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Social capital as a pathway to small and medium-sized enterprises' performance in North-West Province

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Social Capital as a pathway to Small and Medium-sized Enterprises' performance in North-West Province

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ABSTRACT

Social capital is an intangible asset that influences the performance of small and medium enterprises (SMEs). SMEs are critical drivers of economic growth in the emerging economy. Small businesses are the key drivers of job creation rather than large companies. However, despite government intervention in developing SMEs, there is still a high failure rate of SMEs in the North-West Province. Therefore, understanding how relational and cognitive social capital relates to the performance of SMEs is crucial. Resources accumulated through social capital can drive the performance of SME.

This study is quantitative, and it takes a deductive approach. Primary data was collected with a sample size of 384 in North-West province through a self-administered questionnaire. Data analysis includes validity, reliability, correlation, and regression. Relational social capital emerged as a significant predictor of SME's performance (employment growth and revenue). Cognitive social capital was a negative significant predictor for SME's performance. The finding of social capital is in line with existing literature that suggests that there is a significant positive relationship between social capital and SME's performance. Entrepreneurs who invest in social capital are likely to accumulate financial and non-financial performance.

The study recommends that entrepreneurs should develop value chains from networking partners. The study concludes that entrepreneurs who invest in social capital have a high level of performance. Based on the findings, entrepreneurs can accumulate other entrepreneurial capital (human & financial capital) through social capital. The study suggests that future researchers can help assess how to foster value chains from networking partners.

KEYWORDS – small and medium enterprises, social capital, relational social capital, employment growth, revenue.

DECLARATION

I, Nhlanhla Harmonia Ndhlovu, declare that this research report on *social capital as a pathway to small-medium size enterprises in North West province* is my own work except as indicated in the references and acknowledgments. It is submitted in partial fulfilment of the requirements for the degree of Master of Management in Entrepreneurship and New Venture Creation at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Name: Signature:

Signed at ……

On the …….. day of …… 20….

DEDICATION

Ecclesiastes 12:12

But beyond this, my son, be warned: the writing of many books is endless, and excessive devotion to books is wearying to the body.

To my sister, thank you for all the sacrifices and support. Thank you that you could stay up until late, making sure I meet my deadlines; your efforts did not go unnoticed. May God bless you abundantly and grant you your heart's desires. To my parents, even if you did not understand why I could not spend holidays with you, thanks for your words of encouragement, love, and support.

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Special thanks to my partner and friends for your love and support. Even though I lost one of my best friends along this journey, may your soul rest in peace, thank you for your contributions.

To my classmates, you were remarkable classmates, who were always there to read my draft and encourage me when I wanted to give up. This goes to Hlengiwe, Trustlord, and Gloria. Thank you for being part of the journey.

TABLE OF CONTENTS

ABSTRACT I

DECLARATION II

DEDICATION III

ACKNOWLEDGMENTS IV

TABLE OF CONTENTS V

LIST OF TABLES IX

LIST OF FIGURES XI

CHAPTER 1: INTRODUCTION 1

1.1 Context of the study 2

1.2 Theoretical foundation 3

1.3 Motivation of the study 4

1.4 Research problem 4

1.5 Research objectives 5

1.6 Significance of the study 5

1.7 Delimitations of the study 6

1.8 Definition of terms 7

CHAPTER 2: LITERATURE REVIEW 9

2.1 Introduction 9

2.2 SME Performance 9

2.2.1 Financial performance 11

2.2.2 Non-financial performance 12

2.3 Cognitive social capital 14

2.4 Relational social capital 16

2.4 Conceptual framework and hypothesis 18

2.5 Conclusion on literature review 19

CHAPTER 3: RESEARCH METHODOLOGY 20

3.1 Research paradigms 20

3.2 Research design 20

3.3 Population and sample 21

3.3.1 Population 21

3.3.2 Sample and sampling method 21

3.4 The research instruments 22

3.5 Procedure for data collection 23

3.6 Data analysis and interpretation 24

3.6.1 Descriptive statistics 25

3.6.2 Correlation 25

3.6.3 Regression 25

3.7 Validity and reliability 25

3.7.1 External validity 26

3.7.2 Internal validity 26

3.8 Ethical consideration 27

CHAPTER 4: PRESENTATION OF RESULTS 28

4.1 Data screening 28

4.2 Demographic profile 28

4.2.1 Gender 28

4.2.2 Age 29

4.2.3 Education level 30

4.2.4 Sector/ Industry 31

4.2.5 Turnover 32

4.2.6 Age in business 33

4.3 The validity of constructs 34

4.4 Reliability of measurement scales 39

4.4.1 Reliability of business performance 39

4.4.2 Reliability of Cognitive social capital 40

4.4.3 Reliability of Relational social capital 41

4.5 Correlation analysis 43

4.6 Assumptions testing 45

4.6.1 Normal p-p plot 45

4.6.2 Linearity and Homoscedasticity Test 46

4.7 Regressions results 47

4.8 Hypothesis testing 48

4.9 Chapter conclusion 49

CHAPTER 5: DISCUSSION OF THE RESULTS 51

5.1 Discussion pertaining to demographics 51

5.2 Discussion of key findings 52

5.3 To what extent does cognitive social capital relate to the revenue growth of SMEs? 53

5.4 To what extent does cognitive social capital relate to the employment growth of SMEs? 54

5.5 To what extent does relational social capital relate to the revenue growth of SMEs? 55

5.6 To what extent does relational social capital relate to the employment growth of SMEs? 56

5.7 Chapter conclusion 57

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS 58

6.1 Conclusion regarding research questions 1 and 2 58

6.2 Conclusions regarding research questions 2 and 3 58

6.3 Recommendations 59

6.4 Limitations of the study 60

6.5 Suggestion for future research 61

REFERENCES 62

APPENDIX A: RESEARCH INSTRUMENT 79

APPENDIX B: CONSISTENCY MATRIX 91

APPENDIX C: ETHICAL CLEARANCE CERTIFICATE 93

APPENDIX D: CORRECTION MEMO 94

LIST OF TABLES

Table 1: Definition of terms 7

Table 2: Summary of entrepreneurial phenomena in established organisations 17

Table 3: Profile of respondents 22

Table 4: Measures used in the study 23

Table 5: Gender 28

Table 6: Age 30

Table 7: Education level 31

Table 8: Turnover 33

Table 9: KMO and Bartlett's Test 35

Table 10: Total Variance Explained 35

Table 11: Pattern Matrix 38

Table 12: Reliability for business performance 39

Table 13: Item-Total Statistics 40

Table 14: Reliability for cognitive social capital 41

Table 15: Item-total variance 41

Table 16: Reliability of relational social capital 42

Table 17: Item-Total Statistics 42

Table 18: Correlations between business performance and cognitive social capital 43

Table 19: Correlation between business performance and Relational social capital 44

Table 20: Model Summary 47

Table 21: ANOVA 47

Table 22: Coefficients 48

Table 23: Summary table of hypothesis 49

LIST OF FIGURES

Figure 1: Study of the Conceptual Model 19

Figure 2: Sector 32

Figure 3: Age of business 34

Figure 4: Scree plot 37

Figure 5: Normal p-p plot 46

Figure 6: Scatterplot 46

CHAPTER 1: INTRODUCTION

On a global scale, nurturing small and medium enterprises' (SMEs) development and innovation has become a way of gaining a competitive advantage. In South Africa, "entrepreneurship is seen as a solution to bridging the widening inequality gap and reducing the effects of poverty" (Kavhumbura, 2014, p. 20). The unemployment rate remains the most serious challenge, and statistics show a rise in unemployment by 0.5% (StatsSA, 2016). Small-medium enterprises create more jobs than corporate businesses (Neagu, 2016). South Africa has been trapped in a depressed economic environment with increasing poverty, thus achieving economic transformation has been difficult (Shelembe, 2017). Post-1994, the government intentionally focused on creating an environment that would enable small, medium, and micro enterprises to be sustainable and thrive (Mofokeng, Giampiccoli, & Jugmohan 2018).

According to Herrington, Kew, and Mwanga (2017), the participation of entrepreneurship in South Africa is low, compared to other countries. The GEM report shows that South Africa exhibits many necessity-driven entrepreneurs, with high ambitious entrepreneurs and low entrepreneurial activity (Herrington, Kew, & Kew, 2010). In an emerging economy, the development of SMEs has become a growing phenomenon. South Africa is known as Africa's economic hub; however, the total entrepreneurial activity is alarmingly low compared to other Sub-Saharan countries. Enterprise development aims to achieve a positive socio-economic impact by encouraging and investing in entrepreneurship (Peters, Rice, & Sandararajan, 2004). "Entrepreneurs serve as an agent of change, provide creative, innovative ideas for business to enhance growth" (Kurato & Hodgetts, 1998, cited in Venter, Uban, & Rwigema, 2008, p. 5).

SMEs can access resources in social networks for improving performance (Walters, 2009). The resources entail understanding the market, increasing customer satisfaction, and enhancing distribution channels (Walters, 2009). According to Levebre, Sorendon, Henchion, and Gelleynck (2016), social capital has three dimensions, namely, structural, cognitive, and relational social capital. This

study focused on relational and cognitive social capital to understand relationships built among entrepreneurs from the same environment and how such links enhance performance. The study focuses on financial and non- financial performance of SMEs, however, there are more dimensions of financial and non-financial performance. Thus, the study only focuses on revenue and employment growth.

1.1 Context of the study

According to Ndlovu and Makgetla (2017), small businesses are critical drivers of job creation rather than large companies. Small businesses account for 55% of formal employment, more than large companies, which contribute only 40% (Ndlovu & Makgetla, 2017). The SME is the key driver of economic growth in developing countries. Since 2008, there has been an increase in the number of small businesses in South Africa; however, small companies' life expectancy over five years is dismal. There are many challenges faced by the small business which result in failure or sluggish growth, e.g., lack of access to finance, poor infrastructure, labour laws, and lack of access to markets, etc. The government developed a white paper on SMEs in 1995 to create policies to improve SMEs' performance (SEDA, 2016).

Social capital is a phenomenon that continues to attract attention in diverse studies in the emerging economies (Jalali, Jalali, Shamsodin, Dadbeh, & Sharifi, 2013). According to Hackett and Dilts (2004), social capital is the development of relationships amongst individuals that can either be formal or informal. The phenomenon of social capital was introduced in the 1980s by sociologists, Jalali et al. (2013), who confirmed that SMEs that build and leverage networks experience high performance. They also exhibit higher cost savings and more improved efficiency than SMEs that do not access their social capital (Pratono & Mahmood, 2014). The literature indicates that resources gained through networking have a positive relationship with firm performance. However, social capital without (Peters, Rice , & Sandararajan, 2004) proper allocation of assets may not positively influence achieving business goals (Parker, Halgin, & Borgatti, 2015).

Business failure occurs when the competitive transitive space for the production and sale of goods and ideas does not produce the desired outcome (Fine, 2004).

1.2 Theoretical foundation

Social capital has become increasingly popular across various academic disciplines, including sociology, political science, and economics. The Putnam theory is important in understanding the bonding and bridging social capital (Luoma-aho, 2018). The Putnam theory argues repeated social contact and shared common goal positively impact SME performance (Cooke, 2007). According to Luoma-aho (2013), the previous working relationship create opportunities for SME to work together in the future. Putnam theory further indicates that shared norms and trust facilitate mutual benefit (Tzanakis, 2013). Putnam theory suggests that racial diversity course the racial identity despondent and may negatively impact SME performance (Paarlberg, Hoyman, & McCall, 2018).However, Portes and Vickstrom (2011) posit that diversity does not necessarily inhibit social capital. The study looks at how accumulated resources are distributed. The resource-based-view theory is crucial in understanding the dynamics of social capital and resource allocation by a business (Kor & Mahoney, 2004). These scholars acknowledge that resources acquired through networking require management capabilities and experiences to combine resources and skills to obtain opportunities and create market share by responding effectively and efficiently to market needs.

According to Godwin-Opara (2016), the company's resources and capabilities are vital in creating a competitive advantage in the market, creating value on the assets accumulated through social capital to build performance. Businesses leveraging social capital to gain skills, capabilities and creating networks through the value chain gain access to assets that the competitors cannot (Godwin-Opara, 2016). Within the value chain, marketing resources can improve the financial performance of the firm. Resource-base-view theory stipulates that a strong value chain built through social capital, can facilitate access to technology, human, and financial resources.

On the contrary, Lin (1999), as cited by Campbell and Park (2016), states that there is no guarantee that businesses improve performance based on the resources embedded through social capital. However, enterprises that embark on networking can acquire assets and diverse resources to improve performance (Lin, 1999).

1.3 Motivation of the study

SMEs are a growing phenomenon in developing countries; they drive economic growth and development, and they are vital in addressing the socio-economic impact, such as unemployment and crime (Oyeyemi, 2016). The government has developed policies and ministries to support small business' overall performance; however, providing generic support to SMEs operating at different levels and diverse sectors is not necessarily the best approach. Practitioners encourage enterprises to develop working groups, such as associations or business chambers of commerce, to avoid working in silos because businesses fail to leverage social capital to create a value chain in the market. Building the value chain to improve a small business's performance is crucial for policymakers (Walters, 2016).

