A STRUCTURAL MODEL ON THE EFFECT OF MANAGERIAL INTERPERSONAL COMPETENCIES, PERFORMANCE MANAGEMENT AND AGENCY RELATIONSHIPS ON THE PERFORMANCE OF FAMILY AND NON-FAMILY OWNED SMALL-TO-MEDIUM ENTERPRISES IN SOUTH AFRICA

by

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DECLARATION

I, Nhamo Mashavira, student number do hereby declare that this thesis, submitted to the Central University of Technology, Free State, for the degree Doctor of Human Resources Management is my own independent work and has not previously been submitted by me at another university/faculty. I hereby do cede the copyright of the thesis in favour of the Central University of Technology, Free State, South Africa.

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May 2020

DEDICATION

In loving memory of my late mother Catherine and Grandmother Emily

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- *They that build a city without the Lord build in vain* (Psalms 127:1).
- *If I have been able to see further than others, it is because I have stood on the shoulders of giants (Isaac Newton).*

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ABSTRACT

The purpose of this study was to establish the effect of managerial interpersonal competencies, performance management and agency relationships on the performance of family and non-family owned small-to-medium enterprises in South Africa. The often reported problem of low survival and poor performance rates by these enterprises, which have been attributed among many other reasons, to the lack of or poor managerial interpersonal competencies of the owner/managers, poor people management skills and lack of attention to agency relationships that are naturally found in family and non-family enterprises, gave impetus to this investigation. Despite such attributions and the growth of literature on managerial competencies and performance management, most previous researches have studied managerial interpersonal competencies in isolation, with little effort to appreciate their interplay with specific human resource management practices, such as performance management and the varying agency relationships obtaining in family and non-family enterprises. To close this gap in literature, a structural model relating managerial interpersonal competencies, performance appraisal, agency relationships and performance was proposed, based on reviewed literature and three predominant theoretical perspectives - agency theory, stewardship theory and the resource-based view.

The study adopted a positivist epistemological and objectivist ontological stances, which made use of the quantitative approach. Due to lack of comprehensive sampling frames for both family and non-family owned small-to-medium enterprises in the province, convenience sampling was deemed most appropriate. The final sample comprised 210 SME owner/managers in Gauteng Province. The structured questionnaire containing closed-ended items was the only instrument used for data collection. Using Structural Equation Modelling, the study developed and tested a model that can be used to explain the effect of managerial interpersonal competencies, performance management and agency relationships on the performance of family and non-family owned small-to-medium enterprises in South Africa.

Group difference analyses were conducted on AMOS version 24 to check whether there were statistical differences in the structural models for family and non-family owned small-to-medium enterprises. It was established that more significant relationships existed in the context of family owned small-to-medium enterprises when compared to their other counterparts. The main findings of the study indicated that owner/managers' interpersonal competencies affected both employee innovation and profitability as measured by return on investment in both types of enterprises, and that although the quality of agency relationships in both types of small-to-medium enterprises had no effect on innovation and profitability, they were affected by owner/managers' interpersonal competencies. Furthermore, the way employee performance was appraised affected the quality of agency relationships which in turn affected profitability only in family owned small-to-medium enterprises.

Having validated the structural model, and after submitting both theoretical and practical contributions to the fledgling discipline of HR in entrepreneurial organisations, recommendations to guide practice, policy and further research were proffered.

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LIST OF ABBREVIATIONS AND ACRONYMS

AVE	Average Variance Extracted
CEO	Chief Executive Officer
CFA	Confirmatory Factor Analysis
DTI	Department of Trade and Industry
FABASA	Family Business Association of Southern Africa
FOSMEs	Family-Owned Small-to-Medium Enterprises
F-PEC	Family - Power, Experience, Culture
GDP	Gross Domestic Product
HR	Human Resource
HRM	Human Resources Management
IDC	Industrial Development Corporation
MBO	Management by Objectives
MCI	Management Charter Initiative
MSMEs	Micro, Small and Medium Enterprises
NCVQ	National Council for Vocational Qualifications
NFOSMEs	Non-Family Owned Small-to-Medium Enterprises
PCA	Principle Component Analyses
RBV	Resource Based View
ROI	Return on Investment
SEDA	Small Enterprise Development Agency
SEFA	Small Enterprise Finance Agency
SEM	Structural Equation Modeling
SMEs	Small-to -Medium Enterprises
SMMEs	Small, Micro, and Medium Enterprises

CHAPTER 1: INTRODUCTION, PROBLEM SETTING AND PROBLEM

1.1 INTRODUCTION

This research explores the effect of managerial interpersonal competencies, performance management, and agency relationships on the performance of family-owned small-to-medium enterprises (FOSMEs) and non-family owned small-to-medium enterprises (NFOSMEs). Though there is no standard definition of a family business (Machek, Brabec & Hnilica, 2013), this study conceptualises a family-owned small-to-medium enterprise as a business in which family members dominate its ownership and management and identify the enterprise as a family business (Lussier & Sonfield, 2015), while non-family owned businesses are defined as those enterprises that do not identify themselves as family firms, and in which a family does not own majority of the shares (Kirsipuu, 2013 ; Westhead, 1997). The major difference between the two is that while family entrepreneurs attach more importance to the fact that family members (spouse, kin or children) could be constantly employed and be at the centre of the business themselves, owners of non-family businesses tend to focus on their social role as employers and tax payers and wish to stay away from direct business activity themselves (Kirsipuu, 2013). Managerial competencies understood to be those observable characteristics such as skills, patterns of behaviour, or knowledge that contribute to the successful fulfilment of managerial tasks (Talik, Laguna, Wawrzenczyk-Kulik, Talik, Wiacek, Vingoe & Huyghe, 2012; Mitchelmore & Rowley, 2010), have been considered to be important in determining the performance of both family and non-family owned small-to-medium enterprises (Bulog, Jukic & Kruzic, 2017; Sidek & Mohamad, 2014).

Specifically, managerial interpersonal competencies (also termed soft, generic, or human skills) which embrace the knowledge and capability to work with people (Sidek & Mohamad, 2014) benefit small enterprises in many ways. For example, they empower owner/managers to lead, evaluate and motivate employee performance and enable diversity, conflict, and change management (Nieman &

Bennett, 2014). These ingredients have been linked to the performance of South African small-to -medium enterprises (SMEs) (Nkosi, Bounds & Goldman, 2015; Tarwirei, 2015). At the same time, extant literature (Zahra, Zandi & Bahmani, 2014; Sidek & Mohamad, 2014) confirm that interpersonal competencies are important to entrepreneurs as they allow them to optimally increase performance and give them an edge over competition. Despite the growth of literature on managerial interpersonal competencies, they have been examined in isolation, with minimum determination in considering their association with certain aspects of enterprise performance such as growth, profit, and efficiency (Mitchelmore & Rowley, 2010).

Firm performance, especially of small-to-medium enterprises, is often attributed to factors such as inadequate government support, ignoring other factors such as effective use of the performance management process - which is a variety of integrated activities executed by a firm to continuously augment performance by setting goals, analysing results, and remunerate the performance of employees (DeNisi, 2011; Gravina & Siers, 2011). Performance management (especially the use of performance appraisal tool) is suggested in literature as pivotal in supporting firm growth (Bititci, Cocca & Ates, 2015), especially among family-owned small-to-medium enterprises and non-family-owned small-to-medium enterprises. Biron, Farndale and Paauwe (2011) further suggest that performance management among small-to-medium enterprises can result in better financial performance, increased worker productivity and more enthused employees.

To corroborate the above, Sidhardth (2011) and Wickramasinghe (2016) argue that, despite being the most substantial development in the area of human resource management, performance management had not received much empirical attention among entrepreneurial organisations, especially among family-owned small-to-medium enterprises. The few studies available on performance management in small-to-medium enterprises in general (Wijetunge, 2014; Chen, 2011; Zheng, O'Neill & Morrison, 2009) suggest that small-to-medium enterprises face difficulties in the practice of performance management. This evidence provides a scope for further extending reach on performance management to include family-owned small-to-medium enterprises.

Whether family owned or non-family owned, the issues of agency relationships in running the business are ubiquitous since they are a fundamental concept upon which business relationships are built (Eisenhardt, 1989). Agency relationships were conceptualised in the seminal work by Jensen and Meckling (1976) as a contract in which one or more persons (the principal) engage another individual (the agent) to execute some task on their behalf, involving delegating decision-making to the agent. Agency relationships are understood as legal relationships in which one individual, an agent, is authorised by another, the principal, to perform on that individual's behalf, and is empowered to do what the principal could lawfully do in person (Baze, 2009). Although agency relationships have been studied in the context of large public listed companies and linked to business performance (Yahya, Ali & Ghazali, 2016; Bendickson, Muldoon, Liguori & Davis, 2016; Schulze, Lubatkin, Dino & Buchholtz, 2001), very few studies have demonstrated such a role in small-to-medium enterprises, especially in a developing economy (Yahya, Ali & Ghazali, 2016). For example, Chrisman, Chua and Litz (2004) and Yahya, et al. (2016) show that agency relationships and their associated information asymmetries may exist between principals and agents in small businesses; making it problematic for principals to regulate the agent's behaviour, subsequently affecting business performance. The seminal work by Chrisman, et al. (2004) establishes that, agency problems in American small family businesses were less serious than in their counterparts. The study establishes that, agency relationships obtaining in a business may either increase or decrease performance because of agency costs. However, the study can be criticised for not focusing on the personal characteristics of the principals in terms of regulating the agent's behaviour, and whether the principals' competencies could subsequently lead to business performance.

The above evidence pertaining to managerial interpersonal competencies, performance management and agency relationships demonstrate their individual potential in the performance, growth and sustainability of small-to-medium enterprises; albeit paucity of research demonstrating whether moving away from studying these constructs in isolation or combining them in a single study in a context could yield the same or different findings. To close this dearth in research, the present study seeks to establish the influence of managerial interpersonal competencies, performance management and agency relationships on the performance of family-owned and non-family owned small-to- medium enterprises in South Africa, also considering that family firms have become the leading type of business in the country- constituting about 80% of all businesses in South Africa (Maas, 2014).

1.2 BACKGROUND OF THE STUDY

Business performance has become an important organisational topic, attracting interest from both practitioners and academicians because of increased competition for customers and resources (Chinomona, 2013). Globally, the performance of any organisation or firm is defined as its capacity to yield results in line with its set goals (O'Regan, Sims & Gallear, 2008). Other scholars, for instance, Reijonen (2008) consider firm performance as a pointer measuring an organisation's effectiveness and efficiency towards goal achievement. Reijonen's (2008) argument suggests that, firm performance allows for the quantification of efficiency and effectiveness of actions to provide evidence of goal achievements, while at the same time indicating areas of failure or growth (O'Regan et al., 2008; Reijonen, 2008). Since the performance of SMEs is critical for their survival (Mabhungu & Van Der Poll, 2017), current attention by entrepreneurial researchers focuses more on the performance of small-to-medium enterprises than large corporations (Aleem & Rahman, 2018; Emenyoni, Nwosu, Lemchi & Iheke, 2014).

The attention on small-to-medium enterprises performance is premised on their fundamental role in the socio-economic development of countries worldwide, in areas such as gross domestic product (GDP) and employment (Ardic, Mylenko, & Saltane, 2011). For instance, small-to-medium enterprises in the USA generate more than 50% of the GDP, and between 55% and 80% of total employment of that nation (Katua, 2014). With approximately 23 million small-to-medium enterprises in the USA giving employment to more than 50 % of the private workforce, entrepreneurs in that country have grown to be esteemed for their effort in making new jobs, reducing prices, improving product quality, providing competition to existing businesses and introducing new products and services through innovation (Katua, 2014).

Similarly, about 90% of private businesses in most African countries are small-to-medium enterprises, contributing more than 50% of employment and GDP (Abor & Quartey, 2010). For example, in countries such as Egypt, Nigeria and Kenya, the performance and growth of small-to-medium enterprises is estimated to be contributing over 70% in employment and 30-40% contribution to their gross domestic product (Frimpong, 2013). In the same way, small-to-medium enterprises' performance in Ghana provides about 85% of employment, and these enterprises are believed to contribute about 70% of Ghana's GDP while accounting for close to 92% of firms in that country (Frimpong, 2013). In South Africa, small-to-medium enterprises are close to 91% of the formal businesses, contributing about 51% to 57% of the GDP and providing almost 60% of employment (Cant & Wiid, 2013; Kongolo, 2010). With a high unemployment rate of approximately 29% of the economically active population (Statistics South Africa, 2019) and high levels of poverty and income inequality (Fatoki & Smit, 2011), the performance of small-to-medium enterprises becomes critical as a subject of further investigation in order to continue leveraging on their employment creation potential.

Goriwondo (2013) observes that attention by researchers should be on both family and non-family-owned small-to-medium enterprises. The reason is that, both have gained credit the world over as strategic players in economic growth and poverty alleviation. Thus, in South Africa, the proliferation of both types of small-to-medium enterprises has attracted the attention of politicians, economists, policy makers and researchers (Abdel, 2019). However, despite concerted efforts by the government through the Department of Trade and Industry (DTI), or the Industrial Development Corporation (IDC) and other supportive institutional frameworks provided through such arms as the Small Enterprise Development Agency (SEDA) Technology Programme, the Small Enterprise Finance Agency (SEFA), and so on, to sustain entrepreneurial ventures in the country, both types of enterprises still record lack of performance and growth and high failure rates (Fatoki & Garwe, 2010). A research by Kyobe, Namirembe and Shongwe (2015) shows that managerial competencies among small-to-medium enterprises owner/managers are some of the factors responsible for the failure of most of these establishments. Similarly, an investigation on the impact of managerial competencies on small-to-medium enterprises performance in the Eastern Cape province of South Africa found out that, the superior performance of the firms was linked to managers' business and technical skills; and that the ability to outdo rivals in the industry and increase productivity depended on managerial interpersonal competencies or human skills (Tarwirei, 2015). These findings are, however, devoid in terms of whether the samples used were differentiated in terms of family and non-family owned, as well as taking a holistic view of managerial competencies. As alluded to previously, the fact that competencies such as managerial interpersonal competencies are important to entrepreneurs as they allow for the optimal improvement in performance and even make small-to-medium enterprises outperform competition (Sarapaivanich & Patterson, 2015; Zahra et al., 2014), gave impetus to the current study.

In addition to managerial competencies as a factor contributing to the failure of small-to-medium enterprises in South Africa and other emerging economies, one other factor critical but often ignored is the ineffective human resource management practices (Patel & Cardon, 2010). A study by Hung, Cant & Wiid (2016) revealed that a majority of South African small-to-medium enterprises have human resource practices of some sort in place but have areas to improve in terms of human resource adoption to ensure their success. This indicates that the implementation of people management practices in small-to-medium enterprises in the country is still suboptimal, yet, research confirms that, effective implementation of human resource management practices such as performance management can be a source of sustainable competitive advantage (Umer, 2012). Even results from another study done in South Africa by Neneh and van Zyl (2012) confirm the afore-mentioned findings. The study reveals that among other business practices, human resource management and particularly performance management has a significant and positive relationship with the performance of small-to-medium enterprises (Neneh & van Zyl, 2012). What is not clear, however, is whether the relationship differs by type of small-to-medium enterprise, family, or non-family, considering the differences between these two. Similarly, while minimal work has been done on performance management in entrepreneurial firms (Wickramasinghe, 2016), no known research has compared how performance management (or appraisal) is done between the two types of small-to-medium enterprises in one study. The current study, among other things, seeks to close such a gap in literature.

Notwithstanding the differences that may exist between managing employees' performance in family-owned small-to-medium enterprises and non-family-owned small-to-medium enterprises, performance management in the two types of enterprises could be steered by managerial interpersonal competencies. This assumption is supported by Bhardwaj and Punia (2013) who established that managerial competencies provide a sound basis for meaningful performance management. As such, researchers have noted that every business needs competent managers who are able to track, monitor and appraise the performance of individual employees, departments, and the overall organisation towards achieving the intended goals and vision (Noe, Hollenbeck, Gerhart & Wright, 2015; Chen, 2011). Hence, most large corporations have established systems to manage performance in place, a scenario that is rarely found among both family and non-family owned small-to-medium enterprises (Jamil & Mohammed, 2011). Abduli (2013) argues that the lack of performance management practices among many small businesses is due to the less importance given to human resource functions, costs of establishing a fully-fledged human resource unit and size of the business, among others. This resonates with prior studies (Harney & Nolan, 2014; Melo & Machado, 2014) which established that recently, human resource management has been seen as unsuitable for smaller firms and as a result, limited research on the practices within them has been documented. Despite this, Arafat and Ahmad (2012) note that there has been resurgence of interest in managing employee performance among small-to-medium enterprises in emerging economies such as South Africa because of government support of small businesses to alleviate unemployment.

Although all the above arguments and counter-arguments pertaining to small-to-medium enterprises' performance, performance management and managerial interpersonal competencies demonstrate how these can be critical in the development and progression of both family and non-family owned small businesses, a grey area still exists on how these correlate with each other within the context of both family-owned and non-family-owned small-to-medium enterprises. The need to unravel such a grey area is further compounded by the fact that known literature on family-owned businesses is subsumed and intersects with that on non-family owned small-to-medium enterprises; yet family owned businesses have their own exceptional characteristics (Venter, 2009). For example, the mere involvement of family in ownership, management, and governance, makes family-owned businesses different from non-family owned businesses (Yordanova, 2016; Sharma, 2012). This implies that, apart from facing similar environmental and business challenges as their non-family owned counterparts, family-owned small-to-medium enterprises are likely to face more challenges due to their unique nature and familial interpersonal interactions (Herrero, 2017; Venter & Farrington, 2009). Specifically, in family-owned small-to-medium enterprises, the principal-agent relationship is less likely to be more prominent since family ownership may reduce conflict of interest between ownership and management (Charbel, Elie & Georges, 2013; Yupitun, 2008; Gomez-Mejia, Nunez-Nickel & Gutierrez, 2001), thus minimising the risk of discretionary arrangements by the latter, unlike in non-family small-to-medium enterprises.

The ground breaking research by Jorissen, Laveren, Martens and Reheul (2005), however, showed that differences alluded to above, in principal-agent relationships, contradict an emerging body of literature that maintains that there are no definite differences between family-owned businesses and non-family owned businesses, especially of a certain age, size, and industry. However, such evidence of lack of differences between the two types of enterprises can be viewed as narrow, considering that differences can also be extended to operationally linked issues such as firm performance, owner/manager skills and competencies as well as performance management. In addition, such notion that the two types of small-to-medium businesses are the same emanates from samples carried from developed contexts (De Massis, Kotlar, Campopiano & Cassia, 2015; Aguiló & Aguiló, 2012), creating a scope for doing further studies to investigate the notions of differences and similarity between family-owned small-to-medium enterprises and non-family-owned small-to-medium enterprises using data from other contexts.

1.3 PROBLEM STATEMENT

The low survival and poor performance rates of entrepreneurial ventures in South Africa are attributed to poor or lack of competencies among owner/managers

(Rambe & Makhalemele, 2015; Herrington, Kew, Simrie & Turton, 2011; FNB & Endeavour, 2010). As a result, South African small businesses fail to go beyond the second year of trading with high failure rates of about 63% (Cant & Wiid, 2013). According to Neneh and van Zyl (2012), the number of small-to-medium enterprises in South Africa that do not make it past the fifth year range between 50% and 95%, and about 75% of all new small enterprises do not become reputable firms – representing one of the highest failure rates in the world.

Despite the South African government's effort to dedicate resources to support small-to-medium enterprises, the lack of managerial competencies still dominates as the main reason for the poor performance of most South African small businesses (Maas 2014; Diederichs, 2014). While such evidence has dominated entrepreneurial literature in general, the problem, however, is that managerial competencies used have been narrowly viewed, yet, other competencies such as managerial interpersonal competencies have actually been applauded for promoting new venture performance (Nkosi, Bounds & Goldman, 2015; Yordanova, 2012) and not necessarily causing their failure. However, within the South African context, there is still dearth of documented empirical evidence – particularly on managerial interpersonal competencies, and their impact on performance of small-to-medium enterprises, either family owned or non-family-owned. The admission by Zou, Chiu and Hsu (2014) that the difference of management style and ownership structure between family and non-family businesses affects production efficiency, and that the performance of family businesses may often be affected by other considerations besides profit maximization (Basco, 2017), makes a comparative thrust of the afore-mentioned construct in the country worth undertaking. Furthermore, the fact that in South Africa, estimates show that family owned firms are the predominant form of business – consisting of about 80% of all South African small enterprises (Maas, 2014) underscores the need for such a comparative study.

Worse still, performance management, which up to date has not received adequate research attention in both kinds of small-to-medium enterprises (Wickramasinghe, 2016) of South Africa, is beginning to gain traction as government support emphasises the need for performance monitoring of the small businesses (Jamil & Mohamed, 2011). Unfortunately, the paucity of managerial competencies among

South African owner/managers of small enterprises against a background where competencies are some of the requisites for effective human resource management (Fatoki, 2014; ThabitYahya & AbdelhayElsayed, 2012) puts effective execution of performance management by small businesses into jeopardy and worth empirically investigating.

The fact that family businesses are the main forms of business in South Africa, poses interesting agency relationship issues worth investigating in both types of small-to-medium enterprises in the country. Family members in the enterprise increase agency relationship complexity and create a unique business environment when compared to their non-family counterparts (Kallmuenzer, 2015; Duh, 2010). For example, non-economic motives such as nepotism, family altruism or internal family conflicts of management and board that ordinarily characterise the agency (or contractual) relationships within family-owned small-to-medium enterprises, are largely informal when compared to the more formal contractual arrangements in managerially governed firms (Collin & Ahlberg, 2012). Incidentally, no known research in the South African context has investigated how differences in agency relationships between family and non-family owned small-to-medium enterprises are linked to business performance. Given this scenario and the fact that managerial interpersonal competencies, performance management practices and agency relationships have been studied in isolation in relation to performance of small businesses in general, the challenge is that such isolated researches used samples mostly from developed contexts. They used simple statistical methods to arrive at their conclusions and did not differentiate the samples in terms of family or non-family owned. In addition, the three constructs have not been investigated in a single study in a developing context using robust statistical methods.

1.4 RESEARCH OBJECTIVES

1.4.1 Main research objective

To examine the relationship between managerial interpersonal competencies, performance management, agency relationships and business performance among family-owned small-to-medium enterprises, and non-family-owned small-to-medium enterprises in Gauteng Province, South Africa.

1.4.2 Subsidiary Objectives

To achieve the main research objective, the following subsidiary objectives were proposed:

1. To develop a conceptual model that describes the relationship between managerial interpersonal competencies, performance management, agency relationships and business performance among family-owned small-to-medium enterprises and non-family-owned small-to-medium enterprises.

2. To collect data from SME owner/managers and empirically evaluate the proposed model and assess the fit of the model.

3. To provide human resource management guidelines which both family-owned small-to-medium enterprises and non-family-owned small-to-medium enterprises in South Africa could use to enhance both the interpersonal competencies of their managers and business performance.

4. To highlight the differences in the interpersonal competencies required of managers of family-owned small-to-medium enterprises on the one hand and non-family-owned small-to-medium enterprises on the other hand.

1.5 AIMS OF THE STUDY

This study aims to promote effective human resource management practices for business performance among family-owned small-to-medium enterprises and non-family-owned small-to-medium enterprises in South Africa through developing and testing a model that describes the relationship between managerial interpersonal competencies, performance management, agency relationships and firm performance based on a clear understanding of HRM in each type of business.

1.6 REASONS AND IMPORTANCE OF THE STUDY

Academicians have identified a dearth of research at the intersection of people management and entrepreneurship, notwithstanding the fact that the two disciplines of entrepreneurship and human resource management are well-recognised and developed disciplines by themselves (Montoro-Sánchez & Soriano, 2011). Combining a study of the two fields has been a recent phenomenon. Moreover, treating small-to-medium enterprises as a homogeneous group is misleading as they are a heterogeneous group that can and should be differentiated according to their size and mode of business ownership (Kinigoma, 2013; Abouzeedan, 2011). These issues have been considered in the current study, with an endeavour to contribute to the growing body of literature on small-to-medium enterprises, while acknowledging that human resource management (and performance management in particular) and entrepreneurship can offer new knowledge to the fledgling bodies of literature (Montoro-Sánchez & Soriano, 2011).

The key internal cause of small-to-medium enterprises failure in South Africa is lack of both functional and management skills among managers (Fatoki, 2014). Effective implementation of performance management could serve to justify rational decision-making by owner/managers. Properly done, performance appraisals would go a long way to provide data about personnel (which is the bedrock of all human resource practice) for use in activities like salary administration, layoffs, retention-termination, promotions, and recognition of individual performance (Noe, et al., 2015). Considering this, performance management through its evaluation tool (performance appraisal) could, therefore, help solve problems, identify cause- effect associations and the subsequent learning, grounded on established causation (Kasperskaya & Tayles, 2013).

Furthermore, striking a balance between meritocracy, nepotism, and management of privileges are the human resource concerns that frequently surface in family-owned small-to-medium enterprises that need competent management. Family businesses usually appoint people as managers but whose competency in all areas pertaining to the family business may be questionable so long as they are family (Ferrari, 2014). Related to this, is the fact that, the family setting provides a variant to the impersonal setting implied by the agency contract in that, in contracting within the family, the exchange often does not have a pure economic motive and consequently leads to behaviour that differs from pure financial rationality (Kotla & Sieger, 2018; Madison, Holt, Kellermanns & Ranft, 2015). In contrast, the separation of management and ownership, mostly in non-family owned small-to-medium enterprises, creates a conflict of interest that earlier proponents like Ross (1973) formalised as a principal-agent problem, in addition to obvious agency costs. This calls for principals to put various mechanisms that could put agent opportunism to check. Such mechanisms are discussed in this study.

1.7 DELIMITATIONS OF THE STUDY

Delimitation refers to the scope of a study; and helps delineate its boundaries (Simon, 2011). The delimitations section of this study explicates the geographic region covered, the types of firms involved, the units of analysis and subject under study. This helps make the study more focused and feasible.

1.7.1 Geographical delimitations

The study focussed on South Africa's Gauteng Province.

1.7.2 Types of firms

This study was limited to family-owned and non-family-owned small-to-medium enterprises in Gauteng Province.

1.7.3 Unit of analysis

This study focussed on owners (who may double as managers in some enterprises) and managers (including HR managers where viable departments are in place). Owners managing their enterprise have profound influence on an organisation's early culture (Robbins, Judge & Campbell, 2010). Besides acting as role models that encourage employees to identify with them and internalise their beliefs, values, and assumptions, they hire and keep only employees who think and feel like they do (Robbins, et al., 2010). Moreover, in small firms, the owners' competencies can be equated with the enterprise's competencies (Ahmad, Wilson & Kummerow, 2011).

Owner/managers play a part in; deciding and regularly reviewing performance indicators to be cascaded down to the shop floor, managing employee resistance during the implementation of performance management, and in building a sense of unity among diverse organisational sub-groups (Torrington, Hall & Taylor, 2014; Chen, 2011). In 21st century organisations, the manager's job has evolved from an authority-derived interpreter and issuer of regulations and orders – to creating an entrepreneurial work environment that enables teamwork, autonomous and timely decision-making, and great labour force flexibility (Dailey, 2012). Therefore, managers at every level are critical for realigning objectives cascading from the top down to each level in the firm.

1.7.4 Subject under study

Business performance is the dependent variable in the current study. A review of extant literature reveals that many studies have concentrated on large firms, largely overlooking small businesses (Chinomona, 2013). For those few studies that have researched on small firms, a significant number of the studies have adopted a qualitative approach in their quest to empirically examine the performance of small businesses (Chinomona, 2013). Given that for some businesses (especially family-owned small-to-medium enterprises), financial gain and growth may not be their primary motivation (Utrilla & Torralega, 2012), there must be other non - financial benchmarks to measure the accomplishments of such businesses. Consequently, performance research in family owned businesses is likely to be more intricate than where a single metric is used to measure performance (Astrachan & Pieper, 2010). For these reasons, the current study measured business performance using both a qualitative measure (product and process innovation) and a quantitative measure return on investment (ROI).

In this study, it was hypothesised that performance in both family-owned small-to-medium enterprises and non-family-owned small-to-medium enterprises may be affected by managerial interpersonal competencies, performance management and agency relationships. The relationship between managerial interpersonal competencies, performance management, agency relationships and firm performance within selected family and non-family owned small-to-medium enterprises in South Africa, could be broken down into the following sub-themes.

- The concept of business performance and its measurement in family and non - family owned small-to-medium enterprises.
- Exploring managerial interpersonal competencies in family and non- family owned small-to-medium enterprises.
- Exploring performance management in family and non - family owned small-to-medium enterprises.
- The 'family effect' and its role in the execution of performance management in family and non - family owned small-to-medium enterprises.
- The role played by agency relationships on the relationship between managerial interpersonal competencies, performance management and business performance in the two enterprises types.
- Obstacles to the adoption and implementation of performance management in both family-owned small-to-medium enterprises and non-family-owned small-to-medium enterprises.
- Support systems that are needed for the effective adoption and implementation of performance management.

1.8 OVERVIEW OF RESEARCH METHODOLOGY

This study adopted a positivist epistemological and ontological stance. Positivism holds that an investigation should be founded upon scientific observation (as opposed to philosophical assumptions), and therefore, on empirical examination (Gray, 2014). Positivism is amenable to a quantitative research approach whose aim is to quantify a research problem, compute and count matters and then generalise the findings to a wider population (Hennink, Hutter & Bailey, 2011). The study employed a correlational design, specifically the ex post facto. A correlational design attempts to describe relationships rather than explain them (Gravetter & Forzano, 2016). Although a correlational research does not imply causality, De Vos, Strydom, Fouché, and Delport (2011) observe that it allows for predictions to be made even though one may not have an idea why a relationship exists.

The ex post facto is pre- experimental, implying that, it does not meet the scientific standards of experimental designs, nor does it involve a control group (De Vos et al., 2011). The ex post facto design provides another means by which researchers can examine the degree to which an independent variable may probably affect the dependent variable(s) of interest.

Structured questionnaires were the only method of gathering primary data. Self-reporting questionnaires (containing closed-ended questions) were administered by the researcher to owner/managers. Performance data were collected between 2015 and 2016 to inform the research on how managerial interpersonal competencies, performance management and agency relationships affect both the financial and non-financial performance of firms as measured by ROI and innovation.

Structural Equation Modelling (SEM) techniques were used since they overcome the single relationship constraint by interpreting associations among numerous variables at the same time. SEM data analysis involved dealing with missing data, using the multiple imputation method. Item analysis was used for the purpose of removing poor items in the different scales used for data collection. Integrated analyses checked were item total correlations, the squared multiple correlation, checking the subscale or scale reliability and variance when an item or items is/are deleted, inter-item correlation and the items means and standard deviation.

For purposes of assessing the unidimensionality of scales and sub-scales of the different instruments used in the study, dimensionality analysis was also performed, using exploratory factor analysis and the Principle Component Analysis (PCA). The PCA analyses all variances in a correlation matrix.

1.9 LIMITATIONS OF THE STUDY

Limitations are potential weaknesses in one's study, out of the researcher's control (Simon, 2011). The first limitation of this study lies in inconsistencies on keeping of records by most survivalist start-ups whose record keeping is likely to be in shambles, thereby making the measurement of such a construct as ROI over the 2-year period tricky. Poor record keeping and informality also meant that participants had to rely on their memory for even performance management information. Related to this, are the challenges that arose from the reluctance by owner/managers of most privately owned enterprises to share objective financial data. This challenge was mitigated by including a subjective measure (innovation) in the measurement of performance.

Second, as practices in business develop, new managerial interpersonal competencies crucial to success are likely to emerge because competencies themselves are dynamic and ever changing– moving in accordance with changing business trends. As such, future studies may have to consider those competencies measuring attributes like corporate governance capabilities and ethical conduct, which are likely to influence managerial interpersonal competencies.

Third, considering only family ownership and a single family as the only measure differentiating family-owned small-to-medium enterprises from non-family-owned small-to-medium enterprises was too restrictive of family businesses. The study did not consider the heterogeneity due to multi-family ownership and the generational effect. However, this had to be done to narrow its scope in view of both time and financial constraints. Fourth, despite limiting itself to only two measures of performance (ROI and innovation), the current study did not reveal the thresholds in size, beyond which more degrees of family ownership may become unfavourable to performance. Fifth, the study made use of cross-sectional data, yet longitudinal data was needed to properly capture the effect of managerial interpersonal competencies, performance management, and agency relationships on firm performance.

Future studies could consider involving bigger sample sizes that would increase the generalisability of findings as well as further stabilising the models proffered in this study. Further studies could also consider replicating this study in other provinces.

1.10 OUTLINE OF THE THESIS

This study is structured as follows,

Chapter 1: Introduction, problem, and its setting

The first chapter is introductory in that it helps situate the study within the context of its background, research problem and research objectives. In addition to justification of the study, the chapter also provides for both delimitations and limitations of the study.

Chapter 2: Theoretical framework

The second chapter comprises of the theoretical framework. Three theories; the agency theory, the stewardship theory and the resource-based view (RBV) were reviewed. None of the afore-mentioned theories on its own succeeds in addressing all complexities associated with family-owned small-to-medium enterprises and non-family-owned small-to-medium enterprises and their corporate governance. Therefore, using them jointly helped improve understanding of these types of businesses. Given the veracity of the agency theory and that it has been the dominant paradigm in corporate governance for the past 40 years or so, it became the guiding theory in the study.

