

Mashavira, Nhamo; Guvuriro, Sevias; Chipunza, Crispen

Article

Driving SMEs' performance in South Africa: Investigating the role of performance appraisal practices and managerial competencies

Journal of Risk and Financial Management

Provided in Cooperation with:

MDPI – Multidisciplinary Digital Publishing Institute, Basel

Suggested Citation: Mashavira, Nhamo; Guvuriro, Sevias; Chipunza, Crispen (2022) : Driving SMEs' performance in South Africa: Investigating the role of performance appraisal practices and managerial competencies, Journal of Risk and Financial Management, ISSN 1911-8074, MDPI, Basel, Vol. 15, Iss. 7, pp. 1-18,
<https://doi.org/10.3390/jrfm15070283>

This Version is available at:

<https://hdl.handle.net/10419/274805>

Standard-Nutzungsbedingungen:

Die Dokumente auf EconStor dürfen zu eigenen wissenschaftlichen Zwecken und zum Privatgebrauch gespeichert und kopiert werden.

Sie dürfen die Dokumente nicht für öffentliche oder kommerzielle Zwecke vervielfältigen, öffentlich ausstellen, öffentlich zugänglich machen, vertreiben oder anderweitig nutzen.

Sofern die Verfasser die Dokumente unter Open-Content-Lizenzen (insbesondere CC-Lizenzen) zur Verfügung gestellt haben sollten, gelten abweichend von diesen Nutzungsbedingungen die in der dort genannten Lizenz gewährten Nutzungsrechte.

Terms of use:

Documents in EconStor may be saved and copied for your personal and scholarly purposes.

You are not to copy documents for public or commercial purposes, to exhibit the documents publicly, to make them publicly available on the internet, or to distribute or otherwise use the documents in public.

If the documents have been made available under an Open Content Licence (especially Creative Commons Licences), you may exercise further usage rights as specified in the indicated licence.



<https://creativecommons.org/licenses/by/4.0/>



Article

Driving SMEs' Performance in South Africa: Investigating the Role of Performance Appraisal Practices and Managerial Competencies

Nhamo Mashavira ^{1,*}, Sevias Guvuriro ² and Crispin Chipunza ³

¹ Julius Nyerere School of Social Sciences, Great Zimbabwe University, Masvingo 1235, Zimbabwe

² Department of Economics and Finance, University of the Free State, Bloemfontein 9301, South Africa; guvuriros@ufs.ac.za

³ Department of Business Management, Central University of Technology, Bloemfontein 9300, South Africa; cchipunza@cut.ac.za

* Correspondence: mashaviranhamo@gmail.com; Tel.: +263-775130481

Abstract: Managerial competencies and performance appraisal practices are often ignored when considering the performance of Small-to-Medium Enterprises (SMEs). Yet, these competencies and practices are fundamental for the survival of the SMEs. SMEs are critical for economic growth and job creation in many economies. The current study sought to establish whether managerial competencies and performance appraisal practices correlate with SMEs' performance in South Africa. Firm performance was measured using two variables: innovation and return on investment (ROI). The study adopted a structural equation modelling analytical approach. Interpersonal competencies were found to be a significant factor of managerial competencies, but conceptual and political competencies were not. The study also found that managerial competencies, and not performance appraisal practices, significantly correlated with both innovation and ROI. The study recommends that performance appraisal practices be tailored to suit SMEs in the developing countries context.

Keywords: SMEs; managerial competencies; performance appraisal; business performance; South Africa



Citation: Mashavira, Nhamo, Sevias Guvuriro, and Crispin Chipunza. 2022. Driving SMEs' Performance in South Africa: Investigating the Role of Performance Appraisal Practices and Managerial Competencies.

Journal of Risk and Financial Management 15: 283. <https://doi.org/10.3390/jrfm15070283>

Academic Editors: Abdullah Promise Opute and Khaled Hussainey

Received: 29 March 2022

Accepted: 16 May 2022

Published: 27 June 2022

Publisher's Note: MDPI stays neutral with regard to jurisdictional claims in published maps and institutional affiliations.



Copyright: © 2022 by the authors. Licensee MDPI, Basel, Switzerland. This article is an open access article distributed under the terms and conditions of the Creative Commons Attribution (CC BY) license (<https://creativecommons.org/licenses/by/4.0/>).

1. Introduction

Small-to-Medium Enterprises (SMEs) contribute to economic growth, job creation, wealth and income generation and poverty reduction (Manzoor et al. 2021). Increased firm competition and globalisation have raised the importance of firm performance as an organisational topic (Chinomona 2013; Masroor and Muhammad 2019; Yang et al. 2017). Organisational performance, the ability of an organisation to produce results in line with its set targets (O'Regan et al. 2008), is critical for SMEs' survival (Mabhungu and van der Poll 2017). There has been an increase in entrepreneurial research focusing on SMEs' performance (Aleem and Rahman 2018; Kirsten et al. 2015) premised on SMEs' fundamental role in the socio-economic development of economies, particularly employment and economic growth (Ardic et al. 2011). Worldwide, about 90% of private businesses are SMEs and these contribute more than 50% of employment opportunities (World Bank 2021). SMEs in Western Europe, Japan and the United States of America (USA), for instance, generate 55% to 80% of total employment (Katua 2014). Approximately 23 million SMEs in the USA contribute more than 50% to the country's Gross Domestic Product (GDP) (Katua 2014) and these SMEs are pivotal in creating new jobs, improving product quality, increasing competition and driving innovation.

In the African context in countries such as Egypt, Nigeria and Kenya, SMEs have been estimated to contribute over 70% towards employment and 30–40% to GDP. In Ghana, about 92% of businesses are SMEs contributing about 85% towards employment and about 70% to GDP (Frimpong 2013). SMEs in South Africa account for about 91% of the

formal business entities, contributing to about 51% to 57% of the GDP and providing almost 60% of employment opportunities (Cant and Wiid 2013). With an unemployment rate of approximately 34.9% (Statistics South Africa 2021) and high levels of poverty and inequalities (Chatterjee et al. 2021), the performance of SMEs becomes a critical subject for investigation to leverage employment creation, competitiveness and innovation. Bhorat et al. (2018) predicted that SMEs have the potential to advance both inclusive growth and development and to generate 90% of new jobs by 2030, in South Africa.

The South African government, through the Department of Trade and Industry (DTI), the Industrial Development Corporation (IDC), the Small Enterprise Development Agency (SEDA) and the Small Enterprise Finance Agency (SEFA), seeks entrepreneurial ventures sustenance. Nevertheless, SMEs in South Africa continue to record low performance, low growth and high failure rates (Fatoki 2018), and the Family Business Association of Southern Africa (FABASA), the official representative of family businesses in South Africa, continues to report SMEs' low performance.

Performance appraisal has been found to be significant to organisations as, in addition to measuring the quality of human resource management (Aggarwal and Thakur 2013), it catalyses the motivation and creativity of employees (Abouzeid 2018). Tahir et al. (2021) also identified appraisal of employees' performance (also known as employee evaluation or employee rating) as one of the key issues in the management of human resources. Yet, despite being the most significant development in human resource management, performance management as well as its performance appraisal tools, has not received much empirical recognition amongst entrepreneurial ventures (Wickramasinghe 2016). The few studies, for example, Wijetunge (2014) and Zheng et al. (2009), available on managing employee performance in SMEs in general suggest that SMEs face difficulties in executing performance management. This evidence provides scope for further research on performance appraisal. Having inappropriate or no formal appraisal of employees' performance may limit firm performance. Studies by Ling and Nasurdin (2010) and Narware (2011) respectively reported a positive effect of performance appraisal on administrative innovation and knowledge management, thereby enhancing the industrial environment and the long-term success of SMEs. Kathiravan et al. (2017) reported elements involved in the appraisal process, such as appraisal method, fairness process, fairness outcome, employee participation, goal congruity, feedback on performance and a performance-based approach to be strongly related to effective performance appraisal in SMEs.

Related to employee performance appraisal is the managerial competencies (Sabiou et al. 2019) and these have been considered important for business performance too (Bulog et al. 2017). Moreover, managerial competencies provide a sound basis for meaningful performance management (Bhardwaj and Punia 2013), which, despite being more expansive and strategic than an appraisal, encompass the performance appraisal process. A direct link is therefore said to exist between managerial competencies, value creation and a firm's growth and strategy (Fatoki 2014).

Studies of SMEs in developing countries have attributed the underperformance of SMEs to exogenous factors advertently or inadvertently ignoring endogenous factors such as managerial competencies and employee appraisal practices. Employee appraisals provide critical employee information to the business (Bititci et al. 2015) and this information is useful for promotions, salary administration, layoffs, retention-termination and the identification of individual employee performance gaps to the HR management (Noe et al. 2010). When entrepreneurial ventures neglect managerial competencies and employee appraisal practices, such weak HR management practices can impact on firm performance (Patel and Cardon 2010; Kotey and Slade 2005).