1.4 Research problem

Despite the government intervention in skills capacity and financial assistance for SMEs, there is still a high failure rate (Rungan & Potgiete, 2018). These remain the problem in SME performance in South Africa (SEDA, 2018). SMEs do not capitalise on social capital to enhance their performance and access other entrepreneurial capitals (Zahra, 2018**)**. This problem negatively impacts the hopes of easing unemployment, poverty, and inequality (Herringon, Kew, & Mwanga, 2017). The government has introduced the BBBEE Policy as an obligation to the public and private entities to consider procurement processes (Arya & Bassi, 2011; DTI, 2015).

The BEE policy's introduction aimed to redress the inhuman policies of apartheid (Irene, 2017). However, the strategy has been an amendment to include all

previously disadvantage groups to encourage participation in the mainstream economy (Andriani, 2013). Access to finance is the main challenge that constrains SME performance, growth, and sustainability (Wang, 2016). The government has developed financial institutions to assist SMEs in South Africa. As part of the overall government strategy for enabling an entrepreneurial base for economic transformation, business incubators have been introduced as an intervention aimed at developing and mentoring newly established ventures through the hardship and challenges of forming a new enterprise (Lindile, 2008; Department of Trade and Industry (DTI), 2005)

1.5 Research objectives

This study's research objective is encapsulated in one broad objective: to investigate the positive relationship between social capital and SMEs' performance. More specifically, individual questions of the study that guide corresponding answers in line with the purposes of the research are:

- To examine the relationship between cognitive social capital and revenue growth for SMEs.
- To examine the relationship between cognitive social capital and employment growth of SMEs
- To examine the relationship between relational social capital and revenue growth for SMEs
- To examine the relationship between relational social capital and employment growth.

1.6 Significance of the study

Studies have been done on social capital and its dimensions and its contribution to business performance (Levebre, et al., 2016; Gelleynck, 2016). Value chains is a business model that describe the full range of activities needed to create a product or services. Building networks create dependence between SMEs and exchange products specification information to ensure they produce product

quality and services. However, not much research has been conducted on how to create value chains through social capital to improve performance, the study determines how social capital is an indicator for SME performance. This study's findings could have a guiding effect on policymakers, practitioners, government, and investors in assisting entrepreneurs in investing in networks and creating value for improvement in their performances.

South Africa has high necessity-driven entrepreneurs, whose climax is personal wealth (Herringon, Kew, & Mwanga, 2017). Thus, social capital enhances knowledge sharing and improve SME perfomance (Daud & Yusoff, 2010). Developing economic growth is a continuing problem for policymakers. One of the key priorities has been introducing initiatives aimed at fostering and creating an enabling business environment for SMEs (Herringon, Kew, & Mwanga, 2017).

The study contributes knowledge to the literature of social capital. The study further explains how small businesses can allocate resources embedded in social capital for their improved performance. Lastly, it contributes to the policymakers allowing them to develop broader business framework policies that encourage entrepreneurs' networking entrepreneurs are capacitated through skills development training and business incubations (Kavhumbura , 2014). The study assists entrepreneurs in leveraging social capital to access other entrepreneurial capital.

1.7 Delimitations of the study

The study focuses on the small business sector, which is categorised into the secondary economy. The study investigates SMEs who are registered with institutions because it is simple to navigate them. Thus, it excludes the survivalist entrepreneurs and micro enterprises. There is a limited number of employees, thus measuring the employment growth. Social capital has three dimensions; however, this study focuses on two dimensions: cognitive and relational. There are many dimensions to financial and non-financial performance; however, the research focuses on revenue and employment growth as key SME performance measures. Despite the government intervention in supporting SME, there are no

incubations hubs or business activities that allow SMEs to network. Thus, the study focuses on North west province.

1.8 Definition of terms

Table 1: Definition of terms

Terminologies	Definitions
SMEs	SMEs are defined according to their financial assets, ownership, and the number of employees employed by the enterprise. However, the definition varies from country to country. The Bureau of Economic Research Report (SEDA, 2018) defines SMEs as follows: A small enterprise refers to entities that employ more than fifty individuals. These businesses are more organised and managed better than micro-enterprises. The maximum turnover which these businesses usually produce is between two million and twenty-five million Rand per annum (Faith, 2018; DTI, 2005). Medium enterprises refer to as entities that employ 100 to 200 people. The turnover which these businesses usually produce is between four million and 50 million Rand per annum.
Social capital	According to Carrillo-Álvarez, Villalonga-Olives, Riera-Romaní, and Kawachi (2019) and Pearson, Carr, and Shaw (2008), the following is the definition of social capital and the dimension of social capital:

	Social capital – the development of network ties with different stakeholders (internal and external) to access resources leading to enterprise performance. Cognitive social capital: The relationship is built, based on shared language, values, attitudes, and beliefs (John, 2017). Relational social capital - is the nature of a relationship built based on the history of interaction to build trust, shared norms, obligations (Claridge, 2018). Structural social capital - is defined as social interactions, including the patterns and strength of ties among the collective (Pearson, Carr, & Shaw, 2008).
Performance	According to Rylková (2015), business performance must include the five key performance dimensions. Financial (Revenue, Sales, Return on Investment) Processes (payment methods) Market and customers (services quality, retention, and customer satisfaction) Employees development/ capacitated strategy (skills development) Planning strategy (risk planning, strategic planning, environmental analysis)

CHAPTER 2: LITERATURE REVIEW

2.1 Introduction

This chapter provides existing literature to strengthen the argument that prevailing SME performance in the North-West province is mostly dependent on the strength of social capital created among entrepreneurs (Tryba & Fletcher, 2019). The chapter motivates the accessibility of other capital through social capital.

2.2 SME Performance

Business performance is measured through financial and non-financial methods, but the business's competitiveness is determined by financial performance (Rylková, 2015). Rylková (2015) further explains that openness in the complexity of diversity is critical in enhancing performance. Business performance has gained attention from different scholars who argue that an enterprise's performance is attributed to entrepreneur/owner-manager capabilities, business strategy, and business characteristics (Blackburn, Hart, & Wainwright, 2013). According to Mjongwana and Kamala (2018, p.2), "non-financial performance indicators can provide businesses with feed-forward information that is future-oriented and thus more relevant for planning." There are five key performance indicators. However, this study only focuses on revenue and employment growth (Rylková, 2015).

Performance is the best way an organisation can determine whether it has grown and progressed; hence, significant management research has gone into organisational performance and its indicators (Gavrea, Ilies, & Stegerean, 2011). The traditional approach to a competitive measure focuses on financial analysis/ profitability of the enterprises (Horváthová, Mokrišová, Suhányiová, & Suhányi, 2015, cited in Rylková, 2015). Shared entrepreneurial cognitions influence entrepreneurial methods (Mansoori & Lackéus 2019), which will enhance performance. The flexibility of decision-making affects enterprises-making's performance

affects enterprises-making's performance, and in turn, acceleration enables collective cognitions, resulting from social networking (Tryba & Fletcher, 2019).

Small and Medium Enterprises in South African are vital in addressing the socio-economic problems, e.g., unemployment (SEDA, 2018). However, there is still a high failure rate for SMEs. Social capital facilitates access to resources that influence SMEs' performance. SMEs' performance measures include financial (Return On Investment (ROI), acquired assets, profitability, (sales), and non-economic (employment growth, an increase in clients) (Rylková, 2015). SMEs can improve performance through diversification and possession of resources (Wang, Chang, & Li, 2018). Social capital enhances performance for the third party, but also SMEs, and suppliers (Muniady, Mamun, Mohamad, Permarupan, & Zainol, 2015). Through social capital, SME can access opportunities for bulk purchases and reduce costs (Gölgeci & Kuivalainen, 2020).

Social capital increases perfect information in the market, thus reducing the risk of entrepreneurs venturing into the industry where there is high volatility (Wang et al., 2018). Small business does not require a performance measuring system because most small businesses are owner-manager (Aureli & Baldo, 2016). However, policymakers need to monitor growth and performance. In developing countries, entrepreneurship is motivated to encourage entrepreneurial activity in the country. Still, challenges regarding compliance and implementation of policies, result in stagnated growth of SMEs (Oyeyemi, 2016).

Social capital helps SMEs mitigate the risk imposed in the markets by external factors, competitors, etc. (Chowdhury, Lau, & Pittayachawan, 2016). According to Liang, Huangb, Lu, and Wang (2015), entrepreneurs who access marketing and technical skills directly influence the performance of their businesses, whereby they increase productivity, survive onslaughts environmentally, and encourage innovation. Different dimensions of performance denote diverse characteristics of performance in the enterprise. Thus, dimensions will not be used interchangeably (Santos & Brito, 2012).

2.2.1 Financial performance

Many researchers have adopted financial performance as a measure of enterprise performance (Wang, Junsheng, & Shenghua, 2016). Financial performance refers to the profit and loss made after deducting all the sales expenditure in comprehensive income statements. The financial performance measures include sales growth, cash flows, operating income, net profit margin, and return on investment and revenue (Maduekwe & Kamala, 2016). Financial performance is the indicator that informs whether a business strategy needs to be revised. Financial performance can understand enterprises' historical performance but cannot be used as a predictor of future performance (Maduekwe & Kamala, 2016).

“Financial performance measures also rarely relate to a business' corporate strategy and may be counterproductive by inducing managers to maximise short-term performance at the expense of their business' long-term effectiveness and competitiveness" (Zigan & Zeglat, 2010, p. 600). One of the major challenges that lead to the collapse of SMEs is poor or lack of proper bookkeeping and accounting practices (Musah, Gakpetor, & Pomaa, 2018). There are different dimensions of financial performance. However, the study measures financial performance in terms of revenue.

Sales growth: This refers to the proportion increase in sales from one period to another (Saputra & Faizal, 2016). It includes the growth percentage sales over a year (Bauwhede, Meyere, & Cauwenberge, 2015).

Return on equity: ROE refers to net income over total assets at the end of the year (Al-Matari, Al-Swidi, & Fadzil, 2014).

Revenue growth: This refers to the increase in revenue in a particular period; it is calculated by deducting all the expenditure from gross profit. This indicator is useful in measuring the enterprise's performance as it indicates the enterprise's constant improvement.

Return on assets: The return on assets indicates the proportion of how profitable a business's assets are in generating profits.

2.2.2 Non-financial performance

The importance of small and medium enterprises (SMEs) in creating employment opportunities and in contributing to the economic growth of a country is acknowledged by governments and researchers alike (International Labour Organisation, 2013, p. 1). Small-medium enterprises are the main contributors to job creation. Job creation is an economic objective, given the ambitious target of 11 million jobs to be created by SMMEs by 2030, as set out by the government (DTI, 2005). Using non-financial performance measures assists entrepreneurs in understanding other factors that influence the performance of an enterprise. The non–financial performance also provides information on customers and competitors. Non-financial measures can provide indirect, quantitative indicators of a firm's intangible assets, such as intellectual capital and customer satisfaction and loyalty, which are drivers of success (Ittner & Larcker, 2003). There is a different dimension of non-financial performance; however, the study looked at an enterprise's employment growth.

Employment growth: This refers to an increase in the number of employees employed. An increase in the numbers of employees indicates an increase in the performance of an enterprise, ceteris paribus, and a decrease/retrenchment of employees, suggesting that the business is not performing.

Social capital refers to the institutional support derived from an individual's relationships and networks (Venter et al., 2008). These relationships and networks are with people who can offer provision or assistance to the other person and vice versa. Support or assistance is not necessarily monetary. It can be knowledge, skills, or connections to other individuals with the necessary knowledge, skills, or other (financial and non-monetary) resources. Several scholars have explored social capital across different disciplines (Kuepie, Tenikue, & Walther, 2016).

Social capital circles around the interaction of connected and influential people who can allow an entrepreneur to access other entrepreneurial capital (Tzanakis, 2013). Social capital designates resources that are available through networking, either on a personal or a professional level. However, some benefits facilitate business performance (Rajennd, Abdullah, Mohd, Yukthamarani, & Noor, 2015). An entrepreneur can identify new opportunities. Nevertheless, the management leadership style is fundamental for facilitating the implementation of strategies that enhance performance (Otinga, Maru, & Tarus, 2017).

For ventures run by multiple members, nascent entrepreneurial stage decisions are influenced by the members' relational and historical experiences (Tryba & Fletcher, 2019). Their shared entrepreneurial cognitions ignite a unique social context for behavioural evolution, determining their decision-making (Tryba & Fletcher, 2019). Networking built through the business association of venture owners can further strengthen the social context of shared knowledge (Burt, 2017).

Cultural blockages limit resource acquisition (Zoogah, Peng, & Woldu, 2014). Parker, Halgin, and Borgatti (2016) debate that networking reduces production cost, and negotiation improves efficiency and productivity, which results in performance. According to Agyapon, Agyapong, and Poku (2017), networking triggers innovations among teams. Businesses can gain a competitive advantage and contribute to economic performance (Wang et al., 2018). Technology and internationalisation are competitive advantages; however, technology can become obsolete very quickly in the market (Muniady et al., 2015). China exhibits the success rate of co-operation; information sharing among members reduces information cost and negotiation costs (Liang, Huang, Lu, & Wang., 2009). A networking relationship with other entrepreneurs provides benefits like access to tacit knowledge, support, increases intentions to become entrepreneurs (Schøtt, et al., 2015).

The resource-based theory indicates that SMEs acquire assets and resources that contribute to the business (Lin,1999). Information and resources that

entrepreneur’s access through their social partners reduce ambiguities and risk, allowing SMEs to make sound business decisions. Social capital facilitates access to scarce resources that contribute to business performance. Social capital impacts entrepreneurs' cost-effectiveness and the development prospects of an enterprise (Kim & Kang, 2014).

