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Strategic Planning, Technology Orientation, and Firm Performance of Small Businesses in Mamelodi Township in Pretoria.

Name: Tiego Makwela

Student Number: 1852658

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Supervisor:
Dr Suvera Boodhoo



UNIVERSITY OF THE
WITWATERSRAND
JOHANNESBURG

Faculty of Commerce, Law and Management

Candidate's Declaration

Name of Candidate:	Tiego Makwela
Person Number:	1852658
Degree:	Master of Commerce by Research (Business Science/Management)
Supervisor / Co-Supervisor:	Dr Suvera Boodhoo
School:	School of Business Science
Title of Thesis/Dissertation/ Research Report:	Strategic Planning, Technology Orientation, and Firm Performance of Small Businesses in Mamelodi Township in Pretoria.

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Abstract

The fundamental aim of this study is to evaluate how strategic planning contributes to the performance of small-owner-managed spaza shops in the informal economy of Mamelodi, Pretoria. This was done by developing and testing a conceptual model which suggested that the entrepreneurial orientation of small spaza shop owners (indicating a method to use resources efficiently) has a direct effect on the performance of small businesses, depending on their ability to exploit external information (absorptive capacity), and effectively capitalize on learning capabilities (Organizational learning capabilities).

A quantitative research methodology was adopted to pursue the context of this research study whereby convenience sampling was utilized to sample respondents conveniently. A self-administered questionnaire was adopted based on previous reputable benchmark studies, and this was used to sample 215 small informal traders in Mamelodi.

For data collection and analysis purposes, a pilot study, as well as structural equation modeling, was conducted to ascertain the reliability, validity as well as model fitness of the data collected. This was executed using SPSS, SPSS Amos 29 and Smart PLS.

The overall results of the study suggested that the 215 small businesses sampled in this study show that strategic planning does indeed impact small business performance as indicated in the data analysis section by four of the five hypotheses being significant and supported. However, it was also acknowledged that, although many respondents strongly agreed with the items presented in the Likert-scale of absorptive capacity, most of them were also not quite certain if their business was competing well against local rivals, which suggests that absorptive capacity does not necessarily impact overall performance, hence hypotheses four was deemed to be insignificant.

Lastly, the insights and results attained from conducting this study can be used to assist small informal traders to potentially mitigate the challenge of using minimal resources to boost performances, which may go a long way in aiding the survival of small informal businesses.

Keywords: Strategic Planning, Firm performance, Small business, Mamelodi Township.

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Acronyms and Abbreviations in the study

SMEs:	Small and Medium-Sized Enterprises
EO:	Entrepreneurial Orientation.
AC:	Absorptive Capacity.
OLC:	Organizational Learning Capabilities.
FP:	Firm Performance
RBV:	Resource-Based View
χ^2 :	Chi-square
GFI:	Goodness of Fit
IFI:	Incremental Fit Index
CFI:	Comparative Fit Index
TLI:	Tucker-Lewis index
RMSEA:	Root mean square error of approximation
CFA:	Confirmatory Factor Analysis
CR:	Composite Reliability
AVE:	Average Variance Extracted

CHAPTER ONE: Introduction

The context of this research study will specifically look at owner-managed businesses in the form of informal traders/ spaza shops residing in the vicinity of Mamelodi. According to SAICA (2023) owner-managed businesses can be defined as privately run businesses where one or a group of individuals have all the beneficial interests and are solely responsible for decision-making processes. This means that the businesses investigated in this study fall under the informal sector of spaza shops that provide small-scale grocery stores, which emphasizes that this sector is ubiquitous throughout the township environment and relates to unregistered businesses that contribute significantly to South Africa's observed or official GDP (Skinner, 2018). Which is why this study will seek to develop and test a conceptual model on how strategic planning contributes to the performance of small owner-managed businesses in the informal economy of Mamelodi.

As such the issue that the study seeks to investigate is how effective SME strategic planning is toward firm performance. This will be conducted by adopting a conceptual model theorizing that the entrepreneurial orientation of small owner-managed businesses which indicates a strategic planning initiative to efficiently use resources productively directly affects overall firm performance depending on the business's absorptive capacity (Seo, Edler & Massini, 2022). This means that the higher the business engages in absorptive capacity the stronger the impact of entrepreneurial orientation on overall firm performance (Seo, Edler & Massini, 2022). The study will further address this issue by emphasizing the continued need for small businesses to acquire and make use of external knowledge through emphasizing the mediating roles of organizational learning capabilities (knowledge acquisition capacity, knowledge application capacity, & knowledge transformation capacity) in the development of the theoretical framework (Ning and Li, 2018).

This is important to pursue particularly in township environments because these small businesses serve as critical components in the well-being of local communities such as the township of Mamelodi, with considerable chances for job creation and contributing to the overall reduction of unemployment within the community (Charman, Peterson, and Piper, 2011). It's also crucial to state that the informal sector amounts to one-third (over 30%) of South Africa's employment total, which demonstrates the significance of the sector in potentially decreasing poverty (StatsSA,

2021). It has also been measured to contribute precisely 6% to South Africa's GDP. The informal sector is especially critical in a developing country such as South Africa because it is one of the few mechanisms used by the marginalized group in the country to develop income-generating opportunities as opposed to the formal sector which may present limited opportunities to generate income due to the high levels of economic disparities within South Africa affecting the less fortunate (Rogan and Skinner, 2019). This then validates the need to conduct this research study in a township such as Mamelodi which is characterized by a significantly large presence of informal traders, who solely rely on these businesses as a means of survival and generating income.

Ennis (1998) suggests that any business irrespective of its size must actively engage in strategic planning to remain competitive and successful. Kraus, Harms, and Schwars (2006) also argue that there are numerous advantages associated with the successful implementation of appropriate strategic planning initiatives. They also emphasize that a feasible strategic planning operation is a crucial tool that protects firms from unpredictable and competitive business environments (Anderson, 2000). However, to the best of the author's knowledge, there is limited quantitative research specifically looking at whether South African small businesses can successfully implement strategic planning processes. Particularly, small businesses in the informal sector of spaza shops. Therefore, this study will pursue a quantitative research method to develop a survey that will look at how strategic planning contributes to the performance of small owner-managed businesses in Mamelodi.

1.1. Research Problem

The research problem of the study stems from most strategic literature which argues that any business irrespective of its size must actively engage in strategic planning to remain competitive and successful (Ennis, 1998). However, small businesses are shown to be unlikely users of formal and astute strategic planning processes. This may be caused by numerous reasons such as minimal resource capabilities, resulting in restricted access to competitive insights and industry knowledge, as well as a lack of emphasis on productivity levels (Dibrell, Crown, & Bull, 2007). Naidoo (2006) discovered that SMEs usually engage in critical planning as a reactive approach to certain activities within their business environment. Stonehouse and Pemberton (2002) also discovered that only 8% of the sampled businesses in their study engaged in any form of planning exercise, which

strongly indicates that numerous small businesses lack the basic notion of proper business and strategic planning.

What is known thus far is that the concept of strategic planning is quite imperative to the success of a business as well as long-term sustainability, because lack of proper business planning is perceived to result in inaccurate financing and poor management, which is usually the main cause of business failure in numerous small businesses (Auka & Langat, 2016). However, to the best of the author's knowledge, there is a lack of research studies specifically looking at whether South African SMEs in the informal sector of spaza shops follow a business strategy that is integral to long-term sustainability.

This presents a serious problem because these small businesses in the informal economy have continuously shown immense potential to mitigate poverty and unemployment within the country, and this is because the informal sector is a critical element of the South African economy that supplies livelihoods to a large number of informal traders/citizens (StatsSA, 2021). The community of Mamelodi is an accurate representation of this sector because it accurately represents an informal economy and community of the most vulnerable entrepreneurs and informal traders, whose livelihoods solely depend on the informal sector, which is what the study is looking for as a unit of analysis.

Therefore, this indicates that there is a gap relating to limited knowledge and research regarding whether South African SMEs in the informal sector of spaza shops follow a business strategy that is integral to long-term sustainability. This gap will be addressed by adopting a conceptual model theorizing that the entrepreneurial orientation of small owner-managed businesses which indicates a strategic planning initiative efficiently use resources productively directly affects overall firm performance depending on the business's absorptive capacity (Seo, Edler & Massini, 2022). The study will further address this issue by emphasizing the continued need for small businesses to acquire and make use of external knowledge through emphasizing the mediating roles of organizational learning capabilities (Ning and Li, 2018).

1.2. Research Questions

- ❖ How does entrepreneurial orientation affect firm performance in small businesses in Mamelodi?
- ❖ What is the relationship between entrepreneurial orientation and organizational learning capability (knowledge acquisition capacity, knowledge application capacity, & knowledge transformation capacity)?
- ❖ How does organizational learning capability (knowledge acquisition capacity, knowledge application capacity, & knowledge transformation capacity) mediate/influence the relationship between entrepreneurial orientation and firm performance?
- ❖ How does absorptive capacity moderate the relationship between entrepreneurial orientation and firm performance in small businesses?
- ❖ What is the impact of absorptive capacity on the relationship between organizational learning capabilities and entrepreneurial orientation?

1.3. Research Objectives

- ❖ To investigate how entrepreneurial orientation affects firm performance within small and medium-sized enterprises in Mamelodi.
- ❖ To determine the relationship between entrepreneurial orientation and organizational learning capability (knowledge acquisition capacity, knowledge application capacity, & knowledge transformation capacity).
- ❖ To investigate how organizational learning capability (knowledge acquisition capacity, knowledge application capacity, & knowledge transformation capacity) mediates and influences the relationship between entrepreneurial orientation and firm performance.
- ❖ To investigate how absorptive capacity moderates the relationship between entrepreneurial orientation and firm performance of small businesses in Mamelodi.
- ❖ To investigate how absorptive capacity moderates the relationship between organizational learning capability and entrepreneurial orientation.

1.4. Theoretical Overview

1.4.1. The importance of the resource-based view (RBV) and dynamic capabilities theory to small businesses in the informal economy of Mamelodi.

Numerous research studies have promoted the use of RBV as well as dynamic capabilities initiatives within the context of large corporations or medium firms (Barney 1991; Teece et al, 1997, Emriquez-de-leo, 2015). This created a gap as to whether small businesses can also utilize and deploy resource-based-view and dynamic capability initiatives to attain a sustainable competitive edge over rivals. De Jong and Vermeulen (2006) argue that small businesses are usually the drivers of economic growth for any country in the world, which emphasizes the need for policymakers, academics and practitioners to put more emphasis on these firms rather than the marginal attention they currently receive.

The RBV and dynamic capabilities theory are especially critical within the context of small businesses in the informal economy because these businesses solely rely on extremely scarce resources, which makes it crucial to be able to outline the main determinants of innovation to attain a competitive edge over rivals (Lukovski, Rideg, and Sipos, 2020). Sull (2007) further suggests that these small businesses are in most need of dynamic and distinct capabilities because of their operational capacities and limited resources, which means that they only have their innovative strategies to rely on. As such, outlining core competencies is increasingly relevant for small businesses to remain competitive (Alegre *et al*, 2006). This entails that small businesses which usually offer products that are adapted to customer demands, and small businesses that market these products faster and more effectively are more competitive than their rivals, which in turn puts them in a better position to attain a sustainable competitive edge (Camison and Lopez, 2010).

To further facilitate the RBV as well as dynamic capabilities theory in the context of small businesses. The components of the RBV argue that the more a resource is rare and valuable, the more it can be utilized as a source of gaining a competitive edge over rivals (Barberro and Haso, 2013). This suggests that the RBV is a critical and useful lens for small owner-managed businesses because of how human resources, skills and knowledge reserves can be valuable assets for small businesses despite operating on limited financial resources (Weigl and Heibl, 2015).

Since small businesses are usually the backbone of the economy of numerous countries throughout the world (De Jong and Vermeulen, 2006). The use of RBV and dynamic capabilities strategies are

especially crucial in the context of an informal economy such as Mamelodi, because the small businesses in this area operate at a survivalist level, with below-average wages utilized as a means of survival (Etim and Daramola, 2020). It's also crucial to state that the survival of these small firms is especially crucial for South Africa as a whole because the informal sector is a significant part of the South African economy which supplies livelihoods, employment and a means of income to millions of South Africans (Kankbur, 2015).

In South Africa, the informal economy as compared to the global scale has a smaller but yet substantial impact on overall employment within the country, with well over 2 million people operating within this sector (Robbins, 2015). Whilst also contributing 6% to the country's GDP, yet despite its importance it is merely considered a temporary solution or shelter for most of the marginalized individuals throughout South Africa (StatsSA, 2019; Rogen and Skinner, 2019).

Therefore, the main aim of this study is to check whether using a feasible business strategy can positively contribute to firm performance in small businesses. Utilizing the resource-based view as well as dynamic capabilities theory is significant because the study focuses on the survivalist informal sector, in an area such as Mamelodi that is heavily dominated by informal traders who are mostly self-employed and operating on minimal resources, thus emphasizing the need to optimize core competencies (Hodgson and Clark 2018).

1.5. Preliminary Literature

1.5.1. The importance of entrepreneurial orientation in Small Owner-Managed businesses/Spaza shops

Spaza Media (2011) indicated that Spaza shops/small informal traders amount to 2.7% of retail trade in South Africa, which in turn amounts to a value of R8 billion specifically within this sector. This then creates a need to understand the nature of this billion-rand sector that is crucial to the livelihoods of millions of South Africans in the country, this interest could stem from many reasons such as job creation, mitigating poverty, and a means of generating income (Callaghan and Venter, 2011). However, for the context of this study, the entrepreneurial orientation of small owner-managed businesses indicates a strategic planning initiative to make use of resources effectively and productively, which can have a potential impact on overall firm performance.

Callaghan and Venter (2011) argue that a particular interest in this issue entails looking at the motivation of entrepreneurs operating in this sector. This is because most entrepreneurs/traders in

the informal economy such as Mamelodi are usually driven by personal survival entrepreneurial traits rather than profit maximization and long-term business sustainability. As such this leads to the assumption that the general returns of these small businesses in Mamelodi are quite low, which means that sustainability and business security are not always guaranteed (Charman and Piper, 2011). Additionally, these informal traders usually operate with very low innovation capabilities and lack emphasis on core competencies, which can lead to continuous stagnation and eventually business failure.

With slightly low levels of entry and a continuous inflow of many individuals entering the market as a means of survival, the informal traders/spaza shops industry has become increasingly competitive. This is due to informal traders being spotted in nearly every marginalized area and township across South Africa (Hadebe, 2010). It has also been suggested that over 1.69 million South Africans operate within the informal trading sector (Basardien *et al*, 2014). Although these numbers do not differentiate between local and foreign owners, it is noticeable that numerous foreign-owned small traders have steadily eclipsed local survivalist traders within this industry (Barsadien, Parker, Bayat, Friedrich, and Appooles, 2014).

In South Africa, the growth of the informal economy has been estimated to be 8 times more than the development of the formal economy (Rolfe, Woodward, Ligthelm and Gumirae, 2010). However, despite such substantial growth, there is a lack of quantitative research exploring and investigating the state of the South African informal economy, particularly in townships such as Mamelodi where these firms are crucial to the livelihoods of many people (Muller and Posel, 2004). This has led to numerous phenomena engulfing the informal sector which is considered a billion-rand industry in South Africa (Jurgens and Donaldson, 2012).

Although the informal traders market in South Africa is unregulated and not formally recognized by policymakers, this industry is a crucial value chain which represents the marginalized group earning a means of living through their spaza shops, that are backed up by numerous suppliers and wholesalers throughout the country. This means that these spaza shops are also an integral part of the wholesalers and suppliers' market (Barsadien, Parker, Bayat, Friedrich, and Appooles, 2014).

1.5.2. The importance of absorptive capacity in small businesses/informal traders

Absorptive capacity refers to the capability of a firm to capture the value of external information and knowledge and distribute it for business purposes (Cohen & Levinthal, 1990). Some of the

key factors influencing absorptive capacity include previous related information such as basic skills and prior education experience, as well as organizational factors such as the communication structure and distribution of information and knowledge.

Gray (2006) argues that one of the main impacts affecting small businesses usually stems from local economies as well as relatively larger organizations, which create an unfair disadvantage for small businesses, particularly in the informal economy. This then makes it imperative for these small business owners to have an efficient understanding of their competitive knowledge because they are constantly facing tough challenges due to minimal and constrained resources, time constraints and fierce competition from a large number of rivals (Gray,2006). Which necessitates the need for absorptive capacity.

Flatten and Brettel (2011) Define absorptive capacity as a process and routine which enables a business to acquire, assimilate and utilize external knowledge. As such it should be noted that for the context of this study, absorptive capacity will be utilized as a moderating variable to assess the relationship between entrepreneurial orientation and firm performance as well as the relationship between entrepreneurial orientation and organizational learning capabilities respectively.

Vaghef and Dornberger (2020) argue that absorptive capacity is especially important to small businesses because it provides the capability to outline the value of information and knowledge and use it for business purposes or activities within the external environment the business operates. It also plays a crucial role in potentially mitigating and managing risks and uncertainties that may arise from entrepreneurial behaviour, which adversely enhances performances (Vaghef and Dornberger, 2020). Absorptive capacity is also useful to small businesses in that it allows small businesses to efficiently optimize and make use of entrepreneurial opportunities whilst taking in external information and knowledge resources which can be a valuable asset in an informal sector characterized by extremely high levels of competition (Hernandez-Perlines, 2018).

Absorptive capacity is quite crucial for small businesses competing in a competitive market space because it places these businesses in a position that will enable them to swiftly address challenges associated with the external market, whilst lowering risks at the same time (Brinkerink, 2018). Aljanabi (2017) also argues that absorptive capacity is an integral part of entrepreneurial behaviour because it can greatly enhance an individual's capacity to optimize business opportunities through developing new skills and more efficient managerial traits and practices.

Therefore, while these owners of small businesses are on a continuous journey to attain high levels of business performance by pursuing and implementing entrepreneurial orientation activities. It is also worthy to note that the process of absorptive capacity has a significant impact on the relationship between entrepreneurial orientation and realizing sustainable performance levels (Bamfu and Pomegbe, 2020).

1.5.3. Organizational Learning Capacity: The importance of learning capabilities in small owner-managed businesses/informal traders.

As emphasized, small businesses usually play a critical role towards improving the economy of a nation, through enhancing job opportunities and mitigating poverty. Yet despite the importance of these businesses as a driver of economic growth, most of them usually succumb to failure (Hyder and Lussier, 2016). This failure may likely stem from numerous factors such as minimal resource capabilities, including restricted access to competitive insights and industry knowledge, as well as a lack of emphasis on operational and productivity levels (Dibrell, Crown, & Bull, 2007). However, numerous research studies also argue that this failure mostly stems from small business entrepreneurs failing to realize that strategy formulation and execution is quite imperative even in small businesses because the manager/owner is mostly responsible for executing decisions in the business. The owner's competitive mindset and personal objectives also reflect an organization's comprehension of the firm's goals, procedures and objectives which includes the ability to adapt (Auka and Langat, 2016; Mazzarol, 2004; Mughan, Lloyd-Reason & Zimmerman, 2004; Economic Survey, 2011).

Therefore, this creates a need for small informal traders, particularly in an area like Mamelodi where these businesses are operating on minimal resource capabilities, to utilize any form of useful information and knowledge to support decision-making as well as problem-solving in their businesses (Durst and Edvardson, 2012). Deploying knowledge acquisition and application initiatives can improve the ability and accessibility of these informal traders to attain valuable information, knowledge and understanding about the industry they operate under, which will promote overall business performance, whilst also enhancing sustainability and possibly decreasing the failure rate of small businesses throughout South Africa (Yu, 2012).

Organizational learning capabilities are deemed to be significant in this study because a limited comprehension of internal learning capabilities is likely to present an obstacle towards

implementing successful strategies for these small businesses (Ali, Omar, Nasir, and Osman, 2018). The context of this research will specifically target small owner-managed businesses as a unit of analysis. It is worthy to note that this is especially critical in such businesses because these owners are solely responsible for business growth, performance and attaining a sustainable competitive advantage over rivals. So, efficient knowledge management is especially important because it can support the achievement of their objectives and responsibilities daily (Schierjott, Brennecke & Rank, 2018).

Through including the concept of organizational learning capabilities this study will focus on investigating the potential impact of knowledge acquisition, knowledge transformation, & knowledge application on the performance of small owner-managed businesses in the informal economy of Mamelodi (Ning and Li, 2016).

1.6. Research Contributions

Seo, Edler & Massini (2022) developed an empirical study which tested whether entrepreneurial orientation could lead to technological competitiveness which in turn results in effective business performance. This was done through adopting a conceptual model which tested whether the entrepreneurial orientation of small alliance businesses (indicating a method to efficiently use resources), has a direct effect on the performance of small alliance businesses, depending on their ability to exploit external information (absorptive capacity). The findings of the study suggested that 218 alliance firms show that entrepreneurial orientation does impact business performance through technological competitiveness, depending on the firm's absorptive capacity. However, it should be noted that this study expressed limitations of using alliances only in Korean firms, which in turn does not guarantee that the results will apply to different countries with varied institutional backgrounds and settings. This in turn creates a gap in validating the theoretical framework of this study in a different context (Seo, Eddler & Massini, 2022). Which is why the major contribution of this study will lean towards extending the context of this literature and study in a different format such as the informal economy of South Africa. This will be done by utilizing a quantitative research methodology that will test a model on how strategic planning contributes to small business performance in small owner-managed businesses in Mamelodi.

This study will also seek to add value by utilizing a sample size of 215 small firms specifically within the community of Mamelodi which will accurately represent a larger sample size/subset of the entire population in terms of the informal economy/sector investigated in the study and will also reinforce the limitation of generalizability addressed in the benchmark study (Seo, Eddler & Massini, 2022).

Ning and Li (2016) developed a study which addressed the growing need for firms to make use of external knowledge. This was done through examining the mediating roles of three dimensions of organizational learning capabilities namely (knowledge acquisition capacity, knowledge application capacity, and knowledge transformation capacity). The findings of the study addressed the importance of how external knowledge enhances a business's innovation performance through considering different roles and dimensions of organizational learning capabilities. However, a major limitation of the study came from the sampling frame, this is because the sample size specifically consisted of technological firms in China. This indicated a gap due to the bias associated with generalization and also created a need for the study to be validated in a different setting and draw possible comparisons (Ning and Li, 2016). As such, another major contribution of this study will also stem from utilizing this learning-innovation model adopted in this study to test whether small businesses in Mamelodi engage in feasible business strategies to enhance overall performance. This will be done through emphasizing the continued need for small businesses/informal traders to acquire and make use of external knowledge and information by emphasizing the mediating role/effects of organizational learning capabilities (knowledge acquisition capacity, knowledge application capacity, and knowledge transformation capacity) in the development of the theoretical model.

1.6.1. Further contributions in the following subsections extending the body of knowledge within the context of strategic planning/management research in the South African spaza shop industry

A. Small business foundation building (Aligned with findings on basic strategic planning impact)

De Klerk (2019) argues that in order to thrive and remain sustainable spaza shop owners must live of connections within their environment. This suggests that these entrepreneurs need to execute

community-oriented strategies/tactics to remain competitive. Examples of these initiatives include offering customers discounts, loans and most importantly encouraging conversations/activities to mark their territory as more than just a business enterprise in the community (Moyo, 2020). These initiatives are imperative toward building a small business foundation and remaining competitive in a fiercely competitive environment (Van der Merwe, 2017). This then aligns with the findings of this research paper that posits/argues that strategic planning within the dominion of spaza shops entails the process of understanding the volatile competitive industry of spaza shops, outlining potential development prospects and developing constant courses of action to combat changes in the industry.

This allows the study to draw/yield a major contribution suggesting that entrepreneurial orientation serves as a strategic planning initiative to use limited resources productively to adversely improve overall business performance (Supported by descriptive statistics under Entrepreneurial orientation [Mean Score= 3,59 to 4,67, Standard Deviation= 0,426 to 0,907]).

