

**The influence of social capital and competitive strategy on entrepreneurial
business performance in South Africa**

***A research report submitted to the Faculty of Commerce, Law and
Management, University of the Witwatersrand, in partial fulfilment of the
requirements for the degree of Master of Management in Entrepreneurship
and New Venture Creation***

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ABSTRACT

An entrepreneur often needs to tap into various relationships to enable their business's success. Relationships that are formed with friends, family and the immediate community form the initial social capital that an individual can tap into should they require assistance. The entrepreneur can also use relationships developed with other industry role-players as they continue with their business. Social capital is viewed as a set of resources that one has access to because of one's position in a network. It requires a continuous investment to yield benefits. One must understand which networks yield the most benefit in improving business performance.

The study aimed to investigate the extent to which social capital and networking aid an entrepreneur in accumulating resources that benefit the performance of their entrepreneurial ventures, particularly in its application to South Africa as a developing country. Additionally, the study sought to determine whether the influence of social capital on business performance was contingent upon implementing a competitive strategy.

A cross-sectional and quantitative research design was used. The data was collected from November 2020 to January 2021. The initial survey response contained 134 cases which were narrowed to 101 cases once the data had been prepared for analysis. The study found a positive and insignificant relationship between social capital and business performance. It was found that the influence of social capital on business performance was not contingent upon implementing a competitive strategy.

The study has contributed towards social capital research within sub-Saharan Africa through exploring its influence on business performance on businesses in South Africa. Given the multitude of challenges that have swept through the globe in the advent of the COVID-19 pandemic, it has become much more important for businesses to pursue additional measures to improve business performance. The ongoing investment in social capital is imperative to enable the entrepreneur to stay afloat or to tap into new markets.

Keywords: Differentiation strategy, managerial social capital, bonding social capital, entrepreneurship.

DECLARATION

I, Luyanda Thela, declare that this research report is my own work except as indicated in the references and acknowledgements. It is submitted in partial fulfilment of the requirements for the degree of Master of Management in the Field of Entrepreneurship and New Venture Creation at the University of the Witwatersrand, Johannesburg. It has not been submitted before for any degree or examination in this or any other university.

Luyanda Thela

Luyanda Thela

Signed at Johannesburg, South Africa

On the21st..... day of ..September..... 2021.

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1 INTRODUCTION

An entrepreneur can determine the success of their business. However, they need to leverage the strength of relationships formed during their lifetime to influence this success – particularly in the earlier phase of their business (Stam, Arzlanian, & Elfring, 2014). Social capital has been researched for its impact on boosting the entrepreneur's ability to attain resources that will further their business. Social capital is described as the resources that an entrepreneur has access to because of their personal networks (Stam et al., 2014). Adler and Kwon (2002) further define social capital as the “goodwill” which is available to entrepreneurs. This enables the entrepreneur to have greater access to information, opportunities, and influence than what they would have had access to on their own (Adler & Kwon, 2002). There are, however, views that there could be too much social capital and that this could result in a mediocre entrepreneurial performance as it may suppress the entrepreneur's views to be the same as what their allies may think (Light & Dana, 2013). This raises a question as to when social capital could be viewed as a stimulus or a hindrance to entrepreneurship (Light & Dana, 2013). While there has been agreement on the value that social capital provides for the performance of an organisation, there has been little consensus about when certain forms of social capital could bolster business performance (Stam et al., 2014).

While there is little consensus about the specific time benefits of social capital, there is agreement on the importance of a business crafting and operationalising a strategy to improve its competitiveness in an economy that is constantly changing (Acquaah, Adjei, & Mensa-Bonsu, 2008). The strategies that have been highlighted in studies by Acquaah (2007) and Amoako-Gyampah and Acquaah (2008) focused on low-cost and differentiation strategies. These strategies are viewed as mutually exclusive and require a firm to decide on which one to pursue as they require different approaches to yield a competitive advantage (Acquaah et al., 2008). A decision to pursue a differentiation strategy requires the business to develop a distinctive product or service or one that may appear to be distinctive in the eyes of the consumers. This is achieved through advertising initiatives, creative or intriguing marketing techniques as well as

delivering reliable, durable, and superior products or services when compared to their competitors (Acquaah et al., 2008). A low-cost strategy, on the other hand, requires the firm to be the lowest cost producer or service provider in the industry (Acquaah et al., 2008).

Both the pursuit of a competitive strategy and the building of social capital have a role to play in improving the performance of a business. This study aimed to understand the extent to which these aspects aid an entrepreneur to acquire resources to improve their business' performance.

1.1 Context of the study

This section provides the context of the location in which the study was based. It highlights the state of entrepreneurship in the country and focuses specifically on the small, medium, and micro enterprises (SMMEs) in the country.

The research was conducted in South Africa, a developing country that is viewed as a leader in most sectors on the African continent and as the most industrialised economy on the continent (Bowmaker-Falconer & Herrington, 2019). The data collection for this research took place at the height of the global COVID-19 pandemic which provided an additional set of challenges that entrepreneurs had to overcome. The increased spread of COVID-19 created an urgency for businesses to adapt the way they did business to cater to restrictions that were put in place (Al-Omoush, Simón-Moya, & Sendra-García, 2020).

South Africa is plagued with high unemployment, poverty, and inequality (Bowmaker-Falconer & Herrington, 2019). In the third quarter of 2020, the country reached a record high unemployment rate of 30.8% and this was amidst the COVID-19 lockdown which made it even more challenging for job seekers (Trading Economics, 2021).

Entrepreneurship has been lauded for its ability to generate income and supply jobs that will curb the increasing unemployment rates. SMMEs are viewed as critical to making progress towards inclusive growth and development in South Africa (The Global Entrepreneurship and Development Institute, 2017). South Africa has several

hurdles to overcome to develop entrepreneurship to a state where it will deliver on this expectation (Bowmaker-Falconer & Herrington, 2019). An example of these hurdles is the high cost of data which hampers entrepreneurs' pursuit of opportunities within the digital economy (Bowmaker-Falconer & Herrington, 2019). There are also barriers to entry and growth for differently sized businesses which impact the ability of these businesses to absorb a high number of unemployed people into the workforce (Bhorat, Asmal, Lilenstein, & van der Zee, 2018).

The National Small Business Act of South Africa of 1996 defines small businesses as distinct business entities which are managed by one or more owners and include cooperatives and non-governmental organisations. The businesses can be classified as micro, very small, small, or medium enterprises (South Africa, 1996). The revised Schedule 1 of the National Definition of Small Enterprise in South Africa highlighted that the very small enterprises have been collapsed into the micro-enterprise category. The enterprise categories are defined by the total full-time equivalent of paid employees and total annual turnover, which varies across the sectors (South Africa, 2019).

A study by Ramukumba (2014) indicated that 82% of South African businesses fall into the micro-enterprises category. Compared to middle-income countries and some low-income countries, South Africa's formal and informal SMMEs contribute a lower proportion to the country's Gross Domestic Product (GDP) (Bhorat et al., 2018). The SMME contribution of low-income countries to GDP is over 60%, while the middle-income contribution is over 70%. The contribution of South African SMMEs to GDP is between 45 to 50 per cent (Bhorat et al., 2018). As a result of the influence of COVID-19 on the global economy, there was some movement in the balance of formal and informal businesses. The informal sector accounts for over 60% of SMMEs which do not have employees (SEDA, 2021).

While SMMEs have the potential to create jobs, they are not yet fulfilling this purpose due to the high rate of business failures. The 2019/2020 South African Global Entrepreneurship Monitor (GEM) report showed that the established business rate was 3.5% whereas the business exit rate was 4.9% in 2019. Whilst the business exit rate has come down from 6% in 2017, the difference between the businesses exiting

and those starting up shows that more businesses are closing than being established (Bowmaker-Falconer & Herrington, 2019). Some of the challenges which lead to business closures include a lack of business profitability, difficulties in accessing funding, limited business knowledge, and uncompetitive products and services. In addition to this, South Africa's total early-stage entrepreneurial activity was 10.8% in 2019 and this was below the average for the other countries in the African region which was 12.1% (Bowmaker-Falconer & Herrington, 2019). During the second quarter of 2020, there was a great decline in the number of SMMEs with a drop of 192 000 which is attributable to the COVID-19 lockdown (SEDA, 2021).

South Africa's ranking in the Global Competitiveness Index was 60 out of 141 economies in 2019. This was an improvement from being 67 out of 140 economies in 2018 (Bowmaker-Falconer & Herrington, 2019).

The entrepreneurship landscape in South Africa may be challenging to navigate, however, it also provides opportunities for entrepreneurs to team up with other business partners to derive enhanced insights on the state of the environment, to create knowledge and to act in response to the volatile market (Al-Omoush et al., 2020).

1.2 Theory section

The concept of social capital has been used in various disciplines which include sociology, psychology, political science, economics, and even public health to provide answers to a broad range of questions that result from these fields (Adler & Kwon, 2002; Hawkins & Maurer, 2010). Social capital complements the existing theories on the traits that are attributed to the individual entrepreneur through understanding that entrepreneurs exist within a social context which affects their approach to opportunities existing within that context (Stam et al., 2014). Adler and Kwon (2002) posit that social capital can be transformed into different kinds of capital such as human capital, cultural capital, and economic capital. There are complex interdependencies that may exist between the factors which affect the entrepreneur at an individual level and the institutional conditions which also affect the entrepreneur.

The individual-level factors include entrepreneurial motivation for starting the business and their perception of opportunities (Sautet, 2013). In addition to the identification of opportunities, network connections aid an entrepreneur to access additional resources which may be below market price and could also allow the entrepreneur to have legitimacy among external stakeholders (Stam et al., 2014). Institutions, social networks, and the personal traits of the entrepreneur are all important determinants of the impact that an entrepreneurial venture would have as an entity (Sautet, 2013). Whilst social networks may be inherent to the entrepreneur, it is the ability to capitalise on these networks that plays the biggest role in making these successful linkages that will increase the success of the business. Startup entrepreneurship ventures occur within social networks, as such, the entrepreneur depends on resources that the networks may already have within their control as opposed to those which may be obtained from external sources (Light & Dana, 2013).

The focus of this paper was on the contribution of social capital to entrepreneurship through the review of the influences of networks on the acquisition of resources that impact the performance of businesses. The paper also sought to determine whether the influence of social capital on business performance is contingent upon implementing specific competitive strategies. The review of literature aimed to unpack the conceptual frameworks that have been defined for social capital and the extent to which these benefit an entrepreneur.

1.3 Problem Statement

In their paper, Gedajlovic, Honig, Moore, Payne, and Wright (2013) argue that social capital, due to its ability to enlighten one on the progressions and consequences of social interactions at various levels, can address the theoretical needs of entrepreneurship scholars. The research by previous scholars heightens the notion that obtaining social capital is imperative to influencing the success of individuals and groups who pursue new businesses or aim to enhance existing businesses (Gedajlovic et al., 2013).

The GEM report indicates that early-stage entrepreneurial activity is more ubiquitous in low-income countries than in higher-income countries (Global Entrepreneurship Monitor, 2017/2018). The rate of business discontinuation is also reportedly higher in the lower-income countries when compared to the higher income or innovation-driven economies (Global Entrepreneurship Monitor, 2017/2018).

At the rate that businesses are being discontinued, it becomes important to determine whether the influence of social capital could help in reducing these business closures. Sautet (2013) highlighted that limited access to networks could impact the entrepreneur's attainment of capital and the transference of knowledge and that this challenge is often faced in impoverished countries.

It is therefore important to understand the impact that could be achieved through increasing networking to achieve business growth (Schoonjans, Van Cauwenberge, & Vander Bauwhede, 2013). The study was driven by the need to understand how business performance could be improved by making changes in the acquisition of social capital and whether the use of competitive strategies could be an additional factor affecting performance.

1.4 Research purpose, research question and aims of the study

The purpose of the study was to understand the extent to which social capital and networking aid an entrepreneur in accumulating resources that benefit the performance of their entrepreneurial ventures, particularly in its application to South Africa as a developing country. Additionally, the study sought to determine whether the influence of social capital on business performance was contingent upon implementing a competitive strategy.

The study aimed to provide empirical research and practical relevance of the social capital theory in an African context to highlight its value to entrepreneurs, particularly those involved in SMMEs. Understanding the key measurements of social capital will enable entrepreneurs to determine how best to build on this to derive the maximum benefit which will drive their business development efforts.

Key questions that were addressed in this study:

- What is the influence of managerial social capital on business performance?
- What is the influence of bonding social capital on business performance?
- Is the influence of managerial social capital on business performance contingent on the implementation of a low-cost strategy?
- Is the influence of bonding social capital on business performance contingent on the implementation of a low-cost strategy?
- Is the influence of managerial social capital on business performance contingent on the implementation of a differentiation strategy?
- Is the influence of bonding social capital on business performance contingent on the implementation of a differentiation strategy?

1.5 Conceptual definition of terms

The section defines important terms to aid the reader in understanding the report:

Social capital refers to the summation of actual and potential resources which are entrenched within relationships that an individual or social unit has. It consists of the network and the assets which may be activated through the network (Nahapiet & Ghoshal, 1998).

Network ties refer to how individuals relate. The ties relate to the entrepreneur's internal and external relationships which result in access to opportunities and information (Adler & Kwon, 2002).

Bonding social capital: "ties to people who are similar in terms of their demographic characteristics such as family members, neighbours, close friends and work colleagues" (Grootaert, Narayan, Jones, & Woolcock, 2004, p.4). Bonding social capital results from strong connections which result in norms of reciprocity that breed trust (Gedajlovic et al., 2013).

Managerial social capital: managers' interpersonal ties and associated interactions with external entities serve as substitutes for formal institutional support and access to resources in a turbulent environment (Peng & Luo, 2000). Top managers can

develop social capital through personal, social, and economic relationships with suppliers, customers, and competitors (Acquaah, 2007).

1.6 Contribution of the study

Sub-Saharan African economies deal with great levels of uncertainty which are brought on by regulatory challenges and inadequate support from the institutional environment. As such, entrepreneurs in emerging economies are expected to rely on the relationships cultivated to reduce uncertainty within the business environment and aid the growth of their businesses (Acquaah, 2007). The interpersonal ties cultivated by these entrepreneurs serve as alternatives for formal institutional support and as access to resources in an unsettled environment (Peng & Luo, 2000). Given the challenges brought about through limited support structures and political instability, the benefits emanating from social capital are viewed as essential to whether these challenges (Urban, 2010)

In addition to the work put forward by previous scholars such as Acquaah (2007), whose work was based in sub-Saharan Africa, this study intended to contribute to the growing body of research on social capital being explored in developing countries and particularly within South Africa.

1.6.1 Delimitations of the study

The studies conducted by Acquaah (2007) and Peng and Luo (2000) incorporated relationships with community leaders and government officials as a part of the social capital investigations. This study did not focus on the impact of these relationships but instead explored the social networking aspects to review the impact of the strong tie relationships (bonding social capital) as well as the more formal business ties (managerial social capital).

2 LITERATURE REVIEW

2.1 *Introduction*

This section examines existing literature which relates to social capital and its contribution to the performance of SMMEs in a developing economy. This section will provide definitions, advantages, and disadvantages related to social capital. It will also focus on competitive strategies, business performance and the main hypotheses for the study.

2.2 *Defining entrepreneurship*

The definition of entrepreneurship has evolved over several years as more scholars tried to distil its essence. The elements included in the definition considered entrepreneurship as a process of discovering or creating new opportunities, forming a new enterprise, and combining resources (Kloepfer & Castrogiovanni, 2018). In their study, Kloepfer and Castrogiovanni (2018) view entrepreneurship as a process of venture creation that encompasses opportunity exploration and exploitation subprocesses. New ventures often lack resources that would give them an edge over the existing players in the industry. These resources include specialised capabilities and access to social networks (Kloepfer & Castrogiovanni, 2018).

Entrepreneurship can be facilitated or hampered by linkages between aspiring entrepreneurs, resources, and opportunities (Aldrich & Zimmer, 1986). Entrepreneurs often rely on their resources or those of close family and friends for the initial funding required to pursue their ventures (Kloepfer & Castrogiovanni, 2018). Social networks can influence the opportunity seeking, resource acquisition, and project implementation aspects of entrepreneurship (Casson & Giusta, 2007). Information about new opportunities could be obtained through social events where people exchange valuable information within general conversations. Once an opportunity has been identified, the entrepreneur needs to decide on how to implement it through obtaining and using resources such as financial capital and labour (Casson & Giusta, 2007). Sources of trustworthy networks include a religious organisation, charity, sports

club, or hobby club as this provides an opportunity for regular meetings and discussions that reveal people's values and beliefs (Casson & Giusta, 2007). Trust enhances the transfer of high-quality knowledge (Schoonjans et al., 2013). Non-profit voluntary organisations are quite useful in building trust as the environment provides a safe space for open discussions (Casson & Giusta, 2007). Support, from strong ties such as family and friends, increases the chances of business survival and growth whilst weak ties may have more of an effect on sales growth (Rooks, Szirmai, & Sserwanga, 2009). While strong ties are important for obtaining high-quality information from social networks, weak ties are more likely to enable an entrepreneur to access non-redundant information from partners that they would not constantly interact with and this can allow the entrepreneur to expand their pool of customers (Aldrich & Zimmer, 1986; Schoonjans et al., 2013).

2.3 Defining social capital

"Social capital is the goodwill available to individuals or groups. Its source lies in the structure and content of the actor's social relations. Its effects flow from the information, influence, and solidarity it makes available to the actors" (Adler & Kwon, 2002, p. 23). Social capital is also viewed as an intuitive concept whose main idea is that an individual's family, friends, and associates are an asset that would become necessary to use during a crisis or for material gain (Woolcock & Narayan, 2000). The definitions of social capital have varied because researchers have placed different emphasis on sources, effects, or the substance of social capital (Adler & Kwon, 2002). Sociologists consider capital as a stock that is amassed steadily over time, while economists tend to value capital in terms of the benefits resulting from its future use (Casson & Giusta, 2007). Social capital is defined as "the capitalised value of improvements in economic performance that can be attributed to high-trust social networks" (Casson & Giusta, 2007, p.221).

