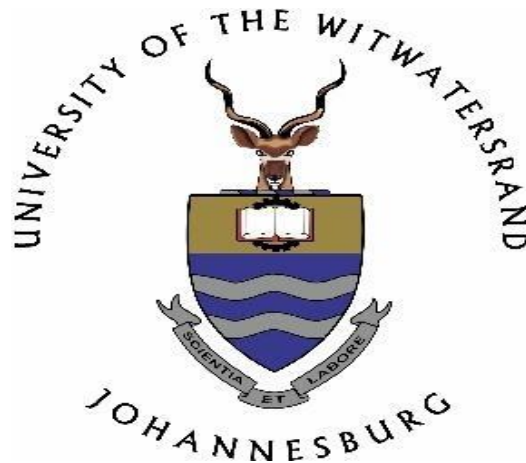


University of the Witwatersrand



Differentiation

Strategy, Entrepreneurial

Orientation & Competitive Edge as Antecedence of SMMEs Business Performance.

SCHOOL OF ECONOMIC AND BUSINESS SCIENCES

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DECLARATION

I, Mfundo Veerasamy, state that this is my own piece of work. This study was handed in the completion of the requirements for the master's degree in the field of Marketing at the University of the Witwatersrand in Johannesburg. This work has not been submitted before any University or body of examination.

I further declare that:

- ☐ I am aware that plagiarism (the use of someone else's work without their permission and/or without acknowledging the original source) is wrong and a criminal offense.

- ☐ I have followed the required conventions in referencing the thoughts and ideas of others.
- ☐ I understand that the University of the Witwatersrand may take disciplinary action against me if there is a belief or proof that this study is not my own unaided work or that I have failed to acknowledge the source of the ideas or words in my writing.

I, therefore, further recognise that it was my responsibility to conduct this research in an ethical manner and according to the guidelines of the University of the Witwatersrand, and according to any laws or legal frameworks that may apply in the country where my research was conducted; which is South Africa, as well as according to the norms and expectations of the Marketing discipline.

According to my knowledge and understanding, this research has satisfied all the statutory requirements and I have abided by all the laws and regulations that may apply when such phenomena are carried out.

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I am extremely humbled by your teaching skills and your ability to simplify complex research findings on other authors. May God bless you and may you continue to help others as you have helped me.

I am also grateful to Prof Richard Chinomona – My lecturer at Wits School of Economic and Business Sciences, for his major contribution, teaching me how to analyse data and make meaningful deductions from my study. With all the ability to share his knowledge, I was able to successfully complete my research project.

DEDICATION

It is with a reverence that I dedicate this great piece of work to my wife Nosipho Zamokuhle Veerasamy and kids Usiphile Veerasamy and Emihle Veerasamy.

Thank you for your continued understanding and the much-needed support that you gave me emotionally and spiritually.

I appreciate your love, kindness, and support that you have shown to me.

Ephesian 6:7 Work with enthusiasm, as though you were working for the Lord and not for man.

THANK YOU!!!!

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ABSTRACT

SMMEs are known to be a key driver of employment creation and economic growth on both developing and developed countries. In South Africa, SMMEs failure rate is very high; resulting in low economic growth as SMMEs are key engines for economic growth. Thus, SMMEs are well known to be the backbone of many economies around the world and they contribute greatly to a nation's wealth as they create jobs. Therefore, the sound performance of the SMME sector in a country relates to the performance of the Nation's economic performance. The SMME sector has a significant role to play in developing economies like South Africa; and poverty reduction and employment creation are some of the issues that SMMEs addresses in a country.

This study was aimed at examining how product innovation, entrepreneurial orientation, risk-taking and resource leveraging can influence business growth of SMMEs. Research indicated that in South Africa, SMMEs make up to 91% of formalized businesses and provide employment to approximately 60% of the labour force and its total economic output accounts for 34% of the Gross Domestic Product. In South Africa, the failure rate of SMMEs is estimated to be between 70%. There are numerous challenges hindering SMMEs from growing and these include, but not limited to, insufficient management skills and lack of expertise in functional areas like marketing and finance.

Subsequently, South Africa faces some unique challenges when it comes to building an entrepreneurial society, as it is a relatively young democratic country. South Africa has an extremely low rate of entrepreneurship compared to the rest of Africa and the world, combined with high rates of failure for a small business. This study took a constructive outlook on the use of entrepreneurial marketing strategies as a driving force for business growth. The implications of the findings were discussed; limitations and future directions were suggested as well.

Keywords:

SMMEs= Small, Micro and Medium Enterprises. **Scarce Resources** = are the workers, equipment, raw materials, and organizers used to produce scarce goods. **Innovation**= to do something differently. **Failure Rate**= the frequency with which an engineered system or component fails. **Domino Effect**= is the cumulative effect produced when one event sets off a chain of similar events. **Entrepreneurial**= characterised by the taking of financial risks in the hope of gaining profitable returns. **Competitive**= is being motivated by winning against all odds. **Resources**= a stock of supply of money, materials, staff and other assets that can be drawn on by a person or organization in order to function effectively.

CHAPTER 1: RESEARCH OVERVIEW

1. Introduction

Small, medium and micro enterprises have scarce resources for marketing. Unlike larger organizations, SMMEs owners and managers are constantly seeking creative, low-cost ways of marketing their products and services (Burns, 2016). Innovation in SMMEs is pivotal; because SMMEs are significant to the growth of the economy as they contribute largely to job creation (Visnjic, Wiengarten & Neely, 2016). SMMEs are more flexible and can innovate, however, SMMEs are limited by strict human capital and financial restrictions. SMMEs depend on less formal managerial processes and advanced systems (Pesalj, Pavlov & Micheli, 2018). Mutalemwa (2015) points out those SMMEs make up 91 % of formalized businesses in South Africa. SMMEs are vital engine and pillars of economic development and growth in many countries, South Africa is no exception (Pulka, Ramli & Bakar, 2018).

Despite the abovementioned, SMMEs also have a high rate of failure. Globally, it is estimated that about half of SMMEs fail; with 75% failing in the first years of inception (Cohen, 2017). In addition, it is projected that the failure rate of SMMEs that have been operating for a span in South Africa is around 75% (Adeniran & Johnston, 2016). During the past decade, the world economic climate has generally been unfavourable to small businesses; as the giant large and powerful business fall, there have been unquestionable, domino effects on smaller businesses (Aigbavboa, Oke & Kakanyo, 2016).

Predominantly in the South African viewpoint, SMMEs according to The National Small Business Act 102 of 1996 are defined as a separate and distinct business entity, including cooperative enterprises and non-governmental organizations, managed by one owner or more which includes its branches or subsidiaries. SMMEs include independent possessions which are individually owned and are active in a narrow market place (Fumo & Jabbour, 2011).

The Department of Trade and Industry, 2010 defines SMMEs as small corporate businesses providing work for a maximum of 100 workers and 200 workers in the manufacturing sectors and industrial industry respectively. According to Mago and Toro (2013), SMMEs in South Africa are categorised as any businesses that have less than 200 workers, with a yearly revenue

that is below R5 million. The description of SMMEs includes a wide range of businesses; some are formally

registered and some are informal businesses (The Department of Trade and Industry, 2008). In the South Africa context, several SMMEs focus on the bottom of the pyramid and survivalist in nature (Berry, 2002). These businesses consist of street vendor businesses; and backyard trading of goods and services (DTI, 2008). Baporikar, Nambira, and Gomxos (2016) are of the view that management skills have an impact on the performance of SMMEs; as they advance crucial sound knowledge of both the internal and external market in which the SMMEs operate.

Chiliya, Rungani, and Chikandiwa (2015) mention that SMMEs are stumbling on numerous challenges in their daily business activities. Lack of management, financial, and marketing skills are some of the factors contributing to the failure rate. The enabling business environment is also a key barrier to SMMEs growth. This impacts heavily on the returns of investment if a business is not perfectly located; as the customers will not know about its product offering (Clercq, Thongpapanl & Voronov, 2014). Innovation generally refers to new products or progressions implemented by SMMEs in order to tackle customer needs more competitively and commercially than current solutions (Mone, McKinley, & Barker, 1998; O'Regan & Ghobadian, 2005; Zahra, Nielsen, & Bognar, 1999).

Subsequently, this allows SMMEs to concentrate on attaining competitive advantage through benefit marketing approaches (Grant *et al.*, 2001). Fruitful entrepreneurs assume unusual innovative strategies, focusing primarily on product development and enhancing products and services, in line with customer needs (Stokes, 2000). Employing an innovative strategy helps entrepreneurs to be the first movers in the product catalogue, enabling the achievement of competitive advantage. (Cummins *et al.*, 2011).

2. Problem Statement

Facing the rapid environmental change, SMMEs continue to look for ways to survive, grow, and remain competitive. While facing factors such as poor management skills and limited finances

Points to the high failure rate (Aigbavboa, Oke, and Kakanyo, 2016).

3. Purpose of the Study

The purpose of the study was to identify and suggest ways that SMMEs can adopt and use differentiation marketing strategies to their advantages and implement innovative entrepreneurial orientation in their businesses so that they can realise business growth.

4. Research Objectives

4.1 Primary Objectives

The main objective of this study is to investigate the impact of innovative marketing factors on SMMEs performance in Johannesburg.

4.2 Theoretical Objectives

- To review the literature on the differentiation strategy
- To review the literature on risk-taking
- To review the literature on innovativeness
- To review the literature on competitive advantage
- To review the literature on business growth

4.3 Empirical Objectives

- To determine the impact of differentiation strategy on business growth.
- To determine the impact of risk-taking on business growth.
- To assess the impact of innovativeness on business growth
- To determine the impact of competitive advantage on business growth

5. Research Questions

- Does differentiation strategy have an impact on business growth?
- Does risk-taking have an impact on business growth?
- Does innovativeness have an impact on business growth?
- Does competitive advantage have an impact on business growth?

6. Justification of the study

This study will contribute to the existing literature on:

- Differentiation strategy has a positive influence on business growth
- Risk taking has a positive influence on business growth
- innovativeness marketing has a positive influence on business growth
- Competitive advantage has a positive influence on business growth

7. The significance of the study

It can be noted that the South African economy is not growing at all and this phenomenon has turned into a crisis. The primary objective of this study was to address the hindrances faced by SMMEs.

8. Literature Review

8.1 Resource-based theory

The use of resource-based theory (RBT) in marketing research has increased by more than 500% in the past decade (Sodhi, 2015). It is an important framework for explaining and predicting competitive advantages and performance outcomes (Kozlenkova, Samaha & Palmatier, 2014). Barney (1991) posits the biggest contributors to the resource-based theory literature. Before an elucidation of the theory, it is necessary to define what a resource is. Lamprecht and Conrnadie (2015) defines a resource as any tangible or intangible asset. In the resource-based theory, a firm is observed as a bundle of resources (Yasuda, 2005). Therefore, this paper adopts resource-based theory as its theoretical framework; because relationship marketing, green marketing, and innovative marketing are market-based resources that are critically utilised by SMMEs to improve business performance (Bromiley & Rau, 2015). Market-based resources refer to a subset of firm resources, assets and capabilities related to marketing activities, such as building brands, relationships, innovations, or knowledge (Campbell, 2017).

8.2 Porter's Generic Strategy model

The competitive strategy can be traced back to Porter's seminal low-cost differentiation focus framework (Wicker, 2015). Adner (2015) views resources as occupying an inherently intermediate position in the chain of causality with respect to firm performance. However, Hofer (2015) approach to generic strategy is a contingency perspective which is implicit in the adaptive view that currently dominates the literature (Miles & Snow, 2014). Its clearest manifestation in the strategy area is the structure strategy performance paradigm that was introduced by institutional economists (Porter, 2000). Porter's (1980) classic competitive strategy techniques for analysing industries and competitors simplifies the scheme by reducing it down to the three best strategies.

9. Empirical Literature

This section focuses on the empirical literature regarding the research variables that will be under investigation.

Differentiation strategy

Hoberg and Phillips (2016) state that the integration of product differentiation into market models has spawned a vast theoretical literature. Differentiation strategy is significant since it creates barriers to entry, protection against imitation and customer loyalty (Abdel-Malek, 1974). This also helps firms from developing countries to differentiate themselves successfully from multinationals competition, as customers are aware of the local products (Aulakh *et al.*, 2000). Product differentiation is one of the Porter's generic strategies and is considered the opposite of a cost leadership strategy (Boehe & Cruz, 2010). Firms may differentiate their products by, for instance, increasing their technological sophistication and innovative features, offering higher quality standards, image improvement or achieving higher customer service (Bartlett & Ghoshal, 2000).

Risk-taking

Risk-Taking is the organisation's willingness to break away from the tried-and-true path and venturing into unknown territory (Venkatraman, 1989; Wiklund & Shepherd, 2003). For an organisation, risk-taking propensity indicates its proclivity to engage in risky projects and preference for bold acts to achieve a firm's objectives (Miller, 1983). Firms may have to generate a thousand new ideas for each success (Rodan, 2002). Hence, risk-taking is also the degree to which managers are willing to make large and risky resource commitments (Miller and Friesen, 1978). Early definitions of risk-taking focused on the inclination of entrepreneurs to engage in calculated business-related risks (Brockhaus, 1980).

Innovativeness

Innovativeness is described as the introduction of new or improved processes, products or services based on new knowledge that may be scientific or technological (Schneider *et al.*, 2015). Innovativeness refers to the capability of organisations to introduce new products and features (Koufteros & Jayaram, 2014). Miller *et al.*, (2013) first initiated the idea of entrepreneurial orientation in which he established that it consists of three dimensions, namely innovativeness, pro-activeness and risk-taking. Lumpkin and Dess (1996) further refined

entrepreneurial orientation and suggested a five-dimensional model, which includes autonomy, innovativeness, risk-taking, proactiveness and competitive aggressiveness. Hurley and Hult (1998) alluded that innovativeness is the organisation's openness to new ideas and willingness to change; through adoption of new technologies, resources, skills and administrative systems that may lead to new and improved products.

Competitive advantage

The concept of competitive advantage has a long history and tradition in the strategy literature (Sigalas, 2016). Ansoff (1965) is the first scholar who attempted to define competitive advantage as the isolated characteristics or properties of individual product markets, which give a firm a strong competitive position. Competitive advantage enables an enterprise or a group of businesses within an industry to achieve superior business performance (McKee, Varadarajan, & Pride, 1989).