B. Capability Development (Building on findings regarding learning capabilities).

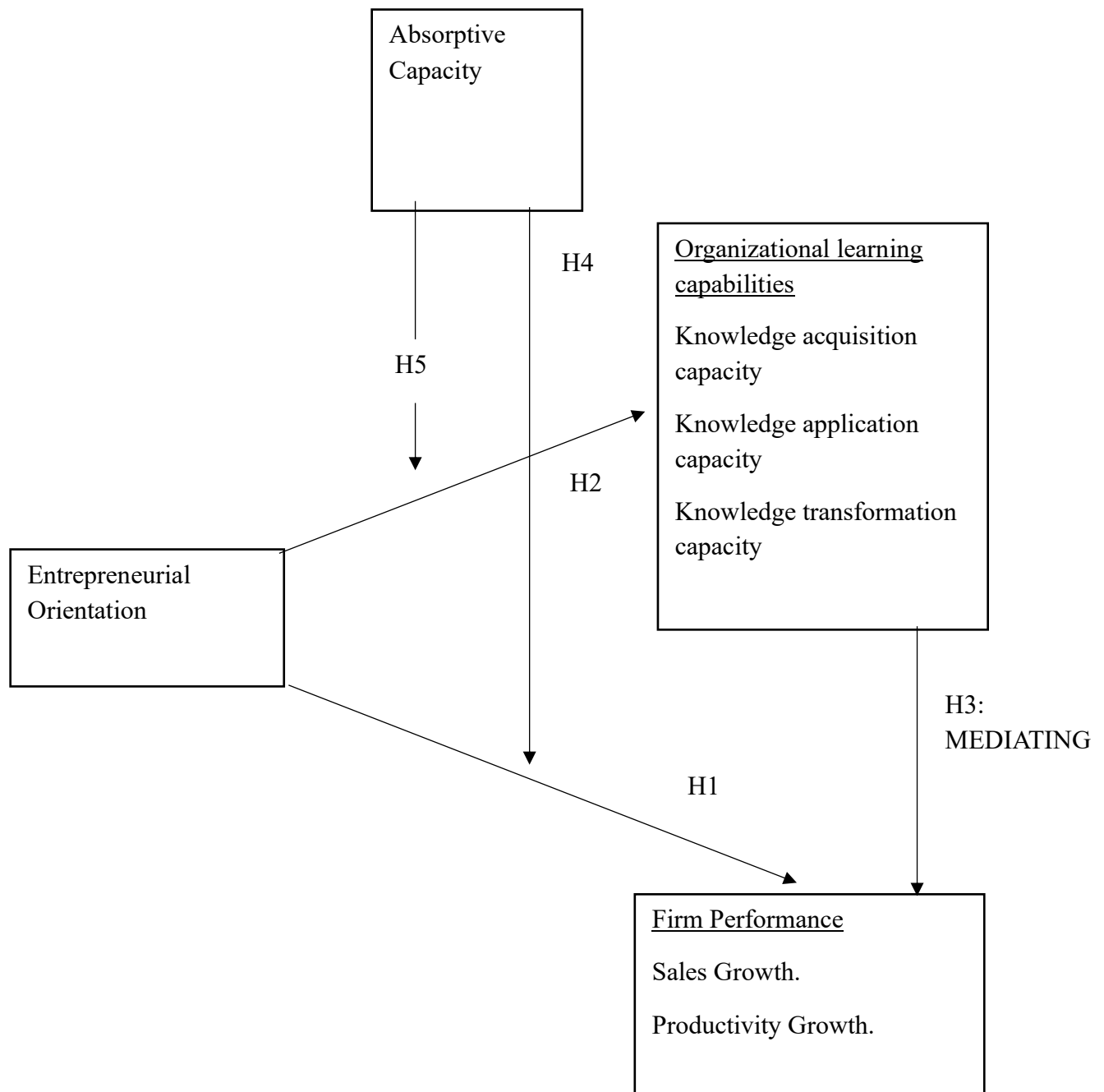
Collaborative networks and optimization are necessary toward building capability development (Barnes and Liao, 2012). This is because networking created between collaborative small businesses and customers enhances business performance (Panda, 2014). Nikolic *et al*, (2015) argue that a well-established collaborative network with the right partners results in critical knowledge sharing. Additionally, a strong supply chain sharing network can prompt encouragement in revenue, profits and lucrative business initiatives. This then aligns with the findings of the study suggesting that supplier as well as knowledge sharing collaborations assist small businesses in reducing operating costs and procurement risks in a highly competitive informal sector/industry. Thus, yielding a major contribution suggesting that organizational learning capabilities express the need to deploy knowledge acquisition and application initiatives to improve the ability of informal traders to attain valuable information, knowledge, and understanding of the informal industry they operate under. This highlights how learning capabilities can be used in a beneficial way to improve business performance within the dominion of informal traders [Mean Score= 4,09 to 4,11 Standard Deviation= 0,296 to 0,654].

C. Strategic Enhancement (Leveraging findings on absorptive)

Small businesses usually rely on the knowledge and expertise of their owners/managers to successfully navigate through a fiercely competitive informal sector (Miller *et al*, 2024). This suggests that managers in these low performing businesses consistently search for solutions to successfully remain sustainable in a highly competitive informal industry (Tsokaz *et al*, 2015). Although managers often tend to acquiring and assimilating external market information to solve strategic challenges, this greatly depends on the business capabilities of the firm. Teece (2014) suggests that for small businesses, performing adequately is heavily contingent on the business's absorptive capacity. This is because this distinct capability includes the flexibility to exploit environmental opportunities and potential threats, utilize learning mechanisms to effectively use scarce resources, efficiently orchestrates the manager's skills and abilities to effectively deploy scarce resources and enhance overall business performance.

This then aligns with the findings of the study suggesting that absorptive capacity is crucial for outlining valuable market information and knowledge to compete and boost business endeavors in a fiercely competitive informal sector. Which draws another major contribution suggesting that strategic planning or implementation greatly depends on business capabilities (AC) [Mean score=3,92 to 4,16, Standard deviation= 0,553 to 0,712].

1.7. Conceptual model and hypotheses formulation



Note adopted from “Can Entrepreneurial Orientation Improve R&D Alliance Performance? An Absorptive Capacity Perspective,” by R. Seo., J. Eddler and S. Massini, 2021, *R&D Management*, 52(1), P52 (<https://doi.org/10.1111/radm.12473>). Copyright 2021 by RADMA and John Wiley and Sons Ltd.

Note. Also Adapted from “Joint Problem Solving and Organizational Learning Capacity in new product innovation,” By L. Ning and J. Li, 2018, *R&D Management*, 48 (5), P524 (<https://doi.org/10.1111/radm.12245>). Copyright 2018 by RADMA and John Wiley and Sons Ltd.

A. Hypotheses formulation

H1: There is a significant association between entrepreneurial orientation and firm performance.

H2: Entrepreneurial orientation is associated with a firm's organizational learning capabilities (knowledge acquisition capacity, knowledge application capacity, & knowledge transformation capacity).

H3: The association between entrepreneurial orientation and firm performance is mediated by a firm's organizational learning capability (knowledge acquisition capacity, knowledge application capacity, & knowledge transformation capacity).

H4: The association between entrepreneurial orientation and the firm performance of small businesses is moderated by their absorptive capacity, which means that the higher the firm engages in absorptive capacity the stronger the impact of entrepreneurial orientation on overall firm performance.

H5: The association between entrepreneurial orientation and the organizational learning capability (knowledge acquisition capacity, knowledge application capacity, & knowledge transformation capacity) of small businesses is moderated by their absorptive capacity, which means that the higher the firm engages in absorptive capacity the stronger the impact of entrepreneurial orientation on the organizational learning capabilities of small firms.

1.8. Dissertation Structure

Chapter 1: Introduction (overview of the study): This includes the introduction, research problems, research questions & objectives, preliminary literature and contributions of the study.

Chapter 2: Literature review, conceptual model and hypotheses formulated: This section consists of the theories developed in the context of the study, the extensive literature on the adopted research variables/constructs, as well the hypotheses developed in the study along with the conceptual model.

Chapter 3: Research Methodology: Includes an extensive description of the research approach chosen for the context of this study.

Chapter 4: Data analysis: Expresses the results/analysis of the collected data through the use of descriptive statistics and structural equation modeling.

Chapter 5: Discussion and Conclusion: This indicates an overall overview of the results produced by the research study.

CHAPTER TWO: Literature Review

The following chapter will discuss the relevant theories and literature that aid the construct development of this research dissertation. In the first section, the Resource-Based View (RBV) and Dynamic Capabilities (DC) are embedded in the context of the study, because they underpin the characteristics of high-performance levels needed by small businesses to remain sustainable. The second section explains the empirical literature which enhances and boosts firm performance for small businesses, whilst also indicating the importance of these constructs to overall business performance.

The third and final section of the study depicts a hypothesized conceptual model based on the literature developed throughout the context of this research study. Maziriri, Maparuga and Madinga (2018) define a conceptual framework as a research model that describes and explains the association between the variables embedded in the study context. Figure 4 represents the conceptual model adopted in this study which comprises four variables namely Entrepreneurial orientation (Independent variable), Organizational learning capabilities (mediating variable), Absorptive capacity (Moderating variable), and Firm performance (dependent variable). This section will also provide a detailed description and discussion of the variables adopted for the context of the study.

2.1. Theoretical overview

2.1.1 The Resource-Based View of a small-owner managed business

Small businesses in South Africa often operate in hostile market conditions characterized by low levels of entry, fierce competition as well as operating on limited resources (Huddleston, Runyan, and Swinney, 2006). This means that these small businesses are known to experience constraints due to limited resources and lesser operational capacities. This is especially prevalent in a developing country such as South Africa, where entrepreneurial and managerial skills are imperative for these small businesses to become successful (Sok, Snell, Lee and Sok, 2017; Saunila, 2016).

The resource-based view upholds that a competitive edge over potential rivals is generated by a firm, from its unique set of resources (Barney, 1991; Petaref, 1993). As such, since the context of this theory emphasizes uniqueness. The identification of these unique resource capabilities is especially crucial for a small business competing in a fiercely competitive market space to outwit

potential competitors (Summers, 2001). The resource-based view is also critical for small-owner-managed businesses because it supplies a framework for entrepreneurial owners to strategize based on those limited resources which provides a much-needed basis and catalyst to achieve long-term sustainability (Huddleston, Runyan, and Swinney, 2006).

The context of the resource-based view further argues that a business's resources are mostly used to develop initiatives to enhance service delivery and value creation, which can become a business's source for achieving a sustainable competitive advantage over rivals (Eisenhardt and Martin, 2000). However, small businesses usually rely on limited resources, which makes it very imperative to be able to outline and focus on key drivers of innovation to be able to enhance business performance. As such, the resource-based view is a critical tool in this situation because it fundamentally outlines what makes a business enterprise different and how a business can gain a sustainable competitive advantage through effectively optimizing and deploying its resources (Wang and Ahmand, 2007). The resource-based view presents an opportunity to small businesses through emphasizing how ownership and the utilization of resources drive high levels of performance irrespective of the size of the business, which puts emphasis on the need to optimize distinct capabilities (Newbert, 2007). Which is why it will be considered in this study as a means for small businesses to optimize competencies and concrete strategic planning initiatives to boost business performance (Menguc *et al*, 2014).

The growth of informal businesses in a developing country such as South Africa has the potential to uplift millions of marginalized individuals from the shackles of poverty, considering that a larger number of these informal traders stem from marginalized societies and communities (Sonobe *et al.*, 2011; Sasidharan and Rajesh Raj, 2014). However, most of these small businesses, particularly in the informal sector of spaza shops operate on minimal resource capabilities as compared to larger corporations. They also encounter numerous challenges such as constrained financial resources, minimal exploitation market opportunities, and a lack of formal registration (Nichter and Goldmark, 2009; La Porta and Shleifer, 2014). As such, the resource-based view is quite critical in terms of assisting these informal businesses to overcome these challenges and constraints through providing a multitude of entrepreneurial and business support initiatives as well as highlighting the value of using limited resources effectively (Shane, 2009).

This study draws upon the resource-based view as a theory to argue that a small business's resource acquisition initiative is a strategic planning activity indicating the ambition and capability of the business to grow and remain competitive (Cai *et al*, 2014). This aligns with the notion of the resource-based view which states that a business's potential growth, strategic choice and success are shaped by its resource reserves (Mckenzie, 2017). Operating in the informal economy presents challenges because it usually increases barriers to acquiring valuable, rare and limited resources emphasized by the resource-based view. However, informal businesses which understand this limitation are continuously assertive to remain competitive and sustainable, as they will proactively search for resources to differentiate themselves from potential rivals (Nason and Wilklund, 2018).

Hence the resource-based view theory is designed to assist informal businesses overcome these challenges and constraints, whether it is through business planning or industry awareness (Ngoasang and Kimbu, 2019). This is because the resource-based view emphasizes that small businesses need to acquire and mobilize external resources that they do not own or control because this is a core entrepreneurial act needed to capitalize on potential opportunities and remain sustainable (Fowowe, 2017).

Chumphong, Srimai & Potipiroon (2020) suggested that small and medium-sized enterprises need to perceive the resource-based view as an operation which can be executed between strategy and business operations which adversely improves overall firm performance (Crook *et al*, 2008). Additionally Wenerfelt (1984) and Mintzberg (2008) agreed that to rise and become a potential industry leader a firm needs to begin with the growth of firm performance in the following categories: 1) enhancing recommendations for utilizing resources to develop products and services which create a market value, 2) categorize products and services which create a difference, 3) Indicate the relationship stability amongst existing resources as well as probable new resources 4) note that the accession of any form of resources is as significant as acquiring new numerous rare resources in a competitive marketplace.

However, it must be noted that managing performance is crucial to a business's survival, especially for small informal traders in a developing country such as South Africa characterized by a poor resource setting. This is exacerbated by claims that an abundance of resources does not exactly lead to high levels of business performance (Moreno and Cassilas, 2008; Meyskens et al, 2010).

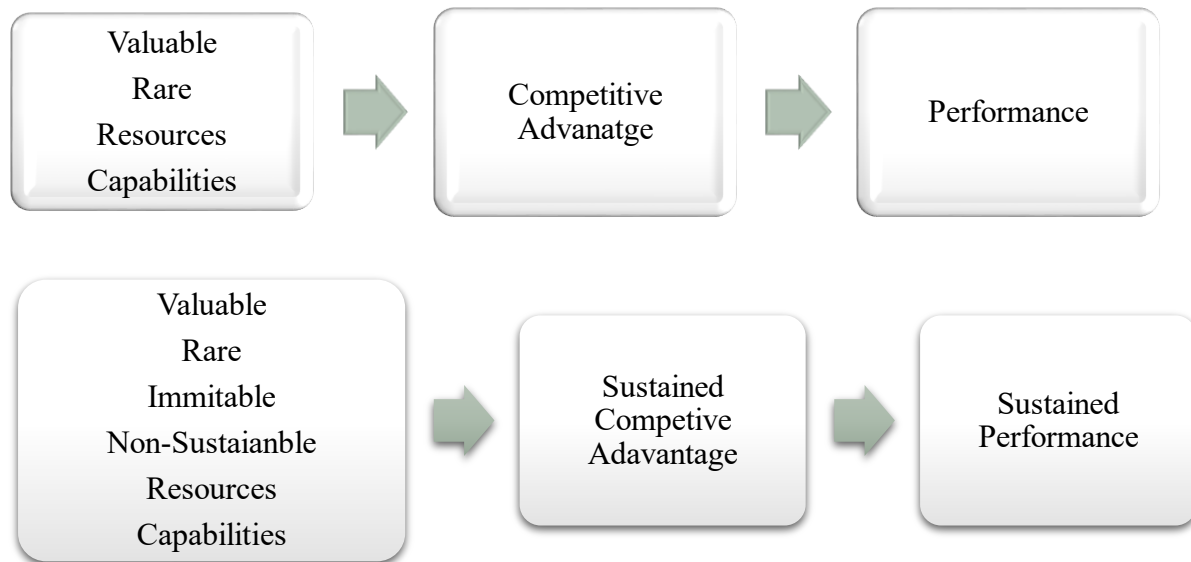
Khan and Quaddus (2020) also argue that many businesses have been unable to attain and realize high-performance levels despite having high resource reserves. This is because the inefficient use of these resources can potentially lead to small businesses' vulnerability which may affect their strategic planning, business operations and performances at large (Khan and Quaddus, 2017). Therefore, it is quite clear the resource-based view can also be used as a tool to evaluate small businesses operating in a poor resource setting.

When it comes to the concept of entrepreneurship, acquiring resources is considered a critical aspect of business performance (Maiti et al, 2020). Fatoki (2011) argues that human resources have the most substantial impact on business performance. Kessler and Fink (2010) argue that it is financial resources which have the most impact on business performance. In conclusion, the resource-based view strongly upholds optimizing and effectively utilizing entrepreneurial capabilities as well as efficient use of resources to realize high levels of business performance (Barney et al, 2001).

Most of the literature has indicated the resource-based view theory to be useful for larger corporations, yet small businesses usually encounter the need to attain critical resources to realize a sustainable competitive advantage (Khan, Hossain, Jahed and Rowe, 2021). Additionally, the resource-based view also recognizes that it is simply not enough for small businesses to just acquire resources, they must also be capable of comprehending them and consistently search for opportunities to use those resources efficiently (Teece, 1997). In essence, the resource-based view was adopted in this study to explain how and why resources can potentially impact small business performance because when a business's strategic planning is weak, resources are not sufficient to guarantee high levels of business performance (Khan, Hossain, Jahed and Rowe, 2021).

Barney (1991) adopted a conceptual model dubbed as the "VRIN" criteria. The idea behind the development of this diagram was to argue that a business can be considered as an institution that collects and accumulates physical resources, human resources as well as organizational/firm resources which can lead to a competitive edge over rivals and improved business performances (Amit and Shoemaker, 1993). Barney (1991) further added to this notion by stating that a resource collected by a business must meet the "VRIN" criteria and ethos to supply a competitive edge and long-term sustainability. See Figure 2.1.1 Below.

Figure 2.1.1. The “VRIN” criteria



Note. This diagram summarizes a set of resources which can potentially assist an organization to gain a competitive edge over rivals. Adapted from “Firm Resources and Sustained Competitive Advantage.,” by J. Barney, 1991, *Journal of Management*, 17(1), P, 105 (<https://doi.org/10.1177/014920639101700108>). Copyright 1991 by the Southern Management Association.

2.1.2. The Dynamic Capabilities Theory

The potential of small businesses to achieve a competitive edge over rivals has become a major concern for small business owners and managers due to high levels of competition in the informal sector (Terzivoski, 2010). This is because when operating in an informal sector characterized by fierce competition small businesses need more than ordinary capabilities to innovate and remain competitive (Kotelnikov, 2007). As such, it is quite imperative for these small businesses to develop dynamic capabilities to enhance and support their business strategies to adapt in a highly competitive market space (Teece, 2007; Zollo and Winter, 2002). It is also crucial to state that small businesses are usually characterized as businesses operating on minimal resources, which means that dynamic capabilities are especially significant to these small businesses in that they alter and shape the business’s resources in such a way that will lead to a sustainable competitive advantage (Schilling, 2006; Zhou and Li, 2010).

Dynamic capabilities are more imperative to small businesses than the resource-based view because they enable a business to focus on performance and core competencies (Ambrosini and Bowman, 2009). More importantly, dynamic capabilities can enable a small business to be slightly differentiated which is extremely crucial in a highly competitive and fast-changing informal sector (Easterby-Smith et al, 2009). The role of dynamic capabilities in small business performance entails influencing a small business's limited resources to achieve a sustainable competitive advantage (Ambrosini and Bowman, 2009). However, to realize a sustainable competitive advantage, these small businesses need to efficiently use these limited resources and capitalize on external environmental influences and changes (Parida, 2008). This is because dynamic capabilities include a business's ability to predict and optimize potential market opportunities, which is a critical aspect of survival (Wang and Ahmed, 2007). As such, the importance of dynamic capabilities cannot be understated due to the intensely competitive nature that small businesses operate within because they need to constantly intensify their core capabilities to overcome the liability of high rates of business failure and outperform many potential rivals (Borch and Madsen, 2007; Terziovski, 2010).

The dynamic capabilities theory has long been conceptualized as a business's ability to sense, develop, shape and integrate its daily core capabilities in order to realize and maintain a competitive advantage in a highly competitive and constantly changing business environment (Wang and Ahmed, 2007, Winter, 2003; Helfat, 2003). This means that this theory is extremely crucial to the businesses investigated in this study because spaza shops are usually overly available throughout numerous township environments in South Africa (Basardien and Friedrich, 2014).

This abundant availability of spaza shops in townships indicates a need for the owners and managers to display a high degree of creativity and innovation when running the business and to value risk-taking because engaging in high risks has the potential to yield higher rewards. Therefore, these informal traders must be able to make use of opportunities when they arise because these opportunities will be scarce and limited, hence the need to utilize dynamic capabilities to develop a sense of uniqueness (Mukwarami, 2017). The primary market of spaza shops mostly lies in the provision of consumer goods for low to medium-income earners, which means that this industry has fierce competition due to many participants (Companion, 2010; Tambunan, 2009). The competition is usually so fierce that these spaza shop owners are unable to

work together effectively and influence the market to enhance or maintain their price levels (Lingthelm and Masuku, 2003). As such, it is extremely significant to optimize dynamic capabilities in this industry, such as maintaining good relations with customers, product differentiation, and excellent service provision because the competitive market space can ultimately lead to a drop in consumer demands which affects profit maximization (Cohen, 2010; Companon, 2010).

Further initiatives to mitigate competition and ensure customer loyalty can be in the form of providing small loans to loyal customers or selling products at a relatively lower price compared to local rivals (Neves, 2010). There is also the implementation of consumer-friendly policies such as providing quality products, offering excellent services through being polite, utilizing effective price control, as well having a unique storefront (Kusakabe, 2010). It must be noted that the opportunities outlined in the context of this section can be classified as favourable scenarios with uncertainty. This is because to ensure the successful exploitation and optimization of these opportunities a commitment and efficient utilization of resources and risk-taking is needed to realize success (Business Dictionary, 2011). Therefore, the use of dynamic capabilities is imperative in optimizing these business opportunities because dynamic capabilities emphasize unique and different characteristics that give a business its own identity, and if a business realizes these special characteristics, it will distinguish it from many other similar businesses (Teece, 1997).

Small businesses are typically good at developing solid entrepreneurial ideas but cannot capitalize on these ideas due to limited resources (Cavusigl and Knight, 2015). This suggests that small businesses need to lean on their dynamic capability and creativity to efficiently allocate their minimal resources and execute business strategies (Deyassa, 2023). Fabrizio et al (2021) argue that a small business operating in a highly competitive market space can go about implementing dynamic capabilities through: 1) working with external partners to bring new quality goods to market and sell, 2) using internal adaptability and innovation to enhance existing business strategies, and 3) use managerial knowledge to enhance the flexibility of business operations, this could be in the form of mitigating risks and reducing costs (Cavusigl and knight, 2015). Dogbee et al (2020) also argue that small businesses should be cautious when pursuing innovative initiatives because an important driver of dynamic capabilities involves the process of identifying opportunities that strengthen the business strategy and potential objectives (Ko and Liu, 2017).

Sunday and Vera (2018) perpetuate that dynamism involves innovation capabilities, knowledge acquisition, intelligence and the understanding of the market environment.

Dynamic capabilities can positively impact small business performance in numerous ways such as aligning limited resource reserves with a highly competitive business environment, creating an industry change, enhancing the resource-allocation and capability-building initiatives, and most importantly improving internal business performance (Teece, 2007; Gudergan et al, 2012). Dynamic capabilities can also improve the efficiency and flexibility of a small business to respond to constant environmental changes (Chmielewski and Paladino, 2007). This can be executed through outlining opportunities dynamic capabilities provide to small businesses as well as effective decision-making processes which ultimately enhance business performance (Drnevich and Kriauciunas, 2011). Protogerou (2016) stated that optimizing dynamic capabilities and creativity mechanisms are significant tools to survive a dynamic and competitive environment. This is because in competitive marketplace, internal and external resources including knowledge reserves are all crucial towards attaining high levels of business performance (Teece, 2007). This then reinforces the notion that the potential impact of dynamic capabilities on business performance depends on the business's context both internally and externally (Kareem and Alameer, 2019).