This study sought to examine the influence of performance appraisal and managerial competencies on SMEs' performance in a developing country setting. The study adopts two measures of performance which are ROI and the product and process innovation (hereinafter referred to as innovation). Innovation involves two dynamic outcomes—changes in the particular services/products offered to the clients or customers, and changes in the

mode through which they are created and delivered (Damanpour and Gopalakrishnan 2001). The choice of the aforementioned measures has been influenced by the Balanced Scorecard, developed by Kaplan and Norton (1992)—a well-known model for balancing financial (ROI) and nonfinancial measurements of performance (in this case innovation). According to the model, adding nonfinancial measures of performance to the traditional financial measures helps to provide a more holistic view of the actual performance achieved (Mashovic 2018). Analytically, the study adopts structural equation modelling to establish if there are significant correlates between (i) performance appraisal practices, managerial competencies and ROI, and (ii) performance appraisal practices, managerial competencies and innovation. The analytical approach employed here allows for the extraction of information from a range of measurements for each of the latent variables in the model. The adoption of subjective socio-emotional financial measures (ROI and innovation), as measures of firm performance, improves critical decision-making that is not only based on traditional measures.

The rest of the paper is structured as follows. Section 2 provides hypotheses development. This is followed by the research methodology in Section 3 and the results in Section 4. Sections 5 and 6 provide the discussion and conclusions, respectively.

2. Hypotheses Development

2.1. Performance Management and Performance Appraisal

Performance management, like other human resource management innovations, is an American import whose origins are controversial. The evaluation of performance can be traced back to the sixth day of God's creation process: "God saw all that he had made, and it was very good" (Genesis 1:31, NIV). Some literature (Smith and Goddard 2002; Andersen et al. 2006) pointed out that performance management has no mutually agreed definition and can mean different things to different people. An extensive literature review by Ates et al. (2013) posited performance management as a process that starts with strategy development which requires the development of vision, mission and values and the definition of business goals and objectives at corporate and individual or team levels. The process is an iterative closed-loop, aimed at managing and improving individual and corporate performance through continuous adaptation to the changing operating environment (Ates et al. 2013). For SMEs, such strategy formulation enhances performance (Majama and Magang 2017; Donkor et al. 2018), and so too are environmental factors (Nwachukwu et al. 2017).

Performance appraisal and performance management involve the evaluation of employees and are interchangeably used (McMahon 2013). However, it can be argued that performance management is more expansive than performance appraisal, as the former tends to be linked with developments in areas such as coaching, competency-based appraisal, 360-degree feedback, performance pay and (of late) employee engagement (McMahon 2013) and so performance appraisal, therefore, becomes relevant to the SMEs. Torrington et al. (2014) identified the following as characteristics of performance management systems. First, performance management systems have a top-down link between business objectives and individual objectives (performance appraisal, however, may not have objectives, or the objectives may not explicitly be linked to business objectives). Second, the sole purpose of performance appraisal is to measure performance, which is but one component of performance management. Lastly, performance management is line-manager owned and driven, rather than being owned by the human resource function, as typically is the case with performance appraisal. Thus, SMEs require sound performance appraisal practices in place to realise growth.

2.2. Performance Appraisal Methods

There are four common performance appraisal methods. The 360-degree feedback is one of the four commonly documented performance appraisal methods used by SMEs (Chen 2011), and it involves evaluation input from many levels within the enterprise,

as well as from external sources. This technique uses ratings from several people (such as superiors and their counterparts from other departments, customers or clients and consultants), and is useful because of the wider range of performance-related feedback that it offers compared to traditional evaluation techniques (Mckenna and Beech 2013). Based on multiple source evaluations, a manager will provide feedback to the appraisee, help them to understand their strengths or shortcomings, and provide suggestions on performance improvement. A 360-degree performance review provides objective feedback and assists in identifying perception gaps (the participants' view of their performance in contrast to the views of others) (Lewis et al. 2021). This review also provides opportunities for self-assessment, allowing for self-reflection. For SMEs, 360-degree feedback helps validate the objectivity of feedback the employee receives since the supervisor includes a range of viewpoints (Dashew 2007).

The second common performance appraisal method, the key process indication, is a tool for performance evaluation that analyses key parameters of a process's input and output through proper data taking and an analysis algorithm to provide a quantitative measure for assessing the performance appraisal (Chen 2011). This method breaks the main line of business into key performance areas and analyses the key areas before coming up with the key performance indication. Key process indication decomposes the company's long-term goals into detailed and specific objectives that can be implemented. The tool helps the managers to understand the main tasks of their divisions and to set up performance appraisal criteria based on those main tasks (Chen 2011). Exploring performance appraisal in SMEs thus becomes an interesting undertaking for such firms' performance and growth.

The Balanced Scorecard (Kaplan and Norton 1992; Chen 2011) is the third appraisal method and is mostly used by better-resourced enterprises. The Balanced Scorecard is a stakeholder's perspective focused on performance management issues and operates on the assumption that for an organisation to be successful, it must satisfy the requirements of key stakeholders: investors, customers and employees (Mckenna and Beech 2013). When fully implemented, it aligns everyone within an organisation so that all employees understand how and what they can do to support the strategy (Rompho 2011). It can be used to make compensation decisions and provide feedback to management regarding the feasibility of the strategy.

The Balanced Scorecard suggests that an organisation's performance can be viewed from four main perspectives: financial, customer, internal business process and learning and growth (Rompho 2011). The four perspectives are aligned to the enterprise's strategy and create a holistic model of its strategy, thereby allowing all employees to see how they can contribute to the success of the business. The use of the Balanced Scorecard in SMEs is significantly different from that in large organisations in that the duration of each step is much shorter in smaller organisations (Rompho 2011). However, little is known regarding Balanced Scorecard effectiveness in SMEs.

The fourth appraisal method, the Management by Objectives (MBO) (Chen 2011), sometimes called management by results or results management and a work planning and review programme (Byars and Rue 2011), stresses the link between individual performance and departmental performance. The method advances the notion that subordinates should play an active role in the appraisal process to achieve a degree of commitment to the achievement of targets (Mckenna and Beech 2013). Several requirements must be met if an MBO system is to be successful. Among them is that the objectives should be quantifiable and measurable; objectives should be challenging, yet achievable, and objectives should also be expressed in writing and in clear, concise, unambiguous language (Byars and Rue 2011). However, Yongping's (2013) study on the MBO system reported that the appraisals of corporate executives contain a large number of qualitative assessment indicators that lack objectivity and are, hence, difficult to measure. Further research on the effectiveness of performance appraisal in SMEs using this method is thus called for.

2.3. Managerial Competencies

Chandler and Jansen (1992) posited that to be effective, a manager must be competent in interpersonal, conceptual and political competencies. Interpersonal competencies (also known as people skills, i.e., soft, human or generic skills) comprise the ability and knowledge to work with people (Sidek and Mohamad 2014). They are alternatively labelled in literature as core skills, life skills, employability skills, transferable skills, generic capabilities, generic attributes, workplace competencies, or key competencies (Vučetić 2018; Young and Chapman 2010). These competencies include individual characteristics, such as motivation, communication skills, problem-solving, or conflict resolution skills, that allow one to cope with less programmed jobs and more generic job conditions (Gawrycka et al. 2020). Interpersonal competencies benefit small enterprises in that they allow for planning, coordination and trust (Robbins and Hunsaker 2006); capacitate proprietors to understand their employees and to appreciate what motivates them (Bateman and Snell 2009); and assist proprietors to be more contemplative and self-directed (Hager et al. 2002).

Conceptual competencies involve the mental capacity to organise all an enterprise's interests and activities, the tenacity to think out of the box through engaging new thought patterns, challenging the status quo, and allowing deviations from standard operating procedures (Chandler and Jansen 1992). Managerial conceptual competencies help in planning strategically for enterprises. These competencies allow managers to evaluate circumstances and recommend alternative courses of action. Good managerial conceptual skills are critical for top management, who mostly engage in strategic planning. They also help managerial professionals envision concepts, analyse potential challenges and design creative solution.

Pertaining to political competencies, Pfeffer (1981) was amongst the first pioneers to coin the term political skill within academic literature. Pfeffer (1981) holds that political skill is needed if organisations are to be successful. Political competence is the ability to appreciate situations within or beyond one's control; the capacity to determine the time needed to take action and the capability to observe who can repel one's agenda and whom to have on one's side (Bacharach 2006). It involves one's ability to augment their position, form a power base, establish requisite connections and maintain meaningful networks with individuals or organisations that control key resources and have critical skills and abilities (Bacharach 2006; Zarook et al. 2013). SMEs with higher-level political networks report significantly higher reinvestment rates (Zarook et al. 2013).

