




Managerial political competencies and the performance of small and medium-sized enterprises in South Africa

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Orientation: Research on managerial political competencies has progressed well in other organisational setups, but not so much in entrepreneurial ventures, yet literature documents the pivotal role played by political competencies in the performance of small and medium-sized enterprises (SMEs).

Research purpose: This study intended to find the impact of managerial political competencies on the performance of SMEs as measured by both innovation and return on investment (ROI) in SMEs in the Gauteng province of South Africa.

Motivation for the study: Regardless of the contribution made by SMEs in contemporary economies, and the fundamental role managerial political competencies play in sustaining these enterprises, no known study has been conducted amongst SMEs in South Africa.

Research design, approach and method: This study employed an ex post facto correlational design that adopted a purely quantitative approach. The sample comprised 211 owners or managers in Gauteng province. Descriptive statistics and Spearman's correlation were used for data analysis.

Main findings: Owners or managers were found to be politically competent in the dimensions of social astuteness and networking abilities, but did not fare so well on the apparent sincerity and interpersonal influence dimensions. It was also established that SMEs performed relatively better in terms of innovation compared to ROI, although ROI had greater potential to respond to improvements in the quality of managerial political competencies when compared to innovation. There was a statistically significant relationship between managerial political competencies and SME performance as measured by innovation and ROI.

Practical/managerial implications: It is recommended that managerial political competencies be augmented internally through deliberate human resource development initiatives in order to leverage on them. It is also recommended that support structures and agencies that assist owners or managers in competency development be augmented at both provincial and government levels.

Contribution/value-add: The study attempts to fill the gap between research and practice regarding managerial political competencies in SMEs in South Africa.

Keywords: political competencies; performance; SMEs; South Africa; innovation; return on investment; owners; managers.

Introduction

Attention on the performance of small and medium-sized enterprises (SMEs) is premised on their fundamental role in the socio-economic development of countries worldwide, in areas such as gross domestic product (GDP) and employment (Ardic, Mylenko & Saltane 2011). For instance, SMEs in the USA generate more than 50% of the GDP, and between 55% and 80% of total employment of that nation (Katua 2014). About 90% of private businesses in most African countries are SMEs, contributing to more than 50% of employment and GDP (Abor & Quartey 2010). For example, in countries such as Egypt, Nigeria and Kenya, SMEs are estimated to contribute over 70% in employment and 30% – 40% in their GDP (Frimpong 2013). In South Africa, SMEs constitute close to 91% of the formal businesses, contributing between 51% and 57% of the GDP and creating almost 60% of employment (Cant & Wiid 2013; Kongolo 2010). With a high unemployment rate of approximately 29% of the economically active population (Statistics South Africa, Quarterly Labour Force Survey 2019) and high levels of poverty and income inequality (Fatoki & Smit 2011), the performance of SMEs becomes a critical subject for further investigation.

Notwithstanding the importance of SMEs to global economies, managerial competencies have been regarded as the *Achilles' heel* in the nexus. The existing resource-based view (RBV) literature (Barbero, Casillas & Feldman 2011; Penrose 1959; Rugman & Verbeke 2002) admits that the key limit to a business's progress lies with managerial talent, as it is the only resource that may not be obtained in short-term in the market. According to the ground-breaking work by Penrose (1959), from amongst all the kinds of productive services, management services are the only kind which businesses, because of their nature as administrative firms, must make use of. Shortage of executive talent is real and arguably the main limit to growth (Penrose 1959). This shortage of executive talent – a talent that is largely tacit, and for this reason, is difficult to reproduce over limited time frames, is termed the 'Penrose effect' by Rugman and Verbeke (2002). The Penrose effect implies the existence of managerial constraint on the rate of growth of an enterprise.

The growth of enterprises requires real leaders who know how to mobilise followers around their ideas, for it is common to see that people with grand ideas fail simply because they failed to win and sustain a coalition that could implement the ideas in the organisation (Bacharach 2006). Results may therefore be expected from managers who are politically competent. Political competence is defined as the ability to appreciate what one can and cannot control, when action is to be taken, who is going to resist one's agenda and who are needed on one's side (Bacharach 2006) – and this has never been more critical than today. Political competence involves the ability to improve one's position, create a power base, make the right networks and keeping relations with people who preside over important resources and possess critical skills and abilities (Zarook, Rahman & Khanam 2013).

Research purpose and objectives

Managerial competencies, understood to be observable characteristics such as skills, patterns of behaviour or knowledge that contribute to the effective fulfilment of managerial tasks (Mitchelmore & Rowley 2010; Talik et al. 2012), have been considered important in determining the performance of SMEs (Bulog, Jukic & Kruzic 2017; Sidek & Mohamad 2014). Entrepreneurial literature (Laguna, Wiechetek & Talik 2012; Rambe & Makhalemele 2015; Sánchez 2012) attributes the failure of many emerging ventures to the paucity of managerial competencies amongst owners or managers of such businesses. A direct link is said to exist between managerial competencies, value creation and a firm's growth and strategy (Fatoki 2014a). Chye et al. (2010) also establish that managerially competent leaders are good organisers, planners, communicators and administrators who can improve the performance of their businesses.

Although the relationship between managerial capabilities and the success of an enterprise remains a significant issue within organisational literature (Crook et al. 2011; Mitchelmore & Rowley 2010), it is unfortunate that research

on this relationship is still not considered adequate and requires further investigation (Sidek & Mohamad 2014). In addition, whilst the aforementioned evidence is commended in terms of advancing appreciation of the role of managerial competencies in firm performance, there is still lack of evidence regarding how managerial political competencies in particular are linked to the performance of SMEs in South Africa, where SME support has seen the creation of a responsible ministry and where the growth of SMEs is growing exponentially yearly (Kongolo 2010). The under-exploration of this relationship, particularly in an emerging economy like South Africa, provides an opportunity for further exploring the phenomenon. Based on this, the current study aims to explore the impact of managerial political competencies on SME performance in Gauteng province, South Africa as measured by both process and product innovation (termed simply as innovation in the current study) and return on investment (ROI). The study is steered by the objectives listed below:

1. To examine the managerial political competencies of owners or managers in SMEs in South Africa.
2. To establish the performance of South African SMEs as measured by innovation and ROI within a 2-year period.
3. To evaluate the impact of managerial political competencies of owners or managers on business performance.