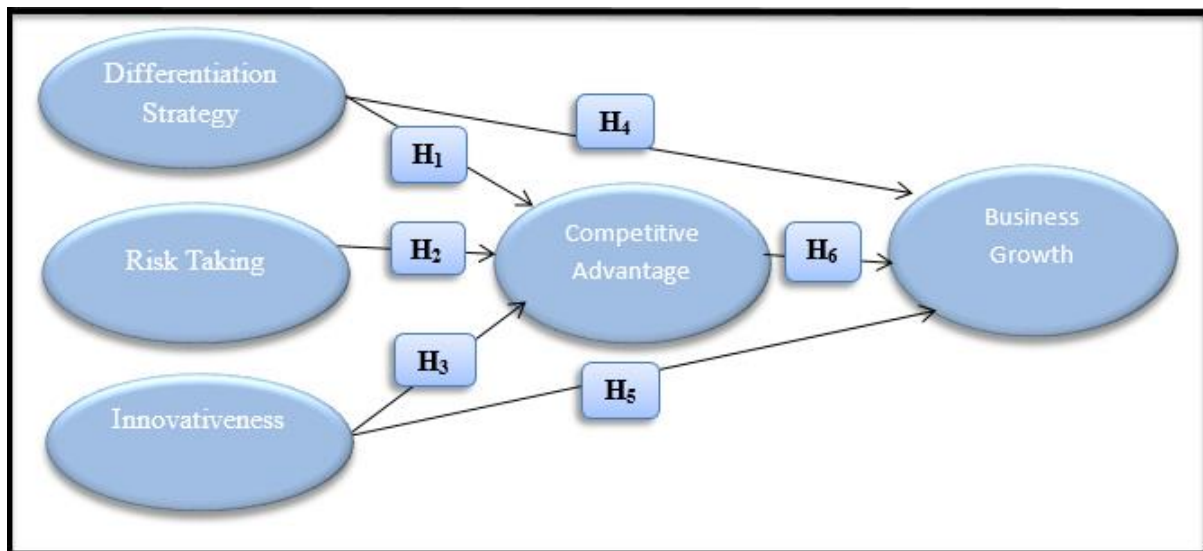
Business Growth

In today's business world, business growth is highly stressed and there are many measures used in studies to determine business growth (Zehir & Karaboga, 2015). Understanding the definition of business growth is a necessity for gaging and managing organisational performance (Kotler & Armstrong, 2011). According to Maziriri and Chinomona (2016) business growth refers to how comprehensive technology-enabled performance impacts across all firm activities, such as cost reduction, revenue enhancement, and competitiveness.

10. Theoretical Framework

This section outlines the conceptual model and hypothesis development of the study.

Figure 1: Proposed Conceptual Model



10.1 Hypothesis Development

Hypothesis 1: Differentiation strategy is positively associated with competitive advantage

A common rationale involves using a differentiation strategy to take advantage of strategic marketing opportunities (Lusch, 2011). Heskett *et al.*, (2002) concurs that the fact that the services are less visible, and more labour dependent makes them a strategic opportunity and a sustainable source of competitive advantage. The existing understanding of service differentiation is not limited to gathering intelligence on competitors' service offerings (Gebauer *et al.*, 2017). Han *et al.*, (1998) are of the viewpoint that differentiation strategy represents competitor orientation, which is part of the market orientation and is possible to conceptualise as a direct effect on competitive advantage. Therefore, based on the above discussion, this study hypothesizes that: ***H1: Differentiation strategy is positively associated with competitive advantage.***

Hypothesis 2: Risk taking is positively associated with competitive advantage

Lumpkin and Dess (2015) are of the opinion that for small businesses to be competitively aggressive and proactively innovative, they must display some risk-taking behaviour. Timely risk-taking has been associated with strategic decision speed and both have subsequently been linked to improved competitive advantage (Eisenhardt *et al.*, 2014). Businesses are supposed to embrace the concept of risk-taking as their business growth can be characterised by such events

(Morris *et al*, 2015). Businesses that take risks are said to be more decisive and are able to make strategic decisions timelier, which improves their overall level of performance and growth (Kreiser, Marino, Kuratko & Weaver, 2012). Based on the above discussion this study hypothesizes that: ***H2: Risk-Taking has a positive impact on business growth.***

Hypothesis 3: Innovativeness is positively associated with competitive advantage

The ideas regarding innovativeness and competitive advantage can be adopted out of the relational view (Damanpour, 1991). Dyer and Singh (1998) argue that an increasingly important unit of analysis for understanding competitive is the relationship between firms and the resources that flows in them. There is a consensus in the literature that all types of innovations can contribute to a firm's competitive advantage and a typology of technical and non-technical innovation has gained wider acceptance in the literature (Han, Kim, & Srivastava, 1998). However, the innovation literature has primarily focused on technical innovations, primarily in products (Damanpour, Szabat, & Evan, 1989). Successful innovation is affected by several environmental and contextual factors (Roberts & Amit, 2003). Deducing from the above findings this study proposes that: ***H3: A positive relationship exists between innovativeness competitive advantage.***

Hypothesis 4: Differentiation strategy is positively associated with Business Growth

Product differentiation involves creating a differentiated image or a higher quality (Brooks, 2006). Product quality is a competitive factor and may refer to several product characteristics, such as product performance, durability, reliability, and consistency with specifications, amongst other characteristics (Calantone and Knight, 2000). Previous research has found evidence for a positive relationship between product quality and export performance (Piercy *et al.*, 1998). Gathering from the above findings this study proposes that: ***H4: A positive relationship exists between differentiation strategy and business growth.***

Hypothesis 5: Innovativeness is positively associated with Business Growth

Innovativeness continues to be recognized as an essential element of competition and dynamic efficiency of businesses (Love & Roper, 2015). It is evident in the market that product innovators take market share from non-innovators and achieve business growth at their expense (Love & Roper, 2016). As such, product innovation is seen to result in faster growth, more efficiencies and ultimately more profitability (Love & Roper, 2014). Numerous studies have been conducted which document the relevance of new product innovation as a key factor to the

overall growth of business (Love, Roper & Vahter, 2014). However, it is also recognized that in order to keep this growth sustainable, active participation in the development, forming and execution of a continuous flow of innovative ideas and products is necessary (Madsen *et al.*, 2007). Based on the above discussion it can be hypothesized that ***H5: A positive relationship exists between innovativeness marketing and business growth.***

Hypothesis 6: Competitive advantage is positively associated with Business Growth

Competitive advantage refers to the economic value that has been created from the exploitation of a firm's resource capability combinations; and performance refers to the benefits derived from its valuable (Dierickx and Cool, 1989). According to Barney (1991), firms are able to improve their performance only when their resource-based strategies exploit opportunities or neutralise threats. Thus, in order to improve performance, firms or more specifically, SMMEs ought to first identify and implement resource-based strategies that result in the creation of economic value (Castanias & Helfat, 2001). According to Peteraf and Barney (2003), a firm that has attained a competitive advantage has created more economic value in the difference between the perceived benefits of a resource-capability combination and the economic cost to exploit them, than its competitors have. Deducing from the above findings, this study proposes that: ***H6: A positive relationship exists between competitive advantage and business growth.***

11. Research Methodology and Design

Research methodology refers to a system of clear rules and procedures upon which a study is based, and against which claims for knowledge are evaluated (Frankfort-Nachmias & Nachmias, 1997). It denotes the techniques used to acquire and analyse data to generate new knowledge (Petty, Thomson & Stew, 2012).

Research methodologies have an influence on the validity and overview of a study and play a crucial part in knowledge development (Yang *et al.*, 2006). According to Malhotra and Birks (2007), research design refers to a plan for carrying out a marketing research project. It will map out procedures for gathering information that will be used to answer questions and solve problems (Malhotra & Birks, 2007). The research design will establish the foundation for the entire research project (Malhotra & Birks, 2003). The design of this study is going to be quantitative in nature. Five Point Likert-scales was used to collect data from respondents. A research questionnaire was administered to participants.

12. Quantitative

A quantitative research approach was conducted for the purpose of this study. According to Rolfe (1995), a quantitative approach utilises an organised procedure and techniques to gather information under controlled conditions and highlights objectivity through statistical analysis. As such, a quantitative approach is more appropriate given the nature of the current study.

13. Sampling Design

A sampling design should be simple to implement, efficient and cover various approaches to measuring the sample to be generally applicable (Grafstrom, 2010).

14. Target Population

The identification of the study population is necessary for the formulation and running of any test (Klein & Meyskens, 2001). When defining a target population, a researcher should indicate clearly the characteristics of the target population that apply directly to the study. The city of Johannesburg central business district was used as the target population geographical area.

15. Sample Frame

A sample frame refers to the researched environment and the subjects used in a study (Zhu *et al.*, 2006). The sample used for purposes of the research was obtained from SMMEs, which are registered with the department of trade and industry and are operating in the city of Johannesburg central business district. A random sample of 230 SMMEs was used for this study and an online calculator utilised as well.

16. Sample Size

Sample size determination is crucial in planning a statistical study and challenging as well (Eng, 2003). The sample size was determined using the Raosoft sample size calculator. Raosoft is statistical software that is used to calculate the sample size. Furthermore, to determine the sample size of this study, previous studies such as Maziriri and Chinomona (2016) “Modelling the influence of relationship marketing, green marketing and innovative Marketing on the Business Growth of Small, Medium and Micro Enterprises”, which utilised 230 sample size, was used as a guide for the sample size. Therefore, the sample size of 230 was deemed appropriate and is consistent with other studies that have focused on small and medium enterprises in South Africa.

17. Sample Method

The appropriate sample method for this research is probability sampling as it gives every unit within the population an equal chance to be sampled by the researcher (Brannen, 2005).

18. Questionnaire Design

Due to the nature of this study, self-administered questionnaires will be utilised as a method of collecting data. Section A of the questionnaire will require the respondent's profiles and Section B will focus on the research variables, which are: market orientation, networking, innovative marketing and business growth. A 6-item scale was adapted from (Avlonitis, 2007) to measure differentiation strategy. A 6-item scale was adapted from (Salavou, 2007; Zahra & Bogner, 2000) to measure risk-taking. A 6-item scale was adapted from (Ostgaard & Birley, 1996) to measure innovativeness. A 6-item scale was adapted from (Delaney & Huselid, 1996; Roberts & Dowling, 2002) competitive advantage. A 6-item scale was adapted from (Maziriri & Chinomona, 2016) to measure business growth. For this questionnaire a 5-point Likert scale was utilised in the means of 1 = strongly disagree to 5 = strongly agree.

19. Data Collection

A pilot study was conducted first to investigate the innovative marketing factors of SMMEs business growth using only 80 respondents. The pilot study is also crucial in checking for the reliability of scales used in the questionnaire. The pilot questionnaire was distributed to 80 managers and owners of SMMEs in Johannesburg to test the model fit. The other intention of the pilot questionnaire was to find out what questions potential participants would like to see in the final questionnaire that was used to collect data. The choice of the data collection technique was done in the context of the research objective or questions as per (Hoagwood *et al.*, 2015). The method of data collection that was used were questionnaires, which were self-administered questionnaires and were given to respondents of 230 business managers and owners.

20. Data Collection Techniques

The data collection technique that was used for the purpose of this research was primary data collection techniques, collected on the field of business. Primary data refers to data that is collected for a specific purpose; collected from first-hand experience (Business dictionary, 2016). In this study, only primary data was used. The survey questionnaires were distributed to managers and owners of SMMEs. To collect data from participants, a comprehensive questionnaire was developed whereby random SMMEs from Johannesburg were selected to answer questions regarding innovative marketing factors.

21. Data Analysis Approach

Data analysis is a statistical process in which raw data is prepared and structured so that valuable information can be extracted from it (Chelala et al., 2017). Firstly, the collected data was coded in an Excel spreadsheet before the analysis was done on Amos. To gain comprehension of the attributes of each variable, descriptive statistics analysis was utilised which will be shown by the mean and standard deviation of each factor in the results. The researcher was responsible for analysing the data. Statistical Packages for the Social Sciences (SPSS) will be used to analyse the data.

22. Reliability and Validity of Measurement Scales

Reliability and validity both relate to the logic and accuracy of a test (Straus, 2017). Reliability requires better comparable experiments, while validity asks the question on whether the experiment is tailored to appropriately answer the questions being asked i.e. if the experiment is valid in logic terms (Heale & Twycross, 2015). The factor loadings; the Cronbach's alpha and Composite Reliability should be > 0.6 and > 0.7 respectively. The values, therefore, would be determined using Statistical Package for the Social Sciences (SPSS) 22.0 and Analysis of Moment Structures (AMOS) 22.0 software in order to assess measurement items reliability. Convergent and discriminant validity of the research constructs will be determined by checking the inter-correlation between the research constructs and by comparing the Average Variance Extracted (AVE) and shared variance (discriminant validity). As for convergent validity, the item total correlation values, item loading, and average variance extracted will be utilised as indicators.

23. Data Cleaning and Coding

Before the data is coded for study, checks for the legitimacy of the data must be conducted so that incorrect data that might have been entered on to the excel spreadsheet will be filtered out. Trochim, (2000) stated that immediately after receiving the collected data, the researcher must screen it for accuracy.

24. Descriptive Statistics

Trochim (2000) defined descriptive statistics as information that is used to describe the basic characteristics of the data in the study. Descriptive statistics involve simple summaries about the samples and the dimensions of the data. The descriptive statistics could take the form of pie charts, or tables that show the basic data of the main components of the study, for example, demographic or biographical data.

25. The Structural Equation Modelling Approach

Structural Equation Modelling (SEM) is a statistical technique that combines elements of traditional multivariate models, such as regression analysis, factor analysis and simultaneous equation modelling (Byrne, 2016). It is important to check for reliability, validity and model Fit (goodness of fit) before any path modelling (hypothesis testing) is conducted. This study will mainly require the use of Structural Equation Modelling to conduct Confirmatory Factor Analysis and Path Modelling (Hypothesis Testing).

26. Model Fit (Goodness of Fit)

Chi-squared tests are used as the goodness of fit tests (Yu, 2002). The Chi-Square value is the traditional measure for evaluating overall model fit and it assesses the magnitude of discrepancy between the sample and fitted covariance matrices. A good model fit would provide an insignificant result at a 0.05 threshold (Barrett, 2007).

27. Path Modelling

Path modelling describes the relationship between observed or measured variables and theoretical constructs (Roche, Duffield & White, 2011) and tests the structural paths of the conceptualized research model. Once the model fit has been assessed using confirmatory factor analysis (CFA), this study will proceed to perform Path Modelling using AMOS 21.0 software package. The structural equation modelling (SEM) technique demonstrates and tests the theoretical underpinnings of a proposed study and the significance of the relationships between models constructs. SEM stipulates a technique where separate relationships are allowed for each set of dependent variables and provides an estimation technique for a series of separate multi-regression equations to be estimated concurrently. It further contains two mechanisms namely the structural model, which is the path where independent and dependent variables are being linked, and the measurement model which enables this study to use several indicators for a single independent variable. In this study, several attributes are to be identified as influencing performance. The multi-item scales for each construct can be developed. Thus, by assessing each relationship simultaneously rather than separate by incorporating all the multi-scale items to account for measurement errors with each scale.

28. Confirmatory Factor Analysis (CFA)

Confirmatory factor analysis is an analytical tool that allows the researcher to explore hypotheses about what constructs the test in question is measuring and provides an empirical basis for clinical interpretation (Burton, Ryan, Axelrod, Schellenberger & Richards, 2003). It involves the separation of many variables into a smaller number of factors within which all variables are related to each other. The purpose of factor analysis is to investigate the underlying variance structure of a set of correlation coefficients. A confirmatory factor analysis will be performed to obtain the standard regression weights. Model fit indicators such as Chi-square/degrees of freedom, Goodness of Fit Index (GFI), Augmented Goodness of Fit Index (AGFI), Normed Fit Index (NFI), Incremental Fit Index (IFI), Tucker-Lewis Index (TLI), Composite Fit Index (CFI) and the Random Measure of Standard Error Approximation (RMSEA) will be used to assess the model fit.