Chapter 3: Family and non-family owned businesses

This chapter explores how family firms are conceptualised, their importance and performance. The chapter also gives an overview of the empirical evidence on the differences between family and non-family owned businesses and even explores the main family owned businesses in the country, their challenges and performance. Related studies were also reviewed.

Chapter 4: Managerial competencies

This chapter reviews the managerial competencies needed for SME survival and growth. The chapter explores the definition of competencies, the distinction between competence and competency, approaches to competencies, importance of managerial competencies, and an overview of what literatures says regarding competences of owner/managers in SMEs. Related studies were also reviewed.

Chapter 5: Performance management in family and non-family owned SMEs

Chapter five focuses on how performance management evolved to its present state, defines performance management and contrasts performance management from both performance appraisal and performance measurement points of view. The chapter proceeds to describe performance appraisal methods and considers the performance management cycle within the context of family and non-family-owned small-to-medium enterprises.

Chapter 6: Agency relationships in family and non-family owned SMEs

This chapter considers agency relationships in the context of their relationship with managerial competencies, performance management and the small-to-medium enterprise. The chapter also goes to review the family setting as it provides an alternative perspective to agency relationships - a perspective which not only influences how managers execute their competencies, but even how performance management is executed and how this nexus ultimately affect the performance of the respective the small-to-medium enterprises.

Chapter 7: Business performance in family and non-family owned SMEs

The chapter considers business performance in general and the two measures (ROI and innovation) that were used to measure the construct in the current study. The chapter also discusses how performance management affects business performance in both family-owned and non-family-owned small-to-medium enterprises.

Chapter 8: Research methodology

Chapter 8 reviews the research methodology guiding the study. The research methodology provides a system for collecting data and answering research questions. Positivism, which is the main paradigm congruent with this research's epistemology, was explored. The approach emerging from this paradigm was discussed before considering the research design, population, sample and sampling procedures, research instruments and their psychometric properties, data collection methods, data analysis procedures and ethical issues considered in the research process.

Chapter 9: Results and discussion

Chapter 9 presents and discusses the findings of the study. The chapter also explored the procedures followed in testing the validity of the research model and the hypothesised relationships between the constructs in the proposed structural model. Structural models for both family and non-family-owned small-to-medium enterprises were considered, and group difference analysis based on the hypothesised relationships between the constructs in the proposed structural models was done.

Chapter 10: Conclusions, recommendations, and future research

Chapter 10, which is the final chapter, seeks to make conclusions based on empirical findings of the study, and then proffer recommendations for both policy and practice and for future research. The chapter concluded by suggesting the overall contribution made by the current study.

1.11 CONCLUDING REMARKS

This chapter clearly stated the problem under investigation and the context within which it manifests itself. The following chapter will dwell on the theoretical framework. The theoretical framework connects the study to existing bodies of knowledge and provides a basis for choice of research methodology. The agency and stewardship theories and the resource-based view (RBV) were used to guide this study.

CHAPTER 2: THEORETICAL FRAMEWORK

2.1 INTRODUCTION

The introductory chapter gave a background to the study and, among other things, explored the context of the problem. The current chapter comprises the theoretical framework, which is a main component of literature review. Three theories, the agency theory, the stewardship theory, and the resource-based view (RBV) guided the study. These three predominant theoretical perspectives- none of which on its own succeeds in addressing all complexities associated with family-owned and non-family small-to-medium enterprises, provide a supporting framework that could be used to distinguish the two types of enterprises in important dimensions such as, competitive advantages, agency costs or corporate governance structure. The agency theory - a dominant paradigm in corporate governance for the past forty years or so, is presented in this chapter as the leading theory.

2.2 AGENCY THEORY

The agency theory was originally formulated in an impersonal context, specifically the fiduciary relationship between a business' distant stockholders (principals) and chief executive officer (agent), where there is great geographical and emotional distance between the two (Cruz, GóMez-Mejia & Becerra, 2010). This makes it very applicable to non-owner managed family and non-family businesses, where fiduciary relationships exist, and information asymmetry exists between the principal and the agent; and where it may be too hard for the principal to control the agent's behaviour. The theory applies in practice to both relationships between shareholders and top management as well to that between administrators and workers at all levels .The fact that the agency theory can be applied extensively (Ahmad, Farley & Naidoo, 2012) and in a variety of settings (Kivistö, 2007) makes it a leading theoretical perspective in the current study.

2.2.1 Assumptions of the agency theory

The agency theory is premised on several assumptions. The first is that a business is a nexus of contracts (Fama & Jensen, 1983; Jensen & Meckling, 1976) which are costless and accurately enforceable by courts. A good example is the contract of employment. The contract of employment defines the relationship between employers and employees. It is worthwhile that all employees (especially in family businesses) have contracts of employment to prevent bitterness and presumptions of nepotism by non-family employees (Walsh, 2013).

The second assumption is that both employers and employees are basically driven by self-interest. The theory, therefore, perceives humans as being opportunistic and as utility maximisers (Hendry, 2002) – implying goal conflict between principals and agents. However, owner management obviously aligns the owner-managers' interests about opportunities for growth and risk with those of employees (Schulze, et al., 2001), thus eliminating goal conflict. Employees in both family and non-family small-to-medium enterprises may be solely motivated by rewards, but the influence of altruism (the affinity within family life and within the family business that makes family members to be sympathetic towards one another) may be manifested in family businesses when family members sacrifice short-term personal rewards for the long-term goal of the firm.

The third assumption pertains to the rationality exhibited by human behaviour (Selten, 1998) – known as bounded rationality. According to Simon (1997), the term ‘bounded rationality’ is used to label rational choice that considers that rationality is bounded due to limits in our thinking capacity, available information, and time. Incomplete contracting is the optimal that can be attained because of bounded rationality; hence, contractual completeness would remain elusive. Contractual completeness is likely to remain elusive in both family and non-family owned small-to-medium enterprises. It may be impossible to completely regulate the whole relationship as all relevant matters such as the employee’s effort may not be foreseen and understood at the time of contracting. As a result of bounded rationality, many employment contracts are likely to be incomplete in that they do not specify accurately the duties of the contracting parties under all conceivable circumstances (Zheng & Deakin, 2016).

The fourth assumption is that, the agent is presumed to have reserved information which the principal cannot access without cost – known as information asymmetry (Balago, 2014). Information is therefore perceived as a purchasable commodity. Information asymmetry is entrenched in that the employee knows his/her own skill, capabilities, and their own behaviour (Cousins, Lamming, Lawson & Squire, 2008), as well as job-specific information, better than the manager. However, classical agency theorists (Daily & Dollinger, 1992; Fama & Jensen, 1983b) document that the mutual coordination and communication among family members help to mitigate information asymmetry between the two parties.

Finally, Baiman (1990) posits that the agent is expected not only to be risk-averse, but also to be work-averse. Regarding family businesses, Hiebl (2014) found out that these firms may reduce risk-aversion and promote risk-taking by building transparency on their risk profiles and include outside knowledge through non-family shareholders, directors, or managers. The study also established that, proper training and assimilation of younger family generation has the potential to lessen an excessive focus on risk aversion in the short term. Concerning work-averse behaviours, it is advisable that owner/managers be on guard for sabotaging effects by self-interested employees. A good example could be through human resource practices such as performance management meant to align individual employees' objectives with those of the organisation (Taylor, 2013). Performance management might help mitigate work-averse behaviours in both types of enterprises.

2.3 POSITIVIST AND PRINCIPAL-AGENT STRANDS OF AGENCY THEORY

From its origins in information economics, the agency theory advanced along two lines namely principal-agent and positivist lenses (Eisenhardt, 1989). These two strands have a shared unit of analysis, the contract that binds both the agent and principal. Although it is true that family businesses might, because of their intra-familial self-denying element, be immune from contractual problems emanating from agency, family management may expose these businesses to agency threats initially ignored by early proponents of the model (Schulze et al., 2001).These threats may be related to self-interest problems emanating from incentives that lead owners to do things which might not be good for the firm as well as other stakeholders (Jensen 1994).

2.3.1 The positivist strand

Researchers taking the positivist strand (Fama & Jensen 1983; Fama, 1980; Jensen & Meckling, 1976) concentrated on detecting situations where the agent and principal are likely to have contradictory goals and then explain the mechanisms of governance that may put the agent's self-interested behaviour to check (Eisenhardt, 1989). Two main propositions summarise the governance mechanisms acknowledged in the positivist stream. The first is that, when contracts between principals and agent are outcome-based, agents are more likely to conduct themselves in the interests of the principals. The second asserts that, when principals have evidence to verify agents' behaviour, agents are more prone to behave in the interest of the principals (Eisenhardt, 1989).

Regarding the first proposition, the argument is that contracts co-align the inclinations of agents with those of their principal as rewards for both are subject to the same actions, and consequently, conflict of self-interest between principal and agent is minimised (Eisenhardt, 1989). However, considering the obscured roles of principals and agents especially in family owned small-to-medium enterprises, contracts might not be necessary, or may not be that enforceable. Regarding the second proposition, agent opportunism is put to check since they (agents) cannot cheat the principal due to information systems which serve to update the principal on the actions of the agent. In the case of family businesses, the compassion of family owners towards their family members always shows in their being placed in senior managerial roles - and as a way to return the favour, family managers often manifest strong loyalty and commitment to the business (Zhang & Cao, 2016). This allegiance is likely to put a check on agent opportunism.

Agent opportunism and conflict of interest between the principal and agent are the main assumptions of the positivist strand of agency theory. The positive-agency theory therefore assumes a conflict of interest between the principal and the agent such that principals wish to increase personal wealth subject to risk constraints, while agents strive to maximise their personal gain while attempting to reduce personal risk and effort (Cuevas-Rodríguez, Gomez-Mejia, & Wiseman, 2012). This is likely to be the case in non-family owned businesses where ownership and management diverge. The divergence may not enlist altruistic behaviours which may well be the basis of competitive advantage in their other counterparts (Madison et al., 2015). Altruistic behaviours reduce information asymmetries and promote communication, fostering commitment to family and a sense of belonging to the firm (Eddleston, Kellermanns & Sarathy, 2008). In addition, promises of familial succession and/or future ownership in family businesses are prone to encourage continued support from family employees and board members, thus help in minimising agent opportunism and risk aversive behaviours (Pagliarussi & Costa, 2017; Eddleston et al., 2008). However, some studies (Siebels & Knyphausen-Aufseβ, 2012; Bammens, Voordeckers & Van Gils, 2011) caution that altruism might be causal to self-discipline problems that could further expose family businesses to even more types of agency costs.

The current study is more aligned with the positive-agency strand since it has been extensively used as a foundation for empirical and theoretical work by organisation theorists and management scholars (e.g. Jensen, 1998; Eisenhardt, 1989; Tosi & Gomez-Mejia, 1989). It is thus rooted in scientific realism. In view of this, unlike the mathematically complex principal-agent strand, it is the more practical orientation of the positive-agency strand (Shapiro, 2005) that situates this view as the principal concern of this thesis.

2.3.2 The principal agent strand

The positivist strand discussed above attempts to recognise various contract options, while the principal-agent theory specifies which contract is the most effective under changing levels of risk aversion, outcome uncertainty, information, and other variables (Eisenhardt, 1989). Madueño, Jorge and Gardey (2011) posit that agency contracts are enacted to control relationships, and that they are intended to resolve problems emanating from their conflicts of interest, differences in risk-aversion between the principal and the agent, and the control of the principal over the results of the agent's effort. However, agency contracts in family businesses are likely to be relational and emotional rather than rational and economic if compared to their other counterparts. As such, the degree of altruism in the family business, and the level of collectivism of the community in which the business is located are interconnected factors that may push for changes in the parameters of contracts (Pagliarussi & Costa, 2017). The principal-agent strand concerns itself with how an optimal contract (one that minimises risks or costs as much as possible for the parties involved) could be crafted.

Beyond its focus on optimal contracting, the principal-agent strand is generally more, mathematical, abstract, and non-empirically oriented. The strand has a wider focus and is more interested in general theoretical implications (Eisenhardt, 1989). Principal-agent advocates (Ross, 1973; Spence & Zeckhauser, 1971) are more interested with the general theory of the principal-agent relationship, a theory applicable to lawyer-client, employer-employee, landlord-tenant, and even more agency relationships (Kivistö, 2007). The versatility of this strand implies that it could be applied in almost any context where one party (the agent) has to be paid by another (the principal) to play a role where the agent has a minimal or non-existent share in the outcome, be it in negotiated deals such as paying for household jobs or formal employment. It is this malleability of the principal-agent strand that makes the agency theory applicable in both small and medium family businesses and non- family businesses because they are all characterised by employment contracts - be they verbal or written. Interestingly, the two perspectives are complementary in that the principal-agent thread of the agency theory offers theoretical direction to positive-agency research (Cuevas-Rodríguez et al., 2012).

2.4 AGENCY CONTRACTS

A classical expounding of agency theory in economics asserts that most organisations are simply legal entities which serve as nexus for contracting dealings among individuals (Jensen & Meckling, 1976). Agency relationships are therefore defined by way of contracts containing such elements as incentives, monitoring instruments (like performance management), bonding and further forms of social control intended to reduce the costs associated with agency (Van Slyke, 2006; Jensen & Meckling, 1976). It was in 1976 when Jensen and Meckling suggested the phrase “agency costs” to refer to the costs of all endeavours and operating systems intended to harmonise the interests and/or activities of managers (agents) with those of owners (principals). For instance, if the provision of jobs for incompetent members by management in a family business is in its interest, there is allocation of benefits, which would be an agency cost in a non-family owned business, but not in its other counterpart (Zhang & Cao, 2016; Chrisman et al., 2004). However, the caution by Yupitun (2008) regarding the complex nature of agency costs in family businesses sounds very reasonable. Although altruism could alleviate agency costs in family businesses (Kim & Gao, 2010), unfortunately, it could also result in additional agency costs like free riding by members of the family, and entrenchment of ineffective managers or even greedy managers (Morck & Yeung, 2003). Nevertheless, it can be argued that, if owners of a family enterprise wish to provide a basic standard of living for their relatives, any reduction in economic performance as a result of nepotism cannot be viewed as an agency cost (Chrisman et al., 2004). As such, the nature of agency costs in family businesses calls for more careful consideration.

As a way of mitigating agency costs, the optimal contract – in terms of both behaviour and outcome between the two parties (principal and agent), has to be sought. Eisenhardt (1989) holds that, of interest in managing the relationship between agents and principals is determining whether behaviour-oriented controls or outcome-oriented controls are the most efficient. In the case of complete information, whereby the principal is aware of the agent’s dealings, such cases favour behaviour-based contracts rather than outcome-based contracts, since the principal seeks to buy agent behaviour (Eisenhardt, 1989). Behaviour-based contracts assist in controlling employee job behaviours such as their attitudes towards customers at a business, while output mechanisms assess outputs and the achievement of goals – for example, weekly outputs against set production goals (Luhman & Cunliffe, 2012).

2.5 AGENCY PROBLEMS

The agency problem can better be understood as that conflict of interest integral in relationships where one party is expected to act in the best interests of the other (Chen, 2018; Cohen & Chang, 2014). The manager, acting as an agent for stockholders, or principals, is expected to take decisions that will maximise stockholder benefits although it is in the agent's advantage to promote their own interests.

Actions that may be considered agency problems in family owned small-to-medium enterprises might not be so for their other counterparts. For example, altruism may result in agency problems exclusive to family businesses as family links might make it more difficult to deal with certain types of conflicts and discourage counterproductive behaviours (Schulze, Lubatkin, & Dino, 2003; Schulze et al., 2001). However, when it comes to non-family owned businesses, parties usually focus on individualistic needs and seek to maximise their personal welfare (Ahmad, Farley & Naidoo, 2012). For example, agents may hide information about their motivation, capabilities, and background prior to entering a contract, which may be unlikely when employing family members.

Two other agency problems caused by informational asymmetry and goal conflict between the agent and principal are known as adverse selection and moral hazard (Ahmad, et al., 2012). Informational asymmetry occurs when one of the contracting parties has better or more information than the other party regarding the true quality of a good or service. Adverse selection is an undesired result that occurs when one party to a deal –in this case the principal, is unable to obtain sufficient data about the motivation, capabilities, and background of the agent/s before entering the contract. Amagoh (2009) regards it as a distortion of the agent's ability. Scholars (Pagliarussi & Costa, 2017; Gómez-Mejía, Cruz, Berrone & De Castro, 2011) could be right to argue that applying agency theory in family business studies shifts from pure economic thinking due to other considerations. Consideration of relational and altruistic matters within family businesses may undermine pure economic thinking. A good example is when family businesses hire family members ahead of non-family members, even if they are the least qualified and may even pay them more generously. Such asymmetric altruism (biased selfless behaviour that regards family members ahead of non-family ones) could be another source of adverse selection in family businesses (Zhang & Cao, 2016; Chua, 2009). There is a strong possibility that such distributive injustices caused by familial altruism and nepotism may encourage non-family agents to shirk or engage in other kinds of opportunism (Dekker, 2010).

The second agency problem of moral hazard (such as shirking obligations to enjoy leisure and concealment of inefficiencies to avoid loss of benefits) occurs when both parties have entered into a contract, but it becomes difficult in reality for the principal to monitor closely activities of the agent/s and to quantify the outcomes (Miller, 2005). Previous studies (Dawson, 2011; Eddleston et al., 2008) concur that parents in family firms may be too generous with their children, resulting in the children taking advantage of this generosity by shirking (the agent may not exert the agreed-upon effort) or free-riding. Family managers' tendency to desist from monitoring family members' job behaviours could compound this. Since it is virtually impossible to eliminate shirking regardless of the degree of supervision, the goal should be to minimise it to a level which warrants that the principal's goals are met. Performance management is one such practice which ensures that alignment of goals between principals and agents is achieved.

2.6 STRENGTH OF THE AGENCY THEORY

Contrary to previous research evidence by Donaldson (1990) which established that the excessive narrowness of the theory gives rise to its limited testable implications, recent work (Balago, 2014; Bitler, Moskowitz, & Vissing-Jørgensen, 2005) confirms that the theory has been shown to be testable. For instance, Bitler, et al. (2005) conclude that it is likely that agency concerns play a significant role in determining why entrepreneurs own hefty ownership shares on average. Similarly, Balago (2014) retorts that the theory offers exceptional and empirically testable viewpoints regarding challenges of cooperative effort and therefore can safely be embraced when examining principal-agent problems facing businesses.

The theory also provides solutions to contractual issues within firms. It proffers various stakeholders with information on how to select appropriate contractual agreements in different circumstances (Balago, 2014). In this respect, the theory guides various stakeholders (owners, managers, owner/managers, and so on) on how to select suitable types of contractual agreements in different situations and provides optimal control mechanisms for each realm (Namazi, 2013).

Optimal control mechanisms are essential in view of envisaged conflict of interests between the principal and agent. Conflict of interest between agents and principals is highly possible since principals and agents may hold opposing views about preferred goals and means–ends relations, possibly leading to actions on the part of the agent, that are not compatible with the principal's wishes (Wiseman, Cuevas-Rodríguez, & Gomez-Mejia, 2012). From this viewpoint, divergence and convergence of interests become dynamic processes as both parties may agree or differ on key issues in their relationship. It has been suggested that such limitations to the application of agency theory proposed by its critics are artificial and would be dealt with by integrating an institutional standpoint into the theory (like the family or non-family dichotomy afforded by the current study), thereby giving explicit recognition to the social contexts surrounding principal–agent relations (Wiseman et al., 2012).

2.7 CRITIQUE OF THE AGENCY THEORY

Like any other theory, the agency theory has its own shortcomings. In spite of some advantages that could emanate from the fluidity of the theory, its limitation is that one has to always consider the way the theory has been described and understood – and the context under which it is applied (Kivistö, 2007). This observation implies that the theory's criticisms are sometimes case or context specific. Such observations are premised on the notion that the theory's short comings are specific to the institutional setting enterprises find themselves (Lubatkin, Ling & Schulze, 2007).

The theory's other short coming lies in that applications using quantitative methods have shown that it seems impossible to either authenticate or refute the general principles of the agency theory (Kivistö, 2007). The first reason being that, there is no unitary version or single right or form of agency theory. Changes of time have seen the agency problem shifting from the principal and agent to cover other parties like creditors, major shareholders and minor shareholders-leading to type 2 and 3 agency problems (Panda & Leepsa, 2017). Secondly, studies (Kholeif, 2008; Olson, 2000) which have been conducted also differ in their basic assumption, independent and dependent variables, and agency glitches they identify. Thirdly, the differences in contexts (e.g. private/public; family/non-family) and in the nature of the agency relationships (e.g. intra-organisational/inter-organisational) are obstacles when issues of generalisation are considered (Kivistö, 2007). Context may influence the mechanisms for harmonising the interests of agents and principals (Wiseman et al., 2012). Therefore, caution may have to be taken when generalisations are done on family businesses or their other counterparts.

Another set of criticisms deal with the practicality of some of the assumptions fundamental to the theory. Mitzkus (2013) observes that although the agency theory developed in different disciplines, its assumptions about a business and human nature as a nexus of contracts, remains similar in all these disciplines. First, the assumption that courts can accurately and without costs put in force all contracts and that the courts will enforce contracts even if concerned parties subsequently desire to re-contract – are all impractical (Balago, 2014). The assumption also underplays the role of relational contracting (contracts that are ambiguous, non-explicit and broadly state the terms and objectives of an agency relationship in firms). Anecdotal evidence from the seminal work by Gomez-Mejia et al. (2001) confirms that executives operating under more strongly relational contracts are often less accountable for observed results, even under non-family contracting (Gomez-Mejia et al., 2001). Second, it makes unrealistic suppositions about human beings and it remains doubtful whether the assumption concerning humans as homo-economicus (a portrayal of humans as agents who are regularly rational) applies to humans.

In addition to the theory's faulty assumptions about human beings, Kivistö (2007) observes that some of the theory's assumptions depend on dissimilar paradigmatic and disciplinary approaches, and they may even be conflicting. A good example is that of bounded rationality. Bounded rationality implies that individual decision making is limited by cognitive limitations and the time available to make the decision

(Barros, 2010). As a result, one cannot predict all possible future possibilities and hence one cannot embrace these unexpected contingencies into the "*exante"* (before the employee is engaged) employment contract (Balago, 2014). On the contrary, in the mathematically oriented and more formal principal-agent literature, people are presumed to be perfectly rational and to have unrestricted computational capacities (Kivistö, 2007). The assumption is that they can expect and measure the probability of all prospective future possibilities (Baiman, 1990). Such an assumption is impractical due to bounded rationality.

Other such unrealistic assumptions pertain to the theory's assumptions about self-interested and opportunistic behaviour. The assumptions are considered problematic or even false (Kivistö, 2007). Opportunism has been conceptualised by Popov and Simonova (2006) as a way an economic agent operates, according to his/her own interests, which is not bound by motives of ethics and contradicted wellbeing of other agents. Good examples of opportunistic behaviour are fraud, falsehood, and larceny. Opportunistic behaviour has been considered as an excessively generalised and pessimistic conception of human morality; and may again be regarded as an undesirable and rather inflexible assumption (Cuevas-Rodríguez et al., 2012). Such an assumption ignores the social harmony and mutual obligations that are likely to put agent opportunism to check in family ventures. Even Barney, a known proponent of agency theory acknowledges that the assumption that managers have a basic tendency to be opportunistic is not a necessary assumption in the study of economics in organisations (Barney, 1990).

According to critics, the theory's focus on self-interested behaviour makes it possible to ignore a wider range of human intentions– including the need for achievement, respect, altruism, and intrinsic motivation towards an intrinsically satisfying task (Kivistö, 2007; Davis, Schoorman & Donaldson, 1997). Despite the robustness of the self-interest assumption, it seems unavoidable that this analytic generalization will be replaced with a more sophisticated motivational model (Barney, 1990) - which could explain the short-term sacrifices borne for the common good of the family enterprise. This shows an open welcome to integrate more traditional organisational and management theories with agency theory as the current study attempted to do.

Donaldson (1990a) argues that the agency theory has also been blamed for being too prescriptive. It would be more useful and more easily incorporated into traditional management and organisational theories, if it concentrated on description only (Kivistö, 2007). Its conceptual framework is held to be too simple and restricted for a theory. As observed by Balago (2014), most principal-agent models take a narrow perspective of the environment in which the enterprise functions. In particular, the lack of ability by the theory to deal with the possible existence of stakeholders or contending principals can be an obvious drawback of the theory (Kivistö, 2007). Furthermore, with the introduction of several principals –most of whom have claims of political legitimacy – the principal-agent model proffers no suggestions as to which principals should be considered, and which should be disregarded (Waterman & Meier, 1998). Such scenarios are likely to obtain in family firms where more than one centre of power is likely to exist, posing a challenge to agents who may be perplexed as to whose authority to heed (wife, husband, or child). Interestingly enough, because of multiple, contending principals, and quite likely several and competing agents, means that pure information asymmetry is not likely to occur (Kivistö, 2007).

Due to the short comings of agency theory, it is advisable to integrate other theoretical standpoints to extend and reinforce its predictions (Cuevas-Rodríguez et al., 2012). These include but may not be limited to trust theories, the prospect , stewardship and stakeholder theories – which could be used together with it if models of agency that depict the more intricate interactions that follow when principals hire agents are to be built. In this regard, the current study has to consider the stewardship theory, which is an important substitute to the agency theory, especially where family ownership of small -to -medium enterprises is involved (Podrug & Burazin, 2011).

2.8 STEWARDSHIP THEORY

Stewardship theory, as propounded by Donaldson and Davis (1991; 1993) is a paradigm for understanding the relationships between management and ownership of a firm (Pastoriza & Ariño, 2008). This theory emanates as an essential counter to agency theory- a theory that seems to be the leading perspective guiding most governance research. Exclusive reliance upon the agency theory is undesirable since it ignores other complexities of organisational life and hence, the need for additional theory is desirable to explain why interests are aligned (Davis et al., 1997).

The stewardship theory whose origin is in sociology and psychology maintains that there is no conflict of interest between owners and managers, and that the purpose of governance is to find means and structure that support the most effective harmonisation between the two parties. It views human behaviour from a steward perspective whose conduct is fashioned to the extent that collectivistic and pro-organizational behaviours have greater value than self-serving and individualistic behaviours (Davis et al., 1997) assumed by agency theory. Stewards are encouraged to maximise firm performance as their interests are in harmony with those of the enterprise; and therefore maximise their own value by making resolutions that are in the firm's best interest (Tosi et al., 2003; Davis et al., 1997). In this regard, family businesses have distinctive characteristics of stewardship when compared to their non-family counterparts.

Family businesses are known to practise more stewardship governance, compared to non-family businesses exemplified by an organisational culture that is flexible, inclusive and where personnel are trained, nurtured, and given wider responsibilities (Miller, Le Breton-Miller & Scholnick, 2008). The theory's essential assumptions are that the interests of the principals are aligned with the behaviours of the manager - thus placing more value on the convergence of goals between the involved parties than on the agent's self-regard (Pastoriza & Ariño, 2008; Van Slyke, 2006). Therefore, the economic benefit in a principal-steward relationship emanates from lower transaction costs caused by the lesser need for economic inducements and monitoring (Pastoriza & Ariño, 2008).

From a stewardship theory standpoint, the family is regarded as the basis of competitive advantage whose exceptionality stems from the combination of business and family (Campopiano, De Massis & Chirico, 2014). In family firms, owner/ managers, and employees from the family membership consider themselves as firm stewards. They align their interests with the goals of the firm, which must be nurtured to firm functions. Family members are thus selflessly dedicated to the firm and tend to put the enterprise's goals ahead of their own goals (Campopiano et al., 2014). Extant literature (Le Breton-Miller, Miller & Lester, 2011; Davis et al., 1997; Donaldson & Davis, 1991) agrees that stewardship theory offers insights that help explain behaviours in family firms. Although family firm research assumes that stewardship behaviour is natural in members of a family; it has also been proven among non-family members. Madison et al. (2015) are probably right to assume that beneficial steward behaviours emanating from commitment and identification to the family owned business can also be nurtured in non-family managers.

2.8.1 Stewardship governance

Regarding governance, the stewardship theory promotes empowerment and participation as opposed to control and monitoring (Davis et al., 1997). According to Eddleston, Kellermanns and Zellweger (2012), pro-organisational activities are best enabled when corporate governance is supportive of participation and cooperation. Stewardship governance inspires collaboration, motivates, and empowers employees, thus supporting behaviours that are pro-organisational, and which improve firm performance (Eddleston & Kellermanns, 2007; Davis et al., 1997). Stewardship governance manifested through participative management and strategic decision-making has been associated with greater entrepreneurship levels in family businesses (Eddleston et al., 2012). Family owned businesses are able to take advantage of entrepreneurial prospects when the insights of family members are shared with the diverse perspectives of non-family members, especially when both are able to contribute in the decision making process (Eddleston et al., 2012). Stewardship governance in family firms has also been associated with innovativeness (Dibrell & Moeller, 2011; Craig & Dibrell, 2006), strategic flexibility (Zahra, Hayton, Neubaum, Dibrell & Craig, 2008) and enterprise performance (Craig & Dibrell, 2006).

2.8.2 Critique of stewardship theory

Even though the stewardship theory stands as an important alternative to the agency theory, it is static, since it reflects the relationship between the agent and principal at a single point in time (Pastoriza & Ariño, 2008). The theory takes the dangerous assumption that there is no learning of agents during their daily interactions. Such a simplifying assumption does not reflect the inclination that agents may have to digress from the position of an agent towards that of a steward.

Surprisingly, a principal-steward relationship may initially involve higher transaction costs than a principal-agent relationship (Van Slyke, 2006). This may be caused by a greater need of time on the part of the principal to involve the steward in problem formulation, shared decision making, information exchange and attempts to understand the steward's needs (Van Slyke, 2006). The management of this relationship in a jointly interested manner may mean higher costs for non-family agents who have no previous connections with the business and whose needs may be unique to those of family members.

2.8.3 Stewardship versus agency theory

This section is going to do a paired comparison of the two theories and will commence with similarities. The comparison provides a worthwhile and distinct strategy to comparative analysis. Previous research (Madison et al., 2016; Tosi et al., 2003) maintains that the two theories, although regarded as opposing theories, address similar phenomena: firm-level and individual-level behaviour mechanisms of governance that predict institutional outcomes; and the employment relationship between principals and managers with its associated organisational performance outcome.

Firstly, both the stewardship and agency theory narrowed the concept of corporate governance to individual–level behaviours of only two parties - the principal and agents/stewards. Within this framework, the stewardship theory underscores the need for goal convergence between the principal and the agent (Pastoriza & Ariño, 2008; Arthurs & Busenitz, 2003). Similarly, the agency theory underscores the need to reduce goal divergence between the two parties. However, unlike the agency theory which assumes incongruity of interests between the two parties, the stewardship theory assumes automatic alignment of agent goals with the goals of their principals on appointment (Pastoriza & Ariño, 2008; Davis et al., 1997). Within the context of family businesses, stewardship theory holds the notion that family managers are stewards who are inherently motivated by higher-level needs to perform in the interests of both the business and/or family (Siddik & Kabiraj, 2016; Miller & Le Breton-Miller, 2006). Essentially, the argument is that even though the context and relationships prevailing in family businesses may be different from those in their non-family counterparts, goal alignment between parties in these enterprises remains the primary issue for both the agency and stewardship theories (Van Slyke, 2006).

Secondly, both theories assume that managers have adequate capacity to monitor and for oversight (Van Slyke, 2006). It is therefore somewhat myopic to depict agency governance as being characterised by monitoring mechanisms, while in stewardship governance, participatory and collectivistic environments exist (Madison et.al, 2015). Such depictions are not necessarily conflicting because the fact that an enterprise institutes monitoring mechanisms may not mean that collectivistic cultures cannot exist.

Regarding their differences, the two theories are premised on contradictory assumptions about human behaviour. Previous research (Corbetta & Salvato, 2004b; Donaldson & Davis, 1991) holds that the stewardship theory presents a more humanistic model of humans than the economic outlook provided by agency theory. According to Madison et al. (2017), its humanistic tenets are more pronounced in family firms. Proponents of the stewardship theory (Carney, 2005; Lubatkin, Schulze, Ling & Dino, 2005) maintain that family businesses show unique objectives and needs other than purely economic ones. Examples of such objectives include firm longevity, intra-generational succession, and intra-familial altruism. Family members are more likely to be closely associated with their businesses, thus increasing their attachment to the organisation and its stakeholders. They are also not so much engrossed on the short-term profit as non - family businesses usually are (Chrisman, Chua & Steier, 2011). Kultys (2016) could therefore be right to conclude that, the major difference between the two theories is premised on the differences between the economic and self-actualised individual.

The two theories also differ in that, the stewardship theory regards as stewards managers whose behaviour is based on an inherent aspiration to work for the firm and as a result, will obviously align with the principal's interests (Hernandez, 2008; Zahra et al., 2008). The agency theory, however, assumes that both the principal and agent are self-regarding and boundedly sensible, resulting in individual utility-maximising behaviour if appropriate controls and incentives to harmonise the goals of the agent with the principal are not passed. In this respect, the two theories offer contradictory predictions and assumptions for business performance and have therefore generated an unending debate concerning the predictive capacity of each theory (Madison et al., 2016).

