

# **ASSESSING THE COMPETITIVENESS OF SMALL AND MEDIUM SIZED RETAIL BUSINESSES IN SOUTH AFRICA**

BY

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## DECLARATION

I, Petrus Stephanus Herholdt 211180629, hereby declare that the treatise for Students qualification to be awarded is my own work and that it has not previously been submitted for assessment or completion of any postgraduate qualification to another University or for another qualification.

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## TABLE OF CONTENTS

<b>CHAPTER ONE.....</b>	<b>1</b>
<b>OVERVIEW OF THE STUDY.....</b>	<b>1</b>
1.1. INTRODUCTION .....	1
1.2. PROBLEM STATEMENT.....	2
1.3. RESEARCH OBJECTIVES.....	2
1.3.1. Primary objective .....	2
1.3.2. Secondary research objectives .....	2
1.4. HYPOTHESES .....	5
1.5. DELIMITATION OF RESEARCH .....	5
1.5.1. Organisational level .....	6
1.5.2. Industry.....	6
1.5.3. Geographical delimitations.....	6
1.6. ASSUMPTIONS.....	7
1.7. RESEARCH METHODOLOGY .....	7
1.7.1. The Sample .....	8
1.7.2. The measuring instruments.....	8
1.8. OUTLINE OF THE STUDY .....	9
<b>CHAPTER TWO .....</b>	<b>10</b>
<b>THE SOUTH AFRICAN RETAIL INDUSTRY.....</b>	<b>10</b>
2.1. INTRODUCTION .....	10
2.2. SOUTH AFRICAN RETAIL MARKET OVERVIEW.....	11
2.3. RETAIL MARKET TRENDS.....	11
2.3.1. Retail Sales .....	11
2.3.2. E-Commerce.....	13
2.4. AVAILABILITY OF RETAIL SPACE .....	15
2.5. RETAIL INDUSTRY CONTRIBUTION BY PROVINCE .....	16
2.6. SUMMARY .....	17
<b>CHAPTER THREE .....</b>	<b>19</b>
<b>FACTORS INFLUENCING SME RETAILER COMPETITIVENESS.....</b>	<b>19</b>
3.1. INTRODUCTION .....	19
3.2. THE IMPORTANCE OF UNIQUENESS IN SME RETAIL COMPETITIVENESS... 21	
3.2.1. Unique marketing approach.....	21

3.2.2.	Unique corporate social responsibility orientation .....	23
3.2.3.	Unique employment orientation .....	26
3.3.	THE IMPORTANCE OF ENTREPRENEURIAL LEADERSHIP IN SME RETAIL COMPETITIVENESS .....	27
3.3.1.	Strong achievement drive and sensible risk taking.....	28
3.3.2.	High degree of enthusiasm, creativity and innovation .....	28
3.3.3.	Constant hurry combined with impatience.....	28
3.3.4.	Visionary perspective combined with tenacity .....	28
3.3.5.	Dislike of hierarchy and bureaucracy .....	28
3.3.6.	Preference of dealing with external customers.....	29
3.3.7.	Eye on the future .....	29
3.4.	THE IMPORTANCE OF COST EFFECTIVENESS IN SME RETAILER COMPETITIVENESS .....	29
3.4.1.	Lean Management.....	30
3.4.2.	Inventory Management .....	32
3.5.	THE IMPORTANCE OF TECHNOLOGY IN SME RETAIL COMPETITIVENESS ..	36
3.5.1.	Introduction.....	36
3.5.2.	The role of technology in SMEs competitiveness .....	36
3.6.	THE IMPORTANCE OF QUALITY IN SME RETAIL COMPETITIVENESS .....	38
3.6.1.	Defining Quality .....	38
3.6.2.	Total Quality Management.....	39
3.7.	SUMMARY .....	40
<b>CHAPTER FOUR .....</b>		<b>41</b>
<b>RESEARCH METHODOLOGY AND DESIGN.....</b>		<b>41</b>
4.1.	INTRODUCTION .....	41
4.2.	THE PURPOSE OF RESEARCH.....	41
4.3.	THE RESEARCH PROCESS .....	42
4.4.	TYPES OF RESEARCH .....	44
4.4.1.	Purpose .....	44
4.4.2.	Process.....	46
4.4.3.	Logic.....	47
4.4.4.	Outcome .....	48
4.5.	VALIDITY AND RELIABILITY OF RESEARCH.....	49
4.5.1.	Validity .....	49
4.5.2.	Reliability .....	49
4.6.	CHOOSING AN APPROPRIATE RESEARCH STRATEGY.....	50

4.6.1.	Purpose (Analytical Choice).....	50
4.6.2.	Process (Qualitative and Quantitative Choice) .....	51
4.6.3.	Logic (Deductive Choice).....	51
4.6.4.	Outcome (Applied Choice).....	51
4.7.	RESEARCH QUESTIONNAIRES .....	52
4.7.1.	Defining Questionnaires.....	52
4.7.2.	Open and Closed Type Questions .....	52
4.7.3.	Questionnaire Guidelines.....	53
4.8.	CHI – SQUARED TESTING.....	54
4.9.	SUMMARY .....	54
<b>CHAPTER FIVE.....</b>		<b>56</b>
<b>ANALYSIS, INTERPRETATION AND RESULTS OF THE EMPIRICAL INVESTIGATION</b>		<b>56</b>
5.1.	INTRODUCTION .....	56
5.2.	RESEARCH RESPONSE .....	56
5.3.	STATISTICAL PROCEDURES AND EMPIRICAL FINDINGS .....	57
5.3.1.	Chi-Square relationship testing .....	57
5.3.2.	Hypothesis testing .....	57
5.4.	ANALYSIS OF RESULTS .....	60
5.4.1.	Analysis of biographical data .....	60
5.4.2.	Analysis of respondents' level of employment within their SME retail business. 62	
5.5.	SUMMARY .....	63
<b>CHAPTER SIX.....</b>		<b>65</b>
<b>RECOMMENDATIONS AND CONCLUSIONS .....</b>		<b>65</b>
6.1.	INTRODUCTION .....	65
6.2.	SUMMARY .....	65
6.3.	RECOMMENDATIONS.....	66
6.4.	OPPORTUNITIES FOR FURTHER RESEARCH.....	67
6.5.	CONCLUSIONS .....	68
<b>REFERENCES .....</b>		<b>69</b>
<b>ANNEXURES .....</b>		<b>75</b>

## LIST OF TABLES

Table 3.1: The Seven Wastes.....	31
Table 3.2: Industry average inventory turns.....	35
Table 5.1: Overall response rate.....	56
Table 5.2: Questionnaire data collection mode.....	57
Table 5.3: $\chi^2$ -Stats for independent variables.....	58
Table 5.4: Age of respondents.....	60
Table 5.5: Gender.....	61
Table 5.6: Employment level.....	62

## LIST OF FIGURES

Figure 1.1: Conceptual model to improve SME retailer competitiveness in South Africa.....	4
Figure 2.1: Composite of retail trade sale in SA 2011.....	12
Figure 2.2: Retail sales, SA, January 2004 – January 2012 .....	13
Figure 2.3: Online retail sales, SA, 2004-2012.....	14
Figure 2.4: Additional supply of retail space, before 1970-2012.....	15
Figure 2.5: Retail industry contribution by province.....	16
Figure 5.1: Graphical illustration of age of the respondents (%).....	61
Figure 5.2: Graphical illusion of respondents' gender (%).....	62
Figure 5.3: Graphical illustrations of respondents' employment levels.....	63

## **ABSTRACT**

The South African economy and especially its retail environment are continuously experiencing the impact of globalisation. The continuous expansions of large public retail businesses that consist of numerous chain stores are evident in both the local and international arena. South Africa has witnessed large amounts of foreign direct investment (FDI) invested into its retail sector.

The above mentioned facts hold a serious challenge for small and medium retail businesses in South Africa (SMEs). In order for SME retail businesses to stay competitive against these global retail businesses, it needs to be able to withstand the competition in the environment it operates. This is not always an easy challenge given the limited access to resources that the majority of SME businesses have access to.

This study presents how South African SME retail businesses can remain competent and profitable in spite of serious competition from large retail businesses of both local and international origin. In order to suggest recommendations for South African SME retail businesses to be more competent in relation to large retail businesses, the researcher identified some areas of improvement, which is perceived to be the most important for enhancing the competitiveness of SMEs. These variables include uniqueness, entrepreneurial leadership, cost effectiveness, technology and quality management. These variables were researched to understand how they affect SME retail businesses and were tested using quantitative analysis to ascertain if managers and owners of SME retail businesses believed that these variables would help them to improve the level of competitiveness in relation to large retail businesses.

The results indicated that SME owners and managers felt that uniqueness, entrepreneurial leadership, cost effectiveness, technology and quality management all contribute to the competitiveness of their business. Empirical evidence shows that owners and managers of SME retail business felt that all of the above factors will result in their SME retail business being more competitive as compared to large retail businesses. The former will lead to better chances of success which again are most likely to lead to increased probability.



## **CHAPTER ONE**

### **OVERVIEW OF THE STUDY**

#### **1.1. INTRODUCTION**

Over the last decade there has been a trend toward franchising and acquisitions in the retail industry worldwide (Olawale, Garwe, 2010:23). South Africa is by no means excluded from this trend. One of the most significant recent developments is the multi-billion dollar acquisition of Wal-Mart over South Africa's Massmart that was approved by the competition tribunal of South Africa on 31 May 2011 (South African department of Trade and Industry, 2011:1). The Wal-Mart transaction became effective on 20 June 2011 at which time Wal-Mart acquired 51% of Massmart's issued shares, on a fully diluted basis, for a cash consideration of R148 per share (Massmart integrated annual report, 2012:3). Acquisitions like these has created much controversy and increased the monopolistic and/or oligopolistic state of affairs that exists in the retail sector in South Africa and elsewhere, making it much harder for independent retailers to remain competitive. This has dire consequences in the area of small and medium businesses (SMEs) in South Africa. The end result is that SMEs are struggling to survive against these public giants, and the effect is that a lot of these SME's are forced to close down, or are taken over by the same public businesses that caused their downfall and thus worsening the situation.

Furthermore, new SMEs are a significant component of the solution to South Africa's development issues. SMEs contribute around 56% of private sector employment as well as 36% of the gross domestic product (GDP) in South Africa (Ntsika, 2012:55). South Africa suffers from high unemployment with an official estimate of approximately 27% of the economically active population unemployed (Statistics South Africa, 2012:34). One of the best ways to address unemployment is to leverage the employment creation potential of small businesses and to promote small business development (FinMark Trust, 2006). However, most new SMEs do not grow. Unfortunately, their failure rate in South Africa (75%) is one of the highest in the world (Olawale, Garwe, 2010:21).

Given the above, this research treatise investigated the factors that contribute towards the feasibility and sustainability of SME retail businesses in contemporary South Africa. This has been done by analysing academic literature surrounding the competitiveness of SME retail businesses, as well as the current situation of the retail industry in South Africa.

## **1.2. PROBLEM STATEMENT**

As emphasised above, the fact that most (75%) new SMEs do not succeed is very alarming, especially when it is taking into consideration that SMEs contribute around 56% of private sector employment as well as 36% of the gross domestic product (GDP) in South Africa.

In light of the above, the problem statement of this research treatise has been formulated to determine what is required from new and existing SME retail businesses to successfully establish and/or manage their businesses in a highly competitive environment that is dominated by large public businesses.

What strategic interventions can SME retail businesses undertake to improve their competitiveness against public retail businesses in South Africa?

## **1.3. RESEARCH OBJECTIVES**

### **1.3.1. Primary objective**

The primary research objective of this treatise is to assess the competitiveness of SME retailer businesses in South Africa.

### **1.3.2. Secondary research objectives**

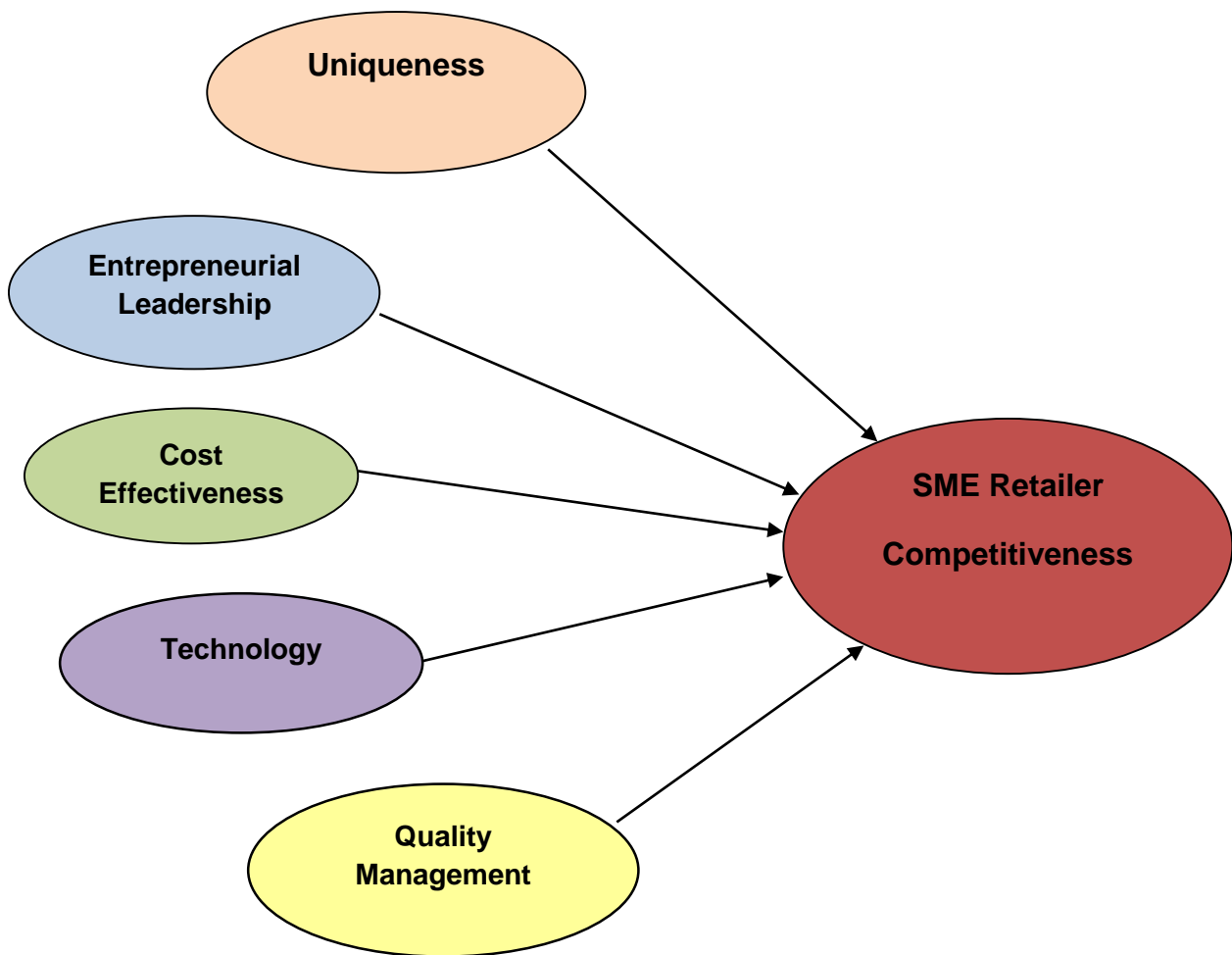
The secondary research objectives of this treatise are the following:

- to determine how important uniqueness is in achieving competitiveness in SME retail businesses;
- to determine how important entrepreneurial leadership is in achieving competitiveness in SME retail businesses;
- to determine how important cost effectiveness is in achieving competitiveness in SME retail businesses;

- to determine how important flexibility is in achieving competitiveness in SME retail businesses;
- to determine how important the effective use of technology is in achieving competitiveness in SME retail businesses; and
- to determine how important quality management is in achieving competitiveness in SME retail businesses;

The above-mentioned primary and secondary objectives can be graphically illustrated as follows (see Figure 1.1).

**Figure 1.1: Conceptual model to improve SME retailer competitiveness in South Africa.**



According to Figure 1.1, it is hypothesised that uniqueness will have an influence on the competitiveness of SME retail businesses. This is due to the ability of various SME retail businesses to offer a unique service and brand image to customers which differ completely if compared with public retail businesses.