There has been some contention raised about whether social capital can be considered as "capital." Adler and Kwon (2002) highlighted the similarities and differences that social capital shares with other forms of capital. In their discussion, Adler and Kwon (2002) affirmed that social capital can be viewed as an asset into

which other resources can be invested. Individuals and groups can supplement their social capital and gain more benefits through superior access to information, power, and camaraderie (Adler & Kwon, 2002). The entrepreneur could invest their limited resource of time in enhancing their social ties and building networks (Rooks et al., 2009). Social capital can replace or complement other resources (Adler & Kwon, 2002). Due to its value to the entrepreneur, social capital must be renewed and reconfirmed or else the bonds formed may lose their worth. The benefits of investments in a relationship may be difficult to quantify in a cost-benefit analysis and this adds to the complexity of viewing social capital as an investment or a form of capital (Rooks et al., 2009).

2.3.1 Sources of social capital

There has been limited agreement on what constitutes sources of social capital. Adler and Kwon, (2002) remark that some researchers place the sources of social capital in the formal structures of a social network tie, whereas others consider the content of the network ties. The sources of social capital are found within the entrepreneur's social structure (Adler & Kwon, 2002). Due to the various approaches that are taken to define the sources of social capital, Adler and Kwon (2002) chose to look at opportunity, motivation and ability as the key factors required for social exchange. They argued that social capital was furnished by the opportunities within the relations, the motivation was afforded by the norms and values within those networks and finally, the abilities within the different intersection points of the relations are activated by goodwill (Adler & Kwon, 2002). In their additional work, Kwon and Adler (2014) noted that the concept of social capital had reached a state of maturation in subsequent years.

Resources obtained through relationships can enable the entrepreneur to realise, maintain and even increase their competitive advantage (Florin, Lubatkin, & Schulze, 2003). When an entrepreneur has a good relationship with suppliers, the supplier could enable them to increase their geographical reach and expose them to a group of clients that they may have never reached on their own (Hernández-Carrión, Camarero-Izquierdo, & Gutiérrez-Cillán, 2017).

An individual's network provides an opportunity for social capital transactions. In this instance, the network focus is on the quality and makeup of the network ties and is an essential source of social capital. Researchers have studied the configurations of networks and provided views in support of close and sparse networks (Adler & Kwon, 2002). Coleman (1988) argues that effective norms and trustworthiness are facilitated through a close connection between the individuals in a network. He further purports that an open structure would result in less trust as this would weaken social capital. This view is contrasted by Burt (1992) who argues that greater social capital benefits are derived from having sparse networks which would result in a greater flow of information between groups. The tight-knit manner of the group results in cohesiveness which has benefits for a community or organisation, whereas structural holes which exist within sparse networks provide resources that could strengthen competitive action. Leonard (2004) disagreed with encouraging homogenous ties as these have the potential to limit entrepreneurs from reaching their full potential as community and family demands may restrict their development. It was concluded that both close and sparse networks have their benefits and that the value that can be derived from these networks varies based on the state of the individual's sources of social capital and the tasks that need to be pursued (Adler & Kwon, 2002).

Norms and trust are important sources of social capital. Beckert (2010) states that individuals reproduce norms due to their socialisation experience because compliance with norms is often rewarded, whilst deviations are punished. The norms could include generalised reciprocity which results in shared interests and a commitment to doing good (Adler & Kwon, 2002). All members of a group accept an obligation to respect the rights of other members in return for respect from others. As such, the trust would often develop within a group context (Casson & Giusta, 2007).

Recent literature has highlighted the distinction between boasting social capital and being able to use this capital (Kwon & Adler, 2014). It has been assumed that one would use the social capital that they have acquired to advance their business and take advantage of opportunities that have been afforded to them because of this position, however, this assumption may not hold (Kwon & Adler, 2014). A longitudinal study found that firms used the various ties discerningly at different points of their

business ventures, for instance, some ties were used for the discovery of novel ideas whilst other ties were used to maintain relationships (Kwon & Adler, 2014).

2.3.2 Types of social capital

2.3.2.1 Bridging social capital

Bridging social capital is often described interchangeably with the weak tie concept of external relations between individuals. The actors in this form of social capital could be from different ethnic, occupational, socioeconomic, and geographic backgrounds (Johnston, Tanner, Lalla, & Kawalski, 2013). Bridging social capital results in individuals being able to gather a wider set of information, opportunities and even financial or human capital (Adler & Kwon, 2002; Leonard, 2004). Adler and Kwon (2002) noted that within the bridging view, the direct and indirect links to individuals in other social networks can influence the primary actor's success. These relationships could also be referred to as external social capital as it measures relations with market authorities, customers, and suppliers and can result in building customer loyalty (Akintimehin, Eniola, Alabi, Eluyela, Okere and Orzodi, 2019).

Business partners can create new knowledge through collaboration which fosters a deeper understanding of the environment, expansion of insights, and a greater response to the unstable market by working together (Al-Omouh et al., 2020).

Florin et al. (2003) encompassed the interplay between human resources, social capital, and business performance as a virtuous cycle in which the enhancement of a business's human capital by social linkages makes it more attractive to key external stakeholders. These stakeholders in turn provide access to additional resources and expand the business' capabilities for exploiting new opportunities.

While the study by Peng and Luo (2000) took place over 20 years ago in China, it would be appealing to determine if their findings still hold. One of the main assertions made in the introduction to their study was that Chinese managers relied more heavily on the cultivation of personal relationships to cope with the demands of their economic situation (Peng & Luo, 2000). Managers throughout different firms cultivated

relationships with executives at other firms such as customers, suppliers, and competitors. Previous research has indicated that the more uncertain the environment, the more likely it is that informal ties will be established between entrepreneurs of different firms (Peng & Luo, 2000). Considering this, hypothesis 1 is stated below:

Hypothesis 1: There is a positive relationship between higher levels of managerial social capital and increased business performance.

2.3.2.2 Bonding social capital

Bonding social capital exists within closer ties such as with family members and close friends (Johnston et al., 2013). It refers to the resources that individuals could obtain through “within-group” ties (Yuan & Gay, 2006). The resources include referrals from the group, business advice, and investment (Akintimehin et al., 2019). This view focuses on the internal characteristics of the collective structure (Adler & Kwon, 2002). The cohesion amongst the group encourages knowledge creation and the exchange of ideas (Yuan & Gay, 2006). These are also called strong-tie relationships and do not often provide linkages to individuals from different backgrounds (Johnston et al., 2013).

Rooks et al. (2009) confirmed the vital role played by families in many African micro-enterprises. They found that an average entrepreneur’s network consisted of 40% of family members. A person’s achievement is shaped by the social context in which the individual matures (the family, community, and municipality) (Florin et al., 2003).

Strong ties provide accessibility to a wider range of resources as the relationship reflects repeated social connections which result in the development of norms such as trustworthiness, reciprocity, and obligations. These relationships are crucial to gain access to social capital (Lin, 2004). Increased sharing can be expected in this network, which may not be possible with actors that are not part of this network. This would lead to recognition of opportunities, access to finance and innovative discoveries which lead to benefits for business performance (Gedajlovic et al., 2013). This leads to the development of the next hypothesis.

Hypothesis 2: There is a positive relationship between higher levels of bonding social capital and increased levels of business performance.

There is often a lean towards examining these two factors of social capital separately, it is important to determine how both external social capital (managerial social capital in this case) and internal social capital affect business performance (Dai, Mao, Zhao, & Mattila, 2015).

2.3.2.3 *Linking social capital*

Linking social capital is different to bonding and bridging capital in that it refers to the extent to which individuals build relationships with people who hold higher levels of authority over them (Hawkins & Maurer, 2010).

Whilst there is often a temptation to view social capital solely from a positive perspective, it must also be noted that the investment in social capital provides both benefits and risks and both should be fully understood. For instance, social capital could be beneficial to an individual whilst also having negative consequences on the broader environment in which the individual exists (Adler & Kwon, 2002). The benefits and risks of these types of relationships are outlined in the next section.

2.3.3 *Benefits of social capital*

The principal benefit of social capital is the access to information which provides advantages of knowing about job opportunities, innovations, and enriching forecasts on customer preferences (Adler & Kwon, 2002). The other benefits are control, influence, and power which help to get things done. Strong social norms and beliefs as well as close-knit ties encourage compliance with the rules which prevents the need for more stringent controls (Adler & Kwon, 2002). The social capital embedded in managerial ties can be regarded as a valuable, unique, and intangible resource that is difficult to replicate, thus giving firms possessing such ties a significant advantage (Peng & Luo, 2000). Moreover, social capital eases information flow and can enable businesses to become innovative, thereby improving their performance (Agyapong, Agyapong, & Poku, 2017). The enhancement of digital communication has enhanced

collaboration efforts with various stakeholders which in turn has a positive effect on social capital (Dai et al., 2015).

2.3.4 *Risks of social capital*

The maintenance of strong ties could come at a cost of investment in the relationship. The power benefits of social capital may be offset by the information benefits from multiple contacts as the primary actor becomes less powerful in a network of various indirect contacts. The strong solidarity offered by bonding social capital could result in a reduction in the flow of new ideas to the group which would impact the growth potential of the business (Adler & Kwon, 2002). In her research, Leonard (2004) sought to highlight contradictions that exist in the definitions of social capital such as the inherent exclusion that results through the formation of both bonding and bridging social capital. She points out that levels of inequality are further exacerbated through the expected reciprocity within social capital, as people tend to participate in selective exchanges with individuals who were most likely to reciprocate, thus excluding the rest of the population. The inequality within the social network can lead people perceived to have a high social standing to derive more benefits from social capital than those who may be perceived to have a lower social standing (Kwon & Adler, 2014). Whilst it may serve the entrepreneur well to start the business supported by friends, family, and close associates, for the business to effectively grow, the entrepreneur may need to move out of the environment and create ties with the wider society (Leonard, 2004).

Rooks et al. (2009) stated that being embedded in a large network could impede innovative entrepreneurial behaviour. The preferred situation is being part of a network that has access to a wider set of resources, rather than a large network.

2.3.5 *Three dimensions of social capital*

2.3.5.1 *The structural dimension*

This dimension includes the direct and indirect social capital ties to other actors (Nahapiet & Ghoshal, 1998). The network structures of an entrepreneur can evolve as the advantages of the configurations change. For instance, as the firm is starting up,

it may be more advantageous to have a more tight-knit structure, whereas when the firm becomes more established, it might require access to more sparse networks (Jonsson & Lindbergh, 2013).

2.3.5.2 *The cognitive dimension*

This dimension centres on the nature of the connections between the participants. It speaks of resources that specify meaning and interpretations between the participants (Nahapiet & Ghoshal, 1998). The cognitive dimension exhibits the similarity between the worldviews of the main actor or entrepreneur and other participants in the network (Lechner, Frankenberger, & Floyd, 2010). The shared meanings and language between participants enables them to understand each other's thinking which aids in the sharing of information and learning (Jonsson & Lindbergh, 2013). The participants within this relationship are privy to assets that people outside this network may not have access to due to their proximity to the relationship (Jonsson & Lindbergh, 2013). Kwon and Adler (2014) showcase that the actors who may be within the same position within a network may have a different perception of the social ties and could view opportunities as constraints or vice versa. The cognitive dimension of social capital has received less research attention compared to the other two dimensions. Its importance as part of the dimensions lies in its ability to produce knowledge over open markets as people have the cognitive capability to interpret and apply the knowledge (Jonsson & Lindbergh, 2013). It is also important in determining the entrepreneur's perception of risk and their ability to identify and exploit resources (Jonsson & Lindbergh, 2013).

2.3.5.3 *The relational dimension*

This dimension includes the types of relationships that have been developed such as strong or weak ties (Jonsson & Lindbergh, 2013). It describes the quality of relationships, including their frequency, degree of closeness, and level of trust (Lechner et al., 2010). Within the earlier stages of the establishment of a firm, entrepreneurs make use of the embedded ties to acquire resources as markets may be reluctant to enter into agreements with unknown entrepreneurs (Jonsson & Lindbergh, 2013). The cohesiveness associated with the embedded or strong tie

relationship may become less useful as the firm progresses and requires additional funding. In this instance, the firm may acquire relationships with additional suppliers, financiers, distributors, and new information sources to help them develop (Jonsson & Lindbergh, 2013). Social skills have been highlighted as an important factor in being able to gain collaborate with different partners to achieve a defined outcome (Kwon & Adler, 2014). In a similar vein, Baron and Markman (2003) suggest that entrepreneurs' ability to engage with different people was linked to them achieving financial success. These social skills consisted of the ability to manage impressions, having an accurate perception of other people as well as their persuasiveness (Baron & Markman, 2003). It seems, however, that there may be challenges in extrapolating the benefit of social skill to the organisational layer as opposed to the individualised level (Kwon & Adler, 2014).

2.4 Competitive strategy as a moderating variable

A company is driven to create a competitive strategy in response to the other industry players in their economic environment. The structure of the environment that the company is placed also has a bearing on the competitive strategies that would be employed (Porter, 1980). The business' objective in having a competitive strategy is for them to place themselves in a favourable position in the industry and to be able to defend this position against the various competitors in that industry (Porter, 1980).

Porter (1980) discussed three strategies that companies can utilise in their pursuit of competitive victory within their industry. These strategies require dedication and diligence in fully implementing them to prevent the company from diluting its plans. They are made up of cost leadership, differentiation, and focus strategy (Porter, 1980).

The overall cost leadership strategy requires a deliberate focus on creating operational efficiency and cutting costs in the overall business operations. There is a limit placed on expensive endeavours such as advertising, and research and development initiatives (Porter, 1980). Achieving dominance in this position serves as a strength in the competitive space as competitors may struggle to make profits through charging similar prices without having the required cost structure (Porter, 1980). Due to the

challenges in obtaining resources to fully embrace this strategy, managers of businesses pursuing this strategy would have to rely on relationships established with outsiders such as senior leaders in other companies (suppliers, competitors, and customers), community leaders and even government officials to assist in obtaining these resources (Acquaah, 2007).

The differentiation strategy focuses on the perceptions of providing unique and valuable products or services compared to competitors in the industry (Acquaah, 2007). This can be achieved through providing dependable, hard-wearing, and quality products or superior customer service (Acquaah, 2007) or differentiating the offering through technology, dealer network, brand image and different features (Porter, 1980). This could be an expensive strategy to implement, however, costs are not the main focus. If the strategy is implemented well, it would result in customer loyalty from customers who may not be sensitive to price but may be more concerned with the distinguishing features of the brand (Porter, 1980).

The third strategy discussed by Porter (1980) is the focus strategy. This strategy is targeted at a narrow market. The company can then pursue a differentiation strategy or a low-cost strategy for this market which may be better than a broader market (Porter, 1980).

Strategic renewal is one of the dimensions of corporate entrepreneurship in addition to innovation and corporate venturing (Dai et al., 2015). This involves changes in strategy such as moving between cost-leadership and differentiation or the move to serving different markets which enable a business to adapt operations to the needs of the market (Dai et al., 2015).

As businesses start competing, their achievement is contingent on how they define and carry out competitive strategies. Acquaah (2007) proposed that the impact of social capital on business performance would depend on the business's ability to implement low cost and differentiation strategies. Dai et al., (2015) proposed that operationalising strategic renewal will enhance the ability of internal and external social capital to improve business performance. Relationships with family, friends and

social associations are also expected to be tapped into to obtain these resources. Therefore, the next set of hypotheses are:

Hypothesis 3a: The relationship between managerial social capital and business performance will be stronger for firms that pursue a low-cost strategy.

Hypothesis 3b: The relationship between bonding social capital and business performance will be stronger for firms that pursue a low-cost strategy.

Attaining differentiation necessitates that the buyer perceives the business offering as exclusive. Contrary to the cost leadership strategy, pursuing the differentiation strategy would require that the business conducts extensive market research and other research and development initiatives, uses high-quality materials and have unique designs (Porter, 1980). Acquiring such resources would require collaboration with people that can provide this assistance. The final set of hypotheses are:

Hypothesis 4a: The relationship between managerial social capital and business performance will be stronger for firms that pursue a differentiation strategy.

Hypothesis 4b: The relationship between bonding social capital on business performance will be stronger for firms that pursue a differentiation strategy.

While this study aims to determine which of these strategies perform a moderating role on social capital, it is important to note that the pursuit of a well-defined strategy may have served a business better than having the business playing a more reactive role (Hernández-Carrión et al., 2017).

2.5 Business Performance and Social Capital

Business performance is a persistent theme that interests academics and incumbent managers (Venkatraman & Ramanujam, 1986). The measurement of business performance has been widely debated in the literature. The core idea of business performance focuses on financial outcomes which are viewed to represent the attainment of business goals (Venkatraman & Ramanujam, 1986). Financial performance indicators include metrics such as return on equity, return on investment,

sales growth, and earnings per share (Venkatraman & Ramanujam, 1986). Akintimehin et al. (2019) included revenue earnings, growth in market share, and cost efficiency within their measurement of financial performance.

The expansion of business performance measurement incorporates non-financial metrics such as the introduction of new products, product quality, market share and other metrics which focus on effectiveness and efficiency (Venkatraman & Ramanujam, 1986). Additional metrics considered for measuring non-financial business performance include customer service, customer loyalty, customer service, product or service innovation, and customer satisfaction (Akintimehin et al., 2019). Business success is a relative term as success would differ greatly for a start-up and a more established business. It is important to understand how performance or success would be measured. Business performance measurement could include exceptional financial performance, effectiveness and efficiency assessments, and market share (Hadi, Abdullah, & Sajilan, 2015).

Obtaining sources of data becomes the next challenge in determining whether one would use financial, non-financial metrics or both to determine business performance. Performance data could be sourced directly from the companies under study or through records that may be publicly available. Due to matters of confidentiality and the sensitive nature of financial performance data, companies may be hesitant to provide such data (Venkatraman & Ramanujam, 1986). Financial data obtained from primary sources may be ideal as it would not need to be manipulated for interpretation, however, there may be biases introduced into the data and some elements of the data may be removed due to sensitivity. Non-financial data provides an additional layer of insight into the business' performance; however, it may be difficult to match this with the financial data (Venkatraman & Ramanujam, 1986).

Given the challenges in the collection of the data from primary and secondary sources, subjective measures were implemented and survey respondents are often asked to compare their financial and nonfinancial performance to that of their competitors on a 5 point or 7 point scale (Akintimehin et al., 2019; Tang, Wang, and Zhang, 2007).

Ideally, objective measures including turnover, profitability, efficiency, and on-time delivery could be used to compare the performance of various businesses in the study, however, such data is not regularly available (Tang et al., 2007).