2.4. Performance Appraisal, Managerial Competencies and SME Performance

Studies linking performance appraisal, managerial competencies and SMEs performance are limited. The current study sought to close such a gap in the literature. This section reviewed the few studies on this subject matter. Studies available on performance management in SMEs (Zheng et al. 2009; Chen 2011; Wijetunge 2014) suggest that SMEs face difficulties in the practice of performance management. Yet, White (2008) and Biron et al. (2011) argued that performance management systems in SMEs can result in greater financial performance, increased employee productivity and more motivated employees. The important role of firm performance and performance management in SMEs' development and growth was also demonstrated in studies by Zindiye et al. (2012) in Zimbabwe and Umer (2012) in Pakistan. However, a recent study by Mashavira (2020) on the perceived impact of performance appraisal on the performance of SMEs in Zimbabwe established a very weak and statistically insignificant relationship between performance appraisal and firm performance as measured by ROI and innovation.

Managerial competencies have also been regarded as important in determining the performance of SMEs (Sidek and Mohamad 2014; Temtime and Pansiri 2006; Kyobe et al. 2015) showed that managerial competencies among SMEs owners/managers were among the factors that caused the failure of most of these enterprises. Similarly, Tarwirei's (2015) study on the impact of managerial competencies on SMEs' performance in South Africa found that better performance by the enterprises was linked to the business and technical

competencies of managers and that their ability to outperform competitors and increase productivity depended on the managers' interpersonal competencies.

Research linking performance appraisal practices and managerial competencies, or business performance focuses on large firms and there is limited research on this linkage for SMEs in the developing countries in Africa (Abraham et al. 2001; Pekkola et al. 2016; Aleem and Rahman 2018). The under-exploration of these relationships in a country such as South Africa, where the percentage of SMEs that fail in their fifth year is as high as 50% to 95%, and where about 75% of all new small enterprises fail to become established firms (Neneh and van Zyl 2012), calls for attention. There is an argument that conclusions emanating from developed countries may not be valid for emerging markets that are characterised by institutional voids (Luo and Chung 2012). A number of studies (De Massis et al. 2015; Chirico and Bau 2014) were done in developed countries with different contextual realities from those obtained in South Africa, where levels of managerial competencies and even the conceptualisation of SMEs differ significantly. In view of this, the current study is one of the pioneers to shed light on the nexus between managerial competencies, performance appraisal and the performance of SMEs in an African country. Consequently, we hypothesised that the implementation of performance appraisal practices and appropriate managerial competencies (interpersonal, conceptual and political) correlates positively with innovation among SMEs (Hypothesis 1). Because the current study adopts a hybrid approach to measuring the performance of SMEs that includes innovation and ROI, the second hypothesis was that the implementation of performance appraisal practices and appropriate managerial competencies by SMEs correlates positively with ROI (Hypothesis 2).

3. Research Methodology

3.1. Research Design and Approach

The study employed a structured direct survey design that involved the administration of structured questionnaires with closed-ended items (Malhotra et al. 2017). The survey method has the advantage that structured questionnaires are easily administered, and the data acquisition is consistent because the responses are limited to given responses (Malhotra et al. 2017). With closed-ended items, interaction with respondents is minimal and coding and analysis of data, and interpretation of results is simplified. Adopting controlled measurement which produces hard and reliable data afforded by quantitative research (Bryman and Bell 2015), is appropriate for this study since it allowed the use of statistical generalisation to relate findings to a larger population of SMEs (Wahyuni 2012).

3.2. Research Participants and Sampling Procedure

The study adopted convenience sampling given the lack of knowledge on the actual population size or lack of sampling frame (Creswell 2012). The sample had 105 participants. Research participants were drawn from Gauteng province, South Africa's main economic hub. Five zones were identified using the Gauteng Education Department Districts List (2017) and these were Ekurhuleni, Gauteng, Johannesburg, Sedibeng and Tshwane. Given the geographical spacing of the sampling units, two trained field workers and a research company (Research IQ, Marketing Research Consulting and Training) assisted with the distribution of the questionnaires. The use of trained field workers and a professional company was meant to reduce errors in data collection. Questionnaires were delivered to respondents to be collected later.

3.3. Research Instrument

The study used a structured questionnaire, and this instrument has the merit of being easily standardised, being cost effective and requiring little training of field workers (Bless et al. 2013). Closed-ended items on the structured questionnaire allowed for pre-coding of data for statistical analysis. Numerical values were assigned to Likert scale-type questions, restricted and dichotomous questions. The items allowed for measurement of performance appraisal practices, managerial competencies, ROI and innovation. Data on performance

appraisal methods used by owners/managers were as discussed in [Chen \(2011\)](#) and [Mckenna and Beech \(2013\)](#). Respondents indicated the extent to which they agreed with the statements assessing performance appraisal methods on a Likert scale, ranging from 1 (Not at all) to 5 (To a large extent). On items dealing with both managerial competencies and SME performance measures (innovation and ROI), participants showed their level of agreement, on a Likert scale, ranging from 1 (strongly disagree) to 5 (strongly agree).

3.4. Analytical Techniques

Descriptive statistics for the key socio-demographic characteristics of the respondents and SMEs characteristics were first computed. This was followed by Cronbach's alphas for the latent variables under consideration. Parameters for Confirmatory Factor Analysis for the measurement items of the latent variables were also calculated to assess the relevance of the items. Finally, the structural equation models, where ROI and innovation as separate endogenous outcomes, were employed to assess the influence of performance appraisal practices and managerial competencies on SME performance.

3.5. Validity and Reliability

To ensure content validity such that the measuring instrument provided adequate coverage of the investigative questions guiding the study ([Cooper and Schindler 2014](#)), questions were given to HR experts and experts in the SME field to be examined for bias, sequence and clarity. In addition, criteria for measuring the different constructs in the questionnaire were defined and scored in terms of literature. To correct for common method bias, more preventative procedural strategies were employed. These included a good research information coversheet, promising feedback to participants and improved scale item clarity, ([Hair et al. 2015](#)). We also used 7-point scales, 5-point scales and sometimes altered the anchors ([Griffiths et al. 2019](#)). Piloting was carried out on 40 SMEs excluded in the final study. Piloting was essential to remove possible flaws in the instrument ([Dikko 2016](#)). In terms of internal reliability, assessing the extent to which a measurement was devoid of random or unstable error ([Cooper and Schindler 2014](#)), the study employed Cronbach's alpha which is easily integrated into computer software when quantitatively analysing data ([Bryman and Bell 2015](#)).

3.6. Ethical Considerations

The Ethics Committee in the Faculty of Management, Central University of Technology in Free State (reference number 15/10/2015) approved the study and informed consent was obtained from all the respondents. Respondents were provided with the information leaflet about the study. To ensure the anonymity and confidentiality of respondents, no information that identified individuals participating in the study was collected.

4. Results

4.1. Firm Characteristics and Respondents' Socio-Demographics

The summary of the respondents' characteristics (Table 1) shows that seven in every ten respondents were males: almost four in every ten of these respondents were owners of the business in consideration and likewise, almost four in every ten were managers in the business. Sixty-one percent of the enterprises were non-family owned (NFOSME) and the remaining 39% were family-owned (FOSME). As expected for SMEs, about two-thirds of the enterprises did not have a designated Human Resources (HR) Department such that the Owner who doubles up as the manager (76%) or ordinary manager (10%) handled HR affairs. In some instances (8%), the accountants handled HR affairs. About 45% of the respondents were not related to the owner of the business, while about 42% were the owners of the business. Only 11% of the respondents were related to the owners of the business. In terms of the education level of the respondents, a substantial number had either secondary schooling (38%) or a diploma (45%). With respect to race, black Africans (56%) and Whites (25%) dominated the sample. In these SMEs, on average, four employees were related, SMEs had an average of

40 employees, had operated for an average of 14 years and the respondents' average age was 40 and they had been with the enterprise for an average of nine years.

Table 1. Respondent's socio-demographics and firm's characteristics.

Socio-Demographics/Characteristics			%	Sample (n)	
Gender	Male		70.48	105	
	Female		29.52		
	Total		100.00		
Position in company	Owner		39.05	105	
	Company Manager		39.05		
	HR Manager		6.67		
	Owner-manager		5.71		
	Other		9.52		
	Total		100.00		
Ownership	FOSME		38.83	103	
	NFOSME		61.17		
	Total		100.00		
Firm has HR department	Yes		33.65	104	
	No		66.35		
	Total		100.00		
Relationship to owner	Owner		42.72	103	
	Family member		11.65		
	Not related to owner		45.63		
	Total		100.00		
Who handles HR issues	Owner-manager		76.06	71	
	Manager		9.86		
	Personal Assistant		2.82		
	Accountant		8.45		
	Outsourcing		2.82		
	Total		100.00		
Education	Primary		0.96	104	
	Secondary		37.50		
	Diploma		45.19		
	Degree		13.46		
	Honours/Masters		1.92		
	Other		0.96		
	Total		100.00		
Race	Black African		56.19	105	
	White		24.76		
	Coloured		4.76		
	Indian		12.38		
	Other		1.90		
	Total		100.00		
Characteristics	Mean	Standard Deviation	Minimum	Maximum	Sample (n)
Related employees	4.26	5.86	1	36	39
No. employees	40.80	48.88	5	200	105
Operating period (years)	13.55	12.83	1	90	103
Respondent's age	40.06	13.12	1	98	99
Years in company	8.77	8.13	1	52	102

4.2. Measurements Reliability

To assess the relevance of the items for each latent variable, factor analysis was carried out to assess the factor loadings. Cronbach alphas were computed and as is shown in Table 2, all the variables had satisfactory alpha values (greater than the minimum 0.70). Parameters assessing the appropriateness of Confirmatory factor analysis are also reported in Table 2. For almost all the latent variables, two or more parameters satisfied the requirements suggesting that the models that used the measurement items for latent variables appropriately. Thus, the structural models employed the performance appraisal practices variable, two performance measures (Innovation and ROI) and three components of managerial competencies (i.e., interpersonal, conceptual and political competencies).