Figure 1.1 indicates that entrepreneurial leadership has an influence on the competitiveness of SME retail businesses. Entrepreneurial leadership is concerned with the social influence process intended to facilitate the discovery, evaluation, and exploitation of entrepreneurial opportunities. This leadership and the development thereof is an important factor in sustaining SME retailer competitiveness.

Figure 1.1 also shows that it is hypothesised that effective cost management has an influence on the competitiveness of SME retail businesses. The ability to keep

business overheads as low as possible, without sacrificing on the quality of customer service, is a key factor in the creation.

It is hypothesised in Figure 1.1 that technology has an influence on the competitiveness of SME retail businesses. Effective utilisation of technology can increase efficiency and control, and provide better insights into decision making. Effective utilisation of technology in SME retail businesses is of equal importance for achieving and sustaining competitiveness, as compared to public retail businesses.

Figure 1.1 shows that quality management has an influence on the competitiveness of SME retail businesses. The implementation and sustainability of an effective quality control program that meets or will exceed the customers' expectations will ensure superior service. This will result in satisfied and returning customers.

#### **1.4. HYPOTHESES**

The following hypotheses have been formulated:

H1.1: Uniqueness in SME retail businesses will have an influence on SME retailer competitiveness.

H1.2: Entrepreneurial leadership in SME retail businesses will have an influence on SME retailer competitiveness.

H1.3: Cost effectiveness in SME retail businesses will have an influence on SME retailer competitiveness.

H1.4: Technology in SME retail businesses will have an influence on SME retailer competitiveness

H1.5: Quality management in SME retail businesses will have an influence on SME retailer competitiveness.

#### **1.5. DELIMITATION OF RESEARCH**

The reason for delimiting this research is to ensure that it is manageable and can be completed effectively by the researcher. It is also important to note that the omission of certain topics is not an indication that they are unimportant, or that there is no need to research them.

### **1.5.1. Organisational level**

The study has been limited to Small and Medium sized retail organisations (SME's) in South Africa. Defining an SME is a challenging task, as every country has its own definition. There is no single, uniformly accepted definition of a small and medium organisation (Storey, 1994:74). However, for the purpose of this research treatise, a South African SME has been broadly defined by means of the the national small business act of South Africa of 1996, as amended in 2003. This act describes an SME as a business organisation that employs between 5 – 200 employees, and has an annual turnover of between R2.5 million and R50 million (Government Gazette of the Republic of South Africa, 2003:2). A more in-depth discussion surrounding the definitions of SME's in South Africa will follow in chapter two.

### **1.5.2. Industry**

The study has been limited to the South African SME retail industry. Research has been concluded on SME retail stores that engage in retailing the following products:

- Fast moving consumer goods (FMCG)
- Household goods (Furniture, Appliances, Beds etc.)
- Hardware
- Clothing
- Information technology and other electronic products
- Outdoor and apparel

### **1.5.3. Geographical delimitations**

The study has been limited to privately owned SME retail businesses in four of the nine provinces in South Africa. These provinces are as follows:

- Western Cape
- Eastern Cape
- Free State
- Kwa-Zulu Natal
- Gauteng Province

## **1.6. ASSUMPTIONS**

For the purpose of this study the following assumptions have been made:

- There has been a worldwide trend toward franchising and acquisitions in the last decade (2003-2013). This has made the quest to remain competitive much more difficult for SME retail businesses in South Africa and elsewhere.
- The literature relating to SME retailer competitiveness is generic, and obtained from academic sources across the world. It was nevertheless assumed that this literature were applicable to the retail industry in South Africa.
- The various sectors in which the research has been obtained has no relevance or impact on the research and could be generalised to the SME retail sector in South Africa as a whole.
- Government has an important role in the SME sector in South Africa by means of policy forming and implementation.

## **1.7. RESEARCH METHODOLOGY**

Research methodology refers to the overall approach to the research process, from the theoretical underpinning to the collection and analysis of data (Collis & Hussey 2003:55). Two types of research paradigms have been identified namely the qualitative and quantitative paradigms.

Quantitative research makes use of numerical data collected through objectively measuring variables or particular aspects of a problem or issue. The data obtained from quantitative research is then analysed by applying statistical tests and techniques (Collis and Hussey, 2003: 13). According to Leedy and Ormrod (2005: 94) quantitative research is most often used to “answer questions about relationships among measured variables with the purpose of explaining, predicting, and controlling phenomena”. This approach is also known as the “traditional”, “experimental”, or “positivist” approach (Leedy and Ormrod, 2005: 94).

Qualitative research, as opposed to quantitative research, is more subjective in nature. It is mostly undertaken to describe, understand, examine, and reflect on perceptions relating to the nature of phenomena, and to gain insight into social and

human activities, from the participant's point of view (Collis and Hussey, 2003: 13; Leedy and Ormrod, 2005: 94).

The main aim of this research treatise was to test the perceptions of owners and senior managers of SME retail businesses. A mixed methodology research approach was used, and consequentially numerical data has been collected through objectively measuring six variables that might have influenced SME retailer competitiveness. Thereafter the data has been analysed by applying statistical tests and techniques. After the data has been analysed a conclusion was reached and recommendation surrounding SME retailer competitiveness has been made.

#### **1.7.1. The Sample**

Wegner (2001:168) states that it is very seldom feasible to collect data on every possible observation in the population. The sampling method selected in this research treatise is judgemental sampling. A judgemental sample is one that is selected based on the knowledge of a population and the purpose of the study. (Babbie 2001:22).

The target population of this study includes all the SME retail businesses in South Africa. The target population was very large and therefore could not be covered in its entirety. The researcher thus had to select a sample that was representative of the target population.

The sample size must be large enough to provide relevant data. However if the sample is too big, data collection will be too time consuming. The larger the sample size, the less the margin of error will be, when generalising the results towards the entire population. Given all the above, the sample size for this study is envisaged to be 30.

#### **1.7.2. The measuring instruments**

A formal survey has been done to measure the influences that the six stated variables had on SME retailer competitiveness. A questionnaire with self-constructed scales has been developed. The statements in the self-constructed measuring



instruments have been anchored on a five-point Likert scale ranging from strongly disagree to strongly agree. The proposed measuring instrument is depicted in Annexure A.

The influence that uniqueness, entrepreneurial leadership, cost management, flexibility, technology and quality management had on SME retailer competitiveness has been measured by calculating the mean scores for the responses to the questionnaire items. For the purpose of this study a score below 60% (a mean score below 3 on a 5-point scale) has been regarded as an indication of a low influence on SME competitiveness, and a score of 94% and above (a mean score of 4.7 and above on a 5-point scale) has been regarded as an indication that an influence on SME competitiveness did exist to a large extent.

### **1.8. OUTLINE OF THE STUDY**

This study consists of six chapters. The first chapter is an outline of the study, consisting of a problem statement, the objectives of the study and the research methodology. In chapter two, the South African retail industry will be discussed.

Chapter 3 consists of an overview of the literature on uniqueness, customer service, cost management, flexibility, technology and quality management. In Chapter 4, the research methodology together with the data collection is discussed. In Chapter 5 the discussion is about the analysis of the data and thereafter the results of the research findings will be interpreted, summarised and the implications for SME retail businesses discussed. In Chapter 6, conclusions and recommendations are discussed.

## **CHAPTER TWO**

### **THE SOUTH AFRICAN RETAIL INDUSTRY**

#### **2.1. INTRODUCTION**

The best way to define the South African retail industry is by means of classifications from the Standard Industrial Classification (SIC) from Statistics South Africa (Stats SA). The South African retail trade industry falls under division 62 of the SIC. This industry includes the reselling of new and used goods to the general public for personal or household consumption or use by department stores, shops, mail-order houses, hawkers and peddlers, consumer co-operatives, stalls etc. (Stats SA, 2012). Institutions classified under this division, include amongst others, those that sell to the public, from retail products, such as personal computers, clothing, paint or furniture.

The retail industry as classified by SIC excludes the sale of farmers' products and/or manufactured goods to be sold exclusively to the general public for personal or household consumption purposes. It also excludes the sale of motor vehicles and motor cycles and their parts and of automotive fuel, the sale of motor vehicles or other goods to institutional or industrial users, the sale of food and drinks for consumption on the premises (i.e. bars, restaurants) and the renting of personal and household goods to the general public (Gauteng Province Quarterly Bulletin, 2012).

The South African retail industry has grown over the past years. This is mainly due to an increase in both the supply and availability of retail space and the number of shopping centres in the country. The industry grew by an annual average of 3 percent in the past eight years (CGCSA, 2012). South Africa has seen a rapid rise in shopping centre development and townships have also benefited from this. Retail sales have been increasing over the years, and with an average annual increase of 29 percent in online retail sales, total retail trade sales are expected to further escalate (Stats SA, 2012). Growth of this industry is largely influenced by the external environment, especially the economic conditions that consumers find themselves in. The most important of these include the level of the interest rate, inflation and economic growth (Stats SA, 2012).

## **2.2. SOUTH AFRICAN RETAIL MARKET OVERVIEW**

The South Africa retail industry has evolved much over the years. An improved and modern infrastructure in the country has allowed for a more rapid rise in economic activity (Gauteng Province Quarterly Bulletin, 2012). The retail industry has benefited through efficient distribution of goods to urban centres, townships and rural areas. There has been a clear trend in shopping centre development that shifted from being concentrated in inner cities to suburbs and townships (SASCA, 2012). The rapid construction of high-density housing in the surrounds of major urban areas has also led to the demand for and increased developments of retail centres in these residential areas townships (SASCA, 2012). The country's retail outlets offer a full variety of formats that are similar to those in the United States. These retail outlets range from cafés, general dealers, specialty stores, exclusive boutiques, chain stores, department stores, cash and carry wholesale-retail outlets and the co-operative stores which serve most rural areas (Prinsloo, 2010).

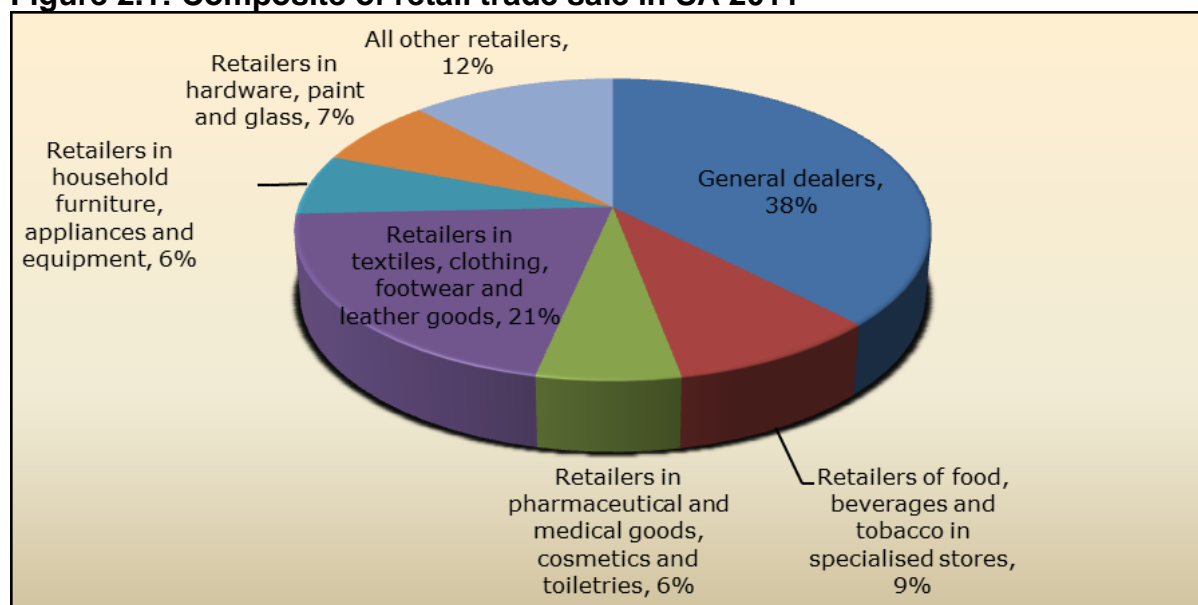
Data obtained from Urban Studies (2010) shows a quantification of the size of the retail area and the number of centres for both the country and Gauteng. In 2002, about 5,722,846m<sup>2</sup> of land in the country was occupied by the retail trade industry. This area included 239 shopping centres. The industry grew to occupy 18,418,073 m<sup>2</sup> of land by 2010, accompanied by an increase in the number of shopping centres to 1,443. The Gauteng province also saw retail space increasing from 3,062,929 m<sup>2</sup> in 2002 to 8,545,522 m<sup>2</sup> in 2010, which was greater than the retail area of the entire country in 2002. The number of retail centres increased from 111 to 634 during this period. Gauteng constitutes 45 percent of the country's shopping centres. The size of shopping centres in South Africa ranges from 1,000 m<sup>2</sup> to almost 150,000 m<sup>2</sup> (Prinsloo, 2010).

## **2.3. RETAIL MARKET TRENDS**

### **2.3.1. Retail Sales**

Stats SA releases retail sales data monthly. Stats SA conducts monthly retail trade sales surveys for compiling estimates for GDP and its components. The frequent release of retail trade sales makes it simple to track the performance of the industry.

**Figure 2.1: Composite of retail trade sale in SA 2011**

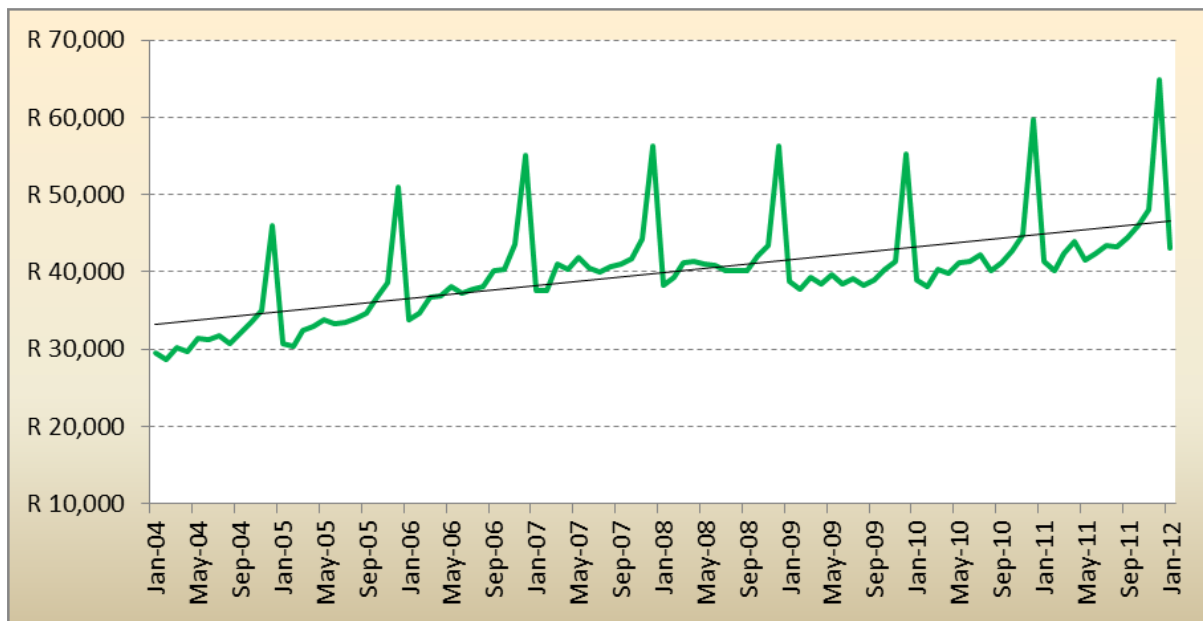


(Source: Stats SA 2012)

Figure 2.1 illustrates the composition of retail trade sales by type of retailer for 2011. The industry is dominated by general dealers, which contribute approximately 38 percent to total retail trade sales. This can be explained by the dominance of non-specialised stores with food, beverages and tobacco such as mass gross retailers like Massmart, Pick n Pay and Shoprite. Retailers in the textiles, clothing, footwear & leather goods make up the second largest share, at 21 percent. Other (non-specified) retailers contribute 12 percent to total retail trade sales (Stats SA 2012).