Their other contradiction lies in that the stewardship theory denies the existence of managerial opportunism, thus replacing the lack of trust characterising the agency theory with an inclination to ethical behaviour and a respect for authority (Abor & Biekpe, 2007). Furthermore, the stewardship theory holds that monitoring and controls proposed by the agency theory disturb motivation of the steward resulting in loss of productivity and inciting opportunistic behaviour. Since no conflict exists between principals and stewards, the stewards feel empowered and autonomous, resulting in increased productivity. Having just argued for the absence of conflict between principals and stewards, it logically leads to the fact that stewardship governance portrayed through responsibilities for strategic decision making and participative management could be associated with higher levels of corporate entrepreneurship in businesses owned by families (Eddleston, Kellermanns & Zellweger, 2010).

Corporate entrepreneurship benefits both the firm and nation as it brings about the betterment of humanity at large. Corporate entrepreneurship as described by Chen and Nadkami (2016) is the sum of a firm's corporate venturing, innovation, and strategic renewal activities, and is the primary vehicle through which firms gain competitive advantages, adapt to the external environment, and perform effectively. Corporate entrepreneurship has the potential to revitalise a business by improving its competitive profile (Chen & Nadkarni, 2016), and allowing the business to fully tap into its existing competitive advantage while looking for future opportunities and developing requisite capabilities to pursue them (Chen & Nadkarni, 2016; Simsek &

Heavey, 2011; Kuratko, Ireland, Covin, & Hornsby, 2005). To improve profitability, grow future revenue sources, effectively enter new markets, or organise resources to nurture competitive advantages (Simsek & Heavey, 2011), both family and non-family businesses may turn to corporate entrepreneurship.

Over and above the ability to promote corporate entrepreneurship, stewardship governance focuses more on intrinsic rewards which are difficult to quantify, such as achievement, affiliation, and growth (Davis et al., 1997). The agency theory, in contrast concerns itself with extrinsic rewards such as tangible goods that have measurable value (Davis et al., 1997). However, it is intrinsic rewards that may invoke short-term financial sacrifices for long term gains among family members.

Apart from whether rewards are extrinsic or intrinsic, the agency theory differs from its other counterpart with respect to the degree of attachment enlisted. Stewardship theory is likely to enlist a higher degree of attachment to the firm, with agents accepting accountability for problems, and working with others to resolve issues without regard for personal reward; whereas in agency theory, the agent oftentimes does not identify with the firm, may blame the enterprise for problems, or blame others for the shortcomings of the firm (Davis et al., 1997). In light of this, Madison et al. (2017) are probably right to suppose that since the two theories consider governance through dissimilar mechanisms; these governance practices can coexist, with the coexistence likely to affect both agent and steward behaviours, and family enterprise performance to a different degree when compared to one type of governance in isolation. However, these claims may need to be supported by empirical evidence.

2.9 THE RESOURCE-BASED VIEW (RBV)

The RBV of the firm originated with the work by Penrose (1959) who considered the firm as an administrative establishment and a collection of both human and physical productive resources (Curado, 2006). It is perhaps the only assertion to a “new” theory of the firm strategic management as a discipline could make (Peteraf, 1993); as other theories emanate from either sociology or economics. In 1984, Wernerfelt suggested the term ‘resource-based view’ and regarded a business as a bundle of resources which are semi-permanently linked to the business. A ground-breaking research by Habbershon & Williams (1999) offers the starting point for the RBV in family businesses. The article coins the word ‘familiness of the firm’ to describe those resource bundles that are distinct to a firm due to family involvement (Habbershon & Williams, 1999). In this instance, it may be proposed that, the capabilities, and resources of the family enterprise as a unit, the enterprise, and the individual members interact to contribute to overall business performance. The RBV has an intra-organisational emphasis and contends that performance is a product of firm-specific capabilities and resources (Barney, Ketchen & Wright, 2011; Lockett, Thompson, & Morgenstern, 2009). The RBV maintains that effective firms will find their future leverage by developing unique capabilities, which often may be intangible or implicit in their nature.

According to Katua, Mukulu and Gachunga (2014), a firm’s resources can be categorised into tangible (technological, physical, financial, and human) and intangible (reputation, knowledge, and brand-name) resources. On one hand, Grant (1991) grouped tangible resources into either physical or financial assets. Intangible resources on the other hand could be skills or assets. As assets they may assume the form of institutional assets (Fernàndez, Montes & Vàzquez, 2000; Barney, 1991), intellectual property assets (Hall, 1992), or reputational assets (Roberts & Dowling, 2002). Intangible resources in the form of skills may comprise of human capabilities (Day, 1994). Some researchers (Ray, Barney & Muhanna, 2004; Lockett & Thompson 2001) however contend from a strategic viewpoint that intangible resources are usually the most significant ones.

Regarding family and non-family businesses, their most essential resource is found in the intangible competencies of their human resource. Surprisingly, primary works on family enterprises (Beckhard & Dyer, 1983; Lansberg, 1983) took it for granted that family influence makes a difference without explicitly arguing why. On the contrary, Chrisman, Kellermanns, Chan and Liano (2010) proffer stronger rationale for differences. For example, the positive elements of family businesses’ human resources which include friendly, warm, and intimate relationships (Horton, 1986), are considered as the ground for profound firm-specific tacit knowledge (Sirmon & Hitt, 2003), and unusual commitment (Horton, 1986). On the contrary, personnel in non-family firms may not manifest greater cooperation and commitment (Dawson, 2012), and may not be prepared to sacrifice pay in the short term for long term gains.

It seems that participation by family members in both family relationships and business in their professional lives exacerbates their complexity and creates a distinctive context for human capital when compared to non-family businesses (Sirmon & Hitt, 2003). Human capital results in sustainable competitive advantage when they are rare, firm-specific, inimitable, non-substitutable and valuable. Literature on RBV (Barney, 1991; 1986a, 1986b; Rumelt 1987) suggests that performance and competitive advantage results are due to firm-specific capabilities and resources that are expensive to imitate by other competitors. While resources such as technology, natural resources, finance and economies of scale can produce value, the RBV claims that these centres of value are not only accessible to all, but are easily copied if compared to such complex resources like the human capital (Barney, 1991). In the context of the present study, the integration of business and family in family owned small-to-medium enterprises creates many important and distinctive features when compared to their non-family counterparts. For instance, the likelihood of the early participation of children in the family business is likely to produce considerable levels of firm-specific tacit knowledge (Sirmon & Hitt, 2003). Tacit knowledge, which is hard to imagine or codify, may be conveyed through direct experience and exposure, giving family businesses the capacity to have greater levels of firm specific knowledge than their other counterparts (Sirmon & Hitt, 2003).

Deeper degrees of firm specific knowledge could be a source of competitive advantage in family businesses. However, although the seminal work by Sirmon and Hitt (2003), and Dyer (2006) theorised about family firm unique capabilities and performance in comparison to their other counterparts, they failed to clearly distinguish the family effect from other variables like firm characteristics, the firm's stage of development, and industry that may affect firm performance (Duh, 2010). Furthermore, like their younger and smaller entrepreneurial non-family firms, family businesses scarcely have all the resources required for effective competition. Sirmon and Hitt, (2003) admit that they must make up for this weakness by developing their abilities or getting access to the required resources through such ways as creating alliances. However, the above arguments do not provide a convincing explanation on how such capabilities may best be developed and how they could leverage on social capital, survivability capital, among other forms of capital, against the liability of their smallness.

2.9.1 Critique of RBV

The greatest weakness of the RBV is that it is tautological — meaning its primary claims are true but were not subjected to empirical test (Priem & Butler, 2001b; Williamson, 1999). The RBV is a tautology because it fails to realise the benchmarks for a true theory (Kraaijenbrink, Spender & Groen, 2009). It does not encompass law-like generalisations expected of a theory (Lockett et al.; 2009; Priem & Butler, 2001a, 2001b). Alternatively, if the RBV is to be considered as a theory, ways must be found to decouple or negate the tautology.

It is however naïve to suggest that just because a theory is tautological, then it follows that it might not be perceptive and even empirically rewarding. Just like game theoretic models (Moorthy, 1985) that can also be regarded as tautological; tautological models have the capacity to generate counterintuitive perceptions that may, in principle, lead to significant empirical research (Barney, 2001). In addition, tautology must not be the issue per se, but what should also be considered is the extent to which propositions emanating from a tautology can be parameterised in a way that makes empirical testing possible (Barney, 2001). It is however beyond the scope of this thesis to consider counterarguments on the tautology issue by Priem and Butler (2001b)

In addition to its tautological shortcomings, the RBV as a theory is regarded as a fad of scholarship in management which has gained acceptance mainly because of its wide applicability and fascinating terminology -e.g., tradability, substitutability, and so on (Priem & Butler, 2001a). In addition, the RBV overlooks the role of entrepreneurial strategies and abilities as some of the crucial sources of a firm's competitive advantage (Akio, 2005). Yet, to create sustained competitive advantage, firms need both bundles of resources and the managerial competencies to identify and take advantage of the fruitful opportunities implicit in them (Kraaijenbrink et al., 2009).

It is more than likely that managerial competencies play a decisive role in the exploitation of productive opportunities in entrepreneurial ventures (Mitchelmore & Rowley, 2010), though the RBV overlooks the role played by entrepreneurial abilities. The direction given to whatever bundles of resources and capabilities, are a function of the abilities of the entrepreneur. Therefore, the main source of competitive advantage for entrepreneurial ventures does not emanate from the heterogeneity of resources and capabilities per se (as implied by the RBV), but from the heterogeneous perceptions of the entrepreneur (Akio, 2005).

Besides overlooking the role of entrepreneurial abilities in creating competitive advantage, the RBV could again be misleading to imply that "familiness"- a specific bundle of capabilities and resources unique to a business emanating from the participation of a family (Habbershon & Williams, 1999), is a source of competitive advantage, without considering the type of family involved. This line of thinking is provoked by the assertions by Sirmon and Hitt (2003) that the way family firms acquire, bundle, evaluate, leverage, and shed their resources vary from those of their non-family counterparts. According to Dyer (2006), different family typologies may exist. These include the professional family firm, the clan family firm, the "mom and pop" family firm, or the self-interested family firm. Though it is beyond the scope of this thesis to delineate these typologies, it suffices to say that, specific agency costs and familial liabilities, or familial assets may be linked with each type (Duh, 2010).

Not only has familiness proven to be too simplistic a source of competitive advantage, but literature(Hooley, Cox, Shipley, Fah, Breaks & Kilos, 1996; Nonaka & Takeuchi, 1995) also acknowledges that serious omissions of the RBV are its failure to provide a comprehensive framework depicting how different parts within the firm interact with each other to generate something original and unique over time; and that it disregards market demand as it focuses only on internal resources and yet external and internal elements cannot be separated. Ultimately, these criticisms arise from the uncertain nature of the RBV's two basic concepts – value and resource– and the myopic conceptualisation of a business's competitive advantage (Kraaijenbrink et al., 2009)

A myopic conceptualisation of a business's competitive advantage could lead to the conclusion that sustained competitive advantage may necessarily come from mere possession of resources rather than from the ability to deploy them (Peteraf & Barney, 2003). Some scholars (Becerra, 2008; Foss & Knudsen, 2003) argue that immobility and uncertainty, or rather value uncertainty, firm-level innovation and resource specificity are the truly needed conditions to realise a sustained competitive advantage; and any other circumstances are simply supplementary to these. The same may be said of familiness as one such other source of competitive advantage in family businesses.

According to Kraaijenbrink et al. (2009), the RBV's other shortcoming revolves around its axiomatic definitions- specifically that of the term resource. Previous research (Barney & Clark, 2007; Barney, 2001) concurs that attributes such as economies of scale, trust, cost leadership and learning curve economies may be regarded resources as well. The inclusive definitions of the term resource are tricky for two reasons. Firstly, they fail to adequately acknowledge the difference between resources that are contributions to the firm and capabilities that allow the firm to choose, deploy and organise such inputs (Kraaijenbrink et al., 2009). Secondly, the RBV does not explain how different types of resources may contribute in a different mode to a firm's sustained competitive advantage. While the theory identifies different types of resources like human capital, physical capital, and organizational capital – it however views all of them in the same way (Kraaijenbrink et al., 2009). Kraaijenbrink, et al. (2009) suggest that the RBV could be improved considerably if its basic logic would be of resources – tangible, intangible , dynamic, static, human, technological, financial, deployed, in reserve, perishable, non-perishable, and so on – and between forms of resource ownership. Lack of clarity in this crucial aspect renders the theory less effectual even where familiness is considered as a source of competitive advantage.

2.10 CONCLUDING REMARKS

The two theories -agency and stewardship, do not undeniably give the only correct view as stand-alone, suggesting that they could be of more utility if meshed. The current study has managed to do that. The study recognizes the complementary character of both views and proposes that the choice of any of them should depend on circumstances. However, the stewardship theory may provide more insights into the impact of management and ownership on the performance of closely owned and managed family businesses when compared to the agency theory. The inclusion of yet another significant theory in strategic management (the RBV) in the current study enabled the study to consider a small-to-medium enterprise's strategically important resources critical in determining its competitive advantage. The RBV's additional advantage is that it allows for the consideration of those bundles of resources unique to a firm because of family involvement. The next chapter is going to review literature on family and non- family owned small-to-medium businesses.

CHAPTER 3: FAMILY AND NON- FAMILY OWNED SMALL-TO-MEDIUM ENTERPRISES

3.1 INTRODUCTION

The previous chapter reviewed the three theories guiding the current study. The theories provided a basis that was used to distinguish family from non-family owned businesses in important dimensions. This chapter is meant to define small- to-medium enterprises, family owned businesses and their non-family owned counterparts. The chapter would also consider their importance and performance.

3.2 DEFINING SMALL-TO-MEDIUM ENTERPRISES

There is no unanimously acknowledged definition of small-to-medium enterprises– as the definitions differ across industry sectors and countries (Awa, Nwibere & Inyang, 2010). Worse still, the small-to-medium enterprise sector in Africa has been subjected to various labels such as **micro and small enterprises (MSEs); micro, small and medium enterprises (MSMEs); and small, micro, and medium enterprises (SMMEs).** Gibson and Van der Vaart (2008) maintain that debate on the role of small-to-medium enterprises in emerging economies has been badly served by faulty definitions. The authors go a step further to show the disparities of these definitions, even as used by multilateral development institutions. Table 3.1 shows the disparities in the definitions of small-to-medium enterprises by multilateral development institutions.

Table 3.1: Definitions of small-to-medium enterprises by multilateral development institutions

Institution	Maximum No. of Employees	Max. Revenue or Turnover($)	Maximum Assets($)
1.World Bank	300	15 000 000	15 000 000
2.Multilateral Investment Fund(MIF)of the Inter-American Development Bank (IADB)	100	3 000 000	None
3.African Development Bank	50	None	None
4.Asian Development Bank	No official definition	Uses definitions of individual national governments	No official definition
5.UNDP	200	None	None

Source: (Gibson & Van der Vaart, 2008)

The most used framework in South Africa is the definition by the National Small Business Act 102 of 1996, which describes five classifications of companies in South Africa (Abor & Quartey, 2010). The definition comprises of annual turnover groupings and gross assets, without fixed property, on top of number of employees (the commonest mode of definition). A summary of the definitions by the National Small Business Act 102 of 1996 would mean that survivalist and micro enterprises fall in the same category with not more than five people and with a turnover smaller than the VAT registration limit (R150 000 a year). Very small enterprises employ fewer than 10 paid workers. Small enterprises engage up to 50 workers, while medium enterprises employ 100, or 200 for the electricity, mining, manufacturing, and construction sectors (Abor & Quartey, 2010). However, given the secretive nature of small-to-medium enterprises (Tassabehji, Mishra & Dominguez-Péry, 2018), information regarding annual turnover categories and gross assets, apart from fixed property, could be difficult to gather. Therefore, the current study had to give due emphasis to the number of employees. Consequently, the categorisation of small-to-medium enterprise size classes by number of employees by Kesper (2001), shown below, was used to define both family and non-family owned small-to-medium businesses in Gauteng Province.

Table 3.2: Four size classes of SMMEs by number of employees

Size Class	Micro	Very Small	Small	Medium
No.of Employees	0-4	5-19	20-49	50-200

Source: Adapted from Kesper (2001)

For purposes of this study, small enterprises had to include those employing 5-49 employees, and medium enterprises were those employing 50-200 employees.

3.3 DEFINING FAMILY OWNED BUSINESSES

Ever since Lansberg, Perrow and Rogolsky (1988) posed the question on how the family business should be defined, over 29 years have lapsed, yet the topic continues to court important discussions in the field of family business research (De Massis, Frattini, & Lichtenthaler, 2012). To date, new definitions for family businesses continue to flood academia and definitional ambiguities persist, despite incessant calls by researchers to distinguish between definitions that are theoretically based and those that are more operational in nature (Litz, 2008).

Of interest in what could be a long narrative, are the ground-breaking theoretical definitions by Chua, Chrisman and Sharma (1999); Habbershon and Williams (1999) and Habbershon, Williams and MacMillan (2003). Way back in 1999, Chua et al. (1999:25) suggested that a family firm can be defined theoretically as "a business governed and/or managed with the intention to shape and pursue the vision of the business held by a dominant coalition controlled by members of the same family, or a small number of families in a manner that is potentially sustainable across generations of the family or families". Among other things, this definition underscores how business objectives and policies are swayed by family, and the intention for intra- family succession. The other theoretical definition termed "familiness" by Habbershon and Williams (1999) and Habbershon et al. (2003), was based on the resource based view of the firm, and holds that family firms should be notable by the presence of inimitable and synergistic resources and competencies that arise from family involvement and interactions among family members. The two definitions above are fundamentally different in that the one by Chua et al. (1999) emphasises on behaviour only; yet the one by Habbershon et al. (2003) requires the behaviour to yield positive or negative synergistic and unique outcomes (De Massis et al., 2012). However, both definitions do not attempt to distinguish small from large enterprises, yet these enterprises differ in several aspects (Lussier & Sonfield, 2015; Braidford, Houston, Allinson & Stone, 2014).

In the long narrative of definitions, it is also worthwhile to consider the seminal work by Chrisman, Chua and Sharma (2005) that presents two approaches taken by literature in trying to define a family business, viz the components-of-involvement approach and the essence approach. Firstly, the components-of-involvement approach (also known as the demographic approach) is one of the most used approaches to defining and distinguishing family businesses from non- family ones (Basco, 2013; Chrisman et al., 2005). The components-of-involvement approach maintains that a business may be classified as a family firm when (a) it is owned by a family; (b) it is family-managed; or (c) the business is controlled by a family (Kraicyz, 2013). While the advantage of this approach lies in the comparative simplicity with which definitions based only on family share ownership, governance and management can be applied in research, it fails to reflect why the strategic processes of a business are influenced by a family's involvement, or what sorts of benefits over non-family firms are generated in that way (Pearson, Carr & Shaw, 2008). Accordingly, the components-of-involvement approach may only be regarded as the first and modest step towards defining a family business and whose elements solely measure the potential of a family to influence a business, but not their real influence (Zellweger, Kellermanns, Chrisman & Chua, 2011). In addition, there are no generally recognised thresholds for each one of the components, implying that dissimilar values due to differing components-of-involvement -based definitions of family firms may be used in different research articles, thus limiting the comparability of the articles' results (Garcia-Castro & Casasola, 2011; Siebels & Knyphausen-Aufseß, 2012).

Secondly, the other approach used to define family businesses - the essence approach (or according to Mazzi, 2011, the intention-based approach), is more limiting and defines businesses only as family firms when the involvement of family results in uniqueness and specific behaviours. The essence approach comprises of four main characteristics: (1) influence of the family on the business' strategy; (2) the family's intention and vision to keep control of the firm and pass it on to the next generation; (3) family business behaviour; and (4) distinctive familiness (Kraicyz, 2013). According to this approach, family businesses primarily differ from non-family businesses not only on the family's involvement in the business, but its behaviour and desire to be a family business (Mazzi, 2011). The essence-approach, therefore, focuses on whether a family business reveals typical family firm behaviours and/or whether the involved family members consider the enterprise to be a family business and wish to maintain this status (Steiger, Duller & Hiebl, 2015; Mazzi, 2011). In light of this, the current study adopts the claim by Gallo, Tapies and Cappuyns (2004), that the trend is to allow respondents of a survey to choose whether to categorise the business being assessed as a family owned business or not. The owner/managers' classification of the business during data collection took precedence over any other, thereby assigning the study to the essence approach.

The weakness of the essence approach lies in that family businesses with similar combinations and levels of involvement may identify themselves differently (De Massis et al., 2012). While the approach may be easy to operationalise when using self-evaluation as the only condition in a survey with primary data, it is problematic to both determine and measure the essence of a company since such attributes as the behaviour and vision of a firm, or even a family's share of ownership, may not be measured easily (Basco, 2013; Mazzi, 2011).
In summary, while the components-of-involvement approach regards family involvement as a satisfactory condition to define a business as a family firm, the

essence approach acknowledges it only as a necessary condition (Kraicyz, 2013). In addition, the components approach emphasises on combinations of ownership, control, or management, yet the essence approach focuses on the actual behaviours of family members in the business (Henssen, Voordeckers, Lambrechts & Koiranen, 2011).

To compensate for the weaknesses of the two approaches, an F-PEC scale that combines features of the components-of-involvement and essence approaches was familiarised in 2002 by Astrachan, Klein & Smyrnios (2002). F-PEC stands for Family - Power, Experience, Culture (Astrachan et al., 2002). The scale developed after many pilot schemes on family firm owners and wide discussions proffered an opportunity to the full measurement of family effect (Seyfi, Ozlem, Ercan & Sercan, 2013). The three dimensions on the scale- power, experience and culture measure a family's influence on the behaviour and decisions in a business. The scale, followed by many refinements and more tests (Klein, Astrachan, & Smyrnios, 2005; Rutherford, Kuratko & Holt, 2008), gave family research a starting point for developing a continuous measure of a family's involvement and influence in a business (De Massis et al., 2012). The F-PEC scale is intended to assess a family's involvement in a business and attempts to make it comparable with the same assessment in other businesses (Steiger et al., 2015). The biggest advantage of the F-PEC scale over the preceding two approaches is its exclusion of the dichotomy between family business and non-family business (Steiger et al., 2015). The scale's aim is not to analyse whether a given enterprise is a family business or not, but to determine the degree to which it is a family business, since a continuous scale is used to measure the degree of family influence (Rutherford et al., 2008).

Despite the efforts to define a family business and the longstanding research on family business concerns and their economic relevance, a jointly acknowledged definition within the research area remains elusive (Yordanova, 2016; Harms, 2014; Di Toma & Montanari, 2010). It should be noted that, definitional variances on what a family business is, could be attributed to such contextual matters as the topic, subject under examination, the period of inquiry(Harms, 2014), the prevailing legal framework (Allouche, Amann, Jaussaud & Kurashina, 2008) and the existing organisational or national culture (Getz & Petersen, 2004). Alternatively, Yordanova

(2016) attributes this heterogeneity to multiple research approaches and the great diversity of family owned firms in terms of firm size, industry, governance, and so on. Unfortunately, the lack of consensus regarding the conceptualisation of a family firm in developed market economies or transition countries impedes comparative family business analyses (Harms, 2014).

3.3.1 Definition of family businesses

No dependable database of family owned businesses exists in South Africa (Visser & Chiloane –Tsoka, 2014). This may be attributed to existing parochial views of the family business as being unfashionable and lagging the times, and limited resources in government departments which prevent them from keeping updated statistics of these businesses (McCarthy, 2015). However, estimates show that family owned businesses are the main form of business in South Africa – with 80 to 90% of small-to-medium enterprises in the country being family owned (Maas, 2014; Venter, 2009).

Given that family owned firms are the main form of business in South Africa, they have an official representation. The Family Business Association of Southern Africa (FABASA) is their official representative and serves to promote their interests. FABASA defines a family business as a firm in which the bulk of the votes are owned by the individual who established the business or by his spouse, children, parents, or children's direct heirs. At least one representative of the family manages the enterprise; and if the firm is listed, the individual who acquired or established the enterprise (or his or her family) holds 25% of the voting rights through the individual's share capital, and at least one family member is a member of the board (FABASA, 2014b). A good example of a family firm that approximates the aforesaid definition is Pick n Pay, founded by Raymond Ackerman in 1966, who, after stepping down as Executive Chairman of the business in 2010, paved way for his first born son Gareth Ackerman (Nsehe, 2014). The Ackerman Family trust holds 53% of the firm's stock, while Gareth's siblings hold high-ranking positions in the business. This family business contrasts with a business like Boplaas - the oldest family business in South Africa, where a family may step back but appoint a professional board of directors to ensure proper management of the company (Hubbard, 2013).The aforesaid definition therefore not only fails to capture the dynamism of family owned businesses, but is also silent on the peculiarities emanating from their varying sizes. Though it sounds robust, it also fails to encompass a multidisciplinary outlook of the complex and vibrant phenomenon of a firm that is owned and run by members of a family.

In the quest for a simpler definition, the current study adopts Lussier and Sonfield's (2015) definition of a family owned business – one in which family members control the ownership and management of a business and recognise their enterprise as a "family business". Consistent with the definitions by Westhead (1997), Jorissen, Laveren, Martens and Reheul (2002) and Kirsipuu (2013), non-family owned businesses were defined as those enterprises that do not identify themselves as family businesses, and in which a family does not own the majority of the shares. As has been alluded to before, it is the owner/manager's identification of the business as a family owned enterprise or otherwise, that formed the basis of classifying firms in the current study.

3.4 IMPORTANCE OF FAMILY OWNED BUSINESSES

The family is one of the oldest social institutions in our world, as families were fashioned along with small societies, well before the advent of commerce (Zachary, 2011). Even though the study of family owned firms (particularly small and medium sized ones) is still nascent (Madueño et al., 2011), Colins & O'Regan, (2011) admit that these types of businesses predate most forms of market structures and forms the backbone of most economies world over, making tremendous contributions in terms of economic output and employment.

Most businesses in both developing and emerging economies are small, and most of them are family owned (Naude`, 2012; Szirmai, Naudé & Goedhuys, 2011). Family owned businesses are all around us (Howorth, Rose, Hamilton & Westhead, 2010)–from "mom-and-pop" stores and the numerous micro, small and medium enterprises that form the basis of many economies, through to popular names like BMW, Samsung, and Wal-Mart stores (Caspar, Dias & Elstrodt, 2010). For example, 40% of the 250 largest corporations in Germany and France are family owned businesses –implying that a family retains most shares and has the potential to influence vital decisions, mainly the election of the CEO and chairman (Caspar et al., 2010). Maas and Diederichs (2007) also admit to the eminence of family owned businesses in Europe as they insist that family owned businesses in Europe constitute 60-70% of all small-to-medium enterprises and contribute 45-65% to the continent's GDP. While reliable statistics could be elusive for Africa, a bulk of small-to-medium businesses are family owned (Nordqvist & Melin, 2010).

Since family owned businesses are in the majority in most countries, it is worthwhile to explore possible advantages that family ownership brings. The entrepreneurial spirit that informs and instils the family business produces pride in the processes and products, and further creates a sense of shared values, vision, future and history – which, in turn, speaks to the business' ambitions and structures (McCarthy, 2015). It is the family unit that brings together and generates the forces enabling sustained entrepreneurial behaviour in the business (Zachary, 2011).The family firm is closely run, with a big bond of trust between staff, customers and suppliers– whose make-up implies that, under pressure, it can speedily adapt, adopt and survive in hostile or recessionary environments (McCarthy, 2015).Thus, family owned businesses have the added advantage of close relations with many customers, guaranteeing the stability of the business in the long-term. The name of the family on the firm stands as a symbol of trust, integrity, and dependability, which the family may not want to risk through unethical, illegal or poor practices (Rößl, Fink & Kraus, 2010).

The quest to safeguard the family name combined with the sustained presence of family stockholders affords a specific and intangible resource that permit firms to develop long-term ties with stakeholders, like buyers, employees, suppliers banks, and other trading parties (Poza & Daugherty, 2014; Chu, 2009). Such durable, recurring ties may build trust between transacting parties that end in certain positive economic results for family owned businesses, relative to their other counterparts. The afore-mentioned arguments add weight to the fact that owners with longer horizons of investment have less managerial myopia (Sciascia & Mazolla, 2008), supervise the actions of managers better and invest more professionally. Such a long-term outlook is likely to emanate mainly from the rationale that the family expects to pass the business onto the next generation.

The other advantage of family ownership relates to higher propensities to invest in innovation (Classen, Carree, Van Gils & Peters, 2014). A survey by Hsu & Chang (2011) confirms that family ownership is significantly related to the use of behavioral strategic controls, which have a significant and positive effect on family firm innovation. In addition, Gareth Ackerman, chairman of Pick 'n Pay(a retail family business expanding throughout Southern Africa) argues that family control gives companies room for risk-taking, innovation and entrepreneurship, which is difficult with institutional investors motivated by the need for instant returns (Worall, 2012).

Comparatively, the family-owned and managed enterprise has a better propensity to support entrepreneurial activities (Chu, 2009). For example, given that family member management has the unique advantages of combining control and ownership when compared to outside management; family leaders are likely to invest in building the business' operations and pursuing prospective entrepreneurial opportunities (Chu, 2009). Chu (2009) admits that this type of organisation is likely to present relatively greater levels of efficiency justified by the blurring of roles of agent and principal. In view of this, family managers are, therefore, more likely to support innovations that enhance organisational growth.

The fact that family leaders are more likely to back innovations runs contrary to a study by Hiebl (2014) that portrays risk aversion as not only endemic, but a traditional feature in family owned businesses. Subsequent research evidence has shown family firms to be rather loss averse (Herrero, 2017; Carney, Essen, Gedajlovic & Heugens, 2015). In view of this, it can be suggested that, family owned businesses may likely seize investment opportunities that their counterparts do not consider as being attractive or consider too risky. Such behaviours are likely to be propagated by the fact that founding families are more likely to see the business as an asset to pass on to future generations, and may have longer investment prospects than non-family owned businesses – suggesting a preparedness to invest in long-term projects rather than shorter managerial horizons (Chu, 2009).

It must be admitted that even the association between family ownership and small-to medium enterprises performance is still unclear (Chu, 2009) and research evidence is still eclectic. What complicates matters is that most studies prefer large companies to small firms as their research sample, and the fact that family business research has not yet advanced a generally accepted description of what constitutes it, make matters worse (Steiger et al., 2015; Chu, 2009). In addition, research on family owned businesses is still nascent and remains principally at a conceptual level (Madueño et al., 2011; Dyer, 2006,). However, as put by Rettab and Azzam (2011), even the relative performance of family owned businesses versus non-family owned businesses remains an empirical question, and the prevalence of evidence from different studies is what ultimately shapes the meta view of the superiority of one enterprise over the other.

3.5 FAMILY OWNED BUSINESSES IN SOUTH AFRICA

Family owned businesses are becoming the leading form of business firms in developed, developing and transitional economies (Emerole, 2015; Charbe et al., 2013). In view of this, it is reasonable to acknowledge that the South African government is promoting family-based small –to-medium enterprise economies as their preferred economic model. Such a model naturally aligns with the objectives of black empowerment (Brand South Africa, 2013), which has become the mantra in the country. For instance, FABASA, assists family owned firms with practical solutions to corporate governance, best practice, and profitability, and provides guidance on succession planning (FABASA, 2014a; Visser & Chiloane-Tsoka, 2014) as part of its mandate.

The assistance mentioned earlier becomes imperative given that South African family owned businesses also encounter both internal and external challenges. Regarding challenges external to the businesses, government policy frequently features significantly as an external challenge – and it has leaped from 25% in 2010 to 32% in 2013 (Price Waterhouse Coopers, 2013). South African family business owners report absence of confidence in the government, as most are of the view that government is not doing enough to assist them develop their activities in the prevailing economic climate (Blink, 2013). The need for businesses to plan ahead means that government policy (in respect of regulation, public spending and legislation) needs to be implemented in a stable environment, in which there are simply defined monetary and fiscal policies for the foreseeable future (Price Waterhouse Coopers, 2013). According to this survey, several enterprises have decided to further invest in their operating capital and acquire more foreign raw material than needed in a production cycle – rather than be exposed to continuous currency instabilities when supplies are acquired only when needed.

The other external constraints to the growth of family firms in South Africa include red tape, increases in electricity tariffs, an inflexible labour market, an absence of tax incentives, government policy ambiguities, over-regulation, an insufficient educational policy and a weakening infrastructure (Blink, 2013). Family owned businesses want a modest tax regime (especially when it comes to inheritance and capital gains tax) and expect extra monetary incentives and tax relief for start-ups, incentives and additional grants to fund research and development and investment in new technology, more training and improved access to long-term finance (Blink, 2013).Small to medium family business owners in South Africa also admit that compliance with the regulatory frameworks affects them till they become uncompetitive – and that the financial assistance and incentives offered are inadequate (Visser & Chiloane-Tsoka, 2014).

