaboration. We need to understand collective performance and use this to work towards a more holistic/complete view of sustainability. Thus, the following were hypothesised:

Ha6: There is a significant positive relationship between networking and environmental performance.

3.4 SUMMARY

This chapter has defined and provided the theoretical foundation of strategic orientation, networking and sustainable performance. Different indicators and dimensions of strategic orientation were discussed. Furthermore, networking and different types of networking were discussed. Those networking include general networks, managerial networks and social networks. Lastly, sustainable performance was discussed, and included financial performance, environmental performance and social performance. In addition, the chapter has reviewed the literature on the relationship between strategic orientation and networking on the sustainable performance of SMEs. In addition, there is a lack of literature on the impact of strategic orientation and networking on the sustainable 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 in the empirical part of the study.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 INTRODUCTION

The aim of this chapter is to discuss the research methodology that will be followed in the empirical part of the study. The research methodology which will be applied in this study will follow the business research process, which is divided into eight steps. Step one will focus on the research philosophy and research approach. The second step will present the various types of research designs such as qualitative, quantitative, hybrid, exploratory, descriptive and causal. In motivation, the type of research chosen in the study will be specified. The third step will explain the population of the study. The fourth step will explain the sampling method used in the study. This will be followed by the fifth step, which will explain the primary data collection methods which includes observation, experiment and survey. The motivation for the primary data collection method used in the study will also be given. This will be followed by the sixth step. In this step, the data analysis method will be presented, including the motivation for the data analysis method used in the study. The seventh step will discuss the reliability and validity of the study. Finally, the eighth step will discuss ethical considerations of the study.

4.2 RESEARCH PHILOSOPHY AND APPROACH

4.2.1 Research philosophy

Depending on the nature of the research, various research philosophies such as pragmatism, positivism, realism and interpretivism can be adopted by researchers. Pragmatism is a deconstructive paradigm that advocates the use of mixed methods in research and “sidesteps the contentious issues of truth and reality” (Feilzer, 2010). According to Gill and Johnson (2010), positivism relates to the philosophical stance of the natural scientist and entails working with an observable social reality to produce law-like generalisations. Realism focuses on explaining what we see and experience, in terms of the underlying structures of reality that shape observable events (Watson, 2011). Interpretivism was developed as a critique of positivism but from a subjectivist perspective, and emphasises that humans are different from physical phenomena because they create meanings (Easterby-Smith, Thorpe, Jackson and Lowe, 2012). The researcher of this study belongs to the positivist school of thought, which 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 and Lancaster, 2009). 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 and Lancaster, 2009). Babbie (2013) argues that in positivism, the researcher must be independent and be able to formulate hypotheses and generalise the results through statistical probabilities.

4.2.2 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), and was appropriate in this study because learning and marketing theories were adopted. Hypotheses were developed and empirically tested to assess the validity of the theory.

4.3 RESEARCH DESIGN

A research design can be defined as a planning process on the methods employed to acquire and evaluate evidence for a study. It is a systematic process, or a specific technique detailing methods and practices of gathering evidence and evaluating the evidence acquired (Babbie, 2011; Zikmund, Babin, Carr and 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, a research design is a plan, structure and strategy of investigation conceived so as to obtain answers to research questions and to control variances. It 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 address central research questions (Malhotra, 2007:73; 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). It can be considered as a planned strategy for conducting the research, and for validating the steps which will be followed in obtaining accurate information required to solve the research problem (Malhotra, 2007:73). It 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. A research design consists of the following classifications: exploratory, casual and descriptive research (Cooper and Schindler, 2011).

4.3.1 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) 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.

4.3.1.1 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 (Cooper and Schindler, 2011), and is useful in exploring the depth of new developments and assist in thoroughly explaining and managing those developments (Sekaran and Bougie, 2012). This study did not adopt the qualitative research design because the aim of the study is to investigate the impact of strategic orientation and networking on the sustainable performance of SMEs.

4.3.1.2 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 (Cooper and Schindler, 2011). According to Sekaran and Bougie (2012), the requirements for quantitative research include (1) the generation of models, theories and hypotheses; (2) the development of instruments and methods of measurement; (3) the collection of empirical data; (4) the analysis of data; and (5) the evaluation of results.

Quantitative research is the examination of methods of research objectives, and the evaluation of associations between variables (Cooper and Schindler, 2011). A variable can be documented as dynamics easily manipulated on a research (Sekaran and Bougie, 2012). 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)

Quantitative research is considered the best research method especially when sampling large results and making generalisations, and leads to the acquisition of data and the study of correlation between variables. These outcomes are quantified in numbers (Cooper and Schindler, 2011). The study has made use of a quantitative research design. This method involves the collection of primary data samples with the intention of projecting results on a wider population (Bless, Higson-Smith and Sithole, 2013). This method was selected because it uses numerical data to collect information that can, in turn, be used to explain as well as determine connections amongst variables. The method can also be used to test cause-and-effect. The research approach is quantitative in nature as Likert scales will be used to quantify the responses (Grix, 2010). Quantitative research enabled the research to use statistical tests to analyse the data (Bryman, Bell, Hirschsohn, Dos Santos, Du Toit, Masenge, Van Aardt and Wagner, 2011).

4.3.1.3 Hybrid research

The use of both qualitative and quantitative data collection methods in a single study is not sufficient enough to categorise a study as ‘hybrid research’. It is in the integration or linking of the two strands of data that defines hybrid research and highlights its value. Integration can happen at multiple levels of a study design level, methods level, or interpretation level and can happen in a variety of different ways connecting, building, merging or embedding (Fetters, Curry, and Creswell 2013; Creswell and Plano Clark 2011). Mixing qualitative and quantitative is a common hybrid approach.

Hybrid refers to bringing together a mix of different methodologies involving individual or group interaction as well as in-person or digital methodologies. Hybrid qualitative research can also bring together different target markets, stakeholders, or even expert opinions in our project design (Cooper and Schindler, 2011; Creswell and Plano Clark, 2011). This study did not adopt the hybrid research design because the aim of the study is to investigate the impact of strategic orientation and networking on the sustainable performance of SMEs.

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, exploratory and casual.

- **Exploratory research**

The purpose of exploratory research is to question how things are (Babbie 2013). Cooper and Schindler (2011) examine the use of exploratory research with the objective of developing and testing theories in a specific field of study. Hence, exploratory research reveals causes, validates causality between factors and determines the impact of a social behaviour. Exploratory research relates to the quantitative method, which makes use of statistical analysis to interpret data (Bless et al., 2013). When new information is collected, previous explanations of behaviour are often retained for future purposes (Babbie, 2013). Exploratory research must explain why events happened, and the data gathered using this type of research is used to evaluate and test theories or hypotheses (Cooper and Schindler, 2011).

The researcher of this study used exploratory research for the following reasons: (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, the researcher used secondary data analysis by reviewing peer-reviewed journal articles, books and other sources of information related to the study (Bless et al., 2013). Babbie (2013) describes a pilot study as a 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,

which 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, and 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 (Ghauri and Grønhaug, 2010)). 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 (Grix, 2010).

According to Babbie (2013), 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. (Grix, 2010).

- **Causal research**

Babbie (2013) points 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 (Bless et al., 2013). This study used causal research to investigate the impact of strategic orientation and networking on the sustainable performance of SMEs.

4.4 POPULATION OF THE STUDY

Hanlon and Larget (2011) define population as the entire group of individuals or units of concern. In this study, ‘target population’ refers to the members or elements of a group under study. The term ‘sample’ refers to a subgroup chosen from the population to participate in the research (Wegner, 2010). There are several business sectors in the South African market. According to Castells and Himanen (2014) cited by Simon (2015), these are Agriculture 2.76 percent; Mining and Quarrying 0.05 percent;

Manufacturing 9.43 percent; Electricity, gas and water supply 0.06 percent; Construction 13.83 percent; Wholesale and retail trade 45.61 percent; Transport and storage 6.01 percent; Financial interpretation 10.22 percent; Community, social and personal 11.32 percent; and private household 0.70 percent.

The study was based on existing SMEs operating within Polokwane Municipality in Limpopo Province. Given that studying all the elements within the populations is not feasible because of time and cost constraints, the researcher must choose a sample (Bhattacherjee, 2012). The population of this study comprises of SMEs in Polokwane Municipality, in Limpopo Province.

4.5 SAMPLE OF THE STUDY

Cooper and Schindler (2011) 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).

According to Goodman (2011), 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. Cooper and Schindler (2011) 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 a 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), 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.

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. There are different types of non-probability sampling techniques, namely quota sampling, convenience sampling and snowball sampling (Cooper and Schindler, 2011). In quota sampling, the aim is to end up with a sample where the strata (groups) being studied are proportional to the population being studied. The main advantage of quota sampling is that it saves time and money both at the same time by giving us important information about how many samples of each group we need to collect. The disadvantage is that it is impossible to find a sampling error. Convenience sampling is simply one where the units that are selected for inclusion in the sample are the easiest to access. The advantage of convenience sampling allows the researcher to draw samples from the zone where s/he gets comfortable, and the sampling method becomes easier for the researcher as compared to stratified random sampling, systematic random sampling and others. The disadvantage is that it fails to represent the whole population since all samples are concentrated around the researcher carrying out the survey; it cannot represent the whole sample.

Snowball sampling is a technique where a researcher picks a first few samples, and either recruits them or asks them to recommend other subjects that they know who fit the description of samples needed. The main advantage of snowball sampling is that the referral system helps to a great extent to get appropriate samples quickly at a conveniently low cost. The disadvantage is that respondents may not be willing to co-operate citing ethical reasons or fear of danger to their lives. Due to the lack of a

comprehensive sample frame, the study adopted a non-probability sampling technique. Specifically, the snowball sampling and convenience techniques were utilised to build the sample size through a line of references, from one respondent to another. According to Yin (2011), snowball sampling takes place as a point-to-point direction in which the existing respondent directs the researcher to another potential respondent. Using this technique, the researcher will survey the participants who were available, and will ask them to recommend people who meet the criteria required in this study. This procedure is repeated until the exact number of the sample is accumulated.

4.6 DATA COLLECTION METHODS

Cooper and Schindler (2011) 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 (Yin, 2011). It is regarded as a relevant strategy in scientific findings for business and management research (Hair et al., 2010). Survey research encompasses 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 standardised questionnaire to them (Gaiser and Schreiner, 2009). 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 and Schreiner, 2009).

The study followed the survey research process as pointed out by Yin (2011):

- 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.

Yin (2011) pointed out that methods of conducting surveys include 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 respondents are telephoned in order to gather primary data about a specific research problem. The researcher often has access to a list of people who have telephone. As such it yields a 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 (Yin, 2011).

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 respondents (Cooper and Schindler, 2011).

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

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

- Self-administered questionnaires ensure anonymity and privacy of 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.

4.6.1 Questionnaire

The primary research instrument which will be used by the researcher is the questionnaire. Cooper and Schindler (2011) described a questionnaire as a formalised 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 respondents who record their own answers. It can also be considered as a data-collection instrument which sets out questions to be asked in a formal way in order to produce the desired information. A questionnaire was used 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.

4.6.1.1 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 (Murthy and Bhojanna, 2010). 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). Close-ended questions specify permitted responses and make information available to respondents. Close-ended response questions offer respondents a selection of possible responses (Kelly and Lesh, 2012). Closed-ended questions were used by the researcher because they can be easily coded and

analysed. Cooper and Schindler (2011) 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 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 following reasons as pointed out by Cooper and Schindler (2011):

- Likert scale eliminates the development of response bias amongst respondents.
- Likert scale can be used to assess attitudes, beliefs, opinions and perceptions.
- Using the Likert scale makes the response items standard and comparable amongst respondents.
- Responses from the Likert scale questions are easy to code and analyse directly from questionnaires.
- They are easy to code and analyse.
- Interviewer bias is reduced, and questions can be administered more quickly.

The researcher chose Likert Scale due to its benefits. It was very simple to construct, saving time for the researcher. The instrument produced a highly reliable scale (Bertram, 2010) and it was easy to read and compete for respondents. However, Likert Scale has its own drawbacks. The researcher further stated that Likert scale questions 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 strategic orientation and networking and sustainable performance of SMEs (Desta, 2015; Masocha and Fatoki, 2018).

4.6.1.2 Questionnaire content

The questionnaire was divided into four parts. These are (1) demographic and company information; (2) strategic orientation; (3) networking; and (4) sustainable performance.

The scale used to measure strategic orientation was adapted from previous literature (Espino-Rodríguez and Ramírez-Fierro, 2018). These studies used a twenty-five-question scale to measure strategic 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 strategic orientation.

In addition, the scale used to measure networking was adapted from previous literature (Machirori and Fatoki, 2013; Desta, 2015). These studies used a thirteen-question scale to measure networking 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 very weak”, “2 weak”, “3 adequate”, “4 strong” and “5 very strongly” was used to measure networking.

The scale to measure sustainable performance was adapted from previous literature (Masocha and Fatoki, 2018), with a Cronbach’s alpha coefficient that exceeded the recommended 0.7. The study used a four-point scale to measure sustainable performance. The five-point Likert scale ranging from “1 strongly disagree”, “2 disagree”, “3 neutral”, “4 agree” and “5 strongly agree” was used to measure sustainable performance. All the scales used by this study have acceptable psychometric properties in terms of their reliability and validity.

4.7 DATA ANALYSIS METHODS

This research used Statistical Package for the Social Sciences (SPSS) version 26.0 software to statistically analyse the primary data. According to Kulas (2009), SPSS can carry out diverse statistical analyses, both descriptive and inferential. SPSS will be used to tabulate and analyse the coded data. Two summary descriptive measures were used to describe data, namely a central tendency measure (mean, median and mode) and a variance measure (standard deviation) (Wegner, 2010). The researcher will use SPSS to analyse the data and descriptive statistics, and correlation and regression path analysis were used to interpret the data. The other notable advantage is that the SPSS programme is designed in such a way that it is flexible in terms of type of data, minimum or maximum sample size and the number of variables that can be allowed per given time (Cooper and Schindler, 2011).