“Social networks facilitate the discovery of opportunities, as well as the identification, collection, and allocation of scarce resources" (Davidsson & Honig, 2003, cited in Venter et al., 2008, p. 309). Social capital has three different dimensions that characterise the different types of connections within relationships. The study hypothesised that small-medium enterprises have higher levels of performance when social capital levels are higher. These three dimensions are cognitive, relational, and structural. They are not jointly exclusive, and each has its characteristics and effect on the socio-economic connection to culture.

- Cognitive social capital - Based on trust and reciprocity, usually between close-knit people, such as family members, and driven by strong in-group connections and often assists with socio-economic problems
- Relational social capital - Link between bonding groups and represents the strength of weak ties, usually with friends, neighbours, and acquaintances and because of these people belonging to other groups, they open up opportunities
- Structural social capital - Represents vertical connections with people or groups with different political or financial power and has tremendous access to resources or information from institutions of power (Andriani, 2013).

2.3 Cognitive social capital

"Cognitive social capital is the capacity of an organization to share the same vision, mission, and goals among its members" (Chow & Chan, 2008; Inkpen & Tsang, 2005, p.150). Enterprises with shared common goals, vision, and understanding with key stakeholders have a cognitive social capital.

A high level of performance is exhibited in cognitive social capital (Liu, 2018). Cognitive social capital is one dimension of social capital (Lebrea et al., 2016). The relationship is built based on shared language, values, attitudes, and beliefs. Authors argue that people who share the same language and values find it easier to build relationships and share resources (Levebre et al., 2016). The conflict that arises with social partners because of a lack of shared values and goals could hinder the strategy (Glederman, Semeijn, & Mertschuweit, 2016).

According to Nupus, Setiadi, and Soesanto (2016), businesses that practice knowledge sharing and a willingness to assist each other improve efficiency and productivity, which results in financial and non-financial performance. Developing social capital is crucial, even in the start-up phase of business (Muniady, Mamun, Mohamad, Permarupan, & Zainol, 2015).Social partners that adopt the institution's culture are likely to maximise their benefits (Villena, Revilla, & Choi, 2011). Shared vision and shared language can provide a connection that improves knowledge exchange (Levebre et al., 2016).

A knowledge-based view stipulates that businesses can improve performance by ensuring that they perform their daily innovative activity (Coff & Kryscynski, 2011)**.** Thus, enterprise acquaintance-established competence may develop core competence, which can positively impact performance (Richtnér, Åhlström, & Goffin, 2014)**.** Cognitive social capital helps acquaintance creation and increases an enterprise's critical capabilities (Wang, Chen, & Wang, 2019)**.**

A synergy of shared values strengthens each other's capabilities and increases innovation, even though a common goal improves strategy development (Liang et al., 2009). According to Levebre et al., (2016), the greater the interaction with the social members, the higher the possibility of sharing the cognitions with them. Sharing knowledge and learning becomes the total asset for enterprise development. The comprehensive review hypothesises the following:

H1: There is a positive relationship between cognitive social capital and revenue growth of SME

H2: There is a positive relationship between cognitive social capital and the employment growth of SMEs.

2.4 Relational social capital

According to Claridge (2018), relational social capital is the nature of the relationship built, based on the history of interactions which aim to build trust, shared norms, and obligations (Ortiz, Donate, & Guadamillas, 2016). Trust is considered one of the core values for social exchange and groups, networks, and norms that people have at their disposal for productive purposes (Doh & Zolnik, 2011). Trust is critical in bringing knowledge through the alliance of relationships in the business. Lack of networking diminishes access to resources, fuels disagreements, and scepticism (Sirén, Parida, Patel, & Wincent, 2019). But trust opens doors to crucial information and other essential stakeholders in the ecosystem (Pera, Occhiocupo, & Clarke, 2016).

Villena, et al. (2011) posit that a lack of trust among entrepreneurs might lead to variability and hesitancy to share certain information among stakeholders. The authors argue that the relationship and trust concepts are assets created and leveraged through a distinct value chain (Muniady, et al., 2015). Entrepreneurial women have lower levels of weak-tie networking compared to their male counterparts (Xie, 2014). Enterprises access more resources through network intensity, and the cost of obtaining the resources can be low (Maina, Marwa, Waiguchu, & Riro, 2013).

Trust is vital in transferring tacit knowledge more than transferring explicit knowledge (Hajidimotrio, Sklavounos, & Rotsios). The comprehensive review hypothesises the following:

H3: There is a positive relationship between relational social capital and revenue growth of SME

H4: There is a positive relationship between relational social capital and employment growth of SMEs.

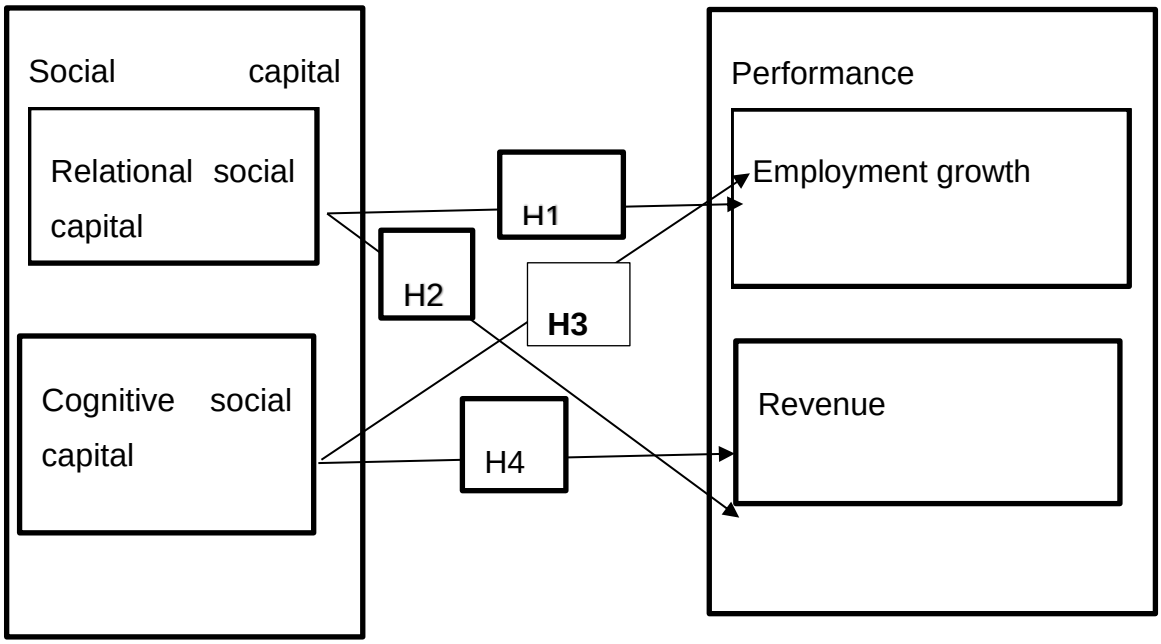
Table 2: Summary of entrepreneurial phenomena in established organisations

Author(s)	Focal entrepreneurial phenomenon	Locus of entrepreneurship	Relationship between the entrepreneurship phenomenon and strategy
(Kor & Mahoney, 2004)	Theories of the resource-based-view	Management studies	Contribution of the resource-based view of strategic management
(Godwin-Opara, 2016)	Resources allocation/ theories of social capital	Resource-based perspective	Financial resources strategies for small business sustainability
(Lin, 1999)	Social capital theories	Theories	Building theory of social capital
(Maduekwe & Kamala, 2016)	Performance	Problems and Perspectives in Management	Key performance indicators
(Gavrea et al., 2011)	Performance	Organisational performance	Management and marketing
(Mjongwana et al., 2018)	Performance		
(Rylková, 2015)	Performance		
(Tzanakis, 2013)	SME performance	Business and Management	Non-financial key performance indicators

(Ortiz et al., 2016)	Social capital	External information/knowledge	Influence of strategies of external knowledge acquisition
(Tzanakis, 2013)	Theories of social capital		The antecedent of social capital
(Otinga et al., 2017)	Social capital	Management and leadership	Leadership, performance
(Claridge, 2018)	Social capital	The Dimension of Social Capital	Social capital theory, structural, cognitive, and relational

2.4 Conceptual framework and hypothesis

The research hypothesised that small-medium enterprises (SMEs) have higher performance levels when social capital levels are higher. The conceptual model represents the main hypothesis, which deals with social capital and its hypotheses



Based on: Levebre, Sorendon, Henchion, andGelleynck (2016)

Figure 1: Study of the Conceptual Model

2.5 Conclusion on literature review

Small and medium-sized enterprises are the main contributors to job creation (Bhorat, Asmal, Lilenstein, & Van Der Zee, 2018). However, entrepreneurial activity in South Africa is also alarmingly low, which might be caused by different challenges (Fitzsimons & O'Gorman, 2013). Established in the literature review, social capital has numerous benefits for enterprises; it can be a source of knowledge, skills, marketing, and access to financial and non-financial performance. Enterprise development is a strategy to develop small-medium enterprises in South Africa. The review further unpacks how networking influences the performance of enterprises. The business that invests in social capital can access other capitals that influence performance.

This study aims to understand the kind of relationship that exists between social capital and the performance of small-medium enterprises. The study addressed the following objective: to examine social capital's influence on job creation and revenue. Networking is essential for enterprises experiencing the necessity to be proficient, malleable, and adaptive. The literature indicates that SMEs who invest in social benefit can accumulate resources, which contribute to enterprises' performance. The extant literature has found a significant and positive relationship between social capital and SME performance. The literate review had further indicated how social capital could influence the employment growth of enterprises. There are significant expectations for SMEs to run sustainable businesses, which will generate more jobs by 2030 (Bhorat, et al., 2018).

CHAPTER 3: RESEARCH METHODOLOGY

The research methodology section describes the strategy employed to conduct the study by explaining the research method, research design, population, and sampling. This chapter also explains which research methods were chosen over others and how they were applied throughout the study. This is an essential part of the study as a failure to undertake proper implementation can harm the research, which will lead to failure.

3.1 Research paradigms

The positivist paradigm is the location of this study and it takes the deductive approach. The positivist paradigm is a research philosophy that adopts natural science and provides objective findings to minimise biased and collective interest (Creswell, 2016). “The purpose of the theory is to generate the hypothesis that can be tested and also allow explanations of the law to assess” (Bryman, 2016, p. 28). This approach is based on understanding social capital influencing small business performance (Saunders, Lewis, & Thornhill, 2009).

The quantitative research method used questionnaires/ surveys to collect data (Blumberg, Cooper, & Schindler, 2014). This approach considers the research hypothesis as valid, as it sees knowledge as the whole world's presentation. The study results determine whether the hypothesis is valid or not (Johnson & Onwuegbuzie, 2004). The outcomes have to stay within the threshold of the analysis (Burg & Romme, 2014). This research studied the relationship between different variables of entrepreneurial capital (human, social, and financial) and small and medium enterprises. The hypothesis took a positivist approach by suggesting that there was a positive relationship between the variables.

3.2 Research design

Research design summarises the objectives of the research (Cohen, Manion, & Morrison, 2007). A cross-sectional research design was employed to determine the authenticity of SMEs' performance through entrepreneurial capital, utilising a

quantitative technique. The data was observed and collected at a particular point in time. The cross-sectional design enabled the descriptive reality of small-medium enterprises' performance outcomes to be measured by accumulating entrepreneurial capital. The researcher may opt to use any of the three different methods: qualitative, quantitative, and mixed methods. Qualitative methods involve collecting information using interviews. Thus, the research focuses on the quality of the interviews (Newbold, Carlson, & Thorne, 2013). Quantitative research, however, involves collecting information through a questionnaire with possible answers. The third method, the mixed-method study, consists of a combination of quantitative and qualitative research (Newbold, Carlson, & Thorne, 2013).

3.3 Population and sample

3.3.1 Population

Study population was male and female entrepreneurs of a range between the ages of 18 and 75 years who own and run a business. Data was collected in the focused area of study: a sample of 384 SMEs in different sectors. No conscious decision was intended to discriminate against a specific gender, age group, or level of education, as that would mean that the sampling method is subjective. The reason for limiting respondents to SME owners and managers is that they have extensive knowledge about the challenges and opportunities in accessing entrepreneurial capital.

3.3.2 Sample and sampling method

The SME population was 125 535 SEDA (2018,p.18), Rao soft sample size calculator was used to determine the sample size. The Rao soft calculator considers marginal errors, confidence level, population size, and response distribution in arriving at sample size. The minimum recommended sample size using Rao soft calculator was 383 (McCrum-Gardner, 2010). The researcher sought to ascertain the relationship between social capital and SMEs' performance. Field (2009, p. 223) stipulates that with an independent variable between six or fewer variables, a sample of 100 is considered good. The study had accepted a minimum sample

size of 104+ 4 (Rees, 2018). Table 3 shows the summary of entrepreneurs who responded to the study.

Table 3: Profile of respondents

Total population	Small-medium enterprises in various sectors
Population size	**+/-**125535 (SEDA,2019, P.19)
Sample size	**383**
Geographical location	North-West province
Respondent	Owner/ Manager

3.4 The research instruments

Fatoki (2011) says that the research instrument is often a seven-point Likert-type scale recommended for satisfaction values. The 'satisfaction' value scores are multiplied by the 'importance' scores to calculate a weighted average performance index for each enterprise. Yang (2008) created a business performance scale that contained eight items and used a seven-point Likert scale. The Likert scale questionnaire was used as an instrument to administer the questionnaires to small-medium enterprises; the Likert scale was the recommended approach to determine SMEs' performance through their social capital. Table 3 indicates literature from where the constructs were formulated. The quantitative method allows us to use the Likert scale; thus, the questions were measured using a 7-point Likert-scale: 7=strongly agree;1= do not agree). The research instrument had measured the performance of SMEs (Agyapon, et al., 2017). The research instrument consisted of five sections divided as follows:

Part 1: Demographics, such as gender, level of education, and age.