Problem background

Though it is inevitable that successful management of SMEs requires owners or managers of the enterprises to have a variety of competencies, there is no convergence amongst academics on the components and even the categorisations of managerial competencies (Rambe & Makhalemele 2015). Although literature is replete with many competency models, the seminal work by Chandler and Jansen (1992) maintains that the effective manager must be competent in three areas, namely conceptual, interpersonal and political. Whilst the other competencies are equally critical in small-to-medium enterprises, at every level, businesses need people who are both keen to take action and to know how to generate change – people who are confident enough to take risks in an ambiguous environment (Bacharach 2006). Political competencies equip managers with the skills to do that.

The low survival and poor performance rates of South African entrepreneurial ventures are caused by poor or lack of competencies amongst owners or managers (FNB & Endeavour 2010; Herrington et al. 2011; Rambe & Makhalemele 2015). As a result, South African small businesses fail to trade beyond their second year, with high failure rates of about 63% (Cant & Wiid 2013). Neneh and Van Zyl (2012) posit that the number of SMEs in South Africa that fail to survive beyond the fifth year range between 50% and 95%, whilst close to 75% of all new small enterprises do not become reputable firms – amongst the highest failure rates world over. Despite the South African government's effort to dedicate resources to support SMEs,

poor managerial competencies remain the key reason for the underperformance of most South African small businesses (Diederichs 2014; Maas 2014). Worse still, despite concerted efforts by the government through the Department of Trade and Industry (DTI) or the Industrial Development Corporation (IDC) and other supportive institutional frameworks provided through organisations such as the Small Enterprise Development Agency (SEDA) Technology Programme, the Small Enterprise Finance Agency (SEFA) and so on, to sustain entrepreneurial ventures in the country, SMEs still record lack of performance and growth and high failure rates (Fatoki & Garwe 2010).

It is again unfortunate that research on the competence-performance nexus amongst SMEs in South Africa is yet to grow (Kyobe, Namirembe & Shongwe 2015). Interestingly, a study by Ncube and Chimucheka (2019) established that managerial competencies have an effect on small, micro and medium enterprises' performance. Another study by Botha, Van Vuuren and Kunene (2015) found that start-ups as well as established SMEs consider enterprising competencies (i.e. competencies that depend on personal and entrepreneurial skills) to be important. Although extant literature may not be conclusive, it provides a good synopsis of the relationship or lack thereof, between managerial competencies and performance. However, the aforementioned studies' classification of requisite components of managerial competencies is somewhat different and worse still, they did not consider political competencies in isolation. In addition, the metrics of measuring SME performance were different from the ones used in this study. The aforementioned gaps in literature gave impetus to the current study.

Literature review

The competency approach

Riding on the widespread acknowledgement of competency management generated by McClelland, Boyatzis in 1982, popularised the term competency, initially in the USA and the term has been extensively used and debated in the management realm (Mitchelmore & Rowley 2010). However, the term's application in the area of entrepreneurship is fairly new (Ahmad, Farley & Naidoo 2012). Its popularity in the management field in general was in the late 1980s, following the publication of Boyatzis', *The Competent Manager: A Model for Effective Performance* in 1982 (Ahmad, Wilson & Kummerow 2011). Boyatzis' 1982 approach emphasises the importance of managerial knowledge, abilities and skills required in performing tasks regarded as vital to business success. Whilst knowledge, skills and abilities reflect task-based areas of competence, person-specific areas of competence deal with the attributes of an individual, like, traits, motives, planning, leadership, communicating effectively, endurance and influencing others that are not only conspicuous but help in superior performance (Kyobe et al. 2015). Kierstead (1998) notes that this shift of the level of

analysis (from one's job and the tasks associated with it to the abilities of the individual executing the tasks) is extremely important in modern workplaces, where the environment requires that firms organise around the assignment and the work to be completed, than around narrowly defined and delineated jobs. The shift has been enabled by the adoption of the competency-based approach.

The main goal of the competency-based approach is the identification of required competencies of higher performers in critical positions to ensure effective performance of employees (Jena & Sahoo 2012). The competency-based approach at the workplace was necessitated by the need for quicker and flexible approaches for personnel management (Hawkes & Weathington 2014). A competency approach is, therefore, ideal for the current study as the environment under which owners or managers in SMEs operate is characterised by rapid, competitive, regulatory and technological changes different from the business environment of past years (Blink 2013; PricewaterhouseCoopers 2013). However, regarding the competency approach in SMEs, Bhamra, Dani and Bhamra (2011) observe that the part of core competency ideas and usage of related approaches within the SME manufacturing industry in the UK is not only unclear, but is also poorly understood and eclipsed by more popular, hands-on business enhancement tools like Lean, Six-sigma, amongst others.

Managerial competencies and performance

Competence is a concept that has many applications and is also multi-faceted. As a result, previous works (Hayton & McEvoy 2006; Miller, Wesley & Williams 2012) reveal that a significant complication in the literature on competence is that there are many definitions of the term, and that the terms expertise, skills, competency and acumen, although interrelated, are occasionally used interchangeably. There is a lot of confusion and debate regarding the term 'competence' and it is almost impractical to identify a comprehensive theory or to coin a definition that can accommodate and reconcile all the diverse ways that the word is used (Scanlon 2017). Even though Boon and Van der Klink (2003) regarded competence as a 'fuzzy concept', they admit that it is a worthwhile term, which bridges the gap between job requirements and education. However, the term managerial competency is commonly used to refer to competencies shown by successful managers (Abraham et al. 2001; Childs & Gibson 2010). Ever since the seminal work by Penrose (1959), there has been a phenomenal growth in literature on managerial competencies, notwithstanding that a majority of these competencies were explored in isolation and with less effort to acknowledge their mutual relations with certain features of performance such as growth, efficiency and profit (Mitchelmore & Rowley 2010). Even where literature establishes positive associations between performance and managerial competencies, it remains uncertain whether size, nature of the business or the related industry to which the firm belongs mediate this relationship (Rambe & Makhalemele 2015).