Business networks are valuable assets that facilitate the acquisition of resources and knowledge essential for firm survival and growth (Schoonjans et al., 2013). Networks composed of a mix of strong and weak ties can optimise a firm's economic performance (Schoonjans et al., 2013). Social capital can benefit a business in numerous ways. These include being privy to certain financial and strategic resources as well as information about various market opportunities. The relational and structural embeddedness of a firm in its network provides beneficial effects on business performance (Schoonjans et al., 2013). The study will focus on performance in terms of improvements in sales volumes, growth in sales, return on sales, return on investment and growth in profitability (Agyapong et al., 2017).

2.6 Study variables

Independent variable (IV1): Managerial social capital which has been operationalised as relationships with customers, suppliers, and competitors.

Independent variable (IV2): Bonding social capital which has been operationalised as relationships with friends/ neighbours, family and relatives, and social associations.

Moderating variable (MV): Competitive strategy consisting of low-cost and differentiation strategies.

Dependent variable (DV): Business performance which will incorporate financial and non-financial metrics.

2.7 Conceptual Framework of hypotheses

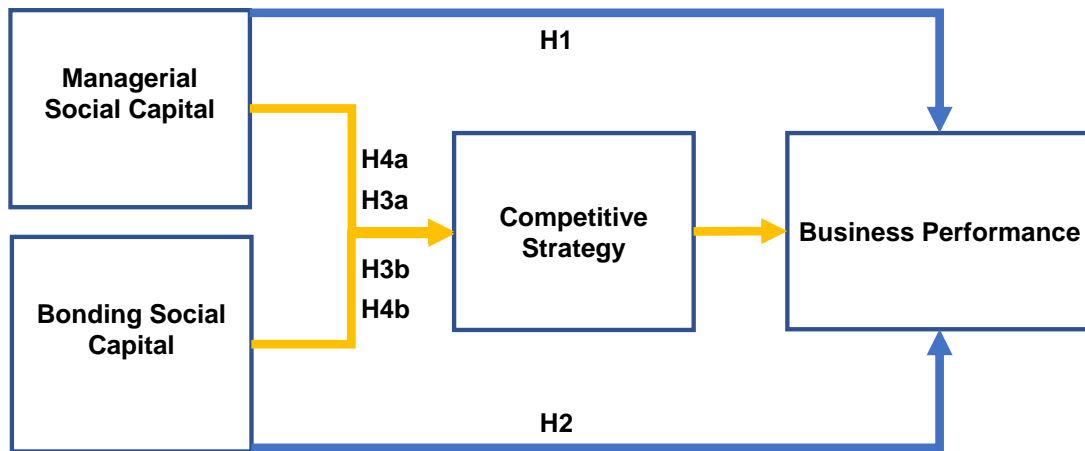


Figure 1: Conceptual Framework

The conceptual framework summarises the hypotheses highlighted in the previous section. The moderating impact of the competitive strategy is shown in yellow.

2.8 Conclusion of the literature review

This section examined the available literature relating to the contribution of social capital to entrepreneurship through the review of influences of managerial social capital, bonding social capital as well as the relationship influenced by the competitive strategy. All these variables are expected to have a positive relationship with business performance. Based on the contentions on the impact of bonding and managerial social capital on the entrepreneur and communities, it is important to understand the implications of this for South African entrepreneurs.

3 RESEARCH METHODOLOGY

This section outlines the methodology that was followed to conduct the research and obtain relevant findings. It addresses the research design, the process for data collection, the research instrument as well as the ethical considerations that were required for this study. Discussions around ensuring reliability and validity are covered in this section as well.

3.1 *Research Methodology*

A research strategy is defined as an orientation to the conduct of research and includes quantitative and qualitative research as two distinct clusters of research strategy (Bryman & Bell, 2011). This study examined theories presented by academic scholars about the constructs of social capital, competitive strategies, and business performance. The operationalisation of these constructs was guided by previous studies by Peng and Luo (2000); Acquaah (2007), and Mlotshwa (2019). Social capital was the independent variable and was assessed as managerial social capital and bonding social capital. The competitive strategy focused on the low-cost and differentiation strategies and was the moderating variable in this study. The dependent variable was business performance which was measured through financial and non-financial metrics.

This was a quantitative study that emphasised quantification in the collection and analysis of data and entailed a deductive approach to the relationship between theory and research (Bryman & Bell, 2011).

3.2 *Research design*

Entrepreneurship research has been explored through three modes, namely positivist, narrative, and design mode (Van Burg, Georges, & Romme, 2014). The objectives of these research modes are different but complementary. For instance, the positivist mode is focused on objectively uncovering conditions from empirical data, whereas the narrative mode aims to portray and reflect on the entrepreneurs' imagination and

experience concerning the various environments in which they operate (Van Burg et al., 2014). The final mode, the design mode, focuses on assisting entrepreneurs to create value (Van Burg et al., 2014). The measurement of human behaviour is often associated with a positivist view or an empirical analytical approach (Drost, 2011). As a result, measurement instruments need to be reliable and valid (Drost, 2011).

The objective of conducting this entrepreneurial research is to obtain empirical data which provides a view of the impact of the relationships which exist between the different variables through collecting quantitative data (Van Burg et al., 2014). Quantitative research is a means for testing objective theories by examining the relationship among variables. These variables, in turn, can be measured, typically on instruments, so that numbered data can be analysed using statistical procedures (Creswell, 2009). The results from quantitative research could be confirming, explanatory or predictive (Williams, 2007).

There are two primary methodological designs in survey research: cross-sectional and longitudinal. Cross-sectional designs seek information from a sample at one point in time, whereas longitudinal designs occur multiple times to measure change over time (Leavy, 2017).

This study made use of a cross-sectional design which used a questionnaire to obtain primary data from the sample population (Gaffurini, 2015). This enabled the determination of whether significant correlations existed between the independent variables (social capital – relationships with friends and family, customers, competitors, and suppliers), moderating variable (competitive strategy) and the dependent variable (business performance). The cross-sectional study may not provide a view on causality between the variables as that is more suited to a longitudinal study (Field, 2013). The intention was to determine the extent of social capital benefit on business performance together with the objectives and hypotheses highlighted in the earlier sections.

3.3 Population and sample

3.3.1 Population

The population which qualified to be included in this research were registered South African owned Small, Medium and Micro-Enterprises (SMMEs) that had been in operation for more than one year. The revised Schedule 1 of the National Definition of Small Enterprise in South Africa defined categories by the total full-time equivalent of paid employees and total annual turnover which varies across the sectors. For most of the sectors, the number of employees should not exceed 250. There is variation in terms of the turnover amounts for the different sectors (South Africa, 2019). Micro enterprises are enterprises that have 0-10 full-time equivalent (FTE) of paid employees, small enterprises have between 11 and 50 FTEs, and medium enterprises have between 51 and 250 FTEs (South Africa, 2019).

3.3.2 Sample and sampling method

For a quantitative study, probability sampling is often preferred (Leavy, 2017). It relies on statistical techniques which enable the researcher to generalise their findings to the population (Leavy, 2017). Within a probability sampling method, each case has a non-zero chance of being selected whereas non-probability sampling may be more subjective (Schindler, 2019). Convenience sampling is one of the non-probability sampling methods and it involves selecting potential research respondents based on their ease of access to the researcher (Leavy, 2017). The initial set of survey respondents were within the researcher's reach and included former colleagues who had ventured into entrepreneurship, former classmates who studied at business schools, and members of Toastmasters International. Additional responses were requested from business support organisations. This sampling method was used as it enabled the practical collection of data within a limited amount of time (Creswell, 2009).

3.4 Research Instrument

The questionnaire was adapted from the study by (Acquaah, 2007) which examined how social capital stemming from managerial social networking relationships and community leaders impacted organisational performance. The study by Acquaah (2007) referred to a study with similar objectives performed in China, by Peng and Luo (2000).

The survey was kept relatively the same as the instrument used by Acquaah (2007) as the study was also performed in an African context (Ghana). Additions were made to the demographic portion of the survey through the inclusion of questions around gender and the individual's age. These additions could provide more opportunities for the interpretation of the data as they could serve as control variables. Acquaah (2007) included a question on firm ownership which determined whether the organisation was locally owned or formed part of a joint venture. This question was removed from the research instrument shown later in this document as it would not be used in the analysis. The questions concerning relationships with governmental organisations and community leaders were also removed as they might be more sensitive in the South African context. Instead, these were replaced by questions on bonding social capital which was included in a previous social capital study by Mlotshwa (2019).

The survey included seven-point Likert scale questions for each of the constructs to ensure a wide array of responses which enable one to differentiate between those that have positive and negative responses to the statements provided (Zikmund, Babin, Carr, & Griffin, 2008).

The research instrument included four sections for completion set out as follows:

Section A contained demographic questions obtaining details on the respondent's gender, age, education, followed by questions on their business including the business age, sector, size and location.

Section B measured the dependant variable – business performance. There has been a precedent set for using subjective performance measurements in social capital studies due to the difficulties in obtaining objective measures of financial performance

for small businesses (Acquaah, 2007; Peng & Luo, 2000). Entrepreneurs may be reluctant to share information on their sales and profits or may not want to provide precise figures (Rooks et al., 2009). To account for this, respondents were requested to rate their business' performance on five performance metrics including sales growth, profit or net income growth, productivity growth, return on assets, and return on sales relative to their industry competitors (Acquaah, 2007).

Given the COVID-19 pandemic that affected most businesses in 2020, it was more challenging for respondents to compare it with any other year. Respondents were prompted to review the years pre-COVID.

Section C focused on the competitive strategy which was used as a contingency or moderating variable to investigate how it moderated the relationship between social capital and business performance (Acquaah, 2007). This was separated into questions considering how the low-cost and differentiation strategies influenced managerial social capital (independent variable 1) and bonding social capital (independent variable 2).

The low-cost strategy was measured by asking respondents to select how their business relied on the following items: operational efficiency; market growth forecasting, providing a wide selection of goods or services; controlling costs and increasing process or service innovations (Acquaah, 2007). Differentiation strategy focused on metrics such as enhancing features of their goods or service offering; providing goods or services for market segments affording higher prices; a focus on improving customer service; implementation of innovative marketing and advertising approaches; creating new goods or services; and developing a corporate identity (Acquaah, 2007).

Section D focused on social capital. Respondents were asked to indicate whether relationships were used to further their business and how these relationships benefitted their business (Acquaah, 2007). The business could have derived additional information and valuable resources or could have been able to obtain and use the knowledge gained from the relationships to improve business performance (Acquaah, 2007). Managerial social capital was measured by focusing on relationships with

suppliers, customers, and competitors (Acquaah, 2007). Mlotshwa (2019) operationalised bonding social capital through focusing on relationships with friends and neighbours, family and relatives, and social associations. This metric was also incorporated into this study.

Table 1: The measurement instrument

Research question	Variable name	Sourced from	Item on survey
What is the influence of managerial social capital on business performance?	<ul style="list-style-type: none"> Independent Variable 1 (IV1): Managerial social capital Dependent Variable (DV): Business performance 	(Acquaah, 2007) (Peng & Luo, 2000)	IV1: Q12.1; 12.2,12.3; Q13.1; 13.2; 13.3 Q14.1; 14.2; 14.3 Q15.1; 15.2; 15.3 Q16.1; 16.2; 16.3 Q17.1; 17.2; 17.3 DV: Q9
What is the influence of bonding social capital on business performance?	<ul style="list-style-type: none"> Independent Variable 2 (IV2): Bonding social capital Dependent Variable (DV): Business performance 	(Mlotshwa, 2019)	IV2: Q12.4; 12.5; 12.6 Q13.4; 13.5; 13.6 Q14.4; 14.5; 14.6 Q15.4; 15.5; 15.6 Q16.4; 16.5; 16.6 Q17.4; 17.5; 17.6 DV: Q9
Is the influence of managerial social capital on business performance contingent on the implementation of a low-cost strategy?	<ul style="list-style-type: none"> Independent Variable 1 (IV1): Managerial social capital Moderating variable (MV): Competitive strategy Dependent Variable (DV): Business performance 	(Acquaah, 2007)	IV1: Q12.1; 12.2,12.3; Q13.1; 13.2; 13.3 Q14.1; 14.2; 14.3 Q15.1; 15.2; 15.3 Q16.1; 16.2; 16.3 Q17.1; 17.2; 17.3 MV: Q10 DV: Q9
Is the influence of bonding social capital on business performance contingent on the implementation of a low-cost strategy?	<ul style="list-style-type: none"> Independent Variable 2 (IV2): Bonding social capital Moderating variable (MV): Competitive strategy Dependent Variable (DV): Business Performance 	(Acquaah, 2007)	IV2: Q12.4; 12.5; 12.6 Q13.4; 13.5; 13.6 Q14.4; 14.5; 14.6 Q15.4; 15.5; 15.6 Q16.4; 16.5; 16.6 Q17.4; 17.5; 17.6 MV: Q10 DV: Q9

Research question	Variable name	Sourced from	Item on survey
Is the influence of managerial social capital on business performance contingent on the implementation of a differentiation strategy?	<ul style="list-style-type: none"> Independent Variable 1 (IV1): Managerial social capital Moderating variable: Competitive strategy Dependent Variable (DV): Business Performance 	(Acquaah, 2007)	IV1: Q12.1; 12.2,12.3; Q13.1; 13.2; 13.3 Q14.1; 14.2; 14.3 Q15.1; 15.2; 15.3 Q16.1; 16.2; 16.3 Q17.1; 17.2; 17.3 MV: Q11 DV: Q9
Is the influence of bonding social capital on business performance contingent on the implementation of a differentiation strategy?	<ul style="list-style-type: none"> Independent Variable 2 (IV2): Bonding social capital Moderating variable: Competitive strategy Dependent Variable (DV): Business Performance 	(Acquaah, 2007)	IV2: Q12.4; 12.5; 12.6 Q13.4; 13.5; 13.6 Q14.4; 14.5; 14.6 Q15.4; 15.5; 15.6 Q16.4; 16.5; 16.6 Q17.4; 17.5; 17.6 MV: Q11 DV: Q9

Source: Peng and Luo (2000); Acquaah (2007) and Mlotshwa (2019)

3.5 Procedure for data collection

Data was collected using an online research instrument developed on Qualtrics and was sent to respondents via email. To increase the responses, additional posts were sent via numerous social media platforms including Facebook, LinkedIn, Twitter, and WhatsApp. The surveys were not hand-delivered due to the restrictions implemented to curb the spread of COVID-19.

The collection of data occurred from November 2020 to January 2021. Research participants were limited to top management within SMMEs that were at least 18 years old. Attempts were made to increase the reach of the survey to all nine provinces of South Africa.

3.6 Research ethics

Demographic information was collected about the entrepreneur as well as their business venture. The data collected from respondents did not include any identifiable information and did not ask any open-ended questions which may have inquired about proprietary information.

The participating organisations were not identifiable in the raw data. The questionnaire was confidential, and any information obtained from it would only be used for the research project. No individual was adversely affected by participating in the survey. Survey participation was voluntary, and no one was coerced into participating.

Ethical clearance was provided prior to the syndication of the survey and collection of data. The clearance certificate protocol number given is: WBS/BA385754/652

3.7 Data analysis and interpretation

The questionnaire was coded appropriately for the scales used to measure the different variables. When receiving data to analyse, it is important to ensure that it is of good quality before making any predictions on the data. The data was cleaned and prepared for analysis using the Statistical Package for Social Sciences (SPSS) software version 26 and 27. Further data analysis was also completed on SPSS.

Descriptive statistics were used to provide details such as the mean, median, mode, standard deviation, the significance of correlations and the number of cases that influence the correlation (Field, 2013). This helped to determine whether the variables were correctly coded with a range from 1 to 7 for the Likert scale items. This also showed the number of missing variables that needed to be reviewed.

3.7.1 Missing variables

A missing variable analysis was conducted to check for missing data. Data analysis often has a challenge of missing data to deal with. Whilst the challenge itself is pervasive, it is the pattern of the missing data that is imperative (Tabachnick & Fidell, 2013).

The variables could be randomly missing throughout the data, and this would not be much of a concern. When the missing variables are not random, it could result in incorrect generalisations made through data analysis (Tabachnick & Fidell, 2013). The data can be missing completely at random (MCAR), missing at random (MAR) and missing not at random (MNAR) (Tabachnick & Fidell, 2013). If a lot of data are missing

from a small data set, the consequences would be much higher than if a few data points were missing from a large data set. However, there is no finalisation on the tolerance of missing data for a given sample size (Tabachnick & Fidell, 2013).

A missing variable analysis was conducted on the data to determine whether the missing variables are random or within a specific pattern (Field, 2013). 134 responses were received to the questionnaire. Deleted cases included those where just consent was selected but no further responses were provided for the rest of the survey. Other cases were removed when only the demographic section was completed and none of the other questions. Where data were missing for some of the constructs, this was replaced by the mean. Of the 134 responses received, only 101 responses were fit to use for further analysis.

Deleting cases is one of the recommended procedures to deal with missing variables, especially if there are a few cases or if the variables are not critical to the analysis (Tabachnick & Fidell, 2013). Another option presented is that of estimating the missing variables during data analysis. This can be done through using prior knowledge, using regression, multiple imputations and inserting mean values (Tabachnick & Fidell, 2013). Making use of prior knowledge is relevant when the researcher has worked in a field for some time and has an idea of the typical responses (Tabachnick & Fidell, 2013). As this study was the first study conducted by the researcher, this was not a viable option.

The mean substitution was a more viable solution. The means of the data were calculated from the available data and used to replace the missing data. This is a conservative estimate, however, depending on how many fields are missing, it may affect the variability of the data as well as the correlation with other variables (Tabachnick & Fidell, 2013).

3.7.2 Statistical analysis

Exploratory factor analysis was used to determine whether measurements would cluster together and reflect that they were potentially measuring the same variables (Field, 2013). Cronbach's α was used to measure the reliability of the scale (this is detailed later) (Field, 2013).

Correlation analysis was performed. The Pearson (product-moment) correlation coefficient r was used to estimate the degree of association between variables that are moving together or apart (Schindler, 2019). The positive or negative sign of the correlation coefficient indicates the direction of the relationship between the variables. A positive relationship would indicate that as one variable increases, the other variable would also increase. A negative relationship would mean that as one variable increases, the other would decrease. If there is no relationship between the variables, the coefficient would be zero (Schindler, 2019).

Regression analysis was conducted to provide additional information about the variables as it is used to predict the values of the dependent variable from the independent variables (Field, 2013). Durbin-Watson is used to check if the residuals in the model are independent of each other. If it is remarkably close to 2 this means that the assumption about independent errors has been met (Field, 2013).