Part 2: Enterprise performance based on financial and non-financial capital.

Part 3: Cognitive social capital.

Part 4: Relational social capital

Table 4: Measures used in the study

Constructs	Literature Source	Dimension	Comment on Instrument
Performance 7-point Likert scale: 1= strongly disagree, seven strongly agree	(Masutha & Rogerson, 2014)	Revenue Employment growth	The regression model was suitable for the study to test the relationship between the variables. The descriptive instrument understood the features of the data.
Social Capital 7=point Likert scale: 1= strongly disagree, seven strongly agree	(Campbell & Park, 2017) (Otinga et al., 2016) (Otinga et al., 2017) (Aristoteles, 2002)	Cognitive social capital Relational social capital	The regression model was suitable for the study to test the relationship between the variables. The descriptive instrument was modified to understand the features of the data.

3.5 Procedure for data collection

The self-administrative survey was suitable for the study to enable quantitative analysis (Creswell, 2003). The respondents were South African entrepreneurs from the age of 18 years and older. The questionnaire was distributed by email,

link, social media, e.g., WhatsApp, Facebook, and LinkedIn. However, to avoid excluding respondents who do not have access to the internet, manual questionnaires were also distributed. This procedure provided individuals from all backgrounds the opportunity to participate in the survey and thus increased the level of objectivity from the data collection. The hard copies were simultaneously captured into the system with all the other surveys that were completed electronically. Primary data was collected to obtain a true reflection of how SMEs improve their financial and non-financial performance through social capital (Agyapon, Agyapong , & Poku, 2017).

3.6 Data analysis and interpretation

Data analysis is the process of organising the collected data. The process of data analysis included the following steps: descriptive statistics to describe the sample, exploratory factor analysis for assessing validity, Cronbach Alpha for evaluating the reliability of the scale, correlation analysis for determining association and multicollinearity and multiple regression models to test the three sub-hypotheses (Field, 2013). Data was downloaded from Qualtrics as a CSV Excel spreadsheet, which included the cleaning of data. After that, IBM Statistical Package for Social Sciences (SPSS 25) was used to analyse and interpret the quantitative data. Descriptive analysis enabled the streamlining of data into useful configurations and themes (Field, 2013).

Furthermore, a descriptive study summarises data and describes the sample characteristic. The use of tables and graphical figures was employed to analyse data (Blumberg, Cooper, & Schindler, 2014). These tables tested the impact of social capital on small business for external validity (generalisability) transferability. Information from previous scholars has been used for references, the incomplete responses were cleaned from the data before analysis. Descriptive analysis was used to summarise the sample and the measures. Frequencies were used to analyse the categorical data. Factor analysis was done to analyse the relationship between items in a variable. Linear regression analysis computed the

relationships between social capital and SME performance (Blumberg, Cooper, & Schindler, 2014).

3.6.1 Descriptive statistics

Descriptive statistics describe data and encapsulate frequency ranges. The frequency distribution demonstrates exactly how many times each score occurs, and also tests and resolves certain assumptions, such as normality. The descriptive statistics were used to analyse the demographics' breakdown, such as gender, race, and educational level (Field, n.d.). The small-medium enterprises' performance outcomes, such as revenue, were demonstrated graphically to show an average increase over time.

3.6.2 Correlation

A correlation analysis was conducted to measure the relationship between the independent and dependent variables (Salkind, 2012). The correlation coefficient was used to assess the relationship of the four hypotheses, the relationship between social capital, cognitive social capital, and financial and non-financial performance of the small business. This correlation was suitable for the study to measure performance of the enterprise.

3.6.3 Regression

The regression analysis examined and validated several dependent and independent variables. The regression model tested the relationship between the dependent and independent variables (Field, 2013). The study used linear regression to predict the value of the dependent variable (Salkind, 2012).

3.7 Validity and reliability

Reliability is the extent to which an instrument makes the same measurement each time used (Field, 2013). Cronbach alpha was used to analyse the reliability of the study. Reliability refers to the degree to which the tool repeatedly employed, measures what should be measured (Saunders, Lewis, & Thornhill,

2009). Cross-loaded data is removed to retain clear factors for data analysis. The Cronbach alpha for the remaining factors should be >.7 to prove that the test items are consistent with each other in representing their constructs (Salkind, 2012). The greater the Cronbach alpha, the more reliable the factors are.

Validity is the extent to which the measurement made by an instrument measures what the researcher is interested in (Field, 2013); the method was suitable for the study to avoid human error and subjective results. Validity is concerned with the extent to which an instrument measures what it intended to measure; however, the instrument cannot be valid unless it is reliable (Field, 2013). The principal axis rotation method was used and all small coefficients of less than 0.4 were suppressed.

3.7.1 External validity

External validity considers measuring constructs outside the context (Bryman, 2012); thus, measuring instruments cannot be used as a general instrument for all constructs. SMEs in other provinces outside the context cannot be generalised by using this context. The external validity is concerned with the transferability of an instrument and questions if the study's outcome would be the same in a different environment with different subjects. It is thus advisable to use a research instrument that has been previously used, with the same or similar outcomes, as this increases its validity.

3.7.2 Internal validity

The internal validity is concerned with how the questionnaire distributed. Suppose the researcher does not manipulate the respondents. In that case, internal validity relates to the degree to which characteristics measured, enable the researcher to make accurate inferences about the construct investigated (Bryman, 2016). Internal validity states that data's outcome might be skewed based on how or where the survey is distributed (Doane & Seward, 2011). For example, if the survey is distributed online only, it automatically excludes those who do not have access to computers or the internet (Bhattacherjee, 2012). It is thus important to

highlight how such issues can affect or could have affected the outcome of the data when compiling the report. The pilot study was previously conducted to assess the validity of the research instrument.

3.8 Ethical consideration

The researcher applied for the ethical certificate; after the certificate was granted, the researcher ensured that the study was conducted with the highest consideration of ethics by not forcing the respondents to participate in the research and ensure that the researcher-maintained confidentiality. The questionnaire did not request classifiable information to avoid compromising the data. Information for research purposes was made clear to the respondent before participating in the survey to ensure they understood why they should embark on the study. Respondents had the choice to withdraw from the study after factual information was provided that might have influenced their decision to participate in the completion of the questionnaire (Blumberg, Cooper, & Schindler, 2014).

CHAPTER 4: PRESENTATION OF RESULTS

This chapter presents the results of the study with the use of graphs and tables. The first section presents the demographic profile of the respondents (owner/manager of small-medium enterprises). The following section presents the results of the regression and correlation analysis relating to the testing of hypotheses. The validity and reliability were tested to check the relationship between social capital and SMEs' performance.

4.1 Data screening

After numerous attempts and reminders soliciting participants to respond to the survey, a total of 283 participants responded. A total of 75 responded from the study were deleted as a result of incomplete responses. After cleaning the missing value, the researcher was left with 208 to analyse. SME is occupied with daily business operations. Thus, they are less likely to have time to respond to the surveys. The missing values in this study have compromised the study's statistical power, potentially creating a bias in the results (Kwak & Kim, 2017).

4.2 Demographic profile

Demographic data were collected, including gender, age, educational level, sector or industry, turnover, and age of business.

4.2.1 Gender

Table 5 indicates how the sample was distributed. The sample indicates that more males (55.3%) participate in business than female (44.7%) counterparts. Data indicated that there were slightly more males than females in the sample. The sample is fairly evenly distributed

Table 5: Gender

Gender

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 Male	115	55.3	55.3	55.3
	2 females	93	44.7	44.7	100.0
	Total	208	100.0	100.0	

4.2.2 Age

Table 6 indicates that most respondents (46.6%) were youth; this is a good result because South Africa has a high youth unemployment rate. According to the GEM report, the age group (35-50) participates more in entrepreneurship. However, the data indicate that 36-50 (39.9%) age groups participate less than the youth. The age group of 51-75 shows 13.5%; this may result that people, when they age, want to take their pensions.

Table 6: Age

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 18-35	97	46.6	46.6	46.6
	2 36-50	83	39.9	39.9	86.5
	3 51-75	28	13.5	13.5	100.0
	Total	208	100.0	100.0	

4.2.3 Education level

Table 7 shows that most respondents (26.4%) are high school graduates, followed by 24% with a degree,19.7% hold some college education, 16.8% hold a diploma, 6.7% hold a master's degree, 6.3% had no matriculation. No respondent had a doctorate.

Table 7: Education level

Education Level

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1 less than high school	13	6.3	6.3	6.3
	2 high school graduates	55	26.4	26.4	32.7
	3 some college	41	19.7	19.7	52.4
	4 diplomas	35	16.8	16.8	69.2
	5 degree	50	24.0	24.0	93.3
	6 masters	14	6.7	6.7	100.0
	Total	208	100.0	100.0	

4.2.4 Sector/ Industry

According to Ayandibu and Houghton (2019), the secondary sector performs better than the primary sector, and that sector accounts for more in their contribution to GDP (Gross National Product). The sample represents the sectors in which small businesses operate. The sample indicates that 16.8% are operating in agriculture, fishing, and forestry; 18.3 % of SMEs are operating in construction, 13.9% are operating in other. North West is a tourism destination, but SMEs are operating in sectors other than the sector that contributes more to province's

economy, but it still contributes 13%. Wholesale, retail, hotels, restaurants, motor vehicles, personal and household goods account for 12%, followed by transport, storage, and communication by 10.1%, only 7.7% accounts for manufacturing and finance, real estate, and business services at 5.8%. These results suggest that the government should encourage locally manufactured goods to reduce the balance of payment deficits. Lastly, 2.4% accounts for electricity, gas, and water supply. These results may be an attribute of government, which is the main supplier.

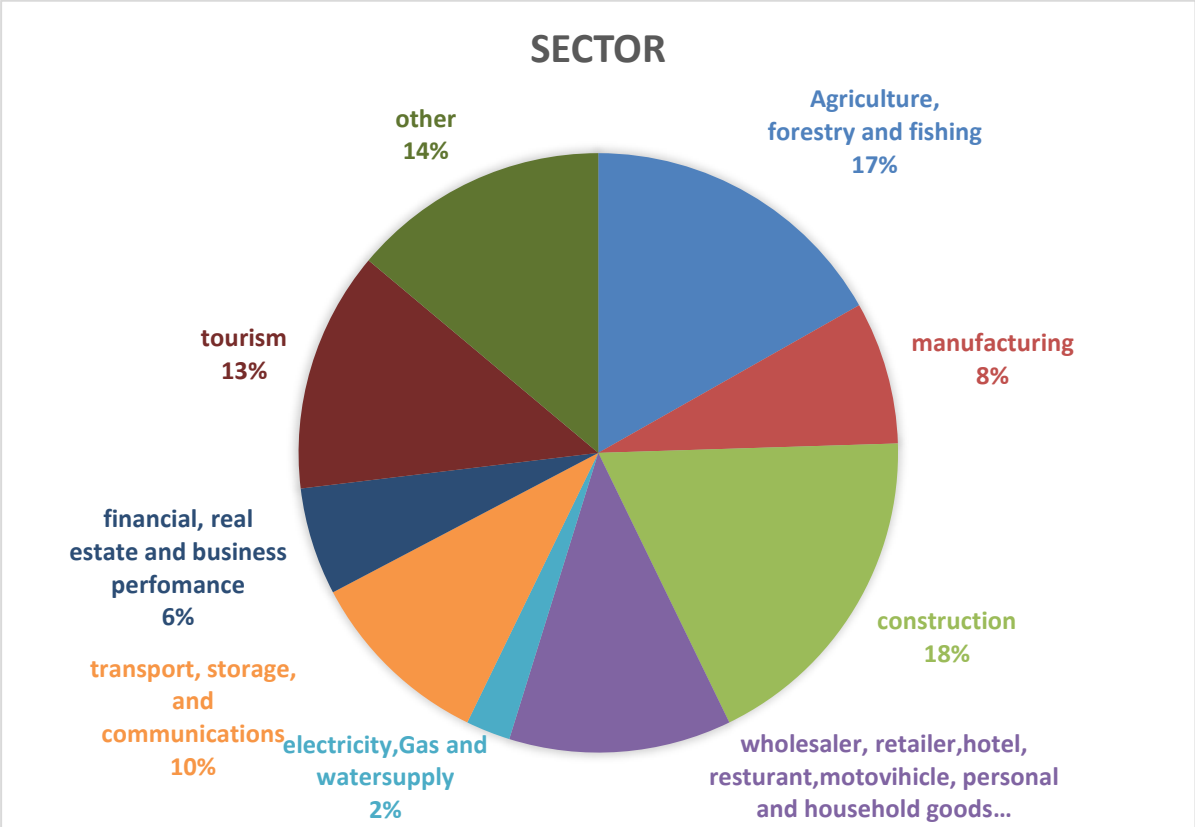


Figure 2: Sector

4.2.5 Turnover

Concerning revenue, this shows that 44.2% are making a turnover of less than 50 thousand. However, 30.3% are making a turnover of R150 thousand-1Million, followed by 20.7% who make a turnover of R60 thousand-100 thousand, 2.9% make a profit of R 2Million-R 4Million, only 1.9% are making a 5 million- 50 million.