Managerial competencies are key factors that contribute to the survival and performance of any firm (Rambe & Makhalemele 2015). Although the relationship between a firm's success and managerial competencies remains a significant issue within organisational literature (Crook et al. 2011; Mitchelmore & Rowley 2010), it is unfortunate that research on this relationship is still not considered adequate and requires further investigation (Sidek & Mohamad 2014). It is however deplorable that literature on the managerial competencies-performance nexus remains diffused and eclectic. On one hand, literature (Mahembe 2011; Tahmasb, Niknafs & Mirvaziri 2014) considers managerial competencies to contribute directly to individual and organisational performance. It is in this vein that Fatoki (2014a) positively links managerial competencies to the performance of new ventures. The more superior the level of managerial competency possessed by the owners of a new venture, the greater the survival and viability of the new entrepreneurial venture (Fatoki & Smit 2011). Zahra, Zandi and Bahmani (2014) also establish the fact that an important business failure factor for both successful and unsuccessful Iranian entrepreneurs is weak management skills. Poor management was a major cause of business failure; whether the causes manifest themselves through poor marketing or crisis management skills and so on, they can be avoided through good management. On the other hand, other researchers (Crook et al. 2011; Mitchelmore & Rowley 2010) admit that the association between managerial competencies and success in business remains an elusive issue within organisational literature.

Managerial political competencies

Regarding political competencies, Pfeffer (1981) was amongst the earliest pioneers to coin the terms political skill within scholarly literature. According to Pfeffer (1981), in order for organisations to be successful, political skill is needed. Consequently, he called for more research if an appreciation of the construct is to be facilitated (Ferris et al. 2007). Around the same time, Mintzberg (1983) submitted that political skill deals with the exercise of influence by way of manipulation, persuasion and negotiation. According to Mintzberg (1983), organisations are political arenas – survival and effectiveness in them require both political skill and will. Politically, competent managers demonstrate a confident deportment, expectation of achievement and demonstrate that they are in charge, shown through their behaviour and speech, which inspire others to follow and elicit their positive responses (Ferris et al. 2007).

After a careful examination of literature on political skill and organisational politics, Ferris et al. (2007) discovered that in any conceptualisation of the political skill construct, four critical dimensions feature and these are social astuteness, interpersonal influence, networking ability and apparent sincerity:

1. *Social Astuteness* – Possession of this skill implies that an individual becomes an astute observer of others. Such individuals appreciate social interactions well and correctly construe their own behaviour and that of others (Ferris et al. 2007). The individuals are very much familiar

with different social settings and have a high sense of self awareness. According to Pfeffer (1992), this dimension indicates that one is sensitive to others, and such an ability is key in attaining things for oneself.

2. *Interpersonal Influence* – Individuals who are politically skilled possess a convincing and unassuming personal style that wields a powerful influence on people around them. Such individuals can adapt and regulate their behaviour to diverse situations to bring about desired reactions from followers (Ferris et al. 2007). This characteristic summarises what Pfeffer (1992) referred to as 'flexibility', which encompasses adjusting the individual's behaviour to dissimilar targets of influence in diverse contextual situations to realise one's goals.
3. *Networking Ability* – People with political skill are proficient in recognising and developing different networks and contacts of people, who tend to possess assets considered to be treasured and essential for successful personal and institutional gains (Ferris et al. 2007). The fact that such individuals tend to be highly capable negotiators and dealmakers who are skillful at conflict management, make them grow their network of friends and form strong, beneficial coalitions and alliances.
4. *Apparent Sincerity* – Politically, astute owners or managers appear to others as possessing significant levels of integrity, high reliability, sincerity and genuineness. They appear to be forthright and honest and such endeavours are crucial since attempts to influence will be successful when actors are regarded as possessing no ulterior motives (Jones 1990).

The above-mentioned four dimensions are presumed to be related to each other, and although they are assumed to correlate, they are distinct constructs (Ferris et al. 2007).

Managerial political competencies and performance

Whilst research on managerial political competencies has progressed well in large corporations and in other organisational setups, it is unfortunate that research has not been progressing much in entrepreneurial ventures. There is a paucity of research on the impact of managerial political competencies on the performance of SMEs. A study by Hoffman and Lange (2016) on SMEs coping and growing in fragile settings established the fact that many entrepreneurs bank on ethnicity or clan-based social networks to deal with issues of insecurity and access. Having some connections in right places determines whether an entrepreneur obtains permits, receives capital or accesses raw materials and at what price and pace (Hoffman & Lange 2016).

Smaller entrepreneurial ventures with higher-levels of political connections were found to have significantly greater reinvestment rates (Zarook et al. 2013). In light of this, political competences might, therefore, be needed at every level, since SMEs have been found to need people who are prepared to act and who know how to generate change – people who can take

risks in volatile and uncertain environments (Bacharach 2006). In addition, other related studies (Ahearn et al. 2004; Douglas, Ferris & Perrewé, 2005; Treadway et al. 2004) maintain that political leaders' skills may increase followers' trust and support of the leader, improve opinions about leader credibility and competence and positively influence outcome indicators such as increased employee job satisfaction, organisational citizenship behaviours and reduced turnover intentions. Social competencies that comprise political skills, and which include the capability to recognise and attend to needs and interests of individual employees, have the potential to affect the performance of groups (Ferris et al. 2007). The above review of literature suggests a relationship between managerial political competencies and enterprise performance. To validate the aforesaid relationships within the context of SMEs in Gauteng province, South Africa, the following hypotheses are proffered:

H_1 : There is statistically significant relationship between managerial political competencies and firm performance as measured by innovation.