South African family owned businesses also have internal challenges to grapple with. Though it should be conceded that 43% of family owned businesses globally recognise shortage of skilled manpower as their biggest internal challenge, evidence suggests that skills shortage was long acknowledged as one of the serious limitations to employment creation and economic growth in South Africa, with 60% of her family owned businesses experiencing similar challenges (Price Waterhouse Coopers, 2013). The growth and success of family owned businesses of whatever size in South Africa could be hampered by family skirmishes spilling over into the business, rivalry between siblings, emotional rather than rational decision-making, authoritarian paternalistic cultures, inflexibility in innovation, nepotism, unclear organisation, succession and resistance to change (Farrington & Venter, 2009). These issues signify a lack of skilled manpower in the family owned businesses to grapple with them.

Besides the preceding issues, South African family owned businesses have to content with internal issues in respect of the concentration of control, ownership, and strategic management portfolios among family members, particularly after the retirement of the founders- that is, contentions relating to succession. Although a study by Phikiso and Tengeh (2017) lacks clarity regarding the size of the family owned businesses concerned, it establishes that most family owned firms were unable to detect their future needs with respect to talent; experienced difficulties in discussing potential successors with members of their families; could not generate a pool of possible candidates; members of the family lacked interest; and confusing emotional factors prevailed in the incumbent-successor relationship. Determining a successor for the family enterprise remains one of the most significant decisions that a family owned business will take – since the efficiency of this action is key to sustaining a successful family owned business during the next generation (Phikiso & Tengeh, 2017). Related to this, are issues concerning family relationships, which equally pose a challenge to the growth, success, and survival of family owned firms (Visser & Chiloane-Tsoka, 2014). In view of the above, it can safely be concluded that balancing family dynamics and business growth may prove to be delicate in family owned businesses.

3.6 NON-FAMILY OWNED BUSINESSES IN SOUTH AFRICA

Unlike in developed countries, minimal research focusing on either family or non-family small-to-medium enterprises has been done in developing countries and Africa in particular (Urassa, 2011). There is dearth of studies that specifically consider non-family small-to-medium owned enterprises in South Africa. Most studies either focus on family owned businesses or on small-to-medium enterprises in general due to non-availability of reliable database of non-family owned businesses (Visser & Chiloane-Tsoka, 2014; Fatoki & Garwe, 2010; Venter & Farrington, 2009). This is not surprising, as it confirms the shocking revelation that very few countries worldwide have databases distinguishing non-family owned businesses from family owned businesses (Diéguez-Soto, López-Delgado & Rojo-Ramírez, 2014). Perhaps, it could be reasonable to assume that the pervasive tendency to lump together family owned businesses and small enterprises, then use small-to-medium enterprises as a generic term (since the bulk of small-to-medium enterprises internationally are family owned) obtains.

Another challenge pertains to literature on non-family owned businesses which generally is subsumed and overlaps with that of family owned businesses. Though non- family owned businesses possess distinctive characteristics that distinguish them from their counterparts, the few studies (KPMG, 2018; Venter & Farrington, 2009) that can be referred to are those that compare family from non-family firms. It is from these few comparative studies (which are not even specific regarding the sizes of the enterprises) that a review of non-family owned businesses particularly in South Africa could be done. Unfortunately, while these comparative studies have enhanced appreciation of non-family owned businesses, no distinctive variables separating family from non-family owned businesses have yet been identified. However, with respect to performance, a report by KPMG covered by The KwaZulu-Natal Top Business (2016) confirmed that South African family owned businesses contribute approximately 70% of the global gross domestic product and are outperforming their non-family owned business counterparts. This is in line with the observation that family businesses outperform their other counterparts in equity markets in all regions of the world (O'Mahony, 2018). These findings corroborate those of a related study done in Europe by Favero, Pagano and Von Thadden (2010) which confirmed that family owned businesses tend to have higher profitability than their non-family counterparts. A popular interpretation of such findings is premised upon the theoretical assumption that family ownership diminishes classic agency problems (such as managers' short-termism) between managers and owners (Fama & Jensen, 1983).

Venter and Farrington (2009) observe that family and non –family owned small-to-medium businesses in South Africa are inseparably linked to challenges and high rates of failure. South African small enterprises fail to make it past the second year of trading, with high failure rates of up to 63% (Cant & Wiid, 2013). In addition, the number of small-to-medium enterprises that fail in their fifth year ranges between 50% and 95%, and close to 75% of new small-to-medium enterprises do not become established businesses – among the highest failure rates in the world (Neneh & van Zyl ,2012). Regrettably, these statistics are inclusive of both business types, and as suggested by Venter and Farrington (2009), the challenges facing South African family owned businesses could also apply to their counterparts.

3.7 FAMILY VERSUS NON-FAMILY OWNED BUSINESS: AN OVERVIEW

This section focuses in detail on some of the empirical evidence on the differences between family non-family owned businesses. Table 3.3 below, adapted from Stewart and Hitt (2012), classifies some of the often-cited differences or dichotomies, and presents representative citations.

Table 3.3: Stereotypical Dichotomies Regarding Non-Family and Family Businesses

	NON-FAMILY BUSINESS	FAMILY BUSINESS	REPRESENTATIVE CITATION
Ownership	• Dispersed, non-kinship-based	• Concentrated, kinship based Wedge between cash flow and • ownership rights • Non-diversified	Achmad et al. (2009)
	• No wedge between cash flow and ownership rights		Morck et al. (2005)
	• Well diversified		
Governance	• Ownership and control split	• Ownership and control united	Simon et al. (2008)
	• External influences on board	• Internal dominance of board	Parada et al. (2010)
	• Transparency, disclosure	• Opaqueness, secrecy	Gedajlovic et al. (2004)
Returns	• Largely economically defined	• Non-economic outcomes	Chrisman et al. (2010)
	• No private benefits	• Private benefits for family	Anderson and Reeb (2003a)
	• Minority shareholders protected	• Minority shareholders exploited	Martínez et al. (2007)
Rewards	• Achievement, merit-based	• Ascription, nepotism-based	Beehr et al. (1997)
	• Employees: Based on performance	• Family members: Indulged	Ram (1994)
	• Universalistic criteria	• Particularistic criteria	Chua et al. (2009)
Networks	• External ties based on business	• Embedded in kinship networks	Ingram and Lifschitz (2006)
	• Distinct business, family spheres	• Role diffuseness	Lomnitz and Pérez-Lizaur(1987)
	• Impersonal social responsibility	• Personalised social responsibility	Muntean (2009)
Leadership	• High turnover, with market discipline	• Entrenched, long tenured	Oswald et al. (2009)
	• Formally educated	• Trained on the job	Jorissen et al. (2005)
	• Succession draws on large pool	• Succession draws on kinship pool	Pérez-González (2006)
Careers	• Salaried managers	• Family members	Galambos (2010)
	• Shorter-term career horizons	• Longer-term career horizons	Benedict (1968)
Management	• Delegation to professionals	• Autocratic	Greenhalgh (1994)
	• Rational, analytical	• Emotional, intuitive	Zellweger and Astrachan, (2008)
	• Innovative	• Rent-seeking, stifling innovation	Morck and Yeung (2003)
	• Formalised, command and control	• Organic, mutual accommodation	Zhang and Ma (2009)

Source: Adapted from Stewart and Hitt (2012)

Although it is cautioned that qualities attributed to family and non-family owned businesses are not universally applicable, the broad stereotypes depicted on Table 3.1 above would make scholars recommend the argument for a comprehensive transformation of family businesses – if these dichotomies correctly reflect reality (Stewart & Hitt, 2012).

Having considered the above mentioned dichotomies, it is worthwhile to explore the extent to which these contrasts could influence performance differences in the two kinds of ventures. Compared to their non-family owned business counterparts, family owned businesses are outstandingly distinctive in that family, ownership and management overlap within these enterprises, thereby creating a situation where the family institution runs not only as a social but also as an economic unit (Yordanova, 2016; Sharma, 2012). Urassa (2011) also maintains that family small-to-medium enterprises are generally more competitive than their non-family counterparts in terms of financial indicators. In addition, a report by the International Finance Corporation concurs that due to the inherent strengths like commitment possessed by family owned businesses; family owned businesses outperform their non-family owned business counterparts in terms of profits, sales and other growth indicators right across Europe (Worall, 2012). In the study's findings, Worrall (2012) indicates that, the family, as the owner of the business, showed the highest commitment in seeing the business flourish and get passed on to subsequent generations (Worall, 2012). Moreover, family businesses make it a priority to transmit their accrued experience knowledge, and skills to next generations. Their other strength has to do with pride and reliability - because family firms have their reputation and name linked to the products and/or services; therefore, they make every effort to enhance the quality of the output in order to preserve good relationships with stakeholders (Worall, 2012).

Even though there has been much debate on whether family businesses perform better than their non-family counterparts, previous studies produced contradictory results (Machek et al., 2013). Therefore, in a quest to ascertain whether the relation between family involvement and firm performance could be always positive, Machek et al. (2013) performed a meta-analysis of 78 studies and came to the conclusion that the impact of family involvement on the performance of businesses is not always negative. The mean size of the effect was moderately positive, suggesting a slightly positive impact of both family ownership and management on business performance.

3.8 FAMILY OWNED BUSINESS PERFORMANCE IN SOUTH AFRICA

Prominent South African household family owned businesses include Woolworths, Shoprite, Checkers, Pick ‘n Pay and Pepkor. Although these businesses are faced with the challenges of economic uncertainty amidst continual change, family businesses have high aspirations for dynamic growth over the coming five years (SME South Africa, 2016). A report by KPMG (2018) indicates that family businesses contribute about 70% of the global GDP and are outdoing non-family businesses. According to the survey by SME South Africa (2016), South African family owned businesses were very optimistic about the future, with 84% of them anticipating to grow and 22% aiming to grow rapidly (compared to 15**%** globally anticipating similar fast growth). Surprisingly, this is happening at a time when other businesses are struggling to remain afloat.

Regarding research in family owned businesses, it is still in its infancy, and the few studies done to date mainly focus on issues to do with succession planning (Phikiso & Tengeh, 2018; Visser & Chiloane-Tsoka, 2014). Phikiso and Tengeh (2018) established that the incapability of family owned firms in South Africa to ensure able family leadership across generations is still a serious problem. Their results showed that most family owned businesses were unable to recognise their future needs in terms of talents; had challenges in discussing potential successors with members of their families and therefore could not generate suitable candidates (Phikiso & Tengeh, 2018). These findings resonate very well with those by Hjorth and Dawson (2016), which confirmed that family owned businesses struggle with succession planning, inter-generational tensions, and conflicting value systems. Related studies (Visser & Chiloane-Tsoka, 2014; Nordqvist & Melin, 2010) also concur that additional problematic areas include intergenerational changes, the families’ connections, and the mere sustainability of small family owned businesses.

The most common topic published by South African family business researchers was succession. This was followed by defining/describing family businesses and issues to do with governance (Farrington & Jappie, 2016). Interestingly, the research focus appears to follow a similar trend to international research where, during the formative stages, the focus is mainly on succession and on defining family businesses (Melin, Nordqvist & Sharma, 2014; Sharma, Chrisman, & Gersick, 2012). It is therefore imperative that family business researchers refocus their efforts.

3.9 CONCLUDING REMARKS

This chapter explored the importance of family owned businesses and the implications of both modes of ownership on business performance, among other things. The current study took a different trajectory from most studies that focused on developed economies, limiting our understanding of both family and non -family owned businesses around the world. This study acknowledges that since contexts may differ substantially, there is need to situate both theory and empirical research within the developing world context. The next chapter is going to explore the concept of managerial competencies in family and non- family owned small-to-medium enterprises.

CHAPTER 4: MANAGERIAL COMPETENCIES

4.1 INTRODUCTION

The previous chapter, among other things, considered the definitions and role of family owned businesses. The chapter also compared family against non- family ownership in general. This chapter explores the managerial competencies needed for small-to- medium enterprise survival and growth. Owner/managers' competencies play an important role in determining business success. In view of this, owner/managers' competencies will be examined by focusing on definition of competencies, the distinction between competence and competency, approaches to competencies, importance of managerial competencies and an examination of what literatures says regarding competences of managers in small-to- medium enterprise.

4.2 DEFINING COMPETENCIES

Competence is a concept that has many applications and is also multi-faceted. As a result, previous works (Miller, Wesley, & Williams, 2012; Hayton & McEvoy, 2006) admit that a significant complication in the literature on competence is that there are many definitions of the term, and that the terms expertise, skills, competency and acumen, although interrelated, are occasionally used interchangeably. There is a lot of confusion and debate regarding the term 'competence' that it is almost impracticable to identify a comprehensive theory or to coin a definition that can accommodate and reconcile all the diverse ways that the word is used (Scanlon, 2017). Despite regarding competence as a 'fuzzy concept', Boon and van der Klink (2002) however admit that it is a worthwhile term, which bridges the gap between job requirements and education.

Considering the foregoing observations, three main positions proposed in the seminal work by Hoffman (1999) might be taken towards understanding the term competencies. Competencies can be understood as observable performances (Frank, Snell, Ten, Holmboe, Carraccio, Swing & Harris, 2010), standard or quality of the output of an individual’s performance (Trinder, 2008), or the underlying qualities of a person (Machado, 2017).

Regarding the first conceptualisation, reference is made to observable outputs or performances of learning processes (Jena & Sahoo, 2012). This focus on a person's performance is interested in whether they are competent as defined in some written benchmarks (Mitchelmore & Rowley, 2010). Such an approach provides behaviourist frameworks for learning programs whose focus is on the tasks to be done, or output to be produced (Frenk, Chen & Bhutta, 2010). The organisational outcome in this case is to train and recognise staff in relevant essentials of their jobs, or to establish clear and quantifiable performances for evaluations of small-to-medium enterprises (Mitchelmore & Rowley, 2010). For example, the features of communication effectiveness must not only be observable but must be assessable and evident to the professional eye (Kandula, 2013). Although many small-to-medium enterprises are likely to be caught in the vicious competence paradox of risking to lose employees after skill development training, the risk is very small if compared to the benefits that accrue from having a competent workforce (Kunjiapu & Yasin, 2010). However, according to Panagiotakopoulos (2011), in most cases, small-to-medium enterprises have no financial means to develop their employees, rendering adoption of the behaviourist framework less useful when compared to large corporations.

The second conceptualisation pertains to competency as a quality or standard of outcome; and is usable to pursue gains in efficiency or productivity in the workplace (Trinder, 2008). Competency, in this case would mean that set performance benchmarks have been achieved. Competency, as defined by a set of standards, which outline the level of attainment at various levels, could be beneficial in that it can help identify training gaps, test the effectiveness of training, improve recruitment, lead to improved productivity, efficiency, employee retention and worker safety (Trinder, 2008). They may as well be used to develop a small-to-medium enterprise’s practices and procedures for performance management, and quality management system (Trinder, 2008).

Finally, the third conceptualisation views competencies as those fundamental attributes of a person such as their skills, knowledge or abilities, and focuses on the requisite inputs that individuals should possess to produce competent performances (Bozkurt, 2011; Vijay & Ajay, 2011). Such a conceptualisation resonates with the definition of competencies as capabilities human beings possess, with characteristics such as knowledge, mind-sets, skills and thought patterns, which when used, either, in various combinations or singularly, leads to positive performance (Bozkurt, 2011).

4.3 COMPETENCY VERSUS COMPETENCE

The two terms competency and competence may appear synonymous, but they do convey different meanings within the context of competency management (Kandula, 2013). The term competency (plural competencies) has been popularised in human resources management; and of late, in training and career guidance, while the other term 'competent' from which 'competence' is derived has a clear and diverse meaning (Evangelista, 2011). Even though some past studies (Brown, 1993, 1994) treated the two as synonymous, their meanings are distinct and dissimilar (Kandula, 2013; Evangelista, 2011).

Mitchelmore and Rowley (2010) posit that the term competency was firstly used in education circles as a description of behaviours of trainee teachers and was debated in management circles in the USA, headed by Boyatzis (1982). In the 1970s, in the USA, the notion of competencies originally established as part of initiatives by the American Management Association to detect those features which differentiate greater from average managerial performance. Consequently, competencies came to be regarded as that (defined in terms of vital knowledge, personal traits, motives and skills of the employee that results in better management performance) which empowers individuals to do the task, instead of the task of the job (Mitchelmore & Rowley, 2010). Therefore, a competency, being an individual trait, can be measured reliably and can help differentiate superior from mediocre performers, or effective from unproductive performers (Yuliandi, 2014). Such distinctions call for educational and training systems aimed at improving training, regarding attitudes towards work, and especially training in the wide-ranging working abilities needed in small-to-medium enterprises to master varied tasks (Taipale-Erävala, 2015).

The purpose of competency is to identify and assess an individual's personal attributes, and yet competence is meant to identify the tasks of a job and the knowledge required to perform it (Kandula, 2013). Competence as used in the UK had rather a different orientation and focus. In the UK, the focus has been on competence, which has to do with minimum standards required to perform a job or rather a description of an outcome, behaviour or action which a person performing a job should be able to exhibit (Kandula, 2013; Mitchelmore & Rowley, 2010). Government backed organs like the Management Charter Initiative (MCI) and the National Council for Vocational Qualification (NCVQ) were meant to secure standards for work-related competence and ascertaining that vocational certificates are founded on this (Mitchelmore & Rowley, 2010). Table 4.1 below summarises the difference between the two concepts.

Table 4.1: Competence versus competency

Competence	Competency
UK origins	USA origins
Skill-based	Behaviour-based
Standard attained	Manner of behaviour
Job is the centre of focus	The person is the centre of focus
What is measured	How the standard is achieved
Is historically used for shop floor positions	Is historically used for managerial positions

Source: Adapted from Sinha (undated)

Table 4.1 above shows that while competence explains what individuals can do, competency centres on the manner they do it. Whereas the former refers to a skill and the level of performance attained, the latter refers to the actions by which it is realised (Sinha, undated). A relationship between the two is implied, since competent use of a skill is expected to enable one to act in a competent way and vice versa (Sinha, undated). Though historically, competence has been used for shop floor positions, there is a paradigm shift as a number of organisations are extending competency interventions to non-managers too (Kandula, 2013). The reason being that, incessant scanning of the business environment, evaluation of personal competencies, willingness to adapt to change, open-mindedness and a keenness to network, are competencies that need to be mastered by both large and small organisations – employees and employers alike (Taipale-Erävala, 2015).

The competency initiative, being more comprehensive than its other counterpart, is meant to identify critical characteristics of superior performers in order to standardise and apply these personal characteristics to various human resource applications like recruitment, reward, career planning, talent development, and so on (Kandula, 2013). Whereas competence involves the appraisal of performance in a certain field of activity, competency is a class of things that can help to describe people and their behaviours (Mitchelmore & Rowley, 2010). However, Hayton and McEvoy (2006) came to the realisation that, in spite of the use of the term in practical circumstances, both practitioners and academics have condemned the term competence for being inappropriate and vague, hence, the emergence of different approaches to explaining competency.

4.4 THE COMPETENCY APPROACHES

The competency movement could be traced back to Taylor (1911) whose functional interpretation of management proffered "one best way" of doing a task, which would improve production and efficiency within a firm (Jena & Sahoo, 2012). However, the field of competency management got popularised by the seminal work by McClelland in 1973. It is in the 1973 publication that McClelland first proposed competencies to be critical differentiators of performance. McClelland questioned the use of intelligence tests as he argued that, they were not valid (McClelland, 1973). The work generated widespread acknowledgement that the measurement of competence could be a substitute for intelligent quotient and aptitude testing as predictors of performance at work (Jena & Sahoo, 2012).

Riding on the widespread acknowledgement of competency management generated by McClelland, Boyatzis in 1982, popularised the term competency, initially in the USA, and the term has been extensively used and debated in the management realm (Mitchelmore & Rowley, 2010).However, the term's application in the area of entrepreneurship is fairly new (Ahmad et al., 2012). Its popularity in the management field in general was in the late 1980s, following the publication of Boyatzis', The Competent Manager: A Model for Effective Performance in 1982 (Ahmad, et al., 2011). Boyatzis' (1982)' approach emphasises the importance of managerial knowledge, skills and abilities required to perform tasks viewed as critical to firm success. Whereas knowledge, skills and abilities reflect task-based areas of competence, person-specific areas of competence deal with the attributes of an individual, for example, traits, motives, planning, leadership, communicating effectively, endurance and influencing others that are not only conspicuous but drive superior performance (Kyobe et al., 2015). Kierstead (1998) notes that this shift of the level of analysis (from the job and its associated tasks, to the individual abilities of the individual executing the tasks) is extremely important in modern workplaces, where the environment requires that firms structure around the assignment and the work to be completed, than around narrowly defined and delineated jobs. The shift has been afforded by the adoption of the competency-based approach.

The main goal of a competency-based approach is the identification of required competencies of higher performers in critical positions to ensure effective performance of employees (Jena & Sahoo, 2012). The competency-based approach at the workplace was necessitated by the need for quicker and flexible approaches for personnel management (Hawkes & Weathington, 2014). A competency approach is, therefore, ideal for the current study as the environment under which owner/managers in small-to-medium enterprises operate is characterised by rapid competitive, regulatory and technological changes different from the business environment of past years (Price Waterhouse Coopers, 2013; Blink, 2013). Surprisingly, regarding the competency approach in small-to-medium enterprises, Bhamra, Dani and Bhamra (2011) observe that, the part of core competency ideas and usage of related approaches within the small-to-medium enterprise manufacturing industry in the UK is not only confused, but is also poorly understood and eclipsed by more popular, hands-on business enhancement tools like Lean, Six-sigma, among others. This is not surprising, especially since the concepts themselves are difficult to envision because of their tacit nature (Bhamra et al., 2011).

The competency approach can, however, be criticised for being present or past focused (Kolibáčová, 2014). It emphasises on immediate employer needs at the expense of preparing employees with the flexibility needed for a more uncertain future(Martinelli ,2014; Bates,2014).Yet, it is essential to foresee what competency would decide the future success (i.e. strategic competency) than be inclined only towards immediate requirements for individual competency (Kolibáčová, 2014). In view of this, Martinelli (2014) proposes that competencies such as risk taking, system thinking, entrepreneurial spirit, creativity, and organisational learning, among others, could be more useful in the future, especially among board members.

4.5 MANAGERIAL COMPETENCIES

Koenigsfeld, Youn, Perdue and Woods (2012) admit that the term managerial competencies is often used when competencies of effective managers are discussed. Managerial competencies can therefore be understood as those observable characteristics such as knowledge, skills or patterns of behaviour that contribute to the successful fulfilment of managerial tasks (Talik et al., 2012; Mitchelmore & Rowley, 2010). Entrepreneurial literature (Rambe & Makhalemele, 2015; Sánchez, 2012; Laguna, Wiechetek & Talik, 2012) attributes the failure of most emerging ventures to the paucity of managerial competencies among owner/managers of such businesses. A direct link is said to exist between managerial competencies, value creation and a firm's growth and strategy (Fatoki, 2014).

Though it is inevitable that successful management of small-to-medium enterprises requires owner/managers of small-to-medium enterprises to have a variety of competencies, there is lack of consensus among academics on components as well as the classifications of managerial competencies (Rambe & Makhalemele, 2015). The traditional approach to competence (Levy-Leboyer, 1997; De Ansorena, 1996) distinguishes two related kinds of managerial competencies – generic and technical. Technical competencies, also referred to as business competencies, involve the technical knowledge and cognitive abilities needed for a job, that include planning, forecasting revenues and costs, monitoring budgets, mapping strategies, cutting costs, assessing performance, organizing and running meetings (Asumeng, 2014).These competencies also include specialized tacit knowledge, analytical aptitude and the proficient use of tools and techniques to solve challenges in the specific discipline (Ikupolati, Medubi, Obafunmi, Adeyeye & Oni, 2017). It is possible to suggest that, entrepreneurs should have some technical skills in their field to effectively manage their businesses. Moreover, the resource-based view stresses the prominence of internal resources, such as in-house knowledge or capital of the business as major determinants of success (Barney, 1991; Wernerfelf, 1984). In addition, Hayton (2015) supports the relationship between technical competencies and small-to-medium enterprise success.

The role of technical competencies in the success of family owned small-to-medium businesses may start to weaken in their importance, with qualities such as dedication to the business, intelligence, respect of employees and creativity growing in their significance (Yordanova, 2012). This implies that, with time, the development of family businesses would need more generic than technical competencies. Generic competences have to do with the manager's self-regulation capabilities in job development, and because they are more easily transferred to other contexts, generic competencies are relatively more important than specific competencies (Grosemans, Coertjens, & Kyndt, 2017). These competences cover individual characteristics like personality traits, motivation, communication skills, problem-solving, or conflict resolution skills that involve coping with less technical tasks(Gawrycka, Kujawska & Tomcza, 2020).However, extant literature (Sidek & Mohamad, 2014; Rahman, Mokhtar, Yassin & Hamzah., 2011) falls short of revealing which particular generic competencies are instrumental to better firm performance and also remain silent on firm size. To worsen matters, there is a paucity of comparative studies on competency models for family and non-family owned small-to-medium enterprises in both developed and developing countries.

Above and beyond the foregoing categorisation of competencies using the traditional approach, the seminal work by Chandler and Jansen (1992) maintain that the effective manager must be competent in three areas, viz conceptual, interpersonal and political. Firstly, conceptual competencies, which involve the mental ability to manage all of a firm's interests and activities, are related to the ability to think out of the box by way of stimulating new thinking patterns and developing new ideas which may even require diverting from normal procedures of doing things (Chandler & Jansen, 1992). Interestingly, entrepreneurs, particularly those operating in small-to-medium enterprise contexts, face several situations requiring them to make quick decisions, therefore, high levels of conceptual competencies are imperative for both the success and survival of their businesses (Vijay & Ajay, 2011).

Secondly, managerial interpersonal competencies (also known as soft, generic or human skills) include the ability and knowledge to work with people or are just termed people skills (Sidek & Mohamad, 2014; Katz, 1955). They are alternatively labelled in literature as core skills, life skills, employability skills , soft skills, transferable skills, generic capabilities, generic attributes, workplace competencies, or key competencies (Vučetić, 2018; Young & Chapman, 2010). These competencies include individual characteristics like motivation, communication skills, problem-solving, or conflict resolution skills that allow one to cope with less programmed jobs, and more generic job conditions (Gawrycka, Kujawska & Tomcza, 2020). Managerial interpersonal competencies benefit small businesses in that they enable planning, coordination and trust (Robbins & Hunsaker, 2012); endow owners with the capacity to appreciate their subordinates and to identify what motivates them (Bateman, Snell & Konopaske, 2019); and help leaders to be more self-directed and reflective (Singh & Gera, 2015). Previous studies (Sarapaivanich & Patterson, 2015; Zahra et al., 2014) admit that interpersonal competencies are essential to entrepreneurs as they enable them to function optimally in modern and high performing institutions and make them beat competition.

Thirdly, political competence defined in more positive light in the seminal work by Bacharach (2006) as the ability to appreciate what one can and cannot control, when action is to be taken, who is going to resist one's agenda and who are needed on one's side- has never been more critical than today. It involves the ability to improve one's position, create a power base, make the right networks and keeping relations with people who preside over important resources and possess critical skills and abilities (Zarook et al., 2013). A study by Hoffman and Lange (2016) on small-to-medium enterprises coping and growing in fragile settings established that many entrepreneurs bank on (ethnicity or clan-based) social networks to deal with issues of insecurity and access. Having some connections in right places determines whether an entrepreneur obtains permits, receives capital, or accesses raw material, and at what price and pace (Hoffman & Lange, 2016). Small-to-medium enterprises (especially the smaller ones) with higher-level political connections were found to have significantly greater reinvestment rates (Zarook et al., 2013). In light of this, political competences might, therefore, be needed at every level, since small-to-medium enterprises have been found to need people who are prepared to act and who know how to generate change - people who can take risks in volatile and uncertain environments (Bacharach, 2006).

The above categorisation of competencies by Chandler and Jansen (1992) guided the construction of the questionnaire items on managerial interpersonal competencies used to collect data for this study. However, recent observations by Ahmad et al. (2011) hold that as business practices grow, new competencies are continuously emerging that are imperative to success as competencies themselves are dynamic and not fixed- changing in harmony with unpredictable business trends. In view of this observation, management literature (Turyakira, 2018; Massoud, 2010; OECD, 2014;) in the 21st century is now marked with the emergence of new sets of business priorities, such as responsiveness to societal needs, or good corporate governance requiring new sets of managerial competencies. These new competencies consist of ethical conduct (Turyakira, 2018), social responsibility (Massoud, 2010) and corporate governance (OECD, 2014). Social responsibility and even ethical conduct in small-to-medium enterprises is likely to lead to enhanced reputation, better treatment by suppliers, an ability to attract and retain high performers, lower incidences of staff turnover, increased productivity, improved sales and profits, better access to credit from investors and financial bodies with high regard for socially responsible investments (Turyakira, 2018). Regarding corporate governance, appropriate corporate governance in small-to-medium businesses has been found to be positively linked to both their growth and sustainability in the long-term (OECD, 2014), through improved access to finance and support for better financial performance (Lekhanya, 2015).

4.5.1 Importance of managerial competencies

There seems to be convergence in existing RBV literature (Barbero, Casillas & Feldman, 2011; Rugman & Verbeke, 2002; Penrose 1959) on the notion that the key limit to a business's progress lies with managerial talent, as it is the only resource that may not be obtained short-term in the market. According to the ground-breaking work by Penrose (1959), of all the kinds of productive services, management services are the only kind which every business, because of its nature as an administrative firm, must make use of. Shortage of executive talent is real and arguably the main limit to growth (Penrose, 1959). This shortage of executive talent - a talent that is largely tacit, and for this reason, is difficult to reproduce over a short period of time, is termed the 'Penrose effect' by Rugman and Verbeke (2002).

Ever since the seminal work by Penrose(1959), there has been a phenomenal growth in literature on managerial competencies, notwithstanding that most of the competencies were studied in isolation and with less effort to acknowledge their mutual relations with certain aspects of performance such as growth, profit and efficiency (Mitchelmore & Rowley, 2010). Even where literature establishes positive associations between performance and managerial competencies, it remains uncertain whether size or nature of the business, associated industry in which the business is found (Rambe & Makhalemele, 2015), and mode of ownership mediates this relationship.

As has been alluded to above, literature on the managerial competencies-performance nexus remains diffused and eclectic. On one hand, literature (Tahmasb, Niknafs & Mirvaziri, 2014; Mahembe, 2011) consider managerial competencies to contribute directly to individual and organisational performance. It is in this vein that Fatoki (2014) positively link managerial competencies with the performance of new ventures. The superior the level of managerial competency possessed by the owners of a new venture, the greater the survival and viability of the new small-to-medium enterprise (Fatoki & Smit, 2011). A study by Zahra, Zandi and Bahmani (2014) establishes that one important business failure factor for both successful and unsuccessful Iranian entrepreneurs are weak management skills. Poor management were a major cause of business failure- whether the causes manifest themselves through poor marketing or crisis management skills and so on, they can be avoided through good management. On the other hand, other researchers (Crook, Todd, Combs, Woehr & Ketchen, 2011; Mitchelmore & Rowley, 2010) seem to admit that the association between managerial competences and success in business remains an elusive issue within organisational literature. Amazingly, studies (Tahmasb, et al., 2014; Königová, Urbancová & Fejfar, 2012) linking managerial competencies and firm performance have only been done in single contexts with little or no differentiation of family or non-family owned small-to-medium enterprises. Yet, differences may be found between managing a family business and a non-family owned business in terms of managerial competencies wanted for performance, since the two differ in decision making, purpose and stakeholders (Bulog et al., 2017)

The family business may present interesting insights of the competencies-performance nexus. A family's desire to keep control of their business may present access hurdles to venture capital opportunities for investment, creating inconsistencies between managerial competencies and innovative projects (Block, Miller, Jaskiewicz & Spiegel, 2013; Gómez-Mejía et al., 2011). Conversely, management competencies within the context of family ownership are very likely to reduce conflicting goals as behaviour is monitored largely through close family ties (Duh, 2010).

4.6 MANAGERIAL COMPETENCIES IN SMALL FAMILY OWNED AND NON-FAMILY OWNED BUSINESSES

Managerial competencies required in small family owned or non-family owned businesses could be conceptualised differently subject to divergent disciplinary, industrial, functional and contextual peculiarities (Rambe, 2018).Therefore, managerial competencies and even skills in these enterprises are not a universal phenomenon that could be defined or measured in an objective way, but are rather particularistic, contextual, situated and socially constructed (Seate, Pooe & Chinomona, 2015; Billsberry & Birnik, 2010). For instance, the skills and competencies demanded in small family owned businesses could vary from those expected of small non-family owned businesses (Rambe, 2018; Szczepańska-

Woszczyna, 2014). For example, the competencies top management in family businesses need in order to be professional cannot be universal, nor could be acquired once and for all, but are essentially processual, as they get passed on in on-going dynamic interface between individuals (Hall & Nordqvist, 2008). Professional family firm management is premised on two competencies – formal (referring to the formal education, training and experience relevant for professional family business management) and cultural (an appreciation of the unique socio-cultural patterns originating from a family's influence on a business), of which only the formal gets recognition in current family business literature (Hall & Nordqvist, 2008). Hall and Nordqvist (2008) further propose that, regardless of how formally competent a chief executive officer could be, without cultural competence, he/she is more likely to fail as the CEO of a family business.