Table 8: Turnover

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	1. <50K	92	44.2	44.2	44.2
	2. 60K-100K	43	20.7	20.7	64.9
	3. 150K-1 million	63	30.3	30.3	95.2
	4. 2 million - 4 million	6	2.9	2.9	98.1
	5. 5 million - 50 million	4	1.9	1.9	99.5
	Total	208	100.0	100.0	

4.2.6 Age in business

According to Herrington, Kew, and Mwanga (2017), the GEM report indicates that 2.3% of the South Africans own enterprises that have been established for over 3.5 years, but most have a short life span of fewer than five years. However, the results indicate that most respondents (54.8%) have been operating for less than five years, followed by 45.2% who have been functioning for more than five years. The results indicate that South Africa lags behind other developing countries in promoting the growth and sustainability of small businesses (Chiliya & Roberts-Lombard, 2012). The respondents operating less than a year and more than 10 years were excluded because they were missing values.

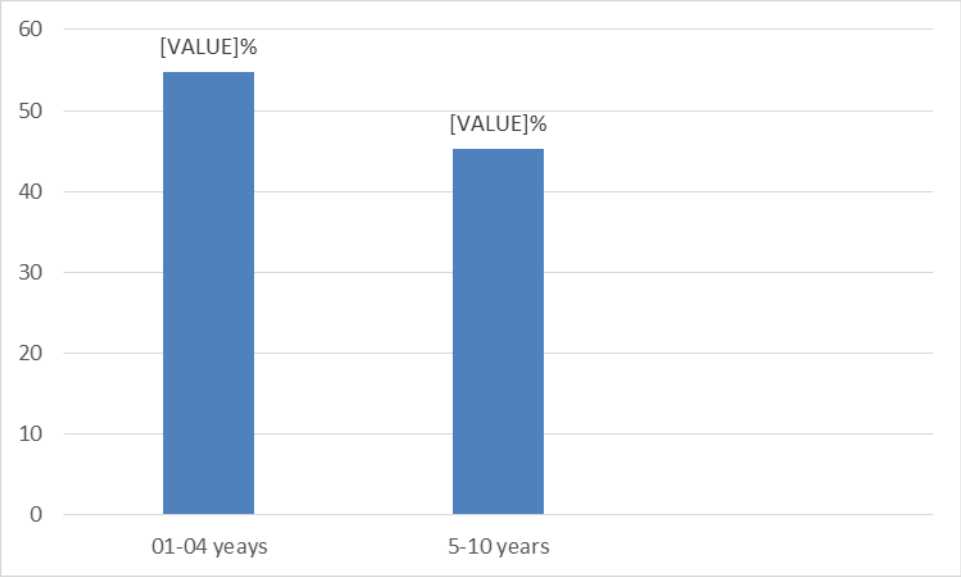


Figure 3: Age of business

4.3 The validity of constructs

The explanatory factor analysis was performed using SPSS for all the items to analyse the scale's validity for social capital and SME performance. It is used to test the divergence and convergence of different factors. The extraction method used was Principal Axis Factoring (PAF) and the scree plot. The principal axis rotation method used an oblique method; a small coefficient of less than 0.4 has been suppressed. The factor structure was Promax, an oblique method; suppressed a small coefficient of less than 0.4. The pattern matrix used to check if there is no negative loading or factors that load on the other constructs.

The Kaiser-Meyer-Olkin measure of sampling adequacy is more significant than 0.7 (KMO=0.771; p>0.05). The KMO values for both constructs were higher than the minimum required value of 0.5. Based on Bartlett's test results of Approx. Chi-Square =521.458, DF=55, p>0.05, implies that the sample was adequate to conduct factor analysis on both constructs (IV &DV). Bartlett's Test of Sphericity had significant p-values >0.05, which implied that could fit factor analysis (Field, 2009).

Table 9: KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.771
Bartlett's Test of Sphericity	Approx. Chi-Square	521.458
	Df	55
	Sig.	.000

The results from table 10 show that three factors extracted explained a total of 55.66% with the variance with (BP=26.69, CS=8.49, and RSC=4.84) after extraction with an eigenvalue greater than one. This is a good result because it is close to 60%. The results indicate that three factors have been extracted.
Table 10 shows the total variance explained

Table 10: Total Variance Explained

	Initial Eigenvalues			Extraction Sums of Squared Loadings		
Factor	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	3.522	32.017	32.017	2.937	26.699	26.699
2	1.451	13.187	45.204	.934	8.492	35.191
3	1.150	10.452	55.657	.533	4.843	40.034
4	.897	8.158	63.815			

5	.847	7.701	71.516			
6	.702	6.386	77.902			
7	.638	5.797	83.699			
8	.553	5.028	88.727			
9	.487	4.425	93.152			
10	.398	3.615	96.767			
11	.356	3.233	100.000			

The scree plot indicates the number of components that extracted at an eigenvalue greater than 1. Figure 4 suggests that three components extracted.

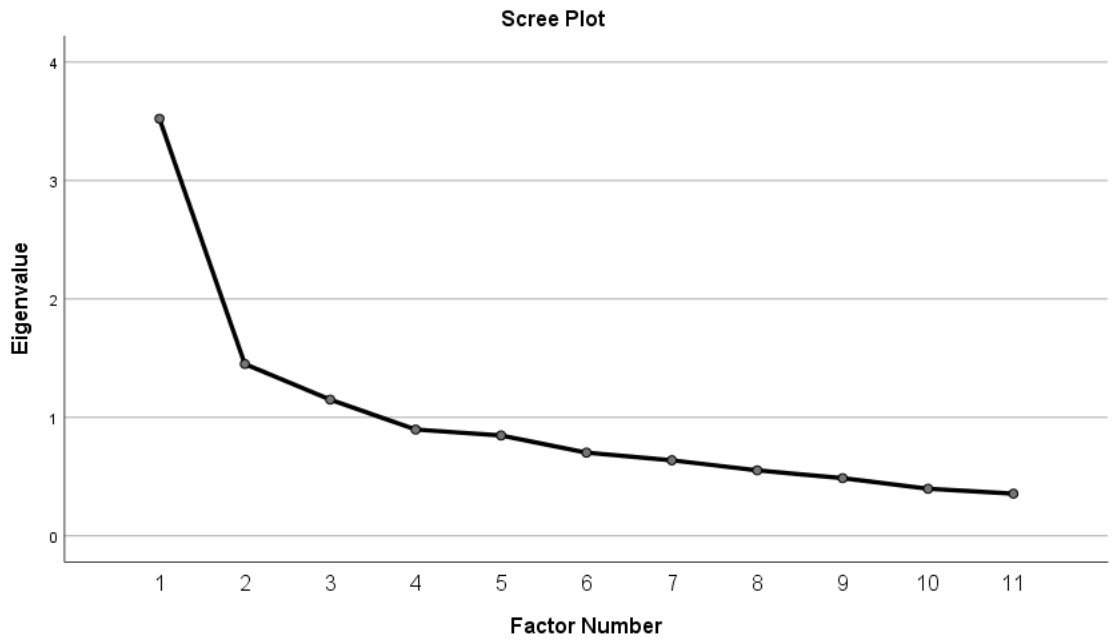


Figure 4: Scree plot

The pattern matrix is the SPSS output for exploratory factor analysis, and it provides information about the items loading to the factor. The table demonstrates that exploratory factor analysis (EFA) extracted three factors through PAF (principal axis factoring). measured SME performance with a total of four items (BusinessP1, BusinessP2, BusinessP3, BusinessP4), and correctly loaded only three into one factor. Cognitive social capital (CS) and relational social capital (RSC) were measured after the cross-loadings were removed CognitiveCS3, CognitiveCS4, CognitiveCS5, RelationalSC1, RelationalSC2, RelationalSC3, RelationalSC4 and RelationalSC5, were the remaining items that could be used for analysis. All items loaded were greater than 0.4 after suppressing.

Table 11: Pattern Matrix

	Factor		
	1	2	3
BusinessP2	.869		
BusinessP3	.615		
BusinessP1	.591		
CognitiveSC5		.809	
CognitiveSC3		.549	
CognitiveSC4		.503	
RelationalSC3			.693
RelationalSC2			.573
RelationalSC1			.461
RelationalSC5			.432
RelationalSC4			.411

Extraction Method: Principal Axis Factoring.

Rotation Method: Promax with Kaiser Normalisation.[a]

a. Rotation converged in 5 iterations.

4.4 Reliability of measurement scales

This sub-section aims to test the internal consistency of items' scale to ensure that the scales used when collecting data are reliable. The instrument is reliable when used by several different researchers under stable conditions, with consistent results and not varying (Field, 2013). Reliability is seen as the degree to which a test is free from measurement errors since the more measurement errors occur, the less reliable the test (Mohajan, 2017).

4.4.1 Reliability of business performance

The Cronbach Alpha is used to test the internal consistency between the item scale. The result indicates a Cronbach Alfa of .74, which is acceptable. The results suggest that 74% of the variability is the composite score of three items, which means that 74% of variance will be considered reliable.

Table 12: Reliability for business performance

Reliability Statistics

Cronbach's Alpha	N of Items
.740	3

The item-total statistic indicates the value Cronbach alpha would be if that particular item were deleted from the scale. Table 13 shows that if all items are deleted, the Cronbach alpha will be reduced, thus including all items, it is suitable for reliability.

Table 13: Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
BusinessP1	9.62	9.755	.557	.664
BusinessP2	9.33	9.690	.599	.617
BusinessP3	9.47	9.332	.542	.685

4.4.2 Reliability of Cognitive social capital

The Cronbach's Alpha values indicated acceptable reliability for cognitive social capital (α = 0.63) since the alpha values were greater than 0.6. Since the reliability was adequate, the results further indicate that 63% of the variability was in the composite score of three items, which means that 63% of the variance is considered reliable.

Table 14: Reliability for cognitive social capital

Reliability Statistics

Cronbach's Alpha	N of Items
.630	3

Table 15 indicates that if an item one (Cognitive Social Capital customer) is deleted, the Cronbach alpha will be 0.563. Deleting item three (Cognitive Social Capital key suppliers) will reduce more Cronbach alpha, including all items suitable for the Cronbach alpha.

Table 15: Item-total variance

Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
CognitiveSC3	11.60	3.759	.434	.540
CognitiveSC4	11.45	3.708	.415	.563
CognitiveSC5	11.78	3.072	.474	.482

4.4.3 Reliability of Relational social capital

The Cronbach's Alpha values indicated acceptable reliability for relational social capital (α = 0.69) since the alpha values were greater than 0.69. Since the reliability was adequate, the results further indicate that 69% of the variability is in the

composite score of three items, which means that 69% of the variance is considered reliable.

Table 16: Reliability of relational social capital

Reliability Statistics

Cronbach's Alpha	N of Items
.688	5

Table 17 indicates that including all items improves the Cronbach alpha; deleting an item will decrease Cronbach alpha's reliability.

Table 17: Item-Total Statistics

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Cronbach's Alpha if Item Deleted
RelationalSC1	19.95	24.079	.431	.644
RelationalSC2	20.83	22.153	.414	.663
RelationalSC3	19.42	26.003	.453	.637
RelationalSC4	19.22	25.941	.489	.606
RelationalSC5	19.59	24.379	.473	6.26

This confirmed validity and reliability of the constructs and scales, computed composite score for each of the scales. A correlational analysis was conducted to test the relationships between the factors computed from composite scores.

4.5 Correlation analysis

Correlation tests the degree of relationship between variables. Pearson Correlation was used to test the linearity of the dependent variable with the independent variable. This technique can handle relationships between dichotomous independent variables and a continuous dependent variable (Field, 2009). The Pearson correlation in Table 18 indicates a positive correlation between social capital and business performance.

The number of non-missing observations of performance (n=208). Pearson correlation of cognitive social capital (CSC) shows 0.257 with a significant level of 0.00, which indicates that it is significant. The correlations in the main diagonal are all equal to 1. This is because a variable is always perfectly correlated.

Table 18: Correlations between business performance and cognitive social capital

Correlations

		Business Performance	Cognitive SC
Business Performance	Pearson Correlation	1	.257**
	Sig. (2-tailed)		.000
	N	208	208
Cognitive SC	Pearson Correlation	.257**	1

	Sig. (2-tailed)	.000	
	N	208	208

The relational social capital (RSC) shows the Pearson correlation is 0.465 with a significant p<0.00, which shows that it is significant at a significance level of less than 0.01 at 2-tailed. The correlations in the main diagonal are all equal to 1. This is because a variable is always perfectly correlated

Table 19: Correlation between business performance and relational social capital

Correlations

		Business Performance	Relational SC
Business Performance	Pearson Correlation	1	.465**
	Sig. (2-tailed)		.000
	N	208	208
Relational SC	Pearson Correlation	.465**	1
	Sig. (2-tailed)	.000	
	N	208	208

**. Correlation is significant at the 0.01 level (2-tailed).

4.6 Assumptions testing

It is crucial to screen the data to violate any assumptions for the multivariate statistical technique used (Field, 2013). Linear regression models are often used to explore the relationship between the dependent and independent variables (Schmidt & Finan, 2018). Most parametric statistical analysis requires that the data be roughly normally distributed to obtain generalisable results; however, data can be misleading if assumptions are violated.