2.1.3. The theoretical contributions of the Resource-based view as well as the Dynamic Capabilities theory within the context of small- owner managed businesses

A. The Resource-Based View Theory

Hamel and Prahalad (1996) define the resource-based view as a concept and practice which evaluates and elucidates the resource capabilities of a firm in order to comprehend how firms attain a long-term competitive edge over rivals. The resource-based view puts special emphasis on the capabilities and characteristics of a firm which are challenging to imitate and can be utilized as sources and the benchmark of superior performances (Barney, 1986). Attaining these resources that cannot be easily imitated or acquired, needs a tedious learning curve or a gigantic transformation in the firm's work culture and structure because attaining these resources is likely to yield benefits solely unique to the firm that cannot be copied by potential competitors. Which can result in a performance variance between competing firms (Conner *et al*, 1996). The resource-based view usually takes what is known as the inside-out approach or organization-detailed

perspective on why firms remain successful or shut down within an industry (Dicksen, 1996). This is because resources which are considered valuable, scarce, and irreplaceable usually make it easy for firms to grow and maintain a competitive edge over rivals, resulting in exceptional sustainable performances for the firm (Collis and Montgomery, 1995; Grant, 1991; Wernerfelt, 1984).

Amit and Schoemaker (1993) perpetuate that a firm can be considered as an institution that collects and accumulates physical resources, human resources as well as organizational resources. Barney (1991) further perpetuates that a resource collected by a firm must meet the “VRIN” criteria to supply a competitive edge and long-term sustainability. The “VRIN” criterion can be described as follows. The valuable criterion suggests that resources are precious only when they supply strategic value to the business enterprise. They are considered valuable when they assist an organization in realizing and exploiting industry opportunities or reducing potential threats and risks. This phase maintains that a resource becomes invaluable if it does not improve organizational value (Crook, Ketchen, Combs, and Todd, 2008). The rare criterion maintains that resources must be challenging to attain among existing competitors of the firm, therefore resources must be scarce and unique to offer a competitive advantage leading to sustainable performances, this is because resources which are easily attainable by competing firms cannot offer a competitive edge over rivals as they are unable to offer a unique/differentiated organizational strategy (Crook *et al*, 2008). Imperfect imitation addresses the value of resources not being easily imitated. This refers to the ability of a firm to make its resources feasible from imitations. This can be done through means such as developing enigmatic and ambiguous relation capabilities and firm competitiveness. The notion of this criterion is that resources can create a competitive advantage only if they cannot be easily accessed by competing firms (Crook *et al*, 2008). Non-sustainability implies that organizational resources are not to be easily substituted by competing firms through a possible alternative resource. The notion in this criterion is that a competing firm must not achieve the same level of performance through attaining alternative resources of a firm (Crook *et al*, 2008).

Barney (1991) further argues that any resource must assist an organization to perform effectively and result in competitive strategies which will end up in higher revenue for the firm, minimum expenses, increased margins, or enhanced financial value in the firm. This theory further perpetuated that a resource is only valuable when it enables a company to implement and execute strategies which enhance overall efficiency as well as effectiveness. The resource-based view

assists managers of an organization in comprehending why core competencies can be a company's most critical aspect and also educates a company on how these competencies and assets can be used to enhance firm performance, it also upholds that the historical experiences of the firm as well as the firm culture are imperative factors for organizational success (Campbell and Luchs, 1997; Hamel and Prahalad, 1996).

B. Dynamic Capabilities Theory

The dynamic capabilities theory materialized as a further expansion due to the shortcomings of the resource-based view theory to evaluate the growth and development of resources and organizational capabilities to combat rapidly evolving business environments and create a sustainable competitive edge (Teece, Pisano, Shuen, 1997). The dynamic capabilities theory perpetuates the notion that sustainable competitive advantage is more than an organization acquiring valuable, rare, imitable, and non-imitable resources (VRIN Criteria). Dynamic capabilities are also crucial in allowing a firm to assimilate, mould and recompose its resources to adapt to ever-evolving business environments (Pugno, 2015). As such the dynamic capabilities theory can be defined as a tedious process which enables an organization to recompose and reshape its strategy and resource capabilities to attain a sustainable competitive edge and exceptional performance levels in complex business markets.

The association and link between this particular theory and firm performance has indicated a rather cohesive association as evident from previous empirical research studies. Danneels (2002) investigated numerous tech companies and discovered that continuous product innovation as a dynamic capability adversely enhances organizational competency and overall performance. Another study conducted by Zott (2003) outlined how varied distinct capabilities of a business can positively affect firm performance and also discovered that even minimal application of these distinct capabilities within a business can result in enormous distinction in firm performance. As such it is critical to note that this theory is not at all similar to specific core competencies such as research and development, supply chain, or advertising and marketing. This theory's purpose is to assess and make use of resource capabilities needed to attain a sustainable competitive advantage in a complex business environment (Wilden *et al*, 2013).

As such the ability of small firms to supply desirable products and services to end users is complex because to achieve this these firms must attain competitive advantage, and this is reflected in an

organization's capability to address and solve existing problems and make use of future business endeavours, which include opportunities for growth and development (Arndt and Bach, 2015; Bleadly *et al*, 2018). However, it should be noted that maintaining a competitive edge is a dynamic and tedious procedure, which is why numerous research studies have opted for organizations to establish specific capabilities and relentless knowledge acquisition techniques to remain competitive in their specific industry (Hammer, 2003).

Therefore, this theory enables small business enterprises to adapt to an environment characterized by high levels of stress, challenges, and risks. In contrast to the shortcomings of the resource-based view, this theory is especially applicable to small business enterprises, which are mostly characterized by scarce resources and operate on strong core competencies to remain competitive (Arndt and Jucevicius; Eisenhardt & Martin, 2000; Helfat *et al*, 2015).

2.2. Literature Review

2.2.1. Entrepreneurial Orientation of Small Businesses

In the modern age, the concept of entrepreneurship is widely regarded as a critical driver for employment opportunities and economic development, which means that spaza shop owners and managers are usually motivated by survival instincts rather than entrepreneurial opportunities (Barsadien *et al*, 2018). This can be attributed to South Africa's social and economic challenges associated with high levels of income inequality, unemployment and poverty (Fouche, Wilkinson and Peer, 2012). The context of these abovementioned challenges has thus resulted in an upsurge of retail and consumer product businesses in the informal sector which has expanded aggressively in numerous townships in South Africa, which indicates that spaza shop entrepreneurs have established successful initiatives and strategies to operate in turbulent marketplaces within Townships (Herrington, Pew and Pew, 2015).

The constant increase in spaza shops has resulted in a few positive outcomes such as providing employment opportunities and enhancing the welfare and entrepreneurship of local communities (Barsadien *et al*, 2018). Callaghan (2011) argues that entrepreneurial orientation has been a consistent measure used to forecast business performance, which means that entrepreneurial orientation allows a business to evaluate variables linked to entrepreneurial behavior and business performance (Bischoff, Gielnik, Frese, 2014; Fese and Gielnik, 2014). Callaghan (2011) further developed a study which investigated the psychological approach of entrepreneurial orientation,

through evaluating whether entrepreneurial actions of informal traders in Johannesburg (N=308), can influence business performance. The findings of this study indicated that high levels of proactive and psychological behavior as well as competitive aggressiveness were positively associated with business performance. This further supported the interpretation that entrepreneurial orientation is made up of innovation orientation, risk-taking, autonomy orientation, proactiveness and competitive aggressiveness (Lumpkin and Dess, 1996; Covin and Slevin, 1991; Miller, 1983).

Therefore, the context of this study will seek to steer in a similar direction by associating the entrepreneurial orientation of spaza shops with their business performance (Urban, 2008; Callaghan, 2011; Barsadien *et al*, 2018). This will be done by suggesting that the entrepreneurial orientation of small owner-managed businesses indicates a strategic planning initiative to make use of resources effectively and productively, which can have a potential impact on overall firm performance (Seo, Edler & Massini, 2022).

Over the last few years, the level of competition in the informal sector of spaza shops has vastly increased and intensified particularly with the introduction of foreign-owned spaza shops, because emerging evidence suggests superior and better performance levels by foreign-owned spaza shops (Barsadien, Parker, Bayat, 2014). Fatoki and Oni (2014) conducted a study which investigated the relationship between foreign spaza owners and entrepreneurial orientation. The foreign entrepreneurs in the study included individuals from Somalia, Nigeria and Ghana which all operated in the retail market space. The findings of the study indicated a relationship between high levels of innovation and enhanced business performance for these particular business owners. The study further evaluated innovation in terms of new product lines and also transforming existing product lines. The findings of the study also suggested that foreign entrepreneurs are more likely to be creative, innovative, proactive and engage in risk-taking as compared to local entrepreneurs (Fatoki and Oni, 2014).

This was further supported by Barsadien, Parker, and Bayat (2014) who demonstrated that there is a large disparity in business practices between local and foreign spaza shop owners because foreign entrepreneurs usually work as a collective as opposed to local entrepreneurs who work independently. Therefore, these distinct differences have resulted in different business practices such as buying methods and pricing methods where the foreign entrepreneurs usually buy as a

collective resulting in bulk discounts and positively influencing their pricing strategies and competitiveness.

This then indicates that most successful entrepreneurs must actively pursue feedback, contain clear objectives and differentiate themselves, embrace and take advantage of a competitive market space as well as the continuous endeavour to remain successful (Kirzner, 1997). The concept of innovation, proactiveness and competitive aggressiveness entails the process of outsmarting and outcompeting potential rivals as well as valuing risk-taking as an entrepreneur (Kraus, 2003). Entrepreneurs with high levels of innovation and competitive aggressiveness are always aware of their competitive market space and implement initiatives to outmanoeuvre potential rivals (Callaghan, 2011). These owners and managers constantly pursue a high market share and focus more on making their business a success. As such the dimensions of Entrepreneurial orientation argue that innovation, risk-taking, proactiveness and competitiveness aggressiveness are critical factors to realize high levels of business performance (Lumpkin and Dess, 1996).

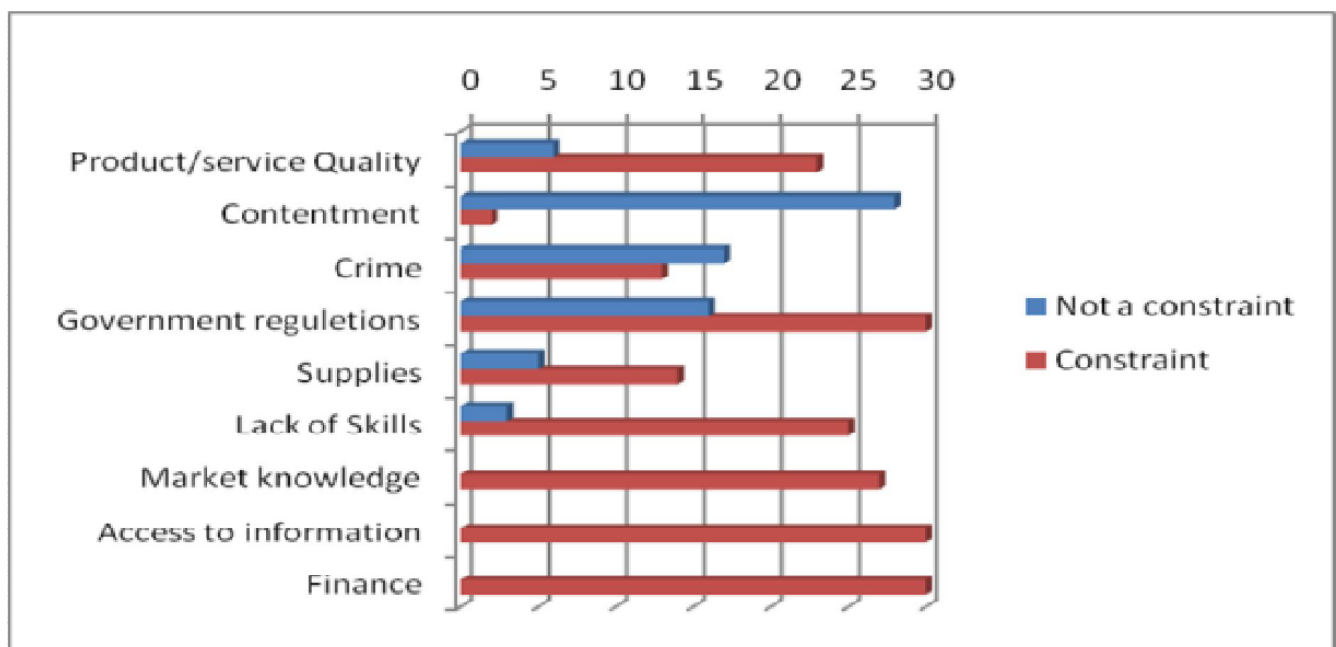
❖ **How does entrepreneurial orientation affect small business performance**

Small business performance usually entails a set of indicators focusing on the business's potential growth, sales and profitability. This simply refers to actual business outcomes against the initially defined objectives of the business (Sanchez Famoso *et al*, 2014). The ability to capitalize on innovative business ideas and opportunities remains a problem for numerous small businesses in South Africa. Apart from this obstacle, there are still numerous challenges that small businesses encounter in South Africa including intense competition, operating on limited resources and lack of financial reserves (Christi, Sukri, Widyaningtyas, and Budiwaluyo, 2023). This indicates a need for entrepreneurs to continuously engage in initiatives to develop a business's competitiveness and innovation.

The development of entrepreneurial orientation is mostly about two elements, which are quality and quantity because the quality of entrepreneurship prompts a business to continuously grow, develop and remain consistent with innovation in a fiercely competitive business environment, whilst implementing the best strategy to boost business performance (Lyon *et al*, 2000). As such two critical factors can prompt a small business to compete and remain sustainable, firstly, an improvement internally and secondly, the ability to adapt to the external environment (Wang, 2008).

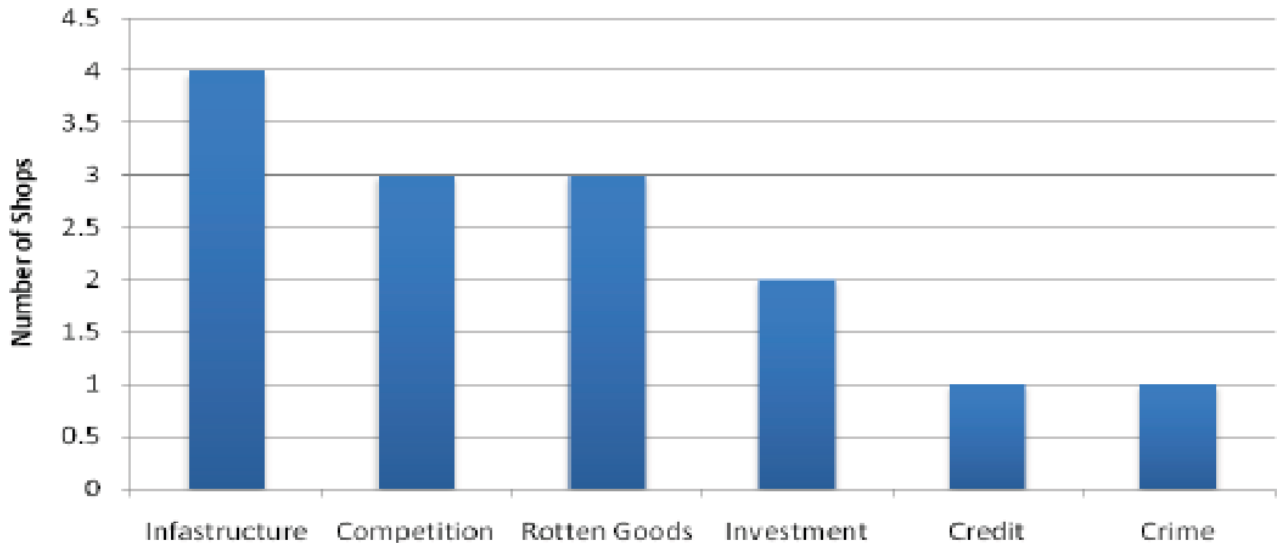
The existence of intense competition because of an industry that is characterized by rapid changes has resulted in entrepreneurs proactively implementing strategies to outwit and outmaneuver competitors (Machmud, 2009). The majority of small businesses in the informal sector of South Africa are mostly centralized within the local market, this means that these businesses are operating with low levels of innovation and less developed processes and production levels (Herlinawati *et al*, 2017). As such the need for entrepreneurial orientation is necessary for small businesses to balance the ability to grow and remain competitive. It is especially crucial when it comes to enhancing business performance because small businesses are dealt with constraints due to limited capital, difficulty adapting to a dynamic and competitive environment, less aggression in actively optimizing business opportunities as well as less creativity and innovation, see **figure 1** and **figure 2** depicting the everyday challenges faced by spaza shops operating in the informal economy (Machmud and Ahman, 2019). This then indicates a need for small businesses in South Africa to create new opportunities and implement management initiatives in accordance with the concept of entrepreneurial orientation, which means that they must actively innovate, adapt, take risks and embrace proactiveness (Herlinwati, Ahman, and Machmud, 2019).

Figure 1: Everyday challenges faced by spaza shops



Note. Adapted from Factors affecting the growth of locally owned spaza shops in selected townships in South Africa., by J. Mukwarami, 2017, ([208116826-Mukwarami-Josephat-MBus-](#)

Figure 2: An average number of shops facing these challenges (Mukwarami, 2017)



Note. Adapted from Factors affecting the growth of locally owned spaza shops in selected townships in South Africa., by J. Mukwarami, 2017, (208116826-Mukwarami-Josephat-MBus-Business-Administration-BUS-2018.pdf (cput.ac.za)).Copyright 2017 by Cape Peninsula University of Technology.

❖ **How entrepreneurial orientation influences organizational learning capabilities in small businesses**

When a small business is focused on entrepreneurial orientation it will be able to develop, learn and affect the industry it operates under (Garcia-Morales, Llorens Montes & Verdu Jover, 2006). This is because small businesses which put emphasis on entrepreneurial orientation can efficiently use their limited resources, find new ways of developing and marketing products, and potentially attract new customers whilst maintaining existing customers (Ireland and Webb, 2007). Additionally, these small businesses will gain effective strategic capabilities that prompt the competitive advantage and sustainability needed to survive in a hostile market environment (Garcia-Morales, 2006). Entrepreneurial orientation also enables organizational learning capabilities which in turn lead to formulating and implementing innovative strategies leading to improved business performances (Lee and Tsai, 2005).

Baker and Sinkula (2009) argue that businesses which have a higher learning capability will be in a better position to comprehend and learn the market environment dynamics whilst being flexible to challenges created by the market space. This is because as business environments change, they create new opportunities and obstacles. Therefore, learning capabilities allow entrepreneurial businesses to outline, forecast, and address trends in marketspaces, which makes learning capabilities especially crucial for small businesses operating in fiercely competitive business environments (Altinay et al, 2015; D'Angelo and Fresutti, 2019).

Covin and Lumpkin (2011) Argue that pursuing entrepreneurial orientation without organizational learning capabilities leads to a gap in realizing how a business develops and sustains growth and development. This is because a business needs to develop internal knowledge to leverage entrepreneurial processes and principles. Altinay et al (2015) discovered that the relationship between entrepreneurial orientation and business performance is mediated by organizational learning capabilities. The study further stated that it is through organizational learning capabilities that the relationship between entrepreneurial orientation and business performance can be maximized and capitalized.

Chang and Webster (2018) also discovered that a combination of organizational learning capabilities as well as innovation should remain focus areas for business leaders to enhance the entrepreneurial orientation and performance relationship. Altinay et al (2015) further supported this study by finding a positive association between entrepreneurial orientation and small business growth. This meant that to enhance the entrepreneurial orientation and performance relationship, small businesses must look at organizational learning capabilities as the missing link in realizing a sustained entrepreneurial orientation impact on business performance (Genk, Dayan and Faruk, 2019). Altinay et al (2015) further elaborated that learning capabilities improve the effect of entrepreneurial orientation on business performance through widening knowledge and learning reserves of small businesses, allowing them to optimize and leverage business opportunities presented by the constantly changing industry and customer trends.

❖ **The importance of strategic entrepreneurship in small businesses**

The concept of strategic entrepreneurship emerged through an amalgamation of both entrepreneurship as well as strategic management literature (Simmons, 2010). This is because

strategic entrepreneurship serves as a mechanism which incorporates effective entrepreneurial behaviour with feasible strategic perspectives (Simmons,2010).

Ireland *et al* (2003) define strategic entrepreneurship as a course of action synchronizing the active search of lucrative business opportunities with effective strategic planning. Therefore, strategic entrepreneurship entails the process of actively searching for business opportunities as well advantage-seeking entrepreneurial behaviours, which essentially lead to elite business performances. Although strategic entrepreneurship is a newer concept compared to strategic management it is also a critical tool for small businesses because effective strategic entrepreneurship initiatives create a feasible balance between exploiting marketing opportunities and optimizing business strategies (Ireland and Webb, 2007).

Simmons (2010) argues that strategic entrepreneurship is a creative and innovative way of structuring and shaping a business in such a manner that strictly focuses on the benefits of risky entrepreneurial behaviour. This is because small businesses that are capable of successfully navigating through challenges tend to outperform those that do not (Brorstrom, 2002). Ireland and Webb (2007) also argue that strategic entrepreneurship assists small businesses to successfully position themselves towards adopting to market environment changes that affect businesses in a highly competitive marketplace. As such, it is quite clear that strategic entrepreneurship goes a long way in influencing a small business to strategically manage resources in order to distinguish and outline market opportunities, incorporate innovations to enhance existing business capabilities, and simply links entrepreneurship to strategic management thus aligning with the findings that SME strategic planning is integral toward realizing sustainable business performances (Mizik and Jacobson, 2003).

Further elaborations of strategic entrepreneurship point to the incorporation of innovation and the development of high levels of creativity (Mizik and Jacobson, 2003; Hitt *et al*, 2001). This is because first adapters of innovative capabilities usually influence competitors' market power and enjoy significant advantages of attracting a larger customer base, due to being slightly ahead of their local competitors (Hitt *et al*, 2001). Mizik and Jacobson (2003) argue that innovative levels resulting from an owner/manager's skillset and abilities as well as the correct utilization of limited resources are imperative factors to not only realizing the effectiveness of strategic entrepreneurship

but also crucial to a small business's profit maximization initiatives and performance management strategies.

2.2.2. Absorptive Capacity: the importance of absorptive capacity in small businesses (informal traders)

In the context of small businesses, absorptive capacity entails the continuous absorption, acquisition, transformation and leveraging of existing and new information to assist the small business in leveraging market opportunities and improving existing product lines or aid the deployment of new products to improve business performance (Hughes et al, 2018; Kang et al, 2018; Tsokaz et al, 2015). The ability of small businesses to innovate can potentially be influenced by the role of market networks (Gronum, Verreyne and Kastle, 2012). This means that businesses which utilize external sources of knowledge usually attain profit maximization due to being innovative and creative (Grillitsch and Nilsson, 2015). Absorptive capacity reflects the capability of a small business to explore and utilize external networks of knowledge and information, it also represents the ability to make use of that acquired information to reach high levels of innovation (Boschma, 2005).

The concept of absorptive capacity is usually linked to innovation, especially for small businesses (Alegre, Sengupta and Lapiedra, 2013). Small businesses which continuously put emphasis on the accumulation and utilization of external knowledge are more likely to adapt to changes and challenges presented by the market environment, this may be done through the assimilation of innovative ideas, new products as well as business processes which satisfy the preferences of existing and emergent end-users (Chen, Tsou, and Huang, 2009; Jansen, Van De Bosch and Volberda, 2006; Lichtenthaler, 2009).