4.7.1 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). 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 (Bless et al., 2013). In the study, the data collected was analysed by the form of mean and standard deviation.

In this study, the following statistical techniques were used as tools of descriptive analysis as pointed out by Bryman et al. (2011).

- 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 a set of values. The standard deviation is a more accurate and detailed estimate of dispersion and shows the relation that set of scores has to the mean of the sample.

4.7.2 Correlation analysis

Pearson's Correlation Coefficient is a technique of investigating the relationship between two quantitative continuous variables. It is a measure of the strength of the association between two variables. Correlation is a statistical process used to discover whether two or more variables are in a way related to the other (Bryman et al., 2011). Correlation coefficient ranges from +1 to -1, with +1 being a total positive correlation and vice versa (Bhattacherjee, 2012). Thus, a Correlation coefficient of two variables that is closer to +1 indicates a strong positive correlation. Conversely, a Correlation coefficient close to -1 indicates a strong negative correlation between variables. A Correlation coefficient that is closer to 0 shows weak or no relationship. The P-value measures the significance. A 5% level of significance was used in the study. This is consistent with the significance level of most of the empirical studies on business management (Bryman et al., 2011). The researcher used correlation to determine the level of association between strategic orientation and networking on the sustainable performance of SMEs.

4.7.3 Regression analysis

Regression is particularly important in understanding the control of autonomous variables towards the reliant variable after a causal relationship has been proven. 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). There are various types of regression, namely simple linear regression, multiple regression and hierarchical regression (Bless et al., 2013).

According to Kumari and Yadav (2018), simple linear regression is a statistical procedure for calculating the value of a dependent variable from an independent variable. Linear regression measures the association between two variables. It is a modelling technique where a dependent variable is predicted based on one or more independent variables. Linear regression analysis is the most widely used of all statistical techniques (Kumari and Yadav, 2018), while multiple regression is an extension of simple linear regression, which is used when we want to predict the value of a variable based on the value of two or more other variables. The variable we want to predict is called the dependent variable. The variables we are using to predict the value of the dependent variable are called independent variables (Anghelache, Manole, Anghel and Popovici, 2015). Hierarchical regression is a way to show if variables of your interest explain a statistically significant amount of variance in your dependent variable after accounting for all other variables (Richardson, Hamra, MacLehose, Cole and Chu, 2015). A simple linear regression was used to test the relationship between strategic orientation and networking on sustainable performance. In order to test the significance of the regression test, this study used a 95% confidence level. This means that for the tests to be accepted, the p-value has to be less than 0.05.

4.8 RELIABILITY

Creswell (2013) claimed that reliability shows the degree of solidity and consistency of a measuring tool over several repeat measurements. Cooper and Schindler (2011) explain that reliability is concerned with estimates of the degree to which a measurement is free of random or unstable error, and reliable instruments can be used with confidence that transient and situational factors are not interfering. Zikmund,

Babin, Carr and Griffin (2013) outline that reliability is the ability of a yardstick to regurgitate the same output of a study.

For the study, the researcher will use the internal consistency (Cronbach's alpha) reliability because it is the easiest to compute using software; it requires only one sample of data to estimate internal consistency reliability. According to Shelby (2011), Cronbach's alpha is a reliability metric used to evaluate the extent to which item responses derived from a scale correlate with each other. Makhitha and Dlodlo (2014) stated that there are several different reliability coefficients. A common coefficient is the Cronbach's alpha, which is based on the average correlation of items within a test if the items are standardised. 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.

4.9 VALIDITY

Validity aims to show the degree to which the measurement process is free of both random and systematic errors. It refers to whether an instrument actually measures what it is supposed to measure given the context in which it is used (Creswell, 2013).The integrity of a study is mostly important and depends on how valid a measuring instrument is. There are four major types of validity. These are face (content) validity, criterion related validity, content validity and construct validity (Shuttleworth, 2019).

According to Thornhill (2011), face (content) validity refers to the fact that the concept being measured is done so appropriately. The face validity of a measuring instrument is the extent to which the instrument provides adequate coverage of the concept. It 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) 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. Shuttleworth (2019) points 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) 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).

- 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.

4.10 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) 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 Ford and Tusting (2013), 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, analyse 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 pilot test 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 names of respondents (demographic information) and the name of the places of work (company information) of respondents from the questionnaire because some of them were not willing to reveal the information to the researcher.

4.11 ETHICAL CONSIDERATIONS

Babbie (2013) asserts that key aspects on ethics are voluntary participation, no harm to the participants and anonymity and confidentiality, and generally no one must be forced to participate. Consequently, the subject must not be forced to participate in the research by any means. This study will be conducted in an ethical manner, ensuring honesty regarding data and responsibility of the overall research. The researcher will respect and protect the rights of participants, and they will be informed that participation is voluntary and that they were able to withdraw at any time from the study. Ethical considerations are briefly outlined below.

- Voluntary participation: The participants were asked to volunteer their participation to ensure that they are not forced to do so.
- Confidentiality of information and anonymity of participants: The researcher protected the identities of all participants who take part in the research. The confidentiality of the information shared will be observed.
- Anonymity: The researcher ensured anonymity by not collecting any unique identifiers of participants (e.g., name, address, email address, phone number, etc.). The anonymity of participants will never be revealed.
- Informed consent: The participant signed an informed consent form. The form will be written in a language easily understood by participants. This minimised the possibility of coercion or undue influence, and participants will be given enough time to consider participation.
- Respect and dignity: The researcher recognised that each person has the right and capacity to make his or her own decisions. By respecting participants, the researcher ensures that dignity will be valued.
- Risk and harm: The researcher explained to participants that there is no probability of risk and harm (physical, psychological, social, legal, or economic) as a result of participating in this study.

Before the data collection, the questionnaire was translated from English to Sepedi by a sworn translator (see Annexure 2). A consent form is attached to give permission to

participate in the study (see Annexure 3). The form was then submitted to the University of Limpopo Research Ethics Committee, which granted approval for the research to proceed (see Annexure 4). Participants will be assured that all data would be treated with full confidentiality. The final critical issue is that of harm. It is important to note that social research should never injure the people being studied, regardless of them volunteering or not (Babbie, 2013). This study will ensure that participants are not harmed or exposed to danger.

4.12 SUMMARY

This chapter examined aspects of the research methodology 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, which included descriptive analysis, correlation analysis and regression analysis. The issues of reliability, validity and ethical considerations were also discussed. The following chapter will focus on the presentation of research results.

CHAPTER FIVE

PRESENTATION AND DISCUSSIONS OF FINDINGS

5.1 INTRODUCTION

The chapter presents the results of the study on the impact of strategic orientation and networking on the sustainable performance of SMEs. The chapter presents the analysis and discussion of results of the empirical study. The statistical processing of the collected data is addressed, as well as the presentation and analysis of the processed data. The results are presented, analysed and interpreted in relation to the research questions and the research objective, which was to determine the impact of strategic orientation and networking on the sustainable performance of SMEs in Polokwane Municipality in Limpopo Province. The chapter comprises of different sections. The response rate is presented. In addition, the normality analysis and demographic characteristics of respondents are discussed. This is followed by the presentation of descriptive statistics, summation of SME network participation, independent sample T-test and ANOVA, correlation analysis and regression analysis results on the relationship between strategic orientation and networking on the sustainable performance of SMEs.

5.2 RESPONSE RATE

This is the rate of businesses that participated in this study area. The response rate is discussed below.

Table 5.1: Response rate

Respondents	No. sent out	No. returned	Percentage
Businesses	300	140	46,67

Table 5.1 depicts the response rate of the survey. Three hundred questionnaires were distributed and 140 were returned. The response rate was 46.67%.

5.5 NORMALITY ANALYSIS FOR STRATEGIC ORIENTATION AND NETWORKING ON SUSTAINABLE PERFORMANCE

Normality tests are used to determine if a data set is well-modelled by a normal distribution and to compute how likely it is for a random variable underlying the data set to be normally distributed. A small p-value (typically ≤ 0.05) indicates strong evidence against the null hypothesis, so you reject the null hypothesis. A large p-value (> 0.05) indicates weak evidence against the null hypothesis, so you do not reject the null hypothesis.

Table 5.2: Normality analysis for strategic orientation and networking on sustainable performance

	Kolmogorov-Smirnova		Shapiro-Wilk	
	Statistic	Sig.	Statistic	Sig.
Financial performance	0.165	0.000	0.938	0.000
Environmental performance	0.192	0.000	0.950	0.000
Social performance	0.116	0.000	0.961	0.000

Table 5.2 indicates that strategic orientation and sustainable performance are tested for normality below. The normality analysis for strategic orientation will be presented and interpreted in the figures below. These figures are constructed through the sums of the data of strategic orientation and networking on sustainable performance. The first part will discuss the financial performance, followed by the environmental performance and lastly the social performance.

Financial performance

Figure 5.1: Histogram with normal curve for financial performance

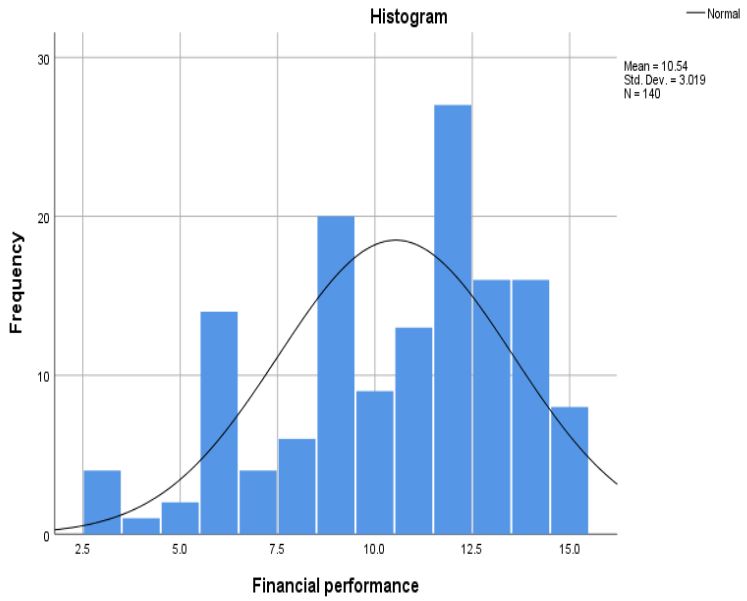


Figure 5.1 depicts the histogram and normal distribution curve. The figure indicates that data for financial performance and measure on using financial performance is normal. The normal distribution curve on the histogram clearly outlines the normality of data.

Figure 5.2: Normal Q-Q Plot for financial performance

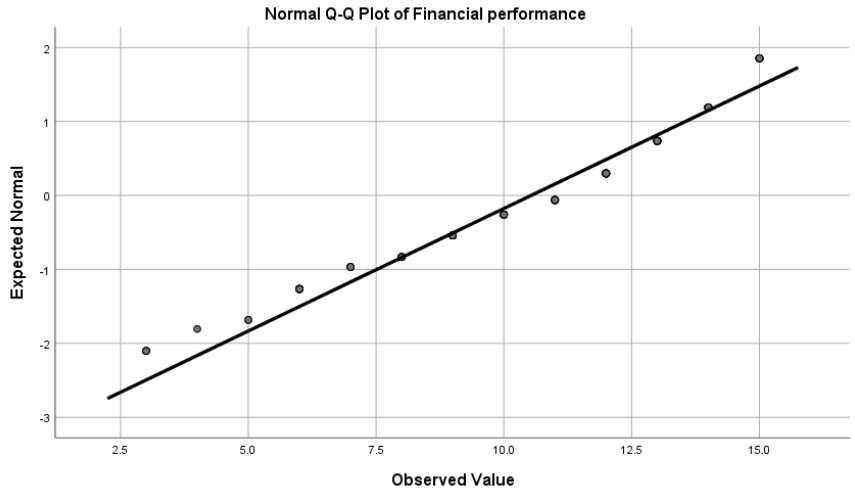


Figure 5.2 illustrates the normal Q-Q Plot. The figure indicates that data for financial performance and the measure of using financial performance is normally distributed, because the data points are close to the diagonal line. The figure further outlines that financial performance data points roam around the line in a linear fashion.

Figure 5.3: Box plot for financial performance

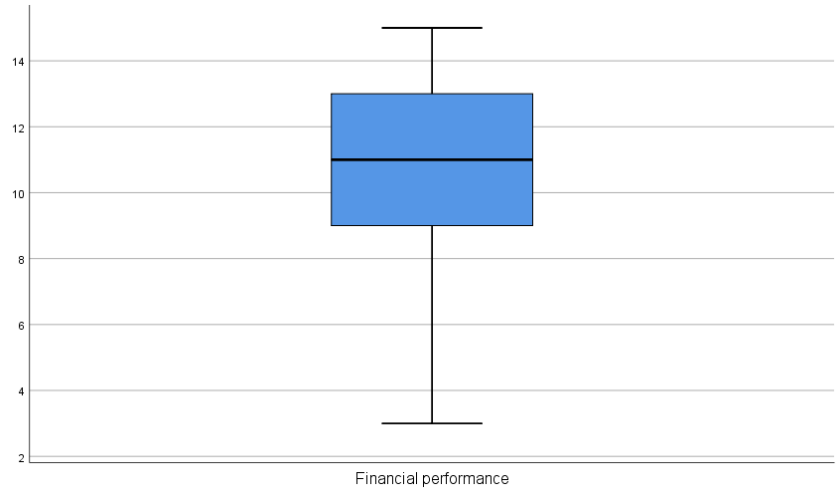


Figure 5.3 depicts the overall pattern of responses for businesses. The results of the figure indicate that businesses hold different opinions about the financial performance and measures of using financial performance. The results further indicate that few businesses in the study area have similar views. The indication of the results is influenced by the fact that the data is squid to the left.