29. Structural Equation Modelling (SEM)

SEM is a term used for a large set of statistical techniques based on the general linear model (Ullman & Bentler, 2003). Iacobucci (2010) described SEM as a natural progression of the factor

analysis and regression. A full SEM consists of a measurement model, which relates the variables to the constructs, and a structural model, which relates the constructs to other constructs (Iacobucci, 2009). SEM provides a comprehensive structure for assessing and modifying theoretical models and as such, offers great potential for furthering theory development (Anderson & Gerbing, 1988). SEM-based procedures have substantial advantages over first-generation techniques such as principal components analysis, factor analysis, discriminant analysis, or multiple regression because of the greater flexibility that a researcher has for the interplay between theory and data (Chin, 1998). Therefore, data analysis through the structural equation modelling will be used for this study.

29. Ethical Consideration

Ethics can be described as a method, procedure or standard of conduct (Gajjar, 2013). Webster (1988) further expands that ethics deal with what is good and bad and with moral duty and obligation. For the purpose of this study, the participating respondent will be informed about the foundation for the research. This is so because a human element will be involved in the study, therefore, measures must be put in place that ensures the protection of peoples' privacy as well as the reputation of the University of the Witwatersrand.

The University of the Witwatersrand ethics committee will decide on granting ethical clearance for the research and if any fabrication, falsifying or misrepresenting of research data occurs, the committee will take appropriate action. No participant will be forced to take part in the study and no incentives such as money will be used into luring participants into taking part. Participants will be free to pull out of the study at any given stage. The researcher will adhere to all the procedures as far as ethical conduct throughout the research. The researcher will keep all collected data as confidential and not use it for any other purposes other than those of the research.

30. Summary of the Chapter

Chapter 1 covers ten sections, the first section set into motion the introduction of the research, which focuses on SMMEs and how important they are to the economy and thereafter explores the various definitions of SMMES.

CHAPTER 2: LITERATURE REVIEW

1. Introduction

This chapter will review the literature on the resource-based view and Porter's Generic Strategic model. Theoretical foundations from the resource-based view helped to guide this study. The study begins by reviewing the history of resource-based view. The study looks at an in-depth approach of entrepreneurship and marketing as two separate disciplines, followed by the theoretical groundings for the study and then an empirical literature review of the studies research variables.

Resource-based view theory in conjunction with Porter's Generic Strategic model will be used as the grounding theories to better understand the entrepreneurial business performance. The resource-based theory provides that a firm achieves competitive advantage by making optimal use of its resources and capabilities (Kozlenkova *et al.*, 2013).

While Porter's Generic Strategic model looks at the competitive advantage strategic business model and how businesses can leverage their resources creating value for their customers. To ensure a thoroughly scientific approach, the study of the impact of innovative factors on business growth among small, micro and medium Enterprises within the retail sector is based on existing theories. The study concludes by looking at innovative factors as an enabling factor of business growth.

2. SMME Defined

According to the South African Department of Trade and Industry small, medium and micro enterprises are generally defined by revenue, assets excluding property or by the numbers of its workers (DTI, 2015).

Generally, SMMEs are those enterprises which have fewer than 100 employees furthermore in distinguishing between small and medium-sized enterprises, the small enterprise is defined as an enterprise, which has a turnover of less than R14 million and having total assets of under R5 million (Ayandibu & Houghton, 2017).

3. Importance of SMMEs to the Economy of South Africa

In several countries, small and medium enterprises constitute for a great portion of the population that is productive and served as a prime economic mover (Afolabi, 2013). According to Smit and Watkins (2012) SMMEs are said to be essential to developing economies like South Africa as they drive sustainable growth, contribute to job creation, and the alleviate poverty, this being especially true for developing countries. In South Africa, it is estimated that 91% of the formal business entities are SMMEs (Fatoki, 2016).

They also contribute between 52 to 57% to GDP and provide about 61% to employment (Abor *et al.*, 2017). The operations of SMMEs occupy an admirable position in the economic landscape of most economies in the world, especially for developing countries, it is estimated that more than 95% of enterprises across the world are SMMEs and they account for approximately 60% of private sector employment (Turkson & Iddrisu, 2017). SMMEs account for a greater share of businesses in South Africa, attracting foreign investment and developing the economy (Gbandi & Amissah, 2014).

4. Theoretical Grounding

The resource-based view theory and Porter's generic strategic model serves as a grounding theory for this study.

5. Theory

Ritzer and Stepnisky (2017) define theory as an idea or a structure of philosophies intended to describe a phenomenon, particularly one based on common doctrines independent of the mechanism to be explained. Glaser and Strauss (2017) allude that a theory is a set of assumptions, propositions, or accepted facts that attempts to provide a plausible or rational explanation of cause-and-effect causal relationships among a group of the observed phenomenon.

6. Theoretical framework

The theoretical framework is a conceptual model that establishes a sense of structure which guides research, it provides a background that is developed through a review of previous research on the variables involved (Creswell & Poth, 2017). The resource-based review suggests

that a business's sustainable competitive advantage can be maximized if internal resources are leveraged to help guard against competitors and other external market forces that have the potential to negatively impact the business growth (Porter, 1980).

7. Resource-based theory

The use of resource-based theory (RBT) in marketing research has increased by more than 500% in the past decade, which suggests its importance as a framework for explaining and predicting competitive advantages and performance outcomes (Kozlenkova, Samaha & Palmatier, 2014). Possibly the biggest contributors to the resource-based theory literature are (Wernerfelt, 2014; MacKay & Barney 2016).

Before an elucidation of the theory, it is necessary to define what a resource is. Lamprecht and Rooven (2012) define a resource as any tangible or intangible asset. In the resource-based theory, a firm is observed as a bundle of resources (Yamori, 2015). Therefore, this paper adopts resource-based theory as its theoretical framework; because relationship marketing, green marketing, and innovative marketing are market-based resources that are critical as well as that an SMME can utilise to improve its business growth. Market-based resources refer to a subset of firm resources (assets and capabilities) related to marketing activities, such as building brands, relationships, innovations, or knowledge (Kozlenkova, Samaha & Palmatier, 2014). In this study, the researchers use RBV from the point of view of SMMEs' capabilities, such as building a relationship between customers and being innovative.

The resource-based theory provides an important framework for explaining and predicting the basis of a firm's competitive advantage and performance (Barney, Ketchen, & Wright, 2012). Matsoso (2014) concurs that the resource-based theory analyses how best certain assets and capabilities of a firm may be utilised and/or lays the basis for competitive advantage. Therefore, firms introduce strategies based on the resources that they control with the aim to enhance efficiency and effectiveness (Barney, 2015).

The resource-based theory has become a leading academic theory for explaining business growth (Newbert, 2017). A firm's resources are set to generate a competitive advantage, which in turn offsets performance (Crook, Ketchen, Combs & Aguinis, 2013). Zhang, Tansuhaj and Mccullough (2009) state that a competitive advantage is the result of a firm that was able to

develop resource capabilities progressively and ensured that it was nested within the firm and hard to duplicate. Therefore, capabilities can be considered a significant driver of firm performance (Teece, Pisano & Leih, 2015). Based on the authors' explanations it can be noted that if the resource-based theory is taken into consideration it can enhance the development of SMMEs in Southern Gauteng, South Africa. The flexibility and willingness of small firms to try new approaches to seize the opportunity and competitive advantage (Knight & Cavusgil, 2015). However, Hofer (2015) approach to generic strategy is in fact, a contingency perspective is implicit in the adaptive view of the currently dominates the literature (Miles & Snow, 2012). Its clearest manifestation in the strategy area is the structure strategy performance paradigm that was introduced by institutional economists (Porter's, 2013).

Kraay (2016) competitive strategy techniques for analysing industries and competitors, Porter simplifies the scheme by reducing it down to the three best strategies. Porter's variables as sub-topic is cost leadership, differentiation, and market segmentation or focus (Rumelt, 2012). Combining a market segmentation strategy with a product differentiation strategy is an effective way of matching your firm's product strategy to the characteristics of your target market segments (Alexander & Bain, 2016). Combinations like cost leadership with product differentiation are challenging to implement due to the potential for conflict between cost minimization and the additional cost of value-added differentiation. Porter *et al.*, (2015) suggested that certain generic strategic approaches can be used by firms to outperform other organizations in an industry.

The generic strategy's objective is to achieve overall cost leadership in an industry by devoting considerable effort to cost control so that above average returns can be obtained even with low prices (Miller *et al.*, 2016). Another generic strategy is for an organization to differentiate its product or service offering in order to create something that is perceived industrywide as being unique (Weber, Miller & Friesen, 2012). Approaches to differentiation may rest on the breadth of product or service offerings, technology, special features, or customer service. Organizations with no coherent strategy are considered as stuck in the middle, pursuing a muddling strategy (Loader, 2015).

8. Empirical Literature

Innovative Marketing Factors

This section focuses on the empirical literature regarding the research variables that will be under investigation. Literature in all-purpose proposes confirms that businesses face numerous

marketing challenges that cannot be dealt with by conventional marketing strategies necessitating them to adopt innovative marketing practices (Olsen, 2018).

Looking at the emerging evidence that marketing is key to the success of the business, the research stream of innovative marketing has developed in significance over the last two centuries (Gruber, 2014). Therefore, from the discussion, it can be concluded that innovative marketing is an interface between marketing and entrepreneurship, and it integrates marketing and entrepreneurship through the concepts shared by the two fields.

9. Differentiation strategy

Differentiation strategy is significant since it creates barriers to entry, protection against imitation and customer loyalty (Singh & Mohamood, 2014). This also helps firms from developing countries differentiate themselves successfully from multinationals competition as customers are aware of the local products (Ayob & Senik, 2015).

Product differentiation is one of Porter's generic strategies and has often been considered the opposite of a cost leadership strategy (Boehe & Cruz, 2015). Firms may differentiate their products by, for instance, increasing their technological sophistication, increasing their innovative features, offering higher quality standards, improving their image or achieving higher customer service (Hagen *et al.*, 2012). Product differentiation and market segmentation are both consistent with the framework of imperfect competition (Netz & Taylor, 2002).

In its simplest terms, product differentiation is concerned with the bending of demand to the will of supply (Kuksov, 2004). It is an attempt to shift or to change the slope of the demand curve for the market offering of an individual supplier (Mellelt & O'Brien, 2014). Differentiation tends to be characterized by heavy use of advertising and promotion and to result in prices that are somewhat above the equilibrium levels associated with perfectly competitive market conditions (Smith & Brynjolfsson, 2012). It may be classified as an as a promotional strategy and approach to marketing (Awa *et al.*, 2015).

Risk-taking

Early definitions of risk-taking focused on the inclination of entrepreneurs to engage in calculated business-related risks (Brockhaus, 2015). Risk-taking entails making risky resource commitments, investing in new technologies or bringing new products to the market, with the

intention of potentially gaining high returns by capturing opportunities in the marketplace (Wiklund & Sheperd, 2014).

Hnilica (2016) defines business risk-taking as an opportunity which has uncertainty, the outcome of which could either be positive or negative to the business strategic goals. Lumpkin and Dess (2015) elaborate that risk-taking represents a willingness to commit resources to implement projects, activities, and solutions that contain inherently high levels of uncertainty regarding the likely outcomes. The concept of risk-taking has also been referred to as being prepared to take bold actions by pursuing the unknown and to make uncertain resource commitments in an attempt to achieve strategic business goals (Kretinin & Frishammar, 2015).

Innovativeness

Innovativeness is described as the introduction of new or improved processes, products or services based on new knowledge that may be scientific or technological (Schneider, 2015).

Innovativeness refers to the capability of organizations to introduce new products and features (Koufteros & Jayaram, 2014). Hurley and Hult (1998) alluded that innovativeness being the organization's openness to new ideas and willingness to change; by the adoption of new technologies, resources, skills and administrative systems that may lead to new and improved products.

Hughes and Morgan (2006) attested to this concept by providing that innovativeness represent a preference towards embracing and supporting creativity, research and development, experimentation and technological leadership in the development of products, services, and processes to achieve optimal solutions to customer needs and wants. Wiklund and Shepherd (2005) referred to innovativeness as a business' ability to engage in and support new ideas, creative processes, and experimentation that may result in new products, services or technological processes.

Competitive advantage

The concept of competitive advantage has a long history and tradition in the strategy literature (Sigalas, 2015). Ansoff (1965) is the first scholar who attempts to define competitive advantage as the isolated characteristics or particular properties of individual product markets, which give a firm a strong competitive position. Competitive advantage enables an enterprise or a group of businesses within an industry to achieve superior business performance (McKee, Varadarajan, &

Pride, 1989). Competitive advantage and superior business growth have been sought through organizational adaptability as well as rigidity (Wright et al, 1991).

Competitive advantage has been a cornerstone concept in the field of marketing (South, 1981; Baaij et al., 2004) since it explains what accounts for differences in performance among firms (Zott & Amit, 2008; Ceccagnoli, 2009). The scope of business strategy, on the other hand, is to define the long-term plan of action a firm may pursue to achieve its performance goals (Zahra & Covin, 1993). For that reason, competitive advantage is widely accepted in marketing as it results in the increased return of investment courses (Barney, 1997; Grant, 1998).

Business Growth

In today's business world, business growth is highly stressed and there are many measures used in studies to determine business growth (Zehir & Karaboga, 2015). Understanding the definition of business growth is a necessity for gaging and managing organizational performance (Kotler & Armstrong, 2011). According to Maziriri and Chinomona (2016) business growth refers to how comprehensive technology-enabled performance impacts across all firm activities, such as cost reduction, revenue enhancement, and competitiveness.

Vieira (2010) states that business growth might be defined in terms of doing the work, as well as in terms of the results achieved. Reijonen (2008) conducted an empirical study in craft and rural tourism micro business. The author defined business growth as an indicator that measures the business's efficiency and effectiveness in achieving the goals. Business growth can also be analysed by a business' ability to produce results in relation to set targets (O'Regan, Sims & Galleary, 2008).

10. Summary of the Chapter

This chapter had three sections, the first section discussed the conceptual framework for SMMEs that are operating in Johannesburg South Africa. The second part looked at the theoretical foundation was explored on the empirical review where each of the research was investigated in detail. Thirdly the study investigated the five-research construct in-depth namely; differentiation strategy, risk-taking, innovativeness, competitive advantage, and business growth.

CHAPTER 3 CONCEPTUAL MODEL AND HYPOTHESIS DEVELOPMENT

1. Introduction

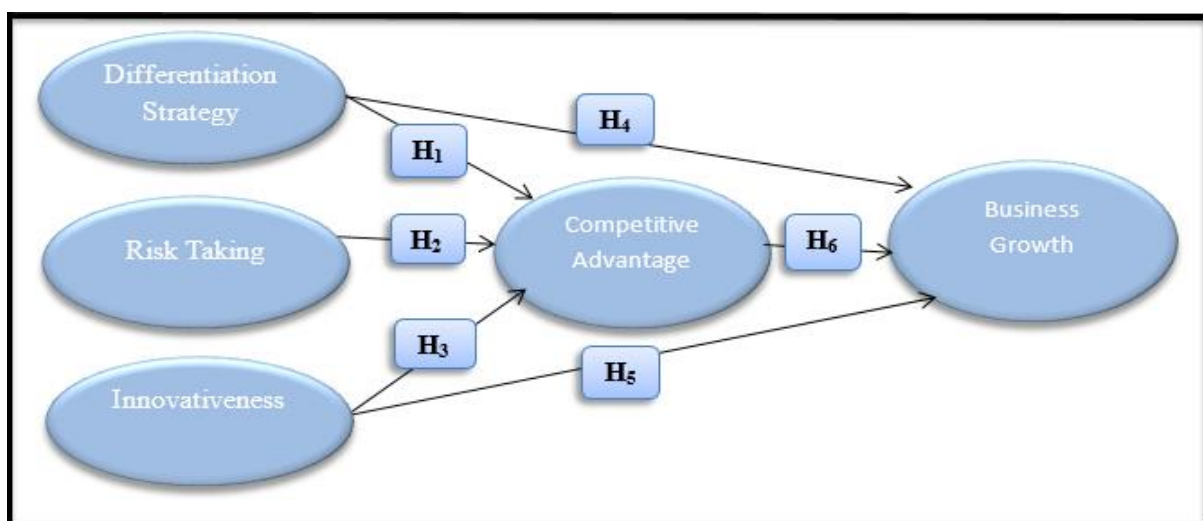
The following chapter involves a discussion of each of the variables involved in the current study, in order of the predicting, moderating and finally, the dependent variables. It also contains information collected from prior literature regarding the nature of the relationships between the variables and suitable hypotheses considering past research.