In small businesses, the exchange and utilization of external knowledge, as well as the experience of in-house knowledge of the entrepreneur can create new creative solutions that drive the innovation of new products and services (Wang and Lin, 2012). Absorptive capacity contributes to the growth and development of small businesses through being an element that drives innovative performances, it also serves as a tool for assimilating and using external knowledge to bolster business performance (Kostopolous, 2012). Absorptive capacity is mostly apparent in small businesses that value a unique entrepreneurial culture because this capability allows the constant accumulation of new knowledge and information, pertaining to different opportunities which may

arise in the competitive marketplace of small businesses thereby increasing the quantity and quality of opportunities available to a small business (Rothaermal and Alexandre, 2009).

As such the success of small entrepreneurial businesses usually depends on the number of opportunities available to grow and develop, because the higher the number of opportunities available, the greater the possibility of remaining highly competitive and sustainable. Therefore, an adequate utilization of absorptive capacity (external knowledge and information), as well as adequate conclusions can lead to such opportunities (Zahra and George, 2002). In this way, the process of absorptive capacity also ensures that opportunities are present for small businesses and that they are evaluated with the correct notion that will benefit the entrepreneur (Engelen et al, 2014).

❖ **Absorptive capacity, entrepreneurial orientation and small business performance.**

Vagef and Dornberger (2020) argue that absorptive capacity plays a crucial role in ultimately decreasing and mitigating uncertainties associated with risky entrepreneurial behavior as well as improving business performance. Absorptive capacity can also allow small business owners to efficiently undertake entrepreneurial opportunities whilst absorbing external knowledge reserves that are valuable in the market to remain competitive and sustainable (Donbesuur *et al*,2020). Gerchevisk et al (2015) quantitatively showcased that entrepreneurial orientation is linked to effective business performance of small businesses. Which means that entrepreneurial orientation drives the potential identification of potential market opportunities and the utilization of distinct abilities, processes and knowledge reserves which allow a small business to realize its aims and objectives (Alegre and Chiva, 2013; Covin and Lumpkin, 2011; Liu et al, 2014).

Jiao, Wei and Cui (2010) state that absorptive capacity is extremely imperative in the conversion of entrepreneurial orientation to high levels of business performance. This is because entrepreneurial initiatives affect the selection and utilization of resources, to capture crucial external knowledge and information, as new challenges and opportunities arise in the market environment. Thus, leading to an accumulation of substantial knowledge and building distinct capabilities that differentiate a business from its competitors (Englen et al, 2014). In essence, absorptive capacity shapes the concept of entrepreneurial orientation and its processes through accumulating external knowledge reserves that will shape innovative strategic planning initiatives to respond to challenges in the business environment (Lisboa, Skarmeas and Lages, 2011). Cavusil

and Knight (2015) further supported this notion by displaying that small businesses appear to overcome more challenges as opposed to larger corporations through the deployment of distinct capabilities, a high degree of entrepreneurial orientation and the assimilation and exploitation of absorptive capacity.

❖ **How does absorptive capacity influence the learning capabilities and decision-making of small businesses.**

In a market characterized by high levels of instability and constant change, utilizing learning capabilities and remaining innovative is imperative for small businesses (Cassol and Marietto, 2021). This is because such capabilities offer a distinct value proposition to small businesses especially when it comes to differentiated products/services (Chandrashekar and Subrahmanya, 2017; Mcdowell, Peake, Coder and Harris, 2018). As such the deployment of knowledge-based resources guided through detailed learning capabilities is usually significant for small businesses to achieve a sustainable competitive advantage over potential rivals (Cassol and Marietto, 2021). Absorptive capacity is usually necessary for small businesses because it evaluates its capability to outline, assimilate and utilize valuable market information to obtain a competitive edge over rivals (Escribano, Fosfuri and Tribo, 2009).

Organizational learning capabilities in small businesses entail an individual or collective learning process to identify new ways to solve potential challenges, depending on the business's capability to absorb external knowledge and information (Alegre and Chiva, 2008). This means that absorptive capacity is at the forefront in the development of organizational learning capabilities (knowledge acquisition, transformation and application) (Sun and Anderson, 2010; Gebaur, Worch, and Truffer, 2012). As such organizational learning capabilities alone are not sufficient for small businesses to attain high performance levels because they also need to have other distinct capabilities such as the capacity to extract and absorb external knowledge and information (Fernandez-Mesa, Alegre-Vidal, Chiva-Gomez Gutierrez-Garcia, 2013). Absorptive capacity is usually processed in two stages the first being the process of outlining and assimilating external knowledge and information, and the second procedure usually involves transferring the acquired knowledge into internal business processes to attain innovative strategies that allow a business to be highly competitive in the market environment (Gebaeur et al, 2012). Absorptive capacity is as such highly dependent on the sources of knowledge as well as the entrepreneurial knowledge and

expertise of the business owner to effectively mobilize acquired knowledge and information (Flatten, Greve, and Brettel, 2011; Tsokaz, Kim, Akbar and Al Dajani, 2015).

2.2.3 Organizational Learning Capabilities: The importance of learning capabilities in small owner-managed businesses/informal traders.

Onyema (2014) emphasized that for small businesses a competitive advantage can be gained through learning capabilities. This is because businesses which embrace learning and knowledge acquisition can better forecast potential opportunities, trends and business environment changes, which assists in adopting more responsive strategies than rivals to mitigate problems (Martinez-Costa, Jimenez-Jimenez, 2009). Vecchiato (2014) also argues that small businesses which embrace learning capabilities usually perform better than those that do not, this is because they consistently learn from customers, and the knowledge acquired leads to a distinctive capability that results in high levels of innovation, which is quite crucial in a highly competitive market space (Wilson and Doz, 2011). As such, learning capabilities are extremely imperative to South African Small businesses, where these businesses are known for having low levels of sustainability since most of them fail within the first few years of operation (Naicker, Le Roux, Bruwer and Bruwer, 2017). It is therefore imperative for small businesses operating in the informal sector of South Africa to undertake and embrace learning capabilities to enhance their innovation and creative levels, decision-making and problem-solving, as well as effectiveness which are key ingredients to realizing long-term sustainability (Geldenhuys and Cilliers, 2012).

In the informal environment of small businesses, learning capabilities entail self-directed knowledge which happens through specific learning behaviors and situations such as observation, reflection as well as seeking and acquiring feedback (Wolfson et al, 2018). The significance of learning in a highly competitive market space suggests that entrepreneurial owners and managers must consistently facilitate a pivotal role in learning and development to realize the value proposition of their business (Nolan and Garavan, 2016). Learning is also imperative for these small businesses because it supports a small business's internal decision-making and assists in determining capabilities and strategies that affect how a business executes its business objectives (Covin, Green and Slevin, 2006). Therefore, putting special emphasis on learning capabilities is an imperative prerequisite for entrepreneurial owners as well as the standards that are needed to attain high-performance levels (Wang, 2008).

Learning capabilities are intangible resources for entrepreneurs in the informal sector, which can lead to a competitive edge over local rivals, whilst providing a small business with a wealth of knowledge needed to overcome business failure (Gomes et al, 2020). Organizational learning capabilities also have the potential to allow entrepreneurs to experiment with creative new ideas for superior products which can lead to attaining more customers, an increase in sales and overall business growth (Fernandes-Mesa and Alegre, 2015). It should also be noted that for small businesses competing in a highly competitive environment, they need to continuously learn effectively irrespective of their limited resources because the capability to acquire and utilize knowledge is the main driver of sustainability (Rezaei and Ortt, 2018).

Desouza and Awazu (2006) emphasized that the application and utilization of learning capabilities in the form of knowledge management in small businesses is quite varied as compared to larger businesses due to small businesses facing disadvantages and challenges associated with resource constraints, inefficient use of knowledge as well as lack of capitalization on market information. However, the positive aspect associated with exploiting learning capabilities in small businesses is in the form of a rapid dissemination of knowledge and less communication channels which supplies small businesses with advantages in the accumulation, transformation and application of knowledge. Kumpikaite (2008) further suggests that this can be perceived as an added advantage for small businesses only if they can integrate acquired learning capabilities into the minimal resources they operate with, whilst taking advantage of the shorter communication channels to remain highly innovative and competitive.

It is quite clear and evident that learning capabilities are essential for small businesses in executing the business's vision and surviving a fiercely competitive informal sector (Fang, Chang, Ou and Chou, 2014). For these small businesses it means acquiring, conveying and applying fresh knowledge to the business objectives which can strongly influence overall business performance (Alzoud, Isa, and Othman, 2017). Organizational learning capabilities not only develop a mechanism for matching a small business's limited resources but also go a long way in addressing market demands, meeting customer demands and responding to constant market challenges. This then allows small businesses to realize improvements in business processes, a better understanding of the informal sector as well as overall business growth (Megheirkouni, 2017). However, the most critical aspect of learning capabilities comes in the form of enhancing entrepreneurs' knowledge

and industry experience which is key when it comes to outwitting potential rivals (Akgun et al, 2014).

❖ The role of entrepreneurial managers/owners in the Acquisition, Conversion/transformation and application of knowledge

In a highly competitive business environment characterized by fierce competition and constant market changes, the quantity and quality of owners/managers to engage in learning is essential and crucial to attaining a competitive advantage (Noe, Clarke and Klein, 2014). Distinctive characteristics of small businesses usually allow and at the same time limit entrepreneurial owners/managers to engage in learning through knowledge acquisition, conversion and application. For small businesses knowledge acquisition entails acquiring market information and the generation of internal knowledge and experience through innovation, risk-taking and experimentation (Wallo, Kock and Nilson, 2012). However, this can be quite challenging for small business owners/managers due to resource constraints. As such, it is very important for these small businesses to constantly scan the market space they operate under to acquire relevant knowledge and information, instead of merely relying on friends, family, suppliers and consumers for information (Hutchinson and Quintas, 2008).

After the relevant market information has been acquired it is essential to utilize it in such a way that will generate value for the small business, this will be executed in the form of integrating acquired knowledge with business strategies to boost business performance (Durst and Edvardsson, 2012). Yew, Wong and Aspinwall (2004) argue that small businesses have an advantage when it comes to knowledge application because of their size and context this is due to small communication channels, and also the added advantage of small feedback loops as compared to larger corporations. Small businesses also deal with a small customer base and usually have everyday contact with their end users. These close links enable timely results and feedback which can adversely boost performance levels (Coetzer, Wallo and Kock, 2019).

As such the entrepreneurial characteristics of risk-taking, creativity and willingness to experiment remain crucial elements for entrepreneurial owners/managers to facilitate and embrace organizational learning capabilities (Nieto and Santamaria, 2010). This is because small businesses mainly benefit from the owner/manager's abilities to facilitate and integrate learning and business strategies (Cerasoli et al, 2018).

Sparr et al (2017) argue that small business owners must distinguish themselves from structured organizational learning capabilities associated with larger corporations because learning capabilities for small businesses entail personalization and strategic planning of knowledge and information in such a way that will lead to outwitting potential rivals and attaining long term sustainability. As such, it is imperative for entrepreneurial owners/managers to be aware that a small business is characterized by dynamic qualities due to its market orientation (Short and Gray, 2018).

2.3. Conceptual model and hypotheses development

The following section will provide a detailed description of the selected variables associated with the context of this study as well as the hypotheses established for this research study.

2.3.1 The association between entrepreneurial orientation and firm performance

Miller (1983) defined entrepreneurial orientation as the process of embracing proactiveness when it comes to risk-taking and innovation. However, since its initial inception, the concept of entrepreneurial orientation has undergone some revisions in business literature. George and Marino (2011) further supported this by stating that entrepreneurial orientation also includes the process of challenging and improving decision-making as well as strategies in a business. Which means that entrepreneurial orientation is a business strategy that businesses can utilize to facilitate risk-taking, innovation, and experimentation with new products, processes as well as business practices (Donbesuur et al, 2020). Hence, it is with this information that this research study pursues entrepreneurial orientation as a strategic planning initiative to make use of resources effectively and productively to boost overall firm performance (Seo, Edler & Massini, 2022).

As such this study adopted the concept of entrepreneurial orientation as a unidimensional construct. This entails that the varied dimensions and elements of entrepreneurial orientation relate to firm performance in a similar way, this is because all dimensions of entrepreneurial orientation indicate high levels of intercorrelations, which means that they can be utilized as a single construct relating to firm performance (Wales et al, 2013). Therefore, entrepreneurial orientation in this study is utilized as the shared factor depicting innovation, proactiveness and risk-taking initiatives to boost business performance for small businesses (Covin and Lumpkin, 2011).

The process of innovation is deemed one of the key critical aspects that build entrepreneurial orientation in this study because creativity is essential for small businesses in that it leads to

introducing new techniques, products, and ways of enhancing service provision, which ultimately improves business performance (Silberzahn and Van Dyck, 2011). This means that innovation is quite imperative in building the process of proactiveness because, an innovative business can adjust to challenges, even before the market demand moves, it can also realize more benefits compared to potential rivals who implement changes slowly, which makes it a critical aspect to compete and remain ahead of rivals (Gupta and Pandit, 2012). These processes of innovation and proactiveness thus enable a business to have the entrepreneurial motivation to pursue uncertain endeavours with unknown results and continuously embrace risk-taking (Isenberg, 2010). Which ultimately forms the unidimensional construct of entrepreneurial orientation adopted in this study (Alsharani and Salam, 2022).

As such the application of the above-mentioned dimensions of entrepreneurial orientation in a business can potentially lead to competitiveness (Al-Omoush et al, 2019). Donbesuur et al (2020) argue that entrepreneurial orientation is an intangible resource for small businesses because it improves strategies, decision-making and enhances the possibility of capitalizing on potential business opportunities thus resulting in a competitive advantage over rivals.

Al-Omoush et al (2019) further argue that entrepreneurial orientation can be perceived as a dynamic capability for small businesses as these concepts are interrelated, this is because entrepreneurial orientation is more than competencies and resources, it also enables transformations and renewal of strategies for businesses. Businesses with high levels of entrepreneurial orientation are more likely to be proactive when it comes to exploiting business opportunities, pushing innovation boundaries, and pursuing risky initiatives. As such high levels of firm performance can be harnessed and realized through entrepreneurial orientation (Eggers et al, 2013). Al-Omoush et al (2019) further state that entrepreneurial orientation is mostly important for small business owners and managers because these entrepreneurial traits and behaviours are the most significant tool, they can utilize to realize distinctive competitive strategies to enhance overall business performance.

Hypothesis 1

H1: There is a significant association between entrepreneurial orientation and firm performance.

2.3.2 The association between entrepreneurial orientation and organizational learning capabilities

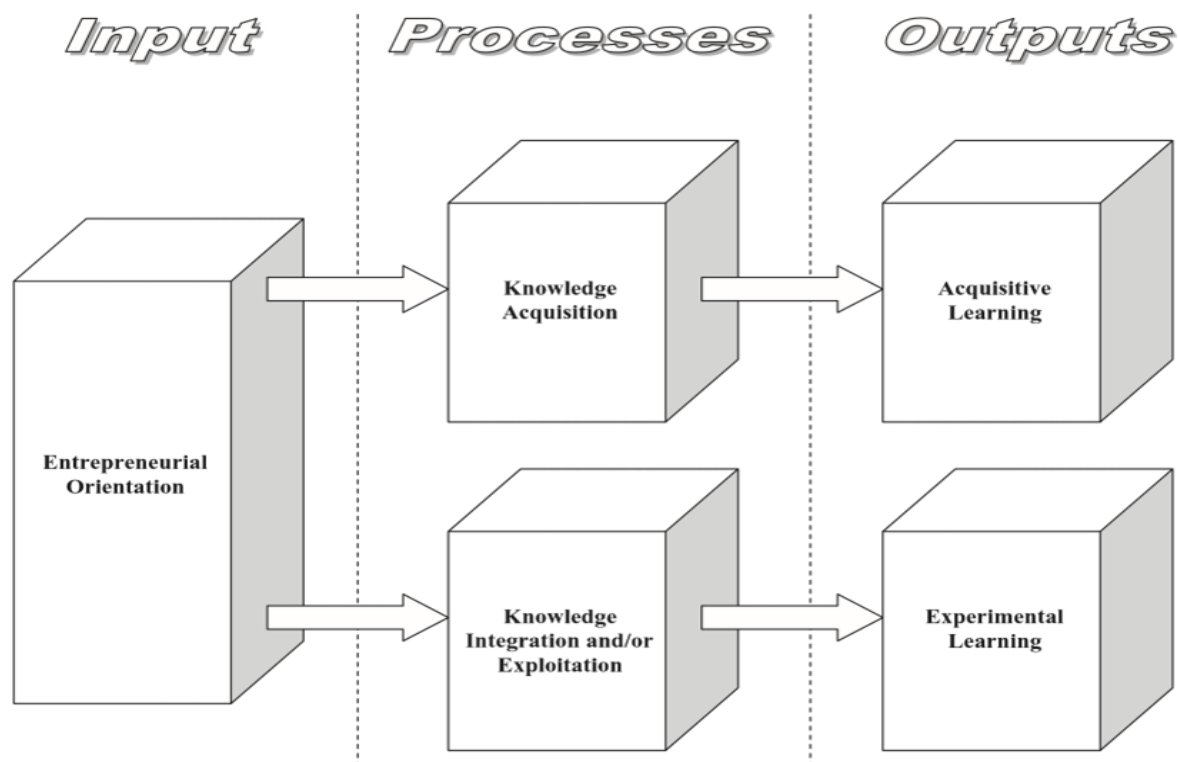
Anderson, Covin, and Slevin (2009) argue that businesses can realize significant strategic benefits through entrepreneurial orientation because it represents a strategic planning initiative which boosts entrepreneurial processes and performances (Hughes and Morgan, 2007). Kreiser (2011) argued that the relationship between entrepreneurial orientation and organizational learning capabilities can be categorized into three crucial dimensions. The first dimension looks at the potential impact of entrepreneurial orientation in improving the ability of a business to implement learning orientations within the business (Wang, 2008). This dimension usually evaluates how entrepreneurial orientation assists in shaping and structuring the manner in which organizational capabilities result in future learning opportunities and benefits (Kreiser, 2011). The second dimension tends to look at the processes through which entrepreneurial orientation affects learning in the business whilst the last dimension tends to look at the role of entrepreneurial orientation in applying and executing learning initiatives (Bierly, Damanpour and Santoro, 2009, Hughes *et al*, 2007).

As such, this suggests that organizational learning capabilities are highly dependent on entrepreneurial orientation in fostering a learning environment for any business irrespective of its size and context. Wang (2008) investigated the mediating role of learning capabilities on the relationship between entrepreneurial orientation as well as business performance and argued that learning capabilities can only be enhanced through a strong desire to learn, which represents the ability of a business to develop and exploit knowledge. Therefore, the willingness of entrepreneurially oriented businesses to be proactive, engage in risky business endeavors and embrace innovation are all crucial elements that indicate that entrepreneurial orientation serves to facilitate and boost knowledge dissemination and acquisition (Wang, 2008).

Anderson *et al* (2009) also evaluated the relationship between entrepreneurial orientation and strategic learning capability. The study defined strategic learning capabilities as the ability of a business to acquire and exploit strategic knowledge. The results of the research study suggested that entrepreneurial orientation had a positive effect on strategic learning capabilities. The results also evaluated the effect of entrepreneurial orientation on overall organizational learning capabilities, which also indicated a positive association between the two constructs (Anderson *et al*, 2009).

Lee and Sukoco (2007) also investigated the potential effect of entrepreneurial orientation on knowledge and information management, sustainable competence as well as innovative performances. The results of the study found a positive relation between entrepreneurial orientation and all three variables. These findings led to the conclusion that entrepreneurial orientation is an imperative source in allowing businesses to acquire and effectively utilize knowledge, and this is because entrepreneurial orientation directly affects the process of knowledge creation and application which can lead to enhanced business performance. See Figure 3 below depicting how entrepreneurial orientation directly impacts organizational learning capabilities.

Figure 3: Input, Process, Output Model of entrepreneurial orientation and learning



Note: Adapted from “The effects of entrepreneurial orientation and knowledge management capability on organizational effectiveness in Taiwan: The moderating role of social capital,” by L. Lee and B. Suckoco, 2007, International Journal of Management, 24(3), P 557. Copyright 2007 by ReserachGate.

Hypotheses 2

H2: Entrepreneurial orientation is associated with a firm's organizational learning capacity (Knowledge acquisition capacity, Knowledge transformation capacity and Knowledge application).

2.3.3 The mediating variable affecting the independent and dependent variable (OLC)

Alegre and Chiva (2008) define the concept of organizational learning capability as the business's ability to learn, which can potentially lead to transformations in business models and enhanced business performance. Organizational learning capabilities have increasingly become one of the critical factors that guide a business to overcome barriers and challenges associated with knowledge acquisition and application. This is because these capabilities address the ability to explore, acquire, galvanize and deploy knowledge skills to attain a competitive advantage over rivals (Sun and Anderson, 2013; Wang et al, 2013). As such, for the context of this research study and conceptual model, the process of organizational learning capacity is suggested to involve three dimensions namely knowledge acquisition capacity, knowledge transformation capacity and knowledge application capacity.

The process of knowledge acquisition capacity entails a company's ability to extrapolate and gain knowledge from external sources (Lane *et al*, 2006). This ability is quite crucial because it allows a business to outline potential external information sources which enable it to forecast and comprehend customer preferences and acquire the best suppliers (McEvily and, Marcus, 2005).

Knowledge transformation capacity describes a business's ability to create, clarify, and use integrated information and knowledge (Lane *et al*, 2006). This phase plays a crucial role in linking external information with internal knowledge which results in the progression of sharing integrated information within the firm (Sun and Anderson, 2010).

And lastly, knowledge application capacity refers to a business's capability to steadily use new information which has been extracted externally over a period of time (Lane *et al*, 2006). It also allows a business to analyze, link, transfer and utilize new information reserves. In conclusion, it assists a business in exploiting core capabilities and appreciating the significance of market information as well as combining them with accumulated knowledge (Zahra and George, 2002).

In today's turbulent business environment for businesses to remain sustainable, they need to consistently build their capabilities to acquire, transform and apply knowledge for current and upcoming business endeavors (Hsu and Fang, 2009). This is because the knowledge attained through the learning process is crucial and imperative towards boosting a business's competitiveness and also impacts the potential of a business to remain innovative (Alegre and Chiva, 2008). A business's learning capabilities usually have a potential impact on its ability to pursue and execute innovative ideas quicker than competitors. This means that business owners and managers who promote learning through deploying the necessary resources that enable learning and knowledge accumulation flawlessly, adversely boost innovative practices and ideas which enable a sustainable competitive advantage over rivals (Jerez-Gomez et al, 2005).

As such businesses which are characterized by a sense of learning orientation and generating knowledge and information are usually ahead when it comes to introducing new products, and creative solutions and are most likely to attain a sustained competitive advantage over rivals (Santos-Vijande et al, 2012).

Therefore, it is with this information that this research study developed a learning-innovation model to emphasize the continued need for small informal traders to acquire and make use of external knowledge and information by emphasizing the mediating roles of organizational learning capabilities (knowledge acquisition capacity, knowledge application capacity, & knowledge transformation capacity) in the development of the theoretical model.

Hypotheses 3

H3: The association between entrepreneurial orientation and firm performance is mediated by a firm's organizational learning capability (knowledge acquisition capacity, knowledge application capacity, & knowledge transformation capacity).

2.3.4 The moderating variable (Absorptive Capacity)

In the context of this research study, absorptive capacity entails the process of a small business acquiring external knowledge, information and research in such a way that will benefit the business (Oxford Review, 2023). This simply outlines the capability of these businesses to outline the value of market information and utilize it for everyday business processes (Alshahrani and Salam, 2022).

