Exploring the Development Strategies of Rural Small, Medium and Micro Enterprises[1]

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Abstract

Purpose: While the product-market typology model seems to be best understood and widely embraced by large corporates, it is less noticeable among many small businesses. This article adopts the aforementioned framework to identify and empirically analyze impactful strategies on various measures of growth associated with rural Small, Medium and Micro Enterprises (SMMEs) in South Africa.

Methodology: Using data from a survey of a probability sample of 148 owner-managed small businesses, Exploratory Factor Analysis test was conducted to test for internal scale consistency of the data. In the analysis: six predictor variables formed the growth strategies, while growth measures comprised three variables, then fitted into a prepared regression model.

Results: The regression model reveals the use and implementation of market penetration and pricing strategies which have a positive and significant impact on the SMME's growth. Findings further suggest that – while the gender of the owner-manager has no influence on the growth of the SMMEs – immigrant SMMEs seem to perform better compared to ventures owned by other race categories. Overall growth of SMMEs is generally more driven by customer base, competitive advantage, and customer satisfaction.

Implications: The implication for rural SMMEs amid the uncertainties and challenges in the developing economies, is that certain strategies act as a catalyst for growth and performance. The findings may be used to develop policies that promote entrepreneurship in South Africa and other developing countries.

Originality/value: The paper's unique contribution is that virtually no study yet attempted to apply the product-market typology model holistically to investigate its influence on the growth of rural SMMEs in a developing country.

Keywords: developing country, financial measures, growth plan, non-financial measures, product--market strategy, small business ventures

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Introduction

Growth is an important measure for business success and critical to employment and wealth creation, while contributing significantly to a country's wealth (Alemayehu and Vuuren, 2017; Lazányi, 2014; Neneh and Vanzyl, 2014). By itself, growth is critical among SMMEs whose strategic significance in noted not only in the South African (SA) economic structure, but around the world (Asare et al., 2015; Department of Trade and Industry (DTI), 2013; Frentzen and Rampadarios, 2013; Love and Roper 2013; Mitchelmore and Rowley, 2013; Statistics South Africa, 2015; Ramukumba, 2014; Wang, 2016). Despite their significance, some studies and reports (Choi and Lim, 2017; Mahmood and Hanafi, 2013; Olawale and Garwe, 2010; Wang, 2016) observe that SMMEs are confronted with several obstacles that impede their growth. However, the ubiquity of SMMEs makes it very important for their owners or managers to have a good knowledge of how they can grow, market, and run their ventures successfully, but also compete with some of the larger businesses. This means that there is need for entrepreneurs to adopt strategic approaches in order to grow and survive in this ever more volatile economy.

Small, Medium, and Micro Enterprises (SMMEs) are well researched and most empirical studies in the literature support the ideology of Ansoff's matrix. For example, Haron (2015) finds that market and product development strategies are the most recommended and suitable growth strategies for SMMEs. Consistent with this, Anyanga and Nyamita (2016) find that product development strategy is the major strategy that enterprises adopt in the identification of new markets for their new and existing products. They argue that this strategy is implemented to target specific market segments. Therefore, decision-makers must accept such strategies if they strive to remain competitive. Santarelli and Tran (2016) reiterate that diversification of products and services across boundaries is vital for growth and development. In a study on growth and planning strategies in women-led SMEs, Mitchelmore and Rowley (2013) find that improving existing products or services was the most preferred business growth strategy. Wanjiru and Gongera (2015) ascertain that market penetration, market development, product development, and diversification strategies positively influence the performance of SMEs. Likewise, Alkasim, Hilman and Bohari (2017) list market penetration, market development, and product development as influencers of SME performance. Other strategies that have been adopted by SMMEs include pricing and expanding advertising and promotion (Mitchelmore and Rowley, 2013), along with acquisitions and the quality, service, and strong relationships with suppliers and key partners (Frentzen and Lampadarios, 2016).

With increasing competition and dynamic market economies, many SMMEs in SA and other countries emphasize understanding better how they can improve their performance (Dubihlela and Sandada, 2014). However, some researchers (Mahembe, 2011; Miller and Cardinal, 2011; Weber, Geneste and Connell, 2015; Welsch, Price and Stoica, 2013) argue that having clear strategies among SMMEs that seek growth and pay considerable attention to creating strategies is generally but a mirage. Thus, SMMEs that seek success must consider designing strategies (Zandi et al., 2013; Veseli, Aziri and Veseli, 2012), since comprehensive reviews of extant research on SMMEs sometimes reveal positive linkages between the use of specific strategies and performance (Alkasim et al., 2017; Miller and Cardinal, 2011; Mitchelmore and Rowley, 2013; Nzewi, Nzewi and Moneme, 2015). Furthermore, there is considerable evidence that businesses with a strong strategy outperform businesses without one (Miller and Cardinal, 2011).

Despite their contributions and performances, SMMEs typically respond to events as they unfold, which in the long run may not be beneficial to their businesses. In essence, SMMEs are concerned with survival rather than growth (Choto, Tengeh and Iwu, 2014; Welsch et al., 2013). To support the sustained development of SMMEs, they should determine which strategies matter the most. There are several studies on entrepreneurship development and sustainability in SA and beyond (Anyanga and Nyamita, 2016; Asare et al., 2015; Azari, Madsen and Moen, 2017; Baporikar and Deshpande, 2015; Mitchelmore and Rowley, 2013; Choto et al., 2014; Ifekwen and Adedamola, 2016; Neneh and Vanzyl, 2014). However, we notice that little rigorous research sought to ascertain the impact of the product-market typology strategies on the growth of SMMEs. Therefore, the major research question addressed in this paper is: Which growth strategies could boost the growth of rural SMMEs?