3.8 *Validity and reliability of research*

It is important to determine whether the constructs, scales and instruments are valid and reliable (Galawe, 2017). Validity is concerned with the meaningfulness of research components (Drost, 2011).

Validity is concerned with whether the scale that has been devised to measure a specific concept truly measures what it is supposed to. Measurement validity primarily applies to quantitative research and is often referred to as construct validity (Bryman & Bell, 2011). Validity is the accuracy of a measure or the extent to which a score truthfully represents the intended concept (Zikmund et al., 2008). The research instrument used questions that have been tested through previous research to ensure that these have been proven to be valid.

There are several forms of validity as shown below:

3.8.1 External validity

External validity indicates how research experimental findings can be extrapolated beyond the sample used for the experiment (Zikmund et al., 2008). A high external validity is a good indication that the sample is representative of the broader population and that the findings can be extended to other markets (Zikmund et al., 2008).

3.8.2 Internal validity

Focuses on aspects that influence the links between the independent and dependent variables (Leavy, 2017). Internal validity exists when an experimental variable results in some variance within the dependent variable. If the results obtained by the researcher were influenced by external factors, they might struggle with making valid conclusions about the relationship that may exist between the dependent variable and the experimental treatment (Zikmund et al., 2008).

3.8.3 Reliability

Reliability shows how consistent the results of a given measure are. A good measure must be valid and reliable (Leavy, 2017). Reliability is concerned with determining whether the results of a study are repeatable (Bryman & Bell, 2011). If the test were to be performed by a different person, under a different set of conditions would they receive similar results? It is the consistency of a measure of a concept (Drost, 2011).

There are a few key factors involved in determining whether a measure is reliable:

Stability determines whether the measure would be stable over time (Zikmund et al., 2008). It uses a test-retest method where the same respondents are provided with the same test at a different time to examine whether the measure would fluctuate over time (Zikmund et al., 2008).

Internal consistency aims to determine the extent to which a set of items measure a given attribute and the effectivity of this measurement within the test (Drost, 2011). The average intercorrelations among the test indicate the reliability of the test (Drost, 2011).

A **correlation analysis** was conducted to test whether indicators related to the same thing. Testing internal consistency within the behavioural sciences is often done with the coefficient alpha (Cronbach's α) (Drost, 2011). The Cronbach's α calculates the average of all possible split-half reliability coefficients. Coefficients of internal consistency increase as the number of items go up, to a certain point (Drost, 2011). If Cronbach's α is incredibly low, it could be that the test might have been too short or the selected items have extraordinarily little in common (Drost, 2011). A Cronbach's α of .7 is typically used as an acceptable level of internal reliability (Drost, 2011; Field, 2013). Scales that have a coefficient alpha of between .70 and .80 are considered to have good reliability. Scales with a coefficient alpha of between .80 and .95 are considered to have incredibly good reliability (Zikmund et al., 2008).

Inter-item reliability relates to using several questions to measure one variable (Leavy, 2017).

The reliability of the research instrument can be improved by having a higher number of items on the scale that test the same thing. One of the methods used to make tests more reliable is by making them longer or adding more items (Drost, 2011). The risk that one might incur is having fatigue affect the respondents' ability to complete the survey because it is too long (Drost, 2011).

3.9 Limitations of the study

A cross-sectional quantitative assessment was conducted, and this would only be able to show correlation but not causality. Whilst assumptions could be made about the relationship, it would not be possible to confirm a causal relationship. Self-reported data were used which could not be validated with an objective source, particularly as it related to business performance. According to Gedajlovic et al. (2013), the study of social capital may not be well suited for a cross-sectional approach. The time constraints of this research did not allow for a longitudinal study to be pursued which may have limited the insights that could be gleaned.

4 PRESENTATION OF RESULTS

4.1 *Introduction*

This section will provide the results obtained through data analysis from the responses to the research instrument. The demographic profile of respondents will be provided followed by descriptive statistics on measured constructs. The hypotheses outlined earlier in this paper will be tested through correlation, multiple regression, and moderation analysis.

4.2 *Demographic profile of respondents*

The demographic questions in the survey were included as a bedrock for generating insights about the sample to make some inferences on how this may affect the broader population. A sample of 101 responses was used for this research.

A sample range of between 100 and 200 is deemed to be acceptable in cases where communalities are greater than .5 and factors were well-determined (Tabachnick & Fidell, 2013). As the sample size increases, the sample variances and covariances among unique and common factors will approach population values (MacCallum, Widaman, Preacher, & Hong, 2001). Results showed that with high communalities and strongly determined factors, the sample size has relatively little impact on the solutions and good recovery of population factors can be achieved even with fairly small samples (MacCallum et al., 2001).

The section will show the gender, age, and education distribution for the entrepreneur. The other aspects will focus more on the business and include information on how long the business has been in operation, the business sector, business location and the number of employees.

4.2.1 *Gender*

The gender split of the respondents is quite close with slightly more females reached as shown in the figure below. This is a balanced view of the population, although most

SME statistics reveal that there are more males pursuing entrepreneurship than females, even with the rise in female entrepreneurship (Global Entrepreneurship Monitor, 2017/2018).

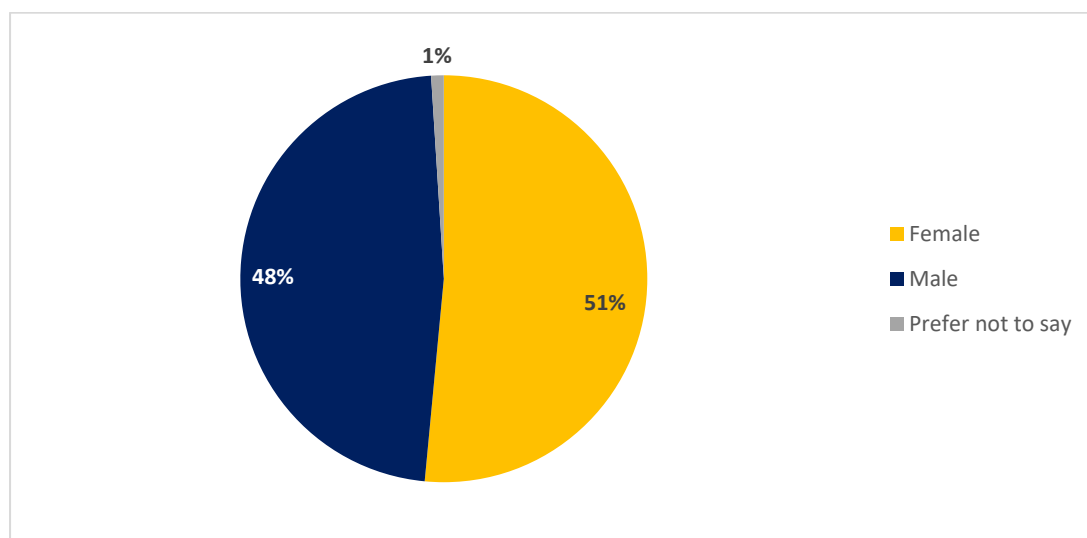


Figure 2: Respondent gender

4.2.2 Age

The age distribution of the sample had a large proportion of respondents between the 26 to 44 years age range. This is consistent with the report by Bowmaker-Falconer and Herrington (2019) which stated that entrepreneurial activity in South Africa has the highest prevalence among individuals aged 25-34 and 35-44 years. This activity has increased within the 45-54 years age group to 14.3% in 2019 from 7.5% in 2017 (Bowmaker-Falconer & Herrington, 2019). As individuals grow older, they may be less inclined to invest in the activities required to start a new business venture (Rooks et al., 2009). The COVID-19 pandemic resulted in a shift in the SMME landscape as owners closed some of their businesses (SEDA, 2021). 14% of businesses where owners were aged between 25 and 55 closed their businesses during the pandemic (SEDA, 2021). The research from SEDA (2021) reported that this age group made up 80% of all business closures. The age distribution of the graph below is consistent with the one reflected in the SEDA (2021) report.

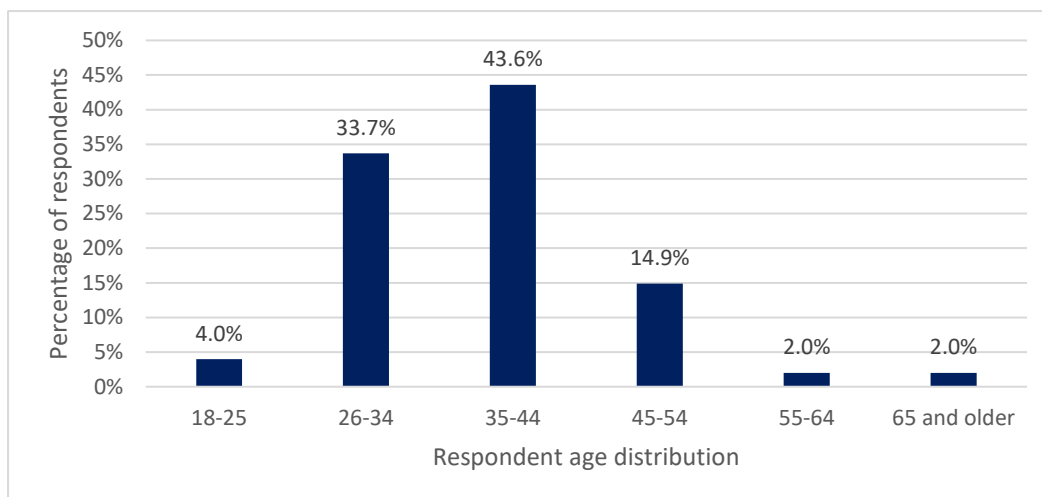


Figure 3: Respondent age distribution

4.2.3 Education

The survey reached people of various education levels. This is not representative of the education levels in South Africa as that is one of the major contributors to the unemployment challenge. Borat et al. (2018) resolved that lower education levels were reported by small business owners when contrasted with large business owners. However, it has been reported that an increased education level of the entrepreneur plays a role in the success and survival of the SMME (Catalyst for Growth NPC, 2018). Educational qualifications enable the entrepreneur to have stronger decision-making and a higher appetite for taking on risks due to the understanding of the potential outcomes (Catalyst for Growth NPC, 2018). A reduction in the number of enterprises was more pronounced in owners that had obtained a tertiary qualification, followed closely by those who had completed high school (SEDA, 2021). Of the entrepreneurs who had only attained some high school experience, 1.4% of them closed down within 2020 (SEDA, 2021).

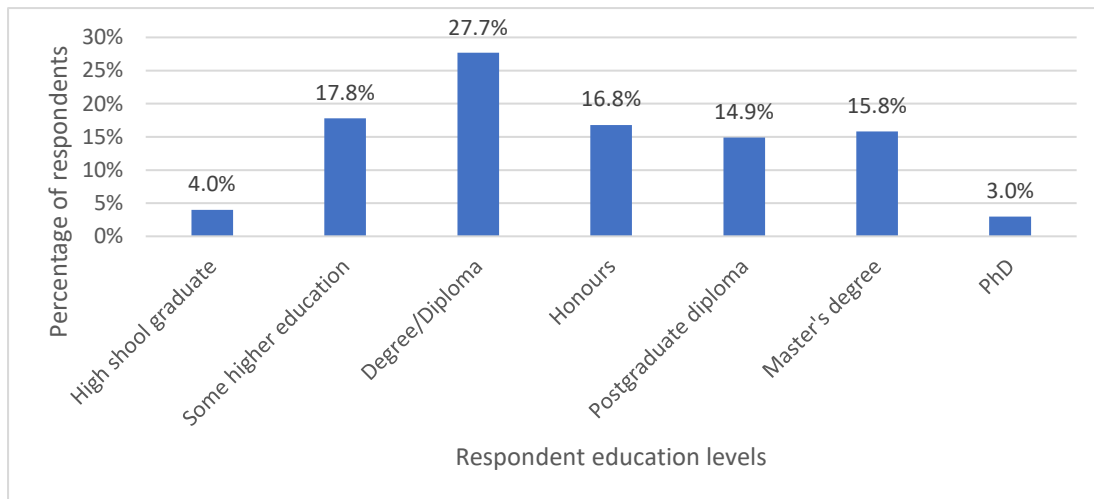


Figure 4: Respondent education levels

4.2.4 Business Age

Many respondents have had businesses operating for more than three years. As discussed earlier, SMMEs have a high chance of failing within the first year of operation. These businesses have managed to persevere beyond that period.

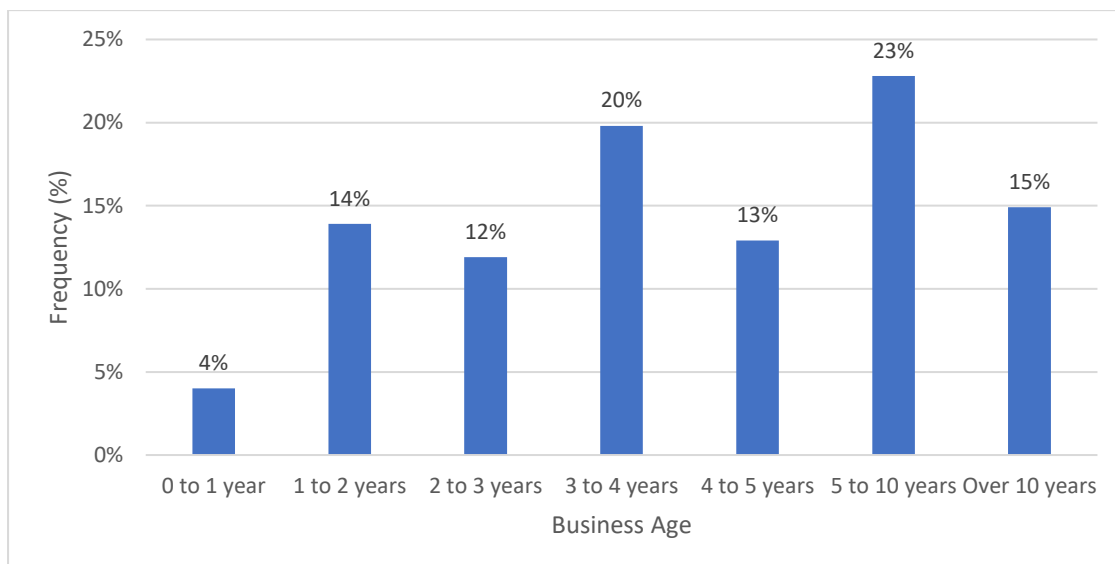


Figure 5: Age of the business

4.2.5 Business location

Although efforts were made to increase the reach of the survey to other provinces of the country, Figure 6 shows that over 86% of the survey respondents were from Gauteng which is a renowned economic hub in the country. In their survey, Bhorat et al. (2018) found that more than 30% of South Africa's SMMEs were in Gauteng, which holds two of the country's largest cities, Johannesburg, and Tshwane. Significant economic activity occurs within KwaZulu-Natal and the Western Cape and would also have a large proportion of SMMEs as South Africa's SMMEs are found generally within the country's major economic hubs (Bhorat et al., 2018). The distribution of businesses across South Africa in 2021 is similar to the findings by Bhorat et al. (2018) which shows the highest concentration of businesses being in Gauteng (33%), KwaZulu-Natal (18%) and Western Cape (11%) (SEDA, 2021).

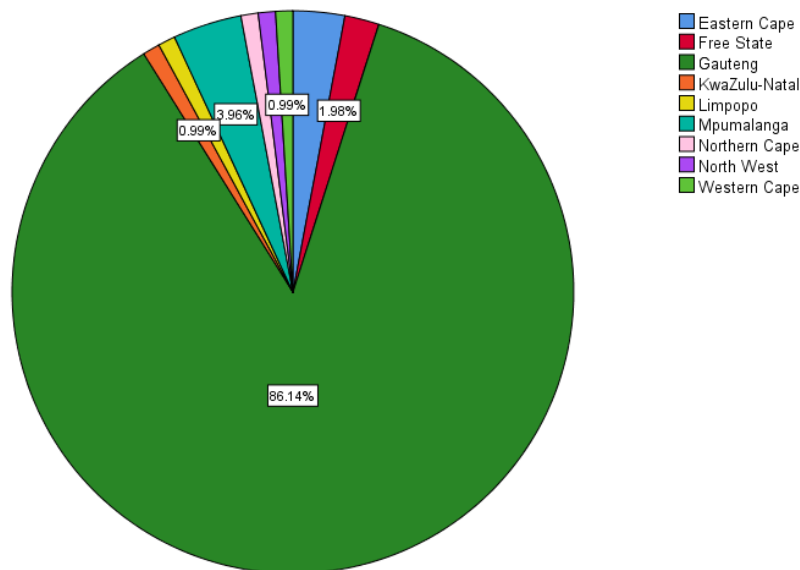


Figure 6: Business location

4.2.6 Employees

The respondents reached largely operated businesses with less than ten employees. These businesses would be classified as micro-enterprises (South Africa, 2019). Given this distribution, it changes the framing of the outcome of this study to be based on micro-enterprises as opposed to the full scope of SMMEs.

The study by Rooks et al. (2009) also found a predominance of “tiny enterprises”, in Uganda, which employed only one person and only 3.7% of sampled businesses employing more than ten people.

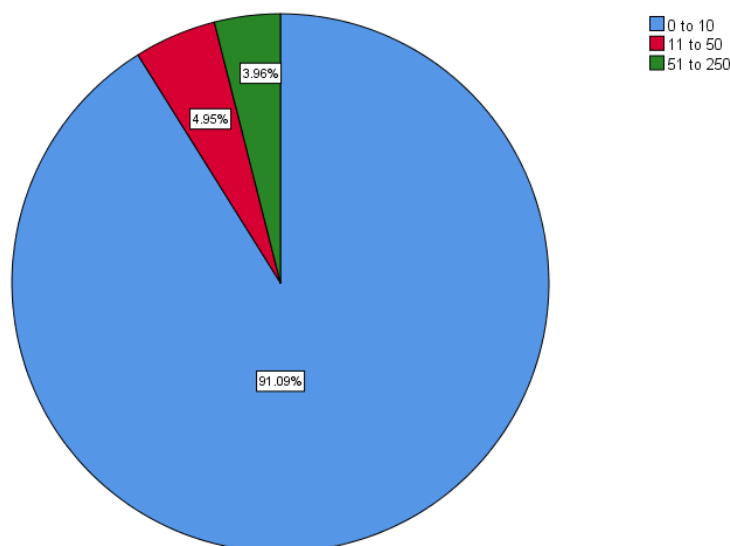


Figure 7: Number of employees

4.2.7 Sector

The distribution of sectors in Figure 8 had a broader reach within the financial and business services sector (36%) and the community, social and personal services (26%). This study reached a different proportion of the SMME community given that the industry distribution in the third quarter of 2020 had the top three industries being trade and accommodation (39%), construction (14%), and community as well as finance and business services tied at 13% (SEDA, 2021).