A study on Silesian family enterprises in the small-to-medium enterprise sector by Dzwigol-Barosz (2017), paid attention to the importance of leadership competences in running a modern enterprise. Emotional intelligence and competences related to education and socialisation were emphasized as important to successor competencies. In a related study by Hossein and Alireza (2015) done among Iranian family firms and meant to identify predecessor competencies required in nurturing a successor, it was established that predecessor competencies requisite for nurturing a successor are communicative skills, open-mindedness, risk-taking, explicitness, patience, trustworthiness, motivation and value orientation.

Mitchelmore and Rowley (2010) synthesise competencies that are generally agreed to be important for an entrepreneur in non-family-owned enterprises as: management skills (the ability to nurture management systems, coordination, and organisation), idea generation, analytical and conceptual competencies, the ability to recognise and take advantage of opportunities, customer management skills, decision making skills, delegation and motivation skills, the ability to develop strategies for exploiting opportunities, hiring and leadership skills and commitment. Other studies (Rasmussen, Mosey, & Wright, 2011; Noor, Ramayah, Wilson, & Kummerow, 2010) established that entrepreneurs' demographic, behavioural and psychological characteristics, and their technical know-how and managerial skills are often mentioned as germane determinants of a small-to-medium enterprise's performance, regardless of how the enterprise is owned. However, some studies (Rasmussen et al., 2011; Noor et al., 2010) purport that human factors such as knowledge, skills and experience of the owner/managers and employees are the key distinctive competencies of small firms.

An investigation by Rambe (2018) on managerial competencies and the profitability of small technology-oriented non-family owned businesses in an emerging economy established that the following managerial competencies were found to have varying significant correlations with profitability: resource management, market management and innovation management capabilities. Conversely, Gerli, Tognazzo and Gubitta (2012) found out that competencies such as efficiency orientation, teamwork and organisational awareness were related to higher financial performance in Italian non -family owned small-to-medium enterprises.

Notwithstanding that dozens of competences could be identified from research, it should be noted that it is not feasible to isolate a specific competence and treat it independently, as competences are interdependent (Szczepańska-Woszczyna, 2014) in both family owned businesses and non-family owned businesses. Surprisingly, most of the competencies were studied in isolation, with less regard for existing mutual relationships amongst them (Mitchelmore & Rowley, 2010). Consequently, there is no consensus in literature regarding requisite competencies required of managers in either small family or non–family-owned businesses.

4.7 MANAGERIAL COMPETENCIES: SMALL FAMILY OWNED AND NON - FAMILY OWNED BUSINESSES PERFORMANCE

Managerial competencies are a key factor that contributes to the survival and performance of any organisation (Rambe & Makhalemele, 2015)- be it family or non-family. Managerial competencies and firm performance are interrelated since competencies form the building blocks of performance at work (Hawi, Alkhodary & Hashem, 2015). The possession of a group of managerial competencies is widely regarded as a prerequisite for the survival and growth of firms (Tahmasb et al., 2014; Königová, Urbancová & Fejfar, 2012). However, the fact that there is always competition between business and family in family run enterprises in terms of what comes first, the business or the family (Sultan, Waal & Goedegebuure, 2017) - may confound the above relationship. Although the relationship between managerial competences and firm success remains a significant issue within organisational literature (Crook et al., 2011; Mitchelmore & Rowley, 2010), it is unfortunate that research on this relationship is still not considered adequate and requires further investigation (Sidek & Mohamad, 2014). Interestingly, management research remains obsessed with a recurring question as to which type of business performs better, the family or non-family ones (Kraus, Harms & Fink, 2011). Below are selected country-specific empirical studies on the managerial competencies-performance nexus within family owned and non-family owned small-to-medium enterprises.

4.7.1 Bangladesh

An empirical study by Lopa and Bose (2014) on owners / managers of small-to-medium enterprises in the manufacturing industry in Khulna City, Bangladesh, identifies six groups of competencies, viz, organising, relationship, commitment, strategic and conceptual competencies. The study establishes that all the competencies are needed by entrepreneurs in manufacturing firms to improve firm performance (Lopa & Bose, 2014). Of these competencies, organising, opportunity, relationship and strategic competencies were found to have substantial impact on firm performance. However, the study considered a more elaborate spectrum of competencies which could loosely fit in the one used in the current study.

4.7.2 Europe

A survey by Hayton (2015) of approximately 2500 small-to-medium enterprises employing between 5 and 250 workers across all sectors of the economy in England, revealed that although effective management practices (leadership, organisational, technical and entrepreneurship skills) help explain differences in performance at firm level, very little evidence shows how skills affect the adoption of management best practices or how they ultimately shape firm performance in the small-to-medium enterprises. The study established that entrepreneurship and leadership skills were the competencies most strongly linked with good management practice and small-to-medium enterprise performance. It found out that across all firm types and contexts, entrepreneurship skills of top management were positively and significantly associated with turnover and productivity. However, the study did not distinguish family from non-family firms.

4.7.3 Malaysia

Sidek and Mohamad (2014) carried out a study among small microfinance participants in Malaysia. The study used data gathered form microfinance respondents in the two states of Terengganu and Kelantan. The study found out that, all the managerial competency dimensions, as well as technical, generic, and conceptual skills, had significant and positive impact on the growth of small firms. Although these results consolidate the theories that hold that managerial competencies have an impact on business growth, the study limited itself to the managerial competencies model proposed by Katz (1955) which consists of only three core skills(technical, generic and conceptual skills), yet there are many other competencies (Sidek & Mohamad, 2014). Future researchers may consider adding more managerial competencies relevant to small businesses.

The above examples suggest that disparate competency models used in each study result in differing components of managerial competencies required for small-to-medium enterprise performance. This makes comparisons of the studies difficult. In addition, comparisons in respect of family owned businesses get complex because of the different definitions of what makes a family firm. Definitions of family differ from one country to the other, and even within a single country (Sharma, 2012). Furthermore, different criteria and dimensions used to measure small-to-medium enterprise performance (whether subjective or objective measures) complicate comparison of these studies.

4.8 THE SMALL-TO-MEDIUM ENTERPRISES' COMPETENCE-PERFORMANCE NEXUS IN SOUTH AFRICA

Research on the competence-performance nexus among small-to-medium businesses in South Africa is in its infancy (Kyobe et al., 2015). Glaring is the paucity of literature among family owned businesses exploring the relationship. However, a study carried out among immigrant-owned small-to-medium enterprises in South Africa, assessing the impact of managerial competencies (specifically owners' prior and related experience, or their education) on the performance of these firms, indicates some relationship between owners' level of education and their performance (Fatoki, 2014). Even though the study discovered that higher level of education (matric and beyond) is related insignificantly with enterprise performance, enterprise owners with work experience before starting a venture significantly performed better than those lacking experience. It can be suggested that, entrepreneurs with related experience before starting a business perform significantly better than those lacking related experience. The study's thrust was more on the antecedents to competencies and the effect of certain variables like education on performance, than on specific competencies and their bearing on performance. The study's emphasis on the antecedents to managerial competencies gives a different narrative to the one given by the current study-whose emphasis is on the actual competencies needed by small-to-medium enterprise owner/mangers to enhance firm performance.

In yet a related inquiry on the impact of managerial competencies on the performance of small-to-medium enterprises in the Buffalo City Municipality in the Eastern Cape Province, Tarwirei (2015) established that, high performance of small-to-medium enterprises was associated with managers' business and technical skills; and that the capability to outperform industry competitors and boost productivity depended on human skill (Tarwirei, 2015).The study establishes that a majority of the small-to-medium enterprises were disadvantaged by resource shortages with the technical skill resource deficit being the most serious. Though there is a common lack of agreement among scholars on components of managerial competencies and even their classifications (Rambe & Makhalemele, 2015), the classification by Tarwirei(2015) is closely related to the one by Chandler and Jansen (1992) used for this study .

Another study consisting of a multi-sample of 570 start-ups and established small-to-medium enterprises (whose mode of ownership has not been made clear) by Botha, van Vuuren and Kunene (2015), reveals that, established small-to-medium enterprises considered functional competencies (related to general business management and technical skills) as more vital than start-ups. These findings suggest that start-up firms need to concentrate on the significance of functional competencies if they are to increase their likelihood of becoming reputable enterprises. The authors found out that, start-ups, as well as established small-to-medium enterprises consider enterprising competencies (that depend on personal and entrepreneurial skills) as important. Although the current study did not separate established small-to-medium enterprises from start-ups, the competencies used in the two previously mentioned studies are somewhat related.

In as much as the studies mentioned above may not be exhaustive, they provide a good synopsis of the relationship or lack thereof, between managerial competencies and performance. However, as has been alluded to, the studies were either not explicit on whether the small-to-medium enterprises were family or non-family owned, and their classification of requisite components of managerial competencies were somewhat different. In addition, the metrics of measuring small-to-medium enterprise performance were in most cases different.

4.8.1 Managerial interpersonal competence and small-to medium-sized enterprise performance

There is a scarcity of literature on managerial interpersonal competencies and small-to-medium enterprise performance, notwithstanding that these enterprises are the most popular, and that the area of family business research is gathering momentum (De Massis et al., 2012; Sharma et al., 2012). The family system is likely to present interesting scenarios for the competence–performance nexus. Family businesses may not have infrastructure such as technology or proper managerial competencies that can result in lower performance; and many resource limitations encountered by small-to-medium businesses are frequently found in family firms (Eddleston, Kellermanns, & Sarathy, 2008). Interestingly, as familial altruism often treats individuals for who they are and not based on what they do (Dekker, Lybaert, Steijvers, Depaire, & Mercken,2013), and highly regards family agendas and other social considerations such as social cohesion, issues of managerial interpersonal competencies are likely to be given peripheral considerations.

On the contrary, a study by Yordanova (2012) on Bulgarian family firms established that as the firm grows, the significance of technical skills may start to weaken, with such qualities as dedication to the business, respect of workers, creativity and intelligence increasing in their importance. The findings by Yordanova (2012) imply that, with time, the growth of family firms would need more managerial interpersonal competencies than technical competencies. This observation justifies the eminence given managerial interpersonal competencies in the current study. Another study by Nkosi, Bounds and Goldman (2015) on requisite skills needed for the management of black-owned small businesses in Soweto, South Africa, ascertained that the following interpersonal competencies were key to the growth of the businesses: interacting with staff, customers and suppliers in a fruitful manner, acquiring customers by word of mouth and referrals, solving conflicts, building positive relationships with staff and customers, going an extra mile for customers, and relating to people easily. Although the studies mentioned above fall short of distinguishing family from non-family small-to-medium enterprises, their findings contributed significantly to the growing body of knowledge.

The investigation on the impact of managerial competencies on the performance of small-to-medium enterprises in the Buffalo City Municipality, Eastern Cape Province, South Africa, by Tarwirei (2015) also established that high performance of the enterprises could be attributed to managers' technical and business skills; and that the capacity to outperform industry competitors and improve productivity depended on human skill. This confirms that managerial interpersonal competencies help individuals to directly contribute to a firm's growth and perform effectively (Sidek & Mohamad, 2014; Rahman et al., 2011).

The above review of literature suggests a relationship between managerial interpersonal competencies and business performance. To validate the aforesaid relationships within the context of small-to-medium enterprises in Gauteng Province, South Africa, the following hypotheses are proffered:

H_1: There is a significant effect of managerial interpersonal competencies on performance, as measured by innovation, regardless of small-to-medium enterprise type.

H_2: There is a significant effect of managerial interpersonal competencies on performance, as measured by return on investment, regardless of small-to-medium enterprise type.

However, as has been alluded to above (Dekker et al., 2013; Gomez-Mejía, et al., 2011), the family setup is more likely to present interesting scenarios for the managerial interpersonal competencies–performance nexus. This suggests that the effect of managerial interpersonal competencies on performance is likely to differ in the two types of enterprises, leading to the following hypotheses (with a 'd' subscript) on group differences.

H_{1d}: There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of managerial interpersonal competencies on firm performance, as measured by innovation.

H_{2d}: There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of managerial interpersonal competencies on firm performance, as measured by return on investment.

It should be noted that the managerial interpersonal competency–performance nexus is not a direct one. The relationship is mediated by several organisational (e.g. an organisation's strategic information technology competencies, competitive service delivery, job performance–related factors, marketing strategies) and environmental factors (e.g. the industry where the business is located, physical location of the enterprise, government regulation and outside forces if a business runs as a franchise of a larger international corporation) whose contingencies have many effects on firm survival, growth and profitability (Rambe & Makhalemele, 2015). In view of this, the current study considered the two organisational variables - performance management and agency relationships in the nexus between managerial interpersonal competencies and performance.

4.9 CONCLUDING REMARKS

This chapter focused on managerial competencies, their importance, and the role they play in the performance and survival of small-to-medium enterprises. The next chapter considers performance management in both family and non-family owned small-to-medium enterprises.

CHAPTER 5: PERFORMANCE MANAGEMENT IMPLICATIONS FOR FAMILY AND NON-FAMILY OWNED SMALL-TO-MEDIUM ENTERPRISES

5.1 INTRODUCTION

The previous chapter provided an overview of why managerial competencies are needed for small-to-medium enterprise performance. This chapter explores how performance management evolved to its present state, defines performance management, contrasts performance management with performance appraisal, explores performance appraisal methods and considers the performance management cycle within the contexts of family and non-family owned small-to-medium enterprises.

5.2 EVOLUTION OF PERFORMANCE MANAGEMENT

Performance management has been the most significant development in the sphere of human resources recently (Panda, 2011). But like many other human resource management innovations, it is an American import whose origins are controversial (McMahon, 2013). Sidhardth (2011) dates its origins back to the creation account in the book of Genesis. The evaluation of performance can be traced back to the sixth day after creation of the universe: “God saw all that he had made, and it was very good” (Genesis 1:31). God had to evaluate his creative genius after six days of continuous labour. However, as a scientific management concept, performance managements was developed from a reward system on an assignment basis for employees (Taylor, 1911), with human labour being regarded as one among many factors of production that could be managed scientifically to increase productivity (Khahan, 2016). Performance management was meant to do a retroactive evaluation of an employee’s output for individual performance improvement (Khahan, 2016).

Juneja (2019) traces the origins of performance management to the early 1960s when performance appraisal systems were still common and employee service records were maintained for both controlling employee behaviours and providing extensive information on employee performance. As a result of experiments and extensive study, the philosophy of performance appraisal has gone through remarkable modifications including the terminology used (Sidhardth, 2011). According to Sidhardth (2011), the progression is as follows. Merit rating in the 1950s to 1960s; Management by objectives and behaviourally anchored rating scale in the 1960s to 1970s; Result-oriented performance appraisal in the 1970s; and Performance management from the mid-1980s onwards. Noteworthy are the developments that started in the mid-1970s in India as great business moguls like Larsen and Toubro, followed by the State Bank of India, among others, introduced noticeable reforms in this area (Juneja, 2019).This phase saw an appraisal process that was development driven, performance or target based, methodical, open and participative rather than secretive (Juneja ,2019).

According to DeNisi and Murphy (2017), there was a remarkable rise in studies on cognitive procedures in appraising performance in the 1980s, bringing researchers' attention to the significance of these processes. Excellent reviews by Ilgen, Barnes-Farrell and McKellin (1993), of cognitive research on performance appraisal were done. However, beginning in 1990, there was a decline in studies of cognitive processes in performance appraisal, indicating, partly, a growing concern about the importance of this work to performance appraisal practices in organisations (Ilgen et al., 1993). It is the realisation in the late 1980s that a more comprehensive system to manage and reward performance was needed that led to the development of the method of managing performance in the United Kingdom (UK) and United States of America (USA) – much earlier than in Australia (Sidhardth, 2011).

It was also in the 1980s in the United Kingdom and United States of America that decision support systems were adopted in performance management for purposes of storing, summarising, and examining information used in an organisation's decision-making (Khahan, 2016). Subsequently, the 1990s saw business information being integrated more into computer-based business intelligent systems developed to accompany performance management decisions. The evolution of performance management as an upcoming human resource management model, therefore, reveals a change of emphasis in organisations – away from command and control towards the facilitation model of leadership (Sidhardth, 2011). Although performance management systems are still evolving, the last phase according to Juneja (2019), was marked by a maturity in the approach of handling people's issues, with more emphasis given to planning, development and improvement, culture building, quality circles and team appraisals than to evaluating the quality of rating data by way of evaluating the validity, reliability, or accuracy of performance ratings (DeNisi & Murphy, 2017).

Regarding the use of performance management in small-to-medium enterprises, Cardon and Stevens (2004) observed that no work on performance management had been done in entrepreneurial organisations (be they family or non-family owned). Moreover, no direct study of performance management in small firms had been done, except for the study by Cardy (2003). The authors attribute this to the rarity of formal procedures in small firms for evaluating employee performance. The relative lack of concern by small business owners on downstream management issues, particularly those associated with negative consequences such as employee underperformance or the business having to lay off workers, could be attributed to this vacuum in scholarship (Cardon & Stevens, 2004). However, Harney and Nolan (2014) bemoan that research on performance management in small-to-medium enterprises has generally pursued one of two broad approaches. The first approach tends to 'denature' small-to-medium enterprises, by judging them as being indistinct from larger organisations through taking sophisticated people management practices prevalent in larger companies and assessing their impact on performance in small-to-medium enterprises. Such an approach resonates with the assertion by Melo and Machado (2014) that, studies of human resource management in general within small-to-medium enterprises give emphasis to practices used in big firms, but adapted to the size, culture and resources of small firms. By contrast, the second approach which tends to acknowledge small-to-medium enterprise 'specificity', explores how unique human resource management challenges and practices, such as performance management, may be experienced, due to the dynamics of the small-to-medium enterprise context (Harney & Nolan, 2014). The respective contexts of either smallness or newness may each yield specific HR challenges.

5.3 DEFINING PERFORMANCE MANAGEMENT

Performance management has no mutually agreed definition and means different things to different disciplines and people (Srimai, Radford, & Wright, 2011). However, following extensive literature reviews, Ates, Garengo, Cocca and Bititci (2013) conclude that, performance management is a process that starts with strategy development – which involves the crafting of vision, mission and values and the description of business goals and objectives at corporate and team or individual levels. Performance management is, therefore, an iterative closed-loop process aimed at managing and improving individual and corporate performance by way of constant adaptation to the dynamic operating environment (Ates, et al., 2013). Likewise, Taylor (2013) reviewed much mainstream human resource management literature and came to the conclusion that, the main concern of performance management is generally held to be the alignment of individual workers with organisational objectives, and it is claimed that this alignment cannot be achieved through a directive, top-down manner. Alignment can be accomplished by a cascading process which enables objectives to flow down from the top, and at every level, individual or team objectives are crafted in view of higher-level goals (Armstrong, 2012).The philosophy behind this conventional perception of performance management is of a convergence of interest between employees and employers, which assumes the intentional nature of the agreement between the parties involved in the employment relationship (Taylor, 2013).The performance management process therefore comprises of a variety of integrated activities performed by a firm to continuously enhance performance by setting goals, reviewing outcomes and paying performance of employees (DeNisi, 2011 ; Gravina & Siers, 2011).

The afore-mentioned conceptualisation of performance management is mainly found in large organisations and provides a good ground for its definition in the context of family and non-family-owned small-to-medium enterprises. Thus, performance management shall be operationally defined in the current study as a strategic, integrative, and holistic process whose objective is to measure and align employee efforts to the strategic direction envisioned by management.

5.4 PERFORMANCE: IT'S MANAGEMENT VERSUS MEASUREMENT

Unlike performance management whose origins are much earlier, performance measurement was first established as an autonomous field in the 1970s and is still developing today (Bititci, 2011; Nudurupati, Bititci, Kumar& Chan, 2011). According to Keathley and Van Aken (2013), since the late 1990s, there has been an increase in performance measurement research, beginning with the works of Neely (1999) which characterised a performance measurement revolution and Bourne's work, which synthesised the three procedures to the design of a performance measurement system (Bourne, Neely, Mills & Platts, 2003 ; Neely, 1999). The first procedure is the 'needs led' procedure, which is a top down procedure (stakeholder and business needs are jointly defined and used as the premise upon which performance measures are developed); the second being the 'audit led' approach- a bottom up method of designing performance measurement systems that begins with an audit of current performance measures(Bourne et al., 2003). Last is the 'model-led' approach which makes use of an approved theoretical model of the firm as a basis for crafting performance measures that may be deployed (Bourne et al., 2003).

Shortcomings in the afore-mentioned traditional measures resulted in a performance measurement crisis which culminated into a revolution in the existing performance measurement systems (Khan & Shah, 2011). Thus, the emergence of balanced performance measurement frameworks marked the beginning of the second phase of the performance measurement evolution (Khan & Shah, 2011). The era saw the need to use non-financial measures for monitoring performance and motivating employees since non-financial measures were considered to be timely, precise, measurable, meaningful, assisting continual improvement, consistent with a firm's goal and strategies and flexible (Gawankar, Kamble & Raut, 2015; Khan & Shah, 2011; Smandek, Barthel, Winkler & Ulbig, 2010). The use of balanced performance measurement frameworks helped to give a holistic view of a firm and, out of this, several definitions of performance measurement have since been conceptualised.

Deng (2015) indicates that a search of existing definitions of performance measurement leads to four typical perspectives on defining the concept in management literature. The first regards performance measurement from an information perspective. Within this perspective, performance measurement is an information system that helps the performance management process to operate effectively and efficiently, thus emphasising its role in information generation (Deng, 2015). The second perspective views performance measurement from a process perspective. This perspective quantifies the efficiency and effectiveness of past actions by way of acquiring, collating, sorting, analysing, interpreting, and disseminating of appropriate data (Van Looy & Shafagatova, 2016; Dumas, La Rosa, Mendling & Reijers, 2013). By so doing, performance measurement permits the making of informed decisions and appropriate actions to be taken.

The third perspective views performance measurement from a strategy perspective. This perspective emphasises the relationship between firm strategies and performance measurement systems and regards performance measurement specifically as an appropriate method for strategic management (Bisbe & Malagueño, 2012; Gimbert, Bisbe & Mendoza, 2010). This view is reminiscent of the balanced score card approach that offers executives a robust framework to help translate a firm's vision and strategy into clear but linked sets of performance measures (Kaplan & Norton ,1996a). The final perspective is a hybrid perspective. It provides the information that enables a firm to identify the strategies that offer the highest likelihood for realising a firm's objectives (Deng, 2015). It also aligns management processes like goal setting, decision-making, and performance evaluation with the accomplishment of selected strategic objectives.

It is this hybrid perspective to performance measurement that places a thin line between performance measurement and performance management. There is evidence in literature on the use of the terms, performance management and performance measurement interchangeably (Pekkola, Saunila & Rantanen, 2016; Sardi & Garengo, 2015; Muyengwa, 2014). Despite the fact that the terms performance measurement and performance management could be used interchangeably, Bititci, et al. (2015) observe that the last 30 years saw the shifting of focus in the field of organisational performance from performance measurement (i.e. what to be measured, how it is measured and how the results are reported) to performance management –that is how the measures are used to manage organisational performance (Bititci et al., 2011). Alternatively, other scholars (Hourneaux, Carneiro-da-Cunha & Corrêa, 2017; Tatitcchi, Tonelli & Cagnazzo, 2010) prefer to use the terms management and measurement together – calling them performance measurement and management systems. Besides this interchangeable use, it can be argued that, effective performance measurement is necessary for a valuable performance management system and can only be achieved if the data on employees' performance is reliable and valid (Torrington, Hall & Taylor, 2014). Employee performance data must be used, especially by line management, in evaluating the performance of employees. The evaluations have a bearing on decision making in the areas of, but not limited to reward management, promotion, demotion, training and development, termination of employment contract, and so on (Torrington, et al., 2014).

From the above, it is possible to conclude that, performance measurement is an important aspect of performance management (O'Boyle & Hassan, 2014). Performance measurement systems are a vital part of the overall performance management process, which need to be assimilated to yield useful information. Whereas performance measurement seeks to measure past events through quantifying, either qualitatively or quantitatively, the input, outcome or level of activity of a process or an event, performance management is more concerned with the present and future- explaining why it is ceased with action, grounded on performance measures and reporting, leading to improvements in processes, motivation and behaviour (HR Tool, 2011).

5.5 PERFORMANCE: ITS MANAGEMENT VERSUS APPRAISAL

The terms performance appraisal and performance management are commonly confused terms because they both involve the evaluation of employees, leading them to be used interchangeably (McMahon, 2013). Even with this confusion, it can be argued that, performance management is more expansive than performance appraisal, as the former tends to be linked with developments in areas like coaching, competency-based appraisal, 360 degree feedback, performance pay and (of late) employee engagement (McMahon, 2013). That is, unlike performance appraisal, performance management is more strategic. Torrington et al. (2014) identify the following as characteristics of performance management systems: they have a top-down linkage between business objectives and individual objectives–unlike performance appraisal where objectives may not even be there, or the objectives are not clearly linked to those of the business. Secondly, the sole purpose of performance appraisal is to measure performance, which is but one aspect of performance management (Brawley, 2016). According to Brawley (2016), performance appraisal does not include mutual goal-setting between the appraiser and the appraisee, yet performance management entails the mutual setting of goals between the manager and employee, including both outcomes and behaviours (ways for achieving those outcomes). Surprisingly, a study by Na-Nan, Chaiprasit and Pukkeeree (2017), among small-to-medium enterprises in high-growth and high-impact sectors in Thailand established that within these small-to-medium enterprises, performance management is uncharacteristically dogged by a lack of employee participation, ineffective communication, unclear goal setting and unfair evaluation.

Thirdly, performance management is driven and owned by line-managers and, rather than being the domain of the human resource function, as typically is the case with performance appraisal (Torrington et al., 2014).Performance management systems are also characterised as being living documents, where development and performance plans, backing and on-going review are all written down as work progresses before annual review (rather than being an archived file referred to during appraisal time to compare intentions with achievements) and should encourage the rewarding and reinforcement of performance (Torrington et al., 2014). In fact, while performance appraisal focuses mainly on past performance, performance management concentrates on both past and future performance through establishing developmental plans (Brawley, 2016).

5.6 THE ROLE OF PERFORMANCE MANAGEMENT IN FAMILY AND NON-FAMILY OWNED SMALL-TO-MEDIUM ENTERPRISES

Performance management serves strategic, developmental, and administrative purposes (Noe et al., 2015). Firstly, in their strategic role, performance management link employees' tasks with the goals of the business. One of the fundamental methods to implement strategies is through defining the results, behaviours and to a certain degree, characteristics of employees, that are required for implementing those strategies, and then developing measurement and feedback systems that will enhance the extent to which employees show the characteristics, take part in the behaviours and produce results (Noe et al., 2015). However, family businesses often have unbalanced score cards, heavily weighted in favour of not only subjective but intangible elements compared with their non-family counterparts (Sharma, 2012).

Secondly, data from appraisals (which are a key component of the systematic process of performance management) can be used for administrative purposes. Bititci et al. (2011) highlight the key role of performance management systems in supporting managerial growth in small-to-medium enterprises. Appraisals provide information about employees (which is the bedrock of all human resource practice) for use in activities like promotions, layoffs, retention-termination, salary administration and recognition of individual performance, to the human resource manager (Noe et al. 2015). In this regard, performance management would therefore assist managers in making rational decisions supported by solid data and not solely based on opinion or intuition. Considering this, performance management systems could, therefore, help solve problems, identify cause–effect relationships and the subsequent learning based on the establishment of causation (Kasperskaya & Tayles, 2013). Related to this, is the role performance management serves in providing a basis for legitimation. Legitimation is the rationalisation and justification of present, past, and future decisions and actions according to culture and values of the organisation (Hourneaux et al., 2017). Performance management, therefore, creates a mechanism for the social control of the firm by owner/managers through establishing instruments of explicit and implicit features that ensure social control over employees based on their goals, efficiency and results (Hourneaux et al., 2017). Unfortunately, in family owned small-to-medium enterprises, performance management has been reduced to a function of the proximity to the family owning the business, instead of the performance of specific employees (Sharma, 2012).

Thirdly, performance management information is critical when it comes to employee development decisions. All things being equal, performance management is meant to help link employees to proper training and development at the same time rewarding good performance with pay (Noe et al., 2015). However, temptation comes with the family owned small-to-medium enterprise, which, used to fat dividends, may not be ready to sacrifice them for purposes of growing the firm. In addition, formal training is less likely to be provided in small firms for basically two reasons. The first reason could be that training is not done since its benefit is undervalued by the small firm employer; and the second reason is when training costs are considered too expensive for small firms (Bai, Yuan & Pan, 2017; Almeida & Aterido, 2010). It has also been noted by Sharma (2012) that non-family members' need for power, direction, acceptance, control, leadership, communication and recognition (by way of granting training opportunities) in family owned small-to-medium enterprises, may become stumbling blocks, especially when such needs are not dealt with in an objective and efficient manner. The associated risks of alienation and non-acceptance may affect the members' performance.

In addition to the three roles of performance management identified above, Hourneaux et al. (2017) observe that, performance management through elaborate systems could help in stakeholder interface. Stakeholders may obtain relevant information about customer services, thus supporting customer interaction. Furthermore, a firm might use other firms as a point of reference when measurement systems are similar or comparable environmental contexts exist (Micheli & Mari, 2014). However, because of the secretive nature of family owned small-to-medium enterprises, they may still feel threatened to approach outsiders on business matters, whose advice could help them make strategic business decisions and supplement their skills in the business (Venter, van der Merwe & Farrington, 2012). Worse still, many of the family owned small-to-medium enterprises have the perception that it is costly to consult with outsiders (Venter et al., 2012). Despite these misconceptions on the part of family businesses, consultations help the firm judge whether its levels of productivity are within standards of the industry, indicating areas for development when there is a gap in comparison to rivals (Hourneaux, et al., 2017).

5.7 THE PERFORMANCE MANAGEMENT CYCLE AND ITS APPLICATION IN FAMILY AND NON-FAMILY OWNED SMALL-TO-MEDIUM ENTERPRISES

Based on the examination of performance management cycles proffered in literature (Khahan, 2016; Torrington et al., 2014), most contain some variation of the continuous and self-renewing cycle shown below, which could have implications for family and non-family owned small-to-medium enterprises.

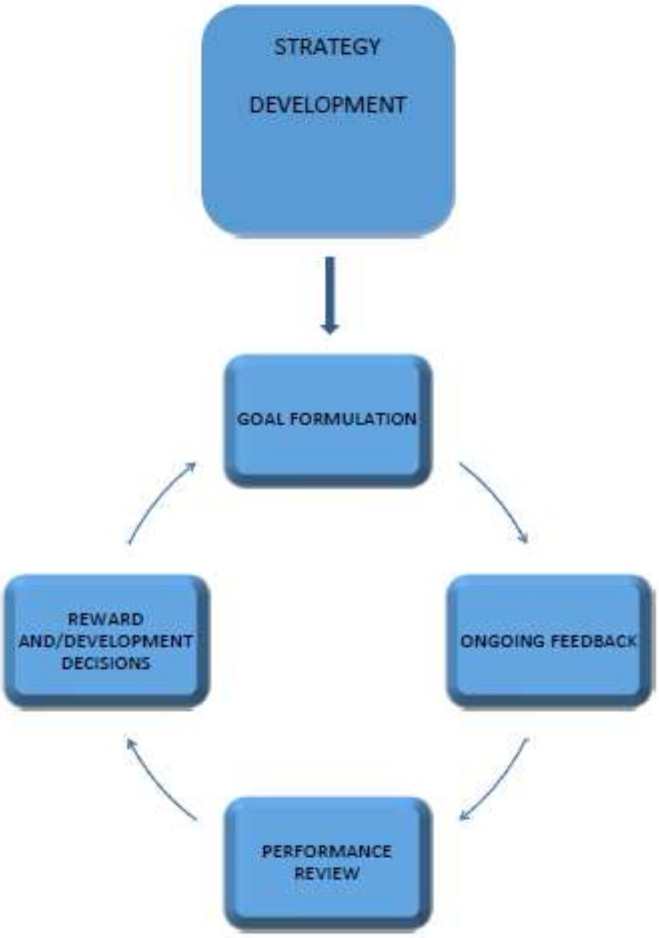

Figure 5.1: The performance management cycle
Source: Adapted from Torrington et al. (2014)

The practices depicted in the performance management cycle in Figure 5.1 above are considered below.

5.7.1 Strategy development

The strategic awareness of owner/managers of small-to-medium enterprises is a significant determinant of a firm's survival and achievement in the long term (Ates & Bititci, 2009). Strategy often shaped and managed in the head of the owner/managers of the small-to-medium enterprises is mainly informal, short term, intuitive and often done along fire-fighting basis (Chen, 2012; Ates & Bititci, 2009). In addition, Na-Nan et al. (2017) bemoan the fact that executives in these firms use their own intuition to support decisions; and the decision-making neither uses empirical data nor enlists employee participation in establishing organisational goals. It is only when the small-to-medium enterprise has clear strategic objectives that they can be cascaded to each department and position (Chen, 2011). However, when a firm's chief executive officer is part of a family and its top management team is mainly made of family members, the resultant institutional overlap may invite family shareholders and family managers to regard family goals more than business goals (Basco, 2017; Zou et al., 2014). Family may value such socio-emotional wealth as having the family name associated with their business, the satisfaction of family members working for the company and just the emotional attachment to the firm (Gómez-Mejía et al., 2011). For example, a dollar amount of sales may be relatively less important to a family business if compared to maintaining a respectable identity for the family business (Brawley, 2016).