Research Problem

Global statistics indicate that the discontinuance rate among SA businesses still remains high (Global Entrepreneurship Monitor 2015–2016 Report), with another report estimating that 80% of SMMEs fail in their first year of existence (Small Enterprise Development Agency, SEDA, 2012). Scholars attribute these results to various constraints, including poor management skills, a lack of planning, improper financing, cash flow management, and a lack of adequate training and education (Mbonyane and Ladzani, 2011; Fanta, 2016). Recently, the South African government enacted pro-SMMEs policies to spur their growth. However, the sustainability of entrepreneurial ventures is lagging in rural regions, and the policies have no effect on the 'poor' majority

(Mukwarami and Tengeh, 2017). Generally, the SMMEs' functions are localized in specific regions (Singh, Garg and Deshmukh, 2008), which pay little attention to developing and implementing strategies (Veseli et al., 2012). Persistent unproductivity, stagnation, and even decline are the issues that require urgent redress. Weber et al. (2015) argue that less attention is paid to how growth occurs in businesses, since most of entrepreneurs misconstrue the approaches they use in the pursuit of "success" as a direct reference to growth. It is believed that for SMMEs to attain significant growth, they must have appropriate business strategies, processes, and innovation programs. Given the lack of "suitable" growth strategies among rural entrepreneurs in SA, we must evaluate the strategies adopted and determine how they may be applied by SMMEs to stimulate growth in South Africa's rural areas.

This paper reports on the findings of a study aimed to ascertain growth strategies adopted by SMMEs and explore the relationship between the strategies and growth of SMMEs.

Literature Review

Growth Strategy: Underlying Theory

While the product-market typology model seems to be most widely embraced by big corporations, it seems less noticeable among the myriad of small businesses (Loucks, Martens and Cho, 2010). Theories applicable to large organizations are not always adaptable to small businesses, which they can rarely explain (Machado, 2016). This article argues that business strategy, especially the product-market matrix, should be examined to explain SMMEs strategies (Haron, 2015; Johnson, Scholes and Whittington, 2008), as it is purely from a small business perspective. The product-market growth strategy counts among firms' development strategies and focuses on the firm's present and potential products and markets (Johnson et al., 2008; Veseli et al., 2012). The product-market development perspective considers ways to grow a business through existing products, new products, existing markets, and new markets. This perspective implies that there are four possible business performance strategies or product-market combinations, namely, market penetration, market development, product development, and diversification (Alkasim et al., 2017). Every business begins with existing products and existing markets and has the possibility of developing new products for existing markets, bring its existing products into new markets, or branch out into new markets with new products. The major concern about this framework is the strategic decisions that firms' face when considering widening the range of products or entering new markets. Most SMMEs do not pursue all four strategies postulated by Ansoff (2008),

but mostly only the (one) product development strategy (Anyanga and Nyamita, 2016; Haron, 2015; Mitchelmore and Rowley, 2013), while Alkasim et al. (2017) study the three strategies against market penetration, market development, and product development. Thus, we assume that the product-market development framework may assist SMMEs in appraising each of the growth strategies and, in turn, assessing which one is likely to result in the best possible return. Therefore, this matrix unambiguously considers growth possibilities, as growth is not optional for any business that wants to remain relevant in a dynamic market. Therefore, we seek to evaluate the strategies of most favorable growth for rural SMMEs.

In light of the above, we propose a "holistic" conceptual model (approach) with four strategies as antecedents of firm growth (Figure 1). The independent variables include product development, market penetration, market development, and diversification, while the dependent variable is growth; measured in relation to perceived competitive edge, market share, profitability, customer base, productivity and customer satisfaction (Sethibe and Steyn, 2016). The relationship between these variables is mediated by factors such as prevailing economic conditions, government policies, and political environment.

Research Hypotheses

Despite a considerable amount of literature on entrepreneurship and small business ventures, there is still much knowledge to be developed in strategies for growth and development and how these are associated with business performance (Mitchelmore and Rowley, 2013). This study addresses the strategies for growth (Haron, 2015) among rural SMMEs and their growth nexus. Research (e.g. Johnson et al., 2008) foregrounds the importance of product development strategy, which requires increasing the share in existing markets by proposing new and improved products. The strategy is adopted either to prolong the life cycle of current products or to take advantage of a favorable reputation or brand name. This means that, for example, satisfied customers are attracted to new products as a result of their positive experience with the business's initial offering (Haron, 2015). In turn, this can enable SMMEs to grow from an established core activity to more complex business ventures. Since there happens a modification of existing products or the formation of new but related products, Pearce and Robinson (2008) assert that creativity in marketing and being adaptive in communications strategy is critical to reaching customers. Extant literature on SMMEs and strategic management conceptualizes the relationship between product development and SMME growth (Alkasim, 2017). For example, Anyanga and Nyamita (2016) assess the growth strategies adopted by SMEs and established product development to be their chief

strategy. In a similar work using Ansoff's matrix, Wanjiru and Gongera (2015) establish the positive influence on the SMMEs performance. Mitchelmore and Rowley (2013) find that the improvement of existing products or services is the most preferred business growth strategy among women-led SMMEs. In the light of the above, we hypothesize that:

H1. There is a positive and significant impact of product development strategy on SMME growth in rural areas.

In essence, market penetration requires that SMMEs try to gain an increased share of existing markets with existing products (Alkasim et al., 2017; Johnson et al., 2008), as they penetrate deeper into the market to capture its larger share (Uko and Ayatse, 2014). The above strategy relies on aggressive promotional activities of present products in markets, in which their products are already being sold, which helps the SMMEs to increase sales (Alkasim et al., 2017; DuBrin, 2006). Strategies mostly employed by marketers to achieve market penetration include charges reduction, advertisement increase, product replacement, or innovative distribution tactics (Li and Dimitratos, 2014). However, competition is a major factor that constrains the success of this strategy among SMMEs. For example, the owner of a firm can easily persuade customers to switch to their product by advertising the product and using promotions or price incentives. Accordingly, firms may pursue market penetration by identifying and promoting alternative uses of existing products in the current markets with minimal modification, while striving to overtake the market share of their competitors (Allen and Helms, 2006). A study by Ayupp and Tudin (2013) of the Malysian food processing industry finds that the majority of firms adopt a market penetration strategy to achieve business growth, since most perceive it to be low-risk and easily executable. Uko and Ayatse (2014) concluded that the aforementioned is the most appropriate strategy for Nigeria's SMMEs, and it can be applied in various fields so as to enable firms to effectively analyze new ways of achieving growth (Alkasim, 2017). However, this strategy needs business owners to be careful and selective about which markets to enter or exit, addressing both geographical and niche advantages. On the other hand, this strategy is criticized by others, because most businesses regard it difficult in implementation, as it requires large investments of money and time (Allen and Helms, 2006). Thus we hypothesize that:

H2. There is a positive and significant impact of market penetration strategy on SMME growth in rural areas.