Environmental performance

Figure 5.4: Histogram with normal curve for environmental performance

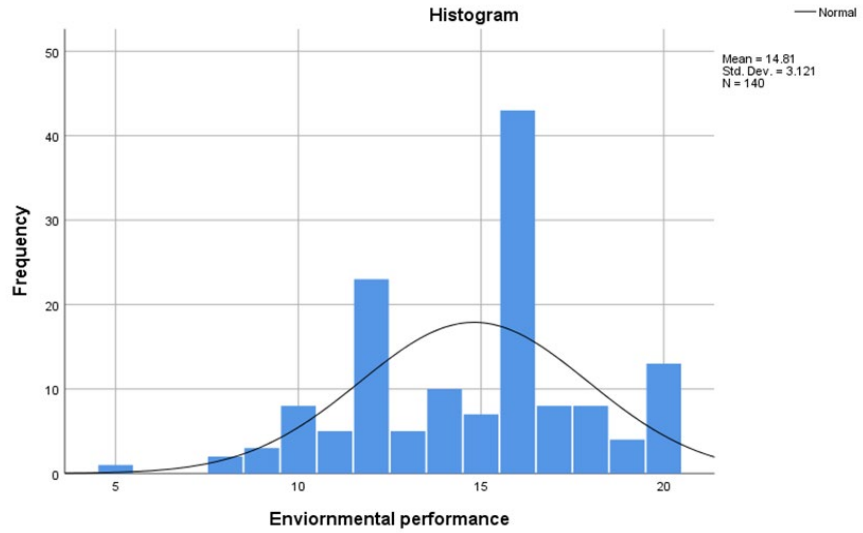


Figure 5.4 depicts the histogram and normal distribution curve. The figure indicates that data for environmental performance and measure on using environmental performance is normal. The normal distribution curve on the histogram clearly indicates the normality of data.

Figure 5.5: Normal Q-Q Plot for environmental performance

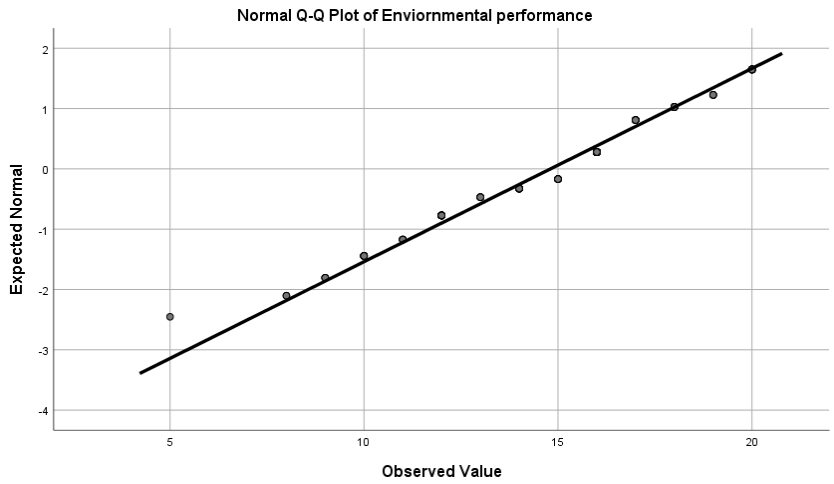


Figure 5.5 illustrates the normal Q-Q Plot. The figure indicates that data for environmental performance and measure of using environmental performance is normally distributed because the data points are close to the diagonal line. The figure

further outlines that environmental performance data points roam around the line in a linear fashion.

Figure 5.6: Box plot for environmental performance

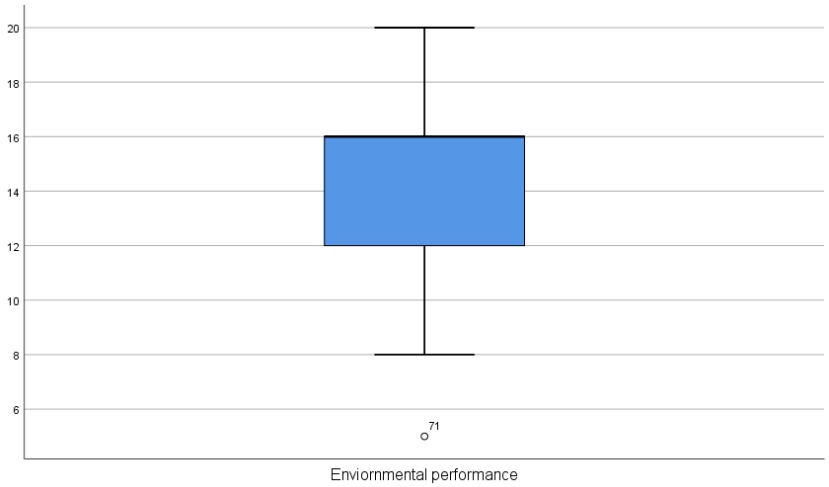


Figure 5.6 depicts the overall pattern of responses for businesses. The results of the figure indicate that businesses hold different opinions about the environmental performance and measures of using environmental performance. The results further indicate that few businesses in the study area have similar views. The indication of the results is influenced by the fact that the data is squid to the left.

Social performance

Figure 5.7: Histogram with normal curve for social performance

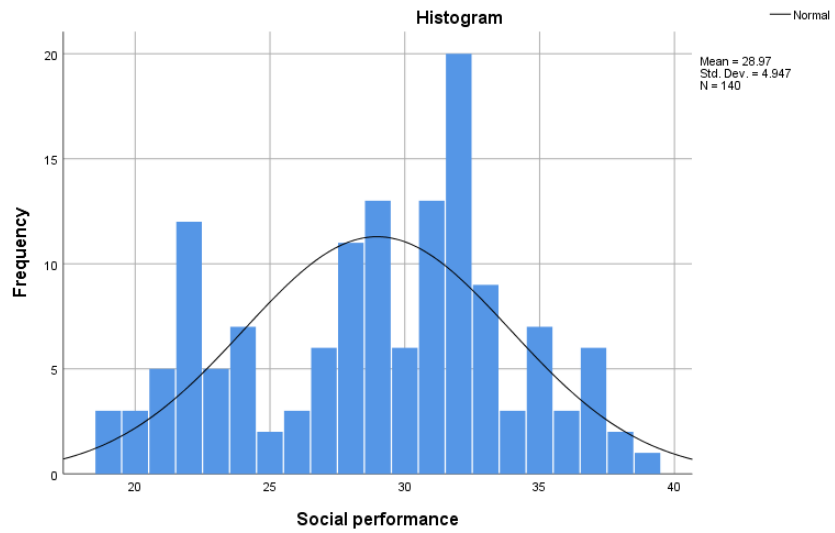


Figure 5.7 depicts the histogram and normal distribution curve. The figure indicates that data for social performance and measure on using social performance is normal. The normal distribution curve on the histogram clearly indicates the normality of data.

Figure 5.8: Normal Q-Q Plot for social performance

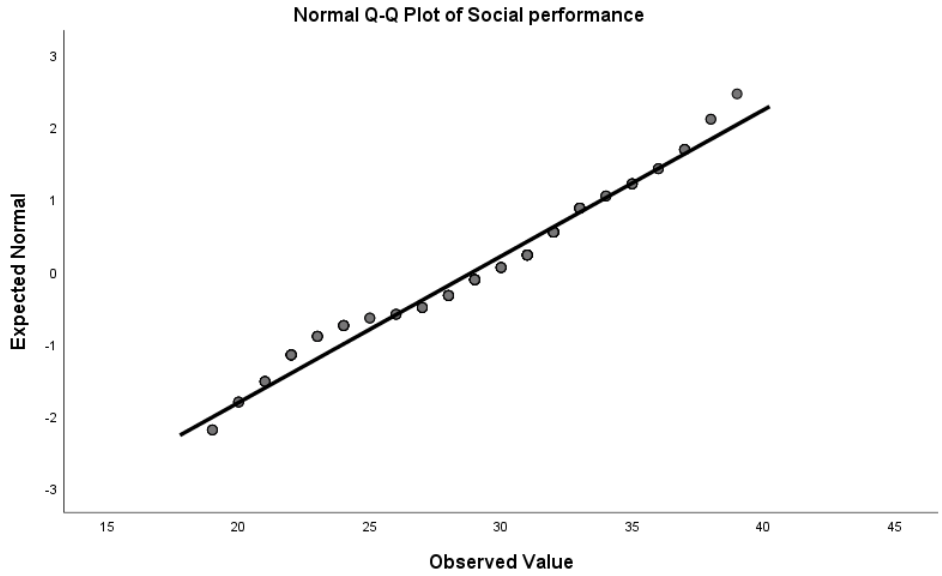


Figure 5.8 illustrates the normal Q-Q Plot. The figure indicates that data for social performance and measure of using social performance is normally distributed because the data points are close to the diagonal line. The figure further indicates that social performance data points roam around the line in a linear fashion.

Figure 5.9: Box plot for social performance

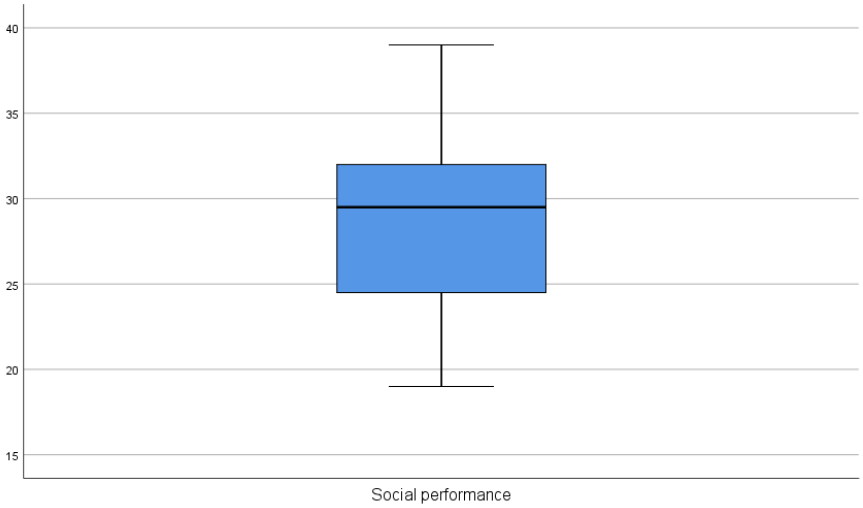


Figure 5.9 depicts the overall pattern of responses for businesses. The results of the figure show that businesses hold different opinions about the social performance and measures of using social performance. The results further indicate that few businesses

in the study area have similar views. The indication of the results is influenced by the fact that the data is squid to the left.

In conclusion, the results indicate normality of the data. This is the fact that the significant value of the Shapiro-Wik Test is greater than 0.05. The data is normal. If it is below 0.05, the data significantly deviate from a normal distribution.

5.2 DEMOGRAPHIC INFORMATION

The purpose of this section was to obtain a demographic profile of respondents. The demographic variables for which data was collected and information obtained consist of gender, age (how old are the respondents), business sector, business category, age (how long have your business been running), and the number of employees within the business. The tables and figures below present the visual distributions of demographic variables.

5.2.1 Gender

In studies such as this, it is customary to establish the gender of respondents. Table 5.1 below indicates the gender split of respondents in this research survey.

Table 5.3 Gender of respondents

Gender	Frequency	Percent
Male	73	52.1
Female	67	47.9

Figure 5.10: Gender

Figure 5.10 illustrates the gender of businesses owners/managers who participated in the study.

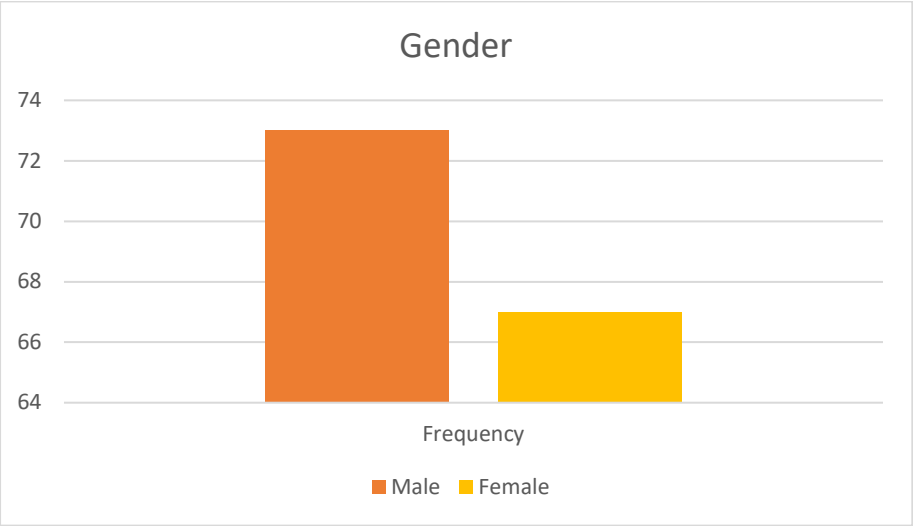


Figure 5.10 above reveals that 52.1% of respondents were males, while females represented 47.9% of the total. This result indicates a significant disparity between the genders, and suggests that more males than females actively own/manage small businesses. The results are consistent with previous empirical findings on the gender of entrepreneurs in South Africa. A study by Brijial, Naicker and Peters (2013) also obtained 71% male participants and 29% female participants. In addition, Farrington, Gray and Sharp (2012) also found that the SME sector in South Africa is male dominated.

5.2.2 Age group

Table 5.4 illustrates the frequency divided into five distinct age groups of business owners/managers who participated in the study.