2. Hypotheses Development

The following looks at the discussion of the development of the hypotheses for the study.

Conceptual Model

Figure 2: Conceptual Model



Hypothesis 1: Differentiation strategy is positively associated with competitive advantage.

A common rationale involves using a differentiation strategy to take advantage of strategic, marketing opportunities (Lusch, 2008). Heskett et al (1997) concur that the fact that the services are less visible, and more labour dependent makes them a strategic opportunity and a sustainable source of competitive advantage (Heskett et al., 1997).

Han et al (1998) are of the viewpoint that differentiation strategy represents competitor orientation, which is part of the market orientation and is possible to conceptualize as a direct effect on competitive advantage. The existing understanding of service differentiation is not limited to gathering intelligence on competitors' service offerings (Gebauer, 2000). The view of service differentiation is as a strategy type and different business logic that SMMEs apply

(Davies, 2004; Fang et al., 2008; Oliva and Kallenberg, 2003). Combining differentiation strategy with factors such as innovativeness, risk-taking, and customer centricity, versus just using differentiation strategic alone, can sustain above industry average performance (Hoopes et al., 2003). Therefore, based on the above discussion this study hypothesizes that

H1: Differentiation strategy is positively associated with competitive advantage.

Hypothesis 2: Risk taking is positively associated with competitive advantage.

Lumpkin and Dess, 2015 are of the opinion that for small businesses to be competitively aggressive and proactively innovative, they must display some risk-taking behaviour. Timely risk-taking has been associated with strategic decision speed and both have subsequently been linked to improved competitive advantage (Eisenhardt, 2014).

Businesses are supposed to embrace the concept of risk taking as their business growth can be characterized by such events (Morris et al, 2015). Businesses that take risks are said to be more decisive and can make strategic decisions timelier, which improves their overall level of performance and growth (Kreiser, Marino, Kuratko & Weaver, 2012). Avlonitis and Salavou (2007) have labelled businesses that are aggressively involved in risk-taking as prospectors and pioneers which are likely to be the first to realize business growth and capture a huge market share in their segments. Based on the above discussion this study hypothesizes that:

H2: Risk-Taking has a positive impact on business growth

Hypothesis 3: Innovativeness is positively associated with competitive advantage

The ideas regarding innovativeness and competitive advantage can be adopted out of the relational view (Damanpour, 1991). Dyer and Singh (1998) argue that an increasingly important unit of analysis for understanding competitive is the relationship between firms and the resources that flows in them. There is a consensus in the literature that all types of innovations can contribute to a firm's competitive advantage and a typology of technical and non-technical innovation has gained wider acceptance in the literature (Han, Kim, & Srivastava, 1998).

However, the innovation literature has primarily focused on technical innovations, primarily in products (Damanpour, Szabat, & Evan, 1989). This is particularly evident in the marketing literature and a growing number of marketing academics suggests the need to examine synergistic effect of both technical and non-technical innovation on firm performance and competitive advantage (Han et al., 1998). Whilst several contributors to this Special Issue have addressed this issue this research direction may be a promising research path to advance existing knowledge (Varadarajan & Jayachandran, 1999). According to Barney (1991), if enterprises

want to obtain sustainable competitive advantages, they can adopt strategies that exploit their internal strengths and external opportunities and avoid their external threats and internal weaknesses. In the era of knowledge economy nowadays, innovation becomes a key source of competitive advantages (Daghfous, 2004). Successful innovation is affected by several environmental and contextual factors (Roberts & Amit, 2003; Roberts, 2003). ***H3: A positive relationship exists between innovativeness and business growth***

Hypothesis 4: Differentiation strategy is positively associated with business growth

Product differentiation involves creating a differentiated image or a higher quality (Brooks, 2016). Product quality is a competitive factor and may refer to several product characteristics, such as product performance, durability, reliability, and consistency with specifications, amongst other characteristics (Calantone & Knight, 2015). Preceding examinations have noted evidence for a positive relationship between product quality and export performance (Piercy et al., 1998). Porter (1985) as the innovations in product or service offerings that contribute to a product's uniqueness. Differentiated products may sell for higher prices or they may increase sales volume, market share and, eventually, increase revenues and profitability.

H4: A positive relationship exists between differentiation strategy and business growth.

Hypothesis 5: Innovativeness is positively associated with business growth

Innovativeness continues to be recognized as an essential element of competition and dynamic efficiency of businesses (Love & Roper, 2015). It is evident in the market that product innovators take market share from non-innovators and achieve business growth at their expense (Love & Roper, 2015). As such, product innovation is seen to result in faster growth, more efficiencies and ultimately more profitability (Love & Roper, 2015). Numerous studies have been conducted which document the relevance of new product innovation as a key factor to the overall growth of business (Cooper, 2012).

Innovativeness practices are said to be forerunners to organizational performance (Koufteros, Lu, Peters, Lai, Wong & Cheng, 2014). Hult (2011) attested to this concept when he alluded to how product innovativeness lays a foundation to a business' success and growth. A wealth of evidence indicates a positive relationship between innovation and business growth in both manufacturing (of products) and services (Roper *et al.*, 2008). Particularly for SMMEs, studies indicate a strong positive relationship between growth and innovativeness activities (Golovko & Valentini, 2011). However, it is also recognized that in order to keep this growth sustainable, active participation in the development, forming and execution of a continuous flow of

innovative ideas and products is necessary (Madsen *et al.*, 2007). Thus, based on the above discussion it can be hypothesized that

H5: A positive relationship exists between innovativeness and business growth.

Hypothesis 6: Competitive advantage is positively associated with business growth

Competitive advantage refers to the economic value that has been created from the exploitation of a firm's resource capability combinations and performance refers to the benefits derived from its valuable (Dierickx & Cool, 1989). According to Barney (1991) firms can improve their performance only when their resource-based strategies exploit opportunities or neutralize threats. The best performing firms will not necessarily be those that simply exploit the most valuable and rare resource-capability combinations.

Thus, in order to improve performance, firms or more specifically, SMMEs ought to first identify and implement resource-based strategies that actually result in the creation of economic value (Castanias & Helfat, 2001). According to Peteraf and Barney (2003), a firm that has attained a competitive advantage has created more economic value the difference between the perceived benefits of a resource-capability combination and the economic cost to exploit them than its competitors. Teece (1987) argues that a firm's ability to appropriate economic value is primarily a function of the nature of the organization upon which the associated products and services are based and the effectiveness of the available resources. Given these constraints on value appropriation, any improvement in performance a firm experience is unlikely to correlate perfectly with its competitive advantage (Coff, 1999).

H6: A positive relationship exists between competitive advantage and business growth

3. Summary of Chapter 3

Prior literature has identified the above variables as important for the purposes of an investigation regarding the use of mobile applications and past research has indicated the presence of either a positive or negative relationship between these variables. The study investigated the variables and whether such a relationship is seen to exist among students studying at the University of the Witwatersrand. The following chapter will explain the methodology by which the investigation will be undertaken.

CHAPTER 4 RESEARCH METHODOLOGY

1. Introduction

This section of the study examined a detailed discussion on the research philosophy and then looked at different research design approaches. There are two underlying aspects of the research namely: research philosophy and research design (Ates, 2008). A research philosophy helps the researcher to have clarity in making relevant choices of the research design. Ates (2008) outlines the importance of research philosophy usually that in cases where the research's philosophical nature is deficient of courtesy, the quality of the findings may be seriously affected.

The study used a deductive research approach which is usually applied to the positivist research paradigm approach. The study was spearheaded on quantitative research design. The research design was divided into three groups namely: questionnaire design, sampling design and data collection technique. As in most deductive studies, theoretical hypotheses established were tested at a later stage.

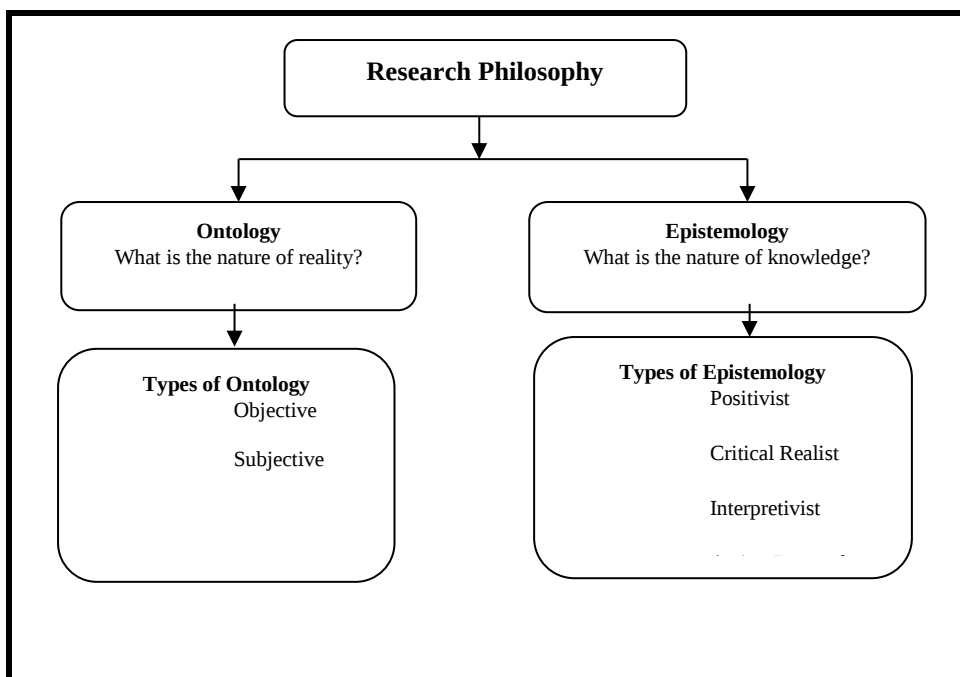
For the questionnaire design, the measurement instruments were purely adapted from previous scales and there were 6 measuring items per research construct. The sampling design shows that the study participants were drawn from SMMEs managers and owners who are actively involved on the day to day running of the business. The non-probability random sampling method was employed in arriving at a sample size of 230 participants. The most appropriate technique considered for this study was random sampling through an interactive approach. Due to time constraints, the respondents (Managers and Owners) were approached in their business premises.

A researcher chose to use a self-administered survey questionnaire, which is known to be the most appropriate method for collecting data. In order to diminish or lessen the likelihood of biases, participants were asked to express their views with all honesty when completing the survey and were guaranteed confidentiality. Their responses were going to be used and presented collectively. The next section makes available a thorough account of the research methodology.

2. Research Philosophy

Research philosophy is a belief about the way in which data about a phenomenon should be gathered, analysed and used. The chosen research philosophy of this research was impacted by practical entrepreneurial implications. This study followed a positivist research philosophy; and was concerned with gaining knowledge in a world which is objective, using scientific methods of inquiry. Methods associated with this paradigm include experiments and surveys where quantitative data is the norm. There are popular data collection methods associated with each research philosophy.

Table 4. 1: Graphical Demonstration of the Research Philosophy



3. Research Design

A research methodology is a research approach or strategy of action that conveys the principles that guide how the research will be conducted (Crotty, 1998). The two philosophies that are popular amongst researchers today are positivism and post-positivism (Bhattacharjee, 2012). Positivism ascertains that knowledge creation should be limited to what can be observed and measured and relies exclusively on theories that can be tested directly (Bhattacharjee, 2012). Positivist belief is that “there is a single, external, objective reality to any research question regardless of the researchers’ beliefs” (Hudson & Ozanne, 1988). Post-positivism, on the other hand, makes the argument that reasonable inferences can be made by combining empirical observations and logical reasoning (Bhattacharjee, 2012)

The current study makes use of a positivist philosophy as it makes use of both a rational and logical approach, and a positivist researcher seeks objectivity and uses rational and logical approaches (Bryant, 2011). Furthermore, in studies conducted with a positivist approach, the researcher takes a structural approach to the research by identifying a research topic, formulating research questions and hypotheses, and developing a suitable methodology (Bryant, 2011).

<u>QUANTITATIVE</u>	<u>QUALITATIVE</u>
Objective	Subjective
Literature Review must be done early in the study	A literature review may be done as the study progresses or afterward
Test theory	Develops theory
Measurable	Interpretive
Hypothesis	Research questions
Established relationships, causes	Describes the meaning and discoveries
Uses instruments	Uses circumstances and observations
Highly controlled setting and experimental setting	Flexible approach: natural setting (processes oriented)

Table 4. 2: Different Research Designs

Source: Poth (2017)

Patten and Newhart (2017) are of the view that two approaches can be followed when conducting research, namely qualitative and quantitative research or better known as a mixed method.

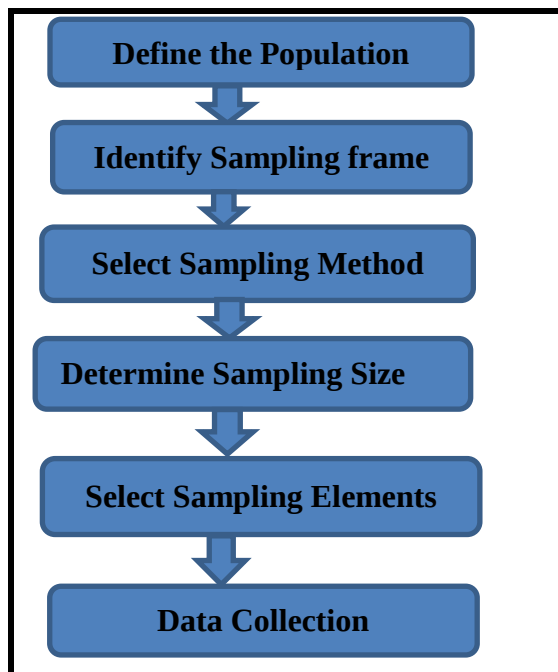
4. Research Approach Adopted for the Study

Quantitative research results also tend to be more accurate and objective as it usually involves only a few variables and many cases and makes use of prescribed procedures to ensure validity and reliability (Mcnabb and Singh 2008). Furthermore, in quantitative research, many sources of information can be summarised, and comparisons made, and personal and time bias can be avoided by creating distance from the subjects and making use of accepted computational techniques.

5. Sampling Design

Sampling design is defined as a list of elements against which a sample is drawn (Zikmund & Babin, 2012). This information is used to draw inferences about the population. The subset of units that are selected is called a sample. In the case of this study, four aspects will be included in the sampling design: target population, sampling design, sample size, and the sampling method.