H_2 : There is statistically significant relationship between managerial political competencies and firm performance as measured by ROI.

Small-to-medium enterprise performance

Business performance has become an important organisational topic, attracting interest from both practitioners and academicians because of increased competition for customers and resources (Chinomona 2013). Firm performance generally refers to how well or badly an enterprise performs relative to agreed objectives (Ncube & Chimucheka 2019). Veliu and Manxhari (2017) maintain that firm performance can be measured using both objective (or financial) measures like profitability and subjective (or non-financial measures) like innovation. Bititci, Firat and Garengo (2013) posit that although there is a common consensus that lagging financial measures are relevant and still effective, there is a need to balance them with more recent and externally focussed indicators – leading measures (like employee satisfaction, innovation and so on). However, cognisant of the lack of rigorous debate on these issues, Bititci et al. (2013) suggest that usually, the measures used to either compare or evaluate the performance of small enterprises ought to be balanced through inclusion of both lagging and leading (or non-financial) measures. Consequently, this study adopts such a hybrid approach advocating the use of financial measures – in this case, ROI (a measurement of profitability) and a non-financial measure (innovation).

Research methodology

Research design

The study employed a correlational design, specifically the ex post facto. A correlational design attempts to describe relationships rather than explain them (Gravetter & Forzano 2016). Although a correlational research does not imply causality, De Vos et al. (2011) observe that it allows for predictions to be made even though one may not have an

idea why a relationship exists. The ex post facto design offers another means by which researchers can examine the degree to which an independent variable may probably affect any dependent variable(s).

Research approach

The study lends itself to an objective inquiry amenable to quantitative research. Quantitative research has the advantage that besides being grounded in rationalism, it follows a predetermined, rigid and designed set of techniques, it aims at quantifying the extent of variation in a phenomenon, places emphasis on the measurement of variables with greater interest on the objectivity of the process, believes in validation based on a large sample size, values the reliability and validity of findings and reports findings in an analytical and aggregate manner, drawing inferences and conclusions that are generalisable (Kumar 2014). The objective of a quantitative inquiry is to enumerate research problems, to count and measure issues and generalise the findings to a wider population. Qualitative research seeks to understand beliefs and behaviours, acknowledge processes and appreciate the circumstances around the experiences of people (Hennink, Hutter & Bailey 2011). Considering the above, the quantitative approach, comprising data based on numbers (Gray 2014) was considered suitable for the current study. Moreover, since the social phenomena under study were regarded to be objective in nature, subjects were measured only once using a structured questionnaire involving minimal to no attachment to the research process.

Research participants

The researcher had to choose owners or managers in Gauteng province because it had a higher concentration of small, medium and micro-enterprises (SMMEs) – with just more than 30% of these enterprises by the third quarter of 2017, followed by close to 14% in both Limpopo and KwaZulu-Natal (The SEDA 2018). According to the SEDA, SMME Quarterly Update (2018), the number of SMME owners in Gauteng in the third quarter of 2017 was 687 867. Unfortunately, this figure included an unknown number of micro enterprises. However, micro enterprises, defined by Kesper (2001), as employing 0–4 employees were not part of this study. The other problem with the list is that it did not categorise the enterprises into their respective sizes, making it impracticable to come up with a comprehensive sampling frame for SMEs. Consequently, convenience sampling, the most used method in the behavioural sciences, had to be used (Gravetter & Forzano 2016). The final sample comprised 211 SME owners or managers in Gauteng province. The province under study was grouped into zones or districts to make sure that each district provided at least representative samples, depending on its size and the availability of SMEs. Five zones were loosely formed from the more elaborate list from the Gauteng Education Department Districts List (2017) comprising 15 districts. The zones contributed the following number of respondents through convenience sampling procedure: Ekurhuleni – 31, Gauteng – 50, Johannesburg – 58, Sedibeng – 20 and Tshwane – 52. This gave a total of 211 respondents.

Convenience sampling was considered to be more appropriate for acquiring a large sample to meet the minimum threshold of data required. Convenience sampling provided the researchers with the opportunity to select those members of the population who were difficult to identify (Saunders, Lewis & Thornhill 2015). The sampling procedure allowed researchers to come up with more participants without the rigours and expenses associated with going through checklists to select research participants. Although sampling can be done conveniently, the researchers may choose subjects that are readily accessible, and whose opportunity to participate is not equal. The results may not necessarily be generalisable to the population, but as the sample size increases, the statistical power of the sample increases as well (Etikan, Musa & Alkassim 2016). In order to mitigate the weaknesses of convenience sampling, the researchers had to ensure that samples were reasonably large to increase their statistical power.

Research instruments

The researcher used a self-constructed structured questionnaire as the only method of gathering primary data. Depending on the way the structured questionnaire has been completed, which itself is a function of the literacy levels of respondents, and perhaps the mode of delivery, the questionnaire can either be interactive or otherwise. Kumar (2014) argues that a questionnaire should be crafted in an interactive style. This means that respondents should feel as if someone is talking to them. Although it is advisable to limit contributions of fieldworkers to the minimum when completing questionnaires (De Vos et al. 2011), fieldworkers were available where clarifications were needed.

The self-constructed items shown in Table 2 measured managerial political competencies, ROI and innovation. Following the advice by Sangoseni, Hellman and Hill (2013), an expert was involved in the evaluation of the questionnaire items in order to ensure the instrument's face validity. The expert in entrepreneurial studies admitted that the items effectively measured the concepts. The questionnaire items were pre-coded to enable analysis of statistics. Section A on demographic information contained open-ended questions, closed questions and dichotomous questions demanding two-phrased responses at most. Such responses were useful since researchers did not know how the participants would respond. They also allowed the responses to be converted into categories for easier analysis. The remaining part of the questionnaire contained Likert-scaled items, where participants showed the extent of their agreement or their attitude concerning a certain phenomenon and the extent to which it was used (De Vos et al. 2011).