Table 5.4 Age group

	Frequency	Percentage
Below 20	2	1.4
20-30	39	27.9
31-40	65	46.4
41-50	26	18.6
Above 50	8	5.7

Figure 5.11 Age group of participants

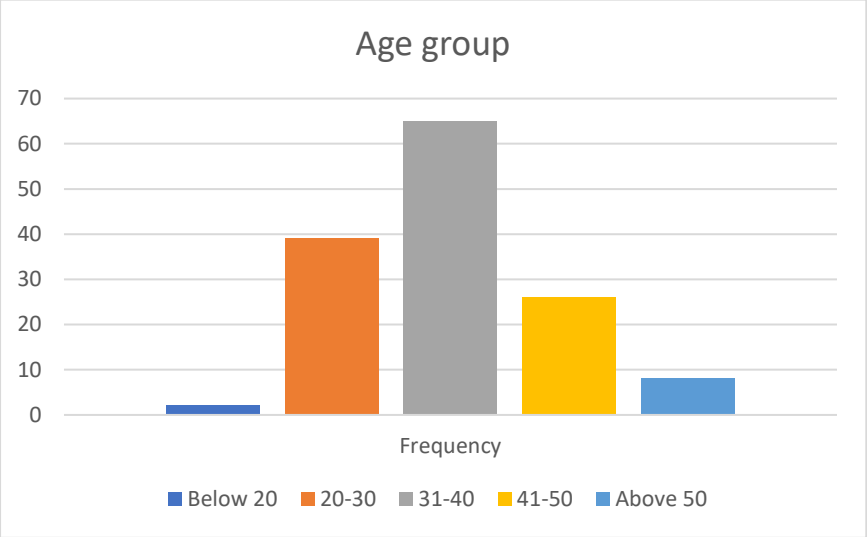


Figure 5.11 indicates that respondents in the age group 31 to 40 years represent the highest percentage (46.4%) of the whole, while the age group of 20 to 30 years follows as the second highest percentage (27.9%). The age group of 41 to 50 years made up 18.6%, while the old age groups above 50 years made up 5.7% and those below 20 years made up 1.4%. The results in Figure 5.2 are inconsistent with Farrington et al. (2012) and Dubihlela (2013:55) that the majority of SME owners in South Africa are in the 40-49 age group.

It can be deduced from these results that most respondents were in the age group 31 to 40 years. The reason could be that by this age, most people have determined a career path; they have completed their studies, have started families and are seeking the best way in which to support their families. These results indicate that the young group below 20 years make up 1.4% of respondents who own/manage businesses.

5.2.3 Business sector

Table 5.5 Business sectors

Sector	Frequency	Percentage
Service	52	37.1
Retail	42	30
Manufacturing	46	32.9

Figure 5.12 Business sector

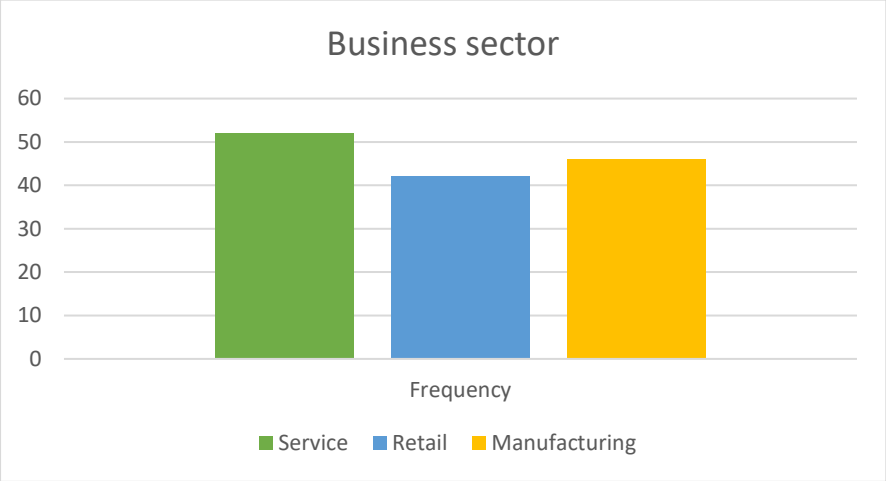


Figure 5.12 shows that respondents in the service sector represent the highest percentage (37.1%) of the whole, while the manufacturing sector follows as the second highest percentage (32.9%) and the retail sector represents the lowest percentage of 30%. The results in Figure 5.3 are consistent with Herrington et al. (2009), Farrington et al. (2012) and Michael and Johannes (2013), who also found that the majority of SMEs in South Africa are in the service sectors.

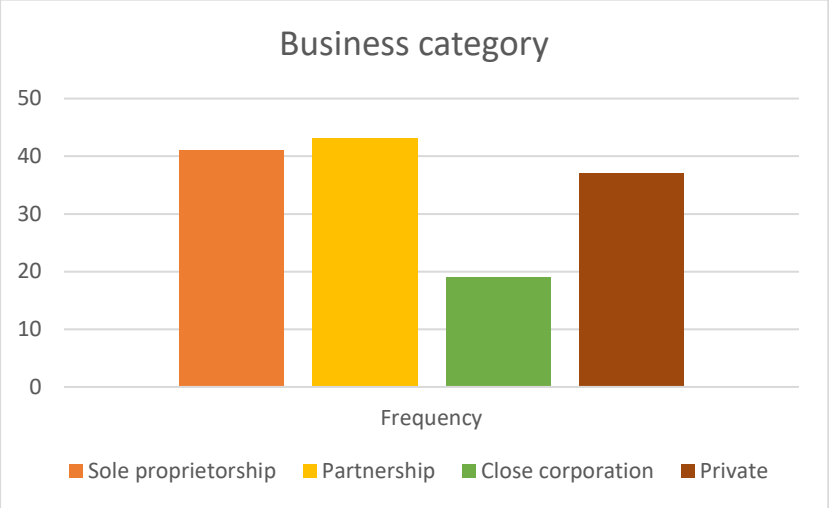
5.2.4 Business Category

The table below illustrates the categorisation of business category.

Table 5.6 Business category

Business Category	Frequency	Percentage
Sole proprietorship	41	29.3
Partnership	43	30.7
Close corporation	19	13.6
Private	37	26.4

Figure 5.13 Business category



The results as illustrated in Figure 5.13 above indicate that respondents in the partnership represent the highest percentage (30.7%) of the whole, while the sole proprietorship follows as the second highest percentage (29.3%), private company represents the third highest percentage with 26.4% and the close corporation represents the lowest percentage of 13.6%. The results in this figure are inconsistent with Mankgele and Fatoki (2018), who found that most respondents of the study were sole proprietors.

It can be deduced from these results that most respondents were under partnership. There was only a slight difference between partnership (30.7%) and sole proprietorship (29.3%) with a difference of 1.4%. The reason why close corporation was the lowest is because registration for close corporations have been suspended, meaning that since 2010 only a few close corporations exist.

5.2.5 Age of business operation

Table 5.7 below indicates the age of business operation. The table depicts the frequency of age of business operation. The table was utilised to develop Figure 5.14 below.

Table 5.7: Age of business

Age of business (years)	Frequency	Percentage
0-1	6	4.3

2-5	53	37.9
6-10	42	30
11-15	29	20.7
16+	10	7.1

Figure 5.14 Age of business (years)

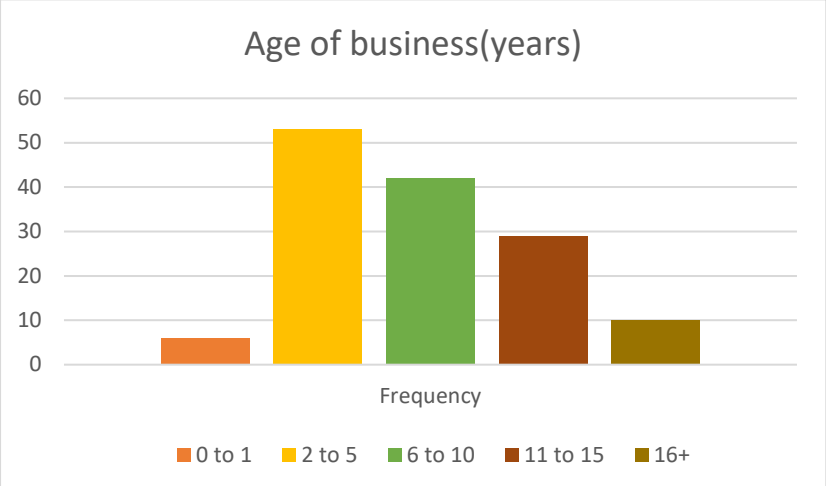


Figure 5.14 illustrates the age of business operation. The results show that out of 147 businesses that participated in the survey, 4.3% of them have been operating for 0 to 1 years, 37.9% for 2 to 5 years, 30% businesses have been operating for 6 to 10 years, 20.7% for 11 to 15 years and 7.1% for above 16 years. The results show that the majority of businesses have been operating for 2 to 5 years, while the minority have been operating for 0 to 1 year. The results in the figure above correspond with previous literature by Idar and Mahmood (2011) and Dzansi and Okyere (2015). The two studies also found that the majority of SMEs that participated in their surveys have been in operation for between 6-10 years.

5.2.6 Number of employees

Table 5.8 depicts the number of employees in businesses. The table indicates the frequencies of number of employees in businesses. The table was further utilised to develop Figure 5.15 below.

Table 5.8: Number of employees

Employees	Frequency	Percentage
None	6	4.3

0 to 10	59	42.1
11 to 50	47	33.6
51 to 250	28	20

Figure 5.15 Number of employees

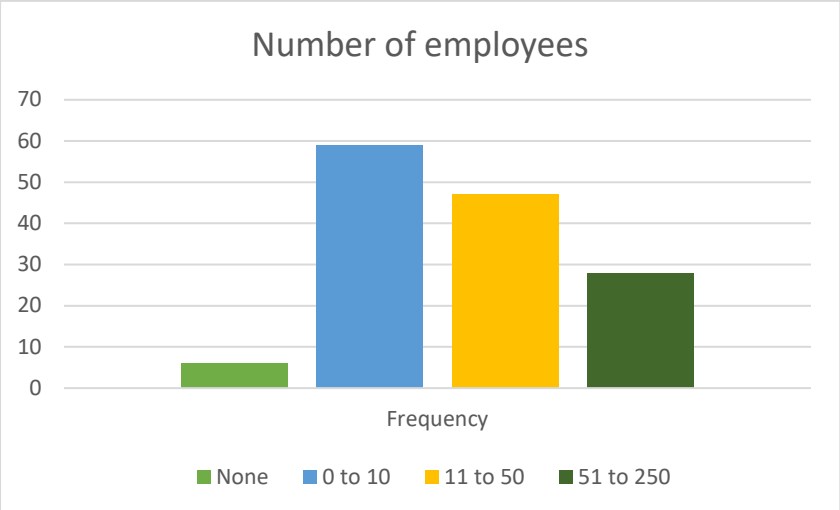


Figure 5.15 indicates that out of 147 businesses that took part in the survey, 4.3% have no employees, 42.1% have 0 to 10 employees, 33.6% businesses have 11 to 50 and 20% have 51 to 250 employees. Hatten (2011) used the number of employees to differentiate between large and small businesses (Herrington 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 sections make it impossible to have a generalised definition of SMEs due to differences in the 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 and Lashley, 2009).

5.3 SCALE RELIABILITY

The data analysis of this study involved summing up of scale of items used to measure single variables. Before doing this, however, a Cronbach's alpha coefficient was calculated to determine the reliability of the items. Cronbach's alpha is a reliability metric used to evaluate the extent to which item responses derived from a scale

correlate with each other (Shelby, 2011). The results of the Cronbach's alpha test are presented below in Table 5.9.

Table 5.9 Scale reliability

	N of items	Cronbach's Alpha (α)
Strategic orientation	**19**	**0.721**
Analysis dimension	2	0.758
Defensive dimension	2	0.568
Aggressiveness dimension	3	0.830
Futurity dimension	4	0.820
Proactiveness dimension	4	0.761
Riskiness dimension	4	0.589
Networking	**11**	**0.806**
General networks	4	0.789
Managerial networks	4	0.793
Social networks	3	0.836
Sustainable performance	**15**	**0.807**
Financial performance	3	0.851
Environmental performance	4	0.802
Social performance	8	0.767

The results in Table 5.8 show the Cronbach's alpha statistics of 19 strategic orientation items, which were on a five Likert scale. It shows the Cronbach's alpha for the six dimensions of strategic orientation which are analysis, defensive, aggressiveness, futurity, proactiveness and riskiness dimensions with 0.758, 0.568, 0.830, 0.820, 0.761 and 0.589, respectively, which shows that most of the dimensions have a Cronbach alpha of more than 0.70, excluding the defensiveness and riskiness dimensions with 0.568 and 0.589, respectively. It has been proved that Cronbach's alpha on strategic orientation items had a strong consistency strength at 0.721, which is closer to 1. This high coefficient in the number of strategic orientation items means most items probably measure the same underlying concept.

The Cronbach's alpha on networking items consists of 11 items all arranged on a Likert scale. It shows the Cronbach's alpha for the three types of networks which are general

networks, managerial networks and social networks with 0.789, 0.793 and 0.836, respectively, which shows that most of the networks have a Cronbach alpha of more than 0.70. The results indicated that the networking items did share an average covariance with Cronbach's alpha of 0.806 being closer to 1, items tested measured similar concepts.

The Cronbach's alpha on sustainable performance items consists of 15 items all arranged on a Likert scale. It shows the Cronbach's alpha for the three performance, which are financial performance, environmental performance and social performance with 0.851, 0.802 and 0.767, respectively, which shows that most of the networks have a Cronbach alpha of more than 0.70. The results indicated that the sustainable performance items did share an average covariance with Cronbach's alpha of 0.807 being closer to 1, items tested measured similar concepts.