Table 4. 3: Steps in the sampling process



Source: Chinomona 2016

6. Target Population

The target population of a study has been defined as all the people or items unit of analysis with the characteristics that the researcher wishes to study (Collins, Onwuegbuzie & Jiao, 2017). The unit of analysis may be a group, person, country, organization, object, or any other entity, which one may wish to draw scientific inferences about (Bhattacharjee, 2012). The target population for this study is business managers and business owners that run the small and medium enterprises that are within the retail sector in Johannesburg.

7. Sample Frame

The sampling frame is a section of the target population which is accessible and from which one can draw the sample (Bhattacharjee, 2012). This information is used to draw inferences about the

population. The subset of units that are selected is called a sample. In the case of this study, four aspects will be included in the sampling design: target population, sampling design, sample size, and the sampling method.

8. Sample size

The sample size used was 230 SMMEs. This is in conjunction with the study, Maziriri, E.T & Chinomona (2016), where a sample size of 231 of SMMEs was used. A sample can be defined as an act of choosing the number of observations or replicates to include in a statistical sample (Nomura & Hamads, 2017). Khalilzadeh and Tasci (2017) define sample size as an important feature of any empirical study in which the goal is to make inferences about a population from a sample. A sample size consists of the number of elements to be included in the research study (Malhotra, 2010).

9. Determining the sample size

Therefore, deducing from the above table, the historical evidence approach was used to determine the sample size for this research. The sample size of 230 was chosen which is consistent with other studies that have focused on small and medium enterprises in South Africa.

10. Sampling Technique

Sampling technique is defined as introducing control into the selection of n out of N sampling units when it increases the probabilities of selection for preferred combinations of units (Goodman & Kish, 2016). There are two methods of sampling, one yields probability samples in which the probability of selection of each respondent is assured. The other yields non-probability samples in which the probability of selection is unknown (Polit & Hungler, 2015).

11. Probability Sampling Technique

For the purpose of this study, a quantitative research method (simple random probability sampling) was used. This technique best suited the study since it provided a fair opportunity for each respondent to be chosen.

12. Data Collection Method

According to Lethbridge (2017), data collection technique should be done in the context of the research objective or questions data collection comprises interviews, questionnaires, observation, and mall intercepts. The survey method is the most preferred method of primary data collection due to the nature of this study. A survey method of collecting data was ideal for this study since a quantitative approach was utilised. For this purpose, a structured questionnaire consisting of a series of questions that respondents answered was used. The use of the questionnaire during the survey generated crucial information useful for improving the response rate.

13. Measurement Instrument

The data was collected by means of the survey method. This method makes use of standardized interviews or questionnaires to collect data about individuals and their preferences, behaviours, and thoughts in a systematic manner (Bhattacharjee, 2012). The survey method may be used for descriptive research, as well as exploratory or explanatory research, and is most appropriate for studies that use individual people as units of analysis (Bhattacharjee, 2012). Survey research can be split into two groups; questionnaire surveys and interview surveys. Questionnaires are instruments that are completed by the respondents in writing and are what is utilised in the current study (Bhattacharjee, 2012).

14. Questionnaire design

Due to the nature of this study, the self-administered questionnaire was utilised as a method of collecting data. Section A of the questionnaire will require respondent's profiles and Section B will focus on the research variables: Differentiation Strategy, Risk Taking, Innovativeness, Competitive Advantage, and Business Growth. A 5-point Likert scale was utilised in the means of 1= strongly disagree, 2= Disagree, 3= moderately agree, 4= Agree and 5= strongly agree.

Differentiation Strategy

The scale contains 6 items used for each of the independent variables are found in the following section. *Source* (Avlonitis, 2007)

DS1	Our business ability to evaluate various suppliers and choose the most	Strongly disagree	1	2	3	4	5	Strongly agree
-----	--	-------------------	---	---	---	---	---	----------------

	appropriate supplier.							
DS2	We hold regular managers' meeting to discuss the overall strategy.	Strongly disagree	1	2	3	4	5	Strongly agree
DS3	We are often the first to introduce innovative products.	Strongly disagree	1	2	3	4	5	Strongly agree
DS4	We spend more heavily on research and development than our competitors.	Strongly disagree	1	2	3	4	5	Strongly agree
DS5	We focus on a narrow, specific customer group.	Strongly disagree	1	2	3	4	5	Strongly agree
DS6	We command a higher price than other business by making a distinctive, high-quality product.	Strongly disagree	1	2	3	4	5	Strongly agree

Risk Taking

The scale contains 6 items used for each of the independent variables are found in the following section. *Source* (Salavou, 2007; Zahra & Bogner, 2000)

RT 1	There is a strong proclivity for high-risk projects (with chances of very high return).	Strongly disagree	1	2	3	4	5	Strongly agree
RT 2	Owing to the nature of the environment, bold, wide-ranging acts are necessary to achieve the business objectives.	Strongly disagree	1	2	3	4	5	Strongly agree
RT 3	Typically, we adopt a bold, aggressive posture in order to maximize the probability of exploiting potential opportunities.	Strongly disagree	1	2	3	4	5	Strongly agree
RT 4	We normally take up a fearless, aggressive position, in order to maximize the chance of being able to exploit possible opportunities.	Strongly disagree	1	2	3	4	5	Strongly agree
RT 5	The business environment of the company is such that fearless and powerful measures are needed to obtain the company's objectives	Strongly disagree	1	2	3	4	5	Strongly agree

RT 6	We have a strong propensity towards complex decisions	Strongly disagree	1	2	3	4	5	Strongly agree
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Innovativeness

The scale contains 6 items used for each of the independent variables are found in the following section. *Source* (Ostgaard & Birley, 1996)

I1	Our new products are compared with the main competitors.	Strongly disagree	1	2	3	4	5	Strongly agree
I2	Changes in products have usually been radical as compared with main competitors.	Strongly disagree	1	2	3	4	5	Strongly agree
I3	There exists a very strong emphasis on the development of new and Innovative products.	Strongly disagree	1	2	3	4	5	Strongly agree
I4	We initiate actions to which competitors then respond.	Strongly disagree	1	2	3	4	5	Strongly agree
I5	We are very often the first business to introduce new products to the market.	Strongly disagree	1	2	3	4	5	Strongly agree
I6	We typically adopt a very competitive, undo-the-competitors posture.	Strongly disagree	1	2	3	4	5	Strongly agree

Competitive Advantage

The scale contains 6 items used for each of the independent variables are found in the following section. *Source* (Roberts & Dowling, 2002)

CA 1	In the past three months, profit relatively must improve	Strongly disagree	1	2	3	4	5	Strongly agree
---------	--	-------------------	---	---	---	---	---	----------------

RL2	In the past three years, sales relative to our largest competitor has improved	Strongly disagree	1	2	3	4	5	Strongly agree
RL3	In the past three years, our customer base has improved	Strongly disagree	1	2	3	4	5	Strongly agree
RL4	In the past three months, profit relative to our largest competitors has improved	Strongly disagree	1	2	3	4	5	Strongly agree
RL5	In the past months, sales revenue has improved	Strongly disagree	1	2	3	4	5	Strongly agree
RL6	In the past three months, customer satisfaction level has improved	Strongly disagree	1	2	3	4	5	Strongly agree

Business Growth

The scale contains 6 items used for each of the independent variables are found in the following section. *Source* (Chinimona & Maziriri, 2016)

BG 1	Our overall competitive position is improving	Strongly disagree	1	2	3	4	5	Strongly agree
BG 2	Our overall customer service levels are increasing.	Strongly disagree	1	2	3	4	5	Strongly agree
BG 3	Our annual market share growth has increased over the past three years.	Strongly disagree	1	2	3	4	5	Strongly agree
BG 4	Our average annual sales have increased over the past three years.	Strongly disagree	1	2	3	4	5	Strongly agree
BG 5	Average annual growth in return is increasing.	Strongly disagree	1	2	3	4	5	Strongly agree
BG 6	Our average production costs are decreasing.	Strongly disagree	1	2	3	4	5	Strongly agree

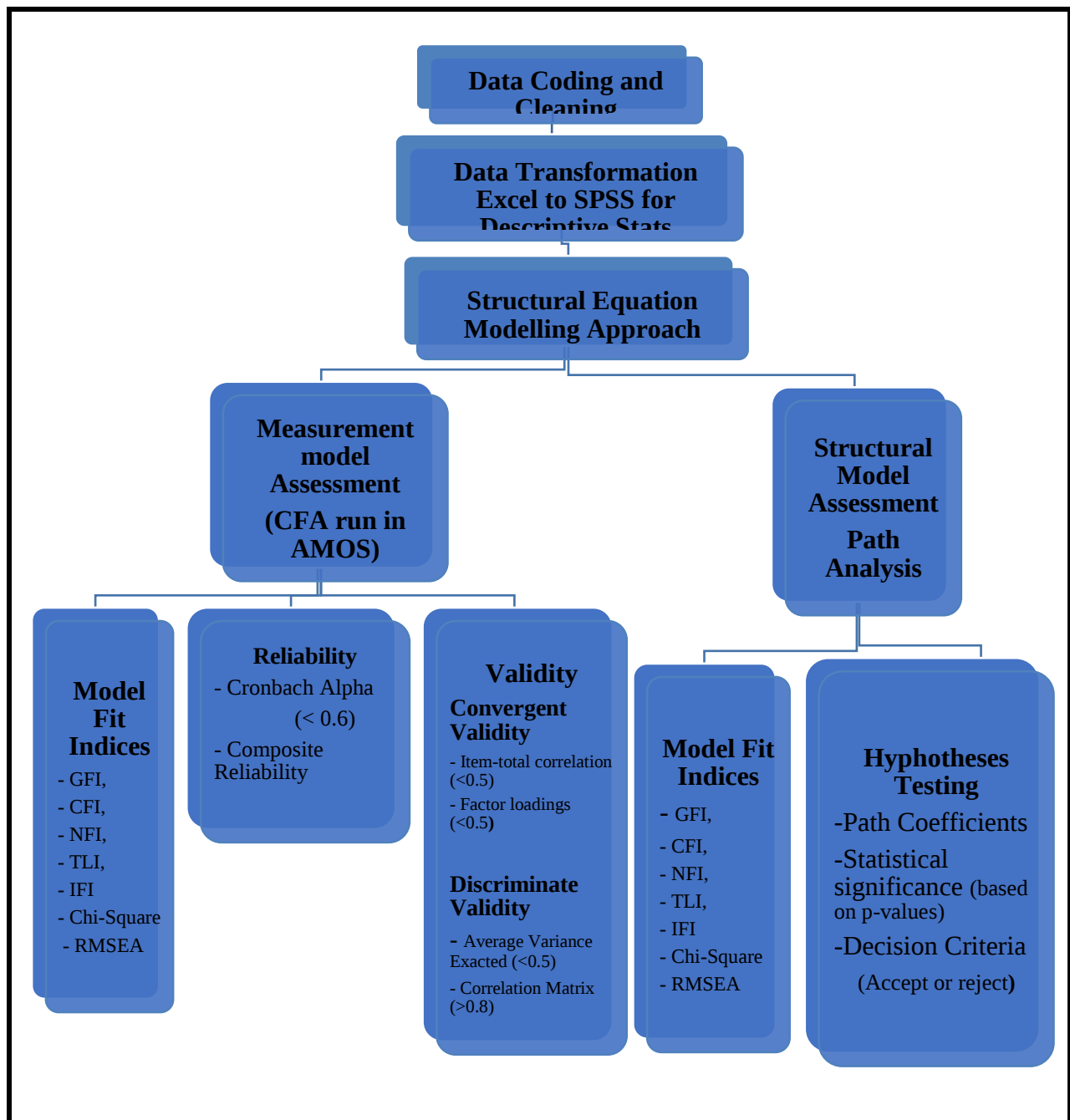
15. Measurement Scales

The current study makes use of 5-point Likert scales. The scale used for each variable is included below, beginning with scales for the independent variables, moving to the scale for the mediating variable and ending with the scale for the dependent variable.

16. Data Coding and Cleaning

Data will be collected on the field and data will be captured into excel spreadsheet, thereafter data will be exported to SPSS, descriptive statistics, reliability Cronbach's alpha values and correlations will be used for calculations.

Table 4: Data coding and cleaning process



Source: (Chinomona, 2016)

17. Statistical Modelling

The section that follows provides an outline the statistical analysis applied to the study.

17.1. Measurement Model

A measurement model is the mapping of measures onto theoretical constructs (Kenny 2016) and is the factor analytical part of Structural Equation Modelling. The measurement model used in the current study is the Confirmatory Factor Analysis which is multiple latent variable models (Kenny 2016) and is discussed in more detail below.

17.2. Cronbach Alpha Coefficient

Proceeding from the discussion of Cronbach's Alpha, literature conquers that a higher level of Cronbach's coefficient alpha indicates higher reliability of the measurement scale as per (Chinomona, 2011). From the results provided on the above table, the Cronbach's Alpha values for each research construct ranges from 0.781 to 0.899 and as these are above 0.6 as recommended by Nunnally & Bernstein, 1994, validity is indicated. Furthermore, the item to total values ranged from 0.795 to 0.943 and was therefore above the cut-off point of 0.5 as advised by (Dunn, Seaker & Waller, 1994). The Cronbach's Alpha results indicated on table 4.1, therefore, validate the reliability of measures used in the current study.

18. Composite Reliability

The Composite Reliability test was also conducted in order to examine the internal reliability of each research construct, as recommended (Chinomona, 2011). There are several ways to measure the composite reliability theory, and these include the Wang and Stanley composite reliability formula as well as the Spearman-Brown generalized formula (He, 2009). The Composite Reliability is accepted when the index is greater than 0.7 (Hair et al. 2009). The present study made use of the following formula:

$$CR\eta = (\sum \gamma_i)^2 / [(\sum \gamma_i)^2 + \sum \epsilon_i]$$

This formula can be understood in the following manner: Composite Reliability = (square of the summation of the factor loadings)/ {(square of the summation of the factor loadings) + (summation of error variances)}.

19. Average Value Extracted (AVE)

According to Chinomona (2011), the average variance extracted estimate reflects the overall amount of variance in the indicators accounted for by the latent construct. A good representation

of the latent construct by the item is identified when the variance extracted estimate is above 0.5 (Sarstedt *et al.*, 2014; Fraering & Minor 2006). Therefore, the results of AVE that range from 0.602 to 0.71 in Table 4.1 authenticate good representation of the latent construct by the items. Average Variance Extracted was proposed as a measure of the shared variance in a latent variable by Fornell and Larcker (1981), it is a measurement of the error-free variance of a set of items (Ping 2005). The estimate of the Average Variance Extracted should be more than 0.4 (Fraering & Minor 2006) for the variable to be regarded as reliable.

The formula is as follows:

$$V\eta = \sum \lambda_i^2 / (\sum \lambda_i^2 + \sum \epsilon_i)$$

This formula can further be explained in the following manner: AVE = {(summation of the squared factor loadings)/ {(summation of the squared factor loadings) + (summation of error variances)}}.