Ensuring reliability and validity

Reliability deals with whether an instrument or technique that was repeatedly applied could yield the same result each time (Babbie & Mouton 2015). If research is to be reliable, then, it must show that if it were to be done on similar groups of respondents in the same context (however defined), similar results would be found. Reliability is of central concern to social scientists. In view of this, the Cronbach's alpha of determining internal reliability of instruments was used because it could easily be incorporated into computer software for quantitative data analysis (Bryman & Bell 2015).

Cronbach's alpha intends to compute split-half reliability through estimation of the average correlation obtainable by the consideration of every possible way to split the test (the questionnaire in this case) in half (Gravetter & Forzano 2016). It produces values between 0 and 1.00, with a higher value showing a greater degree of internal consistency or reliability. A value above 0.7 suggests a good reliability (Hair et al. 2014) although a value of 0.6 is sometimes tolerable in management sciences (Malhotra 2009). This research used the internal consistency reliability because questionnaires were presented to respondents only once, and the measurement scales comprised multiple items. Because of the Likert-scale responses obtained, Cronbach's alpha helped to evaluate the reliability of items measuring each construct.

Regarding discriminant validity, the researchers need to show that measures that should not be related are actually not related (Trochim 2020). The distinctiveness of a construct is measured in terms of how much the construct correlates with other constructs and how uniquely the measured items represent only this single construct (Hair et al. 2014). To assess the discriminant validity of the scale, the $\sqrt{\text{AVE}}$ was used and should be greater than the correlation involving the constructs (Alarcón & Sánchez 2015). Discriminant validity, Cronbach's alpha, composite reliability (CR), average extracted variance (AVE) and the inter-construct correlations were calculated and are shown in Table 1.

Discriminant validity was met since the square root of each and every factor's AVE exceeded its corresponding correlation coefficients with other calculated factors. The CR and AVE values are all above 0.7 and 0.5, respectively, suggesting that the measurement constructs were reliable. The Cronbach's alpha values exceeded 0.7, implying internal consistency. This means that all the items in the survey were internally consistent and reliable to examine the relationship between owners or managers' political competencies and business performance measured by innovation and ROI.

TABLE 1: Reliability and validity statistics results.

Variables	Cronbach's alpha	Composite reliability (CR)	Average variance extracted (AVE)	INN	MPC	ROI
Innovation (INN)	0.887	0.914	0.640	0.800	-	-
Managerial political competencies (MPC)	0.809	0.855	0.597	0.463	0.773	-
Return on investment (ROI)	0.904	0.927	0.679	0.604	0.327	0.824

TABLE 2: Managerial political competencies of owners or managers and firm performance.

N Valid	Items	Mean	Median	Standard deviation
Political competencies				
209	I involve customers in our evaluations.	4.13	4.00	0.408
210	I delegate some tasks but still closely monitor their execution.	4.18	3.90	0.461
211	I coordinate regularly with managers in other units at the business.	4.14	4.00	0.491
210	I constantly monitor the strengths and weaknesses of our best competition and provide employees with information on how to measure up.	4.24	4.40	0.483
210	I assure that everything we do is focused on better serving our customers.	4.53	5.00	0.479
208	I always monitor and adapt to the regulatory, political and economic environment.	4.14	4.00	0.412
209	I am good at establishing the right connections with stakeholders like suppliers, financiers, politicians and customers.	4.23	3.70	0.434
210	I have consistent and frequent personal contact with my external customers.	4.16	4.00	0.455
211	I create an environment where involvement and participation in decisions are encouraged.	4.18	4.00	0.442
212	I attend to corporate social responsibility concerns.	3.37	3.00	0.419
210	Average	4.13	4.00	0.448
SME Performance – Innovation				
210	Our firm designed new products in 2015	4.10	4.20	0.600
208	Our firm designed new products in 2016	4.15	3.57	0.550
207	Owner/managers initiated unique improvements to product features in 2015	4.13	4.32	0.690
208	Owner/managers initiated unique improvements to product features in 2016	4.14	4.40	0.680
209	Our firm improved its production processes in 2015	4.15	4.82	0.570
207	Our firm improved its production processes in 2016	4.11	3.71	0.510
208	Average	4.13	4.17	0.600
SME performance-return on investment				
204	The firm posted net profits in 2015	4.18	3.19	0.790
202	The firm posted net profits in 2016	3.15	3.57	0.820
203	The firm's income outweighed expenditure in 2015	4.13	4.74	0.810
203	This firm's income outweighed expenditure in 2016	3.49	4.43	0.730
202	This firm's overall returns exceeded overall costs in 2015	4.04	3.86	0.840
204	This firm's overall returns exceeded overall costs in 2016	3.69	3.73	0.810
203	Average	3.78	3.92	0.800

SME, small and medium-sized enterprise.

Data collection

The instrument had to be piloted on SMEs in hoteling before collecting data on a full scale. Piloting was done to allow for alterations that could enhance the reliability of the instrument (De Vos et al. 2011; Neuman 2006).

Research assistants were recruited and trained for collection of data. To rid the study of non-sampling errors likely to be encountered because of falsification and cheating, the researchers insisted that company phone numbers be inscribed on top of the questionnaires. This made it possible to validate whether research assistants visited the premises, and whether questionnaires were properly administered. All these efforts assisted in obtaining reliable data.

Respondents who were literate completed the questionnaires on their own, whilst those not sufficiently literate were assisted by the research assistants to complete the questionnaires. The use of students conversant in Zulu (the popular indigenous language in the province) made it easier to adapt the language and vocabulary used in the questions to the respondents (Bless, Higson-Smith & Sithole 2013). This was however done in few cases. Questionnaires left with respondents were to be collected the following day. This raised response rates because of the personal contact and also because the research assistants did not bother

respondents during unsuitable times (De Vos et al. 2011). Data for 2015 and 2016 were collected.