Similarly, the overall Cronbach's alpha presented a highly acceptable reliability on the strategic orientation and networking as well as sustainable performance items tested being too close to 1 at 0.778. This suggests that the items have a relatively high degree of internal consistency. Bless et al. (2012) opine that reliability coefficient of 0.7 or higher is conceived acceptable because it indicates satisfactory internal-consistency reliability between all variables used in the study.

5.4 DESCRIPTIVE STATISTICS OF STRATEGIC ORIENTATION, NETWORKING AND SUSTAINABLE PERFORMANCE

The descriptive statistics of strategic orientation, networking and sustainable performance of the SMEs is presented in this section. A total of nineteen questions were used. Respondents were asked to select the extent to which they agree or disagree to the statement from a five-point Likert scale, where 1 = strongly disagree, 2 = disagree, 3 = Neutral, 4 = agree, and 5 = strongly agree. The descriptive statistics of strategic orientation, networking and sustainable performance is presented below.

5.4.1 Descriptive statistics of strategic orientation

Table 5.10: Descriptive statistics of strategic orientation

Dimensions	Questions	Mean	Standard deviation
Analysis dimension	Before making a key decision, my business completely analyses the situation	3.69	1.085
	In my business, the information systems are fundamental in making decisions.	3.84	1.029
	Average	**3.77**	**1.057**
	Cronbach Alpha	**0.758**	
Defensive dimension	My business makes significant modifications in its service processes.	3.89	0.93
	My business applies cost control systems to monitor its performance.	3.69	0.991
	Average	**3.79**	**0.961**
	Cronbach Alpha	**0.768**	
Aggressiveness dimension	My business sets prices below those of the competition.	3.54	1.092
	My business sacrifices benefits in order to gain market share.	3.67	1.063
	My business cuts prices to increase its market share.	3.75	1.081
	Average	**3.65**	**1.087**
	Cronbach Alpha	**0.830**	
Futurity dimension	My business formally tracks important general market trends.	3.98	0.954
	My business makes forecasts about the key indicators of its activity.	3.67	1.075
	My business studies the way to achieve future competitive advantage.	3.57	1.033
	My business uses long-term criteria to assign its resources.	3.82	1.028
	Average	**3.76**	**1.023**

	Cronbach Alpha	**0.820**	
Proactiveness dimension	My business constantly looks for new business opportunities.	3.91	1.028
	My business is always ahead of its competitors.	3.71	1.122
	My business is usually one of the first business to launch new services.	3.56	1.119
	My business constantly seeks new opportunities related to its present operations.	3.67	1.049
	Average	**3.71**	**1.080**
	Cronbach Alpha	**0.761**	
Riskiness dimension	My business's operations can generally be considered "low risk".	3.67	0.943
	My business chooses "tried-and-true" low-risk operations.	3.82	1.038
	My business tends to support projects with guaranteed returns.	3.53	1.109
	My business seems to make conservative decisions, and not major decisions.	3.67	1.102
	Average	**3.67**	**1.048**
	Cronbach Alpha	**0.889**	
Strategic orientation		**3.73**	

Table 5.10 shows the mean and standard deviation of respondents' answers. The mean represents respondents' average answers. A mean that is low shows that most respondents disagreed with the statements and vice versa. In the case of overall strategic orientation, the mean was 3.73 rounded off to 4. This indicates that most SME owners agreed with the statements, and therefore most of them practised strategic orientation. Standard deviation represents the variation in the answers given by SMEs owners. The standard deviation of strategic orientation was found to be 1.043.

Regarding each strategic orientation dimension, analysis dimension, defensive dimension, aggressive dimension, futurity dimension, proactiveness dimension and riskiness dimension, it can also be observed that most SME owners do not have such practice. The mean scores of strategic orientation, analysis dimension, defensive dimension, aggressive dimension, futurity dimension, proactiveness dimension and riskiness dimension, with 3.77, 3.79, 3.65, 3.76, 3.71 and 3.67, respectively, if all of them are rounded off, each gives a mean of 4, which shows that most respondents agreed with the statements. Thus, most SMEs in the study have good practice of analysis dimension, defensive dimension, aggressive dimension, futurity dimension, proactiveness dimension and riskiness dimension and ultimately good strategic orientation practice.

5.4.2 Descriptive statistics of networking

Table 5.11: Descriptive statistics of networking

Dimensions	**Questions**	**Mean**	**Standard deviation**
General networks	We belong to different professional associations for business support.	3.80	1.153
	We attend different seminars and trade fairs to network with different stakeholders.	3.56	1.101
	We have relationships with government and non-governmental agencies that support our business	3.70	1.273
	We have relationships with our business/external consultants regarding our business	3.76	1.208
	Average	**3.71**	**1.184**
	Cronbach Alpha	**0.769**	
	We have relationships with our banks regarding our business	3.55	1.137
	We have relationships with our competitors operating in the same industry.	3.61	1.015

Managerial networks	We have relationships with our customers regarding our business	4.05	1.034
	We have relationships with our suppliers regarding our business	4.04	1.007
	Average	**3.81**	**1.048**
	Cronbach Alpha	**0.793**	
Social networks	We have relationships with our friends regarding our business	3.77	1.013
	We have relationships with our family and relatives regarding our business	4.00	0.906
	We have relationships with our social associations or clubs regarding our business	3.82	0.991
	Average	**3.86**	**0.970**
	Cronbach Alpha	**0.836**	
Networking		**3.71**	

Table 5.11 shows overall networking; the mean was 3.79 rounded off to 4. This indicates that most SME owners agreed with the statements, and therefore most of them practised networking. Standard deviation represents the variation in the answers given by the owners. The standard deviation of networking was found to be 1.067.

Regarding each networking type, general networks, managerial networks and social networks, it can also be observed that most SME owners do not have such practice. The mean scores of networking, general networks, managerial networks and social networks, with 3.71, 3.81 and 3.86 respectively, if all of them are rounded off, and each gives a mean of 4, which shows that most respondents agreed with the statements. Thus, most SMEs in the study have good practice of general networks, managerial networks and social networks and ultimately good networking practice.

5.4.3 Descriptive statistics of sustainable performance

Table 5.12: Descriptive statistics of sustainable performance

Dimensions	Questions	Mean	Standard deviation
Financial performance	Our sales have increased during the last 3 years.	3.82	1.202
	Our market share has increased during the last 3 years.	3.92	1.114
	Our profit growth rate has increased during the last 3 years.	3.75	1.12
	Average	**3.81**	**1.145**
	Cronbach Alpha	**0.851**	
Environmental performance	My company has a comprehensive policy towards environmental friendly practice.	3.83	0.936
	My company has improved the use of eco-friendly materials.	3.77	0.932
	My company has increased use of recycled goods.	3.76	1.061
	Our processes reduce energy, waste and pollution.	3.75	1.004
	Average	**3.78**	**0.983**
	Cronbach Alpha	**0.802**	
Social performance	My company has developed a new process to improve health, safety and complaint handling.	3.93	0.955
	The innovations introduced by my company have reduced rate of return and recall from our customers.	3.85	0.931
	There is improvement in safe and fair labour practices of my company.	3.87	1.019
	My company has developed a new social sustainability plan.	3.80	0.977

	Customer satisfaction with our product/services has increased during the last 3 years.	3.79	1.069
	The rate of return and recall from our customers has reduced during the last 3 years	3.97	1.06
	Staff turnover has reduced during the last 3 years.	3.84	1.012
	The employees' satisfaction has increased during the last 3 years.	3.75	0.997
	Scale mean	**3.85**	**1.003**
	Cronbach Alpha	**0.767**	
Sustainable performance		**3.81**	

Table 5.12 illustrates the overall sustainable performance; the mean was 3.81 rounded off to 4. This indicates that most SME owners agreed with the statements, and therefore most of them practised sustainable performance. Standard deviation represents the variation in the answers given by SMEs owners. The standard deviation of strategic orientation was found to be 1.044.

Regarding each sustainable performance, financial performance, environmental performance and social performance, it can also be observed that most SME owners practised sustainable performance. The mean scores of sustainable performance, financial performance, environmental performance and social performance, with 3.81, 3.78 and 3.85, respectively, if all of them are rounded off, each gives a mean of 4, which shows that most respondents agreed with the statements. Thus, most SMEs in the study have good practice of financial performance, environmental performance and social performance and ultimately good sustainable performance.

5.4 SUMMATION OF SME NETWORK PARTICIPATION

Table 5.13: Summation of SME network participation

Range of networks	Strongly disagree	Disagree	Neutral	Agree	Strongly agree
General networks					
Professional association	9%	9%	19%	44%	19%
Trade fairs and business seminars	6%	12%	21%	42%	19%
Government agencies	11%	20%	29%	19%	21%
External consultant	6%	17%	20%	33%	24%
Average	**8%**	**15%**	**22%**	**35%**	**20%**
Managerial networks					
Banks	3%	18%	23%	34%	22%
Competitors	4%	9%	25%	45%	17%
Customers	5%	2%	13%	42%	38%
Suppliers	3%	5%	14%	41%	37%
Average	**3%**	**8%**	**19%**	**41%**	**29%**
Social networks					
Friends	5%	5%	21%	48%	21%
Family	2%	4%	15%	49%	30%
Clubs	3%	7%	22%	43%	26%
Average	**3%**	**5%**	**19%**	**47%**	**26%**

Table 5.13 illustrates different types of networks. This study focused on general networks, managerial networks and social networks. General business networks, on the other hand, are networks which businesses have with organisations (governmental or non-governmental) that provide assistance, as well as networks with business consultant firms. Managerial networks refer to networks created and maintained by managers or business owners with suppliers, customers and other similar businesses (competitors). Social networks refer to social ties that are created by business owners through social interactions with other people. These include ties with family, relatives, friends, as well as ties with social associations and clubs. Most SMEs that participated in the study prefer social networks (networks with family/relatives, friends and social

associations/clubs) and managerial (networks with suppliers, customers and competitors), while a few of them do not prefer general networks.

5.5 INDEPENDENT SAMPLE T-TEST AND ANOVA

In this study, an independent-sample t test was further conducted by the researcher in order to compare strategic orientation, networking and sustainable (financial, environmental and social) performance perceptions between males and females. The ANOVA was conducted in order to compare strategic orientation, networking and sustainable (financial, environmental and social) performance on more independent samples or groups (age group, business sector, business category, age of business operation and number of employees).

Table 5.14: Independent sample t-test for gender on strategic orientation, networking and sustainable performance

Variables	T	Sig.
Strategic orientation	0.132	0.717
Networking	1.820	0.180
Financial performance	0.001	0.971
Environmental performance	0.877	0.351
Social performance	0.009	0.926

SIG<0.05

Table 5.14 shows that there is no statistically significant difference in strategic orientation (0.717), networking (0.180), financial performance (0.971), environmental performance (0.351) and social performance (0.926) perceptions between male and female. Hence it is concluded that there is no significant difference since the significant value is more than 0.05.

Table 5.15: ANOVA for age group on strategic orientation, networking and sustainable performance

Variables	F	Sig.
Strategic orientation	4.455	0.013
Networking	0.240	0.787
Financial performance	2.257	0.109
Environmental performance	4.097	0.019

Social performance	0.822	0.442

SIG<0.05

Table 5.15 shows that there is no statistically significant difference between networking (0.787), financial performance (0.109) and social performance (0.442) among SMEs owners of different age groups. Hence, it is concluded that there is no significant difference since the significant value is more than 0.05, while there is a statistically significant difference between strategic orientation (0.013) and environmental performance (0.019) among SMEs owners of different age groups.

Table 5.16: ANOVA for business sector on strategic orientation, networking and sustainable performance

Variables	**F**	**Sig.**
Strategic orientation	1.715	0.167
Networking	1.172	0.323
Financial performance	0.292	0.831
Environmental performance	2.087	0.105
Social performance	0.664	0.576

SIG<0.05

Table 5.16 shows that there is no statistically significant difference between strategic orientation (0.167), networking (0.323), financial performance (0.831), environmental performance (0.105) and social performance (0.576) among different business sectors. Hence, it is concluded that there is no significant difference since the significant value is more than 0.05.

Table 5.17: ANOVA for business category on strategic orientation, networking and sustainable performance

Variables	**F**	**Sig.**
Strategic orientation	1.715	0.167
Networking	1.172	0.323
Financial performance	0.292	0.831
Environmental performance	2.087	0.105
Social performance	0.664	0.576

SIG<0.05

Table 5.17 shows that there is no statistically significant difference in strategic orientation (0.167), networking (0.323), financial performance (0.831), environmental performance (0.105) and social performance (0.576) among different business categories. Hence, it is concluded that there is no significant difference since the significant value is more than 0.05.

Table 5.18: ANOVA for age of business operation on strategic orientation, networking and sustainable performance

Variables	**F**	**Sig.**
Strategic orientation	1.843	0.124
Networking	1.053	0.382
Financial performance	2.073	0.088
Environmental performance	2.747	0.031
Social performance	1.912	0.112

SIG<0.05

Table 5.18 shows that there is no statistically significant difference between strategic orientation (0.024), networking (0.382), financial performance (0.088) and social performance (0.112) among different ages of business operations. Hence, it is concluded that there is no significant difference since the significant value is more than 0.05, while there is a statistically significant difference between environmental performance (0.031) among different ages of business operations.

Table 5.19: ANOVA for number of employees on strategic orientation, networking and sustainable performance

Variables	**F**	**Sig.**
Strategic orientation	0.607	0.612
Networking	3.918	0.010
Financial performance	1.841	0.143
Environmental performance	4.787	0.003
Social performance	0.427	0.734

SIG<0.05

Table 5.19 shows that there is no statistically significant difference between strategic orientation (0.612), financial performance (0.143) and social performance (0.734)

among different employees. Hence, it is concluded that there is no significant difference since the significant value is more than 0.05, while there is a statistically significant difference between networking (0.010), environmental performance (0.003) among different employees.