Figure 2.2 highlights the performance of the retail industry through the retail sales figures from January 2004 to January 2012.

**Figure 2.2: Retail sales, SA, January 2004-January 2012**



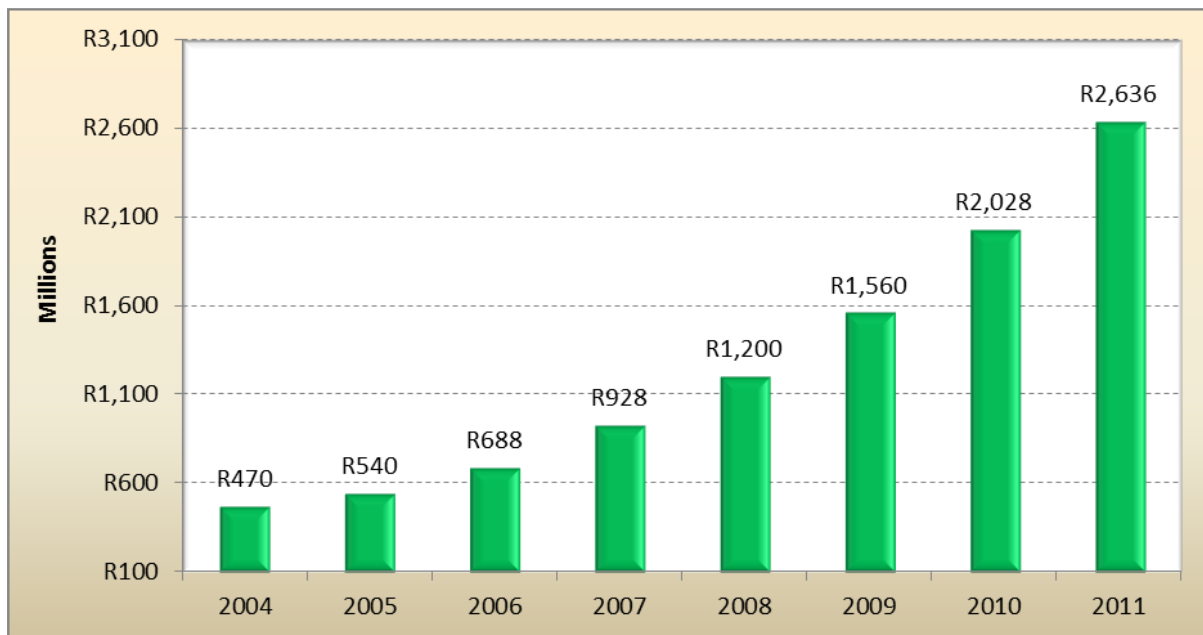
(Source: Stats SA)

Figure 2.2 shows that retail sales follow a particular pattern annually. During the reviewed period, every December, retail sales figures spiked upward and in January, a contraction occurred. This trend is explained by the tendencies of households to shop more during the December month since most people are on holiday or have received bonuses. In the month of January, consumer spending reduces as people prepare to go back to work or school and pay off short-term debts incurred in December. The overall trend is an increase in retail sales over the reviewed period. On average, retail sales increased by 1.32 percent on month-on-month (Stats SA).

### **2.3.2. E-Commerce**

In recent years, the retail industry has seen a revolution whereby retailing does not only take place through the traditional method of physically going into a store, but gradually more people are shopping online. E-Commerce or online shopping is a form of electronic trade whereby consumers use the internet to buy products that they require, these products are then delivered to their doorstep. According to the Online Retail Study conducted by the World Wide Worx (2012) online retail in the country has entered a period of sustained acceleration.

**Figure 2.3: Online retail sales, SA, 2004-2012**



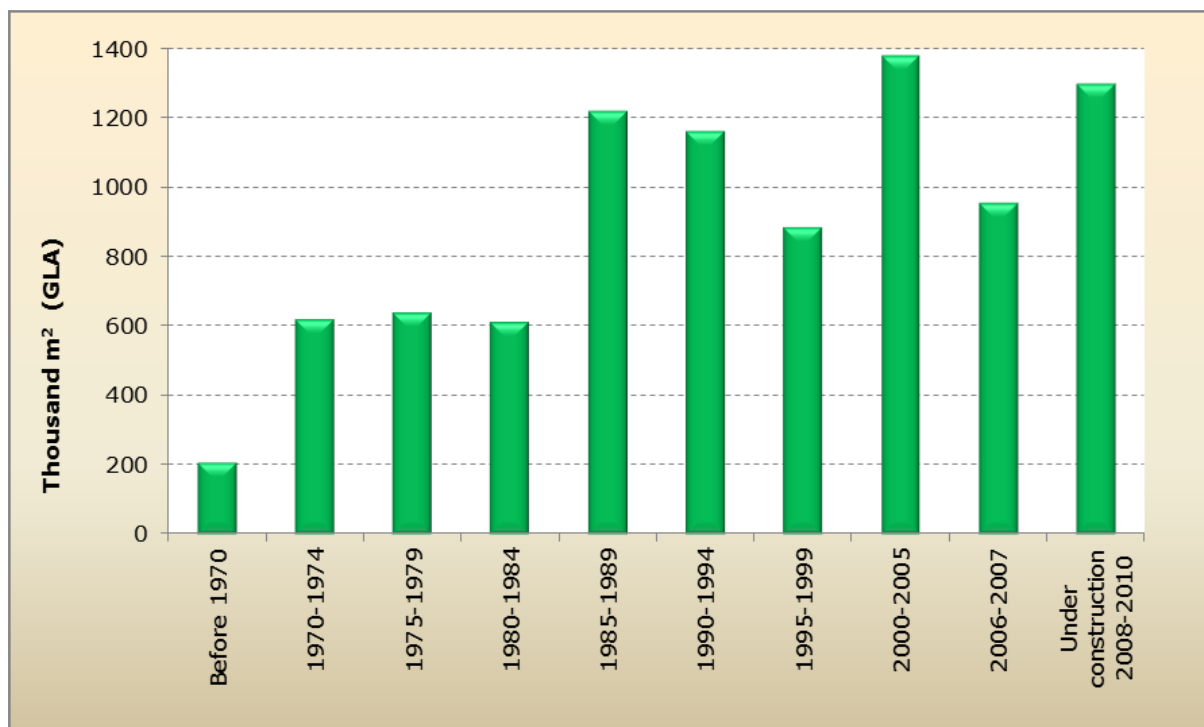
(Source: World Wide Worx, 2012)

Figure 2.3 shows the sales figures for online purchases in South Africa from 2004 to 2011. Online sales have been constantly increasing over this specific period. The total amount spent on online retail goods in the country increased from R470 million in 2004 to above R2bn in 2010. This was an average annual increase of 29 percent. In 2011, online retail totalled to R2.6bn, a 30 percent increase from 2010 (World Wide Worx, 2012). The increase in online retailing is supported by the continuous increase in the number of experienced internet users, as well as an increase in perceived safety to shop online. In 2011, Stats SA reported that retail sales from physical retail reached R541.3bn. Focusing on efficiency, countrywide distribution networks and the maintenance of excellent relationships with suppliers; e-commerce businesses are able to deliver very competitive prices. Numerous e-commerce business try to eliminate traditional overheads such as warehousing, staff expenses, inventory management and other costs related to physical retail stores. Goods that are mainly purchased online are cosmetics, toiletries, toys and games .

## 2.4. AVAILABILITY OF RETAIL SPACE

The development of shopping centres has been increasing at a rapid pace in the country. From the year 1960 and onwards, the number of retail developments in a decade has been increasing by an average of 36 percent. Below is a figure, which shows the additional supply of retail space over these past years.

**Figure 2.4: Additional supply of retail space, before 1970-2010**



(Source: Urban Studies, 2012)

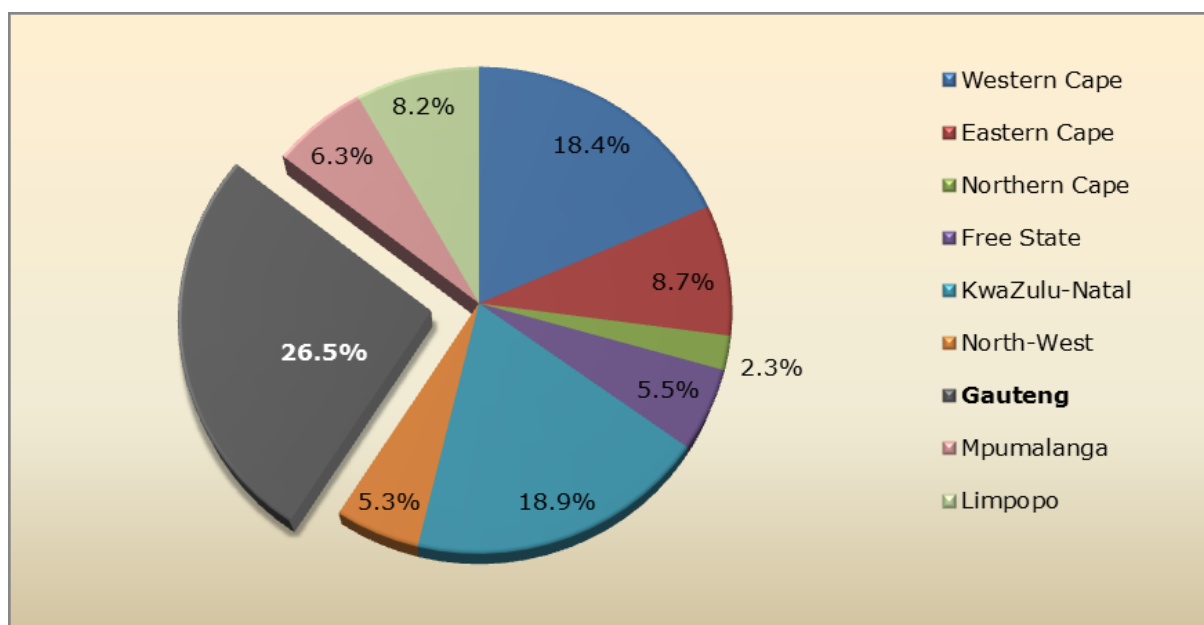
Figure 2.4 illustrates the size of retail space that was provided before 1970 to 2007 and land that was being developed for retailing between 2008 and 2010 in South Africa. Before 1970, there was a total of 207,000m<sup>2</sup> of land area being used for retail space. It is evident from the figure that between 1970 and 1974, the size of additional retail space tripled to 620,000m<sup>2</sup>. It was during the 1970's when the very first regional shopping centres were developed. Since 1985, there has been acceleration in the supply of retail space. An additional 1.2 million m<sup>2</sup> of retail space was developed between 1985 and 1989. The increased supply of retail space from 1985 was stimulated by improved economic conditions in the country. In 1984, the economic growth rate was high at 5.1 percent; this was an improvement from the

negative 1.8 percent growth realised the previous year. Due to a lag period between economic growth and shopping centre development, the effects of improved economic performance can be seen from 1985 with the dramatic increase in the supply of retail space. It was also during the 1980s when developers and investors realised the potential economic benefits that shopping centre developments could have, thereafter more investment was made on shopping centre developments. Between 2000 and 2005, a number of super-regional centres were constructed as 1,380,000m<sup>2</sup> of additional new retail space was developed. The period 2006 to 2010 is marked as the highest boom period ever in the supply of retail space, as approximately 2.8 million m<sup>2</sup> was added to the market (Prinsloo, 2009).

## 2.5. RETAIL INDUSTRY CONTRIBUTION BY PROVINCE

Gauteng is the retail hub of South Africa, more than a quarter of the total retail sector's contribution to the total gross value added (GVA) of South Africa comes from this province (Stats SA, 2012).

**Figure 2.5: Retail industry contribution by province**



(Source: HIS Global Insight)

The pie chart in Figure 2.5, shows that in 2011, Gauteng contributed 26.5 percent to the total of the retail industry. This could be explained by the large portion of Gauteng province's households that have a salary as a source of income. Such



households are able to spend more money, thereby contributing to the retail industry (Gauteng Province Quarterly Bulletin, 2012). According to the Gauteng Provincial Treasury's Socio-Economic Review and Outlook for 2012, about 71.1 percent of Gauteng's household has depended on salaries as their source of income. The figure also shows that KwaZulu-Natal made the second largest retail contribution of 18.9 percent, followed by Western Cape. Limpopo made the smallest contribution, at 2.3 percent, when compared to the other provinces.

## **2.6. SUMMARY**

Figures pertaining to the economic activity within the retail industry paint a positive picture over the last six years. This is mainly due to the increased developments of formal retail shopping centres. Gauteng in particular, has seen rapid growth of shopping centre development. The province makes up 45 percent of shopping centres of the country. An increase in shopping centres leads to the employment of more people, thereby addressing the country's problem of high unemployment rate (Gauteng Province Quarterly Bulletin, 2012). About 27 percent of the youth in South Africa are employed by the wholesale & retail sub-sector (Stats SA, 2012). Gauteng contributes the largest share (26.5 percent) to the country's retail industry.

Supported by reduced interest rate and improved consumer confidence, retail trade sales have been increasing over the years. From 2004, retail trade sales have been increasing by an average of 1.32 percent month-on-month. Due to the 2008 and 2009 recession, retail trade sales grew by negative 3.67 percent (Stats SA, 2012). The industry managed to rebound in 2010 and recorded trade sales growth of 5.1 percent. The future of the retail industry appears to be encouraging. The industry's contribution is forecast to increase from around R106bn in 2011 to R122bn by 2015. With some major retailers indicating their plans to put up more stores, especially in townships, the industry is set to grow further. Shopping centre development in townships has had a positive impact by reducing transportation costs that were incurred by locals that had to travel to the nearest town to shop. It has also managed to reduce the leakage of income from township areas. Also, with the increasing number of internet users in the country, retail sales would be boosted by people who shop online.

Though the industry has some challenges, opportunities also present themselves in various ways. The recent acquisition of Wal-Mart by Massmart is evidence of opportunities that present themselves for retailers in the country.

## **CHAPTER THREE**

### **FACTORS INFLUENCING SME RETAILER COMPETITIVENESS**

#### **3.1. INTRODUCTION**

In Chapter One it has been revealed that over the last decade there has been a clear trend toward franchising and acquisitions in the retail industry worldwide (Olawale, Garwe, 2010:23). This is mainly due to the fact that globalisation is altering the traditional ways that business is conducted.

Globalisation implies the opening of local and nationalistic perspectives to a broader outlook of an interconnected and interdependent world with free transfer of capital, goods, and services across national frontiers (Businessdictionary 2013). This worldwide movement towards economic, financial, trade and communications integration has influenced nearly every organisation. For SME retail businesses in South Africa this means the process by which businesses or other organisations develop international influence or start operating on an international scale. The Wal-Mart transaction which became effective on 20 June 2011 that saw Wal-Mart acquired 51% of South Africa's Massmart's issued shares is a proof of this international influence (Massmart integrated annual report, 2012:3).

E-commerce also poses serious threats to SME retail businesses. International giants like Ebay.com and Amazon.com are continuously expanding their presence in South Africa and even local E-commerce retailers seem to thrive in South Africa. Kalahari.com, part of the Naspers Group, is South Africa's leading online retailer. Research by this online retailer (2011) revealed that 87.6% of South Africa's connected shoppers said they would be doing their festive season shopping online while only 12.4% indicated that they would be hitting the traditional shopping malls (Naspers/ Kalahari.com 2011).

From the above it becomes clear that the marketplace for SME retail businesses in South Africa is becoming a highly complex and very competitive industry. SME retail businesses should not become stagnated in this ever-changing industry if they aim to remain competitive.

The objective of this chapter is to present an overview of literature surrounding some of the important areas that might increase SME retailer competitiveness and ultimately lead to increased profitability. This chapter is divided into six separate sections that address a different important issue surrounding SME retailer competitiveness. These sections include the following:

- **Uniqueness**

This section will address the importance of issues such as the unique characteristics and experience customers might experience while engaging with a SME retailer. Special attention will be given to the establishment of these unique characteristics and experience by making use of clever marketing strategies

- **Entrepreneurial Leadership**

This section will highlight why entrepreneurial leadership is of the utmost importance in SME retailer organisations.