Absorptive Capacity is basically created to postulate how business entities build up their capabilities to continuously learn from all sorts of external partners and make use of the acquired information and knowledge to adapt and grow (Zahra and George, 2002). The concept of absorptive capacity has over the years been re-evaluated and reconceptualized because for modern businesses it encompasses two types of absorptive capacity known as potential absorptive capacity (which entails knowledge acquisition), as well as realized absorptive capacity (which basically encompasses the process of changing knowledge into potential opportunities) (Zahra and George, 2002).

Absorptive capacity is not a newly established concept, because the systems of education have been long placed at the center of historical business lessons for numerous decades (Lenart-Gansiniec, 2015). Knowledge assimilation and distribution presents somewhat of a significant challenge to numerous businesses particularly in fiercely competitive markets because some of these challenges cannot be simply reduced to internal organizational challenges (Lenart-Gansiniec, 2015). Therefore, the ever-rising sustainability of business enterprises stems from numerous phenomena identified in the concept of strategic management. However, the concept of absorptive capacity usually captures and showcases an organization's potential and capability to recognize, acquire, internalize, and exploit knowledge and information stemming from external sources (Lenart-Gansiniec, 2015). As such, the concept of absorptive capacity in this study was adopted on the notion that the entrepreneurial orientation of small owner-managed businesses which indicates a strategic planning initiative to make use of resources effectively and productively directly affects overall firm performance depending on the business's absorptive capacity (Seo, Edler & Massini, 2022) this meant that the more a business engages in absorptive capacity the stronger the impact of entrepreneurial orientation on overall firm performance.

Hypotheses 4

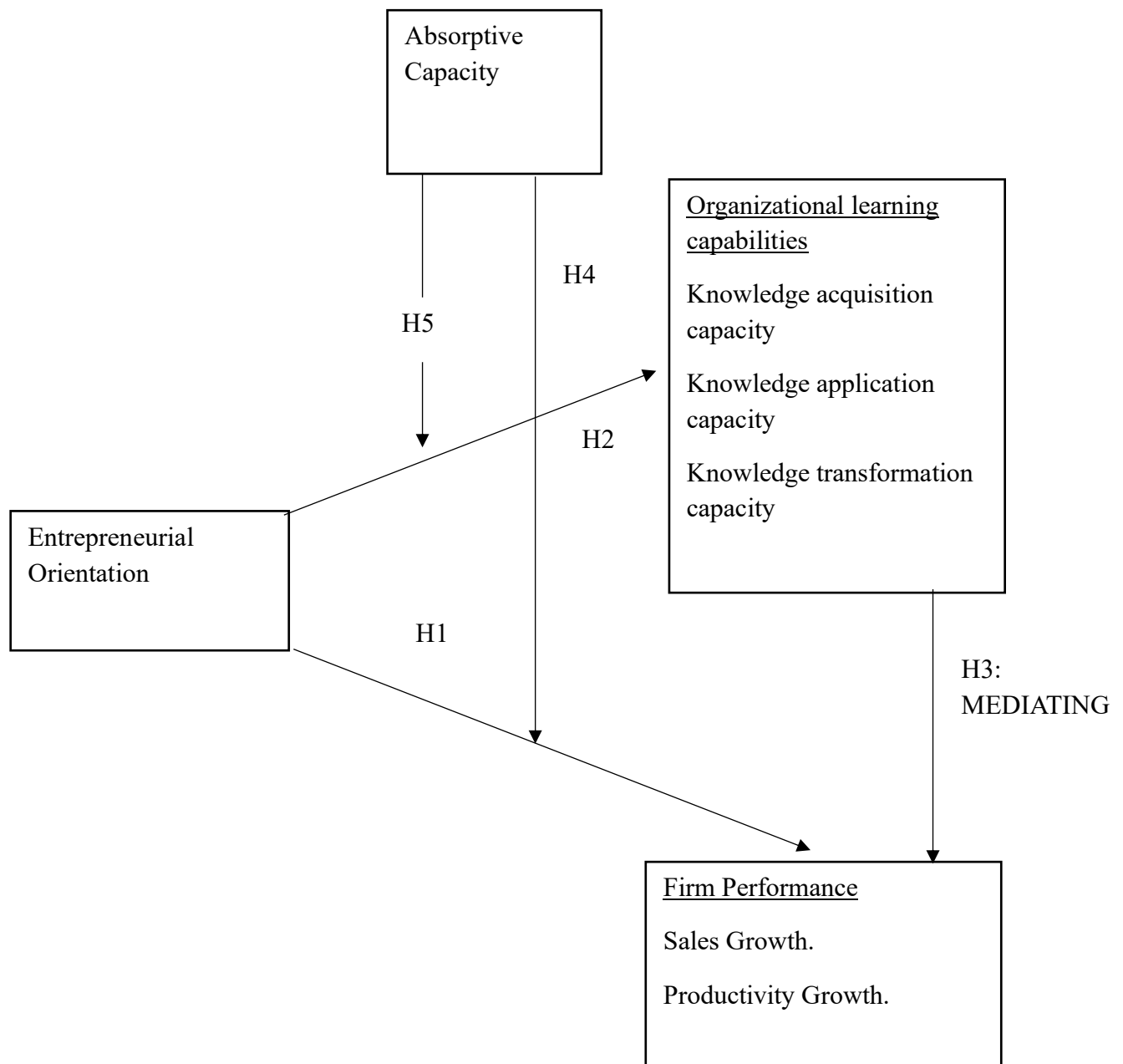
H4: The association between entrepreneurial orientation and the firm performance of small businesses is moderated by their absorptive capacity, which means that the higher the firm engages in absorptive capacity the stronger the impact of entrepreneurial orientation on overall firm performance.

Hypotheses 5

H5: The association between entrepreneurial orientation and the organizational learning capability (knowledge acquisition capacity, knowledge application capacity, & knowledge transformation capacity) of small businesses is moderated by their absorptive capacity, which means that the higher the firm engages in absorptive capacity the stronger the impact of entrepreneurial orientation on the organizational learning capabilities of small firms

2..3.1. Conceptual Framework

Figure 4: A conceptual framework depicting the Strategic Planning, Organizational Learning Capability, Absorptive Capacity, and Firm Performance of Small Businesses



Note adopted from “Can Entrepreneurial Orientation Improve R&D Alliance Performance? An Absorptive Capacity Perspective,” by R. Seo., J. Eddler and S. Massini, 2021, R&D Management, 52(1), P52 (<https://doi.org/10.1111/radm.12473>). Copyright 2021 by RADMA and John Wiley and Sons Ltd.

Note. Also Adapted from “Joint Problem Solving and Organizational Learning Capacity in new product innovation,” By L. Ning and J. Li, 2018, R&D Management, 48 (5), P524 (<https://doi.org/10.1111/radm.12245>). Copyright 2018 by RADMA and John Wiley and Sons Ltd.

CHAPTER THREE: Research Methodology

3.1. Research philosophy

A research paradigm represents what the researcher believes to be honest, has a sense of reality and is knowledgeable (Howell, 2013). It also outlines the values and standards guiding the research methodology context (Bryman, 2008). Therefore, the context of this study will pursue a positivist research approach to investigate the research phenomenon of this study.

The positivist research philosophy is a theoretical paradigm that argues that information and knowledge are obtained by reasoning, although they need to be investigated and tested empirically through observations or experimentations (Bhattacharjee, 2012). Ponterotto (2005) states that a business researcher pursuing positivism should emphasize statistical techniques and quantifiable data to obtain a clearer comprehension of the research phenomenon.

The positivist research paradigm is deemed appropriate for the context of this study because the knowledge discovered in this study is one of objectivism (Scotland, 2012). This means that the knowledge attained is based on verified hypotheses, which can be touted as facts, thus aligning with the positivist epistemology (Pring, 2000). Positivism also entails obtaining absolute knowledge and information regarding an unconfirmed research phenomenon, whereby the research conducted, and the researcher represent two separate entities (Crotty, 1998). As such, the main purpose of the epistemological stance regarding positivism is that the information and knowledge discovered in this study were objectively discovered thus leading to accurate research findings (Howe, 2009). Another important dynamic regarding the adoption of positivism in this research study is that to develop these accurate facts and results, the participants of the study as well as the researcher remained separate entities to realize dualism and objectivity (Scotland, 2012).

Positivism is also deemed appropriate for the context of the study due to the realism of the ontological stance of positivism (Cohen et al, 2007). Ontology usually refers to what accounts for reality in a research study and how this specific reality exists independently of the perceptions of the researcher (Lim, 2022). This simply entails that the positivist research paradigm argues that only one feasible outcome was discovered in this research study which is a measurable outcome, thus allowing for the explanation and prediction between the research constructs adopted in this study (Hoyle, Harris and Jude, 2009).

The Axiological stance of positivism is also critical in the context of this research study because it evaluated the role of values and beliefs throughout the research process (Lim, 2023). This was imperative in the context of this study because business research can involve an influx of professional ethical values and standards aligning with the characteristics of the researcher, which may in turn subtly influence the context of the research study (Bamel et al, 2022). As such, contemplating the axiology of positivism was important in outlining the possible influence of these personal standards and values, which went a long way in reducing unwanted biases throughout the research process (Bansal, Gargh and Singh, 2023). The context of this study also pursued a deductive method as a theory because the research process involved testing literature deductively by establishing hypothesized relationships and suggesting measurable outcomes (Woiceshyn and Daellenbach, 2018).

Deductive reasoning is also appropriate for the context of this research study because it was guided through generalization and empirical tests where these generalizations applied to the research phenomena investigated in this study (Baruch et al, 2008; MacDonald and Kam, 2007).

The deductive approach was also valid for this study because it started with a solid theoretical and literature base, whereby multiple hypotheses were generated and formulated. This means that the context of this research study produced a solid introduction, justifying the context of the theory and literature, as well as the hypotheses formulated to generate measurable outcomes (Hambrick, 2007).

As such, this positivist methodology was designed to explain the relationship between the variables developed in the context of this study (Creswell, 2009). The phenomenon investigated in the study was perceived as an independent entity which was discovered through objective and measurable research. This means that the context of this research philosophy was factual and descriptive, and the knowledge discovered in the study was value-free from personal values (Scotland, 2012).

3.2. Research Approach (Quantitative Research Design)

The context of this research study pursued a quantitative research design. Quantitative research refers to a structured investigation of a research phenomenon through collecting numerical data as well as implementing statistical analysis (Neuman, 2012). The quantitative research design promotes the utilization of methods within the context of statistics such as inferential statistics, hypotheses testing, structured research protocols, and research instruments with minimal arranged

responses (Mohajan, 2020). The utilization of a quantitative research protocol was greatly beneficial for the context of the study because it allowed the entirety of the research process to be executed in 5 fundamental stages (Kumar, 2011). The first step involved compiling the research problem as well as the research context of the study, this phase was especially crucial for outlining the research questions and objectives of the study, which represented the research constructs and variables of the study (Swanson and Holton, 2005; Kumar, 2011).

The second step of the quantitative research design involved outlining the potential participants of the study, which was enhanced through the utilization of statistical analysis to determine an adequate sample size from the population of the study (Cooper and Schindler, 2008).

The third step simply involved adopting the most feasible quantitative method to investigate the research phenomenon (Warfield, 2013). The fourth step entailed utilizing select statistical software to evaluate the collected data. This phase also outlined how the research constructs associate with each other and overly contribute towards determining the main proposition and objectives of the research study (Cooper and Schindler, 2008). The last step of deploying a quantitative research design entailed an interpretation of the outcomes based on the data analysis conducted (Swanson and Holton, 2005). As such these five phases of quantitative research were significant and relevant to the context of the study for the generalization of the research population as well as deriving accurate, reliable and concise measurements and outcomes (Warfield, 2013).

Quantitative research was further deemed appropriate for the context of the study because the data analyses of the study were less time-consuming, due to the effectiveness of using statistical software such as SPSS, Smart PLS, as well as using statistics, graphs, and percentages that were convenient for the researcher to interpret and draw feasible results on (Conolly, 2007). However, the most significant contribution of utilizing this research design came in the form of presenting generalized findings, which aligns with the aims of the research phenomenon that the study seeks to investigate, and that is how effective SME strategic planning is towards firm performance.

3.2.1 Specified Research Design (Cross-Sectional Study)

The context of this study also pursued a cross-sectional study. A cross-sectional research study is designed to quantify a research phenomenon because it evaluates the association between research variables and how they are prevalent in a specific target population at a certain point in time (Sedgwick, 2014). A cross-sectional study was deemed suitable for the context of this study to

evaluate the prevalence of specific behaviors in the sampled businesses (Sedgwick, 2014). This meant that this study is suitable to provide accurate descriptions of various business practices in small businesses such as strategic planning initiatives, knowledge accumulation and application techniques as well as daily methods of running business operations. Therefore, the significance of utilizing a cross-sectional study came in the form of gaining an in-depth understanding of the target population (Indeed Editorial Team, 2022).

A cross-sectional study was also beneficial to the study in terms of making the research process convenient for the researcher. This is because the data collected in this study was sampled from a relatively large number of small businesses, and also in an area which bears geographical convenience to the researcher, in terms of having access to the target population at any point in time (Indeed Editorial Team, 2022).

The chosen location of this research study, which is the community of Mamelodi, was then utilized to make generalizations about the population of small informal businesses prevalent throughout numerous township environments in South Africa because this community is characterized by a significantly large presence of informal traders, who solely rely on these businesses as a means of survival and generating income (Alenzy, 2020). This allows the results of the data collected to be generalized to a larger population of informal businesses established in the roots of townships in South Africa (Alrajhi and Almeaither, 2020).

This research study is useful and effective in that it determines and describes specific traits that exist in the target population. However, the most critical contribution comes in the form of statistical inferences about the association between the variables adopted in the context of this study, this means that adopting a cross-sectional study is especially crucial for determining the prevailing characteristics that this study sought to identify in small businesses (Cherry, 2022). This was done by collecting data on different variables (entrepreneurial orientation, organizational learning capabilities and absorptive capacity), to see how they affected small businesses' performance. (Cherry, 2022).

3.3. Sampling and data collection strategy

3.3.1. Sampling size estimation/target population

A. Population Size

The context of this research study specifically took place in the township of Mamelodi. This meant that the areas covered in the estimation of the sample included the blocks of Mamelodi West, Mamelodi East & Nellmapius. As such, the population from which the sample was extracted is from the community of Mamelodi, which covers a vast area of 45.19km² (StatsSA, 2019).

The population size of small informal traders within Mamelodi was determined using the mean population, which is the number of small businesses within the Gauteng province divided by the area to be covered by the research study. $u = \frac{\sum x}{N}$. This method of calculation was deployed because there is no specific known number of small informal traders in the community of Mamelodi, As such, to extract the mean population this study accumulated the total number of small business enterprises within the Gauteng region as detailed by the 2022 SMME Quarterly Report and divided it by the area to be covered by the research study. Thereby accurately obtaining the measured number of small informal traders in the community of Mamelodi (SEDA, 2022).

It is stated that the number of small business entities within the Gauteng region amounts to 985,865 (SEDA, 2022). This divided by an area of 45.19km² (2042.14km), created an estimated population size of 483 small businesses operating specifically within the township of Mamelodi (SEDA, 2022). This estimated number of 483 small businesses was then perceived as the population of the study (SMME Quarterly Report, 2022). The areas covered in this calculation and estimation also included the blocks of Mamelodi West, Mamelodi East and Nellmapius. $u = \frac{985865}{2042.14 \text{ km}} = 483$ small firms.

B. Sample size

For this study, the Raosoft sample size calculator was used to obtain the sample size. This software was organically used to calculate and estimate the required sample size of the research study (Lohr, 2021). The details of the calculation included a 95% confidence interval, a 5% margin of error, a 50% response distribution, as well as a population size of 483 small businesses to estimate the commended sample size of the research study (Raosoft, 2021). After generating the calculation,

the minimal commended sample size of this study was 215 small business/informal traders from the community of Mamelodi. The community of Mamelodi was deemed as an adequate sampling area for this research study because this township environment represents a sustainable industry of spaza shops that this study seeks to investigate. This community also has a rich history deeply rooted in the informal economy, whereby the sector provides a lifeline to numerous individuals, especially in marginalized areas of the community (Retail Brief Africa, 2023). The community of Mamelodi also contains a significantly large, small retail sector that is characterized by black business owners/managers who are dominating this market with their small-scale grocery stores (Mashego, 2018). This means that many individuals have heavily invested in these small-scale stores as a means of survival and earning an income, which suggests that these businesses are heavily present and ubiquitous in Mamelodi (Mashego, 2018).

3.3.2. Sampling Technique

This research study engaged in convenience sampling as a sampling technique for the context of this research study. Convenience sampling represents a data collection procedure that is conveniently attainable to the researcher at any given point in time (Rahi, 2017). It actively requires the researcher to reach public locations and seek out potential participants. This sampling technique also entails that this study pursued a readily available sample that the researcher has everyday access toward (Koerber and McMichael, 2008).

The main objective of convenience sampling associated with the context of this research study was to collect information from potential participants who are readily available for sampling purposes (Battaglia, 2008). This meant that this method of sampling was deemed appropriate for the context of the study's target population, because the study subjects indicating small-scale grocery stores in the community of Mamelodi, were conveniently accessed by the researcher when doing data collection (Patton, 2002). As such, convenience sampling was deemed appropriate because it was linked to the researcher's considerations in terms of access to the research context, geographical convenience to the samples of the study and convenience to the overall context of the methodological practice adopted (Koerber and McMichael, 2008). This study also created an inclusion criterion for potential participants and strategically sampled members of the target population who were readily available and met the criterion of a small owner-managed business (Golzar et al, 2022).

Pursuing a convenience sampling method was also beneficial to the context of the study because the data collection process was quick and convenient, due to the method not having strict rules and procedures governing the context of data collection apart from the choice, expertise and convenience of the researcher (Shorten and Moorley, 2014). A further benefit of using convenience sampling came in the form of providing an uncomplicated and simplistic methodological framework, whereby sampling potential participants was executed in less time, quotas/estimations were efficiently realized, and time was vastly saved throughout the research process because of a feasible quantitative data collection procedure (Saunders, Lewis and Thornhill, 2012).

This study also conducted a pilot study to ascertain the validity and reliability of the research construct. This meant that using convenience sampling contributed in terms of attaining a quick comprehension of certain trends amongst the research variables which led to developing hypotheses for future research studies thus indicating some form of generalizability (Obilor, 2023).

Since the target population of this study was made up of small owner-managed businesses, the utilization of this sampling technique and results of the data collection process aimed to assist these small businesses in achieving business goals that were previously oblivious to their business operations. This is because this sampling technique aimed to ask questions which make small businesses think about their competitive presence and levels of innovation within their marketplace (Experience Management, 2023). This sampling technique was also a convenient way for the researcher to evaluate the target population in terms of their entrepreneurial behavior and gauge the hypothesis that small businesses need to use a feasible strategic initiative to remain competitive and sustainable within their fiercely competitive business environments (Experience Management, 2023). Although convenience sampling has potential drawbacks associated with biases and generalizability, this study addressed these drawbacks by controlling and carefully examining the target population's representatives in the form of using spaza shops that are overly available and prevalent in a township area like Mamelodi (Elfil *et al*, 2016; Acharya *et al*, 2013).

3.4. Data collection Strategy

Quantitative data refers to numerical data that is extracted mathematically and computed. There are usually two ways in which this type of data can be collected, which will be used to evaluate and analyze the quantitative data (Kabir, 2016). Quantitative data is also usually established to

outline a predisposition of research participants towards a specific phenomenon (Taherdoost, 2016; Kabir, 2016).

As such, how data is collected plays a critical role in the data analysis phase, hence the data collected in this research study was specifically in the form of primary data. Primary data refers to original data, that is first accumulated by the researcher to achieve the study's research objectives (Tran and Khuc, 2021). Primary data also represents data that has not been published and indicates a sense of reliability, authenticity and is objective. Therefore, it indicates a high sense of validity as opposed to secondary data (Kabir, 2016). Collecting primary data was deemed appropriate for the context of this research study because the sampled participants in this study were selected based on specific traits (small spaza shops), which match the dynamic, context and dialogue of the research study, whereby the necessary information and data was extracted from these participants to meet the objectives of the research study (Rao, 2018).

The collection of primary data was also significant because the data collected was specific to the research study, which meant that the data collected perfectly aligned with the aim that the study sought to achieve (Rimando *et al*, 2015). Additionally, the information obtained from primary data is usually accurate and original because it was completed, and it also represents data collected originally according to this study's relevance and research objectives (Taherdoost, 2021). Therefore, it is quite clear that primary sources of data usually indicate data sources which are collected to address research problems, using methods and techniques ideally crafted to solve the research problem (Hox and Boeije, 2005).

This also indicates that every time primary data is collected, new sources of information are also obtained and recorded. Furthermore, this continuous process of discovery is available for further research and investigations in academia, thus extending the body of knowledge (Cresswell, 1998).

3.4.1 Primary data collection method

It should be noted that to achieve the objectives of primary data a questionnaire data collection strategy was utilized for the context of this study. A questionnaire is a research instrument which comprises a set of questions and answers that potential respondents answer to provide information about the phenomenon investigated (Pandey and Pandey, 2015). As such, since the context of this study will be using a questionnaire. The questionnaire was specifically issued to small and medium-sized enterprises (Informal traders/Spaza shops) within the community of Mamelodi. As

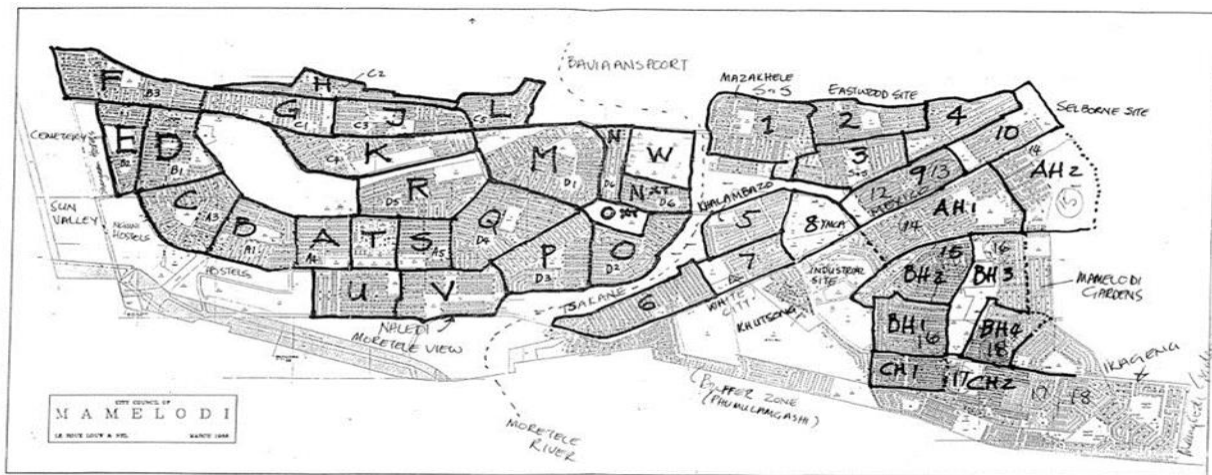
emphasized when discussing the sampling size this is because the community of Mamelodi epitomized the informal trade sector that significantly contributes to employment, entrepreneurship and community development, that this study sought to investigate (Retail Brief Africa, 2023).

3.4.2 Administration of the questionnaire

The data collection instrument was issued in person by the researcher to the potential respondents of the study, which included informal traders/ spaza shop owners, only one person answered the questionnaire, which meant that the owners of the spaza shops were the unit of analysis. This was done by accurately calculating the sample size of small business entities in Mamelodi and conveniently selecting as many informal traders as possible to achieve a representative sample. As indicated below by a diagram, a map of the community of Mamelodi was used whereby each section of the area was given a specific number. Selection then took place to make a progression from section to section to sample the potential respondents until the estimated sample size was realized.