Market development strategy has been suggested as a way of increasing an SMME's market share by offering its existing products to new markets (Veseli et al., 2012). This strategy helps gain more sales of current products to potential and new customers (Leitner, 2014), although issues of credibility and expectations may appear as businesses attempt to enter new markets or segments (Chen and Yu, 2012). Small businesses that adopt this strategy can concentrate on opening additional geographic markets through regional, national, and international expansion in compliance with relevant legal frameworks of these markets. Chen and Yu further argue that – apart from the different legal frameworks – there also appear varied social cultural settings that must be managed for the business to effectively develop a new market for its products. This strategy seems difficult in implementation by SMMEs, as it requires various legal authorizations. However, by complying, small businesses can better respond to market dynamics (Zou et al., 2010). In order to explore the above relationships, we postulate that:

> **H3.** There is a positive and significant impact of market development strategy on SMME growth in rural areas.

The favorable economic environment encourages SMEs to cooperate with other businesses through diversification strategies (Alemayehu and Van Vuuren, 2017), whereby SMMEs offer new products to new markets (Ansoff, 2008; Johnson et al., 2008). This strategy is complex in implementation (Veseli et al., 2012), since a business enters markets in which it has little or no experience. Moreover, the business requires both product and market development which may be outside of the firm's core competencies. Only companies that are leaders in their core business and have capabilities needed for success in the new industries are likely to use this strategy (Ansoff, 2008). Moreover, Muzammal, Ehtasham and Sajid (2014) caution that – although diversified firms have a larger leverage – they are more risk-prone as opposed to specialized firms. Diversification helps a business leverage its brand image, product, and service experience to enter new markets (Jiang, Wang and Hsu, 2014). This helps them in achieving the economies of scale, thereby generating synergistic effects for the overall operation of firms (Patrick, 2012). Increased business performance is associated with the occurrence of diversification (Chen and Yu, 2011). SMMEs diversify their products to exploit the economies of scale in various resources, including tangible and intangible resources. In order to explore the above with respect to rural SMMEs, we postulate that:

> **H4.** There is a positive and significant impact of diversification strategy on SMME growth in rural areas.

Figure 1 summarizes the hypotheses.

Figure 1. Conceptual framework
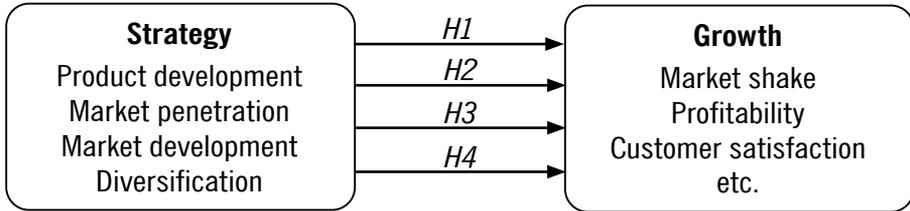
Source: own elaboration.

Business growth and performance

The performance construct is innate, and scholars always treat it implicitly (Luoma, 2015), while the nexus between a firm's strategy and performance is thoroughly explored in scholarship, both theoretically and empirically, yet with varied results. For example, a study by Vorhies, Morgan and Autry (2009, p. 1089) on 270 transportation technical services companies examines different strategy approaches and the firms' cash flow to find that marketing competences enable the realization of product-market strategy, which leads to increased market and financial performance. Sohail and Alashban (2009) recognize that the export marketing strategy and product characteristics are the significant determinants of export performance among SMMEs in Saudi Arabia. Others find product development strategy to have a positive and strong effect on entrepreneurial performance among hi-tech SMMEs (Ramli, 2016), suggesting that effective SMMEs follow product development as opposed to market development strategy. Fantazy and Salem (2016) concur with the above by suggesting that new product development flexibility has a direct positive association with performance. Moreover, others ascertain that business diversification positively impacts South African construction company performance (Oyewobi, Windapo and Catell, 2013), which further demonstrates that a business with diversified products or services realizes a higher profit margin. However, diversification can be beneficial if it remains within the scope of the firm (Singh, Gaur and Schmid, 2010). While examining the influence of strategic orientation on the performance of manufacturing SMMEs in Ethiopia, Buli (2017) concludes that strategic orientation has a positive influence on the business performance of small businesses.

The above studies clearly show that strategy is a key issue in growth and performance of SMMEs. Hence, this study explores the link between adopted strategies and SMME development in South Africa's rural context.