- **Cost Effectiveness**

This section will give attention to strategies on how SME retail businesses can be more cost effective

- **Technology**

This section will investigate the importance of technology in SME retail organisation, and to what extent technology could transform competitiveness

- **Quality management**

This section will investigate the importance of quality control in SME retail businesses and proposes strategies to implement and sustain these quality control initiatives

After these five sections have been discussed in detail the chapter will end with concluding remarks.

### **3.2. THE IMPORTANCE OF UNIQUENESS IN SME RETAIL COMPETITIVENESS**

One of the most valuable distinctions that set SMEs and public companies apart is the unique characteristics shown by SMEs. Prasad and Shivesh, (2007:2) have identified unique characteristics of SME, which includes the following: SMEs are born out of individual initiatives & skills. SMEs have greater operational flexibility as compared to public retail businesses. SMEs have a unique marketing and PR approach. SMEs have a unique approach towards social responsibility. SMEs have a high propensity to adapt technology. SMEs have a unique employment orientation. SMEs utilise locally available human & material resources

The role of SMEs in economic activity is manifested in both tangible and intangible ways. If this contribution is to be sustained, then their uniqueness needs to be nurtured in an overt and explicit manner (Prasad and Shivesh, 2007:2). In the following section three of the above-mentioned characteristics will be further investigated, these characteristics are (i) a unique marketing approach (ii) a unique approach towards social responsibility and (iii) employment orientation.

#### **3.2.1. Unique marketing approach**

One of the most valuable ways to establish and sustain these unique characteristics of SMEs is through clever marketing strategies. The subject of SME marketing has been widely researched and analysed globally. Marketing attempts to build long-lasting relationships with profitable customers and aims to satisfy the needs of customers better than competitors do. A long term marketing strategy is hence more than advertising or sales, like many SME retail business owners still think. Moreover, marketing is an underlying philosophy for the whole business and represents the entrepreneurial leadership and innovative capabilities of the business from the market-side. Many successful SME organisations have adopted market-orientation as a top-management responsibility, and customer-focus as a business-wide policy (Sharma, 1999:73).

#### **3.2.1.1. Relationship Marketing**

Many researchers have emphasized the importance of relationship marketing in SMEs (Blythe, 2009). Relationship marketing is characterised by a strategy designed to foster customer loyalty, interaction and long-term engagement. This customer relationship management (CRM) approach focuses more on customer retention than customer acquisition. Moreover, relationship marketing is designed to develop strong connections with customers by providing them with information directly suited to their needs and interests and by promoting open communication (Blythe, 2009). This approach often results in increased word-of-mouth activity, repeat business and a willingness on the customer's part to provide information to the organisation. Because of the fact that SME retail businesses do not consist of a large number of employees a much more intimate relationship with customers can be developed as opposed to large businesses with large numbers of staff and high staff turnover volumes.

#### **3.2.1.2. One-to-one Marketing**

One-to-one marketing is a CRM strategy emphasising personalised interactions with customers. The personalisation of interactions is thought to foster greater customer loyalty and better return on marketing investment (Stokes, 2004). At the centre of this approach lies the ability of the owner or manager's network in its various guises such as personal contacts networks, social networks, business networks, and industry and marketing networks. (Zontanos and Anderson 2004:4). A one-to-one marketing approach that is characterised by the owner or manager's social networks is a unique characteristic of various SMEs, and would not be found present in any public retail business. It is thus an important contributor towards the uniqueness found in SME retail businesses and attention should be given to develop these abilities further. Some researchers even suggest that it is difficult to disentangle or even to distinguish the practice of relationship marketing from entrepreneurial action and that, possibly, relationship marketing might be considered a facet of entrepreneurship. In a similar vein, some other researchers have also been intrigued by the marketing/entrepreneurship interface (Day, 2000; Wilson and Stokes, 2004). These phenomena will be further investigated in section 3.2.2. that deals with the importance of entrepreneurial leadership in establishing SME retailer competitiveness.

In the light of the above it thus becomes clear to see that SME retail businesses should constantly be identifying market opportunities and focus on uniquely delivering goods or services to customers willing to pay for this. SME should also continuously place emphasis on the establishment of intimate customer relationships. Marketing is considered one of the major keys to success, development and survival of SMEs and young businesses (Gruber, 2004). The enterprise's ability to establish itself as offering unique products and services that are superior to those of the competition, as well as the ability to establish intimate relationships with customers and solve their problems instantly, forms the centre of the marketing concept. Marketing thus always means a systematic market and customer orientation. From the above it is thus easy to see why the discipline of Marketing as a whole has undergone a paradigm shift, away from the pure sales view with short-term competition, towards a relational view of exchange partners with long-term profitable relationships (Vargo and Lusch, 2004).

### **3.2.2. Unique corporate social responsibility orientation**

Perceptions of companies' responsibilities date far back in history. Over the last four decades various shifts has been seen surrounding the understanding and perceptions of responsibility in business organisations. From the 1970s onwards, the environmental dimension was the primary focus. In the late 1980s and early 1990s, a shift toward social and labour conditions, including the internal working environment, started. This gained prominence by the mid-to-late 1990s as the focus on CSR and self-regulation, in particular expressed by the increase in codes of conduct, intensified, and the external environmental dimension tended to be downplayed, or even forgotten. However, over the last years focus on the external environment has enjoyed a revival as aspects like sustainability and sustainable development have regained importance (Jeppesen, Kothuis & Ngoc-Tran, 2012).

The importance of SMEs in terms of economic contribution has been stated throughout this treatise. SMEs constitute by far the largest number of firms in the private sector, even though academics and policy-makers tend to focus more on large firms. SMEs account for up to 90% of all registered firms in an economy, and even more if the informal sector is included. In addition, SMEs are important

providers of employment and producers of a large share of total industrial output (Jeppesen, Kothuis & Ngoc-Tran, 2012). Given the aforementioned economic importance of SMEs, it becomes easy to see that it might also play an important role when it comes to environmental and socio-economic issues, such as pollution, working conditions, income and the working environment. It is thus important for SMEs to have a dedicated corporate social responsibility program. At least one study has confirmed the importance of CSR in SMEs, and found positive linkages between CSR practices and efficiency, performance and competitiveness in SMEs in developing countries (Jeppesen, Kothuis & Ngoc-Tran, 2012). However, in spite of the growing awareness and importance of CSR, an alarming 40% of the managers in small firms did not know the concept, nor did a very high percentage of workers (Blowfield & Frynas, 2005).

CSR can be defined in two ways. For an overall analytical and descriptive understanding of CSR, an umbrella term can be used for a variety of theories and practices all of which recognise the following: (a) that companies have a responsibility for their impact on society and the natural environment, sometimes beyond legal compliance and the liability of individuals; (b) that companies have a responsibility for the behaviour of others with whom they do business, e.g. within supply chains; (c) that companies need to manage their relationship with wider society, whether for reasons of commercial viability, or to add value to society. (Blowfield & Frynas, 2005). There are thus three main areas or dimensions of formal CSR practices to be focussed on. These include social and labour standards, the working environment and health conditions, and physical environmental conditions such as pollution.

It is, however, of great importance to highlight the difference between CSR practices in SMEs as opposed to large public businesses. SMEs use certified standards and formalised management systems to a much lesser extent than large firms. If focus were only applied to benchmarks that are practised by large firms, the common misconception that SMEs are laggards when it comes to CSR activities, and are not interested or willing to participate in such activities would be perpetuated. Research has shown that SMEs are to a large extent involved in CSR. The majority of these practices are part of ad hoc, day-to-day, community-embedded, informal procedures,



the unique relations between management and workers, as well as relations to families and local communities and state institutions.

CSR practices of SMEs are often related to employees' personal involvement with the local community. For example, a company can support local schools, sports clubs, charity organisations, and churches with which one or more of its employees or owners are personally involved. The support can be of a financial nature, but in the case of SMEs it can often also take on different forms. For example, a hotel might offer a few free nights in the hotel for a raffle at a school, an electronic retail shop may offer a number of electronic prizes for a charity event, etc. In some cases, the contribution is made by giving employees paid time off to do work for local community organisations. This is an example of a win-win situation as the company wins by creating a closer bond between the company, its employees and the community, while the community benefits from the contributions at the same time (Jeppesen, Kothuis & Ngoc-Tran, 2010). Often SMEs do not call their practices "CSR practices", as Vives points out:

*[...] many SMEs are already engaged in what we would call corporate social responsibility, even if they do not call it by that name or are not even aware of the concept, or do not believe that they are explicitly engaged in those types of practices. Their involvement is informal, gradual, or the 'one thing at a time' type and almost unnoticeable." (Vives, 2006, p. 49.)*

These practices are all influenced by the company culture, historical practices, and market position and linkage (Blowfield and Frynas, 2005, p. 503).

The practice of formal or informal CSR in SMEs is thus of great importance. Involvement within the community can positively transform the image of the business, and this can lead to an increase in sales and profits. Moreover, there has been a clear increase and development in the understanding and use of CSR in South Africa, where the concept of CSR has become much better known than it was five to 10 years ago (Jeppesen, Kothuis & Ngoc-Tran, 2010). The unique and creative ways in which SMEs might practise CSR essentially sets them apart from large public companies, in terms of perceived loyalty and trust from the local community.

### **3.2.3. Unique employment orientation**

Another aspect where SMEs have a unique approach compared to large businesses are their approach to human resource management (HRM). HRM can be defined as a set of distinct but interrelated activities, functions and processes that are directed at attracting, developing and maintaining of a business's human resources (Toucher and Rutherford, 2009:427). HRM policies and practices can help businesses improve their performances. However SMEs do generally not use HR policies to the same extent that large businesses do, most SME do not have a formal HR department or trained HR professionals as staff (Kotey and Folker 2007). SMEs do nevertheless make use of HRM practices such as recruiting, training, compensation and motivation (Toucher and Rutherford, 2009:460). Carlson et al (2006) in a study of 168 fast growing family-owned businesses, reported that fast growing SMEs made greater use of the following HRM practices: training and development, recruitment packages, effort to improve morale, the use of performance appraisals, and competitive compensation and incentive plans.

There are unique aspects to working in and managing in an SME. SMEs differ from large businesses in fundamental ways. These differences include less slack in SMEs, less formality and less structure, less distance between the top and bottom level, fewer systems and administrators in place to HRM issues, and a less hierarchical organisational structure (Toucher and Rutherford, 2009:460). Research evidence indicates that the self-employed and creators of new ventures are more satisfied than employed individuals (Hundley, 2001). This has been attributed to greater autonomy and control, less bureaucracy, more varied challenges among owners/managers of SMEs, and personal relationships among employees of SMEs (Tsai et al. 2007).

From all of the above it is easy to see that SMEs have a unique approach towards employment orientation as opposed to large businesses. The flatter organisational structure, greater autonomy and more intimate employee relationships are generally not experienced by employees in large businesses. The above-mentioned is thus a competitive advantage that will attract human capital towards SMEs as opposed to

larger businesses, and should therefore be developed optimally, and used toward the benefit of SMEs.

### **3.3. THE IMPORTANCE OF ENTREPRENEURIAL LEADERSHIP IN SME RETAIL COMPETITIVENESS**

SME growth depends upon substantive growth capabilities, which are shaped by the leadership and capability development. At the centre of this concept of leadership and capability, lays entrepreneurial leadership. Entrepreneurial leadership can be defined as a social influence process intended to facilitate the discovery, evaluation, and exploitation of entrepreneurial opportunities. Entrepreneurial leadership can thus be used to facilitate the organising of a group of people to achieve a common goal using proactive entrepreneurial behaviour by optimising risk, innovating to take advantage of opportunities, taking personal responsibility and managing change within a dynamic environment for the benefit of the organisation (Covin and Dennis, 2010).

Entrepreneurial leadership is effectively using the skills associated with successful individual entrepreneurs and applying those within the environment of the larger organisation. This especially results in SMEs having a competitive advantage over larger organisation where those skills have been lost and replaced with a corporate mind-set that places more emphasis on processes, systems and risk minimisation rather than entrepreneurial behaviour.

Many entrepreneurs use a similar leadership style that stems from their personality and circumstances. Although there are different types and definitions of entrepreneurs, in general an entrepreneur is a person who founds and operates an innovative business. Not all business owners, including franchise operators are therefore entrepreneurial leaders (DuBrin, 2010:117). The general picture that emerges of an entrepreneur is a task-orientated and charismatic person. Entrepreneurs drive themselves and others relentlessly, yet their personalities also inspire others. The entrepreneurial leadership style incorporates eight distinct behavioural traits as described by DuBrin (2010). These behavioural traits are as follows:

### **3.3.1. Strong achievement drive and sensible risk taking**

Entrepreneurs have stronger achievement motives than most leaders. Building a business is an excellent vehicle for accomplishment and risk taking. To accomplish what they think needs to be accomplished, it is typical of entrepreneurs to work extraordinary hours, and set examples that inspire their workforce (Zara, 2003).

### **3.3.2. High degree of enthusiasm, creativity and innovation**

Creativity and innovation by definition involve the creation of something new which, according to Barringer and Ireland (2006) “is central to the entrepreneurial process”. Creativity and innovation are considered to be inseparable from entrepreneurship, which is in turn manifested in the act of starting up and running an enterprise. Entrepreneurs are normally highly enthusiastic, partially because they are so excited about their achievements. As a result of this, they are often perceived as charismatic and inspirational. It is typical that much higher levels of both enthusiasm and creativity will be found in entrepreneurs, as opposed to corporate employees.

### **3.3.3. Constant hurry combined with impatience**

Entrepreneurs are always in a hurry. While engaged in one meeting, their minds typically begin to focus on the next meeting. Their flurry of activity rubs off on group members and those around them. Entrepreneurs often adopt a simple dress style in order to save time (Storey, 1994).

### **3.3.4. Visionary perspective combined with tenacity**

Entrepreneurs, at their best, are visionaries. As with other types of effective leaders, they see opportunities others fail to observe. Specifically, they have the ability to identify a problem and arrive at solutions. After entrepreneurs have established a vision, an entrepreneur tenaciously implements this vision, and will work tremendously long hours to turn this vision into success (Fisher, 2001)

### **3.3.5. Dislike of hierarchy and bureaucracy**

Entrepreneurs are not ideally suited by temperament to working within the mainstream of a bureaucracy. Many successful entrepreneurs are people who were frustrated by the constraints of a bureaucratic system. The implication for leadership

style is that entrepreneurs often de-emphasise rules and regulations when managing people (Du Brin, 2010)

### **3.3.6. Preference of dealing with external customers**

One reason that entrepreneurs have difficulty with bureaucracy is that they focus their energies on products, and customers, rather on employees. Some entrepreneurs are gracious to customers and moneylenders but brusque with company insiders. A blind spot many entrepreneurs have is that they cannot understand why their employees do not share their same passion for work and customer focus (Barringer & Ireland, 2006)

### **3.3.7. Eye on the future**

Entrepreneurs have the pronounced characteristic of thinking about future deals and business opportunities even before a current business is running smoothly. Even after accumulating great wealth from a current business activity, the entrepreneur looks forward toward future opportunities. A good example of this behaviour is evident in Richard Brandson, whose empire contains approximately 250 companies with the Virgin label, yet he constantly looks for the next company to start or acquire.

From all of the above it can be seen that entrepreneurial leadership is an important aspect in SME retailer competitiveness. It is thus important for the owners and management of SME retail organisations to be aware of this leadership trait and develop this trait on a continuous basis. Entrepreneurial leaders must take responsibility for their actions and those actions must be more proactive than reactive. Entrepreneurial leaders must be able to organise outcomes in an innovative manner, and work with a diverse group of people and resources to achieve and sustain competitiveness (Du Brin, 2010).

## **3.4. THE IMPORTANCE OF COST EFFECTIVENESS IN SME RETAILER COMPETITIVENESS**

Cost effectiveness in economic terms can be described as producing optimum results for the expenditure (Collins English Dictionary, 2003). Cost effectiveness within SME retail businesses is of great importance to achieve and sustain competitiveness. It is concerned with the minimisation of non-value adding

expenditure, and the maximisation of profits. Cost effectiveness is a wide concept that includes various cross-functional disciplines, and it is therefore not practical to cover this concept in its entirety. In this research treatise the concept of lean management and inventory management will be further investigated as important concepts in achieving and sustaining cost effectiveness within SME retail businesses.