5.6 CORRELATION ANALYSIS

5.6.1 Correlation between strategic orientation and sustainable performance

Pearson's correlation test was performed to establish the relationship between strategic orientation and sustainable performance. The test was used in order to find out which of the variables should be considered as factors that have influence on strategic orientation. The results are presented in Table 5.13 below.

Table 5.20: Correlation between strategic orientation and sustainable performance

Sustainable performance		**Strategic orientation**
Financial performance	Pearson Correlation	0.517
	Sig. (2-tailed)	0.000
Environmental performance	Pearson Correlation	0.614
	Sig. (2-tailed)	0.002
Social performance	Pearson Correlation	0.552
	Sig. (2-tailed)	0.000
N		140

Correlation is significant at the 0.05 level (2-tailed)

Table 5.20 points out a positive correlation between strategic orientation and sustainable performance, which is highlighted with financial performance (r=0.517, p=0.000) environmental performance (r=0.614, p=0.002), and social performance (r=0.552, p=0.000). The results of Pearson correlation between strategic orientation and sustainable performance is very strong since Pearson's r values are closer to 1. The results conclude that changes in strategic orientation strongly correlates with changes in the sustainable performance of SMEs. This is supported by the sig. value of less than .05, confirming a positive correlation between strategic orientation and the sustainable performance of SMEs.

5.6.2 Correlation between networking and sustainable performance

Pearson's correlation test was performed to establish the relationship between networking and sustainable performance. The test was used in order to find out which of the variables should be considered as factors that have influence on networking. The results are presented in Table 5.16 below.

Table 5.21: Correlation between networking and sustainable performance

Sustainable performance		**Networking**
Financial performance	Pearson Correlation	0.625
	Sig. (2-tailed)	0.000
Environmental performance	Pearson Correlation	0.525
	Sig. (2-tailed)	0.000
Social performance	Pearson Correlation	0.658
	Sig. (2-tailed)	0.001
N		**140**

Correlation is significant at the 0.05 level (2-tailed)

Table 5.21 points out a positive correlation between networking and sustainable performance, which is highlighted with financial performance (r=0.652, p=0.000) environmental performance (r=0.525, p=0.000), and social performance (r=0.658, p=0.001). The results of Pearson correlation between networking and sustainable performance is very strong since the Pearson's r values are closer to 1. The results conclude that changes in networking strongly correlates with changes in the sustainable performance of SMEs. This is supported by the sig. value of less than .05, confirming a positive correlation between networking and the sustainable performance of SMEs.

5.6.3 Correlation between strategic orientation and networking

Pearson's correlation test was performed to establish the relationship between strategic orientation and networking. The results are presented in Table 5.16 below.

Table 5.22: Correlation between strategic orientation and networking

Variable		**Networking**
Networking	Pearson Correlation	0.317
	Sig. (2-tailed)	0.000
N		**140**

Correlation is significant at the 0.05 level (2-tailed)

Table 5.22 points out a weak correlation between strategic orientation and networking, which is highlighted with networking (r=0.317, p=0.000). The results of Pearson correlation between strategic orientation and networking is weak since the Pearson's r values are not close to 1. The results conclude that changes in strategic orientation will not strongly correlate with changes in networking of SMEs.

5.7 REGRESSION ANALYSIS

5.7.1 Regression relationship between strategic orientation and sustainable performance

This section tests the relationship between strategic orientation and sustainable performance. Linear regression test helped the researcher to test whether strategic orientation has an invert or increasing effect on sustainable performance. The results are presented in Table 5.23.

Table 5.23: Linear Regression results on relationship between strategic orientation and sustainable performance

Variable	Unstandardised B	Standard error	Beta	t-value	Sig.
Financial performance	0.870	0.314	0.214	2.770	0.006
Environmental performance	1.631	0.282	0.415	5.776	0.000
Social performance	0.544	0.200	0.219	2.712	0.008

SIG<0.05

Table 5.23 shows the results of the linear regression that there is a significant (B=0.214, P<0.05) relationship between strategic orientation and financial performance. Furthermore, the results indicate a positive relationship between strategic orientation and financial performance. They further show that there is a significant (B=0.415, P<0.05) relationship between strategic orientation and environmental performance. Furthermore, the results indicate a positive relationship between strategic orientation and environmental performance. They further show that there is a significant (B= 0.219, P<0.05) relationship between strategic orientation and social performance. Furthermore, they indicate a positive relationship between strategic orientation and social performance. Overall, the results show that strategic orientation of SMEs is statistically significant on the sustainable performance of SMEs.

This shows that strategic orientation has a positive impact on the sustainable performance of SMEs because all the variables of sustainable performance are less than 0.5, making it statistically significant.

The findings of this study are strengthened by research by Laukkanen et al. (2013) on 110 SMEs in several countries. Therefore, this study confirms and is consistent with previous research that has observed a positive relationship between strategic orientation and sustainable performance of SMEs scale. The results of the study further concur with Abiadun and Kida (2016), who conducted a study of 238 SMEs, and found a positive and significant relationship between strategic orientation and firm performance. Jennifer, Laurence and Eric (2009) conclude that there is a significant positive relationship between strategic orientation and SME performance. Their study revealed that the implementation of effective processes and increasing the performance of organisations is very easy when there is a strong strategic orientation for a firm. The findings of this study are strengthened by research conducted by Laukkanen et al. (2013), which observed a positive relationship between strategic orientation and firm performance of SMEs. The results of the study further concur with Hoq and Chauhan (2011), who conducted a study in SMEs in Bangladesh and found that strategic orientation is positively related to firm performance. Chandrakumara, De Oysa and Manawaduge (2011) further showed similar results that strategic orientation produces more positive effect on the performance of SMEs. The results of the study are supported by Fauzul, Takenouchi and Yukika (2011) that SMEs proved a significant positive relationship between strategic orientation and performance. The results indicated that firms that adopted high strategic orientation achieved higher sales growth, higher profit and increased market share compared to those with low strategic orientation.

5.7.2 Regression: Relationship between networking and sustainable performance

This section tests the relationship between networking and sustainable performance. Linear regression helped the researcher to test whether networking has an invert or increasing effect on sustainable performance. The results are presented in Table 5.24.

Table 5.24: Linear Regression results - relationship between networking and sustainable performance

Variable	Unstandardised B	Standard error	Beta	t-value	Sig.
Financial performance	0.015	0.279	0.345	0.055	0.010
Environmental performance	0.464	0.251	0.250	1.642	0.009
Social performance	0.210	0.178	0.185	1.178	0.004

SIG<0.05

Table 5.24 shows the results of the linear regression; that there is a significant (B=0.345, P<0.05) relationship between networking and financial performance. Furthermore, the results indicate a positive relationship between networking and financial performance, a significant (B=0.250, P<0.05) relationship between networking and environmental performance and a positive relationship between networking and environmental performance. The results further show a significant (B=0.185, P<0.05) relationship between networking and social performance and a positive relationship between networking and social performance. Overall, the results show that networking of SMEs is statistically significant on the sustainable performance of SMEs. This shows that networking has a positive impact on the sustainable performance of SMEs because all the variables of sustainable performance are less than 0.5, making it statistically significant.

The results are consistent with findings by Desta (2015) that not all networks have equal importance for growth, and that not all networks impact growth positively. Furthermore, the results are inconsistent with findings by Leroy (2012) and Thrikawala (2011), who observed a positive impact which networks were found to have on SME performance, which also found networking to be an important vehicle for firm performance. The results are further supported by a study done by Minai, Ibrahim and Kheng (2012), which showed that networking permits SMEs to gain access to different opportunities and resources, which are essential and contribute to the small and medium-sized firm's sustainable growth. It was further revealed by Kregar and Antončič (2016) that there is a significant positive relationship between business networks and sustainable performance of small firms. Also, a study conducted by

Leroy (2012) is consistent with a study which analysed the impact of networks on SME performance, measures of sales, profitability, satisfaction with performance compared to competitors, and overall SME performance, and concluded that there is a significant positive relationship between networks and SME performance.

5.7.3 Regression: Relationship between strategic orientation and networking

This section tests the relationship between strategic orientation and networking. Linear regression helped the researcher to test whether strategic orientation has an invert or increasing effect on networking. The results are presented in Table 5.25.

Table 5.25: Linear Regression results - relationship between networking and sustainable performance

Variable	Unstandardised B	Standard error	Beta	t-value	Sig.
Networking	0.469	0.119	0.317	3.931	0.000

SIG<0.05

Table 5.25 shows the results of the linear regression that there is a significant (B=0.317, P<0.05) relationship between strategic orientation and networking. Furthermore, the results indicate a positive relationship between strategic orientation and networking. Overall, the results show that the strategic orientation of SMEs is statistically significant to networking of SMEs. This shows that strategic orientation has a positive impact on the networking of SMEs because the variable of networking is less than 0.5, making it statistically significant. There is a scarcity of literature that supports the findings of the study, which means that the results of the study will make a significant contribution to the overall literature.

5.8 SUMMARY OF HYPOTHESES

Table 5.26 Summary of hypotheses

	Hypothesis	**Results**
Ha1	There is a significant positive relationship between strategic orientation and financial performance of SMEs.	Accepted
Ha2	There is a significant positive relationship between networking and financial performance of SMEs.	Accepted

Ha3	There is a significant positive relationship between strategic orientation and social performance of SMEs.	Accepted
Ha4	There is a significant positive relationship between networking and social performance of SMEs.	Accepted
Ha5	There is a significant positive relationship between strategic orientation and environmental performance of SMEs.	Accepted
Ha6	There is a significant positive relationship between networking and environmental performance of SMEs.	Accepted

Table 5.26 illustrates the tested hypotheses of the study; and shows that strategic orientation has a significant positive relationship with sustainable performance. The table further shows that networking has a significant relationship with sustainable performance.

5.9 SUMMARY

The purpose of this chapter was to present the empirical results of the study. The chapter firstly presented the response rate of the study. It was reported that out of the 300 questionnaires distributed, only 140 questionnaires were filled our properly and returned. This was followed by the presentation of findings from the reliability analysis. Cronbach's Alpha reliability analysis was conducted to test the reliability of the questions that were added up in order to conduct further analysis. The results were acceptable and were thus valid for further analysis. The overall scale reliability on strategic orientation, networking as well as sustainable performance proved a very strong significant consistency, meaning all the items tested in the survey are similar concepts for SMEs. Next, Pearson’s correlation was used to test the correlation between strategic orientation and networking on sustainable performance. The results showed a positive impact of strategic orientation on sustainable performance. Furthermore, the results showed a positive impact which networking has on sustainable performance. The last part of this chapter analysed the impact of strategic orientation and networking on the sustainable performance of SMEs. First, linear regression was used to establish the relationship between strategic orientation and sustainable performance. The results showed that strategic orientation had a positive

impact on sustainable performance. Furthermore, the results showed that networking and sustainable performance had a positive impact on sustainable performance.

CHAPTER SIX

SUMMARY OF RESULTS, CONCLUSIONS AND RECOMMENDATIONS

6.1 INTRODUCTION

The previous chapter discussed data analysis, interpretation and findings. In the chapter, empirical findings of this study were presented and discussed. The objectives of the study will be outlined, followed by the research hypothesis. The summary of results will be discussed, which include summary of the demographic characteristics, followed by summary of key findings, followed by the summary results of the relationship between strategic orientation and sustainable performance, and finally, the summary results of the relationship between networking and sustainable performance. Recommendations will be discussed which will include recommendation for SME owners and recommendation for government and organisations that help SMEs. Furthermore, the limitations of the study and areas for future research are also presented.

6.2 OBJECTIVES OF THE STUDY

The objectives of the study are:

- To examine the relationship between strategic orientation and the financial performance of SMEs.
- To determine the relationship between strategic orientation and the environmental performance of SMEs.
- To investigate the relationship between strategic orientation and the social performance of SMEs.
- To investigate the relationship between strategic networking and the financial performance of SMEs.
- To investigate the relationship between strategic networking and the environmental performance of SMEs.
- To investigate the relationship between the strategic networking and the social performance of SMEs.

6.3 RESEARCH HYPOTHESIS

Ho1: There is no significant relationship between strategic orientation and financial performance of SMEs.

Ha1: There is a significant positive relationship between strategic orientation and financial performance of SMEs.

Ho2: Ho1: There is no significant relationship between networking and financial performance of SMEs.

Ha2: There is a significant positive relationship between networking and financial performance of SMEs.

Ho3: There is no significant relationship between strategic orientation and social performance of SMEs.

Ha3: There is a significant positive relationship between strategic orientation and social performance of SMEs.

Ho4: There is no significant relationship between networking and social performance of SMEs.

Ha4: There is a significant positive relationship between networking and social performance of SMEs.

Ho5: There is no significant relationship between strategic orientation and environmental performance of SMEs.

Ha5: There is a significant positive relationship between strategic orientation and environmental performance of SMEs.

Ho6: There is no significant relationship between networking and environmental performance of SMEs.

Ha6: There is a significant positive relationship between networking and environmental performance of SMEs.

6.4 Summary of the study

6.5 SUMMARY OF RESULTS

The study is conducted under the topic “The impact of strategic orientation and networking on the sustainable performance of small and medium business in Polokwane Municipality in Limpopo Province”. The sample size of the research was 140, and comprised SMEs in Polokwane Municipality. Data was analysed using SPSS. The findings revealed that there is a positive significant relationship between strategic

orientation and sustainable performance, and a strong correlation between strategic orientation and sustainable performance. The study further revealed that there is an insignificant relationship between networking and sustainable performance while only environmental performance has an impact on networking. Furthermore, there is a weak correlation between networking and sustainable performance.