Measurements of Growth in an average SMME

The expansion of an enterprise from a small to large firm – but also from a weak to a strong business to achieve a certain performance level – may be called growth (Mao, 2009). Growth measures have been called essential to the strategy advancement of SMMEs (Singh et al., 2008; Abdallah, 2017; Matchaba-Hove, Farrington and Sharp, 2015). Singh et al. (2008) contend that – with an effective growth measurement model – there happens managerial and SMME owner development. However, there was never a consensus on how to measure performance in SMMEs (Simpson, Padmore and Newman, 2012), due to the lack of universality of existing measures (Gerba and Viswanadham, 2016; Mutonyi and Gyau, 2013). The above researchers further assert that numerous methods can be applied as long as they concur and are reliably checked from the organization's context. The growth and performance of a business can be expressed as a percentage of output to input. Small business growth may imply a firm's success in the market, but it may have different outcomes (Chittithaworn, Islam, Keawchana and Yusuf, 2011). In the current study, business growth constitutes both financial pointers; namely, profit, market share (Blackburn, Hart and Wainwright, 2013; Simpson et al., 2012; Sethibe and Steyn, 2016), and "subjective measures" like customer satisfaction (Buli, 2017; Chong, 2008). Singh et al. (2008, p. 535) observe that SMMEs mostly use subjective and self-reporting measures of performance, because the majority of SMMEs are privately owned and – as such – it is highly doubtful that the owners or managers will be willing to provide detailed accounting data about their business. Some researchers (Chong, 2008; Gerba and Viswanadham, 2016) assert that a "hybrid approach" is sometimes used to evaluate their performance against predetermined goals and time. Chong (2008) reports that – in service and manufacturing sectors – owners--managers of SMEs use both financial and non-financial measures to assess growth/performance. Maduekwe and Kamala's (2016) study reveals that although financial methods are more frequently used in South Africa, the surveyed SMMEs measure their performance with both financial and non-financial means. Baird (2017) reckons that there is considerable evidence that organizations combine varied non-financial performance measures. Matsotso and Benedict's (2014) study among SMMEs in the supply chain management reports the use of non-financial dimensions to measure performance. SMMEs have traditionally been known to employ both financial and non-financial measurement indicators, including the element of time (Abdallah, 2017). Due to the multidimensionality of performance in SMMEs, it some suggest that diverse

parameters can be used to measure SMME growth or outcome (Blackburn et al., 2013; Rosli, 2011) to eliminate any shortcomings that could be inherent to a single measure. In light of the above, this study evaluates SMME growth in relation to market share, profitability, and customer satisfaction in the rural South African context.

Materials and Methods

Procedure, Sample, and Sampling

This study follows a positivist research philosophy, which is deductive and quantitative in its approach and uses a cross-sectional survey design (Cooper and Schindler, 2008). Cresswell (2014) argues that a cross-sectional survey design is an appropriate plan to understand the facts of a research investigation while enabling the collection of mass numerical data to provide factual descriptive information. The research population consisted of all SMME entrepreneurs in a rural town in the Eastern Cape Province, South Africa. According to the SEDA (2016) report, the estimated number of registered SMMEs in the entire Eastern Cape Province is 197,366, out of which 50,670 are formal, 141,739 informal, and 4,957 uncategorized. Furthermore, the report shows that 9,754 SMMEs reside in the study district, out of which 234 reside in the rural area. These statistics include all business sectors; namely, manufacturing (8.8%), retail (13%), agriculture (8.8%), and services (12.7%). Therefore, the unit of analysis was all rural SMMEs registered with SEDA. Stratification was applied to group businesses in the above sectors and, then, simple random sampling was used to select the SMME owners and managers to achieve adequate representation in different sub-sectors relevant to the study (Bryman and Bell, 2015). We selected owners or business managers, because they could best answer about the issues related to their particular businesses; hence the validity of their perceptual measures. The sample was estimated using Mugenda and Mugenda's (2003) formula:

$$n = N \div (\{1 + N\ ([e]]\ ^2\})$$

in which n = sample size when population is <10 000, N = estimated population size, and e = precision level (at 0.95 confidence level), which resulted in a sample size of 148.

Prior to primary data collection, we conducted consistency checks for the survey through pre-testing of the questionnaire among ten SMME owners (Saunders and Lewis, 2012) – randomly selected and not part of the final sample – to guarantee the internal consistency of their responses to the final instrument (Sekaran and Bougie, 2016). One researcher and a trained local research assistant who was a former graduate

student from a local university collected the primary data from May to August 2017. Although – in some instances – interviews were conducted when respondents were unable to read or write, the main method of data collection was distributing and collecting the questionnaire on agreed dates. Each data collector was provided with an official letter issued by the student's education institution to be presented to respondents in order to ensure good response rates, participation, and data reliability (Asare et al., 2015; Zou, Chen and Ghauri, 2010). A total of 148 questionnaires were collected, which effected in the actual response rate of 63% out of 234 SMMEs.

Questionnaire Structure, Variables, and Data Quality Checks

The measures of each research construct in the conceptual model were adapted and modified from previous related studies on the product-market typology matrix's facets (Ansoff, 1965; 2008), keeping in mind that they needed to reflect the local SMME research context. Similar studies that measure growth strategies include Alkasim et al. (2017); Anyanga and Nyamita (2016); Azari et al. (2017); Chen and Yu (2011); Kamau (2013); Miller and Cardinal (2011); Muzammal, Ehtasham and Sajid (2014); Nzewi et al. (2015); Patrick (2012); and Wanjiru and Gongera (2015). On the other hand, this study conceptualizes growth in terms of profitability, market share, customer base, competitive advantage, customer satisfaction, and business efficiency. These measures are extensively studied in earlier strategic management and entrepreneurship studies (Anyanga and Nyamita, 2016; Bill, 2015; Miller and Cardinal, 2011; Zou et al., 2010). The questionnaire was semi-structured and comprised sections with five-point Likert scale, in which for growth strategies 1 = strongly disagree and 5 = strongly agree, while for growth measures 5 = very good and 1 = very poor. Open-ended items were also included.

Scale Reliability and Validity Testing

The initial validity and accuracy of the measures was ensured by discussing the questionnaire with business management experts before its finalization. Furthermore, to enable an understanding of the structure of the variables – and since this study had multiple factorial measures for study constructs – Exploratory Factor Analysis (EFA; see Tables 1, 2, and 3) was conducted to test the instrument items validity (Field and Miles, 2010). Before continuing with EFA, it was necessary to evaluate whether items on the questionnaire were factorable or not. As such, this study employed the Kaiser-Meyer-Olkin (KMO) measure of sampling adequacy and Bartlett's test of sphericity to decide on the factorability of the research data. The KMO for the dimensions of growth strategies (0.7) and growth measures (0.9) was high, while the Bartlett's tests

were highly significant (p<0.001), which confirmed sufficient correlation among the variables to allow factor analysis (Field and Miles, 2010). On the other hand, Cronbach's coefficient alphas were calculated to assess the instrument's reliability measures, in which a value of 0.7 was accepted as the base measure of internal consistency (Sekaran and Bougie, 2016). The outcome of reliability analyses showed that the scales for strategies with 18 items had an alpha score of 0.804, while strategies with 16 items – that measured growth – was 0.924. Therefore, it was concluded that the scales were fairly reliable, since all Cronbach alphas exceeded 0.7 (Sekaran and Bougie, 2016).