Normality tested using two approaches; frequency charts (scatter plot and histograms) and descriptive statistics. Normal data distribution is an underlying assumption in parametric testing (Tembe, 2018), and it is essential for the statistical test (Field, 2009).

4.6.1 Normal p-p plot

The normal p-p plot was computed using SPSS to test whether the variable's distribution is normal with the specified distribution. An approximately normally distributed data points on the P-P plot line up along the diagonal line (Field, 2013). The P-P plots seem to be approximately normal.

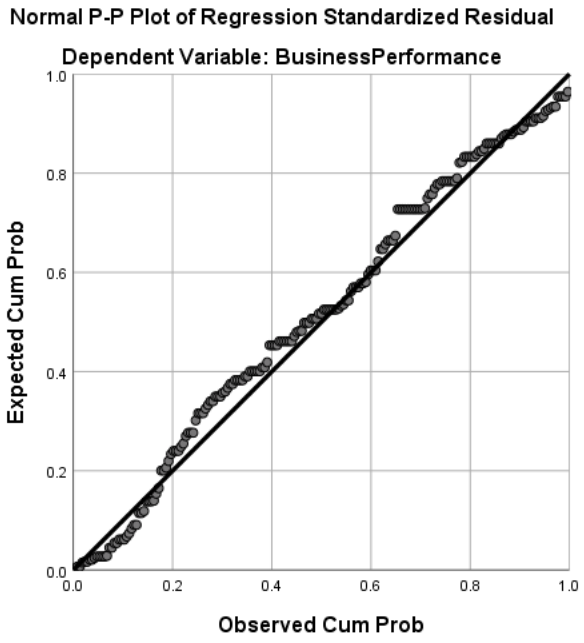


Figure 5: Normal p-p plot

4.6.2 Linearity and Homoscedasticity Test

The scatter plot indicates the change of the independent variable causes the difference in the dependent variable. The scatter plot suggests that the small change in social capital causes a slight increase in performance represented by the X-axis (regression standardisation predicted value) and Y-axis (regression standardisation residual). In the beginning, the dots indicate a weak relationship. However, the relationship begins to be more reliable when predicting variable change. The scatter plot in figure 4 shows that data has normally distributed.

Homoscedasticity indicates increasing variances across the residuals. This means that the variations of others should not change (Field, 2013). Homoscedasticity is present when the size of error terms differs across values of independent variables. When the standard error is biased, concluding the significance of regression becomes difficult.

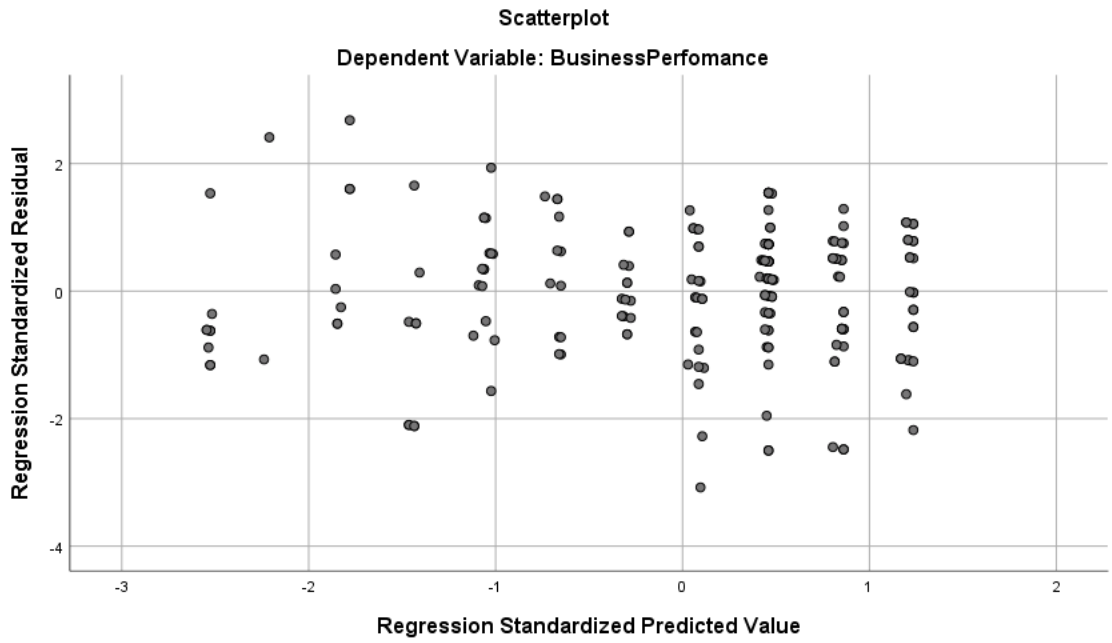


Figure 6: Scatterplot

4.7 Regressions results

The model summary results showed that cognitive social capital and relational social capital explained 28.5 per cent of the variation in business performance, as demonstrated by an R-square of 0.285. Durbin Watson tests the autocorrelation in the residual from a statistical regression analysis. The value indicated 2.239 of Durbin Watson determines that there is no autocorrelation deducted in the sample.

Table 20: Model Summary

Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Durbin-Watson
1	.534[a]	.285	.278	1.23759	2.239

a. Predictors: (Constant), Relational SC, Cognitive SC

b. Dependent Variable: Business Performance

The ANOVA table tests the degree of differences between one or more variables. The results showed that at least one of the variables' social capital was significant in predicting SMEs' performance since the p-value was less than 0.05 (p-value < 0.05).

Table 21: ANOVA

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	125.361	2	62.681	40.924	.000[b]
	Residual	313.984	205	1.532		

Total	439.346	207			

a. Dependent Variable: Business Performance

b. Predictors: (Constant), Relational SC, Cognitive SC

4.8 Hypothesis testing

The standardized beta used to estimate the explanatory variables' coefficient, indicates a change on responses variable caused by a unit change of respective explanatory variables keeping another explanatory variable constant (Banner & Higgs, 2016). Hypothesis testing indicates statistical and Pearson correlation for the three constructs. This section presents the relationship between variables and how strong the relationship is. Table 4.19 is used to summarise the hypotheses. The result illustrates that cognitive social capital and performance (p=.000) are negatively related to SMEs' performance (financial and employment growth), but it is significant since the p-value is less than 0.05. The relational social capital (p<0.05) is positively related to SME's performance, and it is significant at p-value p<0.05.

Table 22: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients		
		B	Std. Error	Beta	t	Sig.
1	(Constant)	1.474	.594		2.483	.014

	Cognitive SC	-.849	.190	-.502	-4.464	.000
	Relational SC	1.453	.183	.892	7.932	.000

Table 23: Summary table of hypothesis

Hypothesis	Outcome	Significant
H1: There is a positive relationship between cognitive social capital and revenue growth for SME	Not supported	No
H2: There is a positive relationship between cognitive social capital and employment growth for SME	Not Supported	No
H3: there is a positive relationship between relational social capital and revenue growth for SME	Supported	Yes
H4: there is a positive relationship between relational social capital and employment growth for SME	Supported	Yes

4.9 Chapter conclusion

Four hypotheses were proposed to answer the questions related to social capital and SMEs' performance in North West province.

The study started with the initial sample of 208 responses. The results indicate that youth have high participation in entrepreneurship. These results are quite impressive because South Africa has high youth unemployment. However, the results suggest that they are less educated; this is not good because literature

indicates that entrepreneurs who invest in human capital have a high-performance level.

The EFA results confirmed convergence of the variables to their corresponding factors and that they were divergent with factors not related to them. The pattern matrix results indicate that for (BP) business performance, only three factors have loaded pattern matrix results indicate that only three factors have loaded for (BP) business performance. (RSC) relational social capital indicates that five factors have loaded, and (CSC) cognitive social capital, only three items have loaded to build the construct.

After conducting the factor analysis, an analysis construct was used to establish reliability. The results indicate that the Cronbach alpha of performance (BP) is above .740 and is considered good, which means that BP is reliable. Cognitive social capital shows the reliability of .630, which is acceptable; the reliability of relational social capital (.69) is acceptable.

The correlation result indicates that there is a significant negative relationship between CSC and BP. Further, this indicates that there is a significant positive relationship between RSC and BP. The results are summarised in figure 5 The results show that data has normally distributed. RSC and CSC were confirmed to be the predictors of SME performance. However, CSC is negatively correlated.

The linear regression was tested for all IV and DV to check the predicting variables' R-squared value. Regression computed to test if the predicting variable has a relationship with the outcome variable. The results showed that at least one of the variables, social capital (RSC), was significant in predicting SME's performance. This chapter concludes by indicating that there is a positive relationship between social capital and SME performance.

CHAPTER 5: DISCUSSION OF THE RESULTS

This section unpacks, discusses, and deduces the outcomes presented in Chapter 4. The first section discusses the demographic data, the second section evaluates the result of the hypotheses, and the third section concludes the discussions. The purpose of this study was to examine the relationship of social capital, accumulated through network members, and the performance of the SMEs measured by employment growth and turnover, and how resources accumulated through social capital contribute to improve the performance of the business.

The study was concerned with the extent to which cognitive and relational social capital influences SMEs' financial and non-financial performance. The study addressed the research problems and questions, and the study relied on the insights of SMEs owners and managers who are currently running their business and have been doing so for more than 12 months. Four hypotheses were formulated to help answer the study's research questions.

5.1 Discussion pertaining to demographics

This chapter discusses only the key findings of sample characteristics presented in chapter 4; 55.3% were male, and 44.7% were female. The results indicate that male entrepreneurs are participating in business activities more than their female counterparts. The GEM report indicates that females are underrepresented in entrepreneurship. According to the GEM report, there is a higher rate of female-owned enterprises that fail than male-owned enterprises (Kelley, et al., 2014). There are percentages of males who had an entrepreneurial intention in South Africa. Entrepreneurial motivation is high compared to females' counterparts. The SEDA report indicates that people aged between 45-49 years of age participate more in business activities. This may be a result that they have accumulated resources to start a business. However, the study shows that youth are participating in entrepreneurship by 47.6%. This is a good result in the country where youth unemployment is very high. Numerous scholars (Hogendoorn, Rud, Groot, & Maassen van den Brink,2017; Brixiová, Kangoye, & Said, 2020) argue that

entrepreneurs who invest in human capital enhance high business performance; however, results indicate that the respondents have invested less in human capital, 26.4% are high school graduates. The results show that the majority of small business owners invest less in human capital. South Africa exhibits a high number of necessity-driven entrepreneurs. Thus, we can conclude that business is perceived to solve socio-economic issues, e.g., unemployment, poverty, and equality.

The GEM report indicates that a small business life span tends to be five years; data suggest that 54.8% of SMEs have been operating for less than five years. Data confirms what the GEM report shows about the life span of SMEs. Schøtt et al. (2015) indicated a positive relationship between entrepreneurship and human capital. However, the data suggests that entrepreneurs invested less in human capital.

5.2 Discussion of key findings

It is concluded that SMEs had a higher level of performance when their social capital level is high, the attainability of resources accumulated through social capital has a positive effect on SMEs' performance. The study's outcome indicates that high social capital can lead to high enterprise (Jalali et al. 2013). The results showed that cognitive social capital does not relate to the performance of a small business. Entrepreneurs can access resources through social capital that will assist the business in day-to-day activities. Social capital is seen as an essential entrepreneurial capital that contributes to enterprise growth and sustainability. The results have indicated that social capital is necessary for SMEs' performance. Resources that are implanted are likely to increase production (productivity).

5.3 To what extent does cognitive social capital relate to the revenue growth of SMEs?

The objective of this question was to evaluate the level of enterprise networking (social capital). There were six specific questions in the research instrument designed to address enterprises' cognitive social capital. The questions included networking with the community, customers, suppliers, and shared values with the community. The results do not support the extensive literature, which states that a comprehensive/high level of social capital gives entrepreneurs opportunities to accumulate financial and non-monetary assets that assist entrepreneurs in their performance (Venter, Urban, & Rwigema, 2008). Literature indicates that entrepreneurs that invest in social capital access different expertise (Shaw, Lam, & Carter, 2008).

The finding shows a negative correlation between cognitive social capital and financial performance, and the relationship is significant. The hypothesis is not supported. This means the relationship exists but is negative, and there is not enough evidence to support the findings. The literature shows that entrepreneurs who share the same values with suppliers, customers, and other stakeholders have a high performance (Rodrigo-Alarcon, García-Villaverde, Ruiz-Ortega, & Parra-Requena, 2017). This research does not concur with the extant literature with theories that state there is a positive relationship between cognitive social capital and financial performance, which has been confirmed by most researchers (Villena et al., 2011).

Entrepreneur literature maintains that knowledge-sharing among networks and enhancing value can positively impact the financial performance of Small Medium Enterprises (Levebre et al., 2016). Muniady et al. (2015) maintain that entrepreneurs who share common goals have a high-performance level. Therefore, the finding does not support the current literature that a positive relationship exists between cognitive social capital and financial performance. However, the relationship is not significant. Literature supports that cognitive social capital can ensure that SMEs create a competitive advantage and increase revenue (Lee,

2015). This entails that cognitive social capital plays an essential role in having a trade advantage over rivals and profits generation and general business performance.

Literature indicates that cognitive social capital helps SMEs have a strong competitive advantage to generate income (Lechner, Frankenberger, & Floyd, 2010). This suggests that SMEs can access finance through social capital. Social capital enhances business and market information flow, which gives a competitive advantage (Ozigi, 2018). Entrepreneurs who invest much in social capital, per the results in this study indicate that they profit. Thus, in the South African context (North-West), the relationship between cognitive social capital and financial performance is positive but weak and insignificant, which is contrary to the positive findings of previous authors (Ozigi, 2018; Pinho, 2011).