6.5.1 Summary of results on the demographic characteristics of the respondents

The results showed that the majority of SMEs in Polokwane are owned by males between the ages of 31 and 40. In addition, the highest percentage of SMEs participates in the service sector as opposed to retail and manufacturing sectors. It was further shown that most of them operated under a partnership. The results show that the highest percentage of SMEs have been in business for two to five years and employed between zeros to ten employees.

6.5.2 Summary of key findings

The study revealed the following:

There is a significant positive relationship between strategic orientation and financial performance of SMEs.

There is a significant positive relationship between networking and financial performance of SMEs.

There is a significant positive relationship between strategic orientation and social performance of SMEs.

There is a significant positive relationship between networking and social performance of SMEs.

There is a significant positive relationship between strategic orientation and environmental performance of SMEs.

There is a significant positive relationship between networking and environmental performance of SMEs.

6.5.3 Summary of the results on the relationship between strategic orientation and sustainable performance

The study tries to identify the impact of strategic orientation on the sustainable performance of SMEs. Dimensions of strategic orientation were used to measure the level of sustainable performance of SMEs. The data analysis showed that all six dimensions discussed in the study have a significant positive impact on the sustainable performance of SMEs in Polokwane Municipality. The relationship between strategic orientation and sustainable performance was examined in this section. First, linear regression results show that there is a significant relationship between strategic orientation and financial performance. The results further show that there is a significant relationship between strategic orientation and environmental performance. Finally, the results show that there is a significant relationship between strategic orientation and social performance. Overall the results show that the strategic orientation of SMEs is statistically significant on the sustainable performance of SMEs. This shows that the strategic orientation has a positive impact on the sustainable performance of SMEs because all the variables of sustainable performance are less than 0.5, making it statistically significant. Next, a Pearson relation correlation test was conducted to determine the relationship between strategic orientation and sustainable performance. The results showed that strategic orientation has a significant positive influence on sustainable performance.

The results are consistent with previous literature by Abiadun and Kida (2016), who conducted a study of 238 SMEs and found a positive and significant relationship between strategic orientation and their performance. Chandrakumara, De Oysa and Manawaduge (2011) further showed similar results that strategic orientation produces more positive effect on the performance of SMEs. The results of the study are supported by Fauzul, Takenouchi and Yukika (2011) that SMEs proved a significant positive relationship between strategic orientation and performance. The results indicated that firms that adopted high strategic orientation achieved higher sales growth, higher profit and increased market share compared to those with low strategic orientation.

6.5.4 Summary of the results on the relationship between networking and sustainable performance

The present study tries to identify the impact of networking on the sustainable performance of SMEs. As for the types of networks that were used to measure the level of sustainable performance of SMEs, the data analysis of the study showed that networking has a significant positive impact on the sustainable performance of the SMEs in Polokwane Municipality. The relationship between networking and sustainable performance was examined in this section. First, linear regression results show that there is a significant relationship between networking and financial performance. The results further show that there is a significant relationship between networking and environmental performance, and a significant relationship between networking and social performance. Overall the results show that networking of SMEs is statistically significant on the sustainable performance of SMEs. This shows that networking has a positive impact on the sustainable performance of SMEs because all the variables of sustainable performance are less than 0.5, making it statistically significant. Next, a Pearson relation correlation test was conducted to determine the relationship between networking and sustainable performance. The results showed that networking has a significant positive influence on sustainable performance.

The results are consistent with findings by Leroy (2012), who established that general, managerial and social networks have a positive impact on SME growth. The study further revealed that in South Africa, networks have an impact on SME growth, measures of sales, profitability, satisfaction with performance compared to competitors, and overall SME performance, and concluded that there is a significant positive relationship between networks and SME performance. By using sales growth, business progress and previous year financial outcomes to measure growth measures, Thrikawala (2011) established that networking is an important element of SME growth. Furthermore, this study also identified how networks contribute towards SME growth. The results are further supported by a study done by Minai, Ibrahim and Kheng (2012), which showed that networking permits SMEs to gain access to different opportunities and resources, which are essential and contribute to the small and medium-sized firm's sustainable growth. It was further revealed by Kregar and Antončič (2016) that there is a significant positive relationship between business networks and sustainable performance of small firms.

6.6 RECOMMENDATIONS

Recommendations are made for SME owners, government and organisations that help SMEs based on the findings of the study.

6.6.1 Recommendation for SME owners

6.6.1.1 Recommendation for SME owners on strategic orientation and sustainable performance

In order to create a competitive advantage, SME owners need to be strategically oriented. In order to do this, it is critical to improve the knowledge of owners regarding the concept. Owners need to clearly understand the concept of strategic orientation and its importance to increase the sustainable performance of SMEs. SME owners need to continuously acquire strategic orientation education for themselves and their employees. In addition, they need to increase the level of strategic orientation knowledge that they have in order to acquire more skills to operate efficiently in order to gain competitive advantage. Furthermore, SME owners need to be able to orient both existing staff and recruits on how strategic orientation can impact sustainable performance.

6.6.1.2 Recommendations to SMEs owners on networking and sustainable performance

SMEs owners are recommended to exploit their strong ties in order to increase performance, and are advised to focus on developing stronger ties to achieve sustainable performance. It is further recommended that SMEs owners need to create networks with others which mutually benefit both parties. Owners of businesses should be involved in networking which will enhance their businesses. Furthermore, from the different types of networks examined in this study, SME owners are recommended to engage in managerial networks, i.e. networks with their suppliers, customers and other similar businesses (competitors). This is because managerial networks help improve the business's strategic position.

6.6.2 Recommendation for government and organisations that help SMEs

6.6.2.1 Recommendation for government and organisations that help SMEs on strategic orientation and sustainable performance

When training is conducted, they can use findings to develop their programme and can make participants aware of the best orientation to improve sustainable performance. Further, governing bodies or institutions can make use of findings when developing their SME oriented seminars, workshops and other training programmes. The findings will be of utmost importance to the government too as it can allocate much funds to improve or facilitate the practice of best strategies identified under each dimension when allocating money to improve the sustainable performance of SMEs. At the same time, researchers and policy makers in the area of entrepreneurial education in developing countries like South Africa can use these findings to foster the strategic gesture of potential and actual entrepreneurs. Agencies such as Small Business Development Agency (SEDA) and Small Enterprise Finance Agency (SEFA) should organise seminars to train and educate SME owners on strategic orientation and its implementation in their businesses. Universities should include strategic orientation as a course under entrepreneurship in order to provide a better understanding of this orientation to graduates. Furthermore, understanding the relationship between strategic orientation and sustainable performance will pave the way for future researchers to study more complex models which include possible facilitating and regulating relationships.

6.6.2.2 Recommendation for government and organisations that help SMEs on networking and sustainable performance

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 on the importance of networking and its benefits. Most SMEs are unaware that such organisations exist. As a result, these institutions and the government should raise awareness of the presence of the organisations, and of the services provided by them. These organisations should provide easy and accessible information regarding the benefits which SMEs can receive from networking with the institutions. They are strongly advised to organise network formation activities which bring SME owners together, such as seminars and

trade fairs. In addition, by hosting activities such as seminars, the organisations can educate SME owners on the benefits of networking.

6.7 LIMITATIONS OF THE STUDY

The sample data of this study were collected in Polokwane and may not necessarily reflect other contexts. Thus the generalisation of findings should be made cautiously, while acknowledging potential environmental and cultural differences. During data collection processes, some respondents were reluctant to respond to the researcher's questions. The sample of the study consisted of SME owners and managers in Polokwane Municipality in Limpopo Province. Also, not all SME owners and managers identified by this study would have the time to complete the questionnaires. Furthermore, since the population of the study is not primarily English speaking, problems with regard to communication were faced during the data collection process. To overcome this problem, the researcher used a Sepedi questionnaire where needed.

The time allocated to gather data was not enough. Due to time and financial constraints, it was not feasible to conduct the study on the entire population. Thus, a sample had to be drawn.

Despite these limitations, this study contributes to additional insights about the impact of strategic orientation and networking on sustainable performance based on the assumptions that the collected information reflects the SMEs industry in the study area.

6.8 SUGGESTIONS FOR FUTURE STUDIES

This study that can be expanded by examining the impact of entrepreneurial orientation, market orientation and learning orientation on sustainable performance. Another study can investigate the impact of ethnic networks on sustainable performance. Furthermore, the study can be expanded by examining the impact of strategic orientation and networking on the sustainable performance of immigrant and native owned businesses. Further, studies can be conducted in other provinces in South Africa.

6.9 SUMMARY

The study achieved its objectives because it was able to outline the impact of strategic orientation and networking on the sustainable performance of SMEs in Polokwane Municipality. The data was analysed using SPSS 26.0 version. The following tests were conducted. These included normality analysis, descriptive statistics, independent sample t-test, ANOVA, correlation and regression. The results of correlation show a positive relationship between strategic orientation and sustainable performance. The same goes to networking and sustainable performance. There is a negative relationship between strategic orientation and networking. The results for simple linear regression shows a significant relationship between strategic orientation and sustainable performance, networking and sustainable performance and lastly a positive relationship between strategic orientation and networking. According to the findings of the study, all the hypotheses were accepted. The study also provided necessary recommendations to business owners, government and organisations that help SMEs.

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ANNEXURES

ANNEXURE 1 ENGLISH QUESTIONNAIRE

My name is Mankgele Khutso Pitso. I am a student with the University of Limpopo. I am conducting a study on the impact of strategic orientation and networking on the sustainable performance of small and medium businesses. This questionnaire is for academic purposes only and confidentiality will be highly maintained. As a respondent, you are not duty-bound to disclose your name. We are humbly requesting you to assist us by answering the following set of questions which will take only 5 minutes of your time.

Request: Please answer by marking (X) in the correct box.

SECTION A: Demographic profile

1. Gender

Male	Female
1	2

2. Age group

Below 20	20-30	31-40	41-50	Above 50
1	2	3	4	5

3. Which industry do you operate?

Service	Retail	Manufacturing
1	2	3

4. Which category does your business fall under?

Close Corporation	Sole proprietorship	Partnership	Private
1	2	3	4

5. How many years has your firm been in business?

0-1	2-5	6-10	11-15	16+
1	2	3	4	5

6. How many employees does your firm have?

None	0-10	11-50	51-250
1	2	3	4

SECTION B: Strategic orientation

A. Analysis dimension

	Questions	**Strongly disagree** 1	**Disagree** 2	**Neutral** 3	**Agree** 4	**Strongly agree** 5
1.	Before making a key decision, my business completely analyses the situation					
2.	In my business, the information systems are fundamental in making decisions.					

B. Defensive dimension

	Questions	**Strongly disagree** 1	**Disagree** 2	**Neutral** 3	**Agree** 4	**Strongly agree** 5
1.	My business makes significant modifications in its service processes.					
2.	My business applies cost control systems to monitor its performance.					

C. Aggressiveness dimension

	Questions	Strongly disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly agree 5
1.	My business sets prices below those of the competition.					
2.	My business sacrifices benefits in order to gain market share.					
3.	My business cuts prices to increase its market share.					

D. Futurity dimension

	Questions	Strongly disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly agree 5
1.	My business formally tracks important general market trends.					
2.	My business makes forecasts about the key indicators of its activity.					
3.	My business studies the way to achieve future competitive advantage.					
4.	My business uses long-term criteria to assign its resources.					

E. Proactiveness dimension

	Questions	Strongly disagree 1	Disagree 2	Neutral 3	Agree 4	Strongly agree 5
1.	My business constantly looks for new business opportunities.					

2.	My business is always ahead of its competitors.					
3.	My business is usually one of the first business to launch new services.					
4.	My business constantly seeks new opportunities related to its present operations.					

F. Riskiness dimension

	Questions	**Strongly disagree** 1	**Disagree** 2	**Neutral** 3	**Agree** 4	**Strongly agree** 5
1.	My business's operations can generally be considered "low risk".					
2.	My business chooses "tried-and-true" low-risk operations.					
3.	My business tends to support projects with guaranteed returns.					
4.	My business seems to make conservative decisions, and not major decisions.					

SECTION C: Networking

A. General networks

	Questions	**Strongly disagree** 1	**Disagree** 2	**Neutral** 3	**Agree** 4	**Strongly agree** 5
1.	We belong to different professional associations for business support.					

2.	We attend different seminars and trade fairs to network with different stakeholders.					
3.	We have relationships with government and non-governmental agencies that support our business					
4.	We have relationships with our business/external consultants regarding our business					

B. Managerial networks

	Questions	**Strongly disagree** 1	**Disagree** 2	**Neutral** 3	**Agree** 4	**Strongly agree** 5
1.	We have relationships with our banks regarding our business					
2.	We have relationships with our competitors operating in the same industry.					
3.	We have relationships with our customers regarding our business					
4.	We have relationships with our suppliers regarding our business					

C. Social networks

	Questions	**Strongly disagree** 1	**Disagree** 2	**Neutral** 3	**Agree** 4	**Strongly agree** 5
1.	We have relationships with our friends regarding our business					
2.	We have relationships with our family and relatives regarding our business					

3.	We have relationships with our social associations or clubs regarding our business					

SECTION D: Sustainable Performance

A. Financial performance

	Questions	**Strongly disagree** 1	**Disagree** 2	**Neutral** 3	**Agree** 4	**Strongly agree** 5
1.	Our sales have increased during the last 3 years.					
2.	Our market share has increased during the last 3 years.					
3.	Our profit growth rate has increased during the last 3 years.					

B. Environmental performance

	Questions	**Strongly disagree** 1	**Disagree** 2	**Neutral** 3	**Agree** 4	**Strongly agree** 5
1.	My company has a comprehensive policy towards environmental friendly practice.					
2.	My company has improved the use of eco-friendly materials.					
3.	My company has increased use of recycled goods.					