Table 1. Truncated Eigenvalues of the growth strategies and growth measures in the rural areas

GROWTH STRATEGIES				GROWTH MEASURES			
Component	Rotation Sums of Squared Loadings			Component	Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %		Total	% of Variance	Cumulative %
1	3.045	16.916	16.916	1	6.015	37.593	37.593
2	2.374	13.186	30.102	2	2.448	15.303	52.897
3	2.182	12.121	42.224	3	2.121	13.254	66.151
4	2.099	11.661	53.885				
5	1.170	6.500	60.384				

Source: own elaboration.

Table 1 illustrates that the five (5) growth strategies in the rural areas were identified as strategy 1 to 5, in which strategy 1 contributed much of the total variance explained: about 16.196%. The least contributor was strategy 5, which contributed to about 6.5% of the total variance explained. On the other hand, the measures of growth in the rural areas were identified as measure 1 to 3, with measure 1 contributing much of the total variance (37.593%) and measure 3 contributing about 13.254% of the total variance explained. The results of the principal component analysis (PCA) appear in Tables 2 and 3.

Tables 2 and 3 indicate that all the scale items fit into their respective factor, while the included standardized factor loadings had factor loading equal to or higher than 0.4, with load not higher than one factor (Field and Miles, 2010). Most of factor loadings were also reasonably above the level of 0.5 mark, as suggested by Hair et al. (2010),

thus allowing an easier interpretation of the factors. After the factorial analysis – and since the conceptual model for the study consisted of four predictor variables, which met the desired level of up to 20 observations for each variable – multiple regression analysis was employed in the study (Hair et al., 2010). Linear models were prepared, and their effects were explored.

Table 2. Varimax factor rotation loadings on growth strategies

Variable	Scale Items	Factor loading
Market development	▪ The firm engaged customers' prospects along with the competition in the marketplace for success.	.767
	▪ Marketing is as important as (production, financing, distribution, profit) in determining the success of the firm.	.745
	▪ The firm always provides better services or products, thus increasing customer expectations of the growing competition.	.727
	▪ The firm perceives their customers as long-term partners.	.677
	▪ We secure customer satisfaction with high quality product service, thereby providing value for their money.	.628
Diversification	▪ The firm used a diversification strategy to widen the firm scope across different products and market share.	.831
	▪ The firm gained greater opportunities to leverage strategic resources while simultaneously diversifying market risk, thus raising their performance.	.745
	▪ The firm used a diversification strategy to widen its scope across different products and market share.	.709
	▪ Product extension in market development significantly affected the firm's growth positively.	.600
Pricing	▪ The firm's lower prices lead to higher demand.	.803
	▪ The firm uses promotions to increase sales.	.619
	▪ The firm's price to customers has a way of retaining them, but also attracting other potential customers by networking through pricing.	.599
	▪ The firm competes in rating prices in the market to win customers.	.540
Market penetration	▪ The firm expanded its products or services to various market segments.	.834
	▪ The enterprise penetrated deeper into the market to capture a larger share of the markets.	.806
	▪ The firm invented new products in the last three years.	.539
	▪ The firm achieved high growth by identifying markets for new products.	.488
Product development	▪ The firm targets a specific group of people with its products.	.914

Source: own elaboration.

Table 3. Varimax factor rotation loadings on the growth measures

Variable	Scale items	Factor loading
Customer satisfaction	▪ Business's quality products or service led to higher customer satisfaction and loyalty.	.817
	▪ We receive many customers through referrals.	.791
	▪ We saw better performance in terms of response to our customers.	.775
	▪ Our employee commitment ensures effective business performance.	.773
	▪ The level of customer satisfaction is higher.	.770
	▪ We retained a considerable number of customers.	.731
	▪ We acquired new customers.	.727
	▪ The firm has a large number of customers because it accepts all demographics.	.699
	▪ The firm has responded to future opportunities by embracing innovation.	.661
	▪ Customer satisfaction is secured through high quality products and services.	.626
Profitability	▪ The firm's profit improved.	.771
	▪ Business assets doubled.	.667
	▪ The firm's assets enable the enterprise to expand sales opportunities.	.660
Market share	▪ The firm expanded to other areas by opening up branches.	.789
	▪ The firm serves or sells to customers beyond the O.R. Tambo district.	.649
	▪ The firm has a strong brand recognition.	.621

Source: own elaboration.

Ethical considerations

In the conduct of this research, all norms and standards expected of a researcher were followed prior to embarking on the research process (Sekaran and Bougie, 2016). All parties involved in the research were made aware of their basic rights, which were protected during the entire research process. For example, before the respondents were invited to participate in the study, the purpose and nature of the study was explained, and their consent was sought prior to their participation in the study. They were also informed of the confidentiality of their responses. Hence, adequate measures were taken to protect the confidentiality and anonymity of the participants and any promise made to the participants was kept.

Research Findings

The majority of the SMMEs operated as partnerships, accounting for over 42% of sample. Most of the businesses (41.22%) were in operation for 1–5 years, and the sample comprised ventures from different sectors, including manufacturing (12.16%), agriculture (15.54%), service (15.54%) and wholesale (20.95%); as reflected in Table 4. Regarding the age of the respondents, the highest responding age group among respondents was between 31 and 40 (29.1%), followed closely by those aged 18 and 30 (25%), while those aged between 41 and 50 were 16.2%. Other studies (such as Khosa and Kalitanyi, 2014; Mitchelmore and Rowley, 2013; Ngota, Mang'unyi and Rajkaran, 2018) note that the above are the most entrepreneurially active age groups. Overall, the respondents were highly educated, with 37.2% having a degree and higher qualification and the majority of the SMMEs were mainly operated by women (56.8%).