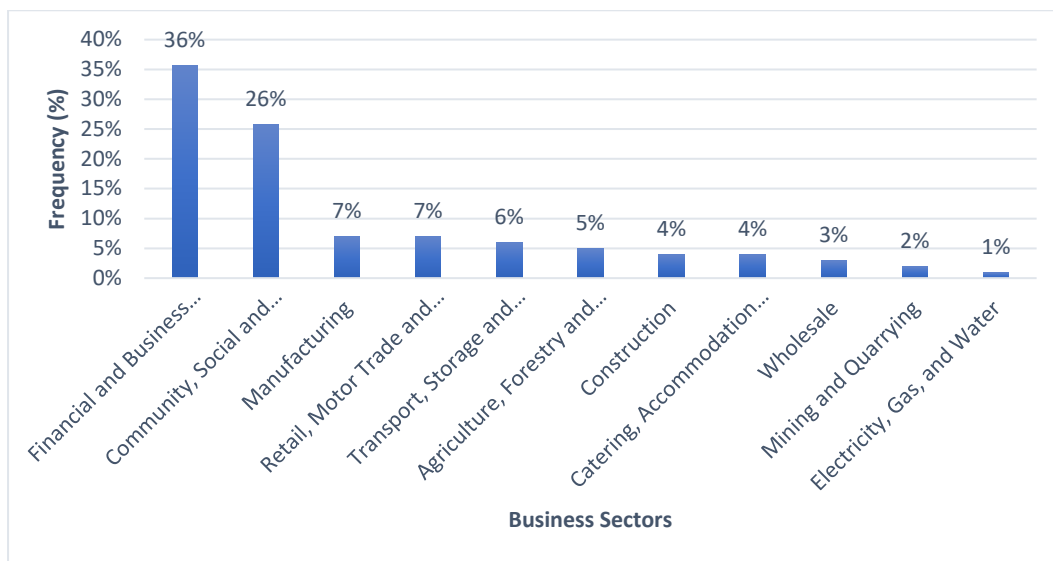


Figure 8: Sector distribution

4.2.8 Consolidated demographics

Variables	Response options	Frequency
Gender	Female	52
	Male	48
	Prefer not to answer	1
Education	High school graduate	4
	Some higher education	18
	Degree/ Diploma	28
	Honours	17
	Postgraduate diploma	15
	Master's degree	16
	PhD	3
Age	18 - 25 years old	4
	26 - 34 years old	34
	35 - 44 years old	44
	45 - 54 years old	15
	55 - 64 years old	2
	65 and older	2
Business Age	0 to 1 year	4
	1 to 2 years	14
	2 to 3 years	12
	3 to 4 years	20
	4 to 5 years	13
	5 to 10 years	23
	Over 10 years	15
Business Sector	Agriculture, Forestry and Fishing	5
	Catering, Accommodation and Other Trade	4
	Community, Social and Personal Services	26
	Construction	4
	Electricity, Gas, and Water	1
	Financial and Business Services	36
	Manufacturing	7
	Mining and Quarrying	2
	Retail, Motor Trade and Repair Services	7
	Transport, Storage and Communications	6
	Wholesale	3
Number of Employees	0 to 10	92
	11 to 50	5
	51 to 250	4
Business Location	Eastern Cape	3
	Free State	2
	Gauteng	87
	KwaZulu-Natal	1
	Limpopo	1
	Mpumalanga	4
	North West	1
	Northern Cape	1
	Western Cape	1

Figure 9: Demographics at a glance

4.3 Descriptive statistics

This section provides a view of the responses to the social capital research instrument that formed the basis for this research. This allows the reader to get a sense of the high-level views of respondents before additional analysis was performed. The section presents summary tables of responses for the constructs being studied – managerial social capital, bonding social capital, competitive strategy, and business performance.

Table 2 below shows the distribution of responses on how respondents used social networking relationships to gain access to knowledge, information and resources that could benefit their businesses. The mean responses to the use of customer networking were consistently higher than the use of competitors and suppliers to obtain social capital benefits. This indicates a higher reliance on customers to provide information, knowledge and resources benefits to a business owner.

The bonding social capital responses are shown in Table 3 below. The bonding social capital access to information, knowledge, and resource as well as the benefits from these assets does not show a clear frontrunner. Respondents utilise their relationships with close friends/ neighbours, family and relatives, and social associations to enhance their businesses.

Table 2: Managerial social capital descriptive statistics

Assess the extent to which top management used personal and social networking relationships to gain access to information that could be used to the firm's advantage with the following:									
Item	Very little (1)	Little (2)	Moderate (3)	The same (4)	Extensive (5)	More extensive (6)	Very extensive (7)	Mean	Standard Deviation
Customers	5.0%	9.9%	16.8%	34.7%	22.8%	2.0%	8.9%	4.02	1.463
Suppliers	8.9%	8.9%	11.9%	38.6%	20.8%	5.9%	5.0%	3.91	1.477
Competitors	10.9%	8.9%	43.6%	14.9%	14.9%	4.0%	3.0%	3.38	1.406
Assess the extent to which top management used personal and social networking relationships for access to valuable resources with the following:									
Item	Very little (1)	Little (2)	Moderate (3)	The same (4)	Extensive (5)	More extensive (6)	Very extensive (7)	Mean	Standard Deviation
Customers	6.9%	7.9%	16.8%	36.6%	12.9%	11.9%	6.9%	4.04	1.536
Suppliers	8.9%	12.9%	9.9%	39.6%	15.8%	6.9%	5.9%	3.85	1.545
Competitors	12.9%	16.8%	34.7%	5.9%	13.9%	10.9%	4.0%	3.10	1.335
Assess the extent to which top management used personal and social networking relationships for acquisition and exploitation of knowledge with the following:									
Item	Very little (1)	Little (2)	Moderate (3)	The same (4)	Extensive (5)	More extensive (6)	Very extensive (7)	Mean	Standard Deviation
Customers	6.9%	9.9%	16.8%	33.7%	16.8%	7.9%	7.9%	3.99	1.552
Suppliers	9.9%	9.9%	12.9%	33.7%	18.8%	7.9%	6.9%	3.93	1.602
Competitors	10.9%	12.9%	10.9%	39.6%	17.8%	4.0%	4.0%	3.68	1.490
Assess the extent to which top management benefited from personal and social networking relationships to gain access to information that could be used to the firm's advantage with the following:									
Item	Very little (1)	Little (2)	Moderate (3)	The same (4)	Extensive (5)	More extensive (6)	Very extensive (7)	Mean	Standard Deviation
Customers	7.9%	6.9%	16.8%	37.6%	17.8%	4.0%	8.9%	3.98	1.523
Suppliers	8.9%	9.9%	13.9%	40.6%	15.8%	5.0%	5.9%	3.83	1.490
Competitors	10.9%	9.9%	18.8%	37.6%	13.9%	2.0%	6.9%	3.67	1.524
Assess the extent to which top management benefited from personal and social networking relationships for access to valuable resources with the following:									
Item	Very little (1)	Little (2)	Moderate (3)	The same (4)	Extensive (5)	More extensive (6)	Very extensive (7)	Mean	Standard Deviation
Customers	8.9%	8.9%	13.9%	43.6%	8.9%	6.9%	8.9%	3.91	1.575
Suppliers	13.9%	8.9%	45.5%	11.9%	10.9%	2.0%	6.9%	3.31	1.554
Competitors	16.8%	10.9%	40.6%	14.9%	6.9%	4.0%	5.9%	3.20	1.581
Assess the extent to which top management benefited from personal and social networking relationships for acquisition and exploitation of knowledge with the following:									
Item	Very little (1)	Little (2)	Moderate (3)	The same (4)	Extensive (5)	More extensive (6)	Very extensive (7)	Mean	Standard Deviation
Customers	8.9%	7.9%	13.9%	43.6%	14.9%	5.0%	5.9%	3.86	1.463
Suppliers	9.9%	11.9%	11.9%	44.6%	12.9%	5.9%	3.0%	3.68	1.428
Competitors	12.9%	12.9%	44.6%	10.9%	9.9%	5.0%	4.0%	3.23	1.482

Table 3: Bonding social capital descriptive statistics

Assess the extent to which top management used personal and social networking relationships to gain access to information that could be used to the firm's advantage with the following:									
Item	Very little (1)	Little (2)	Moderate (3)	The same (4)	Extensive (5)	More extensive (6)	Very extensive (7)	Mean	Standard Deviation
Close friends/ neighbours	4.0%	8.9%	15.8%	36.6%	21.8%	8.9%	4.0%	4.06	1.348
Family and relatives	9.9%	12.9%	11.9%	35.6%	17.8%	5.9%	5.9%	3.80	1.569
Social associations	5.0%	5.9%	18.8%	37.6%	16.8%	10.9%	5.0%	4.08	1.391
Assess the extent to which top management used personal and social networking relationships for access to valuable resources with the following:									
Item	Very little (1)	Little (2)	Moderate (3)	The same (4)	Extensive (5)	More extensive (6)	Very extensive (7)	Mean	Standard Deviation
Close friends/ neighbours	9.9%	13.9%	40.6%	12.9%	13.9%	5.9%	3.0%	3.37	1.454
Family and relatives	12.9%	9.9%	11.9%	41.6%	10.9%	7.9%	5.0%	3.71	1.577
Social associations	9.9%	6.9%	16.8%	35.6%	13.9%	8.9%	7.9%	3.95	1.602
Assess the extent to which top management used personal and social networking relationships for acquisition and exploitation of knowledge with the following:									
Item	Very little (1)	Little (2)	Moderate (3)	The same (4)	Extensive (5)	More extensive (6)	Very extensive (7)	Mean	Standard Deviation
Close friends/ neighbours	11.9%	9.9%	48.5%	7.9%	12.9%	6.9%	2.0%	3.29	1.431
Family and relatives	10.9%	13.9%	44.6%	8.9%	14.9%	3.0%	4.0%	3.28	1.450
Social associations	10.9%	12.9%	10.9%	39.6%	17.8%	4.0%	4.0%	3.97	1.513
Assess the extent to which top management benefited from personal and social networking relationships to gain access to information that could be used to the firm's advantage with the following:									
Item	Very little (1)	Little (2)	Moderate (3)	The same (4)	Extensive (5)	More extensive (6)	Very extensive (7)	Mean	Standard Deviation
Close friends/ neighbours	9.9%	6.9%	13.9%	42.6%	16.8%	5.0%	5.0%	3.84	1.454
Family and relatives	13.9%	9.9%	36.6%	15.8%	15.8%	4.0%	4.0%	3.38	1.522
Social associations	11.9%	5.0%	13.9%	43.6%	13.9%	6.9%	5.0%	3.83	1.504
Assess the extent to which top management benefited from personal and social networking relationships for access to valuable resources with the following:									
Item	Very little (1)	Little (2)	Moderate (3)	The same (4)	Extensive (5)	More extensive (6)	Very extensive (7)	Mean	Standard Deviation
Close friends/ neighbours	15.8%	9.9%	42.6%	9.9%	12.9%	5.0%	4.0%	3.25	1.545
Family and relatives	13.9%	6.9%	47.5%	14.9%	10.9%	2.0%	4.0%	3.24	1.408
Social associations	10.9%	10.9%	13.9%	43.6%	10.9%	4.0%	5.9%	3.68	1.510
Assess the extent to which top management benefited from personal and social networking relationships for acquisition and exploitation of knowledge with the following:									
Item	Very little (1)	Little (2)	Moderate (3)	The same (4)	Extensive (5)	More extensive (6)	Very extensive (7)	Mean	Standard Deviation
Close friends/ neighbours	14.9%	7.9%	43.6%	14.9%	9.9%	3.0%	5.9%	3.30	1.540
Family and relatives	16.8%	7.9%	42.6%	10.9%	11.9%	5.0%	5.0%	3.28	1.588
Social associations	10.9%	7.9%	9.9%	44.6%	14.9%	4.0%	7.9%	3.88	1.557

Table 4: Competitive strategy descriptive statistics

Please indicate the extent to which your organisation emphasized the following:										
Item		Much less (1)	Moderately less (2)	Slightly less (3)	About the same (4)	Slightly more (5)	Moderately more (6)	Much more (7)	Mean	Standard Deviation
Low-Cost Strategy	Offering a broad range of products/ services	5.9%	6.9%	8.9%	36.6%	12.9%	18.8%	9.9%	4.40	1.594
	Offering competitive pricing for products or services	5.0%	5.0%	8.9%	19.8%	32.7%	16.8%	11.9%	4.68	1.536
	Forecasting market growth in sales	7.9%	6.9%	15.8%	24.8%	25.7%	10.9%	7.9%	4.18	1.596
	Controlling operating and overhead costs	5.9%	4.0%	11.9%	14.9%	25.7%	14.9%	22.8%	4.86	1.732
	Using innovation in production processes or service offerings	5.0%	1.0%	10.9%	18.8%	24.8%	15.8%	23.8%	5.00	1.625
Differenti ation strategy	Developing a new product or service offering	4.0%	5.0%	5.9%	12.9%	32.7%	17.8%	21.8%	5.06	1.586
	Upgrading or refining existing products or services	5.0%	4.0%	4.0%	11.9%	28.7%	19.8%	26.7%	5.22	1.635
	Emphasising products or services for higher-priced market segments	8.9%	4.0%	6.9%	20.8%	28.7%	14.9%	15.8%	4.64	1.718
	Improving existing customer service	4.0%	1.0%	2.0%	10.9%	18.8%	31.7%	31.7%	5.61	1.463
	Using innovation in the marketing of products or services	5.9%	1.0%	5.0%	16.8%	30.7%	16.8%	23.8%	5.11	1.593
	Advertising and promoting products or services	6.9%	3.0%	8.9%	19.8%	24.8%	18.8%	17.8%	4.80	1.679
	Building brand and company identification	6.9%	3.0%	7.9%	10.9%	33.7%	13.9%	23.8%	4.98	1.709

The mean for items within the low-cost strategy and differentiation strategy are all above the midpoint of the Likert scale (3.5) which showed that respondents have had experience in making use of these strategies in their businesses. Although the expectation was to have a clear indication of one strategy being more preferred than the other (Acquaah, 2007), it seems respondents made use of elements from both strategies within their businesses.

Table 5: Business performance descriptive statistics

Relative to the major competitors in your industry, how do you feel your performance in these items were during the past year? (Pre-COVID-19)									
Item	Much less (1)	Moderately less (2)	Slightly less (3)	About the same (4)	Slightly more (5)	Moderately more (6)	Much more (7)	Mean	Standard Deviation
Growth of sales and revenue	14.9%	14.9%	14.9%	11.9%	21.8%	10.9%	10.9%	3.87	1.93
Growth of net income or profits	14.9%	12.9%	12.9%	20.8%	20.8%	12.9%	5.0%	3.78	1.77
Growth in productivity	6.9%	8.9%	17.8%	19.8%	17.8%	16.8%	11.9%	4.31	1.74
Return on assets	10.9%	11.9%	8.9%	34.7%	10.9%	14.9%	7.9%	3.99	1.73
Return on sales	9.9%	10.9%	18.8%	22.8%	11.9%	15.8%	9.9%	4.03	1.79

4.4 The validity of measurement scales

Validity is concerned with whether an indicator developed to measure a specific concept measures what it is supposed to (Bryman & Bell, 2011). Measurement validity is related to reliability in the sense that if a measure of a concept is unstable or unreliable, then it cannot provide a valid measure of the concept that it is supposed to be measuring (Bryman & Bell, 2011).

4.4.1 Exploratory Factor Analysis

Exploratory Factor Analysis was used to group variables that were correlated (Tabachnick & Fidell, 2013). The objective was to summarise the information contained in several original variables into a smaller set of factors with a nominal loss of information. Ideally, factor analysis would be conducted for a sample size of 100 or larger (Hair, Black, Babin, & Anderson, 2014).

The Kaiser-Meyer-Olkin (KMO) statistic measures sampling adequacy and ranges between 0 and 1. A value above .6 is great as it shows that factor analysis should be able to provide distinct factors (Tabachnick & Fidell, 2013). This dataset had a KMO statistic of .761 which was a great value. Bartlett's test indicated whether the correlation matrix was significantly different from an identity matrix. If it is significant, it means that the correlations between variables are significantly different from zero (Field, 2013). For this study, Bartlett's test was significant at $p < .001$ and this showed that the correlations between variables were different from zero.

KMO and Bartlett's Test

Kaiser-Meyer-Olkin Measure of Sampling Adequacy.		.761
Bartlett's Test of Sphericity	Approx. Chi-Square	1261.430
	df	153
	Sig.	.000

Figure 10: KMO and Bartlett's Test

Component	Initial Eigenvalues			Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	5.459	30.325	30.325	5.459	30.325	30.325	4.002	22.233	22.233
2	3.349	18.607	48.932	3.349	18.607	48.932	3.706	20.591	42.825
3	2.526	14.033	62.966	2.526	14.033	62.966	2.944	16.358	59.183
4	2.187	12.150	75.116	2.187	12.150	75.116	2.868	15.933	75.116
5	0.686	3.811	78.927						
6	0.519	2.883	81.810						
7	0.501	2.783	84.593						
8	0.438	2.434	87.027						
9	0.405	2.250	89.277						
10	0.357	1.982	91.259						
11	0.315	1.750	93.009						
12	0.245	1.362	94.370						
13	0.238	1.325	95.695						
14	0.226	1.257	96.951						
15	0.195	1.082	98.034						
16	0.162	0.901	98.934						
17	0.116	0.645	99.579						
18	0.076	0.421	100.000						
Extraction Method: Principal Component Analysis.									

Figure 11: Total variance explained.

Figure 11 shows the eigenvalues associated with each factor before extraction, after extraction, and after rotation (Field, 2013). Before extraction, SPSS identified 18 factors within the data set. The first factor explained 30.325% of the total variance within the data set and the cumulative variance explained by the four extracted factors was 75.116%.

Principal component analysis was performed on the 18 items with oblique rotation (varimax). Kaiser's criterion indicates that factors with an eigenvalue above 1 be retained (Field, 2013), and this was followed for this analysis. Four factors were retained following several rounds of analysis in which some items were deleted because they were cross-loading, negatively loading, or not loading on the factors within the rotated component matrix.