Table 2. Cronbach alphas and Confirmatory Factor Analysis parameters.

Latent Variable	Alpha Value	Confirmatory Factor Analysis Parameters		
		Chi2 (<i>p</i> -Value)	Root Mean Square Error of Approximation	Comparative Fit Index
Performance appraisal practices (Pap)	0.80	1.50 (0.47)	0.00	1.00
Innovation (Inn)	0.88	26.61 (0.00)	0.28	0.95
Return on Investment (ROI)	0.90	4.62 (0.10)	0.11	1.00
Interpersonal competence (Ic)	0.86	16.29 (0.13)	0.07	0.98
Conceptual competence (Cc)	0.92	281.34 (0.00)	0.10	0.87
Political competence (Pc)	0.80	19.46 (0.11)	0.07	0.97

Note: Alpha minimum value standard was 0.70; recommended Confirmatory Factor Analysis parameters: insignificant Chi2, recommended Root mean square error in approximation was 0.08, cut off value for comparative fit index was 0.90 or 0.95.

4.3. Innovation, Performance Appraisal Practices and Managerial Competencies

The identified items for each of the latent variables were highly significant (Table 3). Performance appraisal practices had four items. The items summarizing performance appraisal practices were the use of a grading system, employing cost-benefit analysis to keep employees, use of written records of critical incidents of favourable and unfavourable employee work actions and the ranking of employees. The four items significantly correlated with the performance appraisal practices variable in the structural model.

Innovation had six items that were summarised by the designing of new products in two consecutive years, initiating unique improvements to product features in two consecutive years and improving production processes in two consecutive years. All the six items were fundamental in measuring innovation in the SMEs and were statistically significant ($p < 0.001$).

Table 3. Influence of managerial competencies and performance appraisal on firm innovation.

Structural	Coefficient
Firm performance—Innovation (Inn):	
Managerial competencies (Mc)	0.99 ***
Performance appraisal practices (Pap)	0.09
Managerial competencies (Mc):	
Interpersonal competence (Ic)	0.72 ***
Conceptual competence (Cc)	−0.26
Political competence (Pc)	0.29
Measurement for Performance appraisal practices (Pap):	
Using a grading system when rating employees (gs)	0.76 ***
A cost and benefit analysis of keeping the employee (cb)	0.82 ***
Using a written record of critical incidents of favourable and highly unfavourable employee work actions (wr)	0.48 ***
Placing all employees from a group in rank order of overall performance (pe)	0.63 ***
Measurement for Innovation (Inn):	
Our firm designed new products in 2015 (in15)	0.65 ***
Our firm designed new products in 2016 (in16)	0.86 ***
Owner/managers initiated unique improvements to product features in 2015 (pf15)	0.61 ***
Owner/managers initiated unique improvements to product features in 2016 (pf16)	0.84 ***
Our firm improved its production processes in 2015 (pp15)	0.76 ***
Our firm improved its production processes in 2016 (pp16)	0.83 ***
Measurement for Interpersonal competencies (Ic):	
I communicate in a supportive way when employees share their problems with me (ic1)	0.81 ***
I motivate and energise others to do a better job (ic2)	0.68 ***
I make sure that employees at the business are provided with opportunities for personal development (ic3)	0.71 ***
I insist on intense hard work and high productivity from my subordinates (ic4)	0.64 ***
I make sure that sufficient attention is given to interpersonal relationships (ic5)	0.81 ***
I clarify to employees what is expected of them (ic6)	0.52 ***
I listen openly and attentively to others who give me ideas, even if I disagree (ic7)	0.68 ***
Measurement for conceptual competencies (Cc):	
I build cohesive, committed groups of people (cc1)	0.64 ***
I give employees, regular feedback about how they're doing (cc2)	0.67 ***
I articulate a clear vision of what can be accomplished in the future (cc3)	0.78 ***
I ensure that regular assessments occur at the business (cc4)	0.78 ***
I facilitate effective information sharing and problem-solving in the business (cc5)	0.72 ***
I keep close track of how units are performing (cc6)	0.76 ***
I establish ambitious goals that challenge employees to achieve performance levels above the standard (cc7)	0.66 ***
I regularly come up with new, creative ideas regarding processes and products for the business (cc8)	0.53 ***
I am always working to improve the processes we use to achieve our desired output (cc9)	0.64 ***
I push others to achieve world-class competitive performance in products (cc10)	0.50 ***
I try my best to be ethical in my business conduct (cc11)	0.53 ***
I make sure that we assess how well we are meeting our customers' expectations (cc12)	0.46 ***
I create a climate where employees want to achieve higher levels of performance than the competition (cc13)	0.55 ***
I facilitate a climate of continuous improvement at the business (cc14)	0.58 ***
I make certain that all employees are clear about our policies, values and objective (cc15)	0.49 ***
I routinely share information across functional boundaries at the business to facilitate coordination (cc16)	0.64 ***
I initiate cross-functional teams or task forces that focus on important issues (cc17)	0.75 ***
I have developed a clear strategy for helping the business successfully accomplish my vision of the future (cc18)	0.79 ***
I create an environment where creativity is rewarded (cc19)	0.65 ***
Measurement for political competencies (Pc):	
I involve customers in our evaluations (pc1)	0.65 ***
I delegate some tasks but still closely monitor their execution (pc2)	0.69 ***
I coordinate regularly with managers in other units at the business (pc3)	0.59 ***
I always monitor and adapt to the regulatory, political and economic environments (pc4)	0.39 ***
I am good at establishing the right connections with stakeholders like suppliers, financiers, politicians and customers (pc5)	0.76 ***
I have consistent and frequent personal contact with my external customers (pc6)	0.32 ***
I create an environment where involvement and participation in decisions are encouraged (pc7)	0.65 ***
I attend to corporate social responsibility concerns (pc8)	0.58 ***

Notes: Structural Equation Modelling; Estimation method was maximum likelihood; No. of observations = 95; The results and significance shown here are for the standardised solution; Iterative (100) applied to force concavity; *** $p < 0.001$.

All the seven items for interpersonal competencies were statistically significant. For the SMEs in the study, the owners/managers' interpersonal competencies were measured by supportive communication, ways of motivating, provision of personal development,

insisting on intense hard work, supporting interpersonal relations, clarifying what is expected of employees and listening to all staff members.

Conceptual competence was measured using a wide range of items and Table 3 shows that all were statistically significant ($p < 0.001$). It comprised cohesiveness, regular feedback, vision articulation, regular assessment, information sharing, tracking different units' performance, establishing ambitious goals, new and creative ideas, pushing for world-class competitive performance and ethical conduct. In addition, the measures included meeting customer expectations, a conducive climate for higher performance and continuous improvement, clear policies, information sharing across function boundaries, facilitating cross-functional teams, clear strategy and creativity rewarding.

The third component of managerial competencies was political competence. This comprises eight items, and all were statistically significant. Thus, a sound political competence was measured by allowing customer evaluations, task delegation, clear coordination with other units, adaptation to the political-economic environment, right connections with stakeholders, personal contact with external customers, encouraging the involvement of all in decision making, and attending to corporate social responsibility.

Interpersonal competence, conceptual competence and political competence were hypothesised to explain managerial competencies in SMEs. Only the Interpersonal competencies emerged as statistically significant ($p < 0.001$). In turn, managerial competencies and performance appraisal practices were assessed to check on their influence on firm performance in form of innovation. Managerial performance influenced firm performance and was statistically significant ($p < 0.001$). However, performance appraisal practices did not matter in explaining firm performance as measured by innovation. Figure A1 provides the Conceptual model for the results presented in Table 3.

4.4. ROI, Performance Appraisal Practices and Managerial Competencies

The study also employs ROI as another measure of firm performance and Table 4 provides the results of that analysis. As with Table 3, the latent variables (managerial competencies and performance appraisal) were used in the analysis.

Table 4. Influence of managerial competencies and performance appraisal practices on firm's ROI.