### **3.4.1. Lean Management**

Lean management has its original roots in the manufacturing industry. The unique methods of lean were quietly developed in the Toyota factories in the 1950's and 1960's. The most basic definition of lean manufacturing is manufacturing without waste (Lourens, Louw, Murray & Van der Merwe, 2010). However, lean has evolved into much more than a basic tool for reducing waste in the manufacturing industry. Lean today is seen as a systematic way of designing or improving a process or value stream that eliminates waste, improves quality, reduces costs, delights customers, improves employee satisfaction and increases safety (Lourens, Louw, Murray & Van der Merwe, 2010). Lean is thus achieved through relentless reduction of waste or non-value added activities to create a smooth flow of product and/or services. Lean can be of equal value to service industries as opposed to manufacturing industries and is widely used in the banking sector, telephone service, retail stores and repair services objective.

Taiichi Ohno, the person who had the largest influence in the development of lean, identified seven wastes that can be found in the production process (Ohno, 1988). These seven wastes are summarized in the Table 3.1 below.

**Table 3.1: The Seven Wastes**

<b>Waste</b>	<b>Description</b>
Overproduction (Manufacturing)	According to Ohno producing more than is immediately needed by the next process in the operation is a source of waste.
Waiting	Any source of unnecessary waiting like queues.
Transport	Layout should be designed to bring all the processes as close together as possible. Unnecessary movement of products and handling of inventory does not add value.
Inappropriate Processing	The process itself may be a source of waste. Some operations exist only because of poor process design. Other examples are unnecessarily long meetings, micromanagement and rework.
Motion	The most obvious symptoms of waste are double handling, long walking distances and centralised facilities.
Inventory	Under a lean approach, all inventories become a target for elimination. Causes of excessive inventory in holding must be determined, and measure implemented to reduce this inventory to a minimum.
Defective Goods	The quantity, severity and causes of defective goods should be determined and reduced. This is usually done by implementing high inspection levels, appointing skilled for difficult assembling and minimising motion.

(Source Pieterse et. Al, 2010)

Effective implementation of lean in a SME retail organisation could have numerous advantages. The most important of these advantages will be the obvious cost advantages as a result of successful elimination of the above-mentioned wastes. However various other improvements will be seen instantly as well. These include, but are not limited to, fewer inventories in holding, quicker inventory-turnover time, better quality control and quicker administrative processing.

### **3.4.2. Inventory Management**

The primary goal of inventory management is to ensure adequate quantities of high quality inventory available to serve customer needs, while also pertaining to the minimisation of the carrying cost of inventory (Brigham & Ehrhard, 2005:756).

Inventory management is critical to SME retail cost effectiveness, this is due to the fact that inventory is at the top of the list of valuable physical assets on nearly every SME retailer's balance sheet (Chow, Dubelaar & Larson 2000:97). For many businesses, inventory is the largest asset on the balance sheet at any given time. This implies that the purchasing of too many units of a slow-selling item will increase storage costs and interest costs on the short-term borrowings that financed the purchases, which may also lead to losses if the merchandise cannot be sold at the normal price (Libby, Libby & Short, 2004:358). Inventory management involves more than simply the forecasting and replenishment of inventory; it also demands proactive management of inventory to optimise services and cost effectiveness.

The goal of inventory management should thus be to provide management with the necessary information to improve operations, reduce errors and optimise cost effectiveness. If the inventory monitoring and measurement process is disregarded or viewed as an unimportant activity, the feedback information on which management depends to determine the effects of its dissensions will be unreliable, and will give no indication of the actual quality of the inventory management (Bessant, Jones & Lamming, 2005:206).

In the area of inventory management, a choice between many existing forecasting and stock control packages is given, all of which rely on traditional mathematical,



statistical and operational research theories. A large number of inventory theories offer optimal order quantities, safety inventory levels and inventory control procedures, as well as given assumptions about demand, lead-time and cost structures. Some researchers have modelled specific inventory management factors or situations, such as centralisation of inventories, re-order points, net present value and management of spare parts (Chase, Jacobs & Aquilano, 2006:610; Bessant et al., 2005:206; Heizer & Render, 2006:558).

#### **(i) Just-in-time ordering**

Just-in-time (JIT) is more holistic than earlier systems of inventory management and an alternative approach to traditional Western approaches to inventory management. Just-in-time (JIT) was adopted by Toyota and some other Japanese companies in the 1950s; it forms part of a fundamentally different approach to management, which when fully developed will help to create a total new industrial culture (Bessant et al., 2005:206).<sup>21</sup> The JIT approach to inventory management will reduce inventory to the minimum and in some cases to zero (Garrison, Noreen & Brewer, 2006: 13). According to Biggart and Gargeya (2002: 197), the overall goal of JIT is the elimination of waste by reducing investment in inventory not needed in the process. With the JIT policy exact quantities of goods arrive at the moment that they are needed, driving down inventory investment and other associated costs (Heizer & Render, 2006:633). As materials are purchased and goods produced only as required, batch sizes tend to be small and inventory levels are low (Langfield-Smith et al., 2006:759). When medium to small businesses use the JIT inventory system they only purchase inventory to meet actual customer demand. Garrison et al. (2006:15) report that although JIT has many advantages such as the savings in inventory carrying, handling and storage costs, it can put a business in a vulnerable position when unexpected disruptions occur in its supply chain. It is clear that JIT has comprehensive advantages for businesses, but that strong relationships with suppliers are needed to ensure the effectiveness of the system.

## **(ii) Inventory-Turnover analysis**

The main purpose of inventory-turnover analysis is to measure the inventory management efficiency of a business. Generally, a higher value of inventory turnover indicates better performance, while a lower value indicates inefficiency in controlling inventory levels. A lower inventory turnover ratio may be an indication of over-stocking, which can pose serious risks of obsolescence and increased inventory-holding costs. However, a very high value of this ratio may be accompanied by loss of sales due to inventory shortage.

Inventory turnover ratio is calculated using the following formula:

$$\text{Inventory Turnover} = \frac{\text{cost of sales}}{\text{turnover}}$$

The inventory-turnover ratio is different for different industries. Businesses, which trade perishable goods, have very higher turnover compared to those dealing in durables. Table 3.2 shows industry standard of inventory-turnover ratio across different retail sectors.

**Table 3.2: Industry average inventory turns**

NAIC	Description	Sales (COGS)	Year-end Inventory (COG)	Annual Turns
	<b>Merchant wholesalers (All)</b>	<b>1,825,205,737</b>	<b>230,839,579</b>	<b>7.9</b>
421	<b>Wholesale trade, durable goods</b>	<b>909,068,358</b>	<b>146,224,425</b>	<b>6.2</b>
4211	Motor vehicle & vehicle parts & supply	135,856,383	17,086,156	8.0
4212	Furniture & home furnishings whsle	26,309,746	5,138,286	5.1
4213	Lumber & other construction matls whsle	49,362,765	5,555,412	8.9
4214	Professional & commercial equipt-supply	177,110,037	20,505,089	8.6
4215	Metal & mineral (except petroleum) whsle	73,235,527	11,965,871	6.1
4216	Electrical goods whsle	133,707,986	18,711,743	7.1
4217	Hardware/plumbing/heating equipt & supply	41,156,615	9,185,806	4.5
4218	Mach, equipt, & supply whsle	157,129,086	41,093,543	3.8
4219	Miscellaneous durable goods whsle	115,200,213	16,982,519	6.8
422	<b>Wholesale trade, nondurable goods</b>	<b>916,137,379</b>	<b>84,615,154</b>	<b>10.8</b>
4221	Paper & paper product whsle	51,792,304	5,117,298	10.1
4222	Drugs, & druggists sundries whsle	88,808,181	12,946,620	6.9
4223	Apparel, piece goods, & notions whsle	58,866,579	12,038,566	4.9
4224	Grocery & related products whsle	277,515,940	17,736,637	15.6
4225	Farm-product raw matl whsle	118,732,968	9,664,441	12.3
4226	Chemical & allied products whsle	41,394,863	4,470,487	9.3
4227	Petroleum & petroleum products whsle	122,456,533	4,446,297	27.5
4228	Beer & ale whsle	43,858,869	4,996,576	8.8
4229	Miscellaneous nondurable goods whsle	112,711,142	13,198,232	8.5

(Source: <http://www.strategosinc.com>)

It is important for owners and senior managers of SME retail organisations to monitor inventory-turnover analysis. In South Africa where supply chain services is not as sufficient as in developed countries, a JIT and lower inventory levels are more difficult to obtain. It is nevertheless important to monitor this ratio, and find the perfect fit, as both too little and too much inventory on hand, will have dire consequences for any retail business.

### **3.5. THE IMPORTANCE OF TECHNOLOGY IN SME RETAIL COMPETITIVENESS**

#### **3.5.1. Introduction**

Numerous independent researchers have shown that firms that invest in technology are more productive, and that technology adoption is important for economic growth (Agbeibor, 2006). From this perspective, technology is thus an increasingly important aspect of small, medium and large organisations. Many big organisations have been able to invest large amounts of money into technology, and have seen the wide spread benefits of these investments (D'Atri & Sacca, 2009). This is, however, not the same in the majority of SME organisation, where there have been more failures than success in their efforts to embrace the use of technology (Parker & Catleman, 2009). Although SMEs are faced with numerous challenges surrounding the implementation and utilisation of technology, they are steadily beginning to invest in the use of technology, with the hope that these investments will translate into better service through enhanced business processes and eventually increase productivity (Kapurubandara, 2009).

#### **3.5.2. The role of technology in SMEs competitiveness**

As has been stated, the effects of globalisation has resulted in increased amounts of opportunities as well as increased competition in the majority of markets around the world. These above-mentioned conditions have a major impact on SMEs and their operations (Bannock, 2005). SMEs are faced with numerous challenges in their attempt to remain competitive and relevant within the competitive environment that they are conducting business, this situation is even more deplorable for SMEs in developing economies (Puppim de Oliveira, 2008). SMEs need to analyse their internal processes and search for solutions to be able to sustain their growth and improve competitiveness. It is a commonly held view that technology can play a fundamental role in helping SMEs create efficiency, effectiveness and competitiveness (Levy & Powell, 2009). It is, however, up to SMEs to determine how they can maximize the advantage of technology in order to support their operations, add value to its products and services, and gain a competitive edge in the market place. In order for the above-mentioned to realise, it is important that the owners of

SMEs realise the importance of aligning their approach towards the usage of technology and their business strategy. The usage of technology has to fit with the SME's objective of gaining a competitive advantage.

Numerous studies have shown that effective and efficient utilisation of technology allows SMEs to respond positively to the external environment (Baschad and Piot, 2007). SMEs can use technology to respond to external factors, thereby gaining a competitive advantage in one of the following four ways: low-cost leadership, product differentiation, focus on market niche, and strengthening customer and supplier intimacy (D'Atri and Sacca, 2009) These will now be explained below.

- i) Low-cost leadership: SMEs can use technology to lower their operational costs, thereby lowering the prices of their products or services. This will make it challenging for their perennial competitors and new market entrants to match their prices. The lowered operational cost will enable SMEs to not only stick to the local market, but also expand regionally and internationally. The funds saved because of technology usage could be used to address other, more pressing areas of their business.
- ii) Product differentiation: SMEs can take advantage of the technology ability to create products or services that are so different that they create barriers for their competitors.
- iii) Focus on market niche: By focusing on a narrow market segment rather than a larger general market, SMEs can use technology to gather specific data about its customers, and hence, be able to meet the unique needs of its customers.
- iv) Strengthening customer and supplier intimacy: Supply chain management systems can be used to enhance supplier intimacy. On the other hand, customer relationship management (CRM) systems can be used to improve customer relationship. SMEs can, therefore,

make use of such systems to better their relationship with suppliers and customers.

(Source: Ndiege, Herselman & Flowerday, 2013)

From the above it can thus be seen that technology can have a positive influence on a variety of factors within a SME if it is used strategically. Moreover, SMEs can use their flexibility and relatively small size to their advantage, because these are perfect conditions for the diffusion and application of technology. SMEs can change with much greater ease to accommodate the requirements of new technological solutions, compared to larger organisation (Datta, 2007)

### **3.6. THE IMPORTANCE OF QUALITY IN SME RETAIL COMPETITIVENESS**

#### **3.6.1. Defining Quality**

Quality management implied many different meanings over the years. Like lean, quality management also has its origins in the manufacturing industry. In the early 1900s, quality meant inspection, which was the primary method used to ensure the manufacturing of quality products. In the 1940s, quality took on a statistical connotation as statistical methods began to be used to control quality within the natural variation of the process. In the 1960's, the meaning of the term quality management was expanded to include the entire organisation as all functions helped in designing and producing quality. Quality was not just seen as an act of production, rather it was something the entire organisation should strive for (Schroeder, Goldstein & Rungtusanatham, 2012). Current views on quality have adapted a much broader meaning that includes continuous improvement, competitive advantage, and a customer focus that includes the service sector as much as the manufacturing sector.

Given the aforementioned summary of the history of quality, a contemporary definition of quality can be formulated as follows: "meeting, or exceeding, customer requirements now and in the future" (Schroeder, Goldstein & Rungtusanatham, 2012). This means that the product or service that is offered is fit for the customer's use. It is important to note that this fitness of use is related to the benefits received by the customer, and hence only the customer, and not the producer, nor the service

provider, can determine it. Customer satisfaction is a relative concept that varies from one customer to another. Moreover, a customer may be satisfied with today's products or services, but not satisfied with that particular product or services in the future. Each person defines quality in relation to his or her own experience at a particular point in time, and due to this subjective judgement of each individual, quality management is a complex and challenging activity (Schroeder, Goldstein & Rungtusanatham, 2012).

### 3.6.2. Total Quality Management

The definition, measurement and perception of service quality differs largely from that of manufacturing quality. Manufacturing measurements can be largely objective while many service measures are perceptual or objective (Schroeder, Goldstein & Rungtusanatham, 2012). For example, manufacturing design quality can be measured by the product features offers, such as the noise level of a dishwasher and its energy efficiency level. What is important here is that although not everything is measured objectively in manufacturing, it is completely the opposite in service quality – almost all measures are subjective.

The most popular measure for service quality is called total quality management (TQM). TQM highlights the main requirements for delivering high service quality, based on five perceptual measures of service as experienced by the customer. These five measures will be explained below:

- **Tangibles.** The appearance of the company's physical facilities, equipment, and personnel. For example, if a restaurant is dirty and not presentable and the employees are dishevelled looking, the quality will be low.
- **Reliability.** The ability of the company to perform the promised service dependably and accurately without errors. For example, if a restaurant takes a reservation for 7:00 p.m. and the customer is not seated promptly or the waiters bring the wrong meal, the reliability will be low
- **Responsiveness.** The willingness of the company to provide service that is prompt and helpful to the customer. In the restaurant, for example, the meal

should be provided in a timely fashion and with help when needed to understand the menu.

- **Assurance.** The knowledge and courtesy of the company's employees and their ability to convey trust and confidence. In the restaurant example, does the server know the menu and is the server courteous in providing the service?
- **Empathy.** The caring, individualised attention the company provides to its customers. Does the server in the restaurant help each customer and show concern for the customers?

It is not difficult to see that these dimensions of service are very different from manufacturing and reflect the close interaction the employees have with customers in the service delivery. TQM uses a questionnaire consisting of 22 questions that in aggregate measure these five dimensions. Service quality is based on the "gap" between what the customer expects on each dimension and what is provided. TQM is widely used in practice to measure retail services such as banking, telephone service, retail stores and repair services objective (Schroeder, Goldstein & Rungtusanatham, 2012).

### **3.7. SUMMARY**

In this chapter an overview of literature surrounding some of the important areas that might increase SME retailer competitiveness have been investigated. These included uniqueness, entrepreneurial leadership, cost effectiveness, technology and quality management. The most important findings surrounding each of these independent variables have been discussed under a separate heading. In the following chapter the research methodology will be discussed.



## **CHAPTER FOUR**

### **RESEARCH METHODOLOGY AND DESIGN**

#### **4.1. INTRODUCTION**

Collis and Hussey (2003: 1) state that research is fundamental to both business and academic activities. Leedy and Ormrod (2005: 2) define research as “a systematic process of collecting, analysing, and interpreting information (data) in order to increase our understanding of the phenomenon about which we are interested or concerned”. Collis and Hussey (2003: 1), on the other hand, steer clear of providing a definition for research, as they claim that there are many different definitions available in the literature, they do, however, maintain that all the definitions have the following three things in common, namely: research is “systematic and methodical”, research is a “process of enquiry and investigation”, and that research is undertaken to “increase knowledge”.