Statistical analysis

The Statistical Package for Social Sciences (SPSS) version 20 was used for both inferential and descriptive statistics. Descriptive statistics were used for demographic data and for describing the following constructs: managerial political competencies, innovation and ROI. In assessing the impact of managerial political competencies on firm performance as measured by both innovation and ROI, Spearman's correlation coefficient was used. Spearman's correlation coefficient has the advantage that it can evaluate two ordinal or continuous variables in a monotonic relationship. It also provides researchers with a *p*-value (i.e. significance level) and an *r*-value indicating the strength of the relationship (Minitab 2019).

Ethical considerations

Ethical clearance has been provided by the Faculty Research and Innovation Committee, Faculty of Management Sciences, Central University of Technology in view of the Research Ethics and Integrity Framework, 2016 with reference number: 15/10/2015. In order not to disrupt work activities during the administration of questionnaires, lunch hours were mostly used. The researchers also sought

consent for participation, and a provision for participants to pull out at any time was included in the cover page. Participants were also made aware of the intended use of the information and the right the researchers had in collecting the information. In order to ensure the confidentiality of respondents' input, data had to be stored in ways that preclude unauthorised access. This was achieved by storing data in cabinets that are lockable and deleting all information that made identification of respondents possible.

Research findings

Descriptive data analysis

Descriptive statistics were used to describe fundamental features of the data which included demographic variables. Without the inclusion of demographics, researchers risk assuming absolutism, which implies that the phenomena of interest are the same irrespective of variables such as one's age, position or measure of performance. Participant characteristics permit researchers to move towards universalism, which acknowledges the existence of psychological processes manifesting differently (Beins 2017) depending on the race, nationality, socioeconomic status or other such defining variable of participants.

Research participants were constituted as follows, 78% of the owners or managers were men and the remaining were women. Demographic data also revealed that 67.6% of the SMEs in Gauteng province were operating without an HR department – the owners or managers wore many hats. It was also established that 46% of the entrepreneurs had diplomas and 38% had secondary education and that on average, most ventures had been operating for 14 years. Table 2 shows the data regarding managerial political competencies of owners or managers and firm performance.

Average mean scores ranging between 3.78 and 4.13 on a Likert scale that ranges from Strongly Disagree (1) to Strongly Agree (5) suggest moderate agreeability. Political competencies were measured using 10 self-constructed items, whose means were 4.13 and an average standard deviation of 0.448. Innovation and ROI were each measured by six items whose means, medians and standard

deviations are shown in Table 2. Section C of the questionnaire measured firm performance in terms of innovation and ROI for the period 2015 and 2016. This section required respondents to indicate their level of agreement with given statements.

Managerial political competencies versus innovation

In assessing the effect of managerial political competencies on firm performance as measured by innovation, Spearman's correlation coefficient was used.

According to the results in Table 3, there is a weak positive relationship of 0.312 which is statistically significant at 1% as indicated by a p -value of 0.000 which is less than the threshold of 0.01. The results suggest the acceptance of the alternative hypothesis; H_1 which states that *there is a statistically significant relationship between managerial political competencies and firm performance as measured by innovation*. It can therefore be concluded that a statistically significant relationship exists between managerial political competencies and firm performance as measured by innovation.

Managerial political competencies versus return on investment

In assessing the effect of managerial political competencies on firm performance as measured by ROI, Spearman's correlation coefficient was again used. Table 4 shows the results.

The results in Table 4 show that a positive but weak correlation of 0.268 exists between managerial political competencies and firm performance as measured by ROI. This relationship is significant at 1% because of a p -value of 0.000 which is less than 0.01. We, therefore, reject the null hypothesis H_0 and accept the alternative hypothesis H_2 which states that *there is a statistically significant relationship between managerial political competencies and firm performance as measured by ROI*. It can be concluded that a statistically significant relationship exists between managerial political competencies and firm performance as measured by ROI.

Results from the regression analysis

The relationship between managerial political competencies and innovation was further examined using regression

TABLE 3: Spearman's correlation on managerial political competencies versus innovation.

Correlation test	Variable	Significance level	Political competencies	Innovation
Spearman's rho	Political competencies	Correlation coefficient	1.000	0.312*
		Sig. (2-tailed)	-	0.000
		N	211	211
	Innovation	Correlation coefficient	0.312*	1.000
		Sig. (2-tailed)	0.000	-
		N	211	211

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

TABLE 4: Spearman's correlation on managerial political competencies versus return on investment.

Correlation test	Variable	Significance level	Political competencies	Return on investment
Spearman's rho	Political competencies	Correlation coefficient	1.000	0.268*
		Sig. (2-tailed)	-	0.000
		N	211	211
	Return on investment	Correlation coefficient	0.268*	1.000
		Sig. (2-tailed)	0.000	-
		N	211	211

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

TABLE 5: Regression results of managerial political competencies and innovation.

Model	Variable	Unstandardised coefficients		Standardised coefficients	<i>t</i>	Sig.
		<i>B</i>	Standard error	Beta		
1	(Constant)	3.559	0.429	-	8.301	0.000
	Managerial political competencies	0.179	0.099	0.176	1.816	0.072

Note: Dependent variable: Innovation.

analysis. The results from the regression analysis are summarised in Table 5.

According to the regression results displayed in Table 5, managerial political competencies are statistically significant at 10% since the *p*-value of 0.072 is less than 0.1. It can be noted that improvements in the quality of managerial political competencies by one unit will result in an increase of 0.179 in innovation.

The relationship between managerial political competencies and ROI was further examined using regression analysis. The results from the regression analysis are summarised in Table 6.

The results shown in Table 6 indicate that managerial political competencies are statistically significant at 5% since a *p*-value of 0.024 is less than 0.05. It can be noted that improvements in the quality of managerial political competencies by one unit will result in an increase of 0.322 in ROI.