5.7.2 Goal formulation

After defining the strategic objectives of the organisation, Whelan & Whelan (2013) advise that effort should be put on how such non-financial measures like customer retention or speed of response can translate into individual objectives that are linked to organisational goals. That marks the starting point of the cycle (Whelan & Whelan, 2013). Individual objectives informed by team objectives and an agreed job description can be jointly crafted by employee and manager. A well written job description in a family business defines the contribution a family member's position makes to the business (Aronoff, McClure & Ward, 2011). Even without pay as a consideration, a job description is instrumental in assisting family employees fulfil the expectations of their roles. Putting it down on paper may clearly define the position and associated accountabilities (Aoronoff et al., 2011). Individual objectives crafted along the specific, measurable, achievable, realistic/relevant and time-framed principle (S.M.A.R.T) (Armstrong, 2017), are designed to stretch the employee and provide opportunity for development while meeting business needs. Five or six on-going objectives are generally adequate for a single employee to work on at any time, while a combination of objectives about new developments, changes and repetitive elements of the job are generally regarded to be appropriate (Torrington et al., 2014).

Effectiveness in goal formulation requires that criteria for performance and methods of assessment be planned with consistency for all employees, family, and non-family members alike (Issel & Wells, 2017). Although there could be components in most jobs that are hard to quantifiably measure as outcomes, it may be necessary to measure performance in view of what outcomes have been attained, against expected outcomes– and the outcomes may be communicated in qualitative terms as a level of competency or standard to be attained (Armstrong, 2017). Business goals may not be separated from the private goals of the owners in small firms- which are not necessarily economically rational or optimal, and reflect the personal values, needs, principles and philosophies of owners (Ioniţă, 2013). Conversely, Chong (2008) holds that small-to-medium enterprise owner- managers use a hybrid approach that combines both financial (e.g. profit and revenue growth) and non-financial (e.g. long- term growth and referral rates) measures to appraise performance against the pre-set goals and time. However, goal setting in family owned small-to-medium enterprises could be very complex when compared to their non –family counterparts, due to the interaction between family and business systems (Kotlar & De Massis, 2013).

5.7.3 Importance of goals

Achua and Lussier (2013) posit that, goals are essential because they offer feedback on how well an organisation's strategy is working. They are how enterprises show their priorities and form the basis for planning, organising, leading, and controlling functions. In addition, goals have been known to provide a common frame of reference – as they seek to provide direction to both employees and supervisors (Achua & Lussier, 2013). They are meant to clarify expectations of both parties and serve to create cooperation between the parties. According to the goal setting theory by Locke and Latham (1990), high and specific goals are main motivators in working organisational settings and predictors to performance. Proper goal setting influences the performance of small companies (Oyeku, Oduyoye, Kabuoh, Elemo & Asikhia, 2014). Höber, Pergler, Weitlaner and Grahsl (2014) insist that even in small-to-medium enterprises, goals need to be specific and reasonably difficult (not too easy or too hard to realise) if they are to positively impact on performance. The effect is increased by commitment to set benchmarks, the employee's opinion of the importance of goals, self-efficacy, performance feedback and task complexity (Höber et al., 2014). As objectives are met, managers and staff need to carry out brief evaluations to consider their progress in all objectives, and then agree on what objectives to add, change, or delete (Torrington et al., 2014). However, family firms could be an exception, as they have been known to manage their companies instinctively based on personal experience, leaving stakeholders and their managerial team guessing about the direction the business would take (Bernard, 2012).

5.7.4 On-going feedback

One of the most important concepts of performance management is the provision of feedback on an on-going basis. Feedback helps in cases where there may be unexpected obstacles to the agreed performance which small-to-medium enterprise management needs to deal with (Torrington et al., 2014). Feedback activities which include regular performance feedback, monitoring and formal performance assessment systems are usually designed for ensuring optimal employee motivation, output, and development (Memon, Rohra & Lal, 2010). Wapshott and Mallett (2013) observe that more upward feedback (that is, from the employee to the manager) characterised interactions in smaller businesses.

To provide effective feedback, managers need to provide instant, developmental, and positive feedback in a secretive location (Hardavella, Aamli-Gaagnat, Saad, Rousalova & Sreter, 2017). The manager should ask for the employee's view on what could have been done differently. It is important to highlight what specific behaviours were effective or ineffective. In other words, when employees get negative feedback, they are not likely to repeat the same actions and will possibly explore other approaches, and vice versa (Brown, Kulik & Lim, 2016). These findings concur with Thorndike's (1927) findings that, behaviour which results in pleasant outcomes will recur, while behaviour that leads to disagreeable outcomes will not. For entrepreneurial ventures, the close relationship with employees enable owners to monitor and correct wrong behaviour or performance immediately, while under the more formal procedures of small enterprises, performance appraisal occurs infrequently (Lorenzet, Cook & Ozeki, 2006). In view of this, Wood and Perreira (2014) recommend that, small-to-medium enterprises may consider implementing performance management in a way that provides more informal feedback.

Delivering worthwhile performance feedback may be difficult among family members, justifying why it is particularly important for family owned small-to-medium enterprises to have mechanisms to manage family employees' performance (Axiom Consulting Partners, 2012). A professional with an unbiased, objective perspective can be very useful in providing candid feedback to family members. in situations where giving candid feedback are difficult because of family relations, an autonomous family business relationship professional can be useful. The individual becomes instrumental even in developing approaches to encourage the observation and documentation of performance relative to expectations (Axiom Consulting Partners, 2012).

5.7.5 Performance review

If feedback has been delivered on an on-going basis, the formal performance review meeting should merely be a recap of what has happened during the rating period (Mondy & Mondy, 2010). The appraisal interview is regarded as the *Achilles' heel* of the entire evaluation process, therefore, performance improvement, rather than criticism should be its goal (Eisalou, 2014; Mondy & Mondy, 2010). The manager should consider the basic aims for an appraisal interview. The manager should discuss the employee's performance and help the appraisee in setting personal development-driven plans and goals for the subsequent appraisal period (Armstrong, 2017). Lauby (2013) cautions that, even though performance plays a big part in compensation, it is not mandatory to talk about professional development and pay at the same time. Sile (2011) suggests that, for a successful review process, managers should separate reviews for professional development from those for pay increases, for the simple reason that, issues to do with pay may take centre stage – relegating performance improvement to the back seat. However, performance review meetings could still serve the dual purpose of providing feedback for employee developmental purposes as well as providing a platform to discuss compensation matters. Khahan, Chaiprasit and Pukkeeree (2017) observe that among other things, the problems with performance management are worsened because of lack of employee participation, unfair evaluation, and ineffective application of evaluation results. However, if managers are equipped with the requisite skills, performance reviews might provide managers with the opportunity to see how performance is viewed from the employee's point of view. This provides a basis for discussion, especially when performance reviews are done by way of inviting employee self-assessment first (Armstrong, 2017).

Commenting on the need for employee self-assessment, Mondy and Mondy (2010) argue that, from the employee's side, two weeks prior to the review, they should peruse their files or diaries and identify all projects embarked on – irrespective of whether they were accomplished or not. It is imperative that managers should always come prepared. A manager needs to refer to notes and a list of agreed objectives on a worker's performance during the year, then create perceptions about the reasons for failure or success and choose where to offer praise, which performance complications should be cited, and what steps might be taken to overcome them (Armstrong, 2017). In their seminal work, Lorenzet et al. (2006) advise that, in order to improve performance in very small non-family owned businesses, the following strategies could be adopted, namely effective assessment and feedback can be instrumental in the reduction of the amount of defensiveness that raters are likely to encounter; a learning orientation in contrast to a more evaluative environment removes evaluation anxiety and concerns of being regarded negatively; allowing for appraisee participation; focusing on the behaviours accomplished and not the individual performing them; maintaining a problem-solving emphasis; being supportive and appreciative. When these are properly done, employees are likely to leave the interview with good feelings about owner-managers, the business, the job, and themselves. The interview should end with specific and jointly decided plans for the employee's growth, whilst also assuring those employees in need of more training that it will be provided (Mondy & Mondy, 2010). Alternatively, due to growth in telework and other alternative working arrangements, feedback may even be communicated via a non-face to face electronic channel, though this may likely present more resource challenges in small-to- medium enterprises (Brown et al., 2016).

Applying the above to family owned small-to-medium enterprises means managers must among others ensure that all employees perceive fairness and equality in salaries, duties, performance appraisals and other benefits. Additionally, Dashew (2007) recommends that, family members should not review each other's performance if credibility and objectivity are to be achieved. This is because, younger generation members may be tempted to think that the older family members are parenting them rather than treating them as employees.

5.7.6 Reward and development decisions

Research indicates that, seventy-seven per cent of organisations link performance evaluations with pay, and that most organisations try to realise both reward and development outcomes through performance management (Torrington et al., 2014). In view of this, personal development planning becomes an essential component of performance management that aims at encouraging the individual employee to bridge performance gaps identified during the appraisal interview and at the same time address their own needs in terms of career development (Leatherbarrow, Fletcher & Currie, 2010). However, small firm owners have been known for their negative attitudes towards training employees and their inclination towards short-term profitability has been among the chief barriers (Panagiotakopoulos, 2011). In addition, small businesses have also been known to prefer informal but specific on-the-job training because it is less costly and can easily be integrated into the daily operations of the small firm without major disruptions to operations (Machado, 2013), and it is likely to discourage specialisation where multi-skilled employees could be ideal. Interestingly, trends suggest an emerging view of performance management that centres on dialogue, shared understanding, agreement, and mutual commitment, rather than rating for pay purposes (Torrington et al., 2014).

Rating for purposes of pay increments or for succession/promotion considerations in family owned small-to-medium enterprises could be justified using appraisal data (Dashew, 2007). Umer (2012) argues that, even in family owned small-to-medium enterprises, performance evaluation should be aimed at staff promotions based on employees' skills, training and education rather than on the owner/ manager's personal opinions and relationship with subordinates, as well as the length of service. Previous studies (Sharma, 2012; Panagiotakopoulos, 2011) have established that small businesses (especially family owned businesses), are often guilty of nepotism and fail to provide managerial training for family members. Dashew (2007) advises that, in family owned businesses, the system of performance management has to begin at the top, with the family CEO being evaluated by the board and/ or leadership team through a 360-degree process- and then documentation of the reviews he/she does to each employee reporting to him/her in turn. Considering this, emotional issues and threat of conflict should therefore not be used to determine performance related pay (Dashew, 2007).

5.8 COMMON PERFORMANCE APPRAISAL METHODS IN FAMILY AND NON-FAMILY OWNED SMALL-TO-MEDIUM ENTERPRISES

Notwithstanding the difference between performance management and performance appraisal, the latter has become an important link which provides the final step in the whole process of performance management (Florida Atlantic University, 2018). While it remains undisputed that effective performance management includes activities such as training or performance- related pay, appraisals remain *a sine qua non* for successful performance management (Alharbi, 2018). The various methods of performance appraisal help to directly reflect an organisation's strategic plan by focusing mainly on the individual employee (HRTool, 2011). Chen (2011) identifies four common performance appraisal methods among small-to-medium enterprises:

5.8.1 The 360-degree feedback

It is a common method of performance appraisal that involves assessment input from many levels within the enterprise, as well as from external sources (Mckenna& Beech, 2013). This technique uses rating from many people (e.g. clients or customers, seniors and their colleagues from other departments and consultants), and is likely to be useful because of the spectrum of performance-related feedback it proffers more than old assessment techniques (Mckenna & Beech, 2013). Based on multiple source evaluations, a manager will provide feedback to the appraisee, help them understand their strengths or shortcomings, and provide suggestions on performance improvement. A 360-degree performance review provides objective rather than subjective feedback and assists in identifying perception gaps and the participants' view of their performance in contrast to the view of others (Mckenna & Beech, 2013). Apart from providing opportunities for self-assessment which enable self-reflection, 360- degree reviews also provide an excellent opportunity for staff to express themselves without fear, due to the anonymous nature of the review process (Mckenna & Beech, 2013). Regarding family owned small-to-medium enterprises, 360-degree feedback helps validate the objectivity of feedback the family members receive since the supervisor includes a range of viewpoints (Dashew, 2007). Moreover, engaging an independent party to undertake a 360-degree review in family owned small-to-medium enterprises can be a way of separating the process from the personal, thereby allowing the results to speak for themselves (Brawley, 2016; Dashew, 2007).

5.8.2 The key process indication

The second common performance appraisal method is the key process indication. Process indication is a tool for performance assessment which examines key features of a process's input and output by proper data gathering and an analysis algorithm, to quantitatively provide a measure for evaluating the performance appraisal (Chen, 2011). This method breaks the key lines of business into critical performance areas such as unit of sales, return on investment or product quality, and analyses the vital areas before coming up with the key performance indicators (Chen, 2011). Key process indication is a tool to break the venture's long-term goals into comprehensive and specific objectives that are implementable. The value of key process indication lies in that it enables hard data-driven performance and leads to quality decision making. However, since owner- managers in small-to-medium enterprises are known for their negative attitudes towards training employees (Panagiotakopoulos, 2011), process indication may be very complicated for them to implement as it requires specialised training.

5.8.3 Management by objectives (MBO)

The fourth appraisal method is MBO, that stressed the association between departmental performance and individual performance and in doing so, underscored the view that subordinates should play active roles in the process of appraisal, in order to foster some degree of commitment to the attainment of goals (McKenna & Beech, 2013). Peter Drucker, the management guru, points out the necessity of this approach which latter assumed other names such as management by results, results management, or work planning and review programme (Byars & Rue, 2011). Several requirements have to be met if an MBO system is to be successful. First, objectives should be quantifiable and measurable. Objectives should also be challenging, yet achievable, and should be expressed in writing and in clear, concise, unambiguous language (Byars & Rue, 2011).

MBO requires that employees participate in objective setting and in developing action plans. A critical requirement for the effective execution of MBO is that the objectives and action plan must provide a platform for regular discussions between the supervisor and appraisee concerning the appraisee's performance (Byars & Rue, 2011; Mulder, 2010). Such discussions allow the monitoring of progress and make room for the modification of objectives (Francis, 2018). A good example of an objective might be, 'To cut waste by 10%'. An evaluation at the end of the appraisal period would then focus on how well the employee achieved this objective. However, not all jobs have quantifiable goals, and if the goals are set too narrowly, employees are likely to strive to meet only those targets and neglect other aspects of their jobs that are not directly evaluated (Lepak & Gowan, 2015). Therefore, hard financial performance indicators alone may not be reflective enough of the performance (and broader social input) of family businesses. Alternatively, goals should be established for each family member in the business regarding career development, retirement or lifestyle, if separating the circles between business and family is to be achieved (Dashew, 2007).

5.8.4 The balanced score card

The balanced score card by Kaplan and Norton (1992) is the most common performance appraisal method. It is a stakeholder's perspective concerned with performance management issues and operates on the assumption that, for an organisation to be effective, it must meet the requirements of key stakeholders: investors, employees, and customers (Mckenna& Beech 2013). Kaplan and Norton (1996) named it "Balanced Scorecard" because the approach portrays the balance between long and short-term objectives, financial and non-financial indicators, lagging and leading measures (performance drivers), and external and internal perspectives of performance. When fully executed, it aligns every person within an establishment so that all workers appreciate how and what they can do to execute 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 Score card proposes that an enterprise's performance can be regarded from four major perspectives: financial, internal business process, customer and learning and growth (Rompho, 2011).

Khan and Shah (2011) posit that financial measures of performance (e.g. return on investment) are regarded as the lagged indicators of performance (that is, they are the results of action already taken), whereas the non-financial measures (e.g. innovation) are considered to be leading measures of performance (i.e. they are cause to a firm's future performance). Financial measures show the extent to which a firm's strategy, execution and performance are leading to key developments in asset usage, cost reduction and efficiency (Owolabi, Adetula & Taleatu, 2016) .The scorecard also measures customers' perception of the firm, as customers provide direct revenues through sales, hence their perception of the firm is essential to sustain sales. This perspective leads a firm to realise and gain the revenue entrenched in the financial perspective, suggesting that customer satisfaction will result to an increase in financial measures (Owolabi et al., 2016). The customers' four main concerns pertaining to the service or product offered by an enterprise pertain to time, performance, service, quality, and cost (Kaplan & Norton, 1992).

The other perspective on the Balanced scorecard measures the internal processes which focus on activities that enhance customer satisfaction. This perspective focuses attention on the major internal activities and processes that deliver customer satisfaction and allow financial success by an enterprise (Giannopoulos, Holt, Khansalar & Cleanthous, 2013; Marques 2012). The internal process perspective essentially involves three processes which are, innovation, operations, and post sales processes. Other measures involved in this perspective may include number of new patents, product delivery time, defect rates, setup time and time used to repair faulty products (Owolabi, et al., 2016).

The fourth perspective is the learning and growth perspective. Measuring an enterprise's ability to develop and use human resources is required so as to achieve a firm's strategic objectives for both the present and the future (Waluyo, Huda, Soetjipto, Sumiati, & Handoyo, 2016). Performance measures that may be useful in evaluating learning and growth may include employee training and ability level, availability of information systems, team incentives, employee turnover rates and satisfaction (Giannopoulos et al., 2013; Marques, 2012).

The Balanced scorecard stresses the need to translate a firm's strategy into a set of objectives for each of the four perspectives (Rompho, 2011).The four perspectives are aligned to the enterprise's strategy and produce a holistic model of its strategy – thereby allowing all employees to see ways through which they can contribute to the growth of the business. Successful implementation of the scorecard has been witnessed in many small organisations employing from about a dozen up to a couple of hundred employees (Kaplan & Norton, 2001). The Scorecard allows for regular, thorough and systematic reviews of all staff, especially family members - which is essential to ensure that an enterprise is being well managed and that family members appreciate that their performance is critical to the success of the company (Dashew, 2007). Despite this positive note, the use of the scorecard in small-to-medium enterprises is significantly different when compared to large organisations (Rompho, 2011), in that, the length of each step is shorter in smaller enterprises. Unfortunately, besides lack of awareness, expertise and finance to implement the scorecard in small-to-medium enterprises (Owolabi et al., 2016), frequent strategy changes could be one major cause of the failure of the Balanced score card in the enterprises (Rompho, 2011).

It should however be noted that the above mentioned appraisal methods by Chen (2011) were not meant to be irrefutable, as other methods like the assessment centre method, behaviourally anchored rating scales, critical incident technique, essay evaluation, paired comparison and trait focussed approaches have lately been recommended for start-ups and small businesses (Roychoudhuri, 2018). Furthermore, the success of whatever performance appraisal method chosen depends upon the competencies and commitment of stakeholders like top management, line managers, or HR specialists (Juneja, 2019; Panagiotakopoulos, 2011). Unfortunately, employees in smaller firms (managers included) are likely to perform a greater range of tasks than those in bigger firms, and specialists are likely to be scarce in smaller firms (Healy, Mavromaras & Sloane, 2015). Consequently, interpersonal competencies of managers may have no positive effect on performance appraisal methods which, like performance measurement, may often be considered not only to be a time-wasting activity, but a cause of red tape, and an impediment to the flexibility of the enterprises (Cocca & Alberti, 2010).

The following hypothesis, driven by the literature reviewed above, is therefore suggested:

H_3: The managerial interpersonal competencies of owner/managers have a significant effect on performance appraisal methods, regardless of small-to-medium enterprise type.

However, since family ownership is likely to influence the manner in which employees' performance is appraised (Brawley, 2016), it is also hypothesised that,

H_{3d}: There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of managerial interpersonal competencies of owner/managers on performance appraisal methods.

5.9 CHALLENGES OF IMPLEMENTING PERFORMANCE MANAGEMENT IN FAMILY AND NON-FAMILY OWNED SMALL-TO-MEDIUM ENTERPRISES

Cognisant of the fact that organisational setting between large companies and small-to-medium enterprises differ, and that these enterprises are not smaller versions of large firms, small-to-medium enterprises need support and cultivation to implement either performance measurement or management (Pekkola et al., 2016). The following specific SME characteristics can be hindrances to the implementation and use of performance management:

5.9.1 Human resource base

Abduli (2013) admits that, small and medium sized enterprises may not even have a special human resource management department to oversee performance management. Zou et al. (2014) concluded that although both types of enterprises may be similar in company scale, family owned enterprises are likely to have more employees than their counterparts. In addition, studies by Miller, Wright, Le Bretton-Miller and Scholes (2015) suggest that family firms have the propensity to organise human and financial resources in a sub-optimal way. However, personnel in both types of small-to-medium enterprises are likely to be so engrossed in managing daily work, that they have no extra time for more activities like executing performance management (Abduli, 2013). Furthermore, sheer lack of managerial capacity and culture in these firms results in managerial techniques and tools being perceived as of minimal benefit to the firm (Pekkola et al., 2016). Frequently, employees occupy several positions at the same time, organisation structures are flat, and though the owner-manager is in charge of both managerial and operational functions, managerial activities are usually neglected (Barisic & Boricevic, 2013). Limited human resources in small-to-medium enterprises, therefore, require processes or models that are sensitive to their particular needs and are effective and easy to implement.

5.9.2 Managers wearing too many hats

Management practices in most small-to-medium enterprises - be they family or non-family owned, are closely linked to the characteristics and skills of the entrepreneur, who, usually will be multi-tasked and often takes on multiple roles (Ates et al., 2013). Managers hardly expand their business further than the stage at which they can individually run everything themselves. Consequently, Cocca and Alberti (2010) insist that, organisational success or failure in small-to-medium enterprises is affected seriously by the managerial competencies of the owner/managers, as most decisions are mostly based on the manager's personal intuition and skills– rather than on scrutiny of information. Given that managers wear too many hats and that both types of enterprises operate in highly dynamic and turbulent environments, they need to constantly adapt to changes in the market, which should be promptly reflected in performance measurement (Cocca & Alberti, 2010).

5.9.3 Resource limitations

The smallness of small-to-medium enterprises is likely to present some setbacks when it comes to implementing performance management as resources are generally limited in terms of people, infrastructure, finance and access to knowledge (Löfqvist, 2011; Cocca & Alberti, 2010). According to Cocca and Alberti (2010), since small-to-medium enterprises suffer from limited resources, performance measures adopted ought to be very simple, adaptable, and easily collectable – for the effort required for measuring to be lower than the advantages gained. In view of this, cheap performance management software that focuses on individual needs of small-to-medium enterprises could be more ideal. The procedures for measuring performance need to be clearly spelt out and be resource effective as well. Moreover, it would be better to use only a few vital indicators, especially if reported in a visually and graphically effective way, in order to allow the manager to concentrate only on crucial performance factors and to make informed decisions swiftly (Cocca & Alberti, 2010).

5.9.4 Lack of formalisation

The fourth entrepreneurial venture characteristic that might inhibit implementation and use of performance management in both types of enterprises is lack of formalisation. Research confirms that the owner/ manager is the chief factor in keeping management of human resources in small-to-medium enterprises informal (Umer, 2012). Owner-managers avoid use of formal practices as they opt to retain direct personal control of the business and are reluctant to delegate duties to other managers (Umer, 2012). They do not appreciate that the highly competitive environment characteristic of small-to-medium enterprises requires a certain level of formality if the enterprises are to stay attractive to both employees and customers. Ates et al*.* (2013) insist that even though small-to-medium enterprise managers may have good personal connections to gather information, they often do not recognise the need for formal structures to manage performance. However, regarding family owned small-to-medium enterprises, incorporating both formal and informal HR practices, make them respond better to the developmental needs of their employees across various levels (Mustafa, Carspersz, Ramos & Siew, 2018). Steijvers, Lybaert and Dekker (2017) also found out that family owned small-to-medium enterprises with a family chief executive officer (CEO) have more formal human resource management practices than those managed by a non-family CEO due to greater levels of goal alignment and deliberate trust between the family owning the business and family CEO. The study also established that, family owned small-to-medium enterprises managed by family CEOs with a higher education and first-generation family CEOs have more formalised human resource management practices. The use of formal performance management systems has a stronger impact on the achievement of strategic objectives and non-financial performance (Kadak & Laitinen, 2016). Furthermore, achieving a balance of formal and informal performance management that best suits the owner/manager, their team and the enterprise, puts the business in an optimal position to create the best performance (Kadak & Laitinen, 2016).

Regarding HR formality in general, Umer (2012) concludes that HRM is informal, intuitive, and ad hoc in small-to-medium enterprise contexts. Previous studies (Mustafa et al., 2018; Machado, 2013) explicitly suggest that informality is just what is desirable for these firms, as increased use of informal practices of management often culminates in formal regulation and policies for employees' control. However, Marlow, Taylor and Thompson (2009) suggest that debate in this area needs to be reframed through considering informality and formality as a dualism rather than a dichotomy, and question the idea that small firms must, should or inevitably move from informality to formality. Research therefore remains eclectic on whether that is a bad thing, or at least sub-optimal.

Informal practices of performance management may lead to formal regulations as there are two sides to performance management that managers need to consider. Firstly, are the day to day management and more formal processes which include issues such as appraisals, setting objectives and setting standards; and informal reviews that entail an assessment of performance during the middle of the appraisal period (SAP Success Factors, 2019). Secondly, it is the formal appraisal which has to be informed by the non-formal performance reviews. This helps prevent surprises at the formal appraisal, as performance problems will have been corrected in time by way of on-going feedback on how well employees are meeting expectations (SAP Success Factors, 2019).

5.9.5 Misconceptions about performance management

Small-to-medium enterprises rely mainly on financial measurement and accountancy information and focus on technical aspects and production – leading to misconceptions about either performance measurement or management, which are often considered to be time-wasting activities (Cocca & Alberti, 2010). The businesses do not even appreciate the potential advantages to be gained by implementing performance management. The reason is that, these systems are perceived as a cause of red tape, and an impediment to the flexibility of the enterprises (Cocca & Alberti, 2010), especially in family owned small-to-medium enterprises, where no conventional regulations and rules for recruiting employees exist, since recruitment is informal and often based on the recommendations of close friends, family members or relatives (Sivalogathasan & Wu, 2013).

5.9.6 Family ties

The competitive and emotional dynamics inherent in every family get amplified when a business is added to the mix (Axiom Consulting Partners, 2012). The family business harbours some additional concerns that are totally unique problems arising from lack of formalisation of the decision making structure, nepotism, conflict of interest between family and business(Castejón, García & Pérez, 2014) sibling rivalry, rigidity in innovation and succession, and so on. Consequently, family business owners have to deal with difficult interpersonal family relationships that they have to balance with their business interests. That balance is vulnerable to the matters the family business encounters when deciding how performance management practices will be applied to family members. Sharma (2012) opines that family influence and involvement in family owned small-to-medium enterprises may have exceptional effects on the objectivity of these firms' HR practices when applied to non-family employees. For instance, family members with minimal qualifications may be engaged or promoted (Sharma, 2012), against fair & just human resource policies concerning the hiring of a competent workforce.

5.9.7 Corporate governance structure

The overlap between ownership, business and family is more likely to generate complex corporate governance structures that even influence performance measurement (Garengo & Sharma, 2014). Related to this, is the fact that many small-to-medium enterprises are owner-managed, with the owners acting as dominant leaders responsible for setting the direction and running the business on the basis of common sense and experience, often resulting in a command and control style of management (Ates & Bititci, 2011). Such a power culture and centralised leadership style could help explain why the majority of small-to-medium enterprises in Kenya were found to have no vision and mission statements and had no business plans. Of those with plans, most were informal, long-term and were reviewed half yearly or yearly (Madivoli, Bwisa, Gichuhi & Senaji, 2019).

5.10 CONCLUDING REMARKS

Both family and non-family owned small-to-medium enterprises are different from their large enterprise counterparts, and their smallness makes the implementation of performance management meant for large companies a challenge. Although managing performance would give them a competitive edge, like any other human resource tool, if not properly executed, performance management may not produce the intended results, and the required performance might not be reached. The next chapter considers the role of agency relationships in the relationship between managerial competencies, performance management and small-to-medium enterprises' performance.

CHAPTER 6: AGENCY RELATIONSHIPS IN FAMILY AND NON-FAMILY OWNED SMALL-TO-MEDIUM ENTERPRISES

6.1 INTRODUCTION

The last chapter explored the integrative and strategic role played by performance management in family and non-family owned small -to -medium enterprises. This chapter discusses the role of agency relationships in the relationship between managerial competencies, performance management and business performance. All agency relationships involve a principal and an agent and are fiduciary relationships that allow the agent to work on behalf of the principal. However, the family setting provides an alternative perspective to agency relationships - a perspective which not only influences how managers execute their competencies, but even how performance management is done, ultimately impacting performance of the respective small-to-medium enterprises.

6.2 AGENCY RELATIONSHIPS IN FAMILY OWNED SMALL-TO-MEDIUM ENTERPRISES

The agency theory was initially premised on an impersonal setting involving fiduciary agency contract relationships between an enterprise's shareholders and CEO and where there is great geographical and emotional distance between the parties (Martin & Butler, 2017; Cruz et al., 2010). The agency theory is premised on several assumptions. One of its primary assumptions is that a company is a nexus of contracts (Fama & Jensen, 1983; Jensen & Meckling, 1976) which are costless and accurately enforceable by courts. In light of this, agency has been described as a type of contract where one party (the principal) agrees expressly or impliedly that another party (the agent) should act on his/ her behalf in order to bring him /her, into a contractual relation with a third party (Cohen & Chang, 2014). In such contractual settings, agent behaviour is basically unobservable, and the assumption of agent opportunism and the ensuing need for controls is seen as reasonable (Cruz et al., 2010).

The family setting however provides a variant to the impersonal setting implied by the agency contract in that, in family-related contracting, exchanges often do not have pure economic motives and consequently lead to behaviour that run contrary to pure economic rationality (Kotla & Sieger, 2018; Madison et al., 2015). As a result, two agency problems are likely to manifest: entrenched ownership and asymmetric altruism (Yupitun, 2008). In terms of entrenched ownership, the original formulators of the agency theory(Jensen & Meckling, 1976) assumed that, if there is an overlap in ownership and management especially within family owned small-to-medium enterprises, agency costs would be low, if not absent. Regarding asymmetric altruism, subsequent family economics literature (Chrisman et al., 2005; Schulze et al., 2003; 2001) shows how a tendency toward altruism may become a problem of self-control and generate agency costs in family businesses as a result of free riding, difficulty in administering contracts, subjective parental opinions of a child's performance, and liberality concerning perquisite consumption. The phrase 'agency costs' coined by Jensen and Meckling (1976) represents the costs of all operating systems and activities intended to align the interests of owners (principals) with the interests and/ or actions of agents.

The aforementioned family connections have many additional non-rational ramifications which include the family leadership's tendency to desist from monitoring family members' actions (Chua, Chrisman, Kellermanns, & Wu, 2011), hiring least qualified family members and paying them more generously (Zhang & Cao, 2016), parents being overly generous to their children, who may exploit this generosity by free-riding or shirking (Dawson, 2011), a general favouritism towards family members and discrimination towards others, creating a negative impact on perceived organizational justice(Ferrari, 2014). In addition, entrenchment, and expropriation behaviours of concentrated family shareholders over minority shareholders often result in serious corporate governance problems in family firms (Chu, 2009).

Interestingly, not all research about agency problems emanating from altruism in family firms has reached undesirable conclusions. Firstly, classical agency theorists (Fama & Jensen, 1983a) contend that family relations may ensure consistency among family agents' agendas with the welfare of the firm, thereby alleviating the agency tension caused by conflicting interests. Secondly, mutual coordination and communication among family members help reduce the agency costs occasioned by information asymmetry (Kim & Gao, 2010). If altruism is reciprocal, (i.e. if both family manager and family owner are altruistic toward the other), and symmetrical (equally robust mutual altruism), it can alleviate agency problems (Memili, Chang, Kellermans & Welsh, 2015). In as much as reciprocal altruism presents an integrative mechanism that helps reduce role conflict, it also gives family businesses some competitive advantages in exploiting certain business prospects due to lesser reservation prices for the concerned business opportunities (Memili et al., 2015). Furthermore, the inspirational work by Carney (2005) reveals that if altruism results in a willingness by family members to endure deprivation in the short term for long-term firm survival; flexible decision making, a combination of low overheads, and limited bureaucratic procedures, it can enable family businesses to be effective rivals.

Family firms could be more effective competitors when compared to their other counterparts because of their control over assets. A family enterprise's control rights over properties create three dominant tendencies – parsimony, personalism, and particularism (Carney, 2005). Parsimony refers to the predisposition of family managers to reduce the tendency toward opportunism and generates a propensity toward making strategic decisions with the family's personal wealth and are expected to behave more prudently in the management of resources (De Massis, Frattini, Pizzurmo & Cassia, 2015).This means that generally, people are likely to be more careful with their own – as opposed to someone else's money. Secondly, personalism stems from the fact that the family acts as an exceptional agent in which both management and ownership are concentrated making it responsible for a personalisation of authority that gives family members high power and legitimacy within the business (De Massis, et al., 2015). As a result, agents work under minimal internal limitations as they may relieve themselves from the internal bureaucratic controls that put managerial authority to check in such modes of governance – like abiding by formalised performance management practices that constrain their ownership entitlements (Carney, 2005).