Structural	Coefficient
Firm performance—Return on Investment (ROI):	
Managerial competence (Mc)	0.64 ***
Performance appraisal practices (Pap)	0.03
Managerial competencies (Mc):	
Interpersonal competence (Ic)	0.84 ***
Conceptual competence (Cc)	0.12
Political competence (Pc)	−0.17
Measurement for Performance appraisal practices (Pap):	
Using a grading system when rating employees (gs)	0.77 ***
A cost and benefit analysis of keeping the employee (cb)	0.82 ***
Using a written record of critical incidents of favourable and highly unfavourable employee work actions (wr)	0.49 ***
Placing all employees from a group in rank order of overall performance (pe)	0.63 ***
Measurement for ROI:	
The firm posted net profits in 2015 (np15)	0.69 ***
The firm posted net profits in 2016 (np16)	0.56 ***
The firm's income outweighed expenditure in 2015 (ie15)	0.89 ***
This firm's income outweighed expenditure in 2016 (ie16)	0.86 ***
This firm's overall returns exceeded overall costs in 2015 (rc15)	0.91 ***
This firm's overall returns exceeded overall costs in 2016 (rc16)	0.88 ***

Table 4. Cont.

Structural	Coefficient
Measurement for Interpersonal competence (Ic):	
I communicate in a supportive way when employees share their problems with me (ic1)	0.80 ***
I motivate and energise others to do a better job (ic2)	0.72 ***
I make sure that employees at the business are provided with opportunities for personal development (ic3)	0.70 ***
I insist on intense hard work and high productivity from my subordinates (ic4)	0.64 ***
I make sure that sufficient attention is given to interpersonal relationships (ic5)	0.79 ***
I clarify to employees what is expected of them (ic6)	0.51 ***
I listen openly and attentively to others who give me ideas, even if I disagree (ic7)	0.68 ***
Measurement for conceptual competence (Cc):	
I build cohesive, committed groups of people (cc1)	0.65 ***
I give employees, regular feedback about how they're doing (cc2)	0.67 ***
I articulate a clear vision of what can be accomplished in the future (cc3)	0.76 ***
I ensure that regular assessments occur at the business (cc4)	0.76 ***
I facilitate effective information sharing and problem solving in the business (cc5)	0.72 ***
I keep close track of how units are performing (cc6)	0.75 ***
I establish ambitious goals that challenge employees to achieve performance levels above the standard (cc7)	0.65 ***
I regularly come up with new, creative ideas regarding processes and products for the business (cc8)	0.50 ***
I am always working to improve the processes we use to achieve our desired output (cc9)	0.62 ***
I push others to achieve world-class competitive performance in products (cc10)	0.47 ***
I try my best to be ethical in my business conduct (cc11)	0.56 ***
I make sure that we assess how well we are meeting our customers' expectations (cc12)	0.45 ***
I create a climate where employees want to achieve higher levels of performance than the competition (cc13)	0.55 ***
I facilitate a climate of continuous improvement at the business (cc14)	0.58 ***
I make certain that all employees are clear about our policies, values and objectives (cc15)	0.48 ***
I routinely share information across functional boundaries at the business to facilitate coordination (cc16)	0.62 ***
I initiate cross-functional teams or task forces that focus on important issues (cc17)	0.73 ***
I have developed a clear strategy for helping the business successfully accomplish my vision of the future (cc18)	0.77 ***
I create an environment where creativity is rewarded (cc19)	0.65 ***
Measurement for political competence (Pc):	
I involve customers in our evaluations (pc1)	0.64 ***
I delegate some tasks but still closely monitor their execution (pc2)	0.67 ***
I coordinate regularly with managers in other units at the business (pc3)	0.59 ***
I always monitor and adapt to the regulatory, political and economic environment (pc4)	0.38 ***
I am good at establishing the right connections with stakeholders like suppliers, financiers, politicians and customers (pc5)	0.76 ***
I have consistent and frequent personal contact with my external customers (pc6)	0.34 ***
I create an environment where involvement and participation in decisions are encouraged (pc7)	0.66 ***
I attend to corporate social responsibility concerns (pc8)	0.59 ***

Notes: Structural Equation Modelling; Estimation method was maximum likelihood; No. of observations = 94; The results and significance shown here are for the standardised solution; Iterative (100) applied to force concavity; *** $p < 0.001$.

Table 4 clearly shows that the items for performance appraisal practices, components of managerial competencies and ROI were all significant ($p < 0.001$). However, when assessing the significance of interpersonal, conceptual and political competencies as factors explaining managerial competencies, only the interpersonal competence was significant. In turn, managerial competencies statistically and significantly ($p < 0.001$) explained the ROI of the enterprises.

5. Discussion

While managerial competencies, as a latent variable, correlated significantly with both innovation and ROI (outcome variables), performance appraisal practices did not show any significant correlation with the variables. The insignificant performance appraisal practices finding in the current study differed from similar studies by [Aleem and Rahman \(2018\)](#), [Jamsari et al. \(2017\)](#) and [Nongmaithem and Kassa \(2016\)](#). These studies reported a positive association between performance appraisal practices and an enterprise's perceived business

performance. The fact that performance appraisal practices used by South African SMEs did not show any significant correlation with the two outcome variables could be attributed to overreliance on informal appraisal methods, which because of lack of documentation, may lead to a lack of accountability among employees. The other possible explanation is that some performance appraisal practices initially meant for large corporations were adopted by SMEs wholly; yet their contextual realities differed from the bigger companies. Cognisant of the fact that organisational settings between large companies and SMEs differ, and that these enterprises are not smaller versions of large firms, SMEs need support and cultivation to implement appropriate appraisal methods (Pekkola et al. 2016).

Regarding managerial competencies, it was the interpersonal competencies that explained managerial competencies in the current study. Yet, Ikupolati et al. (2017) established that conceptual competencies made entrepreneurs become more goal-driven and boosted their self-confidence. In addition, Katz (2009) observed that appreciating relationships (as afforded by conceptual skills) among a business's parts enabled entrepreneurs to act in ways that advance the overall welfare of the business. Similarly, having connections in the right places (afforded by political competencies) determines an entrepreneur's access to capital, business permits, raw materials and the prices for such (Hoffman and Lange 2016), yet the current study reported interpersonal competence as the only significant component in explaining managerial competencies.

The current study has five key limitations. First, SMEs suffer from poor record-keeping and informal operation leading to responses informed by individual memory as opposite to documented facts. Innovative methods of assessing performance appraisal practices, managerial competencies and the performance of SMEs that can address such challenges can be considered in the future. Second, data for the current study were collected cross-sectionally, although longitudinal data could also measure the variables under consideration and produce more nuanced results. Third, conceptualisations of SMEs differ from country to country and from industry to industry such that viewing SMEs as a homogenous lot is problematic. Abouzeedan (2011) emphasised the importance of a firm's age, size, location and business sector when categorising SMEs. Studies of this nature, when carried out at a larger scale, could allow for sub-group analysis of SMEs based on the age, size, location and business sector factors. Fourth, research participants were drawn from the Gauteng province, yet national studies could produce more robust results. Finally, it is worth noting that other methods of appraising employee performance, such as the assessment centre method, essay evaluation and paired comparison, among others, have lately been recommended for start-ups and small businesses (Roychoudhuri 2018). Future studies could consider the above-mentioned methods.

6. Conclusions

The study established that whereas managerial competencies correlated significantly with both innovation and ROI as measures of firm performance, performance appraisal practices did not show such correlation. The significance of managerial competencies was driven by the interpersonal competencies only and not by the other two competencies. Thus, people skills, including individual attributes such as personality traits, motivation and attitudes were instrumental among owners/managers in South African SMEs. South African SMEs failed to leverage their performance on the performance appraisal practices in use.

Author Contributions: Conceptualization, N.M., S.G. and C.C.; Formal analysis, S.G.; Funding acquisition, S.G. and C.C.; Investigation, N.M. and C.C.; Methodology, N.M. and S.G.; Project administration, N.M.; Supervision, C.C.; Writing—original draft, N.M.; Writing—review & editing, S.G. and C.C. All authors have read and agreed to the published version of the manuscript.

Funding: The Central University of Technology, South Africa funded data collection, and both the Central University of Technology, South Africa and the University of the Free State, South Africa funded the article processing charges.

Institutional Review Board Statement: The study was conducted according to the guidelines of the Declaration of Helsinki and approved by the Central University of Technology's (Bloemfontein) Faculty of Management Ethics Committee (Approval No: 15/10/2015).

Informed Consent Statement: Informed consent was obtained from all subjects in the study.

Data Availability Statement: Data are available and can be obtained from the authors upon request.

Acknowledgments: The researchers would like to thank the two research assistants—former HR students at Great Zimbabwe University, Zimbabwe, who assisted in data collection. A research company (Research IQ, Marketing Research Consulting and Training) also assisted in the distribution of questionnaires.

Conflicts of Interest: The authors declare no conflict of interest.