4.4.1.1 Summary of EFA

Factor analysis led to the combination of variables measuring the low-cost strategy and the differentiation strategy as the variables loaded onto the same factor (factor 4). These were then referred to by the construct name – competitive strategy.

The extracted factors were renamed as follows:

- Business performance
- Bonding social capital
- Managerial social capital
- Competitive strategy

Rotated Component Matrix^a

Constructs	Items	Component			
		1	2	3	4
Business Performance	BP1	0.902			
	BP4	0.900			
	BP5	0.899			
	BP2	0.864			
	BP3	0.817			
Bonding Social Capital	BSC_K5		0.908		
	BSC_BENK4		0.880		
	BSC_K4		0.853		
	BSC_BENI5		0.834		
	BSC_RES5		0.714		
Managerial Social Capital	MSC_RES3			0.880	
	MSC_K3			0.866	
	MSC_INFO3			0.864	
	MSC_BENI3			0.737	
Competitive Strategy	DS2				0.913
	LC5				0.830
	LC4				0.801
	DS3				0.769

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.^a

a. Rotation converged in 5 iterations.

Figure 12: Rotated component matrix

Each factor had a minimum of four items loading and each of the items loaded on discreet factors. If a factor has four or more loadings greater than .6 then it is reliable regardless of sample size (Field, 2013). Therefore, the extracted factors are viewed to be reliable.

4.5 Reliability of measurement scales

4.5.1 Managerial social capital

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.875	.877	4

Figure 13: Cronbach's alpha for managerial social capital

The Cronbach's α for the managerial social capital variables was .875 which showed high reliability of this scale.

	MSC_INFO3	MSC_RES3	MSC_K3	MSC_BENI3
MSC_INFO3	1.000			
MSC_RES3	0.689	1.000		
MSC_K3	0.688	0.725	1.000	
MSC_BENI3	0.557	0.547	0.632	1.000

Figure 14: Inter-item correlation matrix for managerial social capital

The inter-item correlation shows that the variables correlate well with each other as all values are greater than .5.

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
MSC_INFO3	10.45	14.298	.739	.563	.837
MSC_RES3	10.73	14.658	.753	.598	.833
MSC_K3	10.15	13.279	.795	.639	.813
MSC_BENI3	10.16	14.326	.649	.433	.874

Figure 15: Item-Total Statistics for managerial social capital

The last column in this table shows that none of the variables would increase Cronbach's α by being deleted.

4.5.2 Bonding social capital

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.904	.906	5

Figure 16: Cronbach's alpha for bonding social capital

The Cronbach's α for bonding social capital variables was .904 which showed high reliability of this scale.

	BSC_BENK4	BSC_BENI5	BSC_K5	BSC_RES5	BSC_K4
BSC_BENK4	1.000				
BSC_BENI5	0.794	1.000			
BSC_K5	0.688	0.724	1.000		
BSC_RES5	0.583	0.464	0.626	1.000	
BSC_K4	0.674	0.644	0.834	0.551	1.000

Figure 17: Inter-item correlation matrix for bonding social capital

The inter-item correlation shows that the variables correlate well with each other as all values are greater than .4.

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
BSC_BENK4	13.69	25.955	.802	.707	.874
BSC_BENI5	13.57	26.687	.760	.701	.883
BSC_K5	13.71	26.227	.847	.781	.865
BSC_RES5	13.28	28.023	.623	.454	.913
BSC_K4	13.70	27.151	.786	.715	.878

Figure 18: Item-total statistics

The last column in this table shows that deleting variable BSC_RES5 would increase Cronbach's α to .913 by being deleted. The scale is already exceptionally reliable therefore a decision was made to keep the variable within the analysis.

4.5.3 Competitive strategy

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.860	.861	4

Figure 19: Cronbach's alpha for competitive strategy

The Cronbach's α for the competitive strategy variables was .860 which showed high reliability of this scale.

	LC4	LC5	DS2	DS3
LC4	1.000			
LC5	.590	1.000		
DS2	.629	.723	1.000	
DS3	.474	.527	.704	1.000

Figure 20: Inter-item correlation matrix for competitive strategy

The inter-item correlation shows that the variables correlate well with each other as all values are greater than .4.

Item-Total Statistics					
	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
LC4	14.86	19.001	.642	.435	.848
LC5	14.72	18.962	.714	.553	.818
DS2	14.50	17.672	.826	.695	.771
DS3	15.08	19.034	.648	.498	.845

Figure 21: Item-total statistics for the competitive strategy

The last column in this table shows that none of the variables would increase Cronbach's α by being deleted.

4.5.4 Business Performance

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.932	.932	5

Figure 22: Cronbach's alpha for business performance

The Cronbach's α for business performance variables was .932 which showed high reliability of this scale.

	BP1	BP2	BP3	BP4	BP5
BP1	1.000				
BP2	.799	1.000			
BP3	.668	.614	1.000		
BP4	.721	.754	.710	1.000	
BP5	.792	.739	.707	.823	1.000

Figure 23: Inter-Item Correlation Matrix for business performance

The inter-item correlation matrix shows that the variables correlate well with each other as all values are greater than .6.

	Scale Mean if Item Deleted	Scale Variance if Item Deleted	Corrected Item-Total Correlation	Squared Multiple Correlation	Cronbach's Alpha if Item Deleted
BP1	16.11	39.118	.837	.737	.913
BP2	16.20	41.420	.813	.705	.917
BP3	15.67	43.162	.741	.569	.930
BP4	15.99	41.310	.845	.745	.912
BP5	15.95	40.288	.865	.767	.907

Figure 24: Item-total statistics for business performance

The last column in this table shows that none of the variables would increase Cronbach's α by being deleted.

4.5.5 Summary of reliability

Table 6: Summary of reliability statistics

Constructs	No. of Items	Cronbach's α	Reliability Outcome
Managerial Social Capital	4	.875	High Reliability
Bonding Social Capital	5	.904	High Reliability
Competitive Strategy	4	.860	High Reliability
Business Performance	5	.932	High Reliability

All the scales were found to be exceptionally reliable and could be used for further analysis.

4.5.6 Statistical assumptions

Multivariate procedures depend on assumptions made on the data (Tabachnick & Fidell, 2013). It is important to check the data for any inconsistencies with the assumptions for statistical techniques that will be used. This helps with ensuring that the results can be interpreted and generalised to a broader population (Field, 2013).

4.5.6.1 Normal distribution

The first assumption was that the data were normally distributed and that the errors in the model and sampling distribution would also be normal (Field, 2013). To test for normality in the distribution, we looked at the skewness measure and kurtosis within the distribution (Tabachnick & Fidell, 2013). Skewness measures symmetry while kurtosis measures how peaked or flat the distribution is (Field, 2013). A variable would be skewed if the mean is not in the centre of the distribution (Tabachnick & Fidell, 2013). A normally distributed sample would have skewness and kurtosis closer to zero (Field, 2013). The cut-offs for making decisions around normality are 2 for skewness and 7 for kurtosis (Field, 2013). The output tables for each of the constructs are discussed below.

Factor	Skewness		Kurtosis	
	Statistic	Std. Error	Statistic	Std. Error
Performance	-0.072	0.240	-0.794	0.476
Bonding	0.477		0.096	
Managerial	0.075		0.451	
Competitive	-0.896		0.353	

Figure 25: Skewness and Kurtosis

Figure 25 shows the overall kurtosis and skewness for the measured variables. The competitive strategy had a relatively high skewness when compared to the other variables at -.896 (negatively skewed). Kurtosis for business performance was more negative than the rest of the measurements at -.794. Although these numbers seemed higher than the other measured variables, they were within the cut-offs of 2 for skewness and 7 for kurtosis thus making the data accepted as normal (Field, 2013). The rest of the variables had skewness and kurtosis that is quite close to zero, also making them normal.

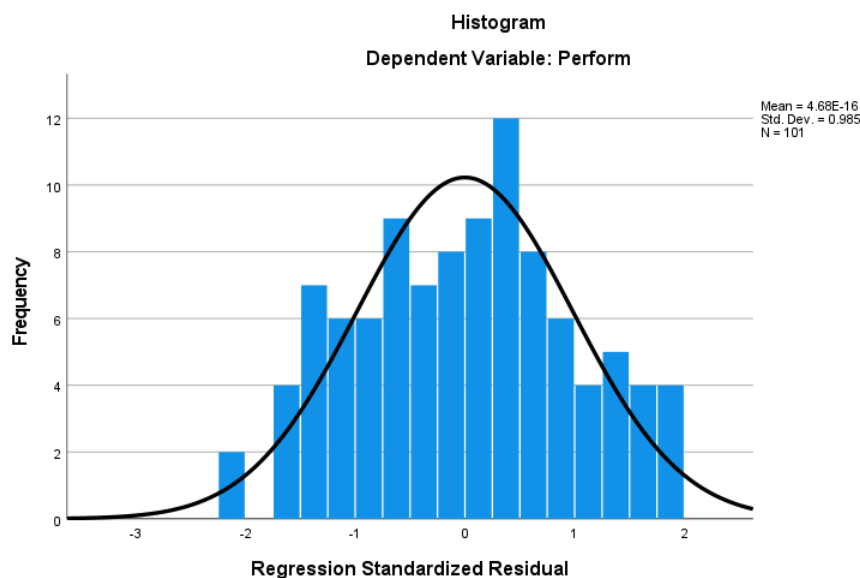


Figure 26: Histogram for business performance

The histogram shows a normally distributed curve for business performance.

Factor	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	df	Sig.	Statistic	df	Sig.
Performance	0.073	101	.200 [*]	0.977	101	0.072
Bonding	0.143	101	0.000	0.956	101	0.002
Managerial	0.167	101	0.000	0.955	101	0.002
Competitive	0.173	101	0.000	0.926	101	0.000
*. This is a lower bound of the true significance.						
a. Lilliefors Significance Correction						

Figure 27: Kolmogorov-Smirnov and Shapiro-Wilk tests

The Kolmogorov-Smirnov and the Shapiro-Wilk tests are used to test whether a given distribution is normal (Field, 2018). When $p > 0.05$, the test is not significant and the sample could be assumed to have come from a normal distribution (Field, 2018). A significant result could be interpreted as having the sample come from a distribution that is not normally distributed (Field, 2018).

4.5.6.2 Outliers

An outlier is a case with extreme value within a univariate analysis or a case of weird scores within multivariate analysis which distorts statistics and could lead to results that cannot be generalised beyond a sample with the same type of outlier (Tabachnick & Fidell, 2013). Graphical methods can be used to detect outliers. These include histograms, box plots, or normal probability plots (Tabachnick & Fidell, 2013).

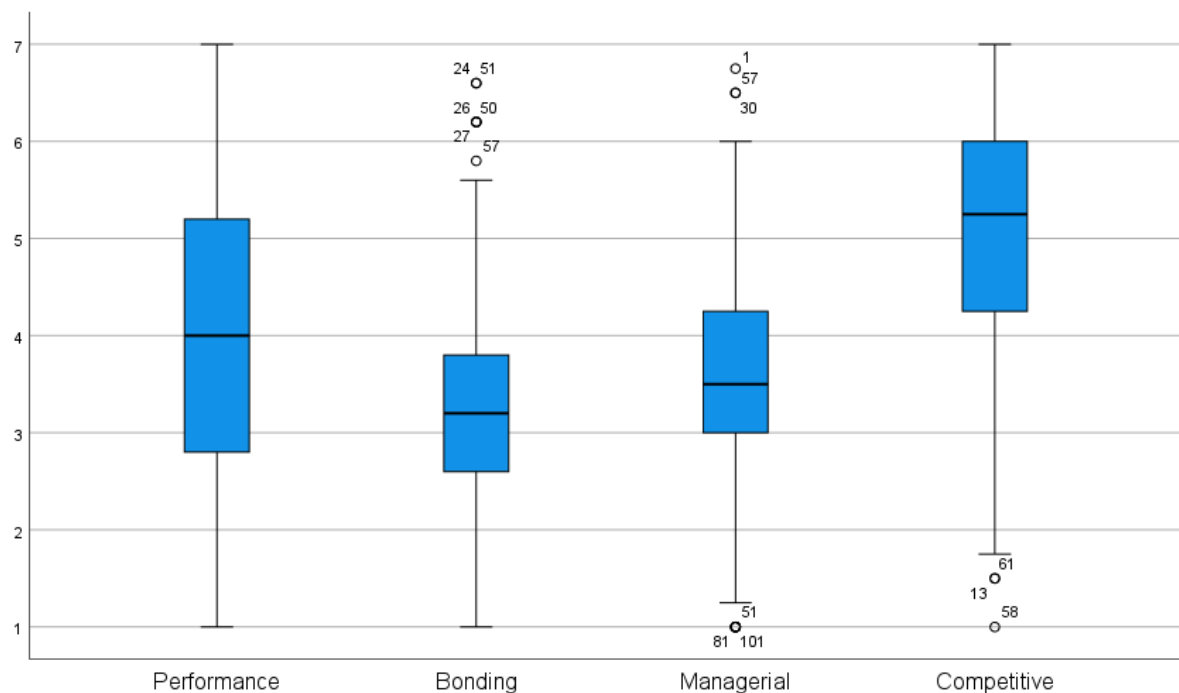


Figure 28: Box plots for the different factors

Figure 28 above shows the box plot for business performance, competitive strategy, bonding social capital, and managerial social capital. The business performance box plot shows no outliers. Competitive strategy, bonding social capital, and managerial social capital have a few outliers but none of them was severe enough to remove as they did not have an asterisk.

4.5.6.3 Linearity

This assumes that a straight-line relationship exists between two variables. Bivariate scatterplots and standardised residual plots can be used to determine linearity (Tabachnick & Fidell, 2013).

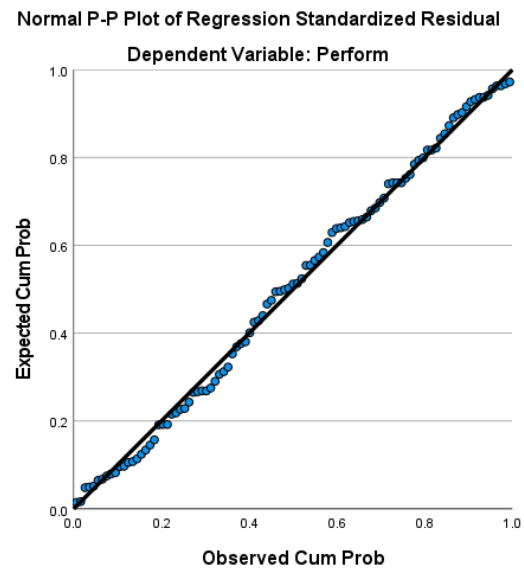


Figure 29: P-P plot of regression

The P-P plot shows a line that is close to being straight which means that the linearity assumption is met.

4.5.6.4 Homoscedasticity

This assumes that the variability of the residuals is the same at each level of the predictor variables. This is important for estimating parameters within a linear model (Field, 2013). When the assumption of multivariate normality is met, then the relationship between variables is homoscedastic (Tabachnick & Fidell, 2013).

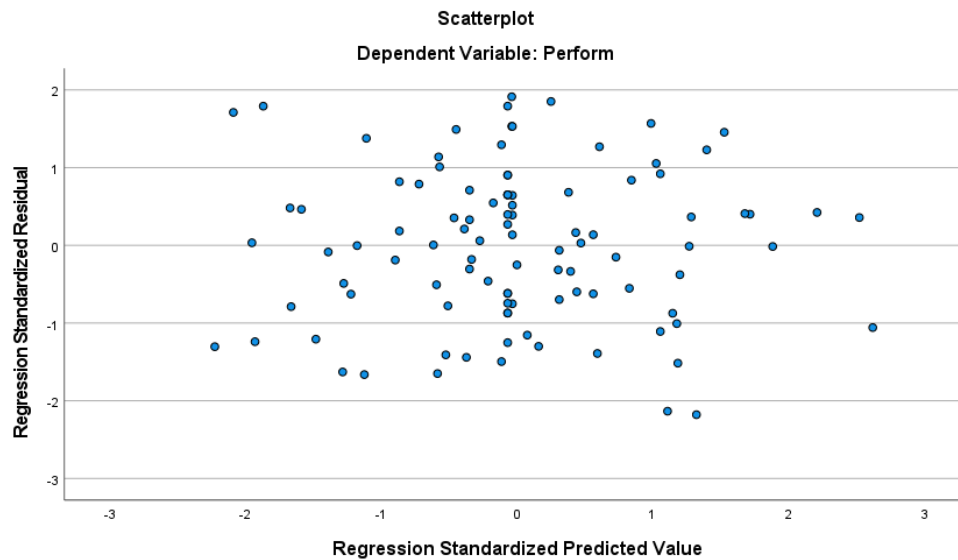


Figure 30: Scatterplot for business performance

The scatterplot shows a random array of dots which highlights homoscedasticity. If there was a curve in the plot, it would have shown the non-linearity of the data.

4.6 Hypothesis testing

The objective of undertaking the research process was to reach a decision given different levels of uncertainty. Inferences would be made on broader populations based on the outcomes of the sample analysis (Tabachnick & Fidell, 2013). This section serves to test the nature of events based on the hypotheses that were described earlier in this paper and based on the data collected from various respondents.

4.6.1 Correlation

Correlation is the measure of the size and direction of the linear relationship between the two variables. The squared correlation measures the strength of the association between the variables (Tabachnick & Fidell, 2013). Correlation coefficients do not indicate the direction of causality. A perfectly positive linear relationship is shown by a correlation coefficient of +1 (Field, 2018). When there is no relationship between the

variables, this is denoted by a correlation coefficient of 0 (Field, 2018). However, a perfect negative relationship is denoted by a coefficient of -1 (Field, 2018).

Table 7: Correlations between the four extracted constructs

Correlations^c				
	Performance	Bonding	Managerial	Competitive
Performance	1			
Bonding	.190	1		
Managerial	.135	.308**	1	
Competitive	.227*	.157	.195	1

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

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

c. Listwise N=101

The correlation table above shows the relationship between the constructs. Overall, there was a positive relationship between managerial social capital, bonding social capital and business performance. A positive relationship also existed between competitive strategy and business performance.

Although the relationship between business performance and bonding social capital was positive, it was not statistically significant. Similarly, the relationship between business performance and managerial social capital was positive but not statistically significant.

The relationship between competitive strategy and business performance was positive and statistically significant at $p=.05$ (2-tailed). The competitive strategy also had a positive relationship with bonding social capital and managerial social capital.

The moderating effect of competitive strategy on social capital and business performance will be shown in the next section.