Results indicate that enterprises share common goals with their suppliers. They have developed a relationship with their customers and community and shared common goals to reduce inter-partner conflict by facilitating good business deals. Sharing common goals and values with the key stakeholders may lead to the strong financial performance of SMEs. The study concludes that it is essential to align goals with critical suppliers to improve enterprise performance.

5.4 To what extent does cognitive social capital relate to the employment growth of SMEs?

Employment growth refers to the number of jobs created over a certain period (Morkutė, Koster , & Van Dijk, 2017) The study focuses on how an enterprise that participates in social capital creates more jobs. The findings indicate that there is a significant negative correlation between social capital and employment growth. Thus, the hypothesis is not supported. This is not in line with existing literature with theories that there is a positive relationship between cognitive social capital and employment growth.

The literature has shown that a collaboration of universal values strengthens each other's competencies and increases innovation, and also a common goal improves the development of strategies (Liang et al., 2009). Extensive literature indicates that it is simple to work together if entrepreneurs share the same intellectual experience, language, goals, and productivity. The literature further suggests that cognitive social capital enhances good working relationships within the enterprise, which results in productivity (Kankwamba & Kornher, 2019).

5.5 To what extent does relational social capital relate to the revenue growth of SMEs?

As indicated in chapter 4, the results show a positive relationship between relational social capital and financial performance. Therefore, the hypothesis is supported. Findings suggest that entrepreneurs who have a history of social interactions-built trust among network members (Claridge, 2018). Literature indicates that trust is considered one of the core values for social exchange and groups, networks, and norms that people have at their disposal for productive purposes (Doh & Zolnik, 2011). The literature further indicates that a lack of trust among entrepreneurs might lead to variability and hesitancy to share certain information among stakeholders (Villena et al., 2011).

The findings support the extensive literature that there is a significant positive relationship between relational social capital and enterprises' financial performance (Pratono, 2016). The literature further explains that trust among stakeholders enhances knowledge sharing. A lack of trust could affect the competitive advantage based on whether or not business linkages are strong (Powell, Koput, & Smith-Doerr, 2014). Villena, Revilla, and Choib (2011) stipulate that a lack of trust among entrepreneurs might lead to erraticism and uncertainty to share certain information among participants.

Literature indicates that entrepreneurs can access financial resources based on mutual trust (Ozigi, 2018). Literature suggests that trust enhances information flow to key stakeholders in the economic systems (Pera, 2016). Entrepreneurship

literature maintains that relational social capital influences enterprise financial performance through cost reduction and improved access to resources (Maina, Marwa, Waiguchu, & Riro, 2013).

Entrepreneurs should maintain a relationship built through business associations to ensure sustainability. Developing relational social capital can drive actual value in the supply chain (Koçoğlu, İmamoğlu, İnce, & Keskin, 2011). Enterprises seeking financial performance through social capital need to take advantage of their social partners to build a reliable value chain.

5.6 To what extent does relational social capital relate to the employment growth of SMEs?

The results indicate that there is a significant positive relationship between relational social capital and employment growth. The results support the extensive literature that there is a positive relationship. The results are in line with extensive research by Lazzarotti, Manzini, Nosella, and Pellegrini (2017); Ozigi (2018) that argues that there is a positive relationship between relational social capital and employment growth (Kamaluddin, Hasan, Arshad, & Samah, 2016). The small business utilises social capital to exchange contacts, referrals of employees.

The results indicate that building networks, through business associations and business chambers, influences enterprises' performance and influence on enterprises' performance with an influence on the performance, which increases the appetite for increasing employment opportunities. Relational social capital can create person-to-person relationships with their own distinctive relationship (Muniady et al.,2015). Relational social capital is an asset that creates divergent opportunities.

Enterprises not only acquire business growth through social capital, but they also acquire human resources. Relational social capital enables the acquisition of substantial resources like employees, skills, and abilities, which contribute to a firm (Campbell, Coff, & Kryscynski, 2012).

The results indicate that building networks through business associations and business chambers influenced the performance of enterprises, which increases the appetite for increasing employment opportunities. Relational social capital can create person-to-person relationships with their own distinctive relationship (Muniady et al., 2015). Relational social capital is an asset that creates divergent opportunities.

5.7 Chapter conclusion

This chapter's purpose was to focus on the discussion concerning the empirical outcomes, which indicate much of what was discovered from the literature concerning social capital (CSC & RSC) and SME performance. The research outcome showed that cognitive social capital has a significant negative relationship with SME performance. Hypotheses 1 and 2 were not supported .The rejection of these hypotheses is quite impressive, based on the fact that extensive literature indicates a positive relationship. The findings suggest that relational social capital has a positive correlation with SME performance.

The results showed that the performance of SMEs depends on building social capital. Trust is an intangible asset; it enhances information sharing, creating a competitive advantage (Koçoğlu, İmamoğlu, İnce, & Keskin, 2011). Cognitive social capital increases competitive advantage; on the other hand, relational social capital accumulates financial capital (Kang & Na, 2018). Social capital is essential in generating revenue, increasing job opportunities. This finding presents the facts about social capital being the source that SMEs can use to accumulate other entrepreneurial capital.

Relational social capital is perceived as necessary to drive enterprise performance (Lee, Tuselmann, Jayawarna, & Rouse, 2019). Results indicate that this capital can facilitate resources that can contribute to financial performance (Hernaus & Bach, 2012). Building social capital is also essential for the long-term performance of SMEs.

CHAPTER 6: CONCLUSIONS AND RECOMMENDATIONS

The last chapter gives a summary of the study by discussing the research outcome, based on the literature and the key finding that has emerged. This chapter presents recommendations, limitations of the study, and suggestions for future research on what else can be explored in this topic, which was not covered in this research.

6.1 Conclusion regarding research questions 1 and 2

Research Question 1: To what extent does cognitive social capital relate to the revenue of Small-Medium Enterprises?

Research Question 2: To what extent does cognitive social capital relate to employment growth in Small Medium Enterprises?

Small and medium enterprises in South Africa are seen as the solution to enhancing economic growth by reducing poverty and unemployment. SMEs create more jobs than corporates; thus, building social capital is important in ensuring SMEs' long-term growth. The study aimed to answer the following questions: firstly, to what extent does cognitive social capital relate to financial performance? Secondly, to what extent does cognitive social capital relate to employment growth? Key findings from the study are that there is a positive relationship between cognitive social capital and employment growth and financial performance.

6.2 Conclusions regarding research questions 2 and 3

This section aims to answer two questions, firstly, to what extent does relational social capital relate to SME revenue? Secondly, to what extent does relational social capital relate to the employment growth of SMEs? The finding indicates that there is a significant positive relationship between relational social capital and enterprise performance. Literature indicates relational social capital enhances information sharing and accumulates financial capital (Liu., 2018). The

results have indicated that this capital is important for enterprise growth in the long run.

To maintain market share, profitability, and an increase in job opportunities, the enterprise needs to maintain a close relationship with the stakeholders continuously. There is a need to enforce a high level of trust between the enterprise and the customers. SMEs need to maintain a relationship with the suppliers to ensure efficiency and increase the asset base.

6.3 Recommendations

As discussed in chapter 1, the government has developed policies and ministries to support small businesses. However, providing generic support to SMEs operating at different levels and in diverse sectors is not necessarily the best approach. The government is an important stakeholder in the entrepreneurship ecosystem (Belitski & Heron, 2017). Firstly, the government should create an enabling environment for SMEs by developing policies that encourage the value chain.

Secondly, policies are guidelines that are used in developing/ improving how entrepreneurs are doing business. Therefore, policymakers should develop a broader business framework that encourages networking among entrepreneurs and promotes enterprise development. Entrepreneurs should build social capital through business associations and the business chambers of commerce, and they should build business linkages to improve their performance. SME owners/ managers should encourage employees to develop social capital and share knowledge and skills rather than view one another as competitors. Social capital is essential in accumulating resources, information, and driving financial/non-financial performance.

Practitioners responsible for developing/ supporting SMEs should ensure that when they organise training that is accountable for developing/ supporting SMEs, they should ensure that when they manage scheduled training, it is directed to

the specific sectors; this will help entrepreneurs develop a value chain capitalising on social capital.

Practitioners should also create platforms for networking. This will support entrepreneurs with a low social capital level to develop networks and facilitate information sharing. Investors usually invest in large companies. Social capital can help investors access SMEs striving for growth. Investors can invest in SMEs if they know there is the value chain; entrepreneurs are in a position to control the throughput and output.

6.4 Limitations of the study

- Economic sectors: Some economic sectors are more dominant in certain areas than others, and due to the geographical constraint, most respondents came from a specific economic sector.
- Representation: only distributed data in one province; thus, the results of the study cannot be generalised in another province.
- Accessibility: selected the location where the study is conducted due to the convenience of the researcher, could have biased the researcher in choosing the study; this could result from the time frame and limited resources.
- Participants can choose social desirability by completing the survey in a certain way, instead of being authentic.
- Both the researcher and the participants could have affected the outcome of the results.
- The research instrument does not test all the dimensions of social capital.
- Self-administered questionnaires are prone to a lower response rate than comparative interview studies. The researcher prevented this problem by developing shorter questions; thus, the researcher cannot do follow-up questions.
- The instrument was tested only in a convenient location, limiting the ability to generalise the research outcome to other locations.

6.5 Suggestion for future research

The study has contributed to understanding what social capital is, the importance of social capital, and how it influences performance. However, the limitations have laid a foundation for future research. The data for this study has been collected from the North-West province. The applicability of the outcomes to other provinces is not known. Therefore, future research can include all provinces to get a larger sample to establish if the present findings apply to SMEs' broader population. In addressing the limitations of the present and similar research, it is concluded that most of the literature dealing with social capital finds that there is a significant positive relationship. The study has collected data on demographics; however, it does not test how age, gender, or level of education influence enterprises' performance. The other factors that influence SMEs' social capital, such as political influence and market strategy, have not been tested. Future research can also integrate other considerations to have a better view of the elements of networking.

Future research should assess how social capital in survivalists and micro-enterprises influence performance. Future researchers could determine how to foster the value chain during the business incubation of entrepreneurs. Future researchers can also explore how social capital accesses other entrepreneurial capitals and how social capital can influence job creation. The study looked at two dimensions of social capital and only two dimensions of performance. Thus, future research can look at all dimensions to understand different influences social capital has on performance.

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APPENDIX A: Research instrument

Social Capital as a Pathway to Small Medium-sized Enterprises Performance in North-West Province

Survey Flow

Block: Default Question Block (1 Question)
Standard: Demographics (8 Questions)
Standard: Business performance (1 Question)
Standard: Cognitive Social Capital (1 Question)
Standard: Relational Social capital (1 Question)

Page Break

Start of Block: Default Question Block



Q1.1

WITS Business School

INFORMATION SHEET AND CONSENT FORM

My name is Nhlanhla. I am doing my Master of Management in Entrepreneurship and New Venture Creation at Wits Business School. I am conducting a study to assess the relationship between entrepreneurial capital and Small and Medium Enterprises (SMEs) in North-West Province. You will be presented with information relevant to a seven-point Likert scale to answer some questions about it. The study will take you 10-15 minutes to complete and you have the right to withdraw at any time.

Ethical Considerations

Your participation is voluntary and confidential, and you are not forced to take part in this study. You have the right to withdraw at any point during the study. By clicking the button below, you acknowledge that your participation in the study is voluntary, you are 18 years or older, and that you are aware that you may choose to terminate your participation in the study at any time and for any reason.

Risks/discomforts

At present, I do not see any risks in your participation. The risks associated with participation in this study are no greater than those encountered in daily life.

Benefits

There are no immediate benefits to you from participating in this study. If you would like to receive feedback on the study, I can send you the results of the study when it is completed sometime after July 2020.

Contact details

If you would like to contact my supervisor/lecturer in this study to discuss this research, please feel free to e-mail her at jabulile.galawe@wits.ac.za. The researcher's email address is nhlanhlatsuvani@gmail.com.

By clicking below, you acknowledge your participation in this study and you are 18 years of age. Please note that this survey will be best displayed on a laptop/desktop or mobile phone.

- ○ Yes, I consent (1)
- ○ I do not consent (2)

End of Block: Default Question Block

Start of Block: Demographics

Q2.1 Gender

- ○ Male (1)
- ○ Female (2)
- ○ Other (3)

Q2.2 Age

- ○ 18-35 (1)
- ○ 36-50 (2)
- ○ 51-75 (3)
- ○ Above 75 (4)



Q2.3 What is your ethnicity?

- ○ African (1)
- ○ White (2)
- ○ India (3)
- ○ Asian (4)
- ○ Other (5)



Q2.4 What is your level of education?

- Less than high school (1)
- High school graduate (2)
- Some college (3)
- diploma (4)
- degree (5)
- masters (6)
- Doctorate (7)

Q2.5 Is your business located in North-West Province?

- Yes (1)
- No (2)

Q2.6 To which industry sector does the business belong? (please click the appropriate box)

- ○ Agriculture, fishing, forestry (1)
- ○ Manufacturing (2)
- ○ Construction (3)
- ○ Wholesale, Retail, hotels, restaurants, motor vehicles, personal and household goods (4)
- ○ Electricity, gas and water supply (5)
- ○ Transport, storage and communication (6)
- ○ Financial, Real estate and Business Service (7)
- ○ Tourism (8)
- ○ Other (9)

Q2.7 What is your revenue?