20. Convergent Validity

Factor Loadings and Item-to-total correlation values

Convergent validity is defined as “the closeness with which a measure relates to the construct that it is purported to measure” (Bhattacharjee 2012). Convergent validity determines the degree to which a construct converges in its indicators by explaining the items’ variance (Sarstedt *et al.*, 2014). Apart from assessing the convergent validity of items through checking correlations in the item-total index Nusair *et al.*, (2010) factor loadings were also examined in order to identify convergent validity of measurement items as recommended by (Sarstedt *et al.*, 2014). According to Nusair *et al.*, (2010) items exhibit good convergent validity when they load strongly on their common construct. Literature maintains that a loading that is above 0.5 signifies convergent validity (Anderson *et al.*, 1988). In this regard, the final items used on this study loaded very well on their respective constructs with the values ranging from 0.590 - 0.901 (see Table 4.1). This, therefore, indicates good convergent validity where items are explaining more than 70% of their respective constructs. Furthermore, since CR values are above the recommended threshold of 0.7, this substantiates the existence of convergent validity.

19. Discriminant Validity

Discriminant validity refers to “the degree to which a measure does not measure other constructs that it is not supposed to measure” (Bhattacharjee 2012). It is the extent of the discrimination of one latent variable from the other latent variables. Discriminant validity is determined by

showing that the indicators of one construct are dissimilar from other constructs (Bhattacharjee 2012). An inter-construct correlation matrix is used to determine whether discriminant validity is present and values of less than 0.8 are sought (O'Rourke & Hatcher 2013). As aforementioned, discriminant validity is normally assessed in conjunction with convergent validity.

20. Average Value Extracted (AVE) and Shared Value (SV)

Shared Variance is “the amount of variance that a variable is able to explain in another variable”. It is presented by the square of the correlation between any two variables (Farrel & Rudd 2009). The independent variables are correlated if they share certain of their predictive powers over the dependent variables (Farrel & Rudd 2009). The Average Variance Extracted is “the average amount of variation that a latent construct is able to explain in the observed variables to which it is theoretically related” (Farrel & Rudd 2009). There are similarities between Shared Variance and Average Variance Extracted in that the latter is the average variance in observed variables that a latent construct can explain, and the former is the amount of variance in observed variables relating to another construct that a latent construct can explain (Farrel & Rudd 2009). In determining the discriminant validity of factors, a researcher can compare the Average Variance Extracted for each construct with the Shared Variance between constructs. If the Average Variance Extracted of each construct is higher than its shared variance with any other construct, discriminant validity is supported (Farrel & Rudd 2009).

21. Confirmatory Factor Analysis

Factor analysis is described as “a data reduction technique that is used to statistically aggregate a large number of observed measures into a smaller set of unobserved variables called factors based on their underlying bivariate correlation patterns” (Bhattacharjee 2012). Confirmatory factor analysis allows the researcher to test whether a relationship between the observed variables and their latent constructs exist. The researcher uses theoretical knowledge and empirical research and hypothesizes such a relationship between variables and constructs and then statistically tests the hypothesis (Suhr 2006).

22. Structural Equation Modelling and Path Modelling

Path analysis is a special case of structural equation modelling. Path analysis contains only observed variables and each variable has only one indicator and it's assumed all variables are

measured without error (Bollen 1989). Structural equation modelling, on the other hand, uses latent variables to account for measurement error (Bollen 1989).

23. Chi-square

Chi-square can be calculated as the average difference between the observed and expected counts across all cells. The resulting value can then be compared with the critical value for desired probability and the degrees of freedom (Bhattacharjee 2012). The criterion for acceptable model varies depending on the researchers, some say it should be less than two (Ullman 2001) and others, less than five (Schumacker & Lomax 2004). For the purposes of the current study, a chi-square value of less than three indicates a good fit. It should be noted that the chi-square test is a suitable measure of fit for models with between 75 and 200 cases but for models with 400 or more cases, the chi-square may not always be statistically significant (Kenny 2015).

Furthermore, this measure is also adversely affected by the model's correlations: the larger the correlations, the poorer the fit (Kenny 2015). Errors can also be picked up when variables have non-normal distributions and thus alternative measures to the chi-square test have been developed (Kenny 2015). This incremental measure of fit is directly based on the non-centrality measure. The formula for this index is as follows: If the Comparative Fit Index is more than one, it's set at one and if it's less than zero, it is set at zero, the index pays a penalty of one for every parameter estimated (Kenny 2015). The Comparative Fit Index is highly correlated with the Tucker-Lewis Index discussed below, so only one of the two need be reported (Kenny 2015). The Comparative Fit Index should not be computed if the Root Mean Square Error of Approximation of the null model below 0.158 or one will obtain too small a value (Kenny 2015). An acceptable value for this test ranges between 0 and 1, with values closer to 1 indicating a good fit. Prior studies have demonstrated that a value greater than 0.9 is needed to ensure that models with a poor fit are not accepted (Hu & Bentler 1999).

24. Goodness of Fit Index (GFI)

A goodness of fit index ranges from 0 to 1, the closer the index is to 0, the poorer the fit, the closer to one, the better the fit. Generally, any value over 0.9 is considered a satisfactory fit (Marsh, Balla & McDonald 1988). Incremental Fit Index (IFI), Normed Fit Index (NFI), Tucker-Lewis Index (TLI) and Comparative Fit Index (CFI). In regard to an Incremental Fit Index, a value of zero indicates the worst model possible and a value of one indicates the best model possible (Kenny 2015). The Normed Fit Index is an incremental measure of fit. The best model

is defined as the model with a χ^2 of zero and the worst model by the χ^2 of the null model (Kenny 2015). The Tucker-Lewis index is an additional incremental fit index without the disadvantage the Normed Fit Index (Kenny 2015).

25. Root Mean Square Error of Approximation (RMSEA)

This is an absolute measure of fit and is based on the non-centrality parameter (Kenny 2015).

26. Ethical Consideration

The researcher adhered to the ethics requirements from the University of the Witwatersrand, ethics clearance certificate was applied for and obtained for the enablement of data collection. This study involved human beings, and according to universal rights of which are also enshrined in the South African Constitution, everyone has the right to privacy. There are precautionary measures put in place to keep up with such policies to safeguard people's confidentiality and the status of the University of the Witwatersrand. The University of the Witwatersrand ethics committee decides on granting ethical clearance for the research, and if to some extent untruth, forging or twisting of research data take place the committee will take proper measures.

27. Summary of Chapter

Chapter 4 employed the research methods and designs for a quantitative research study. It started with the introduction, followed by quantitative research discussion, thirdly, a sampling design was also put in place, the fourth section explored on sample size and the fifth section discussed sampling methods. The chapter also discussed the research philosophy. The study followed a positivist paradigm. Finally, it is noted that the questionnaire was made up of a variety of scales taken from prior research and structural equation modelling will be used to analyse the data collected in the questionnaires in order to come up with informative values and indices in the following chapter.

CHAPTER 5: DATA ANALYSIS AND DISCUSSION OF RESULTS

1. Introduction

This section of the chapter primarily tests for the reliability and validity measures, various methods to establish reliability will be used. For reliability measure Cronbach's Alpha, the Composite Reliability (CR) value, and the Average Value Extracted (AVE) value were used; whilst for validity, confirmatory factor analysis was used to check convergent validity and correlation matrix and chi-square, where CFA modification was applied to assess for evidence of discriminant validity. This section is followed by a presentation of the research models fit.

Various pointers such as the chi-square value, Goodness of Fit Index (GFI), Normed Fit Index (NFI), Incremental Fit Index (IFI), Comparative Fit Index (CFI) and Root Mean Square Error of Approximation (RMSEA), were used to ascertain whether the research model fit the data. The conclusion was provided. The chapter will also provide the results for demographic data, measurement instrument reliability and validity, and the path modelling statistics. The Chapter has two main divisions. The first section will provide descriptive statistics for both the demographic data and the measurement instruments. The second section will provide the results for hypothesis testing. In particular, the confirmatory factor analysis (CFA) and path modelling will be presented in this section.

2. Descriptive Statistics

GENDER					
Valid		Frequency	Percent	Valid Percent	Cumulative Percent
Male	1	144	62.61	62.6	62.6
Female	2	86	37.39	37.39	100
	Total	230	100	100	

This section contains the demographic profile of the respondents for the current study. A discussion of their gender, age, level of education and financial situation are presented, as well as an overview of the kind of mobile device they make use of daily.

Demographic Profile of Respondents

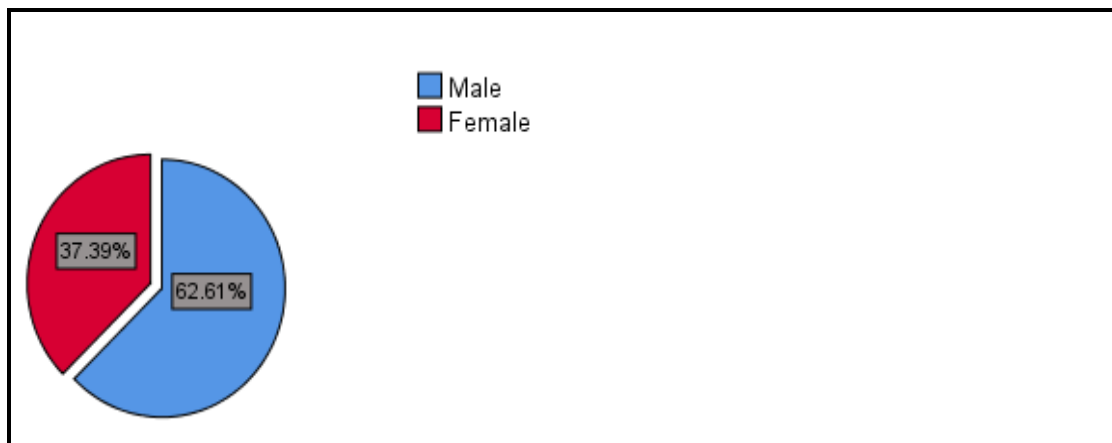


Figure 3: Showing Gender Demographics

Figure 3 indicates the gender of participants. Most participants were male participants representing 62% and female participants were represented by 37%. This also indicates that there are more males that are operating business compared to a woman.

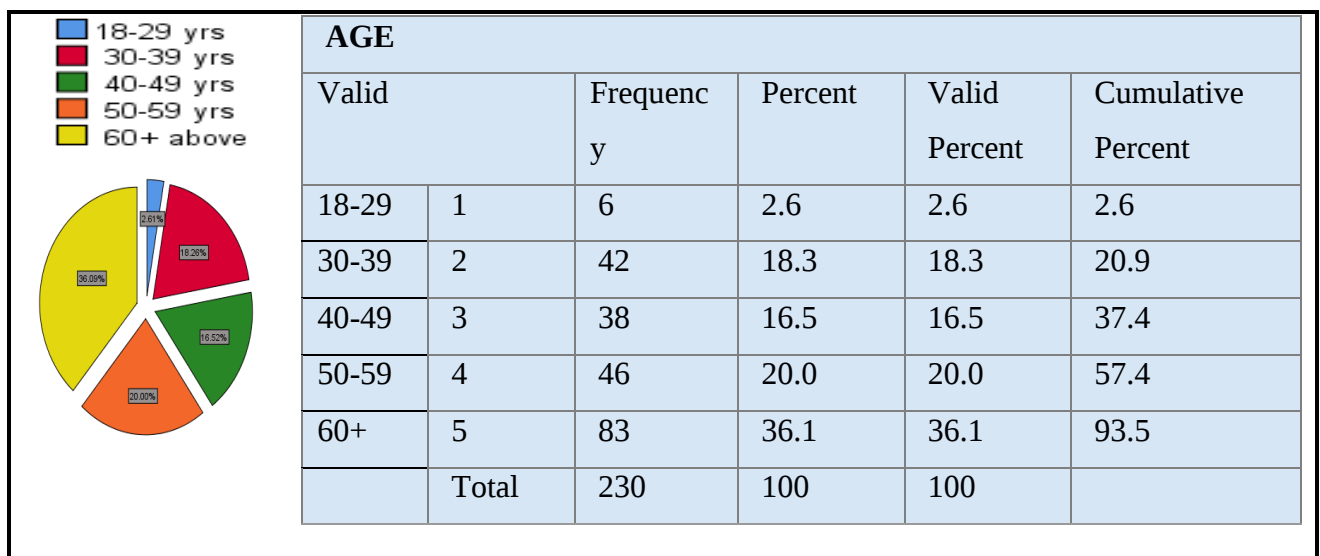


Figure: 4

Figure 4 indicates the age of participants. Most participants were in the age range of 60 and above representing 36% of the total participants. This was followed by the age range of 50-59 represented by 20%, then subsequently the age range of 40-49 representing 16%, followed by the age range of 30-39, represented by 18% and lastly 18-29 was represented by 2% only. This trend shows that in Johannesburg most SMME owners are mature males, who are around the retirement age and with enough work experience to venture into business in order to survive.

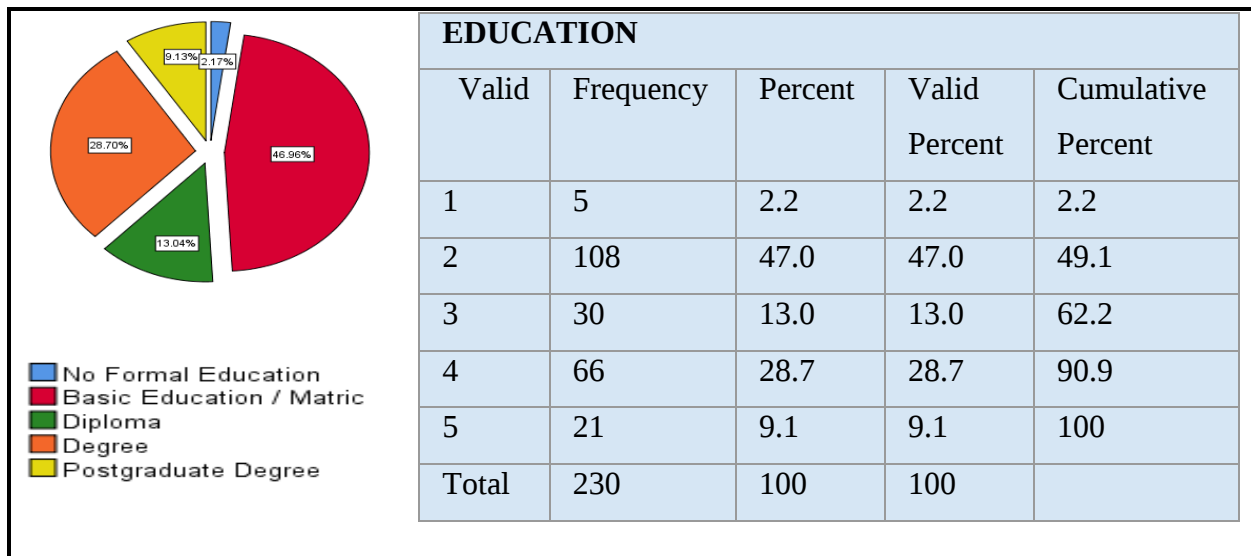


Figure: 5

Figure 5 indicates the level of education of the respondents. Most participants had Matric equivalent level of education, which is represented by 47%. Which was followed by the participants who hold a degree qualification was represented by 28%. Then the participants who hold a Diploma qualification was represented by 13%. Postgraduate degree holders were represented by 9%. Lastly, there were only 2% of the participants who had no formal education. This indicates that the level of business owners and managers do have some skills but lack enough business expertise skills to better manage their businesses.