Table 4. Sample descriptors

Variable	N	Percent
Gender		
Female	84	56.76
Male	64	43.24
Age group		
18–30	37	25.00
31–40	43	29.05
41–50	24	16.22
51–60	25	16.89
60+	17	11.49
Education level		
Matriculation	34	22.97
Certificate	30	20.27
Diploma	29	19.59
Degree	37	24.7
Postgraduate	18	12.16
Number of years in business		
1–5	61	41.22
6–10	45	30.41
11–15	24	16.22

16–20	8	5.41
20+	10	6.76
Business sector		
Retail	16	10.81
Manufacturing	18	12.16
Service	23	15.54
Agriculture	23	15.54
Wholesale	31	20.95
Other	37	25.00
Type of business ownership		
Sole trader	58	39.19
Private company	28	18.92
Partnership	62	41.89

Source: own elaboration.

Preferred Strategies by SMMEs to Keep Operating or Thrive

Table 5 reflects the bivariate correlation analysis results for all variables conducted to measure and investigate statistical association, in particular between individual growth strategies and each growth measure.

Table 5. Correlation between growth strategies and respective growth outcome/consequences

(a) Profitability

```
           |   gprof rprod_~v rmkt_pen rpricing  rdivers rmkt_dev    rqcos
-----------+-------------------------------------------------------------
     gprof |  1.0000
 rprod_dev | -0.0955   1.0000
  rmkt_pen |  0.2149  -0.1833   1.0000
  rpricing |  0.0148  -0.1377   0.2493   1.0000
   rdivers | -0.0069  -0.1205   0.3997   0.0325   1.0000
  rmkt_dev | -0.0801  -0.1054   0.3558   0.3821   0.3099   1.0000
     rqcos | -0.0949  -0.0909   0.1823   0.4926   0.1222   0.6334   1.0000
```

(b) Market share

```
            | gmkt_s~e rprod_~v rmkt_pen rpricing  rdivers rmkt_dev    rqcos
------------+------------------------------------------------------------------
gmkt_share |   1.0000
  rprod_dev |  -0.0422   1.0000
   rmkt_pen |   0.1017  -0.1833   1.0000
   rpricing |   0.0366  -0.1377   0.2493   1.0000
    rdivers |  -0.0093  -0.1205   0.3997   0.0325   1.0000
   rmkt_dev |   0.0073  -0.1054   0.3558   0.3821   0.3099   1.0000
      rqcos |   0.1438  -0.0909   0.1823   0.4926   0.1222   0.6334   1.0000
```

(c) Customer base

```
            | gcus_b~e rprod_~v rmkt_pen rpricing  rdivers rmkt_dev    rqcos
------------+------------------------------------------------------------------
  gcus_base |   1.0000
  rprod_dev |  -0.1142   1.0000
   rmkt_pen |   0.0284  -0.1833   1.0000
   rpricing |   0.1931  -0.1377   0.2493   1.0000
    rdivers |  -0.2340  -0.1205   0.3997   0.0325   1.0000
   rmkt_dev |   0.0183  -0.1054   0.3558   0.3821   0.3099   1.0000
      rqcos |   0.0883  -0.0909   0.1823   0.4926   0.1222   0.6334   1.0000
```

(d) Competitive advantage

```
            | gcomp_~v rprod_~v rmkt_pen rpricing  rdivers rmkt_dev    rqcos
------------+------------------------------------------------------------------
  gcomp_adv |   1.0000
  rprod_dev |  -0.1107   1.0000
   rmkt_pen |   0.0094  -0.1833   1.0000
   rpricing |   0.0448  -0.1377   0.2493   1.0000
    rdivers |  -0.0605  -0.1205   0.3997   0.0325   1.0000
   rmkt_dev |   0.0555  -0.1054   0.3558   0.3821   0.3099   1.0000
      rqcos |   0.0562  -0.0909   0.1823   0.4926   0.1222   0.6334   1.0000
```

(e) Satisfaction

```
            | gsatis~n rprod_~v rmkt_pen rpricing  rdivers rmkt_dev    rqcos
------------+------------------------------------------------------------------
gsatisfact~n |   1.0000
  rprod_dev |  -0.1114   1.0000
   rmkt_pen |   0.0558  -0.1796   1.0000
   rpricing |   0.1608  -0.1352   0.2480   1.0000
    rdivers |  -0.2625  -0.1249   0.4031   0.0357   1.0000
   rmkt_dev |   0.1013  -0.1008   0.3524   0.3813   0.3124   1.0000
      rqcos |   0.2004  -0.0772   0.1725   0.4967   0.1319   0.6339   1.0000
```

Source: own elaboration.

Table 5 shows a significant positive correlation ($r = 0.215$) between profitability and market penetration, and pricing ($r = 0.015$); between market share and market penetration ($r = 0.102$), and pricing ($r = 0.037$); between customer base and market penetration ($r = 0.028$), and pricing ($r = 0.193$); between competitive advantage and market penetration ($r = 0.009$), and pricing ($r = 0.045$); and between customer satisfaction and market penetration ($r = 0.056$) and pricing ($r = 0.161$). These results are all significant at the 5% level. Furthermore, we used the composite score of growth measures and correlated this with each growth strategy to establish the correlations. The results demonstrated that a relationship exists between market penetration strategy and overall business growth ($r = 0.115$), but also between pricing and overall business growth ($r = 0.109$). These results suggest that – in the context of this study – there is a relationship particularly between the two growth strategies; namely, market penetration and pricing and the general growth measures of SMMEs.

Regression between each Measure of Growth and the Strategies Employed by the SMMEs

Next, we ran a set of ordinary least squares (OLS) regressions to test how individual measures of growth are influenced by the strategy and how strategies impact the composite growth measure score. To minimize the confounding effects of the demographic variables, we included them as controls. The regression results are presented in Table 6.