4.6.2 Multiple regression and moderation

Regression is used to predict a score on one variable from a score on the other (Tabachnick & Fidell, 2013). Multiple regression involves the regression of several independent variables combined to predict a value on a dependent variable for each

subject (Tabachnick & Fidell, 2013). A hierarchical regression method was used based on the work by Acquaah (2007).

The first analysis was set to determine the relationship between social capital and business performance.

Model Summary ^c										
Model	R	R Square	Adjusted R Square	Std. Error of the Estimate	Change Statistics					Durbin-Watson
					R Square Change	F Change	df1	df2	Sig. F Change	
1	.135 ^a	0.018	0.008	1.58189	0.018	1.832	1	99	0.179	
2	.206 ^b	0.043	0.023	1.57002	0.024	2.503	1	98	0.117	1.861

a. Predictors: (Constant), Managerial

b. Predictors: (Constant), Managerial, Bonding

c. Dependent Variable: Performance

Figure 31: Model summary - business performance and social capital

Figure 31 shows the value of R^2 is .018 which indicated that managerial social capital accounted for 1.8% of the variation in business performance. The inclusion of bonding social capital into the model improved the R^2 to .043 which then accounted for 4.3% of the variance in business performance.

The change statistics portion of the table indicated whether the change in R^2 is significant. For model 1, R^2 changes from 0 to .018 and gave rise to an F -statistic of 1.832 which was not significant. In model 2 in which bonding social capital was added as a predictor, R^2 increased by .024 making the R^2 of the new model .043 and the F -statistic of 2.503 which was also not significant as $p > .05$. The F -test indicated whether the model was significantly better at predicting the outcome than using the mean (Field, 2018). Given that the statistic was not significant in this test, it was interpreted that the model did not significantly predict the outcome.

Durbin-Watson is used to check if the residuals in the model are independent of each other. For this study, the Durbin-Watson was at 1.861 which was remarkably close to 2 and this meant that the assumption about independent errors had been met (Field, 2013).

ANOVA^a

Model		Sum of Squares	df	Mean Square	F	Sig.
1	Regression	4.585	1	4.585	1.832	.179 ^b
	Residual	247.734	99	2.502		
	Total	252.318	100			
2	Regression	10.753	2	5.377	2.181	.118 ^c
	Residual	241.565	98	2.465		
	Total	252.318	100			

a. Dependent Variable: Performance

b. Predictors: (Constant), Managerial

c. Predictors: (Constant), Managerial, Bonding

Figure 32: ANOVA

Analysis of variance (ANOVA) is used to compare two or more means to see if there are any statistically significant differences among them. ANOVA evaluates the differences among means relative to the dispersion in the sampling distributions (Tabachnick & Fidell, 2013). ANOVA tells us whether the model results in a good prediction of the outcome variable (Field, 2013). The *F*-statistic was 1.832 for the first model and 2.181 for the second model. These results meant that both models had improved the ability to predict business performance, however, this was not significant.

Table 8: Coefficients

Model		Unstandardized Coefficients		Standardized Coefficients	t	Sig.	95.0% Confidence Interval for B		Collinearity Statistics	
		B	Std. Error	Beta			Lower Bound	Upper Bound	Tolerance	VIF
1	(Constant)	3.393	0.472		7.184	0.000	2.456	4.330		
	Managerial	0.174	0.129	0.135	1.354	0.179	-0.081	0.430	1.000	1.000
2	(Constant)	2.926	0.554		5.283	0.000	1.827	4.026		
	Managerial	0.109	0.134	0.084	0.810	0.420	-0.158	0.376	0.905	1.105
	Bonding	0.204	0.129	0.164	1.582	0.117	-0.052	0.460	0.905	1.105

The B values enumerate the relationship between business performance and the two predictor variables – managerial social capital and bonding social capital. The direction of the coefficient corresponds to whether a positive or negative relationship exists between the variables (Field, 2018).

The variance inflation factor (VIF) indicates whether a predictor has a strong linear relationship with another predictor. If the largest VIF is greater than 10 or if the tolerance is below 0.1 then there might be a serious problem of multicollinearity in the data (Field, 2018). Given that the VIF in Table 8 ranged between 1.000 and 1.105, this showed that there was no problem of multicollinearity within the data (Acquaah, 2007).

4.6.2.1 Hypothesis 1

H1: There is a positive relationship between higher levels of managerial social capital and increased business performance.

Table 8 showed that there was a positive relationship between managerial social capital and business performance as the coefficient for managerial social capital was greater than zero ($B=.109$). The relationship, however, was not significant as $p>.05$ ($p=.420$). As managerial social capital increases by one unit, business performance would increase by .109 units provided that other variables were kept constant.

Although a positive relationship was shown between the variables, hypothesis 1 was not supported as it was not significant.

4.6.2.2 Hypothesis 2

H2: There is a positive relationship between higher levels of bonding social capital and increased business performance.

Bonding social capital and business performance was shown to have a positive relationship as the coefficient for bonding social capital was positive ($B=.204$). This relationship was also not significant as $p>.05$ ($P=.117$). As bonding social capital increases by one unit, business performance would increase by .204 units provided that other variables were kept constant.

Although a positive relationship was shown between bonding social capital and business performance, hypothesis 2 was supported as it was not significant.

4.6.2.3 Hypothesis 3

The use of moderation analysis aimed to empirically quantify and test the hypothesis regarding the contingent influence that competitive strategy had on social capital and business performance (Hayes, 2012). PROCESS is a computational tool for SPSS which was used as it enables the analysis of moderation (Hayes, 2012). This research made use of version 3.5.3 written by Andrew F. Hayes, PhD which was released in 2020. Moderation analysis is used when one is interested in testing whether the magnitude of a variable's effect on some outcome of interest depends on a third variable or a set of variables (Hayes, 2012).

Exploratory factor analysis resulted in the convergence of items related to the low-cost strategy and the differentiation strategy onto a single factor. Therefore, the competitive strategy was analysed as a single construct and not as these strategies on their own.

H3a: The relationship between managerial social capital and business performance will be stronger for firms that pursue a low-cost strategy.

	coeff	se	t	p	LLCI	ULCI
Constant	3.9712	0.1586	25.035	.0000	3.6564	4.2861
Managerial Social Capital	.0916	.1357	.6760	.5006	-.1774	.3607
Competitive Strategy	.2669	.1207	2.2121	.0293	.0274	.5064
Interaction	.0743	.0990	.7508	.4546	-.1222	.2708

Test(s) of highest order unconditional interaction(s):

	R2-Chng	F	df1	df2	p
X*W	.0054	.5636	1.0000	97.0000	.4546

Focal predict: Managerial Social Capital (X)

Moderating variable: Competitive Strategy (W)

Figure 33: Moderation effect of competitive strategy on managerial social capital and business performance

Figure 33 shows that the interaction effect of managerial social capital and competitive strategy resulted in a positive coefficient (.0743), and this was non-significant as

$p=.4546$. The test of the highest order of interactions between the variables resulted in a 0.54% change in business performance and this was also not significant.

If competitive strategy equalled zero, the effect of managerial social capital on business performance would be positive but non-significant ($B=.0916$, standard error=1.357 and $p=.5006$). However, if managerial social capital were to equal zero, the effect of the competitive strategy on business performance would be positive and significant ($b=.2669$, std. error =.1207 and $p=.0293$).

H3b: The relationship between bonding social capital and business performance will be stronger for firms that pursue a low-cost strategy.

	coeff	se	t	p	LLCI	ULCI
Constant	4.0132	.1557	25.7790	.0000	3.7042	4.3222
Bonding Social Capital	.2096	.1236	1.6953	.0932	-.0358	.4549
Competitive Strategy	.2128	.1131	1.8810	.0630	-.0117	.4373
Interaction	-.0614	.0848	.7232	.4713	-.2297	.1070

Test(s) of highest order unconditional interaction(s):

	R2-Chng	F	df1	df2	p
X*W	.0050	.5231	1.0000	97.0000	.4713

Focal predict: Bonding Social Capital (X)

Moderating variable: Competitive Strategy (W)

Figure 34: Moderation effect of competitive strategy on bonding social capital and business performance

Figure 34 shows that the interaction effect of bonding social capital and competitive strategy resulted in a negative coefficient (-.0614), and this was non-significant as $p=.4713$. The test of the highest order of interactions between the variables resulted in a 0.50% change in business performance, however, this too was non-significant.

The alternate view is that on the condition that competitive strategy equalled zero, the effect of bonding social capital on business performance would be positive and significant at $p<.10$ ($b=.2096$, standard error=1.236 and $p=.0932$). However, if bonding social capital were equal to zero, the effect of the competitive strategy on business performance would be positive and significant at $p<.10$ ($b=.2128$, std. error =.1131 and $p=.0630$).

Hypothesis 3 was not supported as the effect of the change on business performance when including the competitive strategy was negligible (0.54% for managerial social capital and .50% for bonding social capital) and non-significant.

4.6.2.4 Hypothesis 4

H4a: The relationship between managerial social capital and business performance will be stronger for firms that pursue a differentiation strategy.

H4b: The relationship between managerial social capital and business performance will be stronger for firms that pursue a differentiation strategy.

As a result of the convergence of low-cost strategy and the differentiation strategy, the analysis was redirected to focusing on competitive strategy as a construct.

4.7 Summary of the results

The sample was made up of 134 responses which were cleaned to become 101 responses. Although this was a smaller sample than expected, the KMO statistic showed that the dataset had a great result of .761 which indicated that it was adequate for the performance of factor analysis.

The sample was made up of slightly more females than males (51% females, 48% males and 1% preferred not to reveal their gender). The sample had a large proportion of respondents between the 26 to 44 years age range. Over 90% of the sample included micro-enterprises and these were predominantly based in Gauteng province. Over 70% of the businesses had been operating for more than three years. Business owners within the sample were educated with responses ranging from participants that have completed high school to those who have obtained postgraduate studies including a doctorate.

The measurement scales were found to be both valid and reliable with high values for Cronbach's α .

Factor analysis extracted four factors which were bonding social capital, managerial social capital, competitive strategy, and business performance. These factors were

estimated to come from a normal distribution as they did not differ greatly from normality. A few outliers were found in the factors, but these were not severe.

A positive relationship was found between the different forms of social capital and business performance; however, the relationships were not significant.

Hypothesis 3 related to the relationship between social capital and business performance being stronger for firms that pursued a low-cost strategy. Given the convergence of the low-cost strategy and differentiation strategy, this hypothesis could not be independently tested. A positive relationship was identified between the competitive strategy and both managerial social capital and bonding social capital and their ability to improve business performance, however, this was not significant. Hypothesis 3 was not supported. Hypothesis 4 related to the relationship between social capital and business performance being stronger for firms that pursued a differentiation strategy. As mentioned above, this relationship could not be tested independently and hypothesis 4 was therefore not supported.

Table 9: Outcome of hypothesis testing

Hypothesis	Outcome	Decision
H1: There is a positive relationship between higher levels of managerial social capital and increased business performance.	A positive relationship, but not significant.	H1 not supported
H2: There is a positive relationship between higher levels of bonding social capital and increased business performance	A positive relationship, but not significant.	H2 not supported
H3a: The relationship between managerial social capital and business performance will be stronger for firms that pursue a low-cost strategy.	The competitive strategy could not be tested independently. A positive relationship was found but this was not significant.	H3a not supported
H3b: The relationship between bonding social capital and business performance will be stronger for firms that pursue a low-cost strategy.		H3b not supported
H4a: The relationship between managerial social capital and business performance will be stronger for firms that pursue a differentiation strategy.		H4a not supported
H4b: The relationship between managerial social capital and business performance will be stronger for firms that pursue a differentiation strategy.		H4b not supported

5 DISCUSSION OF THE RESULTS

5.1 Introduction

This study examined the relationship between social capital and business performance and whether this relationship is contingent upon the implementation of a competitive strategy. The aim was to provide empirical research and practical relevance of the social capital theory in an African context to highlight its value to entrepreneurs, particularly those involved in SMMEs.

This chapter will focus on interpreting the results presented in Chapter 4 through comparisons with previous studies by other researchers. The section will begin with a profile of the respondents which provides context on the reach of the survey and the potential to make inferences from the results. Discussions will be centred on the hypotheses developed at the beginning of the study and conclusions will be made based on the findings.

Social capital has been studied in its three dimensions – structural, relational, and cognitive (Adler & Kwon, 2002). This research, like the study by Acquah (2007) focused on the relational dimension as the items inquired on the extent to which social capital was used to access resources, information, and knowledge for their businesses.

5.2 Demographic profile of respondents

The respondents reached for the survey had an almost evenly split gender proportion. A large proportion of respondents were between the 26 to 44 years age range. This was consistent with the report by Bowmaker-Falconer and Herrington (2019) which stated that entrepreneurial activity in South Africa has the highest prevalence among individuals aged 25-34 and 35-44 years.

The sample was highly educated and had businesses operating for more than three years. Over 80% of the businesses operated in Gauteng and were classified as micro-enterprises based largely on the number of employees within the establishment. The distribution of sectors had a broader reach within the financial and business services sector and the community, social and personal services.

5.3 Discussion of Hypothesis 1

Hypothesis 1: There is a positive relationship between higher levels of managerial social capital and increased business performance.

Acquaah (2007) found that social capital from managers at other firms was significant and positively related to performance ($p < 0.001$). Akintimehin et al. (2019) chose to study the relationship between internal and external social capital with both financial and non-financial business performance. Their findings showed a significant and positive relationship between social capital and business performance; however, they found an insignificant but positive relationship between external social capital and financial and non-financial business performance (Akintimehin et al., 2019).

Managerial social capital included personal, social, and economic relationships between entrepreneurs and their customers, suppliers, and competitors. The results show that hypothesis 1 was not accepted. This relationship was positive and non-significant. This indicates that there was no significant correlation between managerial social capital and business performance. Studies have shown a strong and positive relationship between social capital and business performance (Agyapong et al., 2017; Hernández-Carrión et al., 2017; Peng & Luo, 2000; Acquaah, 2007). This study further establishes the importance of building social capital to improve business performance. Hernández-Carrión et al. (2017) found that resources obtained through professional and institutional networks, which form part of bridging and linking social capital respectively, had a higher influence on entrepreneurial performance rather than personal networks.

Relationships with customers and suppliers have the potential to enhance customer loyalty and brand loyalty and lead to an increase in sales. Relationships with

competitors could lead to counterparts providing insights on how to reduce operational costs and counter any environmental uncertainties (Acquaah, 2007). The relationships grouped under managerial social capital could lead to the reduction in transaction costs such as unnecessary documentation, cumbersome monitoring procedures or reductions in contract enforcing mechanisms, leading to cost savings for the firm (Acquaah, Amoako-Gyampah, Gray, & Nyathi, 2014).

Peng and Luo (2000) recognised that managerial social capital provides valuable, unique and intangible resources that provide a competitive advantage to businesses that have acquired and developed it over time. The attainment of managerial social capital for SMMEs can enable businesses to become more innovative in their business pursuits and yield positive effects on business performance (Agyapong et al., 2017). Peng and Luo (2000) acknowledged that smaller firms in service industries show a higher influence of social capital on business performance than businesses in the manufacturing industry or other industries experiencing low growth.

Businesses investing in internal social capital in which norms and values are encouraged among employees can expect to derive improved financial and strategic performance. The value provided by social capital in these businesses includes an increase in profitability, sales and market share which are achieved through cost reductions and improved awareness of the business' products from social capital actions (Acquaah et al., 2014).

The uncertainty presented by the COVID-19 pandemic and the turbulent economic environment even before the pandemic makes it challenging to navigate the business environment. Researchers have posited that this uncertainty in the business environment provides an impetus for the reliance on managerial networking relationships in business operations (Acquaah, 2007). Given that sub-Saharan Africa businesses face so much uncertainty, they are more likely to foster networking relationships to counter the uncertainty. Therefore, the positive relationship established in this study is supported and consistent with the study performed by Acquaah (2007) in the emerging economy of Ghana.

5.4 Discussion of Hypothesis 2

Hypothesis 2: There is a positive relationship between higher levels of bonding social capital and increased business performance.

The results showed that hypothesis 2 was not supported. This relationship was positive and non-significant. The results of the study by Mtolo (2017) also concluded that there was no significant relationship between bonding social capital and entrepreneurial performance. Bonding social capital is related to internal social capital and was found to have a positive and significant relationship with non-financial business performance and an insignificant but positive relationship with financial business performance (Akintimehin et al., 2019).

Not all relationship networks provide the same advantages. As personal networks tend to provide more generic resources that are not tailored to specific businesses, they were found to not have as great an influence on business performance when compared to the benefits provided by more professional networks (Hernández-Carrión et al., 2017). The resources that were obtained through personal networks were not viewed to be as relevant as those obtained through professional networks (Hernández-Carrión et al., 2017).

5.5 Discussion of Hypothesis 3

H3a: The relationship between managerial social capital and business performance will be stronger for firms that pursue a low-cost strategy.

H3b: The relationship between bonding social capital and business performance will be stronger for firms that pursue a low-cost strategy.

Factor extraction showed that the competitive strategy pursued by the respondents was a combination of the low-cost strategy and the differentiation strategy as opposed to each of these strategies on their own. As such, it was found that there was a positive relationship between managerial social capital and business performance with firms that pursued a competitive strategy. The competitive strategy was found to have a negligible moderating influence on the relationship between managerial social capital

and business performance and this was not found to be a statistically significant result. Hypothesis 3a and 3b were not supported.

The results of this study differ from what was determined in the study by Acquaah (2007) who found a significant correlation between social capital variables and competitive strategy variables. Both the low-cost and differentiation strategies were positive and significantly related to business performance. However, the integration of the low-cost and differentiation strategies yielded a significant and negative relation to business performance, which indicated that the implementation of an integrated strategy worsens business performance (Acquaah, 2007). Dai et al. (2015) found that strategic renewal did not have a positive moderating effect on the relationship between social capital and business performance as the moderation effect was also not statistically significant.

Acquaah, Adjei, and Mensa-Bonsu (2008) found that a positive and significant relationship between business performance and both competitive strategies used in the study. Their findings were interpreted to mean that a low-cost strategy was more beneficial for businesses that were in an intensely competitive industry (Acquaah et al., 2008). They further stated that the differentiation strategy would be helpful for businesses that were not in a competitive industry (Acquaah et al., 2008).