3. Questionnaire Results

The research construct was all measured using a 5-point Likert scale. A total number of 230 respondents were recorded. The initial observed variable “differentiation strategy” (DS) was measured 6-items, ranging from DS1 to DS6. The second variable “Risk Taking” (RT) was measured using 6-items, ranging from RT1 to RT6. Fourth variable “Risk Taking” (RT) was measured using 6 items, ranging from RT1 to RT6. The fifth mediating variable “Competitive Advantage” (CA) was measured using 6 items, ranging from CA1 to CA6. The predictor variable “Business Growth” (BG) was measured using 6-items, ranging from BG1 to BG6.

Table 4. 4: Accuracy Analysis Statistics

Research constructs		Scale item		Cronbach's test		CR	AVE	Factor Loadings
		Mean	Standard deviation	Item-total	α value			
RT	RT 1	3,64	1,50	.618	0.615	0,884	0,501	0.689
	RT 2	4,18	1,01	.675				0.719
	RT 3	3,66	1,193	.758				0.780
	RT 4	4,15	0,964	.694				0.728
	RT 5	3,71	1,221	.693				0.769
	RT 6	4,1	0,896	.735				0.798
IN	IN 1	4,04	1,025	.850	0.653	0,939	0,824	0.825
	IN 2	3,76	1,053	.860				0.826
	IN 3	3,77	0,961	.864				0.744
	IN 4	3,68	1,066	.814				0.856
	IN 5	3,77	1,024	.864				0.909
	IN 6	4,05	0,986	.846				0.919
CA	CA 1	3,46	1,317	.846	0.820	0,958	0,859	0.879
	CA 2	3,59	1,246	.843				0.890
	CA 3	3,72	1,241	.734				0.883
	CA 4	3,58	1,163	.829				0.836
	CA 5	3,72	1,153	.842				0.892
	CA 6	3,57	1,261	.869				0.868
BG	BG 1	3,73	1,214	.704	0.668	0,694	0,501	0.908
	BG 2	4,02	1,011	.960				0.462
	BG 3	3,68	1,122	.695				0.919
	BG 5	3,60	1,239	.963				0.156
	BG 6	3,63	1,235	.963				0.189

Note: DS= Differentiation Strategy; RT= Risk Taking; IN= Innovation; CA= Competitive Advantage; BG= Business Growth. SD= Standard Deviation. CR= Composite Reliability. AVE= Average Variance Extracted.

Scores 1 = Strongly Disagree 2= Disagree 3= Moderately Agree 4 = Agree 5= Strongly Agree. C.R = Composite Reliability, AVE = Average Variance Extracted, S.V= Shared Variance. Significance level $p < 0.05$, Significance level < 0.01 , Significance level < 0.001 . Measurement model fits: $\chi^2/df = 2,082$, GFI = ,905, CFI = ,919, TLI = ,910, IFI = ,920 RFI= ,840, NFI = ,857, RMSEA = ,069. It can be noted that figure 5.3.1, Cronbach Alpha coefficients are achieved at a range of 0.884 to 0.949; this means that all the Cronbach's Alpha has exceeded the recommended threshold of 0.7 as per literature (Nunnally and Bernstein, 1994), thus confirming that the measures used in this study are reliable. The average variance extracted (AVE) of Perceived Trust (PT) is 0.802 is higher than the square of the shared variance. This proves the existence of discriminant validity. The current study uses the inter-construct correlation matrix and the Chi-square CFA Test methods to check on discriminant validity of the research constructs.

Table 4. 5: Standardise Regression Estimates (Composite Reliability)

Standised regression Estimates (all variables and instruments included)				Composite reliability (CR)			
				Summation of error terms		$CR_{\eta} = (\sum \lambda_{yi})^2 / [(\sum \lambda_{yi})^2 + (\sum \epsilon_i)]$	
				$(\sum \lambda_{yi})^2$	ϵ_i	$\sum \epsilon_i$	CR
RT	<---	RT1	0,689	20,097	0,525	2,642	0,884
	<---	RT2	0,719		0,483		
	<---	RT3	0,780		0,392		
	<---	RT4	0,728		0,470		
	<---	RT5	0,769		0,409		
	<---	RT6	0,798		0,363		
IN	<---	IN1	0,825	25,796	0,319	1,680	0,939
	<---	IN2	0,826		0,318		
	<---	IN3	0,744		0,446		
	<---	IN4	0,856		0,267		
	<---	IN5	0,909		0,174		
	<---	IN6	0,919		0,155		
CA	<---	CA1	0,879	27,5415	0,227	1,203	0,958
	<---	CA2	0,89		0,208		
	<---	CA3	0,883		0,220		
	<---	CA4	0,836		0,301		
	<---	CA5	0,892				
	<---	CA6	0,868		0,247		
BG	<---	BG1	0,908	6,937956	0,176	3,057	0,694
	<---	BG2	0,462		0,787		
	<---	BG3	0,919		0,155		
	<---	BG4	0,156		0,976		
	<---	BG5	0,189		0,964		

The reliability analysis provides an acceptable CR threshold that must surpass 0.7 (Fornell & Larcker, 1981; Yang & Lai, 2010). The evaluation of the internal reliability of each construct was conducted using the Composite Reliability (CR) index test. The following formula was used for CR: **(CR):** $CR_{\eta} = (\sum \lambda_{yi})^2 / [(\sum \lambda_{yi})^2 + (\sum \epsilon_i)]$ “Composite Reliability = (square of the summation of the factor loadings)/ {(square of the summation of the factor loadings) + (summation of error variances)}.” (Chuchu, 2015). The results in Table below indicates that composite reliability (C.R.) indexes were between 0.837 and 0.951.

According to the previous literature these values have surpassed the estimate criteria. Using the results of the construct competitive advantage to demonstrate, the calculation for Composite Reliability was conducted as follows: **Step 1:** $(\sum \lambda_{yi})^2 = (0,879 + 0,890 + 0,883 + 0,836 + 0,892 + 0,868)^2 = 27,5415$. **Step 2:** $\sum \epsilon_i = (1-0,879)^2 + (1-0,890)^2 + (1-0,883)^2 + (1-0,836)^2 + (1-0,892)^2 + (1-0,868)^2 = 1,203$. **Step 3:** $CR_{\eta} = 27,5415 / (27,5415 + 1,203) = 0,958$.

Table 4. 6: Diagrammatic Representation of Average Variance Extracted Calculations

			Estimates	λy_i^2	$\sum \lambda y_i^2$	$\hat{\epsilon}_i$	$\sum \hat{\epsilon}_i$	$\frac{\sum \lambda y_i^2}{(\sum \lambda y_i^2 + \sum \hat{\epsilon}_i)}$
R T	< -- -	RT 1	0,689	0,643	4,147	0,311	0,433	0,905
	< -- -	RT 2	0,719	0,77		0,281		
	< -- -	RT 3	0,780	0,666		0,220		
	< -- -	RT 4	0,728	0,795		0,272		
	< -- -	RT 5	0,769	0,526		0,231		
	< -- -	RT 6	0,798	0,747		0,202		
IN	< -- -	IN1	0,825	0,681	4,320	0,175	0,921	0,824
	< -- -	IN2	0,826	0,682		0,174		
	< -- -	IN3	0,744	0,554		0,256		
	< -- -	IN4	0,856	0,733		0,144		
	<	IN5	0,909	0,826		0,091		

	--						
	-						
	<	IN6					
	--		0,919	0,845		0,081	
	-						
C A	<	CA			4,592	0,121	0,752 0,859
	--	1	0,879	0,773			
	-						
	<	CA				0,110	
	--	2	0,892	0,792			
	-						
	<	CA			4,592	0,117	0,752 0,859
	--	3	0,883	0,780			
	-						
	<	CA				0,164	
B G	--	4	0,836	0,699	1,943		2,366 0,451
	-						
	<	CA				0,108	
	--	5	0,892	0,796			
	-				1,943		2,366 0,451
	<	CA				0,132	
	--	6	0,868	0,753			
	-						
	<	BG			1,943	0,092	2,366 0,451
	--	1	0,908	0,824			
	-						
	<	BG				0,538	
	--	2	0,462	0,213	1,943		2,366 0,451
	-						
	<	BG				0,081	
	--	3	0,919	0,845			
	-				1,943		2,366 0,451
	<	BG	0,156	0,024		0,844	

--	4					
-						
<	BG					
--	5					
-		0,189	0,036		0,811	

The average variance extracted from the estimates reveals the overall amount of variance in the indicators accounted for by the latent construct (Fraering & Minor, 2006). The higher values for the variance extracted estimate (greater than 0.50) reveal that the indicators well represent the latent construct (Fraering & Minor, 2006; Chuchu, 2015). To calculate Average Variance Extracted (AVE): the formula below is used to calculate $V_{\eta} = \Sigma \lambda y_i^2 / (\Sigma \lambda y_i^2 + \Sigma \epsilon_i)$

“AVE = {(summation of the squared factor loadings)/ {(summation of the squared of factor loadings) + (summation of error variances)}}” (Chuchu, 2015).

Using the results of the construct RT to demonstrate, the calculation for AVE was conducted.

Step 1: $\Sigma \lambda y_i^2 = (0,689^2 + 0,719^2 + 0,780^2 + 0,728^2 + 0,769^2 + 0,798^2) = 4,147$

Step 2: $\Sigma \epsilon_i = (1-0,689)^2 + (1-0,719)^2 + (1-0,780)^2 + (1-0,728)^2 + (1-0,769)^2 + (1-0,798)^2 = 0,433$

Step 3: $V_{\eta} = 4,147 / (4,147 + 0,433) = 0,905$

The above has undergone certain steps when calculating the AVE of each of the research constructs. The graphical representation in table 13 is a noble representation of the hidden construct by the item is identified when the variance extracted approximation is above 0.5 (Fraering & Minor, 2006). The results from the table of AVE range from 0.547 to 0.802 and thus validate an acceptable threshold for AVE. Generally, the construct consistencies (reliabilities) and the average variance extracted estimates suggest the scales are internally consistent. The average variance extracted estimate in this study has shown that the complete amount of variance in the indicators was accounted for by the hidden construct. All average variance explained (AVE) values alternated from 0.547 to 0.802 and were accordingly adequate for the construct (Fraering & Minor, 2006).

4. Validity Test

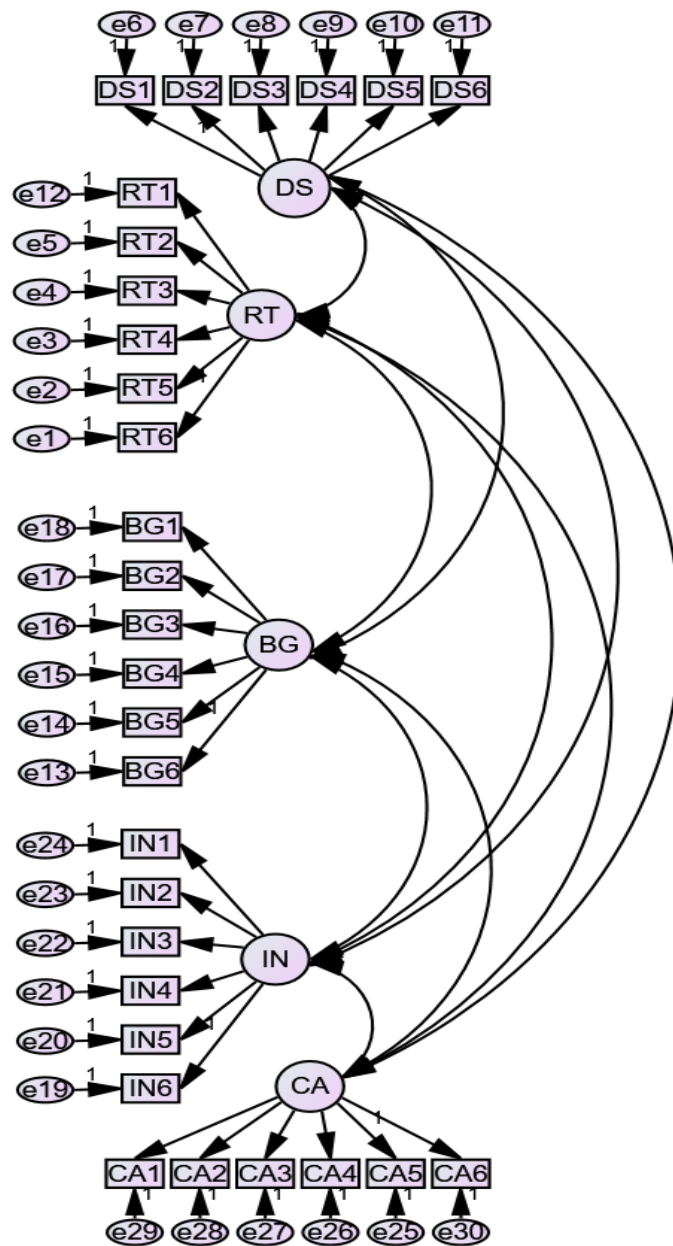
Table 4. 7: Correlations between Constructs

Correlation Matrix					
	DS	RT	IN	CA	B G
DS	1				
R T	.556 [*] *	1			
IN	.554 [*] *	.796 [*] *	1		
C A	.613 [*] *	.774 [*] *	.880 [*] *	1	
B G	.456 [*] *	.618 [*] *	.715 [*] *	.727 [*] *	1
**. Correlation is significant at the 0.01 level (2-tailed).					

Note: DS= Differentiation Strategy; RT= Risk Taking; PA= Proactiveness; IN= Innovation; CA= Competitive Advantage; BG= Business Growth.

5. Confirmatory Factor Analysis

Figure 6: Confirmatory Factor Analysis Model



Note: DS= Differentiation Strategy; RT= Risk Taking; PA= Proactiveness; IN= Innovation; CA= Competitive Advantage; BG= Business Growth.

The research model was run and had the following results. Chi-square (χ^2/df) = 2.375, Goodness of Fit Index (GFI) = ,905, Comparative Fit Index (CFI) = ,919 Tucker Lewis Index (TLI) = ,910 Incremental Fit Index (IFI) = ,919, Relative Fit Index (RFI) = ,840 Norm Fit Index (NFI) = ,857 Random Measure of Standard Error Approximation (RMSEA) = ,069.