Table 6. The influence of growth strategies

Variables		Coef. (β)	Sig.
Independent →	Dependent		
Product development	Profitability	-.101	0.425
Market penetration		.389	0.004**
Pricing		.031	0.840
Diversification		-.095	0.387
Market development		-.185	0.296
Quality of service		-.134	0.529
Product development	Market share	-.0309	0.784
Market penetration		.173	0.150
Pricing		-.086	0.532
Diversification		-.047	0.635

|			
Market development		-.228	0.152
Quality of service		.414	0.031**
Product development		-.150	0.200
Market penetration		.104	0.402
Pricing	Customer base	.225	0.115
Diversification		-.309	0.003**
Market development		-.017	0.916
Quality of service		.048	0.808
Product development		-.144	0.209
Market penetration		.002	0.984
Pricing	Competitive advantage	-.001	0.992
Diversification		-.097	0.334
Market development		.079	0.621
Quality of service		.030	0.876
Product development		-.152	0.184
Market penetration		.171	0.161
Pricing	Customer satisfaction	.029	0.833
Diversification		-.396	0.000***
Market development		.042	0.794
Quality of service		.322	0.105
Product development		-.004	0.239
Market penetration		.007	0.079
Pricing	Composite (combined) growth	.001	0.807
Diversification		-.007	0.027**
Market development		-.002	0.672
Quality of service		.006	0.372

Source: own elaboration.

Table 6 shows that market penetration has a positive and significant effect on profitability (- = .389, p < 0.05), while market penetration strategy positively – although not significantly – affects combined SMME growth (- = .007). The above results support H2, which implies that SMME tend to prefer market penetration strategy. Similarly, the quality of service had a positive and significant effect on market share (- = .414, p < 0.05). On the other hand, diversification strategy had a negative but significant effect on the customer base (- = -.309) and on customer satisfaction (- = -.396, p < 0.001).

In the same vein, diversification strategy negatively impacted combined business growth ($- = -.007$, $p < 0.05$). The above results suggest that diversification strategy contributes negatively to the SMME's growth, thus H4 is not confirmed. Moreover, the study made evident that the quality of service positively affects market share ($- = .414$, $p < 0.05$). However, H1 and H3 were not confirmed in this study.

A test of significant difference by gender on SMME growth revealed that the gender of the owner-manager has no influence on the growth of the SMMEs as shown in Figure 2.

Figure 2. Business growth by gender
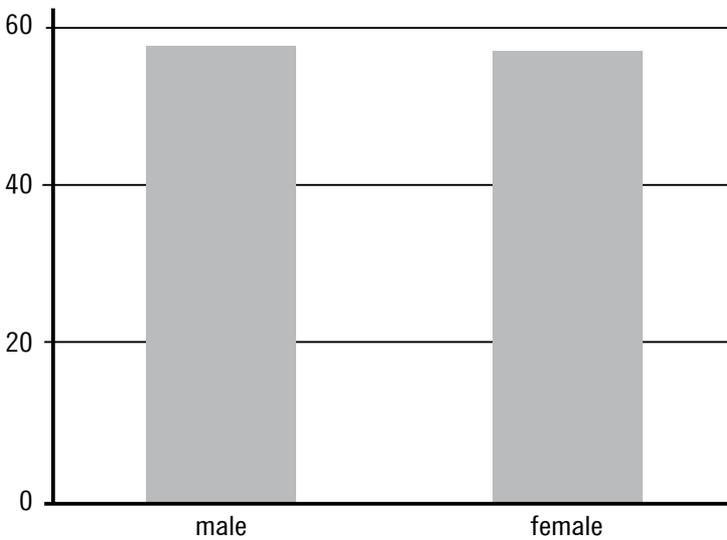
Source: own elaboration.

Contribution of Individual Growth Measures on Overall SMME Growth

The Radar plot (Figure 3), shows how individual measures of growth contribute to the overall SMME growth.

Figure 3. The contribution of individual growth measure to the overall growth of SMMEs

Correlation between Growth and its Components
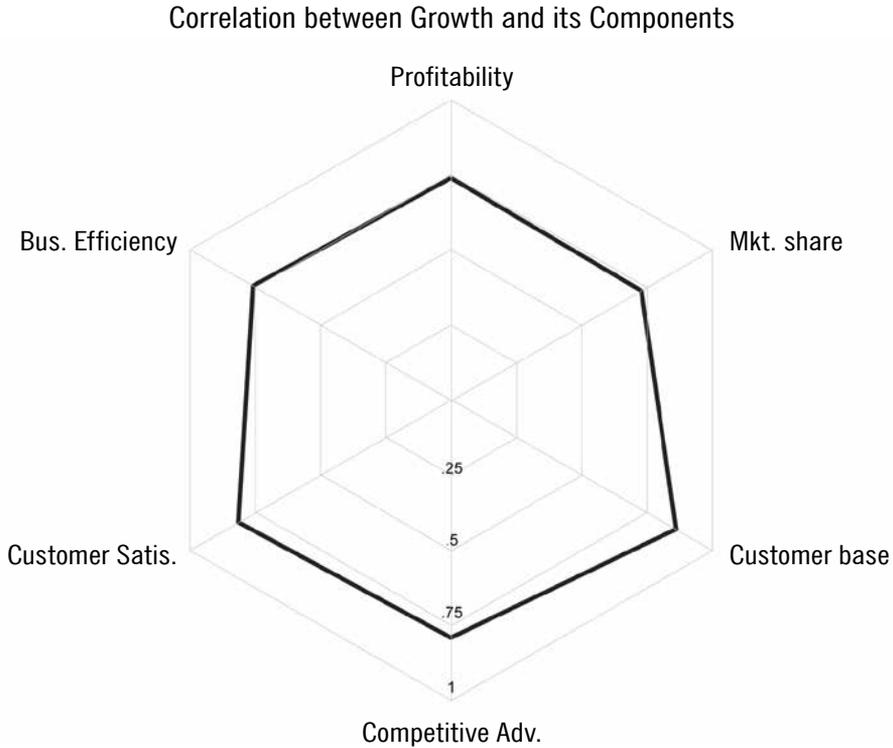
Source: author's own calculation, based on primary dataset (2017).