Appendix A

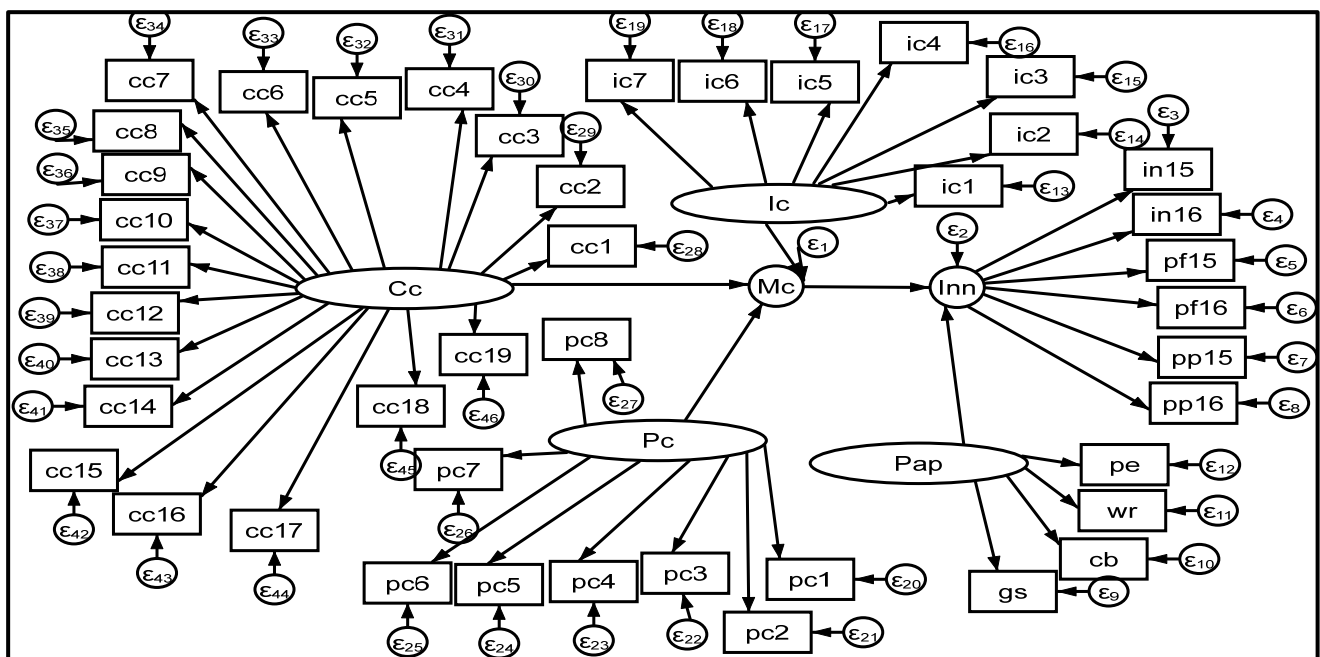


Figure A1. Structural Equation Model (SEM) conceptual framework for innovation as a measure of performance. Note: Definitions of the variable acronyms are provided in Table 3 in the text.

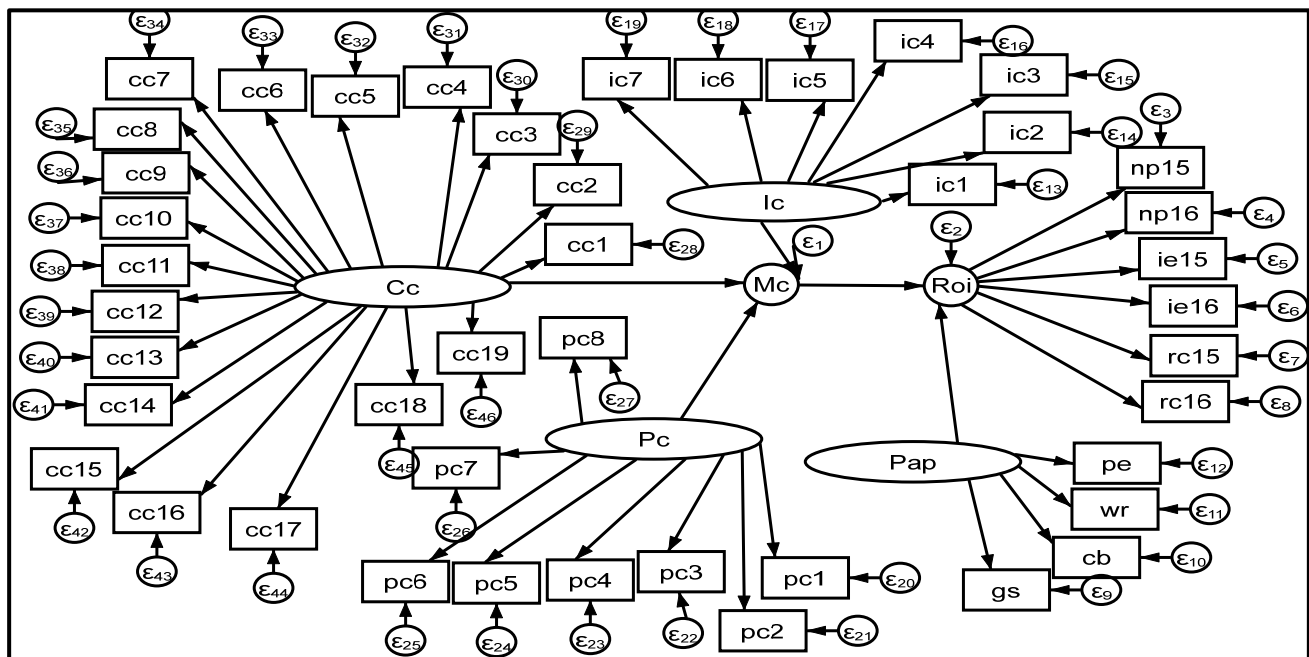


Figure A2. Structural Equation Model (SEM) conceptual framework for return on investment as a measure of performance. Note: Definitions of the variable acronyms are provided in Table 4 in the text.

References

- Abouzeedan, Adli. 2011. *SME Performance and Its Relationship to Innovation*. Linköping Studies in Science and Technology Dissertation No. 1364. Linköping: Department of Management and Engineering Sweden, Linköpings Universiteit.
- Abouzeid, Walid Aboubakar. 2018. *The Significance of Performance Evaluation and Appraisal on Employees in an Organisation*. Available online: https://jces.journals.ekb.eg/article_50788_bea38684a8f7dba0f9b928c35804de1d.pdf (accessed on 24 April 2022).
- Abraham, Steven E., Lanny A. Karns, Kenneth Shaw, and Manuel A. Mena. 2001. Managerial competencies and the managerial performance appraisal process. *Journal of Management Development* 20: 842–52. [CrossRef]
- Aggarwal, Ashima, and Gour Sundar Mitra Thakur. 2013. Techniques of performance appraisal—A review. *International Journal of Engineering and Advanced Technology* 2: 617–21.
- Aleem, M. Usman, and Mustaghis Rahman. 2018. HRM Practices and Their Impacts on the Perceived Performance of SME's Operating in Karachi. *Pakistan Business Review* 40: 390–402.
- Andersen, Bjorn, Bjornar Henriksen, and Wenche Aarseth. 2006. Holistic Performance Management: An Integrated Framework. *International Journal of Productivity and Performance Management* 55: 61–78. [CrossRef]
- Ardic, Oya Pinar, Nataliya Mylenko, and Valentina Saltane. 2011. *Small and Medium Enterprises—A Cross-Country Analysis with a New Data Set*. World Bank Policy Research Working Paper 5538. Washington, DC: World Bank.
- Ates, Aylin, Patrizia Garengo, Paola Cocca, and Umit Bititci. 2013. The Development of SME Managerial Practice for Effective Performance Management. *Journal of Small Business and Enterprise Development* 20: 28–54. [CrossRef]
- Bacharach, Samuel B. 2006. *Get Them on Your Side: Win Support, Convince Sceptics, and Get Results*. New York: Platinum Press.
- Bateman, Thomas S., and Scott Snell. 2009. *Management: Leading & Collaborating in a Competitive World*. New York: McGraw-Hill Education.
- Bhardwaj, Anand, and Bijender Kumar Punia. 2013. Managerial Competencies and Their Influence on Managerial Performance: A Literature Review. *International Journal of Advanced Research in Management and Social Science* 2: 70–84.
- Bhorat, Haroon, Zaakhr Asmal, Kezia Lilenstein, and Kirsten van der Zee. 2018. *SMMES in South Africa: Understanding the Constraints on Growth and Performance*. Development Policy Research Unit Working Paper 201802. Cape Town: DPRU, University of Cape Town.
- Biron, Michal, Farndale Elaine, and Jaap Paauwe. 2011. Performance Management Effectiveness.: Lessons from World-Leading Firms. *The International Journal of Human Resource Management* 22: 1294–1311. [CrossRef]
- Bititci, Umit, Paola Cocca, and Aylin Ates. 2015. Impact of Visual Performance Management Systems On The Performance Management Practices of Organisations. *International Journal of Production Research* 54: 1571–93. [CrossRef]
- Bless, Clair, Craig Higson-Smith, and Sello Levy Sithole. 2013. *Fundamentals Of Social Research Methods: An African Perspective*, 5th ed. Zambia: Juta, and Company Ltd.
- Bryman, Alan, and Emma Bell. 2015. *Business Research Methods*, 4th ed. Hong Kong: Oxford University Press.