Discussion of findings

Demographic variables

Men dominated in the ownership or management of SMEs in Gauteng province. These findings concur with a World Bank Report on micro-, small- and medium enterprises (MSMEs) in South Africa which indicated that ownership of the enterprises by women has dropped in the previous 10 years by 10% – from 48% in 2008 to 38% in 2017 (Sechele-Manana 2019). One of the reasons why the gender gap is alarmingly widening within the SMEs could be that the banking sector tends to ignore the non-financial support that women need in order to thrive in their entrepreneurial undertakings (Sechele-Manana 2019).

Demographic results also indicated that of the 211 research participants, 46% had diplomas whilst 38% had some secondary education. Regarding performance, means of 4.13 and 3.78 for innovation and ROI, respectively, were considerably good. However, the paucity of literature exploring the aforesaid variables and their relationships in South African SMEs is glaring. A study conducted amongst immigrant-owned SMEs in South Africa, assessing the impact of managerial competencies (particularly owners' former and associated experience, or their education) on the performance of these firms, indicated some relationship between owners' level of education and their performance (Fatoki 2014a). Even though the study discovered that higher education (matric and beyond) is related insignificantly with

TABLE 6: Regression results of managerial political competencies and return on investment.

Model	Variable	Unstandardised coefficients		Standardised coefficients	<i>T</i>	Sig.
		<i>B</i>	Standard error	Beta		
1	(Constant)	3.098	0.647	-	4.790	0.000
	Managerial political competencies	0.322	0.149	0.114	2.163	0.024

Note: Dependent Variable: ROI.
ROI, return on investment.

enterprise performance, enterprise owners who had work experience before starting a venture significantly performed better than those lacking experience. However, the study's thrust was more on the antecedents to competencies and the effect of certain variables like education on performance, than on specific managerial competencies and their bearing on performance. The aforementioned study's emphasis on the antecedents of managerial competencies gives a different narrative from the one given in the current study where emphasis is on the political competencies needed by SMEs' owners or managers to enhance firm performance. Some studies (Noor et al. 2010; Rasmussen, Mosey & Wright 2011) established that entrepreneurs' demographic, behavioural and psychological characteristics and their technical know-how and managerial skills are often mentioned as germane determinants of an SME's performance. However, Noor et al. (2010) purport that human factors such as skills, knowledge and experience of the owners or managers and employees are the key distinctive competencies of small firms.

Another interesting demographic variable is the number of years the SMEs have been operating. SMEs that took part in this study have been operating for 14 years on average. These SMEs survived failure since about 75% of new South African SMEs do not become established firms (Neneh & Van Zyl 2012). Owners' or managers' experience could have a strong bearing on their political competencies. However, in an investigation of the effect of the size of the business and experience on export performance, Majocchi, Bacchiocchi and Mayrhofer (2005) found out that not only is business experience essential, but also the relative change in experience that truly impacted upon export performance.

Managerial political competencies of owners or managers

A mean of 4.13 suggests that owners or managers possessed considerable political competencies. Owners or managers were highly agreeable to the items PC₅ (I ensure that everything we do is focused on better serving our customers) and PC₇ (I am good at establishing the right connections with stakeholders like suppliers, financiers, politicians and customers). According to Ferris et al. (2007), managers who are politically competent are astute observers of others. This explains the focus on customers manifested by owners/managers in the current study. In addition, politically skilled owners or managers develop friendships easily and make strong, valuable coalitions and alliances (Ferris et al. 2007).

Owners or managers with strong networking abilities make sure that they are better positioned to both build and exploit opportunities (Pfeffer 1992). Owners or managers in the current study proved to be highly politically competent in the dimensions of social astuteness and networking abilities. However, they did not fare so well on the other two dimensions – apparent sincerity and interpersonal influence. This has the potential to undo the gains in the other dimensions as well as undermine confidence amongst stakeholders, as the four dimensions are presumed to be correlated (Ferris et al. 2007).

Performance of small and medium-sized enterprises

Average mean scores ranging between 3.78 and 4.13 for ROI and innovation, respectively, shown in Table 2 on a Likert scale ranged from strongly disagree (1) to strongly agree (5), suggest moderate agreeability. On one hand, ROI is a crucial balance sheet ratio, which helps in assessing the efficiency of the use of a business' resources as well as providing an indication of how effective one's investment in the business is (Lee 2012). A relatively low mean on ROI could mean that because of their mode of operation and size, the SMEs were hardly achieving a high turnover – and with a slim profit margin, the businesses could barely produce even remunerative earnings to sustain the employees (Emenyoni et al. 2014).

On the other hand, innovation enables SMEs to adapt to dynamic market environments through launching of new and refined products (Kreiser et al. 2013). Innovative enterprises continuously introduce new products and services that meet present and emerging market needs, are able to quickly penetrate into untapped markets and are more likely to embody a better strategic fit for their innovation-based abilities (Morris, Kuratko & Covin 2011). Despite a relatively high mean on innovation, the uptake of innovation in the enterprises could be different since innovation is a high-risk undertaking involving large upfront and mostly permanent expenses and yet success in innovation is not guaranteed (Classen et al. 2014).

Managerial political competencies versus firm performance

It was established that a statistically significant relationship exists between managerial political competencies and enterprise performance as measured by both innovation and ROI. There is a scarcity of literature on managerial political competencies and SME performance, notwithstanding that these enterprises are the most popular (De Massis, Frattini & Lichtenthaler 2012). The current study's results corroborate findings from a recent study by Ncube and Chimucheka (2019). The study found out that global awareness competencies had an effect on the performance of South African SMMEs in Makana Municipality. Global awareness competencies were defined as a leader's capacity to attract human, data, material and budgetary resources from several societies (Steyn 2014) – the same as the networking ability dimension on political competencies. This study's results are

in agreement with those of Steyn (2014) and Muhammad (2013) who found out that global awareness competencies were very essential to the success of SMMEs. The current study's results are also in line with findings of Zarook et al. (2013) that SMEs with higher-level political connections had significantly greater reinvestment rates.