Table 4. 8: Model fit Results

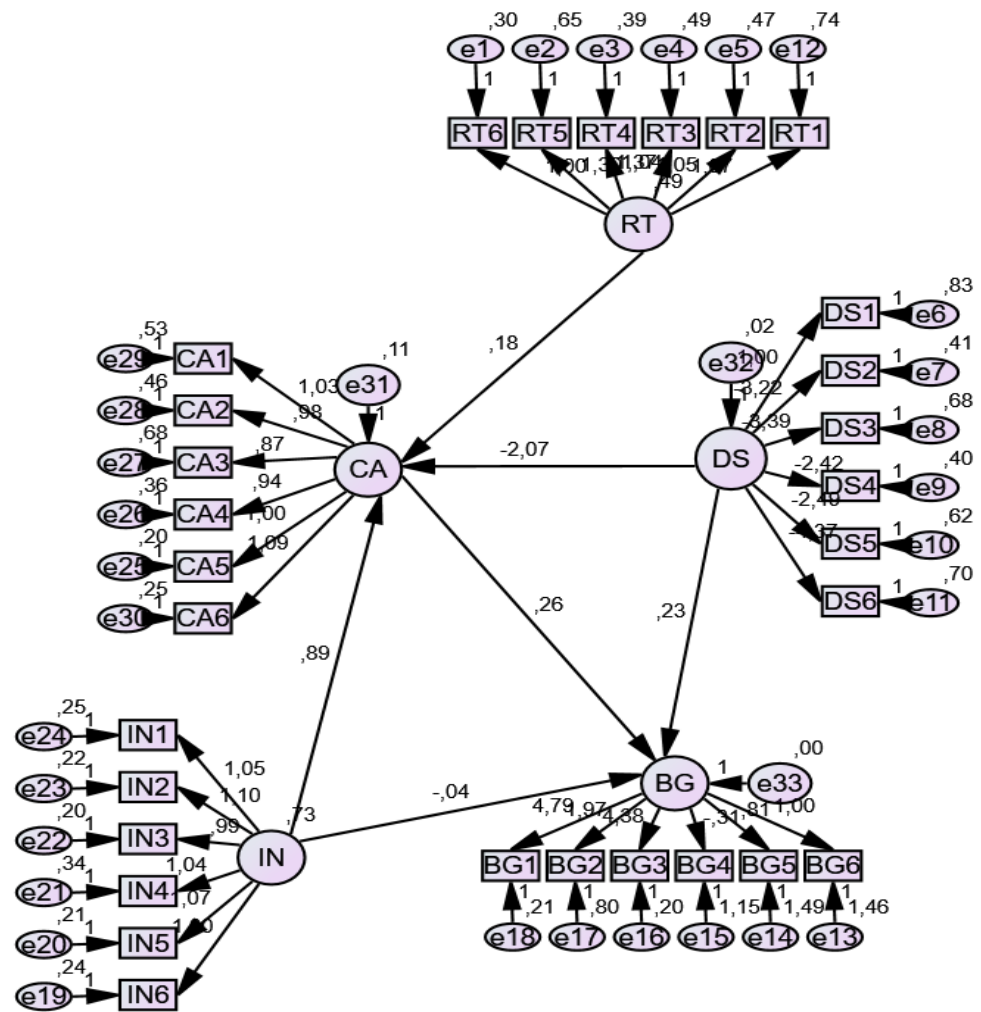
Model Fit Criteria	Chi-Square (χ^2 /DF)	GFI	NFI	RFI	IFI	TLI	CFI	RMSEA
Indicator value	2,082	,905	,857	,840	,920	,910	,919	,069

6. Conceptual Model Fit Assessments Results

Confirmatory factor analysis (CFA) was primarily performed to examine scale accuracy (including reliability, convergent validity, and discriminant validity) of the multiple-item construct measures using AMOS 23. A confirmed two-way procedure for assessing model fit comprises of confirmatory factor analysis (CFA) and hypothesis testing (Anderson & Gerbing, 2003). The acceptable model fit for validity was indicated chi-square value over degree of freedom (χ^2 /df) of value between 1 and 3, followed by the values of Goodness of Fit Index (GFI), Comparative Fit Index (CFI), Incremental Fit Index (IFI) Tucker-Lewis Index (TLI), and equal to or greater than 0.90, and the Root Mean Square Error of Approximation (RMSEA) value to be equal to or less than 0.08. Recommended statistics for the final overall-model assessment revealed an acceptable fit of the measurement model to the data. All correlation values were less than 0.8, the measurement model produced a ratio of chi-square value over degree-of-freedom of 2,375, and GFI, CFI, TLI, IFI, RFI, NFI, and RMSEA were (.905) (.857) (.840) (.920) (.910) (.919) and (.069) respectively. Once an acceptable CFA measurement model fit was accomplished, the study went further to the hypothesis testing stage using structural equation modelling using AMOS 25 software programme.

7. Confirmatory Factor Analysis (CFA) Model

Figure 7: Confirmatory Factor Analysis (CFA) Model



Note: DS= Differentiation Strategy; RT= Risk Taking; PA= Proactiveness; IN= Innovation; CA= Competitive Advantage; BG= Business Growth.

T Note: DS= Differentiation Strategy; RT= Risk Taking; PA= Proactiveness; IN= Innovation; CA= Competitive Advantage; BG= Business Growth.

Table 4. 9: Structural Equation Model Analysis

			Estimate	P
DS	<---	CA	0,877	***
RT	<---	CA	0,176	***
IN	<---	CA	-2,026	0,099
DS	<---	BG	-,004	0,865
IN	<---	BG	0,236	0,020
CA	<---	BG	0,124	0,334

Source: Amos Graphics 25

Table 4. 10: Results of Structural Equation Model Analysis

Hypothesized Relationship	Hypothesis	Path Coefficient	P-Value	Results
Differentiation Strategy (DS) → Competitive Advantage (CA)	H ₁	0,877	***	Supported and significant
Risk Taking (RT) → Competitive Advantage (CA)	H ₂	0,176	***	Supported and significant
Innovativeness (IN) → Competitive Advantage (CA)	H ₃	-2,026	0,099	Not supported and insignificant at (P<0.05)
Differentiation Strategy (DS) → Business Growth (BG)	H ₄	-,004	0,865	Not supported and insignificant at (P<0.05)
Innovativeness (IN) → Business Growth (BG)	H ₅	0,236	0,020	Supported and significant at

				(P<0.05)
Competitive Advantage (CA) → Business Growth (BG)	H ₆	0,124	0,334	Supported and insignificant at (P<0.05)

Chi-square (χ^2/df) = 2.375, Goodness of Fit Index (GFI) = ,905, Comparative Fit Index (CFI) = ,919 Tucker Lewis Index (TLI) = ,910 Incremental Fit Index (IFI) = ,919, Relative Fit Index (RFI) = ,840 Norm Fit Index (NFI) = ,857 Random Measure of Standard Error Approximation (RMSEA) = ,069. **Significance level $p < 0.05$; Significance level < 0.01 ; Significance level < 0.001 .**

8. Model Fit Results

The proposed conceptual model will be assessed from the same data set. The recommended threshold for chi-squared value is less than 3. The ratio of chi-square over degree-of-freedom was 2.375 and as such, confirms for the model fit (Venter, Chinomona & Chuchu, 2016). As stated above, GFI, CFI, TLI, IFI, RFI, NFI and RMSEA were (,905) (,857) (,840) (,920) (,910) (,919) and (,069), respectively. The model fits measures exceeded the recommended and acceptable threshold of more than 0.8 for GFI, CFI, TLI and RMSEA the model fit was lower than the acceptable threshold of 0.08 (Chinomona, 2011). These results suggest that the proposed conceptual model for the research was satisfactorily and could represent the underlying empirical data structure collected in Johannesburg. The model fit was acceptable, and the study proceeded to test the research hypotheses.

9. Discussion of Hypothesis Testing Results

As seen in table 18, all hypotheses coefficients were at least at a significant level of $p < 0.01$, except H3, H4, and H5 which are not supported. Further details are discussed below;

Differentiation Strategy (DS) and Competitive Advantage (CA) - H1

According to the proposed hypothesis statement, differentiation strategy has a positive impact on competitive advantage. Firms that adopt differentiation strategies tend to differentiate their products by several means at the same time, innovative and quality-related features are major sources of differentiation (McWilliams and Siegel, 2015). The research findings of this study are in line with previously conducted studies and have proven that not only is this statement

supported, but it is also significant at the confidence level of ($P < 0.01$). The path coefficient is 0,877 implying that it is positive and supported. Ultimately, the research findings show that this study concurs that a differentiation strategy has a positive impact on the competitive advantage as initial hypothesis. It can be concluded that a differentiation strategy leads to SMMEs achieving faster growth, more efficiencies and ultimately more profitability (Roper, 2015).

Risk Taking (RT) and Competitive Advantage (CA) - H2

Based on the proposed hypothesis statement, risk-taking (RT) has a significant and positive impact on competitive advantage (CA). The research findings show that this hypothesis is supported as well as significant at the 99% confidence level ($P < 0.01$). The path coefficient is 0,176 indicating that the relationship between risk-taking and competitive advantage is positive and supported. Holistically, the research findings imply that entrepreneurial orientation has a strong impact on business growth. Therefore, this study fails to reject H2. It is vital to note that these results concur with the works Avlonitis and Salavou, 2003, that entrepreneurial orientation of SMMEs, product have a positive relationship with business growth.

Innovativeness (IN) and Competitive Advantage (CA) - H3

According to the proposed hypothesis statement, risk-taking has a positive impact on competitive advantage. The research findings show that this relationship is not supported and shows insignificant confidence level which below ($P < 0.01$). The path coefficient is -2,026 showing a negative relationship that it is not supported. Ultimately, the research findings show that innovation is challenging to measure due to a lot of irrelevant, idiosyncratic variance (Coad & Rao, 2008). has an impact on business growth. Therefore, this study rejects H3. It is important to note that these findings are in line with previous literature.

Differentiation Strategy (DS) and Business Growth (BG) - H4

According to the proposed hypothesis statement, differentiation strategy has a positive impact on business growth. The research findings show that this statement is not supported, and the

relationship is insignificant at the confidence level ($P < 0.01$). The path coefficient is $-.004$ showing a negative relationship. Therefore, this study to reject H4.

Innovativeness (IN) and Business Growth (BG) – H5

Based on the proposed hypothesis statement, innovativeness (IN) has a significant and positive impact on business growth (BG). The research findings show that this hypothesis is supported as well as significant at the 99% confidence level ($P < 0.01$). The path coefficient is 0.236 indicating a strong relationship between innovativeness and business growth. The results showed that the relationship is positive and supported. Previous research findings indicate that entrepreneurial orientation SMMEs have got a better chance of performing better than non-entrepreneurial businesses (Johnson et al., 2000). Therefore, this rejects H5.

Competitive Advantage (CA) and Business Growth (BG) – H6

According to the proposed hypothesis statement, competitive advantage has a positive impact on business growth. The research findings show that this relationship is not supported and shows insignificant confidence level which below ($P < 0.01$). The path coefficient is 0.124 showing that the relationship is supported. Ultimately, the research findings are very limited in these two relationships. Therefore, this study rejects H6.

10. Summary of the Chapter

The chapter has produced empirical results drawn from the study. It started off by introducing a brief outline and explored the data screening and analysis procedures. The next section explored the descriptive statistics of the current study which includes a detailed description of the sample together demographics of the respondents. It then progressed to the third section where the reliability tests were discussed as illustrated by the diagrams provided. Analysis accuracy statistics are also illustrated diagrammatically in the third section. The fourth section is comprised of the reliability test; the Cronbach's alpha (α), Composite reliability (CR) and the Average variance extracted (AVE). The fifth section is comprised of the validity tests; construct

validity, convergent validity, and discriminant validity. Also included in the fifth section is a diagrammatic illustration of the inter-construct correlation matrix, a comparison of the Average variance extracted (AVE) and the Shared variance (SV). Model fit is explored include a diagrammatic representation of model fit criteria and acceptable Fit Level. The Confirmatory Factor Analysis (CFA) Model is illustrated and discussed. Thereafter the model fit results are discussed and illustrated diagrammatically.

CHAPTER 6: DISCUSSION, CONCLUSION, RECOMMENDATIONS AND FUTURE RESEARCH

1. Introduction

This chapter provides the examination of discussions and explanations of the empirical findings. The stages for data collection and analysis were dealt with and described. The information was analysed and summarised using descriptive analysis, correlation analysis exploratory factor analysis, reliability and validity analysis and structural equation model (SEM). More insights were discussed in brief concerning the contributions, shortcomings, and limitations of the study. The managerial and practical implications were also looked at as to how the results of this study can help to better manage the SMMEs. The main purpose of this study was to examine the factors that affect business growth of SMMEs that are operating in Johannesburg, South Africa. Structural Equation Modelling (SEM) was employed to assess the conceptually proposed research model and hypothesis formulated.

2. Research Contributions

Firms may differentiate their products by, for instance, increasing their technological sophistication, increasing their innovative features, offering higher quality standards, improving their image or achieving higher customer service. Moreover, firms may project reputations as socially and environmentally responsive producers (Fombrun and Shanley, 1999). Furthermore, the current study helps SMMEs managers to change the way they run their respective businesses, taking a shift or a deep dive on innovative marketing assisting them to grow their business in an unpredictable environment.

3. Managerial Implications

The implications are clear, SMMEs needs to do a much better job of self-assessment. Self-evaluations of customer orientation should be accompanied by customers' ratings on the same measures. This point is particularly important because managers in firms that believe they are doing an excellent job of being customer oriented might stop doing the kinds of things necessary to improve in that area. Hence, such customer evaluations of customer orientation should be institutionalized as part of a regular tracking mechanism.

4. Contribution to Marketing Practice

Given the exploratory nature of our research, our suggestions for practice are necessarily speculative and hence briefer than our suggestions for future research. First, we confirm the conclusion that performance is a complex, multi-causal matter that depends on internal factors of the organization as well as strategy. In other words, there is no "quick fix" for performance. To be the best performing SMME the managers involved on the day-to-day running of the business should be both highly customer oriented and employ an innovative outlook. Merely having a market culture or being highly customer oriented or being innovative does not alone produce the best performance. Poor performers are un-innovative, internally oriented bureaucracies. Various other combinations produce an intermediate-level performance.

5. Future Research and Limitations

The current study contains several limitations. Firstly, the survey items used in the study were adopted from prior research which focused on the entrepreneurial orientation of SMME, product innovativeness, and performance the study was conducted in Johannesburg. We observe that a firm, on average, experiences only modest growth and may grow for a number of reasons that may or may not be related to 'innovativeness'. However, whilst standard regression analyses focus on the growth of the mean firm, such techniques may be inappropriate given that both the returns to innovation and firm growth rate distributions are highly skewed. The study was conducted only in Johannesburg only and findings may not be generalized to the whole of South Africa. Therefore, future studies should take into consideration other areas of South Africa. Furthermore, the study only made use of a quantitative research approach. Future research may consider using a mixed-method approach that includes both a qualitative and quantitative research design, where a quantitative design technique could be more reliable and objective because of the use of statistics to generalize the findings.

6. Recommendations

The study of entrepreneurial marketing is gradually gaining its attention especially in difficult economic times like these. Businesses are trying to do more with utilizing fewer resources and thus saving costs. It is thus important for literature to address the possible marketing opportunities that may come from this entrepreneurial marketing. However, there is scarce literature on the impact of entrepreneurial marketing on business growth of SMMEs within the retail sector and thus the current study contributes to prior literature by addressing this gap.

Therefore, the theoretical contribution of the current study is that it adds to the literature on entrepreneurial marketing, particularly to the business aspect for SMMEs managers and owners to adopt.

7. Future Research and Concluding Remarks

To address the limitations, studies conducted in the future should focus on creating a valid and reliable scale that specifically addresses the reasons why SMMEs failure rate is so high in Johannesburg. Furthermore, after developing a more appropriate scale that does not require modification, future researchers should collect data from a wider range of respondents not just in Johannesburg more focus should be on the outer part of Johannesburg. Future studies should include samples with more diverse profiles. Additionally, because of the time sensitivity of the data, future research should adopt a longitudinal approach, and analyse businesses over an extended period in order to gain more insight. Finally, the study is carried out in Johannesburg, South Africa, and the results may not be applicable to other cities in South Africa or other countries. It is recommended, therefore, that future research should replicate the current study in other cities throughout the country and other countries' contexts. It will be interesting to compare results yielded in different settings.

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