- Bulog, Ivan, Ivona Jukic, and Dejan Kruzic. 2017. Managerial Skills: Does Family Ownership Make a Difference? Paper presented at 5th International OFEL Conference on Governance, Management and Entrepreneurship: The Paradoxes of Leadership and Governance in the Postmodern Society, Dubrovnik, Hrvatska, April 7–8.
- Byars, Leslie, and Lloyd Rue. 2011. *Human Resource Management*, 10th ed. New York: McGraw-Hill.
- Cant, Michael C., and Johannes A. Wiid. 2013. Establishing The Challenges Affecting South African SMEs. *International Business & Economics Research Journal* 12: 707–16.
- Chandler, Gaylen N., and Erik Jansen. 1992. The Founder's Self-Assessed Competence and Venture Performance. *Journal of Business Venturing* 7: 223–36. [CrossRef]
- Chatterjee, Aroop, Leo Czajka, and Amory Gethin. 2021. *Can Redistribution Keep Up with Inequality? Evidence from South Africa, 1993–2019*. World Inequality Lab, Working Paper N° 2021/20. World Inequality Lab. South Africa. Paris: Paris School of Economics.
- Chen, Se. 2011. An Empirical Study of Performance Management Systems in SMEs in the Republic of Ireland and the People's Republic of China. Unpublished Thesis, Galway-Mayo Institute of Technology, Galway, Ireland.
- Chinomona, Richard. 2013. Business Owner's Expertise, Employee Skills Training and Business Performance: A Small Business Perspective. *The Journal of Applied Business Research* 29: 1883–96. [CrossRef]
- Chirico, Francesco, and Massimo Bau. 2014. Is the Family an "Asset" or "Liability" for Firm Performance? The Moderating Role of Environmental Dynamism. *Journal of Small Business Management* 52: 210–25. [CrossRef]
- Cooper, Donald R., and Pamela S. Schindler. 2014. *Business Research Methods*, 12th ed. Boston: McGraw-Hill.
- Creswell, John W. 2012. *Qualitative Inquiry & Research Design: Choosing Among Five Approaches*, 4th ed. Thousand Oaks: Sage.
- Damanpour, Fariborz, and Shanthi Gopalakrishnan. 2001. The dynamics of the adoption of product and process innovations in organizations. *Journal of Management Studies* 38: 45–65. [CrossRef]
- Dashew, Leslie. 2007. *Performance Management Systems Should Include Family Employees*. Available online: http://www.lesliedashew.com/_assets/pdf/articles/performance-management-systems.pdf (accessed on 16 April 2016).
- De Massis, Alfredo, Josip Kotlar, Giovanna Campopiano, and Lucio Cassia. 2015. The Impact of Family Involvement on SMEs' Performance: Theory and Evidence. *Journal of Small Business Management* 53: 924–48. [CrossRef]
- Dikko, Maryam. 2016. Establishing Construct Validity and Reliability: Pilot testing of a Qualitative Interview for Research in Takaful (Islamic insurance). *Qualitative Report* 21: 521–28. [CrossRef]
- Donkor, Jacob, George Nana A. Donkor, and Collins Kwarteng. 2018. Strategic planning and performance of SMEs in Ghana: The moderating effect of market dynamism. *Asia Pacific Journal of Innovation and Entrepreneurship* 12: 62–76. [CrossRef]
- Fatoki, Olawale. 2014. The Impact of Managerial Competencies on the Performance of Immigrant-Owned Enterprises in South Africa. *Mediterranean Journal of Social Sciences* 5: 141–44. [CrossRef]
- Fatoki, Olawale. 2018. The Impact of Entrepreneurial Resilience on the Success of Small and Medium Enterprises in South Africa. *Sustainability* 10: 2527. [CrossRef]
- Frimpong, Charles Yeboah. 2013. SMEs as an Engine of Social and Economic Development in Africa. Available online: <https://www.modernghana.com/news/478225/1/smes-as-an-engine-of-social-and-economic-developme.html> (accessed on 2 November 2017).
- Gauteng Education Department Districts List. 2017. GDE-Districts-with-Contact-Persons-2. Available online: [aut2know.co.za\T1\guilsingright2017/11/T1\guilsingright](http://aut2know.co.za/T1\guilsingright2017/11/T1\guilsingright) (accessed on 10 November 2017).
- Gawrycka, Malgorzata, Justyna Kujawska, and Michael T. Tomcza. 2020. Competencies of Graduates as Future Labour Market Participants—Preliminary Study. *Journal Economic Research-Ekonomska Istraživanja* 33: 1095–107. [CrossRef]
- Griffiths, Oren, Lynette Roberts, and Josh Price. 2019. Desirable leadership attributes are preferentially associated with women: A quantitative study of gender and leadership roles in the Australian workforce. *Australian Journal of Management* 44: 32–49. [CrossRef]
- Hager, Paul, Susan Holland, and David Beckett. 2002. Enhancing the learning and employability of graduates: The role of generic skills. Paper presented at the Business/Higher Education Round Table, Melbourne, Victoria, Australia; Available online: <https://www.voced.edu.au/content/ngv%3A7241> (accessed on 24 March 2022).
- Hair, Joe F., Mary Wolfinbarger Jr., and Arthur H. Money. 2015. *Essentials of Business Research Methods*. New York: Routledge.
- Hoffman, Annete, and Paul Lange. 2016. Evidence from SMEs Coping and Growing in Fragile Settings. *CRU Report*. pp. 1–67. Available online: https://www.clingendael.org/pub/2016/growing_or_coping/ (accessed on 2 January 2019).
- Ikupolati, Alexander O., Mercy M. Adeyeye, Emmanuel O. Oni, M. A. Olatunle, and M. Obafunmi. 2017. Entrepreneur's Managerial Skills: A Determinant of Growth of Small and Medium Enterprises (SMEs) in Nigeria. *Journal of Small Business and Entrepreneurship Development* 5: 1–6.
- Jamsari, Bin Atan, Nik Hasnaa Nik Mahmood, and Santhi Raghavan. 2017. The Determinant of Employee Job Performance: Incorporating Malaysian SME's Experience on Recruitment. *Medwell Journals, The Social Sciences* 12: 39–42.
- Kaplan, Robert S., and David P. Norton. 1992. The Balanced Scorecard: Measures that Drive Performance. *Harvard Business Review* 70: 71–79. [PubMed]
- Kathiravan, M., V. Saikumari, and V. Sunitha. 2017. Convergence in Effective Performance Appraisal System Technique: Foster Employee Involvement and Organizational Commitment, Evidence from Indian SMEs. *Asian Journal of Research in Banking and Finance* 7: 87–110. [CrossRef]