In order for research to be effective, the activities undertaken, by the researcher, must be geared towards ultimately providing a solution to an identified problem or issue (Collis and Hussey, 2003: 1). Investigations should be precise, meticulous and organised, in order to make the most effective and efficient use, of the opportunities and resources available (Collis and Hussey, 2003: 1). Furthermore, appropriate methods of data collection and analysis must be applied, to provide a clear and logical route to a dependable outcome (Collis and Hussey, 2003: 1).

The primary objective of this chapter is to demonstrate that appropriate research strategies were selected and developed, based on sound research principles, to solve the sub problems and ultimately the main problem, which was identified in chapter one.

#### **4.2. THE PURPOSE OF RESEARCH**

According to Collis and Hussey (2003: 2), the purpose of research can be summarised by any combination of one or more of the following statements:

- To review and synthesise existing knowledge;
- To investigate some existing situation or problem;

- To provide solutions to a problem;
- To explore and analyse more general issues;
- To construct or create a new procedure or system;
- To generate new knowledge.

### **4.3. THE RESEARCH PROCESS**

Leedy and Ormrod (2005: 3) describe the research process as being cyclical, or more precisely, as being helical. The research process is set in motion when an answer, which is not readily available, is required to a question that has been posed, or where one requires a better understanding of a specific problem or phenomenon that has been recognised (Leedy and Ormrod, 2005: 3).

In order for research to be effective, Leedy and Ormrod (2005: 3) maintain that it is crucial that the ultimate goal of the research be articulated in a clear, unambiguous, precise, and grammatically correct statement. Once the goal of the research has been properly articulated, it is important for the researcher to identify the overall purpose of the research, and to then design and develop a specific research plan before proceeding (Leedy and Ormrod, 2005: 3). Failure to plan and design the research properly, before embarking through the rest of the process, may lead to the collection of irrelevant data, and/or ultimately conducted research that does not fulfil the overall purpose or achieve the articulated goal (Leedy and Ormrod, 2005: 3).

According to Leedy and Ormrod (2005: 3) the following questions should be considered during the planning process:

- How will the overall purpose and goal be achieved?
- Which research methods and designs are applicable and appropriate?
- Does any existing data address the problem?
- Where are the data?
- How will the data be accessed or collected?
- How will the data be interpreted once it is collected?

After the plan has been completed, it is then useful for the researcher to break the main problem down into manageable sub-problems, which once solved will resolve

the main problem (Leedy and Ormrod, 2005: 3). This process not only allows the researcher to identify and recognise critical issues that should be discussed and explored, but also makes the research less complicated and more finite (Leedy and Ormrod, 2005: 4).

Throughout the research process, the researcher is guided by a specific research problem, question, or hypothesis (Leedy and Ormrod, 2005: 4). Although the problem or question is stated in the beginning of the research process, at this stage, it would most likely have been broken down or reformulated into manageable sub-problems or sub-questions, and it is now the solving of these sub-problems or sub-questions that drive the rest of the research process (Leedy and Ormrod, 2005: 4). At this stage the researcher may also form one or more hypotheses, about what they expect to discover once the data has been collected and interpreted (Leedy and Ormrod, 2005: 4). A “hypothesis”, as defined by Leedy and Ormrod (2005: 4), is a “logical supposition, a reasonable guess, an educated conjecture”, which “provides a tentative explanation for a phenomenon under investigation”. Hypotheses direct the researchers’ thinking towards possible sources of information that will help to solve one or more of the sub-problems, and ultimately the main problem (Leedy and Ormrod, 2005: 4). Hypotheses are either supported by the data collected, in which case they are accepted, or alternatively they are contrary to the data collected, in which case they are rejected (Leedy and Ormrod, 2005: 4). Leedy and Ormrod (2005: 4) maintain that over time, as certain hypotheses are continually supported by data, they evolve into theories.

During the research process, researchers will inevitably make certain assumptions about what they believe to be true (Leedy and Ormrod, 2005: 5). Assumptions can be described as “a condition that is taken for granted” (Leedy and Ormrod, 2005: 5). These assumptions or “self-evident truths” must be both valid and clearly stated by the researcher, to ensure that the research is meaningful to others (Leedy and Ormrod, 2005: 4). Leedy and Ormrod (2005: 5) suggest that whilst assumptions are an inevitable part of the research process, that researchers should rather try and be overly explicit than take too much for granted.

The penultimate stage of the research process, involves the collection and interpretation of data (Leedy and Ormrod, 2005: 4). At this stage of the process, the researcher is required to identify both the type of data that should be collected, and the most appropriate method of collecting such data (Leedy and Ormrod, 2005: 4). Once the relevant data has been collected by an appropriate method, the researcher must then organise this data in such a way, that the data becomes meaningful and can be easily interpreted (Leedy and Ormrod, 2005: 4).

After the data has been collected and interpreted, the researcher must then use the interpretation of this data, to develop conclusive answers and/or recommendations, which relate specifically to the main question or problem that was stated in the beginning of the research process. As mentioned earlier, Leedy and Ormrod (2005: 6) suggest that the research process is helical in nature, and therefore whilst this may be the last stage in the research process for a particular piece of research, it may not be the last of the research that is conducted to solve the specific problem that was identified in the beginning of the process. Instead, the knowledge gained during a specific research process, may form part of a broader body of knowledge, and may identify new issues or new ways of thinking about the specific problem, question, or phenomenon that has been researched. As such the research process may begin again, but this time there will be a broader base of knowledge to work from, and hence the helical nature of the research process.

#### **4.4. TYPES OF RESEARCH**

There are essentially ten different types of research, which according to Collis and Hussey (2003, 10), can be classified according to: Purpose, Process, Logic, and Outcome.

##### **4.4.1. Purpose**

The purpose of the research is “Why” it is being conducted. The types of research classified according to purpose include the following: Exploratory, Descriptive, Analytical, and Predictive research (Collis and Hussey, 2003: 10 - 12).

#### **4.4.1.1. Exploratory Research**

This type of research is typically applied to solve problems when there are limited, or no previous studies available, which can provide information relevant to a particular issue or problem (Collis and Hussey, 2003: 10). Exploratory research is not used to prove or disprove hypotheses, nor is it used to provide conclusive answers to current issues or problems. Instead, its primary focus is on “gaining insights and familiarity with the subject area for more rigorous investigation at a later stage”, through the identification of patterns, ideas and hypotheses (Collis and Hussey, 2003: 10). The techniques used in exploratory research are flexible, and may include: case studies, observation, and historical analysis (Collis and Hussey, 2003: 11). The data generated from these techniques is usually broad, and may consist of both qualitative and quantitative data (Collis and Hussey, 2003: 11). Exploratory research can also be used to determine whether or not any existing theories or concepts can be adapted and/or applied to the problem at hand, or whether or not, any new theories must be developed (Collis and Hussey, 2003: 11).

#### **4.4.1.2. Descriptive Research**

This type of research is typically associated with describing, identifying, and obtaining information related to the characteristics of different phenomena, issues or problems as they exist (Collis and Hussey, 2003: 11). In essence this type of research goes one step further than exploratory research as it is undertaken to provide answers to “What” is occurring, rather than just gaining insight into the occurrence (Collis and Hussey, 2003: 11). The data collected during this type of research is often, but not always, quantitative data, which are analysed and summarised using statistical techniques (Collis and Hussey, 2003: 11).

#### **4.4.1.3. Analytical Research**

Analytical research continues from descriptive research, and is often also referred to as explanatory research. As its pseudonym suggests, this type of research is typically undertaken to describe “Why” or “How” a particular phenomenon, problem, or issue is occurring (Collis and Hussey, 2003: 11). The primary focus for this research is concerned with the identification and controlling of critical variables related to the observed phenomena, in order to recognise, identify, and measure the causal relationships between these variables and the phenomena, so that the

characteristics of the phenomena, problems, or issues can be better explained (Collis and Hussey, 2003: 11).

#### **4.4.1.4. Predictive Research**

The primary focus of predictive research is to anticipate the likelihood of a particular phenomenon, problem, or issue occurring in a different situation or context, based on specific critical variables and the causal relationships between these variables and specific phenomena, which most likely have been identified through previous analytical research (Collis and Hussey, 2003: 12). According to Collis and Hussey (2003: 12) “predictive research provides ‘How’, ‘Why’ and ‘Where’ answers to current events and also to similar events in the future”. They also claim that this particular research methodology is useful in providing answers to “What if?” or scenario planning type questions.

#### **4.4.2. Process**

The process essentially refers to the way in which the data is collected and analysed. The types of research classified according to the process are Quantitative and Qualitative research (Collis and Hussey, 2003: 10, 13).

##### **4.4.2.1. Quantitative Research**

In quantitative research, numerical data is collected through objectively measuring variables or particular aspects of a problem or issue. The data obtained from quantitative research is then analysed by applying statistical tests and techniques (Collis and Hussey, 2003: 13). According to Leedy and Ormrod (2005: 94) quantitative research is most often used to “answer questions about relationships among measured variables with the purpose of explaining, predicting, and controlling phenomena”. This approach is also referred to as the “traditional”, “experimental”, or “positivist” approach (Leedy and Ormrod, 2005: 94)

##### **4.4.2.2. Qualitative Research**

Qualitative research, as opposed to quantitative research, is more subjective in nature. It is mostly undertaken to describe, understand, examine, and reflect on perceptions relating to the nature of phenomena, and to gain insight into social and human activities, from the participant’s point of view (Collis and Hussey, 2003: 13; Leedy and Ormrod, 2005: 94).

Leedy and Ormrod (2005: 133) claim that all qualitative approaches have the following two things in common:

- All qualitative approaches focus on phenomena, as they exist in a “natural setting”; and
- All qualitative approaches involve studying the phenomena in all their complexity.

According to Leedy and Ormrod (2005: 134 – 135) it is appropriate to use qualitative research for one or more of the following purposes:

- Description – to reveal the nature or characteristics of “certain situations, settings, processes, relationships, systems, or people”;
- Interpretation – to gain insights into particular phenomena, to develop new concepts or theoretical perspectives, and/or to identify problems that exist within phenomena;
- Verification – to test the validity of assumptions, claims, theories, or generalisations in real contexts;
- Evaluation – to determine the effectiveness of particular policies, practices, and innovations.

In the past qualitative studies have been frowned upon by the more scientific academic disciplines, because of their subjective nature. However, according to Leedy and Ormrod (2005: 133), this approach has most recently gained wide acceptance as legitimate academic research. The qualitative approach can also be referred to as the “interpretative”, “constructivist”, or “post-positivist” approach (Leedy and Ormrod, 2005: 94).

#### **4.4.3. Logic**

The logic of the research refers to whether the research being conducted, moves from the general to the specific, or vice versa. The types of research classified according to the logic are Deductive and Inductive research (Collis and Hussey, 2003: 10, 15).

#### **4.4.3.1. Deductive Research**

Deductive research is essentially a type of research, which moves from the general to the specific and one that is based on deductive logic (Collis and Hussey, 2003: 15). According to Leedy and Ormrod (2005: 51) deductive logic is when one is able to draw logical conclusions from one or more “premises”, using “if-this-then-that” type logic. An example of this type of logic is the following:

- If all people who go to gym are healthy, (premise 1);
- And all healthy people live beyond the age of 65, (premise 2);
- Then all people who go to gym will live beyond the age of 65 (conclusion).

When using deductive logic it is important to ensure that the premises on which the logic is based is sound, since a false or inaccurate premise may ultimately lead to false conclusions. An example of this can be observed in the previous example, which claims that all healthy people will live beyond the age of 65, in reality however; some people who are healthy and go to gym may not live beyond the age of 65 due to reasons other than ill health.

#### **4.4.3.2. Inductive Research**

Inductive research is the reverse of deductive research, and tends to move from the specific to the more general (Collis and Hussey, 2003: 15). According to Leedy and Ormrod (2005: 32) inductive logic begins with an observation, rather than a pre-established general assumption. More generalised inferences are then induced from these particular observations (Collis and Hussey, 2003: 15). An example of this type of logic would be the following: When you drop a ball on planet Earth it falls to the ground because of gravitational forces. The inductive logic is that when you drop something other than a ball, on planet Earth, it will also fall to the ground because of the gravitational forces at play.

#### **4.4.4. Outcome**

The outcome essentially describes whether the research will solve a specific problem, or alternatively make a general contribution to existing knowledge. The types of research classified to the outcome are Basic and Applied research (Collis and Hussey, 2003: 10, 13 –15).



#### **4.4.4.1. Basic Research**

Basic research is also often referred to as fundamental or pure research, and is primarily conducted to improve the understanding of more general issues without the need for immediate application (Collis and Hussey, 2003: 13 –15).

#### **4.4.4.2. Applied Research**

Applied research is research that is designed to apply its findings to solving a specific and existing problem (Collis and Hussey, 2003: 13).

### **4.5. VALIDITY AND RELIABILITY OF RESEARCH**

According to Leedy and Ormrod (2005: 27) “validity” and “reliability” are two measurement related concepts, which are frequently encountered in research methodology. These two concepts essentially reflect the degree to which there are errors in the measurements (Leedy and Ormrod, 2005: 29). Furthermore, they describe the extent to which something can be learned from the phenomenon that is being researched, the probability that the data analysed will be of statistical significance, and the extent to which meaningful conclusions can be extracted from the data collected (Leedy and Ormrod, 2005: 27).

#### **4.5.1. Validity**

Leedy and Ormrod (2005: 28) define validity as “the extent to which the instrument measures what it is supposed to measure”. In essence, when determining the validity of an instrument, the following question is pertinent:

- Is the instrument measuring what it is supposed to?

Leedy and Ormrod (2005: 29) maintain that validity errors generally reflect biases in the instrument itself and are relatively constant sources of error.

#### **4.5.2. Reliability**

The concept of reliability, as defined by Leedy and Ormrod (2005: 29), is “the consistency with which a measuring instrument yields a certain result when the entity being measured hasn’t changed”. When determining the reliability of an instrument the following question is pertinent:

- With what degree of accuracy and repeatability does the instrument measure what it is supposed to?

Reliability errors, as opposed to validity errors, reflect the incorrect use of an instrument and are likely to vary unpredictably from one instance to the next.

#### **4.6. CHOOSING AN APPROPRIATE RESEARCH STRATEGY**

The overall aim of this treatise is to address the main problem that was stated in Chapter one, namely: What strategic interventions can SME retail businesses undertake to improve their competitiveness against public retail businesses in South Africa?

The types of research strategies or methodologies that were selected to address the sub-problems and the main problem of this treatise, in terms of the purpose, process, logic, and outcome of the sub-problems and main problem, were the following: analytical, qualitative and quantitative, deductive, and applied.

The reasons for selecting these research strategies were as follows:

##### **4.6.1. Purpose (Analytical Choice)**

The analytical method was chosen as an appropriate strategy based on the following:

- Various Previous studies relating to SME competitiveness and strategy were conducted, and these studies were applicable to solving the sub-problems and the main problem;
- In order to solve the main problem it was necessary to determine “How” and “Why” do SME’s have such a high failure rate in South Africa, and furthermore, why are so many SME retail businesses struggling to be competitive against large retail businesses?
- In order to identify “How” and “Why” SMEs has such a high failure rate in South Africa, and why so many SME retail businesses is struggling to be competitive against large retail businesses the following should be done:  
(1) Causal relationships between specific strategies needed to be recognised, identified and measured. (2) Causal relationships between

specific government policies surrounding SME needed to be recognised, identified and measured

#### **4.6.2. Process (Qualitative and Quantitative Choice)**

A quantitative method of data collection was chosen based on the following:

- In order to solve the secondary objectives and the primary objective surrounding SME retailer competitiveness, it was necessary to describe, understand, examine, and reflect on perceptions relating to the nature of the SME retailer competitiveness phenomena in South Africa. An examination the greater environment in which SME retail businesses exist was also necessary.
- SME retailer competitiveness is a multifaceted and complex phenomenon;
- SME retailer competitiveness was researched, as it exists within its “natural setting”;
- Numerical data was collected through objectively measuring variables or particular aspects of the problem or issue;
- The data obtained from the research was then analysed by applying statistical tests and techniques, such as: calculation of the mean and mode; use of bar charts and radar charts; and Pareto analysis.