Network building is a very effective political skill based on which entrepreneurs could improve their access to business ideas, knowledge, capital and technology to create business start-ups that are innovative (Hatala & Fleming 2007; Zarefard & Cho 2017). However, the current study's regression analysis confirmed that ROI was more responsive to improvements in the quality of managerial political competencies when compared to innovation. This could be a result of the South African education system which does not promote entrepreneurs (Fatoki 2014b), and hence most of them are likely to focus on profitability, which happens to address entrepreneurs' immediate short-term goals. Yet, the ability to generate a large network of social contacts has the capacity to empower owners or managers in their endeavours to acquire necessary resources for their start-ups to grow in the long run (Liao, Welsch & Tan 2005).

An investigation by Rambe (2018) on managerial competencies and the viability of small technology-oriented non-family owned businesses in an emerging economy established that the following managerial competencies were found to have varying significant correlations with profitability: resource management, market management and innovation management capabilities. Conversely, Gerli, Tognazzo and Gubitta (2012) found out that competencies such as efficiency orientation, teamwork and organisational awareness were related to better financial performance in Italian non-family owned SMEs. In as much as the aforementioned studies are not clear on the specific type of managerial competencies required, team work and organisational awareness competencies identified by Gerli et al. (2012) are closely related to the interpersonal influence dimension – one of the four critical dimensions of political skill acknowledged by Ferris et al. (2007). Politically capable owners or managers have a convincing and unassuming personality that wields a dominant influence on people around them. It is through interpersonal influence that owners or managers can adjust and regulate their behaviour to diverse circumstances in order to draw the preferred reactions from their counterparts (Ferris et al. 2007). This dimension captures what Pfeffer (1992) termed as flexibility, which is the ability to adjust one's conduct to dissimilar targets of influence in different contexts to realise one's goals.

The current study's findings generally agree with literature (Mahembe 2011; Tahmasb et al. 2014) which consider managerial competencies to contribute directly to individual and organisational performance. The more superior the level of managerial competency possessed by the owners of a new venture, the greater the survival and viability of the new SME (Fatoki & Smit 2011).

Conclusions and recommendations

Owners or managers in the current study proved to be highly politically competent particularly in the dimensions of social astuteness and networking abilities, which has been partly attributed to their experience. However, they did not fare so well on the other two dimensions – apparent sincerity and interpersonal influence. This has the potential to undo the gains in the other dimensions as well as undermine the confidence amongst stakeholders, as the four dimensions are presumed to correlate. It was also established that the SMEs performed relatively better in terms of innovation compared to ROI although ROI had greater potential to respond to improvements in the quality of managerial political competencies when compared to innovation. A statistically significant relationship existed between managerial political competencies and the performance of firms as measured by both innovation and ROI. It was found out that in as much as networking abilities and social astuteness in respect of customers and other stakeholders were critical dimensions of political competency, it is recommended that owners or managers improve their skills on the other two dimensions if the enterprises are to remain resourced and survive.

Since managerial political competencies significantly affect firm performance, it is recommended that managerial political competencies at all levels of management be augmented internally through deliberate human resource development initiatives in order to leverage on them. It is also recommended that support structures and agencies that assist owners or managers in competency development be improved at both municipal and government levels. Competence development courses are therefore imperative where the owner doubles as the manager, who in most cases has no adequate knowledge, expertise and experience. In view of this, associations like the Family Business Association of Southern Africa (FABASA) and other SME agencies should therefore be empowered (both financially and by policy provisions) to provide a conduit for knowledge and skills enhancing programs. This could be done through mentorship and providing learnership to owners or managers.

Limitations and directions for future studies

Firstly, dozens of competencies could be identified from the research; therefore, it may not be that easy to isolate a specific competence and treat it independently, separated from others, as competences are interdependent (Szczepeńska-Woszczyzna 2014). Secondly, poor record keeping and informality meant that participants had to rely on their memory for most of the information. Related to this were the challenges that arose from the reluctance by owners or managers of most privately-owned enterprises to share objective financial data. This challenge was however mitigated by including a subjective measure (innovation) in the measurement of performance. Thirdly, since the study

made use of cross-sectional data, future studies should strive to gather longitudinal data involving nation-wide samples in order to validate and enhance the generalisability of findings.

Contributions of the study

Researchers argue that conclusions emanating from developed countries may not be valid for emerging markets which are characterised by institutional voids (Luo & Chung 2012). A number of studies on managerial competencies (Hayton 2015; Lopa & Bose 2014; Sidek & Mohamad 2014) were performed in developed countries with contextual realities different from those in South Africa, where levels of managerial political competencies and even the conceptualisation of SMEs differ significantly. Worse still, there is a dearth of studies that specifically consider managerial political competencies in South Africa. In view of this, the current study is one of the very few, if any, that sheds light on the nexus between managerial political competencies and the performance of SMEs in an African country. In addition, the study balanced the measurement of firm performance by using both an objective and more subjective measure. The study's contribution in the area of performance measurement therefore lies in its ability to adopt balanced measures of business performance by including a more recent, intangible and externally focussed measure (innovation) to complement a more traditional financial measure (Bititci et al. 2013). The use of balanced measures helps produce more balanced results.

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Competing interests

The authors declare that they have no personal or financial relationships that may have inappropriately influenced them in writing this article.

Authors' contributions

N.M. formulated the problem, and was instrumental in the collection of data and reviewed literature. C.C. helped with the analysis of data and in the discussion. D.Y.D. did the editing and attended to the general alignment of the article.

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Data availability

The data that support the findings of this study are available from the corresponding author, N.M., upon reasonable request.

Disclaimer

The opinions conveyed in the current study do not represent the position of the funding institution but are interpretations exclusive to the concerned authors.

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