4.	Our processes reduce energy, waste and pollution.					

C. Social performance

	Questions	**Strongly disagree**	**Disagree**	**Neutral**	**Agree**	**Strongly agree**
1.	My company has developed a process to improve health, safety and complaint handling.					
2.	The innovations introduced by my company have reduced rate of return and recall from our customers.					
3.	There is improvement in safe and fair labour practices of my company.					
4.	My company has developed a new social sustainability plan.					
5.	Customer satisfaction with our product/services has increased during the last 3 years.					
6.	The rate of return and recall from our customers has reduced during the last 3 years					
7.	Staff turnover has reduced during the last 3 years.					
8.	The employees' satisfaction has increased during the last 3 years.					

END OF QUESTIONNAIRE

THANK YOU

ANNEXURE 2 SEPEDI QUESTIONNAIRE
Dipotšišonyakišišo

Ke nna Mankgele Khutšo Pitso (KP). Ke ithuta le Univesithi ya Limpopo Tirobotse/ tšwetšopele ya dikgwebopotlana (tše nnyne le tša magareng) e sale bothata, ka gona ke swaragane le go dira dinyakišišo ka khuetso ya marangrang, dikgokagano, ditswalano le maanotšwetšopele go tsena dikgwebopotlana tše. Maikemišetšo a dipotšišonyakišišo di theilwe godimo ga morerokgolo wa tša dithuto feela le gore go tšea karolo gag ago go tla dula e le thopakgolo go nna le lena. Ga o gapeletšege go tšweletša boitsibišo bjalo ka motšeakarolo(mofetodi) Ka biokokobetšo le hlompho re thuše go araba dipotšišo tšohle ka botshepegi tšeo elego gore di ka no tšea metsotso e mehlano ya nako ya gago/lena

Kgopelo: Araba ka go thala sefapano goba khross (x) go lepokisana leo le nago le Karabo ya maleba go ya ka wena/lena.

KAROLO A: Phofaele ya tša botho

7. Bong

Monna	Mosadi

8. Legoro la tša bogolo

Ka tlase 20	20-30	31-40	41-50	Go feta 50
1	2	3	4	5

9. Tša kgwebo/Mošomo

Ditirelo 1	Tša go rekiša 2	Tšweletšo 3

10. Kgwebo ya gago e wela legorong lefe?

Ya bolaodi 1	Ya gago o le tee 2	seboka 3	praebete 4

11. Ke mengwaga e mekae e šoma kgwebo yeo ya lena/ya gago?

0-1 1	2-5 2	6-10 3	11-15 4	16+ go feta 5

12. E nale badiredi/bašomi ba ba kae?

Lefeela 1	1-10 2	11-50 3	51-250 4

Karolo B: Tekanyo ya tša maanotšebišo

D. Tekanyo tlhathollo/ tshekatsheko

	Dipotšišo1	**Aowaowa** 1	**Aowa** 2	**Ga kena nnete** 3	**Ee** 4	**Nnete nnete** 5
1.	Go lekolwa seemo kudu pele go dirwa sepheto se se golo					
2.	Methopokgokanyo ke ya motheo go tšeeng diphetho					

B. Tekatšhireletšo

	Dipotšišo	**Aowaowa** 1	**Aoawa** 2	**Ga kena nnete** 3	**Ee** 4	**Nnete nnete** 5
1.	Kgwebo ya ka/rena e dira dikaonafatšo tše bohlokwahlokwa go tšweletšeng ditirelo					
2.	Go latelana le go diriša mekgwana ya tshenyegelo go hlokomeleng					

	tšwelopelo/tšwetšopele ya kgwebo.					

C. Tekatekanyo ya boikgafo

	Dipotšišo	**Aowaowa** 1	**Aowa** 2	**Gakena lennete** 3	**Ee** 4	**Nnete nnete** 5
1.	Kgwebo ya ka/rena e rekiša ka theko tša tlase go e na le baphenkgišano					
2.	Kgwebo ya ka/rena e kgona go ineela dikholego tša rena gore e ikhweletše, ithutele e tšwelepele go tša mmaraka/tumo.					
3.						

D. Tekakanyo ya tša bokamoso

	Dipotšišo	**Aowaowa** 1	**Aowa** 2	**Ga kena nnete** 3	**Ee** 4	**Nnete nnete** 5
1.	Kgwebo ya ka/rena e kgona go lota mehlala ya semmušo ya meelo/diphetogo tša mmaraka thekišo					
2.	E kgona go bonela pele ditshepitšo tše bohlokwa tirišong.					
3.	E kgona go ithuta mekgwa ya Katlego gore e tšwelepele go atlega .					
4.	E šomiša ditsela tša lebaka le letelele go aba ditlabakelo/ di dirišwa/ E aba didirišwa go lebeletšwe mekgwa ya lebaka telele.					

E. Tekanyo ya tša boitokišetšo/ ponelopele

	Dipotšišo	**Aowaowa**	**Aowa**	**Ga kena nnete**	**Ee**	**Nnete nnete**

		1	2	3	4	5
1.	Kgwebo e kgona gore ka mehla e lebelele menyetla ya tirišo e meswa					
2.	E phela e phala dikgwebobotlana tšeo di phadišanago le yona.					
3.	Ke yona ya mathomo ya go tla ka ditirelo tše mpsha nako le nako					
4.	E phela e lebelela menyetla ya kgwebo e meswa ya ga go lebana le tiragalo tša bjalo/ nako ye.					

F. Tekatekano ya tša Katlego le go wa/palelwa/šitwa

	Dipotšišo	**Aowaowa** 1	**Aoa** 2	**Ga kena nnete** 3	**Ee** 4	**Nnete nnete** 5
1.	Kgwebo ya rena/yaka e a botega/holofelega ka kakaretšo ke gore ga e tsenye kotsing.					
2.	Go kgethwa tirelo tša potego, go botega, holofelega ntle le go lobiša tirelo tša go se lliše kudu.					
3.	Go nale dipolelo tše kaone go mamaneo/maanotirišo a thekgwago ke kgwebo ye					
4.	Kgwebo ye e laetša go tšea dipheto tša go kgonegala/bolokega e seng dipheto tše kgolo kudu					

SECTION C: KAROLO

A. Tša dikgohlagano/kgokagano/tswalano

	Dipotšišo	**Aowaowa** 1	**Aoa** 2	**Ga kena nnete** 3	**Ee** 4	**Nnete nnete** 5
1.	Re ithekgile ka mekgatlo ya go fapana ya bokgoni					
2.	Re tsenela tša thlahlo le tša kgwebišano gore re phele re kgokagane le batšea karolo ba bangwe ba tša kgwebo					
3.	Go thekga kgwebo ya rena/yaka, re nale se tswalle seo se tseneletšego le mmušo le mekgatlwana yeo e sego ya mmušo					
4.	Re nale le setswalle le bathuši/baeletši ba ka ntle go thekga kgwebo					

E. Dikgokagano tša bolaodi

	Dipotšišo	**Aowaowa** 1	**Aowa** 2	**Ga kena nnete** 3	**Ee** 4	**Nnete nnete** 5
1.	Re na le setswalle sa makgonthe le ba dipanka go thekga kgwebo ye.					
2.	Re dirišana le baphenkgišani ba rena mo kgwebong ya rena ka kakakretšo.					
3.	Re dirišana gabotse le bathekgi/bareki ba rena mo kgwebong.					
4.	Re dirišana gabotse le bafepi/bahlahleledi ba direkišwa					

C. Ditswalano tša bosošale

	Dipotšišo	**Aowowa** 1	**Aowa** 2	**Ga kena nnete** 3	**Ee** 4	**Nnete nnete** 5

1.	Re kgokagana kudu le bagwera le maloko mabapi le kgwebo ya rena					
2.	Re kgokagana kudu le balapa le maloko kgwebong ya rena.					
3.	Re nale kgokagano ya nnete le mekgatlo ya leago/dihlopha tša leago mabapi le kgwebo ya rena.					

KAROLO D: Meputsotšwelopele

A. Tša matlotlo/Ditšhelete

	Dipotšišo	**Aowaowa** 1	**Aowa** 2	**Ga kena nnete** 3	**Ee** 4	**Nnete nnete** 5
1.	Go bile le koketšo/kgolo ka dithekišo tša rena mengwageng e meraro ka tatelano ya go feta					
2.	Kabelo ya tsena mmarakeng e gotše kudu mengwagengtharo e fetilego.					
3.	Re itemogetše le tseno le le golo la profete la koketšego ya tswalo					

B. Tša tikologo kgwebong

	Dipotšišo	**Aowaowa** 1	**Aowa** 2	**Ga kena nnete** 3	**Ee** 4	**Nnete nnete** 5
1.	Khamphane ya rena e latela mananeokgoparara go bona gore tikologo ya rena ga e tsenywe kotsing ge re ntše re ikhola					
2.	Go bile le kaonafatšo e kgolo ya didirišwa tšeo di sa kwišego bohloko.					
3.	Re bile le kgolo e kgolo ya go šomiša matheriale wa go bošeletšwa gore naga e dule e hlwekile					

4.	Mekgwatirišo ya rena ka kgwebong e fokotša kudu maatla , tšhilafatšo le tshenyegelo					

C. Tša tirišoleago

	Dipotšišo	**Aowaowa**	**Aowa**	**Ga kena nnete**	**Ee**	**Nnete nnete**
1.	Khampani yaka/ya rena e nale tirišo e mpsha ya go kaonafatša tša maphelo, polokego le tša boipelaetšo					
2.	Mekgwana e meswa yeo e tšweleditšwego ke khamphani e thušitše kudu go fokotša go bušwa/bušetšwa morago ga ditšweletšwa tša rena ke bareki/badiriši ba kgwebo y arena.					
3.	Re swara badiredi/bašomi ka tshwanelo gammogo le go bolokega ga bona ke ya maleba,					
4.	Khamphani e tšweleditše mokgwa wo mmotse wa go thekga tša leago go ya go ile. .					
5.	Re kgotsofaditše bareki/barekiši ba khmphane ya rena mengwageng e merararo ye e fetilego le go ya pele.					
6.	Go fokoletšegile kudu boipelaetšo le go bušetšwa morago ga thuto/dithekišo tša khamphane y arena mengwageng e meraro ya go feta.					
7.	Go bile le phokotšego ye kgolo ya badiredi/bašomi mengwageng ye meraro ya go feta.					
8.	Bašomi/badiredi ba khamphane ya rena ba kgotsofetše kudu mengwageng e meraro ya go feta					

Ke a leboga

ANNEXURE 3 CONSENT FORM

CONSENT LETTER

Title of study

The impact of strategic orientation and networking on the sustainable performance of small and medium business in Polokwane Municipality, Limpopo Province.

Principal investigator

Name: Khutso Pitso Mankgele

Department: Business management

Phone: 0797929551

Email: mankgelejunior@gmail.com

Purpose of the study

You are being requested to take part in a research study. Before you decide to participate in this study, it is important that you understand why the research is being done and what it will involve. Please request the researcher if there is anything that is not clear or if you need more information.

The purpose of this study is to explore the effect of strategic orientation and networking have an impact on the sustainable performance of SMEs.

Outcome of the study

The study will intend to fill the gap in the literature and will help businesses to know the impact of strategic orientation and networking on the sustainable performance of SMEs. The study will further contribute to the on-going research on SMEs in South Africa and their importance. The result of this study will offer entrepreneurs with information they can use to increase the performance of their business.

Confidentiality and voluntary participation

Your response to this study will be anonymous. By any means please do not write any identifying information on the questionnaire. Your participation in this study is voluntary or you can withdraw to participate in the study.

Risk

There is no probability of risk and harm (physical, psychological, social, legal, or economic) as a result of participating in this study.

Respect and dignity

The study will ensure respect and dignity by recognising that each person has the right and capacity to make his or her own decisions.

Consent

I have read and I understand the provided information and have had the opportunity to ask questions. I understand that my participation is voluntary, and I am free to remove myself at any time, without giving a reason. I voluntarily agree to take part in this study.

Participant's signature_____ Date_____

Investigator's signature_____ Date_____

ANNEXURE 4 LETTER TO AUTHORITY TO CONDUCT RESEARCH

THE RESEARCHER

P.O BOX 863

DRIEKOP

1129

20 FEBRUARY 2020

THE MANAGER

RE: **PERMISSION TO CONDUCT RESEARCH**

I am a master's student with the University of Limpopo, under the department of Business management. I am undertaking a research on the topic "the impact of strategic orientation and networking on the sustainable performance of small and medium business in Polokwane Municipality, Limpopo Province". You are kindly requested to assist in providing sincere opinion or response to the questions contained in this questionnaire. All information provided will be treated strictly as confidential and purely for academic purpose. Looking forward to your response.

Yours faithfully

Mankgele Khutso Pitso

University of Limpopo
Department of Linguistics, Translation and Interpreting
School of Languages and Communication Studies
Private Bag x1106, Sovenga, 0727, South Africa
Tel: (015) 268 3707, Fax: (015) 268 2868, email:kubayij@yahoo.com

26 August 2020

Dear Sir/Madam

SUBJECT: EDITING OF MASTERS THESIS

This is to certify that the Master of Commence in Business Management thesis entitled 'The impact of strategic orientation and networking on the sustainable performance of small and medium business in Polokwane Municipality, Limpopo Province' by Khutso Pitso Mankgele (201215354) has been copy-edited, and that unless further tampered with, I am content with the quality of the thesis in terms of its adherence to editorial principles of consistency, cohesion, clarity of thought and precision.

Kind regards

Prof. SJ Kubayi (DLitt et Phil - Unisa)
Associate Professor
SATI Membership No. 1002606

ANNEXURE 6 TURNIT IN REPORT

THE IMPACT OF STRATEGIC ORIENTATION AND NETWORKING ON THE SUSTAINABLE PERFORMANCE OF SMALL AND MEDIUM BUSINESS IN POLOKWANE MUNICIPALITY, LIMPOPO PROVINCE

ORIGINALITY REPORT

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