This research study also conducted a pilot study to ascertain the reliability and validity of the research instrument (Teijlingen *et al*, 2001). A pilot study entails a small-scale feasibility study done in preparation for the major study. As such, for the context of this research study, a pilot study was mainly used to pretest the questionnaire (Teijlingen *et al*, 2001). A pilot survey was deemed necessary for the context of the study to pretest and evaluate the potential weakness of the questionnaire (Graham, Hundley, Rennie and Teijlingen, 2001). It was also advantageous to conduct a pilot study because it outlined the feasibility of the research methodology, and the results obtained also guided the context of the large-scale sample size investigated in the study (Olsen, 2012). It should be noted that the pilot study only involved a small scale of the original sample size with only a few informal traders from Mamelodi. The estimated sample size of the pilot study was 10 informal traders.

Figure 3.4.2 A map of the community of Mamelodi.



Note. Adapted from Up space institutional Repository, by UP Space, 2023, ([Mamelodi maps \(up.ac.za\)](https://up.ac.za)). Copyright 2023 by the University of Pretoria.

3.5. Research instrument

The research instrument designed for this study was in the form of a close-ended questionnaire, which meant that the researcher provided the participants of the study with numerous options from which to choose a response. The responses to the questionnaire were measured using a 5-point Likert scale, where 1=strongly agree, 2=agree, 3=neutral, 4=disagree, and 5=strongly disagree. The questionnaire was facilitated using Google Forms which is used to develop and facilitate online surveys. When collecting the data, a tablet was used to allow potential respondents to capture their responses electronically. This was conducted by the researcher alone, due to having familiarity with the community of Mamelodi.

3.5.1. Sources of the research instrument/questionnaire

The Majority of the questions facilitated in the questionnaire were adopted from previous studies which emphasized the impact of entrepreneurial orientation and absorptive capacity toward the performance of small businesses (Seo, Edler & Massini, 2022; Alshahrani and Salam, 2022). The mediating variable of organizational learning capabilities (OLC) was developed by a study which addressed the growing need for firms to make use of external knowledge to bolster business performance (Ning and Li, 2016).

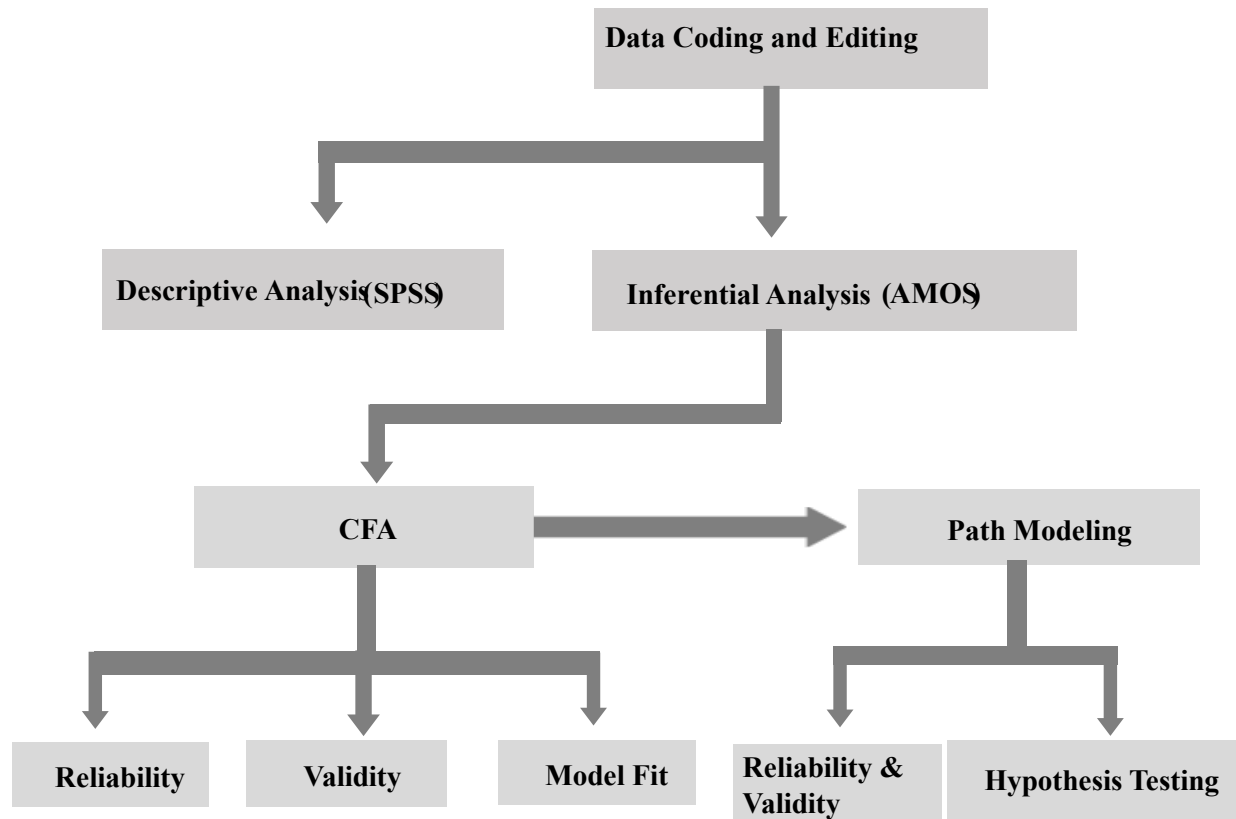
As such this study mainly adopted these questions from three original questionnaires. The research scales adopted from the first and second original questionnaires include the following scales: Entrepreneurial orientation, Absorptive capacity & Firm performance. The questions in the following constructs were altered to fit the mould of the chosen sample which is informal traders/spaza shops from the community of Mamelodi. However, it must be noted that although the questions were slightly adjusted to ease understanding of the overall questionnaire for the chosen sample of the study, the questions still retained a similar premise and notion as the original questionnaire. This is because the first and second questionnaires aimed to test whether entrepreneurial orientation & absorptive capacity complementarity as a strategic stimulant bolster firm performance (Covin and Wales, 2019). This aligns with the aims of this study to test a model on how strategic planning contributes to small business performance in Mamelodi.

Ning & Li (2016) developed a study which moulds the context of the mediating role of organizational learning capability dimensions adopted in this study. The questions in this section were adopted to provide a practical framework for spaza shop owners/managers sampled in the study to better understand the importance of organizational learning capabilities in improving innovative strategic planning in their businesses. The questions were deemed suitable to the context of this study because they emphasized the continued need for small businesses to acquire and make use of external knowledge by emphasizing the mediating roles of organizational learning capabilities. See Appendix C for the research instrument issued to the respondents. Also See Appendix D indicating the sources of the adopted questionnaires to indicate cross referencing.

3.6. Data analysis

Data analysis is the process of using multiple statistical techniques and procedures to test and transform raw datasets into feasible information to extract research outcomes (Zikmund, Babin, Carr and Griffin, 2013). In essence, this entails converting unprocessed data into useful information such as descriptives and measures for answering research questions as well as achieving the objectives of the study.

Figure 3.6 Data Analysis Steps



Note: The model was designed by the researcher to indicate the analysis steps taken.

3.6.1. Data coding and editing

Coding unprocessed data entails the process of cleaning and rectifying mistakes before any statistical analysis can be performed (Saunders *et al*, 2009). The process of coding usually involves checking unprocessed data for errors and omissions, consistency and ensuring accuracy throughout the dataset (Zikmund, Babin, Carr and Griffin, 2013).

It is only after this process has been executed that the dataset can be used for inferential as well as descriptive statistics/analysis (Zikmund, Babin, Carr and Griffin, 2013). Therefore, for the context of this research study, the dataset was coded using a 5-point Likert scale, from 1 to 5 to indicate the disparity between answers. This meant that 1= Strongly disagree, 2= Disagree, 3=Neutral, 4=Agree, and 5=Strongly agree. After the coding process was implemented, the dataset was further edited to remove any inconsistencies and errors. This was preceded by capturing and synthesizing

the dataset in Microsoft Excel and transferring it into SPSS: statistics to begin analyzing the data. In the final stage of the editing process, the captured codes were once again checked and scanned to remove any remaining errors (Zikmund, Babin, Carr and Griffin, 2013).

3.6.2. Descriptive Statistics

As required when pursuing a quantitative methodology, descriptive statistics are necessary to summarize and statistically describe the main elements of a dataset, this includes central tendency, disparity and distribution (Bhattacharjee, 2019). The purpose of conducting descriptive statistics in this study was to transform the dataset in such a way that statistically explains the results of the responses recorded (Bhattacharjee, 2019). Therefore, in this study, descriptive statistics began the process of data analysis after the dataset was coded and edited using MS Excel. This was preceded by transferring the dataset to SPSS: Statistics to measure the central tendency and obtain an accurate summary of the responses captured. All results and interpretations are further discussed in the analysis chapter.

3.6.3 Structural Equation Modeling (SEM)

According to Schumacker and Lomax (2004) structural equation modeling is an increasingly popular statistical analysis method used to test theory in numerous areas of literature. SEM can be described as a multivariate method mostly deployed for examining relationships between latent variables and observed variables which form a research model (Querishi and Kang, 2014). This means that structural equation modeling constitutes a statistical technique which creates a theoretical model and validates proposed causal relationships (Bollen, 2009; Gray, 2009).

As such this statistical technique was mainly chosen because of its capability to mitigate and situate modeling difficulties (Smith, Reams and Hair, 2014). This is possible because structural equation modeling includes multiple multivariate methods such as descriptives and inferential stats, factor analysis, path analysis, regression modeling as well as simultaneous equations into one structure/framework (Khine, 2013; Schumacker and Lomax, 2016). This inclusion of several analysis disciplines enables SEM to be a beneficial multivariate analysis technique because of its capability to simultaneously process various measures, thus resulting in a flexible and accurate method for assessing and analyzing theoretical/conceptual models (Wang, Hefatzb and Libermanb, 2017).

Another significant feature in pursuing structural equation modeling is that SEM greatly represents theories through diagrams as opposed to complicated equations. In structural equation modeling the proposed relationships investigated in the study are represented and modeled graphically, which allows for easier analysis and interpretation (Schumacker and Lomax, 2016). Additionally, unlike other forms of analysis which do not account for errors, SEM can easily adjust for errors, which is significant due to the complexity associated with multifaceted constructs that are difficult to measure and are mostly measured with errors (Schumacker and Lomax, 2016).

Therefore, for the context of this research study, structural equation modeling was executed in a two-phase approach. The first phase involved assessing the contentedness of the measurement model through construct reliability as well as item reliability (Gerbing, 2008; Nusair and Hua, 2010). After the reliability of the scale was confirmed the validity of the scale was also assessed using convergent and discriminant validity before the measurement model easement was confirmed and finalized (Nusair and Hua, 2010). The second phase involves evaluating the measurement model as well as the structural model. The criteria for assessing these models include goodness-of-fit indices such as the Chi-square, Comparative Fit Index (CFI) Incremental Fit Index (IFI), as well as the RMSEA-Root Mean Square Error of Approximation (Bone, Sharma and Shimp, 2009; Hair *et al*, 2008).

In essence, the first phase involved executing the process termed Confirmatory Factor Analysis (CFA) using SPSS Amos and SPSS Respectively, Whilst the Second phase involved conducting path analysis to investigate casual associations among the observed variables also known as hypotheses testing using Smart PLS (Chen, Zhang, Liu and Wang, 2011).

3.6.4. Measurement Model Assessment: Confirmatory Factor Analysis (CFA)

Confirmatory factor analysis can be described as an analytical technique that evaluates the association between observed variables through hypothesizing that they are affected by a small number of underlying factors. In essence, confirmatory factor analysis supplies an empirical basis for interpretation/analysis (Burton, Ryan, Schellenberger and Richards, 2003). Therefore, for the context of this research study, the first phase conducted when assessing the measurement model included model specification. This process entailed outlining a set of associations to be tested and evaluated (Nusair *et al*, 2010). This was preceded by modifying the measurement model, which implied that the model had to be improved using the variance-covariance matrix to improve model

fitness, this was based on the condition that the model remained identifiable as a CFA model (Chen, *et al*, 2011). Following, model identification and modification, the model fit was established, to evaluate the degree to which the conceptual model was backed up and supported by the data collected (Nusair *et al*, 2010). Model fit was determined using the following indicators: the Chi-square, Comparative Fit Index (CFI) Incremental Fit Index (IFI), as well as the RMSEA-Root Mean Square Error of Approximation (Bone, Sharma and Shimp, 2009; Hair *et al*, 2008).

3.6.5. Validity and Reliability Tests: CFA

After obtaining an appropriate model, the following steps included evaluating the reliability and validity of the measurement model (Bryne, 2014). Therefore, in the context of this study, the factor loadings/Standardized regression weights were extracted using SPSS Amos. This was preceded by using a Microsoft Excel statistical tool to calculate the composite reliability as well as Cronbach alpha value for each research construct. Validity was determined using two methods mainly convergent validity as well as discriminant validity. Convergent validity was established using the Average Variance Extracted (AVE) for each research construct, this was also calculated using the Microsoft Excel statistical tool. Discriminant validity was accessed using both the Fornell and Larcker method as well as the Heterotrait-Monotrait Ratio [HTMT] (Fornell and Larcker, 1981; Kline, 2011).

3.6.6. Model Fit

Following the execution of the measurement model's reliability and validity, the next phase involved confirming the measurement model's model fit. The aim of executing this procedure was to assess how well the data collected fit the hypothesized model, which means evaluating the extent to which the conceptual model is backed up by the sampled/collected data (Hooper, Coughlan and Mullen, 2008). Therefore, as stated in the SEM section, the criteria to evaluate model fit in this study can be summarized into the following measures and parameters: Chi-square, Comparative Fit Index (CFI) Incremental Fit Index (IFI), as well as the RMSEA-Root Mean Square Error of Approximation (Bone, Sharma and Shimp, 2009; Hair *et al*, 2008).

3.6.7. Structural/ Path Modeling

The last phase in structural equation modeling involved path analysis (Stein *et al*, 2012). The aim of executing path analysis in this study was to describe the association between the observed variables and statistically test the paths of the structural/conceptual model (Roche, Duffield, and

White, 2011). In essence, path modeling was executed to support the literature and hypotheses underpinned in the context of this study (Roche, Duffield, and White, 2011). This study's structural model was assessed by examining the P-value, path coefficients as well as the T-statistic using Smart PLS (Matzler and Renzl, 2006; Wu, 2010).

3.6.8. Structural/Path Modeling (Bootstrapping technique- Smart PLS)

The purpose of utilizing the Bootstrapping technique in SMART PLS was to explain the relationship between the adopted variables (Hair, 2010). Additionally, the bootstrapping technique was quite efficient in avoiding the rise as well as deflation of standard errors when executing hypotheses testing. It also provided a basis for examining the path coefficients which represented the hypothesized associations between the adopted research constructs Hair *et al*, 2012). In essence, the first phase involved executing the process termed Confirmatory Factor Analysis (CFA) using SPSS Amos and SPSS respectively, Whilst the second phase involved conducting path analysis to investigate casual associations among the observed variables also known as hypotheses testing using Smart PLS (Chen, Zhang, Liu and Wang, 2011).

3.7. Ethical considerations

While conducting this research study, it was imperative to be considerate of crucial ethical issues (Pettersen, 2015). This varied from aspects such as carefully evaluating how respondents are treated to informing participants about the full details of the study (Malik, 2017).

Since the study underwent a rigorous interpretation and process by the ethics committee of the University of Witwatersrand, as per rules and standards of good academic practice, this research study adhered to the following ethical conducts. The study ensured that the participants of the study remained anonymous by hiding their identities in the data collection, analysis, and reporting of the study because their privacy and anonymity were of paramount significance. The acknowledgement of the works of other researchers utilized in this study was also prioritized and rightfully acknowledged with the use of the APA referencing guide (Bryman and Bell, 2011). Lastly, respondents of the study only participated in the study based on informed consent as well as a participation information sheet. These pieces of documents provided sufficient information and assurances about participating in the research study to allow participants to understand the study.

The context of this research also bore a low risk to potential respondents in accordance with the HERC(Non-medical). This meant that the possibility and magnitude of possible harm were not greater than any harm/vulnerability imposed by daily life in society. The context of the research instrument did not ask any personal questions and only asked questions about people's everyday activities regarding their business endeavours.

CHAPTER FOUR: Data Analysis

4. Introduction

The following chapter represents the statistical tests carried out to indicate the existence of the stated associations/relationships between variables. The main focus of this chapter is to present the findings extracted from the data collection process. This will be represented by extensive descriptive statistics, reliability and validity tests, correlation analysis, and SEM hypotheses testing.

4.1. Descriptive Statistics of the constructs

Descriptive statistics summarize data in an organized way by explaining the relationship between variables in a chosen sample (Drost, 2011). Conducting descriptive statistics represents a critical first phase in this analysis chapter because it will condense the collected data into an easier summary, that enables the researcher to assess the answers presented throughout the Likert scale (Norusis, 2017). However, it is crucial to state that before any descriptive statistics were conducted in this study the data collected was first coded and cleaned through an Excel spreadsheet. Coding and cleaning Likert-scale items simply entails measuring/ranking respondents' answers to a statement in the questionnaire where, 1=Strongly Disagree, 2=Disagree, 3=Neutral, 4=Agree, and 5=Strongly agree.

As such the content of this analysis will specifically look at the mean as well as standard deviation when conducting descriptives, this is because in a Likert scale, the Mean represents the average of all scores and the Standard Deviation indicates how wide the answers range from strongly disagreeing to Strongly Agreeing in the Likert scale (Maziriri, Chuchu & Madinga 2019).

Therefore, throughout this analysis the mean also representing the average should preferably rank between (3.00 to 5, 00), which indicates a neutral standpoint or agreement with the items posed in the Likert scale. The standard deviation will represent how spread out the data is to the mean, which means that a low standard deviation indicates an agreement with items and statements posed in the Likert scale, whilst an extremely high standard deviation (preferably less than 1,00 but should not exceed a value greater than 2,00), indicates a sense of disagreement to the statements posed in the Likert scale (Bhattacharjee, 2019).

The following tables below indicate descriptive statistics extracted from SPSS: Statistics for each research variable adopted in the context of this study:

Table 4.1.1 Descriptive Statistics: Entrepreneurial Orientation (EO)

	N	Minimum	Maximum	Mean	Std. Deviation
EO1	215	2	5	4,67	0,714
EO2	215	3	5	4,11	0,357
EO3	215	2	5	3,74	0,790
EO4	215	1	5	3,59	0,907
EO5	215	2	5	4,10	0,437
EO6	215	2	5	4,07	0,426
Valid N (listwise)	215				

Entrepreneurial orientation had the highest mean score of 4,67 (EO1), as well as a lowest mean score of 3,59 (EO4), indicating that most respondents had a neutral standpoint/ or agreed with items posed in this scale. The standard deviation for this scale ranged from 0,426 to 0,907 indicating a favourable value of less than 1,00 and also indicating that most of the spaza shop owners believe that entrepreneurial orientation serves as a strategic planning initiative to efficiently use resources productively to adversely improve overall business performance.

Table 4.1.2. Descriptive Statistics: Absorptive Capacity (AC)

	N	Minimum	Maximum	Mean	Std. Deviation
AC1	215	2	5	4,16	0,712
AC2	215	2	5	3,98	0,493
AC3	215	1	5	3,92	0,579
AC4	215	1	5	3,95	0,553
Valid N (listwise)	215				

Absorptive capacity yielded a highest mean score of 4,16 (AC 1), as well as a lowest mean score of 3,92), indicating that most respondents had a neutral standpoint/ or agreed with items posed in this scale. The standard deviation ranged from 0,553 to 0,712 thus indicating that most spaza shop owners agree/believe that absorptive capacity is crucial for outlining valuable market information and knowledge to compete and boost business endeavours.

Table 4.1.3. Descriptive Statistics: Organizational Learning Capabilities (OLC)

	N	Minimum	Maximum	Mean	Std. Deviation
OLC1	215	2	5	4,08	0,654
OLC2	215	3	5	4,09	0,316
OLC3	215	4	5	4,11	0,316
OLC4	215	3	5	4,07	0,296
Valid N (listwise)	215				

Organizational learning capabilities generated a highest mean score of 4,11 (OLC 3), whilst generating a low mean score of 4,09 (which was the highest among the low means scores), thus indicating that most of the respondents agreed/strongly agreed with the items presented in the

Likert scale. The standard deviation ranged from 0,296 to 0.654 strongly suggesting that most spaza shop owners believe that learning capabilities can be used in a beneficial way to improve business performance.

Table 4.1.4. Descriptive Statistics Representing Firm Performance

	N	Minimum	Maximum	Mean	Std. Deviation
FP1	215	1	5	4,00	1,178
FP2	215	3	5	4,13	0,364
FP3	215	1	5	2,42	0,908
FP4	215	1	5	2,62	0,943
FP5	215	1	5	3,61	0,812
Valid N (listwise)	215				

The descriptive stats for firm performance were somewhat different from the rest of the research variables because firm performance recorded the lowest mean scores of 2,42 and 2,62 for Item no 3 and 4 respectively, whilst recording the highest mean score of (4,00) which was relatively low. This strongly suggested that respondents disagreed with some of the items presented in the Likert Scale (FP3 and FP4), whilst remaining neutral and agreeing with the rest of the items posed in the Likert scale. A relatively high standard deviation of 1,178 was also recorded thus indicating a greater dispersion of responses from the Likert scale, suggesting that most of the respondents were not quite sure if their business was doing well against competitors, as most of them believed that there was room for improvement to grow their business.

4.2. Pilot testing

The main aim of conducting a pilot study was to ascertain the reliability as well as validity of the research instrument. This was done to ensure and confirm the appropriateness of the research constructs, and to evaluate any need for adjustments when necessary. The context of pilot testing in this study involved the process of sampling 10 informal traders before executing a full-scale data collection process.

During the completion of pilot testing, it was discovered that the proposed constructs in the study indicate high levels of reliability and validity except for firm performance. This is because most of the respondents disagreed with some of the items presented in the scale of firm performance, whilst mostly remaining neutral and reluctantly agreeing with the rest of the items posed in this Likert scale, which indicated a greater dispersion of responses from the Likert scale.

This meant that although most of the spaza shop owners were aware of their competitive surroundings they were still not quite sure if their business was performing well against competitors, as most of them admitted that there is room to grow and expand their planning initiatives to boost business performance.

These findings confirmed that the scale of firm performance would somewhat indicate questionable reliability as compared to the rest of the research constructs. However, this greater dispersion of responses was significant in proving an acceptable threshold for model fitness, but most importantly provides a clear indication that strategic planning can be significant in boosting business performance, it also indicated that industry awareness and knowledge alone are not enough to guarantee enhanced business performances without adequate planning.

4.3. Measurement Model Assessment

4.3.1. Reliability

The reliability of the final measurement model was evaluated through the computation of three techniques. Namely the composite reliability test (CR), the Cronbach's alpha test, as well as the average variance extracted tests (AVE).

A. Cronbach's alpha coefficient and item-to-total correlation

The most widely used technique to measure and assess internal consistency is the Cronbach alpha reliability test, which is widely regarded as the most adequate measure of reliability when assessing Likert scale items (Cho, 2015).

Hinton *et al* (2004) implemented four cut-off values to assess Cronbach's coefficient alpha, which measures up as follows: constructs with excellent reliability are represented by values greater than 0,90, whilst high reliability ranges from 0,70 to 0,90, medium reliability ranges from 0,50 to 0,70 whilst anything below that threshold indicates low-levels of reliability. As such all constructs in this research study except firm performance indicated high levels of reliability with entrepreneurial orientation indicating a Cronbach alpha coefficient of (**0,833**), absorptive capacity indicating a value of (**0,793**), and organizational learning capabilities indicating a Cronbach alpha coefficient of (**0,88**). Firm performance, however, indicated questionable internal consistency, as depicted below in **Table 4.3** deducing the descriptive statistics of firm performance, this is because most the respondents were not quite sure if their business was performing well against competitors, as most of them believed that there is room for improvement to grow their business.

Additionally, all values regarding the item to total correlation lie between an acceptable threshold of 0,50 to 0,90 with the exception of firm performance (FP1 and FP2). This means that except for firm performance, the remaining constructs indicate convergence among the measured items.