#### **4.6.3. Logic (Deductive Choice)**

Deductive logic was chosen as an appropriate strategy based on the following:

In order to solve the sub-problems and the main problem it was necessary to move the plethora of findings from previously conducted research surrounding the general SME environment, theories surrounding competitiveness and appropriate strategies of SME retail businesses, and government policies surrounding SMEs, to a more specific analysis of the competitiveness of SME household good retail companies as currently exists in South Africa.

#### **4.6.4. Outcome (Applied Choice)**

An applied research methodology was selected as an appropriate strategy based on the following:

- Previous research conducted on SMEs was used to solve the sub-problems and the main problem;

## **4.7. RESEARCH QUESTIONNAIRES**

For the purpose of this treatise, a survey in the form of a questionnaire was conducted to collect the relevant qualitative and quantitative data necessary to solve the main problem and the sub-problems.

### **4.7.1. Defining Questionnaires**

Questionnaires are usually associated with positivistic studies and phenomenological studies (Collis and Hussey, 2003: 173). A questionnaire is essentially “a list of carefully structured questions, chosen after considerable testing, with a view to eliciting reliable responses from a chosen sample” (Collis and Hussey, 2003: 173). The aim of using a questionnaire is to find out what a selected group of individuals “do, think, or feel” (Collis and Hussey, 2003: 173).

Collis and Hussey (2003: 174) maintain that questionnaires are a popular way of collecting data because of the following advantages: They are generally cheaper and less time-consuming than conducting interviews, very large samples can be taken, and they can be designed to address the issues associated with confidentiality. The disadvantages of using questionnaires, highlighted by Leedy and Ormrod (2005: 185), are the following: low return rates due to the apathy of respondents in taking the time to complete the questionnaire, and flawed results due to misinterpretation of the questions.

### **4.7.2. Open and Closed Type Questions**

When using questionnaires, researchers can make use of both open-ended and closed questions (Collis and Hussey, 2003: 173). Open-ended questions are typically those questions, which allow the participant to provide a response or opinion in their own words (Collis and Hussey, 2003: 179). Closed questions, on the other hand, require the participant to select an answer from a number of predetermined alternatives (Collis and Hussey, 2003: 179).

According to Collis and Hussey (2003: 173, 179) open-ended questions are generally used for phenomenological studies, where they offer the advantage of the participant being able to give their response and opinion in their own words. The disadvantages associated with these types of questions, according to Collis and Hussey (2003: 179), are that they are generally more difficult to analyse and require more of the participant's time to complete.

Closed questions are often used for positivistic studies, or where factual data needs to be collected (Collis and Hussey, 2003: 173, 179). Closed questions are generally easier to analyse and to complete, as opposed to open-ended questions, because the range of responses to the questions is limited (Collis and Hussey, 2003: 179).

#### **4.7.3. Questionnaire Guidelines**

Leedy and Ormrod (2005: 190 – 192) maintain that designing questionnaires is not an easy task, and suggest that the following guidelines be considered during the design process:

- Questions should be succinct and should only seek out information that is essential to the research being conducted;
- Questions should be worded in simple, clear and unambiguous language to ensure that they communicate exactly what the researcher wants to know, and should not be open to misinterpretation. The use of terminology that is not widely understood or that is not precise should be avoided;
- Questions must be carefully worded to ensure that there are no unfounded implicit assumptions;
- Questions should be worded in such a way that they do not give any clues as to preferable or desired responses;
- Questions that may solicit “socially acceptable” answers, rather than true answers, should be checked for consistency by including a “Counter Check” question further down the list;
- Determine in advance how the data, collected from the questionnaire, will be organised, analysed and interpreted;
- Ensure the questionnaire is easy to read and simple to answer;
- Provide clear instructions for completing the questionnaire;

- Clarify the purpose of the questions to the respondents;
- Questionnaires should be designed and presented with attractiveness and professionalism in mind;
- A pilot test should be conducted before using the questionnaire;
- The final questionnaire should be scrutinised for quality, precision, and expression to ensure that it meets the requirements of the research being conducted.

One should not forget that these are only guidelines for consideration, and that the ultimate aim of the questionnaire is to collect the necessary data that will address the research problem.

#### **4.8. CHI – SQUARED TESTING**

In this treatise the chi – squared method of statistical testing were chosen to statistically analyse the sample. The chi – squared statistic is a statistical measure used to test hypothesis on patterns of outcome of a random variable in a population. The chi – squared method of testing are used when two random variables are both categorical, and the relationship can be summarised in a pivot table (related (Wegner, 2010)).

#### **4.9. SUMMARY**

The content within this chapter highlighted that the selection and development of an appropriate research strategy, depends primarily on what is required to address the sub-problems and main problem of the research, in terms of its purpose, process, logic, and outcome. Ten different types of research strategies or methodologies were discussed, and based on these discussions the following were selected as appropriate strategies to solve the sub-problems and the main problem, namely: analytical, qualitative and quantitative, deductive logic, and applied.

Furthermore, the development, design and distribution of the research survey or questionnaire, which was used to gather the information to solve the sub-problems and the main problem, were also discussed in line with sound research principles.

Therefore it can be concluded that the primary objective of this chapter, which was to demonstrate that appropriate research strategies were selected and developed on sound research principles, to solve the sub-problems and ultimately the main problem, was achieved. In the following chapter an analysis, interpretation, and discussion of the data collected from the research survey will be conducted.

## CHAPTER FIVE

### ANALYSIS, INTERPRETATION AND RESULTS OF THE EMPIRICAL INVESTIGATION

#### 5.1. INTRODUCTION

This chapter presents and reports on the results from the empirical investigation as described in the previous chapter. The data gathered from the questionnaires are based on the responses of owners and managers of SME retail business in South Africa. As stated in chapter four, the research methodology used is a mix methodology. Quantitative analysis will be generated from Section A of the questionnaire, but because perception is tested, quantitative as well as qualitative methodologies will be used.

#### 5.2. RESEARCH RESPONSE

As stated in Chapter four, it is impossible to measure every single occurrence of in the population identified for this study, and therefore a representative sample needs to be identified. The sample size of this study is 30. Hence, the response rate was 100%

**Table 5.1: Overall response rate**

RESPONSE RATE		
	Responses	Percentage (%)
RECEIVED	30	100
OUTSTANDING	0	0
TOTAL	30	100

Table 5.2 presents the mode of the questionnaire data collection. The questionnaire data collection was done only through physical hand-outs, no interviews and distribution through email was used. The questionnaires that were hand out were collected a week later.



**Table 5.2: Questionnaire data collection mode**

QUESTIONNAIRE DATA COLLECTION MODE		
	RESPONDENTS	PERCENTAGE (%)
E-mail	0	0
By Hand	30	30
Interviews	0	0
<b>Total</b>	<b>30</b>	<b>100</b>

### 5.3. STATISTICAL PROCEDURES AND EMPIRICAL FINDINGS

A complete statistical analysis of the data was carried out by the researcher to describe and interpret the data that were obtained from the questioners. The analysis was made possible by MS Excel and manual calculation.

#### 5.3.1. Chi-Square relationship testing

The Chi-square hypothesis test was done to determine if there is an association between the independent and dependent variables presented in this research article. Any association between two categorical variables, as displayed in a pivot table, can be tested using a chi-square statistic. This test establishes whether the response profiles between two categorical random variables are statistically related (Wegner, 2010). Each independent variable will be tested below to see if it has a statistical significant influence on SME retailer competitiveness.

#### 5.3.2. Hypothesis testing

The chi-squared hypothesis test is an upper-tailed test, and hence only a single critical  $\chi^2$ -limit is required. This study was conducted at a 5% significance level ( $\alpha = 0.05$ ). The critical  $\chi^2$ -limit has been determined at critical  $\chi^2$ -limit = 5.999. Table 5.3 below contains the obtained  $\chi^2$ -stat for each independent variable.

If the individual  $\chi^2$ -stat for a specific variable measures below 5.999 the null hypothesis will not be rejected, and it will be accepted that this specific variable does not have a significant influence on independent retailer competitiveness.

If the individual  $\chi^2$ -stat for a specific variable measures above 5.999 the null hypothesis will be rejected, and it will be accepted that this specific variable does have a significant influence on independent retailer competitiveness.

**Table 5.3:  $\chi^2$ -Stats for independent variables**

<b><math>\chi^2</math>-Stats for independent variables</b>	
<b>Uniqueness</b>	11.254
<b>Entrepreneurial Leadership</b>	9.665
<b>Cost Effectiveness</b>	12.336
<b>Technology</b>	11.997
<b>Quality Management</b>	10.387

Given the above critical  $\chi^2$ -limit, as well as the  $\chi^2$ -stats per independent variable, the hypothesis will now be individually rejected or accepted.

If  $\chi^2$ -stat >  $\chi^2$ -limit, then reject the null hypothesis. Therefore according to table 5.3 the hypothesis is presented as follows: Uniqueness  $\chi^2$ -stat is 11.254 which are greater than the critical  $\chi^2$ -limit of 5.999. Therefore the null hypothesis is rejected.

#### **H1.1 Uniqueness in SME retail businesses does have an influence on SME retailer competitiveness**

If  $\chi^2$ -stat >  $\chi^2$ -limit, then reject the null hypothesis. Therefore according to table 5.3 the hypothesis is presented as follows: Entrepreneurial Leadership  $\chi^2$ -stat is 9.665 which are greater than the critical  $\chi^2$ -limit of 5.999. Therefore the null hypothesis is rejected.

#### **H1.2 Entrepreneurial Leadership in SME retail businesses does have an influence on SME retailer competitiveness**

If  $\chi^2$ -stat >  $\chi^2$ -limit then reject the null hypothesis. Therefore according to table 5.3 the hypothesis is presented as follows: Cost Effectiveness  $\chi^2$ -stat is 12.336 which are greater than the critical  $\chi^2$ -limit of 5.999. Therefore the null hypothesis is rejected.

### **H1<sub>1.3</sub> Cost Effectiveness in SME retail businesses does have an influence on SME retailer competitiveness**

If  $\chi^2\text{-stat} > \chi^2\text{-limit}$  then reject the null hypothesis. Therefore according to table 5.3 the hypothesis is presented as follows: Cost Effectiveness  $\chi^2\text{-stat}$  is 12.336 which are greater than the critical  $\chi^2\text{-limit}$  of 5.999. Therefore the null hypothesis is rejected.

### **H0<sub>1.3</sub> Cost Effectiveness in SME retail businesses does have an influence on SME retailer competitiveness**

If  $\chi^2\text{-stat} > \chi^2\text{-limit}$ , then reject the null hypothesis. Therefore according to table 5.3 the hypothesis is presented as follows: Technology  $\chi^2\text{-stat}$  is 11.997 which are greater than the critical  $\chi^2\text{-limit}$  of 5.999. Therefore the null hypothesis is rejected.

### **H1<sub>1.4</sub> Technology in SME retail businesses does have an influence on SME retailer competitiveness**

If  $\chi^2\text{-stat} > \chi^2\text{-limit}$ , then reject the null hypothesis. Therefore according to table 5.3 the hypothesis is presented as follows: Quality Management  $\chi^2\text{-stat}$  is 10.387 which are greater than the critical  $\chi^2\text{-limit}$  of 5.999. Therefore the null hypothesis is rejected.

### **H1<sub>1.5</sub> Quality Management in SME retail businesses does have an influence on SME retailer competitiveness**

## 5.4. ANALYSIS OF RESULTS

### 5.4.1. Analysis of biographical data

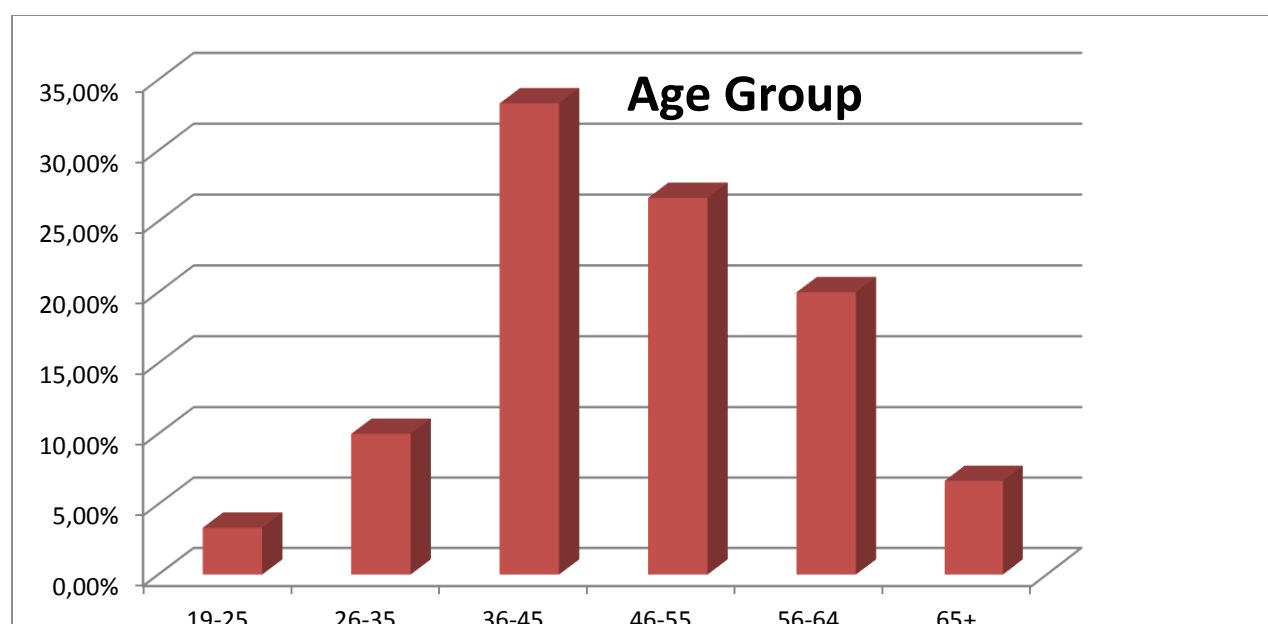
#### a. Age Group

Table 5.4 and Figure 5.1 indicate the age of respondents. All the age groups in the population were represented in the sample. The majority (33.33%) falls into the 36 and 45 years age group. Only 3.33% falls into the age group of 19 and 25 years.

**Table 5.4: Age of respondents**

AGE GROUP		
Years	Respondents	Percentage (%)
19-25	1	3.33
26-35	3	10
36-45	10	33.33
46-55	8	26.66
56-64	6	20
65+	2	6.66
TOTAL	30	100

**Figure 5.1: Graphical illustration of age of the respondents (%)**



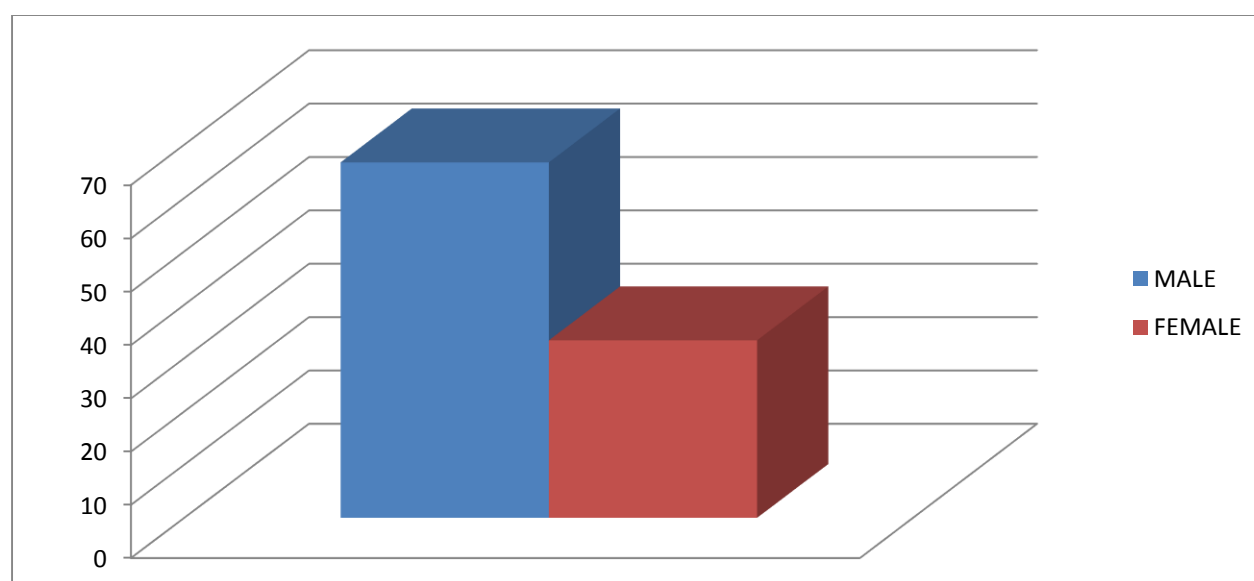
#### **b. Gender of the respondents**

Table 5.5 and Figure 5.2 indicate the gender percentage of the respondents. 66.66% of the respondents are male while 33.33% are female.