Thirdly, particularism follows from the personalisation of authority and emanates from the fact that family control rights cause a personalistic exercise of authority that permits family members to pursue varied goals rather than pure profit or firm value maximisation (Chrisman, Chua, Pearson & Barnett, 2012). It is the product of a family firm's discretion to act as they see fit. While managers in family owned small-to-medium enterprises are also expected to employ rational-calculative decisions, family control rights authorise the family to interfere in the matters of the business to replace other "particularistic" benchmarks of their choosing (Carney, 2005). Within family owned firms, personalism and particularism tolerate authority and decision-making to merge with a bias towards the dominant family grouping – resulting in cost-savings emanating from lesser information asymmetry between managers and owners (Yupitun, 2008). The competitive advantages emanating from the previously mentioned propensities have limits and some of the associated advantages clearly change or weaken over time. Moreover, even if family ownership may result in benefits to an enterprise's performance, the afore-mentioned positive effects may be compromised by dysfunctions in behaviour at different levels of family ownership in private family owned small-to-medium businesses (De Massis, et al., 2015). Such dysfunctions could manifest themselves through lack of self-control, which could lead owners and owner-managers to become risk averse and involuntarily make decisions that may be detrimental to the family and firm.

The likelihood of making decisions unfavourable to both the family and firm may be dependent on the degree to which a family owns the enterprise (Die´guez-Soto, Lo´pez-Delgado & Rojo-Ramı´rez, 2015). Consequently, it could be folly not to concern oneself with establishing the effects of different models of family ownership. Five basic ownership models are owner/operator, distributed, partnership, public and nested (Baron & Lachenauer, 2016). The owner/operator model is perhaps the simplest. By keeping ownership control in one individual (or couple), it replicates the role of the founder. The same individual holds the position of director, sole shareholder, and CEO (Die´guez-Soto, et al., 2015). While partnerships are unique in that it is only the leaders in the business who can be owners and financially benefit from it, in the distributed model, ownership is passed down to most or the rest of the descendants, regardless of whether they work in the firm or not (Baron & Lachenauer, 2016). In the nested model(nested in that minor family ownership coalitions reside inside bigger ones), various family branches come to an agreement to own some assets separately and others jointly - a model that is predominantly attractive when differences or conflict in preferences affect decision-making on shared assets (Baron & Lachenauer, 2016). Many family businesses may adopt the public model at some period in their life to enable them to attract financial resources for firm expansion, or as a way of giving family shareholders a way to sell their shares in case they may prefer to cash them in (International Finance Corporation (IFC), 2018).The family firm may behave like a public company and yet it remains privately held.

It could be folly not to concern oneself with establishing the effects of the afore-mentioned degrees of family ownership or active ownership (Lwango, Coeurderoy & Roche, 2017), on a firm's competitive advantage. Heterogeneity among family firms based on the degree of family participation exists and ignoring such an aspect may lead to faulty conclusions. Lwango et al. (2017) therefore, caution academics not to ignore family business heterogeneity due to size, age or degree of active ownership, in their quest to understand the conditions under which family firms outperform their other counterparts if inaccuracies in empirical studies are to be avoided.

6.3 AGENCY RELATIONSHIPS IN NON-FAMILY OWNED SMALL-TO-MEDIUM ENTERPRISES

Although literature on principal-agent relationships in family-owned businesses is still inconclusive, it is clear that the principal-agent dynamics in family firms are basically different from their other counterparts (Yupitun, 2008). The seminal work by Chrisman et al. (2004) underscores the fact that separation of ownership and management (as is likely to prevail in most non-family owned small-to-medium enterprises) generates costs that may be non-existent were ownership and management combined, such as in family owned small-to-medium enterprises. The separation of management and ownership creates a conflict of interest that earlier proponents like Ross (1973) formalised as a principal-agent problem, in addition to obvious agency costs.

The conflict of interest resulting from separation of ownership and management makes the likelihood of theft and other kinds of opportunistic behaviour common in small firms, which are likely to have less formal control mechanisms than their larger counterparts (Chrisman et al., 2004). Unfortunately, since the survival of such small firms is mostly dependent on the actions and decisions of a handful of owners and managers, the effect of any opportunistic behaviour by them is proportionally higher (Martin & Butler, 2017; Chrisman et al., 2004). However, Kleiman (2016) advises that managers in non-family owned firms may be encouraged to act in the shareholders' best interests through constraints, punishments, and incentives. The other way to protect shareholders' interests could be through performance management. The potential by performance management to increase the quantity and quality of information related to the behaviour of the agent (Brudan, 2010) enhances its role as a monitoring tool.

Monitoring agent behaviour is a core issue in the agency theory (Madison et al., 2015). Monitoring systems help the principal to systematically collect information on the agent's dealings. The agent is prone to act in the interests of the principal, if the principal has the capacity to monitor agent behaviour (Boshkoska, 2015). From its early formulation, Jensen and Meckling (1976) remark that monitoring mechanisms are meant to control deviancy by the agent, which includes controls such as budget limitations and operating guidelines – beyond merely detecting and assessing the agent's performance. Monitoring involves the principals' ability to decide whether the agents have complied with the provisions of the contract and that managers would not promote self interest in decision making (Boshkoska, 2015). Unfortunately, with relatively minimal or even inaccurate information due to asymmetrical information, the principal's ability to direct agent behaviour towards set agendas may be put to check. For example, managers may take advantage of their principals' ignorance to advance their own interests by making false promises, reneging on agreements, or changing the terms of deals in order to benefit themselves. This creates "unfavourable take off"- a sort of opportunism that is possible when the principal cannot identify the productivity of the employee till the conclusion of the contract (Popov & Simonova, 2006). Related to the possibility of unfavourable take off, is the fact that agents may simply not exert the agreed-upon effort (shirking) as they may attend to personal business during working hours.

The other way of putting to check agent opportunism is through incentive-based compensation plans. By making senior directors part owners of the business, incentive-based compensation is one effective way of ensuring that managers or executives act in the best interests of the owners (Luhman & Cunliffe, 2012). Incentive-based remuneration plans, like performance shares, are intended to offer executives incentives to execute duties that will augment shareholder wealth and assist businesses to attract and retain managers who are prepared to risk their financial future on their very own abilities (Kleiman, 2016).However, such share plans may be non-existent in some non-family owned small-to-medium enterprises. Even in such cases, principals should concentrate on determining incentive structures that can match organisational objectives with employee motivations (Van Puyvelde et al., 2013). For instance, performance shares, being stock given to executives based on performance as measured by financial indicators like return on assets, earnings per share, stock price changes and return on equity, can be used in listed non-family owned small-to-medium enterprises (Kleiman, 2016). If enterprise performance is above the performance goals, the agents could earn more shares and vice versa. Other mechanisms of preventing managers from abusing their position thereby protecting owners or stockholders' interests are summarised in Table 6.1 below.

Table 6.1: Internal and external control measures

Measures	Brief Description
a. Internal	
Internal audit	Helps put to check inefficient operations and protects assets and capital
Change in the salaries and payments of the managers	Alignment of interests could be enlisted if top managers' rewards depend on the profit of the firm (*has been discussed above)*
Concentrate ownership	If managers buy shares and become owners themselves, their interests will thus be aligned to those of the shareholders
Good corporate governance	Good corporate governance enlists responsibility, control and transparency in decision making processes
b. External	
External audit	Periodic valuation of the reality and objectivity of a firm's financial reports puts a check to self-interested manipulations of financial reports
Market of capital	Though it's debatable, share prices may be a good signal of the successful work of a firm's management
Law/legal frame	Credos, policies and laws put managerial opportunism to check..

Source: Adapted from Boshkoska (2015)

6.4 MANAGERIAL COMPETENCIES AND AGENCY RELATIONSHIPS IN FAMILY AND NON-FAMILY OWNED SMALL-TO-MEDIUM ENTERPRISES

There is dearth of literature on the relationship between principal-agent relationships and managerial competencies in either family or non-family owned small-to-medium enterprises. The reason is that, literature that may be considered appropriate for a large or listed corporation may be less relevant for small-to-medium enterprises in general, and family owned small-to-medium enterprises in particular (Chartered Institute of Personnel and Development (CIPD), 2014). Regarding family owned small-to-medium enterprises; family ownership is more amenable to relational contracts based on mutual expectations and contracts that depart from the assumption of economic rationality (Ponomareva & Ahlberg, 2016). Non-economic motives such as nepotism, family altruism or internal family conflicts of the management and the board that ordinarily characterise the contractual relationships within family owned small-to-medium enterprises, are largely informal when compared to the more formal contractual arrangements in managerially governed firms (Collin & Ahlberg, 2012; Mustakallio, Autio & Zahra, 2002). The foregoing motives may rob the family business of employees with the requisite managerial competencies (Padgett, Padgett & Morris, 2015) or may inhibit proper execution of top management competencies. For instance, an investigation into small-to-medium enterprises and family businesses in South Africa by Visser and Chiloane-Tsoka (2014) established that since most family owned small-to-medium enterprises are closely held and owner-managed, with owners having direct insights into internal processes of the firm, the control function of the board may not be necessary, and many family owned small-to-medium enterprise boards exist on paper only. The firm would therefore be indistinguishable from the owner-manager, upon whom its failure or success depends (Stokes & Wilson, 2010), but whose competency in all areas pertaining to the family business may be questionable.

On the contrary, a related report by CIPD (2014) established that as small-to-medium enterprises grow, functions diversify, and more specialisation is done. In this instance, day-to-day operations are done by more junior staff, as the enterprise leader(s) begin to delegate operations to teams of trusted senior managers, while the leader(s) shift onto strategic priorities and managing of the external relations of the firm. Failure to do that might affect the competency and execution of senior management as they will be reduced to mere figureheads, without real power in the business. The report (CIPD, 2014) observed that relying on hierarchical and authoritative leadership for too long can obstruct competitive advantage in larger established organisations. The same report also established that strong top–down hierarchy, for example, can hinder empowerment at the front line, especially if the leader is attempting to control day-to-day operations without adequate contact with the firm, as more time is consumed in steering strategic direction and external associations. The report is however not clear on the mode of small-to-medium-enterprise ownership or the core managerial competencies at stake. Therefore, following the above literature evidence, the fourth hypothesis in this study is proposed as follows,

H_4: The managerial interpersonal competencies of owner/managers have a significant effect on agency relationships, regardless of small-to-medium enterprise type.

However, given that the family setting provides a variant to the impersonal setting implied by the agency contract (Kotla & Sieger, 2018; Madison et al., 2015), the fourth hypothesis on group differences is proposed as follows,

H_{4d}: There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of managerial interpersonal competencies of owner/managers on agency relationships.

6.5 PERFORMANCE MANAGEMENT AND AGENCY RELATIONSHIPS IN FAMILY AND NON-FAMILY OWNED SMALL-TO-MEDIUM ENTERPRISES

Discussed in this thesis are the various agency relationships that could prevail and are more likely to affect the implementation of performance management in both types of enterprises. There are different variations of agency relationships, ranging from single-principal-single agent, single-principal-multiple-agent, to multiple-principal-single-agent (Ahmad et al., 2012; Kivistö, 2007). As their titles suggest, single-principal-single-agent defines one principal and one agent relationships, multiple-principal single-agent allows for multiple principals to direct a single agent in different areas and single-principal multiple-agent describes a scenario where one principal is directing many agents (Ahmad, et al., 2012). Principals and agents may also have dual roles as some principals can act simultaneously as some other principals' agents, and agents as some other agents' principals (Kivistö, 2007).For instance, top management are the agents of the shareholders or family owners; likewise, the top managers are principals to middle management, who in turn are principals to line managers, who serve as principals to the rest of the employees.

The principal-agent dynamics mentioned above manifest themselves during performance management, especially in non-family owned small-to-medium enterprises. The principal, who is usually an administrative level above the agent, normally appraise the performance of their immediate subordinates. Since performance management seeks to align individual employees with organisational objectives (Taylor, 2013), non-family owned small-to-medium enterprises are therefore not exceptional to the alignment, which aims at enhancing their performance as measured by return on investment and innovation. Alignment can be attained through a cascading process which allows objectives to flow down from above, and at each level, individual or team objectives are defined in view of higher-level goals (Armstrong, 2012). Van Puyvelde, et al. (2013) maintain that non-aligned objectives of employees and managers can be viewed as a sign of agency problems in the manager-employee relationship. Yet, performance management should allow for goal alignment between principals and agents, by arresting one assumption of agency theory, which claims that both principals and agents pursue personal objectives (Van Puyvelde et al., 2013).

Regarding family owned small-to-medium enterprises, goal alignment makes the evaluation process even more meaningful and focussed, since the system of performance management has to begin at the top - the family CEO, after being evaluated by the board and/ or leadership team through a 360-degree process, later reviews the performance of each employee, reporting to him/her in turn (Dashew, 2007). The process must cascade downwards till every employee's performance has been evaluated. However, close personal relationships in family businesses may cause conflicts of interest that significantly affect the successful implementation of performance management (Aguinis & Pierce, 2008). Unfortunately, demographic similarity between the appraiser and appraisee, and the quality of the work relationship - likely to be impacted by family or friend status – can intensify positive affect towards the appraisee, resulting in inflated performance appraisal ratings (Brawley, 2016).

Worse still, adopting formal performance management practices may be viewed as unnecessary by members in family owned small-to-medium enterprises, based on the view that the interests of family member employees are already aligned - further reducing the likelihood of using formal management systems (Brawley, 2016). However, despite the fact that the family and business values may not always align, managers in family owned small-to-medium enterprises may nonetheless prefer to use personalised, social forms of control, rather than official, objective methods (Brawley, 2016). Surprisingly, the employment relationship in smaller firms may be rather negotiable compared to their larger counterparts, and such negotiation may be an on-going process resulting in intricate employment relationships (Wapshott & Mallett, 2013). Such informal employment arrangements may result in conflict during the process of performance management and appraisal, given that job performance may not be rigidly or explicitly defined, and the criterion for performance management is vague, opening prospects for disagreement about both job responsibilities and acceptable behaviours (Brawley, 2016). As a result, the following hypothesis is proposed for testing in this study:

H_5: Performance appraisal methods have a significant effect on agency relationships, regardless of small-to-medium enterprise type.

However, since close personal relationships in family businesses are likely to interfere with the successful implementation of performance management (Brawley, 2016; Aguinis & Pierce, 2008), it is hypothesised that,

H_{5d}: There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of performance appraisal methods on agency relationships.

6.6 CONCLUDING REMARKS

This chapter explored the role of agency relationships in the relationship between managerial interpersonal competencies, performance management and firm performance in family and non-family owned small-to-medium enterprises. The following chapter discusses how business performance is measured in both types of enterprises.

CHAPTER 7: BUSINESS PERFORMANCE IN FAMILY AND NON-FAMILY OWNED SMALL -TO -MEDIUM ENTERPRISES

7.1 INTRODUCTION

The previous chapter explored literature on how agency relationships affect the relationship between managerial interpersonal competencies, performance management and the performance of family and non-family owned small-to-medium enterprises. This chapter considers business performance in general and the two measures (return on investment and innovation) that were used to measure this construct in the current study. The chapter also explores how performance management affects business performance in both types of enterprises.

7.2 BUSINESS PERFORMANCE

Business performance is an important organisational outcome that has courted the interest of both practitioners and academicians (Chinomona, 2013). Surprisingly, academicians have not agreed upon a definite definition of firm performance and what makes an accurate performance measure (Tauoab & Issor, 2019). Consequently, there are naturally diverse interpretations suggested by various scholars according to their perceptions. Whereas business performance could be understood to be a firm's ability to produce results in line with its set targets (O'Regan, Sims & Gallear, 2008), Reijonen (2008) considers it as an indicator that measures a firm's efficiency and effectiveness towards goal achievement. Unfortunately, most studies have focused on measuring the performance of large firms, largely neglecting the small business sector (Chinomona, 2013), and yet, small businesses have been characterised by a high failure rate (Fatoki, 2014).

Despite the focus on large businesses, measuring business performance has been found to help firms identify objectionable trends, such as decreasing market share, shrinking sales, declining gross profits, declining customer satisfaction, swelling costs and greater staff turnover (Canadian Western Bank, 2014). In view of this, a performance measurement system should therefore provide a concise and defined set of financial or non-financial measures that supports decision-making processes in firms by collecting, processing, and analysing quantified data of performance information (Gimbert et al., 2010). Kirsten, Vermaak and Wolmarans (2015) underscore the importance of measuring performance in small-to-medium enterprises as it has the potential to improve their performance and chances of survival.

Small business performance can be measured using financial and non-financial criteria, although the former has been given more attention in literature (Sandada & Mangwandi, 2015). However, some businesses, especially family owned small -to-medium enterprises, may have no interest in growth, and financial gain may not be their primary motivation. Therefore, there must be other non–financial criteria to measure the success of such firms (Utrilla & Torralega, 2012). Sandada (2012) observed that the terms financial, objective, and quantitative measures are used interchangeably, while non-financial or qualitative measures may refer to subjective measures. Objective assessment ordinarily deals with comparing enterprise performance with financial measures, whereas subjective measures indicate personal views about firm performance (Reijonen, 2008). Subjective indicators are “soft” and often include trait or evaluative information like self-assessment on performance when compared to others, while objective measures are calculable measures that impact fulfilment of specific objectives like sales or profits, and are often referred to as “hard” information (Sandada & Mangwandi, 2015).

Chong (2008) insists that, though financial measures are simple, objective and easy to comprehend and calculate, in most cases, they suffer from being not readily available in the public domain and are historical too. Since objective measures are usually inaccessible, confidential, whole, precise and timely, making comparisons among sectors may be challenging and inappropriate (Yildiz & Karakas, 2012; Chong, 2008). For instance, profits are subject to manipulations and varying interpretations; therefore, a possible way forward is to supplement them with non-financial measures.

The most used non-financial measures in small-to-medium enterprises are number of employees, market share and revenue per employee (Chong, 2008). However, Yildiz & Karakas (2012) prefer objective methods in the measurement of business performance, given that subjective measurements may vary depending on an individual's personality traits or their position in the organisation, causing incoherence and doubts when drawing comparison with competitors. It is therefore advised that, over and above the traditional financial measures like profitability and productivity, it is necessary to study the socio-emotional factors that affect family owned small -to -medium enterprises' expectations in particular, because the coexistence of two systems (the family and the business) creates certain business values which cannot be explained financially, or objectively (Utrilla & Torralega, 2012; Gómez-Mejía et al., 2011). For example, values such as considerations for the family name and control, desire for dynastic wealth assignment, satisfaction of family employees with their situation, or even satisfaction of the potential successor with their career in the firm, are non-financial values which finances cannot explain (Utrilla & Torralega, 2012).

In light of the above, Bititci, Firat and Garengo (2013) maintain that, though there is a general agreement that the traditional (or lagging) financial measures are still relevant and valid they need to be balanced with more recent, intangible and externally focussed measures - leading measures (like innovation, employee satisfaction, and so on). However, cognisant of the lack of rigorous debate on these issues, Bititci et al. (2013) caution that generally, the measures to be used to either compare or assess the performance of different small enterprises should be balanced through inclusion of both financial and non-financial measures. In addition, the measures should be based on a time axis approach (indicating, for example, how the profitability of a business has changed over a period of time); and should consider the contextual and environmental circumstances the enterprises operate under, and assess their performance within that context. Consequently, the current study adopts such a hybrid approach advocating for the use of financial measures – in this case, return on investment and a non-financial measure - technological product and process innovation, in the measurement of performance.

7.2.1 Business performance in family and non-family owned small-to - medium enterprises

Measuring business performance in family and non-family owned small -to -medium enterprises is necessary since what gets measured gets attention (Cocca & Alberti, 2010). Thus, businesses can only take remedial actions on any irregularities only after a measurement of performance on given activities has been done (Sandada, 2012). Based on this, it is possible to suggest that, business performance, especially in family owned small -to -medium enterprises, should reflect the duality between business and family, as their uniqueness emanates from the family-business interaction (Utrilla & Torralega, 2012). From a financial view point, family-controlled small-to medium-sized enterprises located in the Northern Italian province of Bergamo were found to be more independent and to use less debt than their non-family counterparts, leading to significantly higher performance in terms of their operating profit (Cassia, De Massis & Kotlar, 2012). The study supports the idea that interaction between the family and the business leads to the creation and conservation of a unique bundle of resources that can be the source of a firm's competitive advantage (Cassia, De Massis, Pizzurno, 2012; Habbershon & Williams, 1999). However, according to Aguiló and Aguiló (2012), the question whether mode of ownership per se increases or drops business performance is a difficult question to answer.

Research is still very inconclusive regarding the influence of family ownership on performance. What this means is that, even though family businesses are the principal form of company organisation today (Cassia et al., 2012), results are still ambivalent, regarding family involvement and doubts remain if it is an advantage or a liability in terms of their performance. For instance, high levels of commitment to the family business, proved to be a strong signal for the family to follow through on its discretion to ensure the business' growth and sustainability (Martin & Gomez-Mejia, 2016). Razzak and Jassem (2019) also establishes that the three dimensions of socio-emotional wealth, viz ; emotional attachment; family identification with the business; and renewal of family bonds through dynastic succession are all positively linked to firm performance. In addition (Lwango et al., 2017; Chu, 2009) confidently claim a positive relationship between performance and family ownership. For example, Maseda, Itturralde, Aparicio, Boulkeroua and Cooper (2019) suggest that the degree of performance in Spanish family small-to-medium enterprises increases as the percentage of family board ownership and convergent-of-interest effect increases. However, when family directors acquire a considerable percentage of shares which gives them complete control and influence on the board, business performance decreases because of entrenchment. Conversely, Hamelin (2013) establishes a somewhat different scenario. Using a very large sample of French family owned small-to-medium enterprises to explore the relationship between family ownership and the growth of small businesses, Hamelin (2013) observes a negative but non-monotonic association between family ownership and the economic growth of the businesses.

It is clear from extant literature (Maseda et al., 2019; Molly, Laveren & Deloof, 2010) that although family businesses seem to outperform non-family firms in terms of performance, performance decreases in family-owned firms through generations. Related to this, Ernst, Kraus and Matser (2012) argue that, the relationship between the level of family ownership and firm performance may assume an inverted U-shape, meaning that more family involvement may at first contribute to firm performance, but as it grows larger, it may foster negative effects as issues to do with altruism and even conflicts among family members may ultimately reduce performance. Similarly, Zou et al. (2014) also admit that, though family-owned businesses benefit from the overlap of business and family functions firstly, as the business matures, the overlap creates conflicts, concerning selection, training and development, appraisal, compensation and equity, and promotion, often causing weak management. On the contrary, Machek (2015) reports that non-family businesses grow faster than their other counterparts since family owners tend to restrict growth to retain control of the firm within the family. Surprisingly, Madueño et al. (2011) failed to detect any significant performance differences between family and non-family owned small -to -medium enterprises.

Machek et al. (2013) suggest that the afore-mentioned contradictions in terms of performance of the two types of enterprises may partly be attributed to different methodological approaches employed, and even to varying definitions of what makes a family business. It should also be kept in mind that the differences in performance comparison outcomes could be attributed to the idea that family influence has a positive effect on firm performance up to a certain extent (González-Cruz & Cruz-Ros, 2016; Machek et al., 2013). The other predicament in respect of contradictory results emanates from the fact that, some studies (Machek et al., 2013; Sharma, 2012) on the performance of family and non-family businesses remain silent on the sizes of the firms concerned. As if that is not enough, some researchers (Mazzola, Sciascia, & Kellermanns, 2013; Miller, Le Breton-Miller & Lester, 2013; Miller, Minichilli, & Corbetta, 2013) are still grappling with reconciling different theories and disparate results.

7.2.2 Overview of studies on business performance in family and non-family owned small-to-medium enterprises

An exploratory analysis of differences between German family and non-family small -to -medium enterprises in product and process innovation outcomes, innovation investment, and labour productivity by Classen, et al. (2013) established that, whereas family owned small -to -medium enterprises have a higher inclination to invest in innovation, these firms do so less intensively than their non-family counterparts. The study also confirms that family owned small -to -medium enterprises tend to perform better than their other counterparts in terms of process innovation outcomes when controlling for innovation investment. Regarding the level of product and process innovation, family owned small -to -medium enterprises were found to underperform in terms of productivity in comparison to non-family owned small -to -medium enterprises (Classen et al., 2013). These results, not only complicate issues, but are even difficult to reconcile. In yet another European study done in Finland by Hatak, Kautonen, Fink and Kansikas (2016) that drew upon the RBV of the firm, the relationship between innovativeness as a business- specific resource and family commitment as a family-specific resource affecting performance was explained. Their analysis shows a curvilinear (U-shaped) moderating influence of the owner family’s commitment to the business, in that the impact of innovativeness on business performance is highest when family commitment is either high or low (Hatak, et al., 2016). Despite being silent on the age and size of the firms under investigation, the study failed to afford readers a comparative analysis of family and non-family owned small -to -medium enterprises.

Furthermore, the two afore-mentioned European studies were carried out in quite different contextual, legal and socio-economic realities from those prevailing in South Africa.

Using a panel data from 888 firms and 7104 firm-year observations of unlisted small-to-medium sized firms in Spain over the period 2007–2014, Ntoung, De Oliveira, De Sousa, Pimentel and Bastos (2020) conclude that most family firms used less debt financing than their other counterparts, and as such maintained a lower level of debt. The study also establishes that besides demonstrating lower risk, family firms were generally healthier financially and that the proportion of failure among family firms was relatively lower. Interestingly, other studies (González-Cruz & Cruz-Ros, 2016; Machek et al., 2013), show that differences in performance between the two types of firms do not hold at all firm sizes. In a cross-national study, Smith (2008) utilised data from 2190 Australian family and non-family owned small -to -medium enterprises to compare the Australian experience of differences between the two kinds of businesses with those from Belgium. The study's findings confirmed that differences between the two types of enterprises may be less than those indicated by many earlier studies, and also that both industry and cross-national disparities in the area of corporate governance may lead to discrepancies in these differences (Smith, 2008). This study made a milestone contribution to the effect that the basic theoretical rationale for a number of projected differences between family owned and non-family businesses appears defective, and that empirical studies that control for context are required to make sure that academic literature on family firms is not being founded on incorrect assumptions.

Studies done in Africa on business performance in small-to-medium enterprises are still very scanty. However, an investigation by Kiilu and Ntale (2018) on African family businesses operating in Nairobi central business district established that a significant number of Kenyan family businesses do not survive to the third generation because of the greed of some family members, family disputes and lack of business professionalism among many other causes. The study also indicated that, while leadership strategies and family values have a positive impact on the performance of the businesses, the opposite could be said of ownership strategies (Kiilu & Ntale, 2018). In addition to failure by the study to distinguish the sizes of the family businesses in question, it also did not attempt to contrast performance of family businesses from their non-family counterparts.

A related study comparing business practices and productivity performance between family and non-family Cameroonian firms by Johannes and Mbebeb (2013) ascertained that, concerning control and management of firms, family members were heavily involved in family businesses than in their non- family counterparts, which were generally managed externally. Regarding the key conventional input variables of capital and labour that have an impact on output, it was observed that, non- family businesses engaged more labour and invested more in capital compared to their other counterparts (Johannes & Mbebeb, 2013). However, like the study before it, the Cameroonian investigation is silent on firm sizes. Furthermore, a key complication of any analysis of family businesses is the absence of a widely accepted definition of what a family firm is (Bennedsen, Nielsen, Perez-Gonzalez & Wolfenzon, 2010).

From the above, it can be suggested that studies unravelling the link between business performance and family influence (and/or ownership) are found to be affected by several factors. First, is the definition of the family firm employed in any research, the precise question analysed by the researchers, and the definition (or measurement) of performance considered (Harms, 2014). For instance, an examination by Steiger et al. (2015), of all empirical family business research papers published between 2002 and 2011 in five prominent family business research journals, provided empirical support for the notion that family business research has not yet found a commonly accepted definition. Regarding performance, measuring small-to medium enterprise performance is not only complex but a challenging work (Zulkiffi & Perera, 2011). The main challenges to measuring performance in small-to medium enterprises emanate from the fact that, collecting information pertaining to performance from privately held enterprises is often challenging because of an absence of historical information, and even, accessibility (Razzak & Jassem, 2019; Dekker et al., 2015). Even if the information might be available, it may be imperfect and inaccurate because of poor record keeping that characterises most small-to medium enterprises.

Secondly, according to Ward (2018), conceptualisations of small-to medium enterprises differ from one country to the other and from industry to industry (as it is in the USA). Therefore, it is not recommended to treat small-to medium enterprises as a homogenous group by downplaying variations in their size, age, location, and business sector (Abouzeedan, 2011). Consequently, whether family businesses have worse or better performance is an empirical matter that depends on many variables entrenched in the local context of each country, which undoubtedly affects ownership structure as well (Aguiló & Aguiló, 2012).

7.2.3 Small-to-medium enterprise performance in South Africa

Research on the performance of family and non-family owned small -to -medium enterprises in South Africa is still in its infancy. As a result, a few peripheral studies alluding to business performance in the context of these enterprises will be considered. Most, if not all of the studies to be reviewed in this thesis have different independent variables from the ones used in the current study, but have been chosen because they are somewhat related to the current study on the dependent variable (that is, business performance).

Matsoso and Benedict (2014) analysed the extent to which purposively selected small -to -medium enterprises in manufacturing around Cape Town made use of non-financial performance measures. Their findings indicate that these enterprises do recognise the importance of non-financial measures, and to some extent integrate them in their supply chain management, even though the measures were not implemented formally (Matsoso & Benedict, 2014). However, such informality in small -to -medium enterprises not only enables them to manage their resource limitations, but permits them to be more flexible in their response to the country's dynamic business environment.
Another study by Kirsten et al. (2015) that considered South African accountants' view on performance measurement in small -to -medium enterprises establishes that, the use of a performance measurement tool is important, as it can help to improve their performance and chances of survival (Kirsten et al., 2015). Although accountants were found to be in possession of the knowledge and skills needed to help these enterprises measure their performance and achieve their business

objectives, they did not develop other measures of performance such as the Balanced Scorecard (Kirsten, et al., 2015).

7.3 PERFORMANCE MEASURES IN FAMILY AND NON-FAMILY OWNED SMALL-TO-MEDIUM ENTERPRISES

The realisation that over-reliance on objective measures may result in situations where major decisions are made without appreciating their implications, and that these measures do not present a comprehensive picture of the small -to -medium enterprises' performance, made the adoption of another dimension of business performance imperative (Gijsel, 2012). Innovation (a non-financial measure) was used in the current study to complement return on investment, since such a non-financial measure provides a useful addition to financial ratios (Abouzeedan, 2011). It is not surprising that Shepherd and Wiklund (2009) even question findings from studies using subjective measures of performance (e.g. innovation) only, which would scarcely ever be authenticated by objective measures. In view of this, the current study adopted a hybrid approach to measuring the performance of both family and non-family owned small-to-medium enterprises. This approach entails measuring a firm's performance using both financial measures like return on investment, and subjective measures like employee turnover, innovation, and so on (Joshi, Kumar & Al-Ajmi, 2011). Studies that ignore this consideration in their measures of performance may not produce results that correctly portray the characteristics of family owned small-to-medium enterprises (e.g. family independence, time with family, loyalty, family unity, respect for the company name, or development of children's abilities) in particular (Utrilla & Torralega, 2012). Such studies run the risk of ignoring the possibility that family owned small -to -medium enterprises might be willing to forgo financial progress for other issues (Utrilla & Torralega, 2012).

Families often value products and activities quite highly to the extent of downplaying financial performance such as profits, firm value, equity, or asset returns (Astrachan & Pieper, 2010). In addition, the realisation that research on performance in family businesses may be more involving than single-metric performance (Astrachan & Pieper, 2010) provides additional justification for the adoption of a hybrid approach to measuring performance. Interestingly, small-to-medium enterprise performance has been routinely used as a dependent variable of interest across entrepreneurial literature (Anderson & Eshima, 2013). Considering this, the two measures of performance (innovation and return on investment) used to measure performance of both types of enterprises in this study are going to be reviewed hereunder.

7.3.1 Return on investment (ROI)

For any venture, small or large, family, or non-family, profit -making is essential for it to be a sound going concern (Lkhagvasuren & Xuexi, 2014). Profitability, frequently measured by return on investment, has conventionally been used to measure performance and is widely considered to be the decisive bottom line test of achievement (Farooq, 2014). Return on investment addresses such pertinent questions as: What is likely to be received for what we spend? Do the expected inflows outweigh expenses? Do the returns justify the costs? (Marriot, 2010). The higher the return on investment, the better the performance and the better off existing investors are.