There has been some inconsistency regarding the impact of implementing a combination of low-cost and differentiation strategies (Acquaah et al., 2008). While some studies show that implementing a combination strategy will result in a business performing worse than a business implementing either an exclusively low-cost strategy or one that is exclusively a differentiation strategy, the study by Acquaah et al. (2008) supported the simultaneous implementation of these strategies. For a business to consider implementing an integrated strategy including low-cost and differentiation strategies, it would need to have access to resources and capabilities that would enable it to offer superior products and customer service at a lower cost than rivals. In essence, this means that the business would require more resources than a business that has opted to exclusively pursue one of these strategies (Acquaah, 2007). When a sector has intense competitiveness, the social capital resources acquired from personal networks increase in relevance and would play a bigger role in achieving

better business performance (Hernández-Carrión et al.,2017). These beneficial personal network resources include marketing capabilities, innovation and technology (Hernández-Carrión et al.,2017).

5.6 Discussion of Hypothesis 4

H4a: The relationship between managerial social capital and business performance will be stronger for firms that pursue a differentiation strategy.

H4b: The relationship between managerial social capital and business performance will be stronger for firms that pursue a differentiation strategy.

The findings for this set of hypotheses were the same as the findings for hypotheses 3a and 3b above. Hypothesis 4 was not supported. This was contrary to the findings by Acquaah (2007) who found that competitive strategic orientation had a moderating effect on social capital and business performance.

5.7 Conclusion

The study has shown that managerial social capital and bonding social capital have a positive influence on the performance of micro-enterprises operating in South Africa, predominantly in Gauteng. The implementation of an integrated competitive strategy was shown to not have a moderating effect on the influence of social capital on business performance. Businesses would need to be clear on whether they are implementing a low-cost or a differentiation strategy for them to derive benefits from the relevant strategy.

6 CONCLUSIONS, IMPLICATIONS AND RECOMMENDATIONS

6.1 *Introduction*

The study sought to determine the relationship between social capital and business performance and to determine whether this relationship was contingent on the implementation of a competitive strategy. The low-cost and differentiation strategies were selected for the analysis. This section will elaborate on the conclusions made from the research and provide recommendations for future research.

6.2 *Conclusions of the study*

The positive relationship between managerial social capital and business performance was consistent with other studies (Peng & Luo, 2000; Acquaah, 2007). Similarly, the positive relationship between bonding social capital and business performance was also consistent with previous studies (Mlotshwa, 2019). Whereas the low moderation effect of the competitive strategy on social capital and business performance was contrary to the findings by Acquaah (2007).

The main theoretical implication of this study was that it advances the role of small entrepreneurs' social capital resources in a firm's performance. Business performance is enhanced by the resources acquired by entrepreneurs through managerial and bonding social capital. Hernández-Carrión et al. (2017) found that entrepreneurs benefitted more from their professional and institutional networks. Contrarily, personal, and associative networks were not as pertinent. When the element of competitive intensity within the industry was considered, the resources gained through personal networks become more crucial as the competitive intensity increased and were seen to advance the business performance, while resources obtained through the professional networks became less relevant (Hernández-Carrión et al., 2017).

The study by Rooks et al. (2009) operationalised social capital as network resources and network size and found that there was no direct evidence of a significant influence of social capital on performance. On the other hand, the study by Agyapong et al.

(2017) confirmed that social capital had a significant and positive effect on the performance of micro and small businesses. Their study was based in Ghana. Social capital improves the performance of micro and small businesses by augmenting cost reduction in transactions which results in creating more efficiencies (Agyapong et al., 2017)

This study showed that social capital development had a positive influence on business performance. However, the impact of social capital on business performance was not found to be contingent on the competitive strategic orientation of the business.

6.3 Implications and Recommendations

The study sought to provide empirical research and practical relevance of the social capital theory in an African context to highlight its value to entrepreneurs, particularly those involved in SMMEs. These objectives were met as the study provided theoretical contributions to the concepts of social capital, competitive strategies, and business performance studies. The findings of this study on the moderation effect of competitive strategies have revealed that competitive strategies do not provide a moderating influence on both bonding social capital and managerial social capital.

The findings have important implications for SMMEs in general and micro-enterprises in particular. The results from this study were not significant, however, a positive relationship was demonstrated in the moderation influence of competitive strategy on social capital and business performance.

A considerable amount of time and investment in building relationships is required to increase social capital. Therefore, business owners must focus on and intentionally strive towards creating social relationships between their suppliers, competitors, and customers. Business owners need to review the relationships regularly to ensure that they are in good standing and for them to determine which of these relationships should be maintained and invested in to obtain additional resources and capabilities. Rooks et al. (2009) re-iterated that the concept of social capital enhances the performance of people who are better connected to other people; thus, it matters who you know. The benefits of social capital could not be appreciated unless the access

that has been gained from social capital is converted to utilised social capital (Dai et al., 2015). Therefore, entrepreneurs would need to use the value gained from the relationships to their benefit.

The study has also contributed towards social capital research within sub-Saharan Africa through exploring its influence on business performance on businesses in South Africa.

Given the multitude of challenges that have swept through the globe in the advent of the COVID-19 pandemic, it has become much more important for businesses to pursue additional measures to improve business performance. The ongoing investment in social capital is imperative to enable the entrepreneur to stay afloat or to tap into new markets. This must remain an ongoing endeavour and not a once-off experiment.

Collaboration efforts between small business owners, established businesses, and the government could go a long way in the creation of value. They could use their social capital to improve the lives of citizens.

6.4 *Limitations of the study*

The study reached respondents that were based mainly in Gauteng and had a minimal representation from the other provinces in South Africa. Generalising the findings to other developing countries or other countries within the African continent might require a comparison of the economic dynamics of said countries. The sample size was quite low, which also provides a challenge in generalising the findings to a broader population.

Social capital is acquired over time and according to Gedajlovic et al. (2013), its study is not well suited to the cross-sectional approach of analysis. However, given the time constraints provided by this study, a longitudinal study could not be pursued.

Making use of a cross-sectional quantitative assessment only may have also limited the extent of insights drawn from the data. More might have been uncovered through pursuing a mixed-methods study.

6.5 *Suggestions for further research*

When reviewing options for measuring social capital, there were various options used by different researchers. Future studies could incorporate a comparative scale that can be replicated for use to consistently measure social capital. There is currently a limited consensus on metrics to rely on when measuring the concept (Acquaah et al., 2014).

The study by Hernández-Carrión et al. (2017) hypothesised that the more experience an entrepreneur has in a sector (based on previous work experience), the more pertinent their professional and institutional networks would be to influence their business' performance. Respondents in the current study provided a view of the sectors that they operated in; however, this was not incorporated into the hypotheses. Future researchers could investigate the influence of social capital based on the predominant sectors in South Africa. They could determine whether the benefits are region-specific. Future studies could also incorporate questions to determine the business' sector as well as the relevant years of experience held by the entrepreneur to determine whether that yields positive results to the business performance.

Future studies could also consider performing a longitudinal study to observe the influence of social capital over a longer period within South Africa and other African emerging economies.

APPENDIX A: DRAFT RESEARCH INSTRUMENT

Dear Sir/Madam

I am a student at Wits Business School enrolled for a Master of Management in Entrepreneurship and New Venture Creation. I would like you to share your experience as a business owner in South Africa. This will form part of my research entitled: **The influence of social capital and competitive strategy on entrepreneurial business performance in South Africa**. The objective of this study is to examine the extent to which social capital influences business performance. It further serves to understand whether the influence of social capital on business performance is contingent on the implementation of a competitive strategy.

It should take approximately 10 to 15 minutes to complete. The questionnaire is completely anonymous and any information that is obtained from the survey will only be used for my research project. No individual will be adversely affected by participating in the survey. However, you can opt out if you feel you are unable to continue with the survey. If you are willing to participate in the questionnaire, you may indicate your acceptance below.

- I consent to continue with the survey.
- I do not consent to continue with the survey.

Section A: Demographic information

Q2 Please indicate your gender.

- ☐ Female
- ☐ Male
- ☐ Prefer not to say

Q3 Please indicate your age

- ☐ Younger than 18 years old
- ☐ 18 - 25 years old
- ☐ 26 - 34 years old
- ☐ 35 - 44 years old
- ☐ 45 - 54 years old
- ☐ 55 - 64 years old
- ☐ 65 and older

Q4 Please indicate your level of education

- ☐ No schooling
- ☐ High school graduate
- ☐ Some higher education
- ☐ Degree/ Diploma
- ☐ Honours
- ☐ Postgraduate diploma
- ☐ Master's degree
- ☐ PhD

Q5 Please indicate how long your business has been in operation

- ☐ 0 to 1 year
- ☐ 1 to 2 years
- ☐ 2 to 3 years
- ☐ 3 to 4 years
- ☐ 4 to 5 years
- ☐ 5 to 10 years
- ☐ Over 10 years

Q6 Where is your business located?

- ☐ Eastern Cape
- ☐ Free State
- ☐ Gauteng
- ☐ KwaZulu-Natal
- ☐ Limpopo
- ☐ Mpumalanga
- ☐ Northern Cape
- ☐ North West
- ☐ Western Cape

Q7 Please indicate how many employees are in your business

- ☐ 0 to 10
- ☐ 11 to 50
- ☐ 51 to 250

Q8 Please indicate the industry sector in which your business falls

- ☐ Agriculture, Forestry and Fishing
- ☐ Mining and Quarrying
- ☐ Manufacturing
- ☐ Electricity, Gas, and Water
- ☐ Construction
- ☐ Retail, Motor Trade and Repair Services

- ☐ Wholesale
- ☐ Catering, Accommodation and Other Trade
- ☐ Transport, Storage and Communications
- ☐ Financial and Business Services
- ☐ Community, Social and Personal Services

Section B: Business Performance

Q9. Relative to the major competitors in your industry, how do you feel your performance in these items were during the past year?	Much more	Moderately more	Slightly more	About the same	Slightly less	Moderately less	Much less
1. Growth of sales and revenue							
2. Growth of net income or profits							
3. Growth in productivity							
4. Return on assets							
5. Return on sales							

Section C: Competitive strategy

Q10 Please indicate the extent to which your organisation emphasized the following:	Much more	Moderately more	Slightly more	About the same	Slightly less	Moderately less	Much less
1. Offering a broad range of products/ services							
2. Offering competitive pricing for products or services							
3. Forecasting market growth in sales							
4. Controlling operating and overhead costs							
5. Using innovation in production processes or service offerings							

Q11 Please indicate the extent to which your organisation emphasized the following:	Much more	Moderately more	Slightly more	About the same	Slightly less	Moderately less	Much less
1. Developing a new product or service offering							
2. Upgrading or refining existing products or services							
3. Emphasising products or services for higher-priced market segments							
4. Improving existing customer service							

5. Using innovation in the marketing of products or services							
6. Advertising and promoting products or services							
7. Building brand and company identification							

Section D: Social capital

Q12. Assess the extent to which top management used personal and social networking relationships to gain access to information that could be used to the firm's advantage with the following:	Very little	Little	Moderate	The same	Extensive	More extensive	Very extensive
1. Customers							
2. Suppliers							
3. Competitors							
4. Close friends/ neighbours							
5. Family and relatives							
6. Social associations							

Q13. Assess the extent to which top management used personal and social networking relationships for access to valuable resources with the following:	Very little	Little	Moderate	The same	Extensive	More extensive	Very extensive
1. Customers							
2. Suppliers							
3. Competitors							
4. Close friends/ neighbours							
5. Family and relatives							
6. Social associations							

Q14 Assess the extent to which top management used personal and social networking relationships for acquisition and exploitation of knowledge with the following:	Very little	Little	Moderate	The same	Extensive	More extensive	Very extensive
1. Customers							
2. Suppliers							
3. Competitors							
4. Close friends/ neighbours							
5. Family and relatives							
6. Social associations							

Q15 Assess the extent to which top management benefited from personal and social networking relationships to gain access to information that could be used to the firm's advantage with the following:	Very little	Little	Moderate	The same	Extensive	More extensive	Very extensive
1. Customers							
2. Suppliers							
3. Competitors							
4. Close friends/ neighbours							
5. Family and relatives							
6. Social associations							

Q16 Assess the extent to which top management benefited from personal and social networking relationships for access to valuable resources with the following:	Very little	Little	Moderate	The same	Extensive	More extensive	Very extensive
1. Customers							
2. Suppliers							
3. Competitors							
4. Close friends/ neighbours							
5. Family and relatives							
6. Social associations							

Q17 Assess the extent to which top management benefited from personal and social networking relationships for acquisition and exploitation of knowledge with the following:	Very little	Little	Moderate	The same	Extensive	More extensive	Very extensive
1. Customers							
2. Suppliers							
3. Competitors							
4. Close friends/ neighbours							
5. Family and relatives							
6. Social associations							

APPENDIX B: CONSISTENCY MATRIX

Table 10: Consistency matrix

Determine the influence of social capital and the competitive strategy on business performance							
Sub- aims	Literature Review	Hypotheses	Research questions	Variables	Source of data	Type of data	Analysis
Understand the influence of managerial social capital on business performance	(Acquaah, 2007) (Peng & Luo, 2000)	H1: There is a positive relationship between higher levels of managerial social capital and increased business performance.	What is the influence of managerial social capital on business performance?	<ul style="list-style-type: none"> • Independent Variable 1 (IV1): Managerial social capital • Dependent Variable (DV): Business performance 	Questionnaire IV1: Q12. 1,2,3; Q13.1,2,3 Q14.1,2,3 Q15.1,2,3 Q16.1,2,3 and Q17.1,2,3 DV: Q9	Ordinal	<ul style="list-style-type: none"> • Reliability Analysis (Cronbach's α) • Exploratory Factor Analysis • Correlation Analysis • Regression Analysis

Determine the influence of social capital and the competitive strategy on business performance							
Sub- aims	Literature Review	Hypotheses	Research questions	Variables	Source of data	Type of data	Analysis
Determine the influence of bonding social capital on business performance	(Gedajlovic et al., 2013) (Lin, 2004) (Mlotshwa, 2019)	H2: There is a positive relationship between higher levels of bonding social capital and increased levels of business performance.	What is the influence of bonding social capital on business performance?	<ul style="list-style-type: none"> • Independent Variable 2 (IV2): Bonding social capital • Dependent Variable (DV): Business performance 	IV2: Q12. 4,5,6; Q13. 4,5,6; Q14. 4,5,6; Q15. 4,5,6; Q16. 4,5,6; and Q17. 4,5,6 DV: Q9	Ordinal	<ul style="list-style-type: none"> • Reliability Analysis (Cronbach's α) • Exploratory Factor Analysis • Correlation Analysis • Regression Analysis

Determine the influence of social capital and the competitive strategy on business performance							
Sub- aims	Literature Review	Hypotheses	Research questions	Variables	Source of data	Type of data	Analysis
Determine the moderating effect of the low-cost competitive strategy on managerial social capital and business performance	(Acquaah, 2007)	H3a: The relationship between managerial social capital and business performance will be stronger for firms that pursue a low-cost strategy	Is the influence of managerial social capital on business performance contingent on the implementation of a low-cost strategy?	<ul style="list-style-type: none"> • Independent Variable 1 (IV1): Managerial social capital • Moderating variable (MV): Competitive strategy • Dependent Variable (DV): Business performance 	IV1: Q12. 1,2,3; Q13.1,2,3 Q14.1,2,3 Q15.1,2,3 Q16.1,2,3 and Q17.1,2,3 MV: Q10 DV: Q9	Ordinal	<ul style="list-style-type: none"> • Reliability Analysis (Cronbach's α) • Exploratory Factor Analysis • Correlation Analysis • Regression Analysis

Determine the influence of social capital and the competitive strategy on business performance							
Sub- aims	Literature Review	Hypotheses	Research questions	Variables	Source of data	Type of data	Analysis
Determine the moderating effect of the low-cost competitive strategy on bonding social capital and business performance	(Acquaah, 2007)	H3b: The relationship between bonding social capital and business performance will be stronger for firms that pursue a low-cost strategy	Is the influence of bonding social capital on business performance contingent on the implementation of a low-cost strategy?	<ul style="list-style-type: none"> • Independent Variable 2 (IV2): Bonding social capital • Moderating variable (MV): Competitive strategy • Dependent Variable (DV): Business Performance 	IV2: Q12. 4,5,6; Q13. 4,5,6; Q14. 4,5,6; Q15. 4,5,6; Q16. 4,5,6; and Q17. 4,5,6; MV: Q10 DV: Q9	Ordinal	<ul style="list-style-type: none"> • Reliability Analysis (Cronbach's α) • Exploratory Factor Analysis • Correlation Analysis • Regression Analysis

Determine the influence of social capital and the competitive strategy on business performance							
Sub- aims	Literature Review	Hypotheses	Research questions	Variables	Source of data	Type of data	Analysis
Determine the moderating effect of the differentiation competitive strategy on managerial social capital and business performance	(Acquaah, 2007)	H4a: The relationship between managerial social capital and business performance will be stronger for firms that pursue a differentiation strategy	Is the influence of managerial social capital on business performance contingent on the implementation of a differentiation strategy?	<ul style="list-style-type: none"> • Independent Variable 1 (IV1): Managerial social capital • Moderating variable: Competitive strategy • Dependent Variable (DV): Business Performance 	IV1: Q12. 1,2,3; Q13.1,2,3 Q14.1,2,3 Q15.1,2,3 Q16.1,2,3 and Q17.1,2,3 MV: Q11 DV: Q9	Ordinal	<ul style="list-style-type: none"> • Reliability Analysis (Cronbach's α) • Exploratory Factor Analysis • Correlation Analysis • Regression Analysis

Determine the influence of social capital and the competitive strategy on business performance							
Sub- aims	Literature Review	Hypotheses	Research questions	Variables	Source of data	Type of data	Analysis
Determine the moderating effect of the differentiation competitive strategy on bonding social capital and business performance	(Acquaah, 2007)	H4b: The relationship between bonding social capital and business performance will be stronger for firms that pursue a differentiation strategy	Is the influence of bonding social capital on business performance contingent on the implementation of a differentiation strategy?	<ul style="list-style-type: none"> • Independent Variable 2 (IV2): Bonding social capital • Moderating variable: Competitive strategy • Dependent Variable (DV): Business Performance 	IV2: Q12. 4,5,6; Q13. 4,5,6; Q14. 4,5,6; Q15. 4,5,6; Q16. 4,5,6; and Q17. 4,5,6; MV: Q11 DV: Q9	Ordinal	<ul style="list-style-type: none"> • Reliability Analysis (Cronbach's α) • Exploratory Factor Analysis • Correlation Analysis • Regression Analysis

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