- ○ <50 000 (1)
- ○ 60 000-100 000 (2)
- ○ 150 000-1 000 000 (3)
- ○ 2 000 000 -4 000 000(4)
- ○ 5 000 000 -50 000 000 (5)

Q2.8 What is the age of your business?

- ○ less than 1 year (1)
- ○ 1-4 years (2)
- ○ 5-10 years (3)
- ○ More than 10 years (4)

End of Block: Demographics

Start of Block: Business performance



Q3 Business Performance: The next questions are 7-point Likert scales with Strongly Disagree=1 and Strongly Agree=7. Please indicate the extent to which you agree or disagree with the statement by ticking the corresponding number on the scale below.

	strongly disagree (1)	Disagree (2)	partly disagree (3)	neither agree nor disagree (4)	partly agree (5)	agree (6)	strongly agree (7)
We have experienced an increase in sales (BP1)	○	○	○	○	○	○	○
We have improved our	○	○	○	○	○	○	○

payment methods (BP2)							
We have added more products to our portfolio (BP3)	○	○	○	○	○	○	○
There is an increase in the number of jobs created (BP5)	○	○	○	○	○	○	○

End of Block: Business performance

Start of Block: Cognitive Social Capital

Q4 Cognitive social Capital: The next questions are 7-point Likert scales with Strongly Disagree=1 and Strongly Agree=7.Please indicate the extent to which you agree or disagree with the statement by ticking the corresponding number on the scale below.

	strongly disagree (1)	Disagree (2)	partly dis-agree (3)	neither agree nor disagree (4)	partly agree (5)	Agree (6)	strongly agree (7)
Our firm often agrees on matters of best interest with our suppliers (CSC1)	○	○	○	○	○	○	○
Our firm shares the same business values as customers (CSC2	○	○	○	○	○	○	○
We maintain close personal relationships with customers/clients (CSC3)	○	○	○	○	○	○	○
We maintain a good relationship	○	○	○	○	○	○	○

with the people in our community (CSC4)							
Our key suppliers understand how we do business in our firm (CSC5)	○	○	○	○	○	○	○
Building relationships is time-consuming (CSC6)	○	○	○	○	○	○	○

End of Block: Cognitive Social Capital

Start of Block: Relational Social capital

Q5 Relational Social Capital: This section will help me to find out about SME's performance. Please indicate the extent to which you agree or disagree with the statement by ticking the corresponding number in the 7-point scale below

	strongly disagree (1)	Disagree (2)	partly dis-agree (3)	neither agree nor disagree (4)	partly agree (5)	agree (6)	strongly agree (7)
Our business has developed networks through business associations (RSC1)	○	○	○	○	○	○	○
Our business has developed networks through the business chamber of commerce (RSC2)	○	○	○	○	○	○	○
I build networks during training sessions (RCS3)	○	○	○	○	○	○	○
Our relationship	○	○	○	○	○	○	○

with suppliers is based on mutual trust (RSC4)							
I have spent much effort on cultivating connections with suppliers (RSC5)	○	○	○	○	○	○	○
Our business has no relationship with customers (RSC6)	○	○	○	○	○	○	○

End of Block: Relational Social capital

APPENDIX B: Consistency matrix

To examine the relationship between social capital and SME performance							
Sub-problem/Aims	**Literature Review**	**Hypotheses or Propositions**	**Research questions**	**Variables (Independent & Dependent)**	**Source of data**	**Type of data**	**Analysis**
To examine the relationship between cognitive social capital and financial performance	(Campbell & Park, 2017) (Otinga, Maru, & Tarus, 2016) Otinga, Maru, & Tarus, 2017) (Aristóteles, 2002)	H1: there is a positive relationship between cognitive social and financial performance	To what extent does cognitive social capital relate to the financial performance of SMEs	IV= cognitive social capital DP= financial performance	Q3.1 to Q3.4	ordinal	correlation descriptive analysis regression

To examine the relationship between relational social capital and financial performance	(Campbell & Park, 2017) (Otinga et al., 2016) Otinga, Maru, & Tarus, 2017) (Aristóteles, 2002)	H2(a): there is a moderate relationship between relational social capital and financial performance	To what extent does relational social capital relate to SMEs financial Performance	IV1= relational social capital DV1= financial performance	Q3.1 to Q5.6	ordinal	correlation descriptive analysis regression

APPENDIX C: Ethical clearance certificate

Graduate School of Business Administration
University of the Witwatersrand, Johannesburg

Wits Business School Ethics Committee Constituted under the University Human Research Ethics Committee (Non-Medical)

Ethics Clearance Certificate

Ethics protocol number: WBS/BA2249820/755

This certificate is only valid with a legitimate ethics protocol number and signed by the Researcher (below).

Project title	Social Capital as a pathway to small medium sized entrepreneurs performance in North west province
Investigator / Researcher	MS Nhlanhla Ndhlovu
Nature of Project	MM (Entrepr & New Venture Creation)
Decision of the Committee	Approved unconditionally
Issue Date of Certificate	2019/11/20
Expiry date	Date of submission of the project report
Chairperson	Prof Anthony Stacey
	☎ +27 11 717 3587
	+27 82 880 4531
	anthony.stacey@wits.ac.za



Declaration by Researcher

One copy must be signed by the Researcher and returned to the Chairperson of the Wits Business School Ethics Committee.

I fully understand the conditions under which I am authorized to carry out the abovementioned research and I guarantee to ensure compliance with these conditions. Should any departure to be contemplated from the research procedure as approved I undertake to resubmit the protocol to the Committee.

Signature **Date**

APPENDIX D: CORRECTION MEMO

COMMENTS	CORRECTION	PG Number
1 Edit the entire paper for minor editorial grammatical and punctuation errors	The document has been edited	All pg
2. Review report and reference all factual and statical points used in the report	All the statement was referenced using APA referencing style	all
3. Review chapter 2 and focus literature on the hypothesized relations. Place hypotheses in the literature review instead of listed hypotheses without any context or literature to back them up.	The hypothesis that was mention before conceptual model without context was deleted. The hypothesis is only hypotheses where there was literature or context to back them.	17
4. This study is about social capital and there are adequate social capital theories. These should be lead theories than generally applying the RBV.	The study has used RVB because it focuses on how the resources through SC is distributed. However, Putnam's theory has been discussed.	3
5. Streamline the research questions raised in the literature to be consistent with the hypothesized relations raised for the study	The research question and hypotheses have fixed to maintain consistency	all

6. Review and operationalize the financial performance reduced to revenue only as illustrated in the conceptual framework Figure 1.	The financial performance has been reduced to revenue	all
7. Literature review conclusion should summarise the chapter rather than make new arguments.	The information has been added to try and conclude the chapter	22
8. Methodology – what was that population size in table 3 based on? References?	The population size has referenced	24
9. Revises and review subsections 3.6 and 3.7. Currently, they are generic and do not speak to the specificities of the study.	3.6 and 3.7 has been reviewed to suit the study not based on statistical terms only	28 & 32
10. Revise and ensure consistency between population and sampling described in chapter 3 and the results presented in chapter 4. In chapter 3, you refer to 99% response rate from 200 responses and in chapter 4 the sample is 900 with a significant low response rate.	The proper calculation of sample size ensures there is adequate consistency in all chapters' sample size.	26,27,34
11. Address the issue of nonresponse rate and challenges associated with missing data since you report very high missing data responses in 4.1.	The challenge with non-response rate has been addressed on page 34	34

12. Review all your graphs, e.g. Figure 3 in Chapter 4 – it has two entries of firm age -1-04 and 5- 10 – what bout over 10 years?	The majority of the respondents who were excluded from the study were SMEs who have been in business for less than a year and more than 10 because of their lot of missing values.	41
13. Context of the study, elaborate by what you mean that there is little research, does it mean the only reference Jalali et al makes it the only study to prove there is little research while is mentioned on the report that the phenomenon of social capital was introduced in the 1980s.	The statement has been rephrased	P2
14. In stating the significance of the study, 1st paragraph page 5 refers to Value Chains - What is Value chains? If one creates value chains through social capital to improve performance, please reword the sentence to tie with how the findings could give guidance effect on policy makers as implied.	The statement has rephrased to indicate how the value chain associate with social capital and SME performance	P6
15. In literature reviewing page 10 second paragraph “Although SME benefit in the green supply chain that reduces the cost of production and environmental pollution” what does this statement	The statement has been removed from the study it was irrelevant	P10

mean in relationship to social capital, reference all such claims and the statements.		
16. Reference policy and legislations – e.g. BEE Policy – page 4???	The legislation has referenced	4
17. 2.5 conclusion on literature: reference the statements e.g. Small and medium enterprises are the main contributors to job creation, however entrepreneurial activity in South Africa is also alarmingly low. ?	The statement has been referenced using APA	23
18. Your arguments are largely simplistic and argumentation flawed. For instance – "Employment growth in this study refers to the number of people employed in the enterprise through social capital. The findings indicate that there is a significant negative correlation between social capital and employment growth." pg. 59 This argument redefine what employment growth is in relation to social capital. What does it mean that employed through social capital? This study did not and could not have measured this relationship. How could there be negative relationship is you collected data on people "employed through social capital"? are you	Employment growth has defined and explanation has made on why the study has found an insignificant result	59

suggesting the high the social capital the less the company employees?		
19. Section 1.6 – revise – it is not correct to claim that lack of social capital is a causal lead to necessity entrepreneurship.	The statement has been rephased	6
20. You make several references to literature and does not cite such literature???	Cross referencing has been observed to ensure there is correspondence with the references	all
21. The operationalisation of SME is questionable – A firm that turns over R50 Billion Rands is not an SME or SMME by any measure in South Africa. – i.e. Q2.7 – the entire figures used are questionable?	It was a typing error thus the correction has been made based on the definition of SME	90
22. Same inconsistency is observed in several measures – variance between the questionnaire and the reported data – e.g. Q2.8 – Age – has 4 options whereas the report only gives 2? what happened to the rest of the data???	Explanation has made on page 40 on why there is only two entries	40 & 91
23. Overall, the items in the questionnaire does not match the definition of variables for the study. e.g. Q2.7 Turnover in confused with profit after tax. That means the data collected under that @ item is incorrect and invalid. Furthermore, it is incorrect to	It was a typing error thus the correction has been made based on the definition of SME	90

suggest that a firm than turns over R2 Billion to R50 Billion is an SME in South Africa. In fact even most corporations listed on the JSE are not in the R50Billion profit range		
6.10.2 The performance measures “financial” and “employment” have to be introduced in the Introduction section of the study, and not at the Objectives section.	The performance measured has also been introduced in the introduction section	2
6.10.3 Correct the issue of who keeps records and who doesn’t, see comments in 1.7 and 2.2.1	The statements have been rephrased	2 & 12
6.10.4 Remove references to “customer loyalty” as a performance measure since this is not part of “employment growth” as espoused in your objectives. See p12.	The sentences have removed	P12
6.10.5 In the hypothesis: Indicate if this "financial performance" is positive or negative, e.g. growth, as indicated in the employment measurement. Refer to revenue growth instead.	The hypothesis is fixed to indicate the relationship if is positive or negative	17 & 17
6.10.6 Section 3.3 refers to a sample of 200 while chapters 4 & 5 refers to a sample of 208. Analysis is based on 208. Correct this inconsistence.	The sample size has been properly calculated and ensure there is a consistency in chapter 3,4 and 5	26,27,34

6.10.7 5.1: How does the issue of "social entrepreneurship" come into the study? Re do this 5.1 to correct issues indicated in the dissertation. E.g. what are your study's findings? Interpret these. Who has accumulated more experience and capital, the youth or the 45-49?	The statement has been rephrased	56
The results have been presented in an organised way. However, there is a major flaw w.r.t. the operationalised variables and the variables in the research instrument. They are inconsistent and theoretically incorrect	The research question for the instrument the research has made references where the questionnaire has been pulled from (Agyapon, Agyapong , & Poku, 2017)	
Overall, I found the discussion and conclusions to be related the main results, however, more references on the conclusion should be added. There are parts of the report were arguments lacked premise and concepts were mixed up. e.g. arguments about access to resources is treated as synonymous with performance as if access to resources has an established causal relationship to performance outputs. Take the instance in Chapter 1 section 1.1 where the researcher makes a claim that Social Capital a growing phenomenon in the country – this is a mis-understanding of the	More references have been added in the conclusion. Chapter 1 in section 1.1 the statement has been re-phrased	2

context of social capital as a contrast. Social capital was introduced by researchers as a phenomenon but instead may have been emphasised as a construct. Such misunderstanding on threshold concepts is observed across the paper		
The report has significant flaw specifically between the constructs presented the document and the data collected through the questionnaire presented in appendix. For example, the discussion on business performance in the report is robust whereas there is not matching items/ questions in the instrument. Items measured under Q3 have nothing to do with the firm performance presented in report. As such, the measures of Business performance are invalid and not reliable. They have no literature nor support provided. “We have improved our payment method” cannot and is not a measure of performance as defined in this report. I wonder where the data use to test the hypotheses came from because the data collected does not match the variables operationalised in the hypotheses posited in the report. In essence, the formulation of the Financial Performance and Employment creation were not clearly	The study questionnaire with regard to performance of SME is extracted from the following literature (Agyapon, Agyapong , & Poku, 2017)	

operationalised in the data collection instrument which cast doubt on reliability of the entire outcome		