Figure 3 illustrates that the overall growth of SMMEs is generally more driven by customer base, competitive advantage, and customer satisfaction.

Discussion

This study investigates the SMMEs growth strategies based on the product-market framework. The results confirm that SMMEs in a developing (rural) geospatial context, such as South Africa, are comparable with their counterparts in developed economies in terms of strategies adopted. However, growth is possible only when SMMEs can embrace a strategy that resonates and provides best fit with their current operating environment while not overlooking their capabilities and resources (Mitchelmore, Rowley and Shiu, 2014). As Shah, Nazir and Naman (2013) contend, the selection of a particular strategy may vary from venture to venture in terms of its firm suitability, surrounding, and context.

The correlation results show that market penetration and pricing strategies are positive and significantly linked with the overall growth of SMMEs. The findings reveal that the surveyed entrepreneurs perceive the aforementioned strategies as important indicators to improve growth. However, we found that market penetration strategy positively and statistically significantly impact only profitability and further positively affecting SMME growth. Market penetration strategy is a viable choice, in which sufficient growth is likely in existing markets and products. We found that strategy helps SMMEs increase their customer base and profits (Shah et al., 2013). Moreover, we ascertained that the quality of service positively and significantly affects market share. Thus, quality service increases an SMME's long-term survival and growth. Market share and quality are intertwined, thus help to maintain long-term relationships, which makes them a good growth strategy for SMMEs (Kotler and Gertner, 2002). For example, a recent study by Ebitu (2016) in Nigeria reveals that product quality as a strategy significantly impacts the profitability and market share of SMEs. Ebitu (2016) recommends that SMEs should invest more in quality, as it is the key selling point for products and services, while it enhances long-term firm-customer relationships, thus increasing a firm's market base. It is now apparent that only market penetration strategy influences SMME profitability and overall growth. This is contrary to what some researchers (Alkasim et al., 2017) argue, namely that market penetration strategy must be adopted cautiously, especially when determining which markets to enter or exit, taking full cognizance of geographic locations (Ayupp and Tudin, 2013; Uko and Ayatse, 2014). Thus, regardless of their inherent disadvantages, SMMEs in South Africa can use market penetration strategy as a way to attain viability and growth.

Moreover, we ascertained that a diversification strategy negatively impacted the customer base and satisfaction and the general SMME growth. Although the strategy was proclaimed to promote market and customer expansion, it seems to have implications for rural SMMEs in South Africa in general and in the study area in particular, since they are characterized by inadequate resources, and the strategy's implementation could deplete the scarce resources, leading to the SMMEs stagnation or collapse. The above results are not surprising, since it can be explained that this strategy is also dependent on the prevailing economic environment, which in most cases must be favorable (Alemayehu and Van Vuuren, 2017). The environment of the surveyed SMMEs is not favorable. Moreover, we found many SMMEs to specialize in certain products or services, hence their strategy may have not been favorable for their business growth (Muzammal et al., 2014). A streamlined business environment in which SMMEs operate will bring benefits and opportunities to every entrepreneur while enabling their businesses to thrive (Rocha, n.d.).

Interestingly, this study did not confirm the influence of product development and market development strategies on SMME growth, which contradicts the results of some earlier studies (Anyanga and Nyamita, 2016; Mitchelmore and Rowley, 2013). This key finding indicates that – although entrepreneurs want to grow their businesses through the above strategies – what prevents them from doing so is the lack of creativity in marketing, promotional tools, and adaptability in communication strategy (Robinson, 2008). SMMEs can grow by increasing sales and adding new products and services (Leitner, 2014; Veseli et al., 2012). For example, the proposal of new and improved products may extend current products life cycle, which will improve the reputation of the SMME or its brand, along with stimulating positive customer experience and satisfaction (Haron, 2015).

Conclusion and Recommendation

Our study revealed that market penetration strategy, pricing, and quality of services have the strongest influence on SMME growth. Along with customer base, competitive advantage, and customer satisfaction, they contributed to the overall growth of the SMMEs surveyed. Thus, the findings contribute to the knowledge base on SMMEs and their preferred growth strategies through, among other things, improving our understanding of the association between the growth strategy deployed and SMMEs' growth. Let us remember that this study used strategic management/marketing theory to explain SMMEs developmental strategies and developed the assessment scales from the literature. The findings show that these evaluation scales are applicable to developing economies.

By implication, SMME owners-managers need to be clear about their business objectives. We recommend that SMMEs in search of growth pursue market penetration and pricing strategy to achieve growth in the long term.

Managerial Implications

Because market penetration, pricing, and the quality of services have a clear, positive, and direct effect on growth, SMMEs should continuously develop and reinforce such marketing strategies and the operational decisions of their marketing mix activities by using the capabilities and competencies available to them. Furthermore, SMMEs owners and managers should invest time and effort in improving customer satisfaction

and competitive advantage so as to stimulate the growth of customer base. This managerial effort will be compensated by developing marketing diffusion capabilities, which directly influence overall business growth.

Since SMMEs generally operate in unfavorable environment(s), so an austere monitoring of the environment will help them detect new trends, opportunities, and threats in the market. This will help managers plan and improve overall marketing planning process and foster adaptation to operational environments. As such, these actions will bolster resilience and proactive strategic and marketing functions among SMMEs.

Limitations and Future Research

A single survey of cross-sectional data limits the depth of the analysis, for instance, in establishing causal links. Moreover, this study is limited by common-methods bias, since growth data was collected from the survey, since secondary data on SME growth and performance is virtually non-existent. Although during the conceptualization of the study we took into account different forms of SMMEs, one should remember that SMME growth strategies can be influenced by other factors such as market structures and environment dynamics. Therefore, since the results of our study are context-specific, one should remain cautions with generalizations.

To support and facilitate business growth, future research should be conducted in a way that further enhances our understanding of the nature of rural SMMEs and especially the extent and nature of business growth. Future research could delve into similar strategies in a different context, even for a replica study. A comparative study in different regions or countries may be necessary to further investigate growth specific strategies deployed by SMMEs in rural setups.

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