- Katua, Ngui Thomas. 2014. The Role of SMEs in Employment Creation and Economic Growth in Selected Countries. *International Journal of Education and Research* 2: 461–72.
- Katz, Robert L. 2009. *Skills of an Effective Administrator*, 2nd ed. Boston: Harvard Business School Publishing.
- Kirsten, Elize, Frans Vermaak, and Hendrik Wolmarans. 2015. Performance Measurement in Small and Medium Enterprises: South African Accountants' View. *Journal of Economic and Financial Sciences* 8: 13–34. [CrossRef]
- Kotey, Bernice, and Peter Slade. 2005. Formal Human Resource Management Practices in Small Growing Firms. *Journal of Small Business Management* 43: 16–40. [CrossRef]
- Kyobe, Michael, Ester Namirembe, and Mzwandile Shongwe. 2015. The Alignment of Information Technology Applications with Nontechnological Competencies of SMEs In Africa, Developing Countries. *The Electronic Journal of Information Systems* 65: 1–22.
- Lewis, Gemma K., Belinda Williams, Stephen Allen, Beverly Goldfarb, Kevin Lyall, Rose Kling, and Peta Statham. 2021. Developing an evaluation tool to provide a 360-degree reflection on work-integrated learning in accounting education. *Accounting Education* 30: 601–20. [CrossRef]
- Ling, Tang Cheng, and Aizzat Mohd Nasurdin. 2010. Human Resource Management Practices And Organizational Innovation: An Empirical Study In Malaysia. *The Journal of Applied Business Research* 26: 105–16. [CrossRef]
- Luo, Xiaowei, and Chi Nien Chung. 2012. Filling or Abusing the Institutional Void? Ownership and Management Control of Public Family Businesses in An Emerging Market. *Organization Science* 24: 591–613. [CrossRef]
- Mabhungu, Isaac, and Breggie van der Poll. 2017. A Review of Critical Success Factors Which Drives the Performance of Micro, Small and Medium Enterprises. *International Journal of Business and Management* 12: 151–64. [CrossRef]
- Majama, Nomsa Sisi, and Tebogo Magang. 2017. Strategic planning in small and medium enterprises (SMEs): A case study of Botswana SMEs. *Journal of Management and Strategy* 8: 74–103. [CrossRef]
- Malhotra, Naresh, Dan Nunan, and David Birks. 2017. *Marketing Research: An Applied Approach*, 5th ed. New York: Pearson Education Limited.
- Manzoor, Faiza, Longbao Wei, and Mahwish Siraj. 2021. Small and medium-sized enterprises and economic growth in Pakistan: An ARDL bounds cointegration approach. *Heliyon* 7: e06340. [CrossRef]
- Mashavira, Nhamo. 2020. The perceived impact of performance appraisal on the performance of small-to-medium-sized enterprises in Zimbabwe. *Acta Commercii* 20: a888. [CrossRef]
- Mashovic, Azemina. 2018. Key financial and nonfinancial measures for performance evaluation of foreign subsidiaries. *Journal of Contemporary Economic and Business Issues* 5: 63–74.
- Masroor, Nida, and Asim Muhammad. 2019. SMEs in the Contemporary Era of Global Competition. *Procedia Computer Science* 158: 632–41. [CrossRef]
- Mckenna, Eugene, and Nic Beech. 2013. *Human Resource Management: A Concise Approach*, 3rd ed. London: Prentice Hall.
- McMahon, Gerard. 2013. Performance management in human resource management. In *Human Resource Management*. Edited by Ronan Carbery and Christine Cross. Dublin: Palgrave Macmillan, pp. 769–87.
- Narware, Prashant C. 2011. Human Resource Management in Small Scale Pharmaceutical Industry in Madhya Pradesh. *International Journal of Enterprise Computing and Business Systems* 1: 1–13.
- Neneh, N. Brownhilder, and Johan H. van Zyl. 2012. Achieving Optimal Business Performance through Business Practices: Evidence from SMEs in Selected Areas in South Africa. *Southern African Business Review* 16: 118–44.
- Noe, Raymond A., John. R. Hollenbeck, Barry Gerhart, and Patrick M. Wright. 2010. *Human Resource Management: Gaining a Competitive Advantage*, 7th ed. New York: Mcgraw Hill.
- Nongmaithem, Robindro Singh, and Biniam Kassa. 2016. The Impact of Human Resource Management Practice on Organizational Performance—A Study on Debre Brehan University. *International Journal of Recent Advances in Organizational Behaviour and Decision Sciences* 1: 643–62.
- Nwachukwu, Chijioke, Helena Chladkova, and Olaunji Fadeyi. 2017. Strategy formulation process and innovation performance nexus. *International Journal for Quality Research* 12: 147–64.
- O'Regan, Nicolas, Martin A. Sims, and David Galleary. 2008. Leaders, Loungers, Laggards: The Strategic Planning Environment Performance Relationship Revisited In Manufacturing SMEs. *Journal Of Manufacturing Technology Management* 19: 6–21. [CrossRef]
- Patel, Pankaj C., and Melissa S. Cardon. 2010. Adopting HRM Practices and Their Effectiveness in Small Firms Facing Product-market Competition, Human Resource Management. *Wiley Periodicals* 49: 265–90.
- Pekkola, Sanna, Minna Saunila, and Hannu Rantanen. 2016. Performance measurement system implementation in a turbulent operating environment. *International Journal of Productivity and Performance Management* 65: 947–58. [CrossRef]
- Pfeffer, Jeffrey. 1981. *Power in Organizations*. Boston: Pitman.
- Robbins, Stephen P., and Phillip Hunsaker. 2006. *Training in Interpersonal Skills: Tips for Managing People at Work*. Upper Saddle River: Prentice-Hall.
- Rompho, Nopadol. 2011. Why the Balanced Scorecard Fails in SMEs: A Case Study. *International Journal of Business and Management* 6: 39–46. [CrossRef]
- Roychoudhuri, Utpal. 2018. *Performance Appraisal Methods for Startups & Small Businesses*. Available online: <https://www.sumhr.com/top-performance-appraisal-methods-startups-small-businesses> (accessed on 14 June 2019).

- Sabiu, Malam Salihu, Kabiru Jinjiri Ringim, Tang Swee Mei, and Mohd Joarder. 2019. Relationship between human resource management practices, ethical climates and organizational performance, the missing link. *PSU Research Review, Emerald Publishing Limited* 3: 50–69. [CrossRef]
- Sidek, Syamsuriana, and Mohdosli R. Mohamad. 2014. Managerial competencies and small business growth: Empirical evidence from microfinance participants. *International Journal of Management Studies* 21: 39–59. [CrossRef]
- Smith, Peter C., and Maria Goddard. 2002. Performance Management and Operational Research: A Marriage Made in Heaven? *The Journal of the Operational Research Society* 53: 247–55. [CrossRef]
- Statistics South Africa. 2021. Quarterly Labour Force Survey (QLFS)—Q3:2021. Available online: <http://www.statssa.gov.za/?p=12948> (accessed on 8 January 2022).
- Tahiri, Alberta, Idriz Kovaci, and Avni Krasniqi. 2021. Appraisal of Human Resource Management, Performance Management and Employee Performance by SME Managers in Kosovo. *International Journal of Economics and Business Administration* IX: 292–302. [CrossRef]
- Tarwirei, Madya Bryan. 2015. The Impact of Managerial Competencies on the Performance of SMEs in the Buffalo City Municipality. Ph.D. dissertation, University of Fort Hare, Alice, South Africa.
- Temtime, Zelealem T., and Jalon Pansiri. 2006. Perceived Managerial Problems in SMEs: Evidence from Botswana, Development And Learning in Organizations. *An International Journal* 20: 15–17.
- Torrington, Derek, Laura Hall, and Stephen Taylor. 2014. *Human Resource Management*, 9th ed. London: Pearson Education Limited.
- Umer, Muhammad. 2012. Human Resource Management Theory and Practices in Small and Medium-Sized Enterprises (SMEs) and Enterprises Performance in Pakistan. *Global Journal of Management and Business Research* 12: 28–44.
- Vučetić, Aleska Š. 2018. Differences in Perception of The Importance of Generic Competencies Among Destination Regions. *Economic Research-Ekonomska Istraživanja* 31: 1240–57. [CrossRef]
- Wahyuni, Dina. 2012. The Research Design Maze: Understanding Paradigms, Cases, Methods and Methodologies. *Jamar* 10: 69–80.
- White, Mathew. 2008. *Performance Management Systems and Their Effectiveness in SME's in The North West of Ireland: A Case Study*. Sligo: MBA, Institute of Technology.
- Wickramasinghe, Vathsala. 2016. Performance management in medium-sized enterprises. *Performance Improvement Quarterly* 29: 307–31. [CrossRef]
- Wijetunge, Weepani S. 2014. Strategic Planning Practices of Manufacturing Small and Medium Scale Enterprises in Sri Lanka: An Empirical Study. *Global Journal of Commerce & Management Perspective* 3: 102–9.
- World Bank. 2021. Small and Medium Enterprises (SMEs) Finance: Improving SMEs' Access to Finance and Finding Innovative Solutions to Unlock Sources of Capital. Available online: [https://www.worldbank.org/en/topic/smefinance#:~:text=SMEs%20account%20for%20the%20majority,\(GDP\)%20in%20emerging%20economies](https://www.worldbank.org/en/topic/smefinance#:~:text=SMEs%20account%20for%20the%20majority,(GDP)%20in%20emerging%20economies) (accessed on 27 April 2022).
- Yang, Zhensan, Lan Xia, and Cheng Zhe. 2017. Performance of Chinese hotel segment markets: Efficiencies measure based on both endogenous and exogenous factors. *Journal of Hospitality & Tourism Management* 32: 12–23.
- Yongping, Que. 2013. Research on the Performance Evaluation of the SME Administrative Staff. *Research Journal of Applied Sciences, Engineering and Technology* 6: 2891–98. [CrossRef]
- Young, Jolee, and Elaine Chapman. 2010. Generic Competency Frameworks: A Brief Historical Overview. *Education Research and Perspectives* 37: 1–24.
- Zarook, Tarek, Mohammad Rahman, and Rasheda Khanam. 2013. Management skills and accessing to finance: Evidence from Libya's SMEs. *International Journal of Business and Social Science* 4: 106–15.
- Zheng, Connie, Grant O'Neill, and Mark Morrison. 2009. Enhancing Chinese SME performance through innovative HR practices. *Personnel Review* 38: 175–94. [CrossRef]
- Zindiye, Stanilous, Norman Chilya, and Reginald Masocha. 2012. The Impact of Government and other Institutions' Support on the Performance of Small and Medium Enterprises in the Manufacturing Sector in Harare, Zimbabwe. *International Journal of Business Management and Economic Research* 3: 655–67.