B. Composite Reliability (CR)

All values of composite reliability lie between 0,80 to 0,90 except for firm performance. This means that entrepreneurial orientation, absorptive capacity and organizational learning capabilities exceed the acceptable threshold that is greater than 0,70 recommended for appropriate internal consistency (Nunnally 1978). However, firm performance lies below the acceptable threshold due

to a greater dispersion of responses from the Likert scale suggesting that most of the respondents were not quite sure if their business is performing well against competitors. See **Table 4.3** below.

C. Average Variance Extracted

All values regarding the average variance extracted (AVE) lie between 0,70 to 0,90 except for firm performance which indicated a questionable AVE value due to a greater dispersion of responses from the Likert scale. This suggests that entrepreneurial orientation, absorptive capacity and organizational learning capabilities exceed the acceptable threshold that is greater than 0,40 recommended for appropriate levels of reliability (Shyu et al., 2013). See **Table 4.3** below.

4.3.2 Validity Analysis

Convergent, as well as discriminant validity, will be utilized to evaluate the validity of the latent constructs as well as the corresponding measurements.

A. Convergent Validity

Item/factor loadings for each research construct except for FP1 were all above the recommended threshold of 0,40 (Wetzel and Tavakol, 2020). As indicated in **Table 4.3**, the factor loading for each item ranged from 0,45 to 1,36, which means that the measurement model has acceptable loadings apart from FP1(which was only included to enhance overall model fitness). This then implies that all items in the measurement model converged well on the research constructs. Furthermore, the average variance extracted (AVE) for every construct apart from firm performance was well above the acceptable threshold of 0,40 which confirms convergent validity.

Table 4.3.2 (A) indicates the AVE value for each research construct.

Research Construct	Average variance extracted (AVE)
Entrepreneurial Orientation	0,714
Absorptive capacity	0,992
Organizational Learning Capabilities	0,715
Firm performance	0,187

B. Discriminant Validity

Discriminant validity refers to the extent to which measures of varied research constructs are distinct (Hubley, 2014). The notion behind conducting discriminant validity is to assess whether two or more constructs are unique, and that the established measures of each construct must not correlate too highly (Baggozi *et al*, 1991). For the context of this research study, discriminant validity was measured using two methods namely: the Fornell and Larcker criterion as well as the Heterotrait-Monotrait Ratio (HTMT).

Fornell and Larcker (1981) argued that discriminant validity can only be confirmed when the square root of the AVE for a research construct is above/greater than its correlations with other research constructs. Therefore, as depicted in **Table 4.3.2(B)** below, the square root of the AVE (highlighted in bold) for all constructs except firm performance was deemed greater than its correlations. Which indicates discriminant validity.

Table 4.3.2 (B) Discriminant validity (Fornell and Larcker, 1981)

	AC	EO	FP	OLC
AC	0.958			
EO	0.549	0.947		
FP	0.550	0.930	0.734	
OLC	0.514	0.831	0.992	0.916

Note: EO= Entrepreneurial Orientation; AC=Absorptive Capacity; OLC= Organizational learning capabilities; FP= Firm Performance; CR= Composite Reliability & AVE= Average Variance Extracted.

According to Allison (2011) the Heterotrait-Monotrait Ratio (HTMT) is based on the correlations between research constructs, which means that discriminant validity is based on the Heterotrait-Monotrait Ratio. A good threshold for this ratio is 0,85 (Allison, 2003). However, an acceptable threshold of 0,90 is also deemed appropriate. Therefore, all values within this study except for firm performance (which slightly exceeded the acceptable ratio of 0,90) were below the acceptable threshold which confirms discriminant validity. See **Table 4.3.2 (C)** below

Table 4.3.2 (C) Discriminant validity (Heterotrait-Monotrait Ratio [HTMT])

	AC	EO	FP	OLC
AC				
EO	0.379			
FP	0.292	0.843		
OLC	0.337	0.597	0.987	

Note: EO= Entrepreneurial Orientation; AC=Absorptive Capacity; OLC= Organizational learning capabilities; FP= Firm Performance; CR= Composite Reliability & AVE= Average Variance Extracted.

Table 4.3: Reliability and Validity Assessment of the Final Measurement Model (CFA after modification indices).

The following table below represents statistical tests used to specify the reliability and validity of the final measurement model adopted in the context of this research study.

Research Constructs		Cronbach's Test		Factor Loading	Composite Reliability	AVE
		Item-Total	α Value			
EO	EO5	0,713	0,833	0,84	0.833	0,714
	EO6	0,713		0,85		
AC	AC1	0,597	0,793	0,93	0,997	0,992
	AC2	0,704		1,36		
	AC3	0,583		0,51		
OLC	OLC2	0,809	0,88	0,91	0,882	0,715
	OLC3	0,794		0,88		
	OLC4	0,707		0,74		
FP	FP1	0,005	0,224	0,00	0,312	0,187
	FP2	0,146		0,60		
	FP3	0,95		0,45		

Note: EO= Entrepreneurial Orientation; AC=Absorptive Capacity; OLC= Organizational learning capabilities; FP= Firm Performance; CR= Composite Reliability & AVE= Average Variance Extracted.

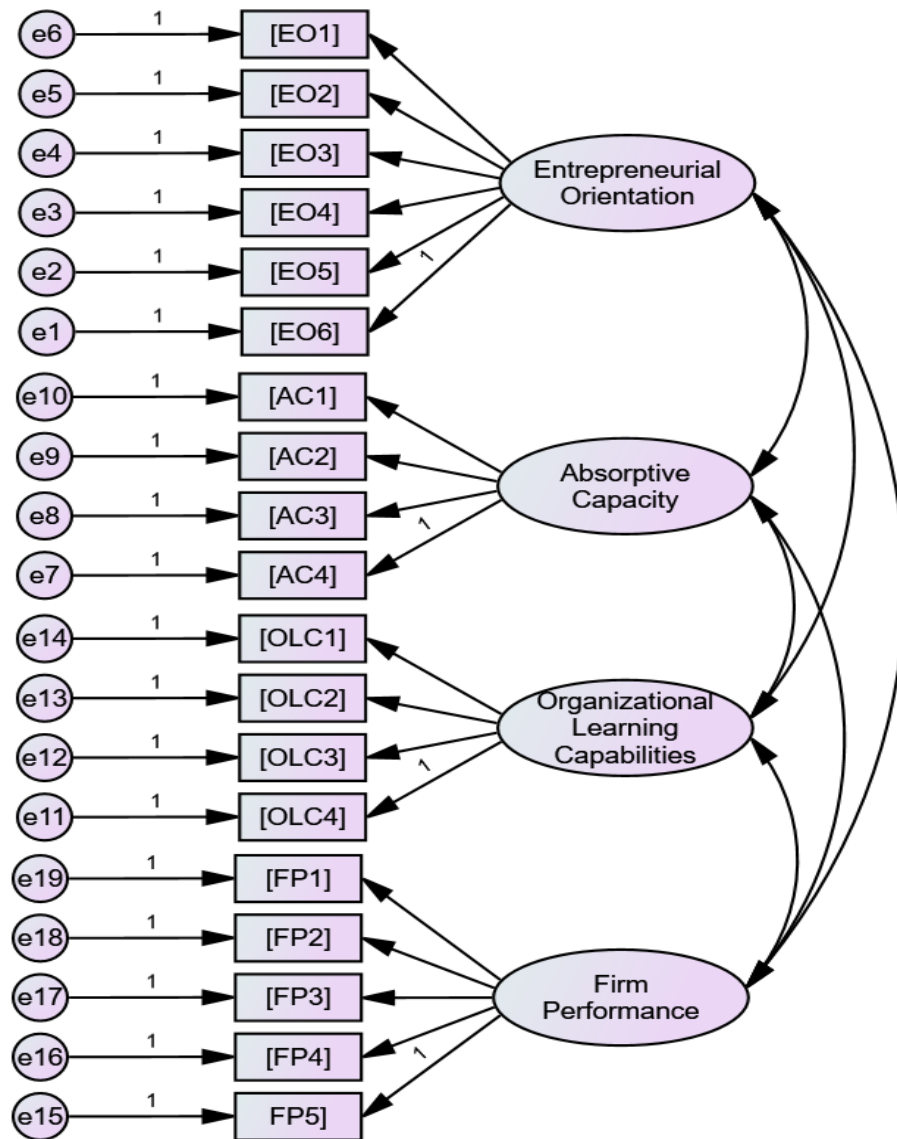
4.3.3. Conceptual Model Fitness Assessment

According to Anderson and Gerbing (1998) before conducting hypotheses testing, confirmatory factor analysis must be run/conducted to establish a measurement model and evaluate the accuracy of scales which includes reliability and validity using SPSS Amos. After the test was conducted, some items/statements in the construct scales had to be removed to supply acceptable model fitness, reliability and validity as depicted below.

Therefore, the following figures below represent the CFA models adopted for the context of this research study. **Figure 4.3.3(A)** represents the CFA model designed before modification indices were applied to improve model fitness whilst **Figure 4.3.3(B)** represents the Final CFA model adopted for the context of this research study after modification indices were applied.

The latent factors in both models are represented by a larger oval shape in the model, whilst the rectangular shapes indicate the observed variables. Next to the observed variables are measurement errors also represented by slightly smaller oval shapes. The bi-directional arrows indicate the covariances between the observed variables. After the final measurement model (**figure 4.3.3 B**) was designed, its validity and reliability were determined based on acceptable levels of goodness of fit (Meyer *et al*, 2017; Byrne, 2010).

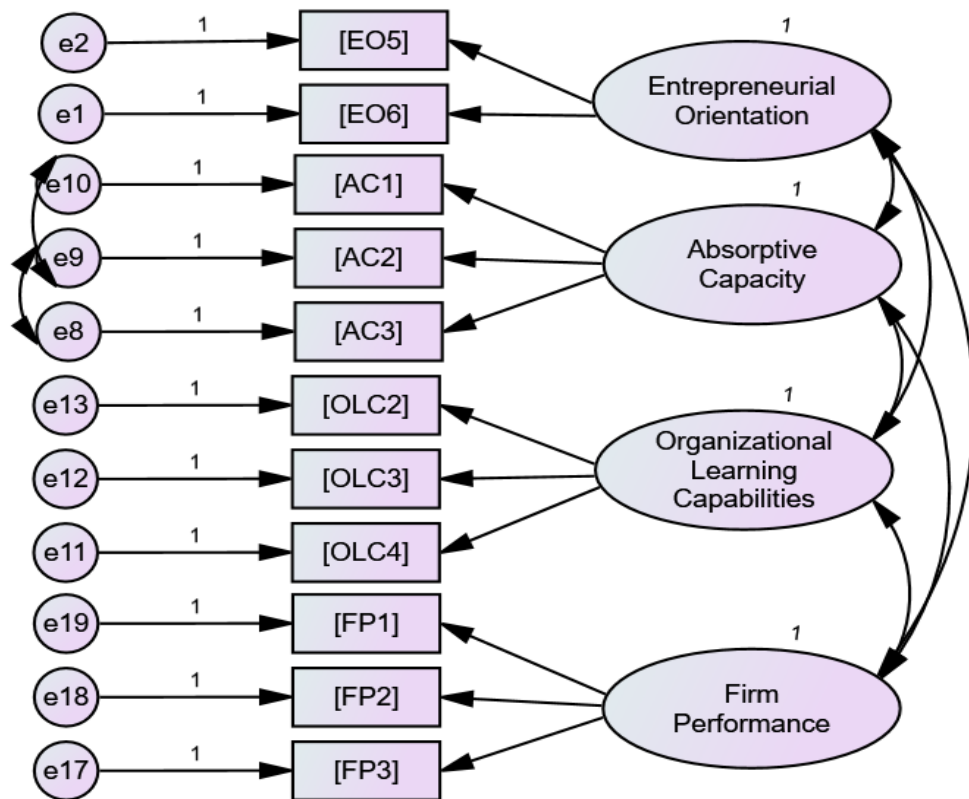
Figure 4.3.3 (A): Confirmatory Factor Analysis Model (Before Modification Indices)



Note: Table 4.3.3. Model Fit (before modification indices)

Chi-square(x^2)	GFI	IFI	TLI	CFI	RMSEA
2,581	0,849	0,861	0,835	0,859	0,86

2. Figure 4.3.3 (B): Confirmatory Factor Analysis Model (After Modification Indices)



4.3.4. Model Fitness (CFA after medication indices)

Model Fitness indices usually supply information to assess and improve model fitness for CFA models (Stone, 2021). As such, the modification indices evaluated in the context of this research study include the Chi-square, Goodness of Fit Test (GFI), Comparative Fit Index (CFI) Incremental Fit Index (IFI), as well as the RMSEA-Root Mean Square Error of Approximation. According to Stanley and Edwards (2016) at least 3 of these modification indices mainly the RMSEA, CFI and TLI must be above the acceptable threshold to confirm model fitness (Xia and Yang, 2019).

According to Statistics Solutions (2022) chi-square is a statistical test utilized for testing relations amongst categorical variables. Normally a value below 1.00 indicates poor model fitness whilst a value greater than 3.00 indicates a need for improving model fitness. Therefore, the CFA model adopted in this study indicated an acceptable fit of 2,312 which is above the threshold of 1.00 but less than 3.00.

Stephanie (2017) Defines the goodness of fit test as a measure of fit between the hypothesized and observed covariances. The acceptable threshold for this measure ranges from 0,00 to 1,00 with a value greater than 0,90 indicating acceptable model fitness. Therefore, the CFA model adopted in this study indicated an acceptable value of 0,938 which is above the threshold of 0.90 thus indicating model fit.

According to Van Laar and Braeken (2022) the incremental fit index refers to a group of modification indices which do not utilize the value of Chi-square in its original form but compare the chi-square to a base model. The acceptable threshold for this measure is a value greater than 0,90 indicating acceptable model fitness. Therefore, the CFA model adopted in this study indicated an acceptable value of 0,953 which is above the threshold of 0.90 thus indicating model fit.

The Tucker-Lewis Fit Index is a value that is less sensitive to the sample size of a study (Cangur and Ercan, 2015). An acceptable threshold for the TLI is a value greater than 0,90 indicating acceptable model fitness. As such, the CFA model adopted in this study indicated an acceptable value of 0,926 which is above the threshold of 0.90 which indicates model fit.

The Comparative Fit Index evaluates model fitness by analyzing the discrepancy between the data and the hypothesized model (Fan *et al*, 2016). In this measure values above 0,95 indicate perfect model fit, whilst values ranging from 0,90 to 0,95 indicate fit (Finch, 2020). As such, the CFA model adopted in this study indicated a value of 0,952 which is above the threshold of 0.95 thus indicating a perfect fit.

The RMSEA-Root Mean Square Error of Approximation suggests that values within the threshold of 0 to 0,08 indicate a good fit whilst anything above 0,08 is not acceptable (Hallquist, 2019). An acceptable fit of 0,78 was yielded from the CFA model adopted within the context of this research study.

Table 4.3.4: CFA model fitness (after modification indices)

Fit Indices	Acceptable threshold	Study test results	Decision
Chi-square (χ^2/DF)	Tabled chi-square smaller or equal to 3	2,312	Accepted
Goodness of Fit (GFI)	Values greater than 0.90	0,938	Accepted
Increment fit index (IFI)	Values greater than 0.90	0,953	Accepted
Tucker-Lewis index (TLI)	Values greater than 0.90	0,926	Accepted
Comparative fit index (CFI)	Values greater than 0.90	0,952	Accepted
Root mean square error of approximation (RMSEA)	Less than 0.08	0,78	Accepted

4.4. Structural Model Assessment/ Structural Equation Modeling

This study adopted structural equation modeling to depict a designed model and analyze relationships between observed variables, with the main goal of providing a quantitative test to the theoretical model created by the researcher (Stein, Morris and Nock, 2012). The main objective for adopting structural equation modeling in this study is to simply determine the extent to which the theoretical model adopted in this study is supported by the sampled data. If the sampled data supports the theoretical model this suggests that the research conducted is generalizable (Byrne, 2010). Therefore, the adoption of Structural equation modeling is necessary for this study to test the theoretical model using a quantitative method of hypotheses testing to further advance the understanding of the relationships between variables (Byrne, 2010).

As such, following the execution of the CFA Measurement model, the structural model fit could proceed starting with SEM reliability and validity as well as conducting hypotheses testing.

4.4.1 SEM Reliability and Validity

As with the measurement model, reliability and validity was analyzed using similar parameters in terms of composite reliability as well as the average variance extracted. Therefore, considering the results depicted in **Table 4.4.1** below, it can be suggested that the structural model reliability and validity present an acceptable threshold for every research construct adopted in the context of the study.

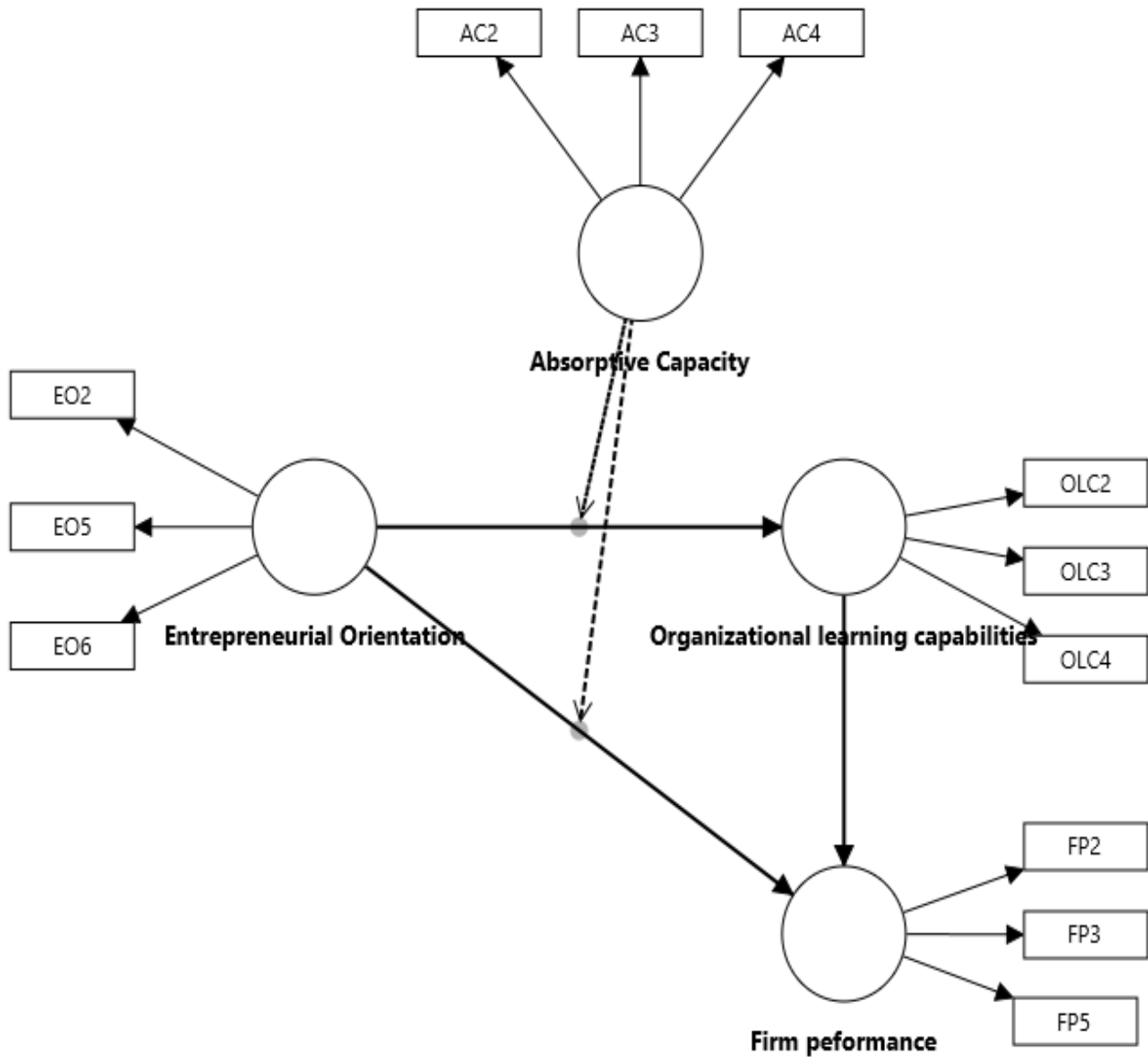
Table 4.4.1. SEM reliability and validity

Research Construct	Composite reliability (CR)	Average variance extracted (AVE)
Absorptive Capacity	0.869	0.691
Entrepreneurial Orientation	0.866	0.684
Firm Performance	0.727	0.478
Organizational learning capabilities	0.926	0.806

4.4.2. Structural Model Path Analysis

The structural path model analysis involves the process of measuring the hypothesized causal relationship between the observed variables in the research study (Schumacker and Lomax, 2016). As such, path analysis was adopted in this study to test whether the relationship between the proposed constructs adopted in this study generates an acceptable threshold for their path coefficients and p-values respectively, thus testing for the level of significance. This study's structural path model is represented below in **Figure 4.4.2**

Figure 4.4.2: Structural path model



Note: This model was drawn using Smart PLS, to establish the path coefficient of the moderating variable.

4.4.3. Hypotheses Testing

The main objective of conducting hypotheses testing is to evaluate the outcome of the path coefficients as well as proposed hypotheses with their corresponding P-values. As such, the following table below represents the results of the relationships/hypotheses depicted in the structural model. This function was executed using SMART PLS (**Table 4.4.3**)

Table 4.4.3: Hypotheses Testing Results

	Hypotheses	Original sample estimate	Path coefficients	T statistics (T-value)	P values	Decision
Entrepreneurial Orientation -> Organizational learning capabilities	H1	0.465	0.465	5.363	0.000	Supported and significant
Entrepreneurial Orientation -> Firm Performance	H2	0.256	0.256	2.451	0.014	Supported and significant
Organizational learning capabilities x Entrepreneurial Orientation -> Firm Performance	H3	0.472	0.472	4.413	0.000	Supported and significant
Absorptive Capacity x Entrepreneurial Orientation -> Firm Performance	H4	0.014	0.014	0.309	0.758	Supported and insignificant
Absorptive Capacity x Entrepreneurial Orientation -> Organizational learning capabilities	H5	0.171	0.171	4.099	0.000	Supported and significant

Note: significance level = $p > 0,05$. After conducting hypotheses testing the results confirmed the appropriateness of the structural model and also affirmed that 4 of the 5 hypotheses were supported and significant according to the acceptable threshold ($p > 0,05$). The reliability and validity statistics also showed that the structural model converged adequately. The outcomes of hypotheses testing are further discussed in Chapter 5.

CHAPTER FIVE: Discussions, Recommendations and Conclusions

This chapter presents a summary of the study regarding the introduction, literature, methodology, and hypotheses tested in the analysis chapter. The study investigated four research constructs to evaluate how strategic planning can enhance/influence firm performance within the dominion of Small informal traders (Spaza shops). These research constructs were measured using a 5-point Likert scale and distributed through a questionnaire.

5.1. Discussion of results

After introducing the context of the research as well as substantiating with extensive literature, a quantitative analysis technique in the form of structural equation modeling was utilized to test the proposed hypotheses in the research study. Following an extensive examination of the five hypotheses through literature as well as analysis (SEM), the following outcome/results were obtained after conducting hypotheses testing.

5.1.1. *H1*: There is a significant association between entrepreneurial orientation and firm performance.

Upon conducting hypotheses testing the findings revealed that there is a significant association between entrepreneurial orientation and firm performance. This is because the path coefficient value for the first hypothesis is 0,256 and the p-value is 0,014 which suggests that the hypothesis was within the acceptable threshold to be supported and significant (Schumacker & Lomax, 2016). These findings correlate with existing literature which argues that entrepreneurial orientation has long been utilized as a consistent measure and metric to measure business performance, which means that entrepreneurial orientation allows any business irrespective of size and magnitude, to evaluate practices linked to entrepreneurial behaviour and business performance (Callaghan, 2011).