**Table 5.5: Gender**

GENDER		
	Respondents	Percentage (%)
Male	20	66.66
Female	10	33.33
<b>TOTAL</b>	<b>52</b>	<b>100</b>

**Figure 5.2: Graphical illusion of respondents' gender (%)**



#### **5.4.2. Analysis of respondents' level of employment within their SME retail business.**

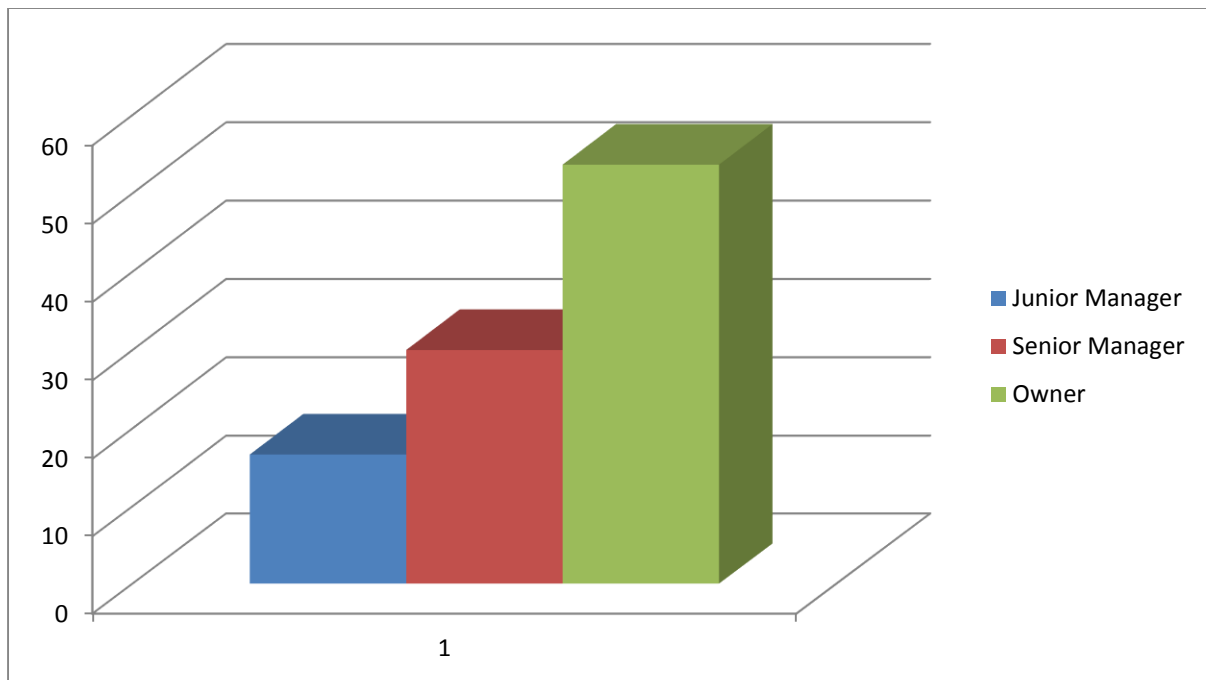
In this study the focus was on what owners and managers of SME retail business perceived as important factors to increase their competitiveness in relation to large retail businesses. The respondents were divided into junior managers, senior managers and owners.

Table 5.6 and Figure 5.3 below will illustrate the percentages of respondents and their level of employment within their particular SME retail business.

**Table 5.6: Employment level**

EMPLOYMENT LEVEL		
	Respondents	Percentage (%)
Junior Manager	5	16.66
Senior Manager	9	30
Owner	16	53.33
<b>TOTAL</b>	<b>30</b>	<b>100</b>

**Figure 5.3: Graphical illustrations of respondents' employment levels**



From figure 5.3 above, it can be seen that a great majority of 53.33% of the respondents are the owner of the SME retail business. Only 16.66% of all respondents were junior managers.

## **5.5. SUMMARY**

This study identified five independent variables namely uniqueness, entrepreneurial leadership, cost effectiveness, technology and quality management as stated in the problem statement that can help SME retail businesses to be more competitive. Thirty questionnaires were distributed amongst SME retailer owners and managers across South Africa. It is evident from the literature that the South African retail industry has become a very competitive industry. This industry is characterised by being dominated by large retail businesses as well as an increasing interest and inflow of FDI by large international retail companies. Nevertheless, the literature also suggests that SMEs play a very important part in the South African economy, and that the future for SME retail business is moderately positive and opportunities do exist.

The results show that all five independent variables have a positive influence on SME retail businesses. The respondents felt that all five independent variables will

result in their business being more competent compared to large retail business if implemented and utilised successfully.

Based on the results of the findings the next chapter will offer recommendations on how South African SME retail businesses can fully exploit the variables to increase performance which will lead to increased competitiveness, especially if compared the larger retail businesses.



## **CHAPTER SIX**

### **RECOMMENDATIONS AND CONCLUSIONS**

#### **6.1. INTRODUCTION**

Chapter 6 provide an outline of the study as a whole. The results of the research findings were analysed and presented in the previous chapter. The findings were integrated with the findings of the problem statement together with that of the literature review, which focussed on areas that will improve the competitiveness of South African SME retail businesses.

Chapter six which is the final chapter of this study integrates all the information from the preceding chapters and arrives at a summary and conclusion. It provides the recommendations and conclusions based on the findings of the empirical results.

#### **6.2. SUMMARY**

In Chapter one it was highlighted that there is an increasing inflow of FDI into the South African retail industry, and an expansion of the presence of both local and international large retail chain stores in South Africa. Furthermore it was stated that 75% new SMEs do not succeed, and this is very alarming, given that SMEs contribute around 56% of private sector employment as well as 36% of the gross domestic product (GDP) in South Africa (Ntsika, 2012:55). It is therefore important to investigate what is required from new and existing SME retail businesses to successfully establish and/or manage their businesses in a highly competitive environment that is dominated by large public businesses.

This led to the development of a conceptual model that highlighted how uniqueness, entrepreneurial leadership, cost effectiveness; technology and quality management can enhance the competitiveness of SME retail businesses in relation to large retail businesses.

An analysis of the South African retail industry was done in chapter two. This was followed by above mentioned variables that were discussed in chapter three. The literature review helped to achieve the secondary objectives identified in the study.

The secondary objectives were formulated to arrive at the primary objective which was to enhance the competitiveness of SME retail businesses in South Africa.

The focus of this study was on owners and managers of SME retail business that are conducting business in the greater retail industry of South Africa. This was discussed in chapter two and three. The researched methodology used in this study is said to be a mixed methodology because it involves both qualitative and quantitative methods of data collection and analysis.

Data were collected from questionnaires based on owners and managers of South African SME retail businesses. The results were quantitatively and qualitatively analysed.

The recommendations for South African SME retail business based on the research findings are discussed in the next section.

### **6.3. RECOMMENDATIONS**

The problem statement was formulated to determine what is required from new and existing SME retail businesses to successfully establish and/or manage their businesses in a highly competitive environment that is dominated by large public businesses. The results of the findings of the empirical study show that owners and managers of SME retail businesses believes that all five independent variables will increase the competitiveness of their businesses when implemented and utilised successfully.

The results presented on uniqueness in chapter five showed that managers and owners of SME retail business believe that being uniquely different to large retail enterprises is important in enhancing competitiveness. This can be achieved by incorporating unique marketing strategies, creating a unique shopping experience and/or incorporating a unique social responsibility program that has close ties with the local community.

The results presented on entrepreneurial leadership in chapter five showed that managers and owners of SME retail business believe that having leaders that displays strong entrepreneurial leadership is important in enhancing competitiveness. This can be achieved by focussing on innovation within the business and seeking new opportunities.

The results presented on cost effectiveness in chapter five showed that managers and owners of SME retail business believe that applying efficient cost effectiveness is important in enhancing competitiveness. This can be achieved by striving for continuous improvements in the workplace, and maintaining much lower overheads as oppose the large retail businesses.

The results presented on technology in chapter five showed that managers and owners of SME retail business believe that successful utilisation of technology is important in enhancing competitiveness. Technology is of equal importance in SME retail businesses as oppose to large retail businesses. Sophisticated information systems that will support decision making activities, together with a professional website is of great importance within SME retail businesses

The results presented on quality management in chapter five showed that managers and owners of SME retail business believe that offering a quality that are superior to large retail enterprises is important in enhancing competitiveness. This can be achieved by focusing on establishing a more intimate relationship with customers as oppose to large retail businesses, as well as implementing a range of value added service that is not usually found in large retail businesses.

#### **6.4. OPPORTUNITIES FOR FURTHER RESEARCH**

A study of a greater sample size will result in a better understanding on the owners and managers of SME retail businesses perception regarding important factors that might increase competitiveness. The sample size of 30 that was used for this study is small compared to the number of the population of people who are managers or owners of SME retail businesses.

## **6.5. CONCLUSIONS**

In this chapter a summary of the scope of this research article was discussed in order to understand the basis of the recommendations. Recommendations based on the research findings were made in order to achieve the research objectives. Finally, opportunities for further research were outlined in the previous section.

The South African retail industry are characterised with a moderately positive outlook towards the near future. The industry has been expanding rapidly as continuous growth in retail space is maintained. The industry are mainly dominated by large national retail chains, however in the recent past (June 2011) the biggest FDI transaction in the history of the South African retail industry came into existence. The dominance of the South African retail industry by these large local and international businesses that has access to vast amounts of resources, makes it hard for SME retail businesses to stay competitive

SMEs play a crucial role in the South African economy and employs 56% of the South African labour force. It is thus important that these businesses stay competitive in order to survive. In order to stay competitive the owners and managers of SME retail businesses have to identify and strategically utilise the areas that will enhance their competitiveness the most. This research treatise identified five of those areas.

The recommendations suggested for this study will enable owners and managers of SME retail business to be more competitive against large public enterprises. The list is however not exhausted and owners and managers of SME retail businesses should always strive for continuous improvement within their businesses and search for innovative ways to enhance competitiveness within their businesses.

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## **ANNEXURES**

### **A. RESEARCH QUESTIONNAIRE**



Dear Respondent

The Business School at Nelson Mandela Metropolitan University is conducting research to determine the perceptions of owners and top management of different small and medium retail businesses regarding key factors impacting on their competitiveness. The study will also aim to point out where small and medium businesses might have a competitive advantage compared to large retail businesses.

Your participation in this study will enable a deeper understanding of what is required to improve small and medium businesses' competitiveness. Your participation and your response will be strictly confidential and the results of the survey will be available on request.

**Yours sincerely**

**RESEARCHER:** Pieter Herholdt (MBA Candidate)

**RESEARCH LEADER:** Prof. M. Tait (Supervisor)

The preliminary investigation reveals that a number of areas are important in improving small and medium retail businesses' competitiveness. Your response would help us to identify these areas.

On a scale of 1-5, please indicate your response, where 1 = strongly disagree; 2 = disagree; 3 = neutral; 4 = agree and 5 = strongly agree.

**PLEASE NOTE: ANSWER ALL QUESTIONS**

<b><u>Statements:</u></b>					
<b>In my view, SME retailer uniqueness depends on:</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
1. incorporating marketing approaches that differs substantially from those of large retail businesses.	1	2	3	4	5
2. offering more value added services than large retail businesses.	1	2	3	4	5
3. incorporating a higher degree of employment orientation and loyalty towards employees.	1	2	3	4	5
4. better utilisation of locally available human and material resources as compared to large retail. businesses.	1	2	3	4	5
5. being more involved in local social corporate responsible projects as compared to large retail businesses.	1	2	3	4	5

<b>In my view, SME entrepreneurial leadership depends on:</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
1. entrepreneurial skills, innovation and leadership of owners and/or top managers.	1	2	3	4	5
2. the ability of leaders to seek new business opportunities.	1	2	3	4	5
3. the social status of the leader.	1	2	3	4	5
4. the ability of business' leaders to develop entrepreneurial skills, risk taking and innovation within employees.	1	2	3	4	5
5. the ability of a leader to act quickly when opportunity arises.	1	2	3	4	5
<b>In my view, SME cost effectiveness depends on:</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
1. eliminating waste and non-value adding activities in the workplace.	1	2	3	4	5
2. striving for continuous improvement within the daily operations in the workplace.	1	2	3	4	5
3. having specific strategies in place to reduce the inventory-on-hand amount.	1	2	3	4	5
4. analysing the inventory-turnover ratio and comparing it to the industry standard.	1	2	3	4	5

5. encouraging employees to take part in cost-saving activities.	1	2	3	4	5
<b>In my view, SME flexibility depends on:</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
1. the ability to adapt quicker to changing market conditions as oppose to large retail businesses.	1	2	3	4	5
2. a supply chain that will enable instant adaptation to changing market conditions.	1	2	3	4	5
3. a flatter and less bureaucratic organisational structure that will facilitate rapid decision making.	1	2	3	4	5
4. the ability to be more open to negotiations from suppliers and customers as oppose to large retail businesses.	1	2	3	4	5
5. the ability to be better at meeting any additional requirements from customers as oppose to large retail businesses.	1	2	3	4	5
<b>In my view, SME technology depends on:</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
1. having software and information systems that will support decision making.	1	2	3	4	5
2. having a sophisticated point of sale and stock management system	1	2	3	4	5
3. having a professional and up to date	1	2	3	4	5

website.					
4. adaptation of technology and innovation in the workplace.	1	2	3	4	5
5. hiring employees who have necessary skills to utilise point of sale and stock management systems.	1	2	3	4	5
<b>In my view, SME quality management depends on:</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>
1. providing a range of services that is superior to those of large retail businesses.	1	2	3	4	5
2. offering superior services that could not easily be imitated.	1	2	3	4	5
3. having structured measures in place to measure the quality of their services.	1	2	3	4	5
4. having a service recovery plan, in case of failure of most crucial services.	1	2	3	4	5
5. focussing employee's attention on providing superior service and strive for continuous improvement.	1	2	3	4	5
<b>In my view, SME Retail Competitiveness depends on:</b>	<b>Strongly disagree</b>	<b>Disagree</b>	<b>Neutral</b>	<b>Agree</b>	<b>Strongly agree</b>

1. constantly searching for new ideas to implement better business practises as oppose to large public retail businesses	1	2	3	4	5
2. employing a workforce that is more competent, as compared to the workforce to of large public retail businesses	1	2	3	4	5
3. the ability of top management and owners to adapt rapidly to changes in the industry and/or external environment	1	2	3	4	5
4. the ability to be more open to negotiations from customers, as oppose to large public retail businesses	1	2	3	4	5
5. establishing a more intimate and personal relationship with customers, as oppose to large public businesses.	1	2	3	4	5



## Biographical Information

1. Please indicate your gender

Male	1
Female	2

2. Please indicate to which population group you belong (for statistical purposes only)

Asian	1
Black	2
Coloured	3
Indian	4
White	5

3. Please indicate the age group you belong to

19-25	1
26-35	2
36-45	3
46-55	4
56-64	5
65+	6

4. Please indicate your position in your SME retail organisation

Junior Manager	1
Senior Manager	2
Owner	3

5. Please indicate your highest academic qualification

Lower than grade 12	1
Grade 12	2
Certificate/Diploma	3
Degree	4
Post Graduate Degree	5

**THANK YOU FOR YOUR PARTICIPATION.**