5.1.2. *H2*: Entrepreneurial orientation is associated with a firm's organizational learning capabilities (knowledge acquisition capacity, knowledge application capacity, & knowledge transformation capacity).

The second hypothesis in this study suggested that entrepreneurial orientation is associated with a firm's organizational learning capabilities. This was supported by a path coefficient value of 0,465 which suggests an association between entrepreneurial orientation and organizational learning capabilities. The P-value indicates a 0,00 level of significance which suggests that the second

hypothesis is supported and significant. These findings are further supported by existing literature which suggests that small businesses which embrace learning capabilities are more likely to perform better than those that do not, and this is because they consistently learn from customers, and the knowledge acquired leads to a distinctive capability that results in high levels of innovation, which is a crucial skill in a highly competitive market-space of informal traders (Wilson and Doz, 2011).

5.1.3 H3: The association between entrepreneurial orientation and firm performance is mediated by a firm's organizational learning capability (knowledge acquisition capacity, knowledge application capacity, & knowledge transformation capacity).

The third hypothesis in this study suggested that organizational learning capabilities mediate the association between entrepreneurial orientation and firm performance. This was supported by a path coefficient value of 0,472 which prompts organizational learning capabilities as a mediating variable between entrepreneurial orientation and firm performance. The P-value also indicates a 0,00 level of significance which suggests that the third hypothesis is supported and significant. The findings of the results are further supported by existing literature that prompts that learning capabilities are extremely imperative to South African small businesses, where these businesses are known for having low levels of innovation and sustainability (Naicker, Le Roux, Bruwer and Bruwer, 2017). It is therefore imperative for small businesses operating in the informal sector of South Africa to undertake and embrace learning capabilities to enhance their innovation and creative levels, decision-making and problem-solving, as well as effectiveness which are key elements to realizing long-term sustainability and increased business performance (Geldenhuys and Cilliers, 2012).

5.1.4. H4: The association between entrepreneurial orientation and the firm performance of small businesses is moderated by their absorptive capacity, which means that the higher the firm engages in absorptive capacity the stronger the impact of entrepreneurial orientation on overall firm performance.

The fourth hypothesis in this study suggested that absorptive capacity moderates the association between entrepreneurial orientation and firm performance. This was proven to be insignificant because the path coefficient value was estimated at 0,014 which is below the acceptable threshold (Schumacker & Lomax, 2016). The P-value also indicated a 0,758-significance level which suggests that although absorptive capacity plays a critical role in mitigating uncertainties

associated with risky entrepreneurial behaviour as well as potentially improving business performances this does not guarantee increased business performances, particularly for small informal traders competing in a highly competitive marketplace (Vagef and Dornberger, 2020). This can also be attested to the fact that although many respondents strongly agreed with the items presented in the Likert-scale of absorptive capacity, most of them were also not quite certain if their business was competing well against local rivals in the scale of firm performance, which may suggest that absorptive capacity does not necessarily impact overall performance.

5.1.5. H5: The association between entrepreneurial orientation and organizational learning capability (knowledge acquisition capacity, knowledge application capacity, & knowledge transformation capacity) of small businesses is moderated by their absorptive capacity, which means that the higher the firm engages in absorptive capacity the stronger the impact of entrepreneurial orientation on the organizational learning capabilities of small firms.

The last hypothesis suggested that absorptive capacity moderates the association between entrepreneurial orientation and organizational learning capabilities. This was proven to be supported and significant as stated by a path coefficient value of 0,171 and a P-value of 0,000. Which then prompts absorptive capacity as the moderating variable exerting influence and impact between entrepreneurial orientation and organizational learning capabilities. These findings are supported by existing literature which argues that absorptive capacity is usually necessary for a small business because it evaluates its capability to outline, assimilate and utilize valuable market information to obtain a competitive edge over rivals (Escribano, Fosfuri and Tribo, 2009). This in essence means that organizational learning capabilities alone are not sufficient for small businesses to attain high innovation and performance levels because they also need to have other distinct capabilities such as the capacity to extract and absorb external knowledge and information and use it in such a way that results in increased performances (Fernandez-Mesa, Alegre-Vidal, Chiva-Gomez Gutierrez-Garcia, 2013).

5.2. Recommendations

This research study sought to investigate how strategic planning affects the firm performance of small businesses in the township of Mamelodi, Pretoria. The context of this study attempted to offer valuable insight into how small businesses can potentially improve their business performance through effective strategic planning. The study also presented extensive research on

the rarely observed informal sector of spaza shops in South Africa, and it is suggested that the findings of this study can potentially offer valuable insight into overcoming and mitigating issues of long-term sustainability which many small businesses struggle with.

The academic benefits of this can potentially be significant, due to limited quantitative research studies specifically looking at whether South African small businesses can successfully implement strategic planning processes. This is why this study was extensively investigated through an empirical/conceptual model which was quantitatively tested to see how effective SME strategic planning toward firm performance is. Following, hypotheses testing the results of the study suggested that most of the hypotheses developed were significant and supported except for absorptive capacity moderating the relationship between entrepreneurial orientation and firm performance. This stemmed from the fact that although absorptive capacity plays a critical role in mitigating uncertainties associated with risky entrepreneurial behaviour as well as potentially improving business performances, this does not guarantee increased business performances, particularly for small informal traders competing in a highly competitive market space (Vagef and Dornberger, 2020).

As such, it is recommended that future studies can empirically investigate how innovation affects small business performance within the context of informal traders because most of the small businesses sampled in the study indicated low levels of innovation and awareness which severely affected their business and profit margins. It is also suggested that future studies look at the importance of consumer awareness within the context of small owner-managed businesses because, throughout the data collection procedure in this study, it was quite clear that customer loyalty, retention and satisfaction can go a long way in the survival of these small businesses.

Therefore, this study seeks to provide valuable recommendations for spaza shop owners/managers in the following subcategories based on the findings as well as descriptive statistics obtained in the study:

5.2.1. Strategic Planning and Performance Enhancement for Small Business

Owners/managers (The study found a significant association between entrepreneurial orientation and firm performance [H1 Supported, Path Coefficient=0,256 P= 0,014]:

A. Implementing structured quarterly business reviews: Small business owners/managers should prioritize imposing quarterly reviews through outlining clear objectives per business quarter, conducting a self-review analysis as well as including all relevant stakeholders within the context of the business. During the review process the manager should thoroughly evaluate performance levels, make use of data to contrast and compare, and effectively plan ahead for the next business quarter.

B. Develop measurable targets/goals: Small business owners/managers can establish measurable goals and targets through utilizing the SMART Framework (this entails developing Specific, Measurable, Achievable, Realistic and Time-Bound targets). This will especially be crucial for spaza shops operating on minimal resources because it can assist in outlining key performance indicators, thus creating alignment with the aims and objectives of the business.

C. Implementing systematic monitoring processes: Although this may prove difficult due to operating on limited capacities. A simplistic approach to implement an effective monitoring process can be executed through emphasizing key objectives, defining key performance indicators, and leveraging modern technologies such as AI tools in order to improve daily operations.

5.2.2. Learning Capability Development (Organizational learning capabilities significantly mediates the relationship between entrepreneurial orientation and firm performance [H3 Supported, Path Coefficient=0,472, P-value= 0,00]):

A. Implementing training programs: Small business owners/managers can implement effective training programs through simply focusing on important needs related to the job, utilizing and leveraging development methods for a worker and fostering a learning environment.

B. Creating feedback mechanisms: This can only be achieved through implementing an open communication culture within the business, supplying continuous opportunities for feedback and most importantly incorporating the feedback to enhance overall business operations. This is especially critical for an owner/manager to always lead, by example, demonstrate a willingness to

take constructive criticism and make it easy for customers to share thoughts on improving business services.

5.2.3. Knowledge Acquisition and Application (The relationship between entrepreneurial orientation and organizational learning is moderated by absorptive capacity [H5 supported, Path coefficient= 0,171, P-value=0,000]).

A. Developing systematic market information gathering: Spaza shop owners may acquire valuable market insight through utilizing primary and secondary research mechanisms, since the owners/managers have direct contact with their end-users. They can acquire information through directly asking customers as well as potential customers about their needs, preferences as well as opinions on improving business services, online surveys and questionnaires can be used to gather this information.

B. Creating competitor analysis frameworks: This can be implemented through firstly outlining the business's primary competitors. This will then be preceded by gathering insights on the competitors' strategies as well pricing methods. A SWOT analysis mechanism will then be utilized to galvanize this intel to identify all the competitors' strengths, weaknesses, potential opportunities and threats. Lastly a competitor matrix will be useful in visualizing key core competencies against local rivals.

C. Implementing customer feedback mechanisms: For small businesses operating on limited resources the best way to implement this initiative is make use of review generator links or offer small incentives to promote customer feedback and participation. It's also critical to state that feedback mechanisms will only be effective if the information gathered is consistently evaluated and acted upon.

5.2.4. Competitive Enhancement Position (Supported by descriptive statistics indicating uncertainty about competitive position [Mean Score= 2,42 For Competitive performance]).

A. Form trader associations: Small businesses in the informal sector can achieve trade associations through collectively organizing themselves, outlining key challenges, defining key goals and objectives as well as involving and engaging with all relevant stakeholders to address set

challenges and grow as a collective. The implementation of a governing body might also be necessary to create policies and laws governing the businesses involved.

B. Establish bulk purchasing groups: Foreign-owned spaza shops in South Africa very often utilize their existing social networks to acquire bulk purchasing groups. This in turn allows them to buy their stock and products in bulks and negotiate reasonable prices with suppliers, ultimately gaining a crucial price advantage over South African spaza shop owners. As such, it would be advantageous for local spaza shop owners to make use of this cooperative approach because it will assist with low-cost stock, which is very advantageous in a highly volatile and competitive marketplace.

C. Develop shared market intelligence systems: to achieve this objective small business owners/managers need to execute an amalgamation of data analytics regarding market dynamics, strategic planning and cooperation to set goals, gather data through the feedback mechanisms deployed, use AI tools to evaluate that feedback and share insights to achieve shared objectives.

5.2.5. Limited Resource Optimization (Supported by descriptive statistics suggesting that resource constraints affect strategic planning [indicated by limited ability to compete due to lack of unique products, Mean Score= 2,62]).

A. Developing collaborative supply chains: This can be achieved through leveraging local township networks, thoroughly embracing technology and forming relationships with bigger retailers and suppliers. This is because making use of informal networks within the community builds strong foundations with local customers and suppliers. Whilst the use of social media and modern technology improves efficiency and can potentially garner a wider target audience.

B. Create joint marketing initiatives: This can be achieved through utilizing media solutions such as promotional adverts, partnering with social media influencers, local brands within the community as well as larger corporations operating within the community.

C. Implement resource sharing network: Small businesses owners and managers can achieve this recommendation through cooperative initiatives and acquisitions, making use of collaborative marketing campaigns, using bulk purchasing strategies. All these initiatives will essentially assist the businesses involved overcome challenges associated with high costs, stock issues, operating

costs, as well as storage issues. Which are everyday challenges dealt to spaza shops operating in a highly competitive marketplace.

5.3. Limitations

The main objective of the research study was to assess how strategic planning affected firm performance within the dominion of small businesses. As such, the data collected from the study was specifically limited to small informal traders within the Pretorian region of Mamelodi slightly affecting the generalizability of the research results. The second limitation came in the form of sampled participants specifically stemming from the retail sector within small informal traders, which meant small-scale grocery stores. Therefore, a replication of this study in another industry can also be executed within the space of small business entities which may immensely contribute to the literature of strategic planning dimensions as well as strategic management research. As such, it is quite evident that there are mainly two limitations linked to the objectives of this study which include limitations from methodological processes in terms of the generalization of the research results as well as a biased sample size limited to one industry of small businesses.

5.4. Conclusion

This research study attempted to evaluate how effective SME strategic planning is toward firm performance. This was done by adopting a conceptual model which tested whether the entrepreneurial orientation of small spaza shop owners (indicating a method to efficiently use resources), has a direct effect on the performance of small businesses, depending on their ability to exploit external information (absorptive capacity), and effectively capitalize on learning capabilities (Organizational learning capabilities).

The results of the study suggested that the 215 small businesses sampled in this study show that strategic planning does impact small business performance as indicated in the data analysis section by four of the five hypotheses being significant and supported. It was also acknowledged that, although many respondents strongly agreed with the items/statements presented in the Likert scale of absorptive capacity, most of them were also not quite certain if their business was competing well against local rivals in the scale of firm performance, which may suggest that absorptive capacity does not necessarily impact overall performance, hence hypotheses four was deemed to be insignificant.

The study further discovered that the concept of strategic planning investigated in this study is greatly influenced/varies based on business capabilities. This was highlighted by the moderation effects of absorptive capacity when the fourth hypothesis in the study was deemed to be insignificant due to a low path coefficient value of 0,014. This is exacerbated by literature which states that absorptive capacity can yield both positive and negative results toward firm performance depending on the ability of a firm to exploit and utilize acquired knowledge into feasible creativity, innovation and proactiveness to outwit rivals (Wales *et al*, 2013). Vagef and Dornberger (2020) expounded on these findings through stating that absorptive capacity only becomes a key component when small businesses learn to innovate and constantly adopt to transforming market conditions, thus suggesting that although absorptive capacity plays a critical role in boosting firm performance this does not always guarantee sustainable business performances.

The study also indicated how local market competition significantly influences performance perceptions as indicated by descriptive statistics under firm performance summarizing uncertainty about competitive position. The findings are also supported by literature which argues that small businesses operating in highly competitive industries such as the spaza shop sector usually experience lower price margins because of price wars within the market as well as increased operating costs (Oguh and Bello, 2023). Competition also greatly affects the survival rate of these small businesses, because a market characterized by volatile competition as well as competitive pressure usually results in business failure for numerous small businesses operating in the informal sector. (Abdul, 2019).

Therefore, this study can also be utilized by other forms of small businesses as a way to potentially mitigate the challenge of using minimal resources to boost performances, because as suggested in the introduction this study was mainly conducted to address the lack of research studies specifically looking at whether South African SMEs in the informal sector follow a business strategy that is integral to long term sustainability.

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Appendices

APPENDIX A: Participation Information Sheet



Participation Information Sheet

Title of project: Strategic Planning, Technology Orientation, and Firm Performance of Small Businesses in Mamelodi Township in Pretoria.

[08 July 2024]

Good day,

My name is Tiego Makwela. I am a master's student in the field of Business Sciences (Management) at the University of the Witwatersrand, Johannesburg. As required by my studies, I must undertake a research project for my master's dissertation. My supervisor is Dr Suvera Boodhoo, and I am conducting a research study that will look at how strategic planning influences firm performance within the informal economy of spaza shops in Mamelodi.

As such I would like to invite you to take part in my research project, by answering a questionnaire. The questionnaire will involve answering 19 questions which will take around 10 minutes to complete. During the research activity, the questionnaire will ask for some personal information regarding your day-to-day business operations. The completion of the questionnaire will be done on a tablet, and the submission of the completed questionnaire will be taken as consent to participate in the research study.

When I share the results of the research study, I will not include your name or anything else that could identify you, this will ensure that the identity of the participants is protected and not linked to responses. With your permission, other researchers may use the data collected from this research study, but your name and any personal information will not be used or passed on. The participants of the study may also gain access to the results of the study if requested.

If you decide to take part in the research study, it should be because you want to volunteer. You do not have to take part. You can stop being in the study at any time. You do not have to answer any questions if you do not want to. You will not get any direct benefits if you choose to join the research study. You will not lose any services, benefits or rights you would normally have if you decide not to join. Taking part in the research study will not cost you anything. You will not be paid for being in this research study.

Note that the risks for this research study are no more than what happens in everyday life or if at any point you feel unhappy or uncomfortable answering the questions. Feel free to withdraw from answering the questions or continue at another time.

This research study will be written up as a research report. The report will be available on the university library website for secondary analysis by other potential researchers. If you would like to receive a summary of this report, I will be happy to send it to you. If you have any questions during or afterwards about this research study, feel free to contact me or my supervisor on the details listed below. If you have any concerns or complaints about the ethical procedures of this research study, you are welcome to contact the University Human Research Ethics Committee (Non-Medical), by telephone at +27(0) 11 717 1408, email hrecnon-medical@wits.ac.za.

Yours sincerely,

Tiego Makwela

Researcher: Tiego Given Makwela, 1852658@students.wits.ac.za, 0659903059

Supervisor: Dr Suvera Boodhoo, suvera.boodhoo@wits.ac.za, 011 717 8258.

APPENDIX B: Consent Form



UNIVERSITY OF THE
WITWATERSRAND,
JOHANNESBURG

Consent Form

Title of project: Strategic Planning, Technology Orientation, and Firm Performance of Small Businesses in Mamelodi Township in Pretoria.

Name of researcher: Tiego Makwela.

I, ..., agree to participate in this research project. The research has been explained to me and I understand what my participation will involve. I agree to the following:

(Please circle the relevant options below).

I agree that my participation will remain confidential. YES/ NO

I understand that I can volunteer to take part in the study YES/NO

I agree that the information I provide may be used confidentially after this project has ended, for academic purposes by other researchers, subject to their own ethics clearance being obtained. YES/ NO

The research study was explained to me. I understand what this study is about. YES/NO

..... (signature)

..... (name of participant)

..... (date)

..... (signature)

..... (name of person seeking consent)

..... (date)

APPENDIX C: Questionnaire to the respondent

Note: Below is a list a list of Statements relating to your everyday business activities. Please indicate with a cross (x), how strongly you agree or disagree with each statement below. Where

Strongly Agree = SA, Agree= A, Neutral= N, Disagree = D, AND Strongly Disagree= SD.

Section A: Entrepreneurial Orientation

For the context of this questionnaire, the entrepreneurial orientation of small businesses indicates and represents a strategic planning initiative to make use of their limited resources effectively and productively, to adversely improve overall business performance.

		1	2	3	4	5
	Item	SA	A	N	D	SD
A1	I continuously look for opportunities to grow my business.					
A2	I strive to meet customer needs.					
A3	I value risk-taking.					
A4	I like competing with other traders.					
A5	I see the importance of making my shop attractive to customers.					
A6	I am comfortable to try-out new creative ideas.					

Section B: Absorptive Capacity

For the context of this questionnaire, absorptive capacity entails the process of a small business to acquire and use external knowledge in such a way that will benefit them. This simply outlines the capability of a small business to outline the value of market information and knowledge and use it for business activities.

		1	2	3	4	5
	Item	SA	A	N	D	SD
B1	I am able to identify direct competitors in my area.					
B2	I always evaluate myself against competitors to compare performance levels.					
B3	I know the possible strengths and weaknesses of my competitors.					
B4	I am able to use gathered information, to gain a competitive advantage.					

Section C: Organizational Learning Capabilities

For the context of this questionnaire, organizational learning capabilities expresses the need to deploy knowledge acquisition and application initiatives to improve the ability of informal traders/small businesses to attain valuable information, knowledge and understanding of the informal industry they operate under. This simply represents how learning capabilities can be used in a beneficial way to improve business performance.

		1	2	3	4	5
	Item	SA	A	N	D	SD
C1	I have knowledge of customer needs.					
C2	Learning about the competitive environment is important to my business.					
C3	Understanding my customers' needs helps me improve my business performance.					
C4	The knowledge I gathered is effective in competing against competitors.					

Section D: Firm performance

This simply entails the business performance of the informal traders/small businesses on a day-to-day basis.

		1	2	3	4	5
	Item	SA	A	N	D	SD
D1	I run sales to maintain customer loyalty.					
D2	I value good customer service.					
D3	I have enough products to compete with competitors.					
D4	I sell unique products to compete with my competitors					
D5	I compete well against competitors.					

APPENDIX D: Questionnaire Sources

A. Entrepreneurial Orientation

Source	Original Item	Adopted Item
(Seo, Edler, Massini, 2022; Alshahrani and Salam, 2022)	1. We consistently look for new business opportunities.	1 I continuously look for opportunities to grow my business.
	2. In dealing with competitors, my company was typically unhesitating in competing with rivals to realize opportunities.	2. I like competing with other traders.
	3. The top managers of my company favored a strong emphasis on R&D, technological leadership, and innovation.	3. I see the importance of making my shop attractive to customers.
	4. My company encouraged a commitment to innovative strategies, knowing that some will fail.	4. I am comfortable to try-out new creative ideas.
	5. We continuously try to discover additional needs of our customers of which they are unaware	5. I strive to meet customer needs.
	6. We encourage people in our company to take risks with new ideas.	6. I value risk-taking.

B. Absorptive Capacity

Source	Original Item	Adopted Item
(Seo, Edler, Massini, 2022; Alshahrani and Salam, 2022)	1. Able to identify valuable external knowledge.	1. I am able to identify direct competitors in my area.
	2. The search for relevant information concerning our industry is an everyday business in our company	2. I always evaluate myself against competitors to compare performance levels.
	3. Able to gather and assimilate knowledge (i.e., to analyze, interpret, and understand knowledge required).	3. I am able to use gathered information, to gain a competitive advantage.
	4. Our management motivates employees to use information sources within our industry	4. I know the possible strengths and weaknesses of my competitors.

C. Organizational Learning Capabilities

Source	Original Item	Adopted Item
Ning and Li, 2016	1. Our company has the capacity to obtain the demand information of customers and market effectively and immediately.	1. I have knowledge of customer needs.
	2. Our company has the capacity to understand information and knowledge about the advance technology/product/ service in our industry.	2. Understanding my customers' needs helps me improve my business performance.
	3. Our company has the capacity to integrate internally external knowledge and transform it to be easily understood by our employees.	3. Learning about the competitive environment is important to my business.
	4. Our company has the capacity to utilize effectively and flexibly extant or newly acquired knowledge to cope with a turbulent environment.	4. The knowledge I gathered is effective in competing against competitors.

D. Firm Performance

Source	Original Item	Adopted Item
(Seo, Edler, Massini, 2022; Alshahrani and Salam, 2022)	1. The firm enhances customer loyalty and retention	1. I run sales to maintain customer loyalty.
	2. In general, the firm's services improve customer satisfaction	2. I value good customer service.
	3. The company systems provide the firm with a competitive advantage over its competitors	3. I have enough products to compete with competitors.
	4. The firm primarily seeks to differentiate its products, processes and services from those of its competitors	4. I sell unique products to compete with my competitors
	5. The firm competes strongly in the telecommunication industry	5. I compete well against competitors.

APPENDIX E: Ethics Clearance Certificate



Research Office

HUMAN RESEARCH ETHICS COMMITTEE (NON-MEDICAL)

R14/49 Makwela

CLEARANCE CERTIFICATE

PROTOCOL NUMBER: H24/06/18

PROJECT TITLE

Strategic Planning, Technology Orientation and Firm
Performance of Small Businesses in Mamelodi Township in
Pretoria

INVESTIGATOR(S)

Mr T Makwela

SCHOOL/DEPARTMENT

School of Business Science/

DATE CONSIDERED

21 June 2024

DECISION OF THE COMMITTEE

Approved
Risk Level: Minimal

EXPIRY DATE

05 August 2027

DATE

06 August 2024

CHAIRPERSON

(Professor J Watermeyer)

cc: Supervisor : Dr S Boodhoo

DECLARATION OF INVESTIGATOR(S)

To be completed in duplicate and A SIGNED COPY returned to the Secretary electronically. Unreported changes to the application may invalidate the clearance given by the HREC (Non-Medical)

I/We fully understand the conditions under which I am/we are authorized to carry out the abovementioned research and I/we guarantee to ensure compliance with these conditions. Should any departure be contemplated from the research procedure as approved I/we undertake to submit an amendment of the protocol to the Committee. I/we agree to completion of a regular progress report. For Minimal and Low Risk studies, this is due annually on 31 December. For Medium and High Risk studies, this is due twice annually on 30 June and 31 December.

T. Makwela

Signature

07 / 08 / 2024
Date

PLEASE QUOTE THE PROTOCOL NUMBER ON ALL ENQUIRIES