Return on investment in both family and non-family owned small -to -medium enterprises is considered critical for at least two reasons. Firstly, individual small -to -medium enterprises, because of their mode of operation and size, can hardly achieve a high turnover - and with a slim profit margin, the business can barely produce even remunerative earnings to sustain persons employed in it (Emenyoni, et al., 2014). As a result, return on investment becomes a very important measure that entrepreneurs can use, since it tells them the extent to which their investment has been a success (Lee, 2012). In other words, return on investment - a crucial balance sheet ratio, helps in assessing the efficiency of the use of a business' resources as well as providing an indication of how effective one's investment in the business is (Lee, 2012). Secondly, in situations of very slim profit margins, reflected by low return on investment, the entrepreneurs may begin to 'eat' into their operating capital and the business would eventually collapse (Emenyoni et al., 2014). This appears to be a common problem with small businesses, since emerging entrepreneurs may quickly enter an industry due to the relatively low initial capital requirement, but would quickly leave it, as their financial base starts depleting. Such a scenario may affect the sustainability of both types of enterprises and explains why investors (financial bodies in particular) show exceptional interest in return on investment (Emenyoni et al., 2014). It is upon this background that the current study settled for return on investment as a measure of business performance.

7.3.2 Product and process innovation

The current study limits innovativeness to technological process and product innovation. Both process and product innovation are closely associated with the concept of technological innovation (Akinwale, Adepoju & Olomu, 2017). On one hand, technological process innovations have to do with new elements that are used in the production process, and include both capital and intermediate goods, such as information technology equipment, processing machines and industrial robots (Hervas-Oliver, Sempere-Ripoll & Boronat-Moll, 2014). On the other hand, product innovation involves technical design, research and development, management and production connected with marketing a new product (Tohidi & Jabbari, 2012). Product innovation involves either the creation of a new product from new materials or the modification of existing products to meet customer satisfaction (Rosli & Sidek, 2013). Since Schumpeter suggested the central role of innovation in economic development in 1934, innovation began to be widely regarded as a vital factor affecting business performance (Chen, 2017)

Product and process innovation (referred to as innovation in this study) initiatives are known to enhance the long-term performance of a business (Classen, et al., 2014; Kraus et al., 2011). Innovations serve as key driving forces for entrepreneurship at firm and even national levels (Kraus et al., 2011). Innovation enables small-to-medium enterprises to adapt to dynamic market environments through launching of new and refined products (Kreiser, Marino, Kuratko & Weaver, 2013). Innovative enterprises continuously introduce new products and services that meet present and emerging market needs, are able to quickly penetrate into untapped markets, and are more likely to embody a better strategic fit for their innovation-based abilities (Morris et al., 2011). However, the uptake of innovation in both types of enterprises could be different since innovation is a high-risk undertaking involving large upfront and mostly permanent expenses, and yet innovation success is not guaranteed (Classen, et al., 2014). Furthermore, successful innovation strategies require the enterprise to develop diverse competencies during the formative stages of the process of innovation that may be predominantly challenging within contexts of resource constraints (Rosenbusch, Brinckmann & Bausch, 2011). For instance, family firms have been regarded to be not as innovative and more disposed to be risk-averse than their other counterparts, due to constraints in capital and the intimacy that comes with family (Price, Stoica & Boncella, 2013). Moreover, Spriggs, Yu, Deeds and Sorenson (2012) suggest that, even where a family small business has innovative capability, cooperation among many owners may limit the use of innovation as a measure of performance.

Classen, et al. (2014) observe that there is a general scarcity of research concerning the innovative behaviours of small family businesses, while Werner, Schröder and Chlosta (2014) argue that disparities in innovative activities between family and non-family businesses remain inconclusive within the small-to-medium enterprise context. In spite of this, the overwhelming evidence regarding the importance of innovation in enhancing an enterprise's ability to adapt to dynamic business environments (Shouyu, 2017; Kreiser et al., 2013) contributed to its choice as a subjective measure of performance in the present study. In addition, due to the daunting challenge linked with gathering and interpreting financial data gathered from privately owned family firms, researchers have little choice but to contend with subjective information on firm performance (Dekker, Lybaert, Steijvers & Depaire, 2015)

7.4 PERFORMANCE MANAGEMENT AND BUSINESS PERFORMANCE IN FAMILY AND NON-FAMILY OWNED SMALL -TO -MEDIUM ENTERPRISES

Extant literature is replete with studies on the extent to which HRM can be used to augment business performance (Saha, Gregar & Saha, 2017; Foss, Pedersen, Reinholt & Stea, 2015), yet, with few exceptions, research has progressed slower in small-to-medium enterprises than in other businesses (Kim & Gao, 2010). Obasan (2012) admits that HR practices in these enterprises have not received significant attention and that limited research on HRM practices in them has been conducted. Furthermore, despite the few insights describing how HRM in family firms differ from their non-family counterparts, as well as from each other (Gagne, Sharma, & De Massis, 2014), theory that seeks to explain how these differences emerge and how they shape important outcomes in family firms is still in its infancy (Combs, Jaskiewicz, Shanine & Balkin,2018). While Patel and Cardon (2010) acknowledge that HR practices positively affect firm performance, there is a need for similar evidence to be confirmed for entrepreneurial ventures. Human capital management seem to be an area where family-owned firms have embraced considerably different practices from non-family firms, but, whether their practices are successful or not requires more enquiry (Combs, et al., 2018). A study by Berrone, Cruz and Go´mez-Mejia (2012) confirms that family involvement consists of several interrelated dimensions such as the emotional attachment of members of the family to the business, or binding social ties among members, that can affect firm performance.

One HRM practice that, regardless of the mode of firm ownership, remains a lacuna in small business research is performance management and how it relates to business performance (Memon et al., 2010).The same could be said of performance appraisal (Heinicke, 2018). It is one of the gaps that the current study seeks to close.

7.4.1 Review of previous related studies

A study by Aleem and Rahman (2018) examined the influence of HR practices on the perceived financial performance of listed small-to-medium enterprises in Karachi, Pakistan. The research paid attention to work hiring, compensation, training, performance appraisal and their impact on business performance as measured by the enterprises' perceived financial performance. The study established a positive and strong association between HRM practices and the enterprises' perceived financial performance. Even though the study considered a bundle of HR practices, it confirmed that, training and performance appraisal had the most positive and strongest association with a firm's perceived business performance. Results of this study confirmed findings by past studies (Jamsari, Mahmood & Raghavan, 2017; Nongmaithem & Kassa, 2016) that when employees get a fair performance feedback and firms invest in training, the two would result in better and increased business performance. While every HR function is critical to performance management, performance appraisal and training play a very significant role (HR Tool, 2011). However, despite neglecting subjective measures of performance, the study was silent on both the enterprises' mode of ownership and the specific measure used for perceived financial performance.

In an examination of performance management in family microbusinesses in the USA, Brawley (2016) established that creating a family or personalised environment normally improved overall business performance through enhanced employee performance and customer service quality, and at the same time reduced employee turnover (Brawley, 2016). The study also noted that feedback differentiation was positively associated with employee turnover, and observed additional mixed effects based on firm sizes. These results confirm the observation that on-going feedback has been found to be the most significant determinant of whether performance management will accomplish optimum benefits from a development and coaching perspective (Hardavella et al., 2017; McMahon, 2013). Although the study proffered interesting results, it focused on the relationship between performance management and business performance in microbusinesses (firms with fewer than 10 employees, and at least one of whom is a family member) only, and was carried out in an American context with different legal, economic and contextual realities from the ones prevailing in the country under study. The study also made use of non-financial measures of business performance (i.e. employee performance, customer service quality and employee turnover) when compared to the current study which adopted a hybrid approach to measuring the same.

A study of medium-sized enterprises in Sri Lanka by Wickramasinghe (2016) found that the following six characteristics of performance management, viz; focus, target setting, integration with other human resource management functions, administrative work procedures, interdependency and responsibility were significant predictors of performance management effectiveness. Regarding essential elements of performance improvement in the enterprises, formal criteria for setting performance targets; aligning goals with company, team, and individual objectives; executing formal performance appraisal; and obtaining employee performance feedback, were found to be crucial. Findings of the study suggest that medium-sized enterprises adopted a cyclical process with different stages, such as planning, review, and reward; and that performance management in the enterprises served different purposes, such as making promotional decisions, training needs identification and assessing target achievement. Besides considering medium enterprises only, like its predecessor (Aleem & Rahman, 2018), the study is also silent on the businesses' mode of ownership.

Saunilla (2014) inquired how performance management could be done through innovation capability in Finnish small-to-medium enterprises, whose mode of ownership was not clear. The key objective of the research was to study how to manage performance through managing and measuring innovation ability. The research established that both performance measurement and management played a vital role in the innovation capability of the businesses. The study by Saunilla (2014) also confirms that the connection between performance measurement and innovation capability is not only positive but is significant as well and that capability for innovation can be enhanced by measuring it. However, the study was done on Finnish enterprises with 10–249 employees and with earnings of 2–50 million euros, a criterion which is worlds apart from how the enterprises are conceptualised in the country under study. In addition, the study did not concern itself with balancing performance measures by including financial measures of performance like profitability.

A related investigation by Stanciu (2014) on the level Romanian small-to-medium enterprises use performance management techniques and tools in their activities concluded that, performance management is a potent tool that cannot be isolated from other management systems. The study also recognised that implementation of performance management allowed line managers to meet their duties efficiently and to reap the best results from employees (Stanciu, 2014). It was found out that performance management had an influence on organisational performance, although the study was not clear on the organisational performance measures used. In addition, the study's silence on the mode of business ownership limits the generalisability of its findings.

Another investigation by Dobrovic, Lambovska, Gallo and Timkova (2018) on the importance of non-financial measures of business performance in entrepreneurial firms in Slovakia used the Balanced scorecard method as a performance management tool. The study found out that only 20% of the small-to-medium enterprises in Slovakia used the scorecard, even though Slovak enterprises were experiencing an unfavourable business environment then. The study also established that use of the Balanced scorecard placed importance on the non-financial measures of business performance regarding employees, for the simple reason that human capital is of strategic importance in any business (Dobrovic et al., 2018). However, the study made use of few respondents and focused on the Balanced scorecard only, neglecting other methods. In addition, the study narrowly focused on one method involved in a robust system of performance management and limited itself to non-financial measures of business performance, neglecting the balance proffered through use of more objective measures. It can also be noted that generalising findings of this study and the preceding ones (Aleem & Rahman, 2018; Wickramasinghe, 2016; Saunilla, 2014; Stanciu, 2014) may be complicated by the fact that definitions of a small-to –medium enterprise vary from country to country (Ward, 2018).

Based on the above literature and review of related studies, the following hypotheses are proffered:

H_6: There is a significant effect of performance appraisal methods on business performance as measured by innovation, regardless of small-to-medium enterprise type.

H_7: There is a significant effect of performance appraisal methods on business performance as measured by return on investment, regardless of small-to-medium enterprise type.

However, given the above observations that HRM practices and performance appraisal in particular, seem to be one of the areas where family-owned firms have embraced considerably different practices from their other counterparts, but, whether their practices are successful or not needs further enquiry(Combs, et al., 2017; Gagne et al., 2014), leads the researcher to hypothesise as follows:

H_{6d}: There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of performance appraisal methods on firm performance as measured by innovation.

H_{7d}: There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of performance appraisal methods on firm performance as measured by return on investment.

7.5 BUSINESS PERFORMANCE AND AGENCY RELATIONSHIPS IN FAMILY AND NON-FAMILY OWNED SMALL-TO-MEDIUM ENTERPRISES

The separation of ownership from control in organisations may lead to loss of appropriate monitoring by the owners on the managers who may use business assets for their private purpose to maximise their welfare (Panda & Leepsa, 2017), with obvious implications on firm performance. When the interests of owners and managers diverge, agent opportunism becomes a potential threat, although it has also been discovered that it may even be a threat when the interests of minority and majority stockholders diverge – leading to conflict between family and non-family shareholders (Madison et al., 2016).

Agent opportunism can either be pre-contractual (ex-ante) or post contractual (ex-post) (Yaqub, 2009; Kivistö, 2008). Pre-contractual opportunistic behaviour happens when the agent engages in opportunism before the actual formation of a relationship, while post-contractual opportunistic behaviour by the agent would be aimed at evading the original intention of an agreement. For instance, the agent may find some shortcomings in the contractual terms that allow him/her to fulfil the contractual requirements, but not in ways that were intended when the contract was signed (Casas-Acre & Kittsteiner, 2010). Popov and Simonova (2006) cite unfavourable take off (i.e. failure by the principal to spot the productivity of the prospective worker until the contract is concluded), changing of schedules and espionage (i.e. the purpose of the agent will be to get a firm's inside information) as examples of ex-ante opportunism of the agents. Examples of ex-post opportunism of the agents include flubbing (e.g. executing the work with reduced output than stated in the contract due to intermittent absenteeism or moonlighting), negligence and malversation (i.e. 'outer contract' use of equipment and materials). Agent opportunism may also stem from agent falsification of knowledge, skills and capabilities(Kostova, Nell & Hoenen, 2016), especially in cases where principals have difficulty in adequately assessing agent qualifications–as might be the case in most entrepreneurial firms, where owners double as managers, notwithstanding their inferior education (Herrington et al., 2011). The foregoing forms of agent opportunism are likely to impact negatively on firm performance.

Cruz, et al. (2010) however opine that the assumption of agent opportunism may not subsist in a proximal agency relationship in which the parties are reciprocally dependent, work with each other closely, and may be emotionally involved – as with the relationship between a chief executive officer (as principal) and senior management (as agents). Family owned small-to-medium enterprises are a good example where the chief executive officer may be a member of the founding family with most employees coming from the immediate and extended families. The emotional attachment coming from close family ties within family owned small-to-medium enterprises may, but not always, put agent opportunism to check, especially when the CEO is a member of the founding family and most employees are from the immediate and extended families (Cruz et al., 2010). For example, the fact that family businesses often pursue non-economic ends at the expense of financial gain implies that resources are likely to be diverted in pursuit of non-economic agendas; thus negatively affecting firm performance (Basco, 2017; Zou et al., 2014; Gómez-Mejía et al., 2011). This line of reasoning leads the researcher to propose the following hypotheses:

H_{8d}: There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of agency relationships on firm performance as measured by innovation.

H_{9d}: There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of agency relationships on firm performance as measured by return on investment.

Opportunism, if not put to check, is likely to cause reduced cooperation, reputation wear-outs and increased defections (Yaqub, 2009). Opportunistic behaviours within cooperative arrangements may increase transaction costs as principals have to put in place expensive control mechanisms like complex and more explicit contracts to minimise opportunistic hazards. Examples of such costs include costs incurred when, processing information to craft contracts, monitoring contractual promises, administering contractual provisions and legal and organisational costs incurred when coordinating and ensuring desirable behaviours (Yaqub, 2009). However, the ground breaking work by Perrow (1986) opines that principals are also not exempt from behaving opportunistically in certain contexts, especially when exploiting agents through breaking contracts, or excluding in the contract matters violating their self-interest. Opportunistic behaviour by either party has the potential to impact parties outside the immediate principal–agent relationship, as well as direct and indirect stakeholders in society (Zardkoohi, Harrison & Josefy, 2015) - but with far-reaching consequences to the business. Besides the financial implications of opportunistic behaviours, opportunism may also affect mutual trust and commitment, thus creating serious threats in the area of quality of social embeddedness (Yaqub, 2009). Therefore, controlling the problem of either principal or agent opportunism becomes so crucial to sustainable performance of firms and the strategic networks that come along with doing so.

7.5.1 Review of specific related studies

Few studies on firm performance and agent relationships in family owned small-to-medium enterprises and non-family owned small-to-medium enterprises whose results are mixed have been done to date. While the studies to be reviewed in this study are not meant to be exhaustive, it should be noted that studies investigating performance (using different measures of performance) of family businesses and non-family businesses present mixed results and conflicting opinions (Maalu, McCormick, Obonyo & Machuki, 2013; Sciascia & Mazolla, 2008). Moreover, most of the studies (De Massis, et al., 2015; Chirico & Bau, 2014) are done in developed countries with different contextual realities from those obtaining in South Africa whose definitions of family ownership differ significantly.

The ground breaking work by Chrisman et al. (2004) established that family participation in a business has the potential to either decrease or increase financial performance because of agency costs. The study further suggests that, discounting the effects of agency cost control mechanisms, family and non-family firms have similar financial performance when considering short-term sales growth. The investigation showed that non-family enterprises gain more than their other counterparts from at least one agency cost control practice—strategic planning (Chrisman et al., 2004). However, the study limited itself to relatively young, small, and privately owned firms at the expense of larger, older, and more complex firms. Yet, as family firms grow, traditional agency problems are expected to become more pronounced because of more reliance on non-family managers (Chrisman et al., 2004). Moreover, besides limiting itself to only one subjective measure of performance-sales growth, the study was not sensitive to the sizes of boards or involvement of non-family management, and worse still, it failed to differentiate the sources of agency costs because of lack of separate scales for the dissimilar sources.

An investigation by Chirico and Bau (2014) integrated the stewardship and agency perspectives, and extended understanding of the dynamics that regulate private family owned small-to-medium enterprises as either an asset or liability for the business. The study found out that the percentage of family members in senior management has an inverted U-shaped relationship with firm performance. This means that, while a moderate percentage of family members in senior management supported positive performance, further increase in the percentage drove negative financial effects because of family members' self-serving behaviours (Chirico & Bau, 2014). Though the study proffers invaluable findings, no actual measurement of stewardship or agency perspectives in families was done. In addition, the fact that their data were gathered exclusively in Switzerland, limits the possibility of generalising their findings to other countries with different definitional and contextual realities. Moreover, the fact that their measures were based on respondents' personal perceptions implies a lot of subjectivity in the analysis.

A related study by De Massis et al. (2015) complementing the limited view offered by agency theory with behavioural theory assumptions, suggests the existence of an inverted U-shaped association between family ownership and performance. The study concluded that balancing family and non-family members in the top management team was beneficial to small-to-medium enterprises' performance. Although balancing non-family and family members in senior management was found to be helpful to small-to-medium enterprises' performance, the family ratio in the top management team became crucial at high levels of family ownership only. These findings support the idea that the advantages of family management stem mainly from the positive effects of kinship relationships within the team of managers, plus the alignment of interests between managers and owners, while the shortcomings are associated with the exceedingly redundant human resource of family members. Basing on evidence from 787 small-to-medium enterprises, the scholars established that ownership dispersion among members of the family had negative effects on performance (De Massis et al., 2015). However, the fact that their study defined small-to-medium enterprises as firms with 10 to 250 employees, and with revenues between 2 and 50 million euros, limits the generalisability of findings to South Africa. In addition, the secondary data collected from a population of small-to-medium enterprises based on a comparatively small geographical area, not only compromises the quality of the data, but makes it unrepresentative of family and non-family owned small-to-medium enterprises in general.

In a meta-analysis of 78 studies that attempted to answer the question whether the relation between family involvement and firm performance could always be positive, Machek, Brabec and Hnilica (2013) conclude that the impact of family involvement on business performance was not adversarial. The study established that the mean size of the effect was moderately positive, implying that family ownership and management had a slightly positive impact on business performance (Machek et al., 2013). Although their meta-analysis of 78 studies provided rich and summarised data, the concerned studies were largely done in Europe which proffered disparate conceptualisations of both the SME and the family firm. Worse still, their analysis remains silent on the sizes and industry of the firms concerned.

Finally, using the Business Longitudinal Database gathered by the Australian Bureau of Statistics on small-to-medium enterprises, a study by Xianga, Worthington and Higgs (2014) established that for larger small-to-medium enterprises (those with 20–200 employees), gains realised by way of lower agency costs emanating from family ownership were almost entirely offset by losses due to lack of self-control and altruism. However, the study, like its predecessors (Chirico & Bau, 2014; Machek, et al., 2013), conceptualised the family in ways quite different from those obtaining in the African country under study. In fact, the two studies mentioned above are silent on their conceptualisations of what family is. For instance, despite the admission by Machek et al. (2013) that the definition of businesses owned by families was far from being standardised, the authors did not proffer their own conceptualisation. Unfortunately, the same could be said of the study by Chirico and Bau (2014).

Considering the literature reviewed in this section, the following hypotheses are proposed:

H_8: There is a significant effect of agency relationships on business performance as measured by innovation, regardless of small-to-medium enterprise type.

H_9: There is a significant effect of agency relationships on business performance as measured by return on investment, regardless of small-to-medium enterprise type.

7.6 PROPOSED CONCEPTUAL MODEL

The literature reviewed so far in this chapter and the previous ones, on managerial interpersonal competencies, performance management, agency relationships and firm performance as measured by both innovation and return on investment, has shown that some relationship exist between the constructs. This culminated in the development of a testable conceptual model which was empirically evaluated using Structural Modelling techniques to assess its fit. Figure 7.1 below depicts the proposed model.

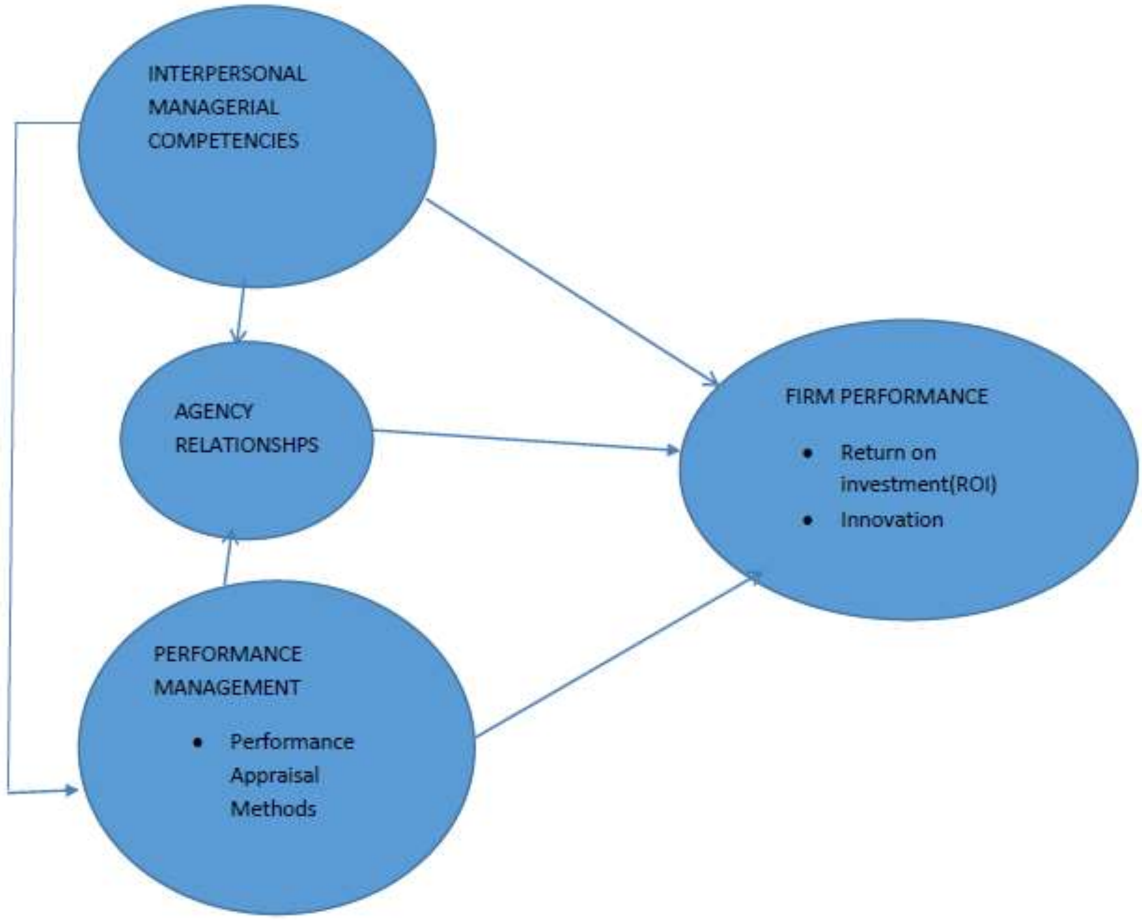

Figure 7.1: The hypothesised relationships among variables studied

Figure 7.1 depicts that managerial interpersonal competencies can directly affect firm performance (Bateman et al., 2019; Nkosi et al., 2015) as measured by return on investment and innovation. It is also hypothesised that, managerial interpersonal competencies have a direct influence on performance management -whose evaluation tool is performance appraisal (Chen, 2011; Bhardwaj & Punia, 2013) in both family and non-family owned small-to-medium enterprises. Performance management has been hypothesised as directly affecting firm performance (Bititci, Cocca & Ates, 2015; Biron et al., 2011). It is also assumed that both managerial interpersonal competencies and performance management directly affect agency relationships (Brawley, 2016; Visser & Chiloane-Tsoka, 2014; Van Puyvelde, et al., 2013), and that agency relationships in turn directly affect firm performance (Zardkoohi et al., 2015; De Massis et al., 2015).

7.7 CONCLUDING REMARKS

This chapter explored business performance in small-to –medium enterprises and the measures used to measure the respective firms' performance in the current study. The chapter also explored the relationship between performance management and business performance in both family and non-family owned small -to -medium enterprises. The next chapter will review the research methodology adopted in the current study. The research methodology provides a systematic way of solving the research problem and is aimed at presenting the work plan of this study.

CHAPTER 8: RESEARCH METHODOLOGY

8.1 INTRODUCTION

This chapter is going to consider the research methodology which provides a system for collecting data and answering research questions. Positivism, which is the main paradigm congruent with this research's epistemology, will be explored. The approach emerging from this paradigm will be discussed before looking at the research design, population, sampling procedures, sample size, research instruments and their psychometric properties, data collection methods, data analysis procedures and ethical issues to be considered if the research process is to retain integrity.

8.2 RESEARCH PHILOSOPHY/PARADIGM

Research paradigms in general deal with the philosophical dimensions in social sciences (Wahyuni, 2012). According to Bryman and Bell (2015), the term paradigm itself derives from Kuhn's (1970) analysis of revolutions in science. In the seminal work by Kuhn (1970), a paradigm is defined as the whole constellation of values, beliefs, techniques and so on, common among members of a given scientific community. It is simply a world view within which researchers work. Grix (2019) opines that the term paradigm could be used in three different ways in human sciences. Firstly, it can be used for purposes of institutionalising intellectual activity, and secondly, for the broad groupings of specific approaches and perspectives involved in the study of any subject. Thirdly and more importantly, paradigms can be used to depict broad approaches to research, such as the positivist or interpretive paradigms (Grix, 2019). Figure 8.1 below diagrammatically depicts the two philosophical traditions, their respective assumptions and the terminology associated with them.

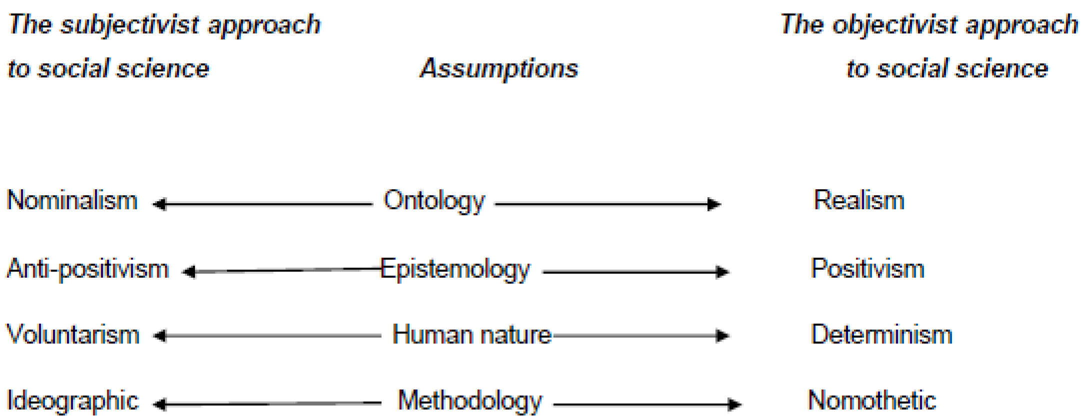

Figure 8.1: The Subjective-Objective Dimension
Source: Adapted from Burell and Morgan (1979)

Figure 8.1 above depicts the subjective-objective dimensions in a more rigorous fashion. The seminal work by Burell & Morgan (1979) identifies four sets of assumptions pertinent to an appreciation of social science, depicting each by the descriptive tags under which they have been discussed in social philosophy literature. It is beyond the scope of this research to split hairs regarding the foregoing dimensions. However, the two leading philosophical dimensions distinguishing current research paradigms are ontology and epistemology (Wahyuni, 2012). While ontology refers to the way the social world and the social entities or phenomena that constitute it up are regarded, epistemology is the theory of knowledge and how we get to know things (Matthews & Ross, 2010).

8.2.1 Interpretivism

Interpretivism is a term coined for an epistemology that contrasts positivism (Bryman & Bell, 2015). Interpretivism (also known as humanistic, constructivist, naturalistic) holds a major anti positivist stance (Hussain, Elyas & Nasseef, 2013).This paradigm asserts that social reality and natural reality (and the science laws) are different, hence they call for different methodologies (Gray, 2014). As a result, interpretivism requires the collection of qualitative data with subjective meanings. Interpretivists are persuaded that reality is fashioned by social actors and how people perceive it (Wahyuni, 2012). According to the seminal work by Burrell and Morgan (1979), the interpretive paradigm, underpinned by a quest to understand the essential nature of the social realm at the level of subjective knowledge, pursues explanation within the dominion of individual subjectivity and consciousness, within the frame of reference of the respondent as opposed to the onlooker. The paradigm posits that since human experiences and perspectives are subjective, social reality may transform and can assume several perspectives (Wahyuni, 2012). Interpretivism rejects objectivism and therefore attempts to understand the social world from the subjective connotations that people ascribe to it. Consequently, this paradigm works with qualitative methods and tends to use a descriptive form of investigation to describe specifics (Gray, 2014; Wahyuni, 2012), with the researcher providing insights into behaviours displayed and the interpretations that participants give to their world of life (De Vos et al., 2011). With interpretivism, data are gathered by means of participant observation, interviewing and human documents. In terms of theory transference, interpretivism adopts an inductive (i.e theory discovery) approach, and regarding research methods, interpretivism makes use of participant observation, ethnography, interviews, grounded theory development and conversational analysis(Swanson & Chermack, 2013).The foregoing research methods are prominent in interpretivism because interpretive researchers dispute that quantitative methods alone can be adequately used in understanding social behaviour without the variety and diversity offered by interpretivist approaches(Hussain et al., 2013).

8.2.2 Positivism

Positivism is an epistemological paradigm housing a host of philosophical perspectives which embrace or overlap with positions such as empiricism, naturalism, and behaviourism (Hussain et al., 2013). Positivism holds that the world or universe conforms to stable and unchanging laws, rules of happenings and causation, and that there exists a complexity that could be solved by reductionism (Aliyu, Bello, Kasim & Martin, 2014). In short, positivism includes all approaches which apply scientific methods to human affairs (Grix, 2019).

The positivist paradigm has the advantage that it systematises knowledge generation through quantification, which is important in enhancing accuracy in the description of parameters and the understanding of the relationships among them

(Gray, 2014). Positivism often leads to results that are replicable and laws objective enough to result in generalisations (Hussain et al, 2013). Its other strengths lie in the fact that, it is clear, precise, rigorous, and well standardised (Hussain et al., 2013). Other important tools provided by positivist approaches are hypotheses. From these, much research ensues, especially where cause-and-effect or concomitant relationships are being examined (Cohen, Manion & Morrison, 2011). Basing on the above advantages, the current study adopted positivism as the guiding paradigm.

Positivism usually requires that research questions be framed in quantifiable and measurable terms (Steinert, 2014). Research objectives and research questions for the current study had to be framed accordingly. Saunders, Lewis and Thornhill (2015) admit that the emphasis in positivism is on observations that are quantifiable and that largely lend themselves to statistical analysis. To this end, the current study was quantitative in nature as it made use of structural equation modelling, whose first stage is confirmatory factor analysis, followed by hypotheses testing (Hair, Black, Babin & Anderson, 2014). This provided a very structured methodology and the statistical analyses mentioned above made sure that replication is feasible. According to positivism, different researchers using similar instruments should arrive at the same conclusions since standardised instruments that are believed to tap a single reality are developed and used (Gray, 2014). In view of this, quantitative data was collected using a uniform and highly reliable questionnaire (with a Cronbach's alpha above 0.7) in the current study.

Positivism argues that, reality comprises of what is accessible to the senses - that is, what can be smelt, seen, touched, and so on (Gray, 2014). Secondly, inquiry should not be based upon philosophical speculation but on scientific observation and therefore, on empirical inquiry. Further, positivism holds that it is necessary for the researcher to adopt a neutral, detached, distant and non –interactive position. The structured questionnaire used for the current study had closed question items that ensured minimal interaction with respondents. Thirdly, positivism draws heavily from scientific inquiry which assumes determinism. Determinism implies that, events have causes, are determined by certain situations, and science can proceed on the understanding that these causal associations can ultimately be exposed and understood, and that the events are explainable in terms of their antecedents (Cohen et al., 2011). Positivism is premised on the assumption of priori causal relationships between variables, which can be used to explain phenomena (Swanson & Chermack, 2013). In light of this, the current study (with the aid of a comprehensive conceptual model and hypotheses) proposed relationships between the variables - managerial interpersonal competencies, performance management, agency relationships and firm performance (as measured by return on investment and innovation).

Unlike interpretivism, which seeks to construct models and theories from data (i.e. the inductive approach), positivism ropes in the deductive approach which aims at formulating and testing hypotheses (Swanson & Chermack, 2013). Extensive literature reviews and the three theories (the agency theory, stewardship theory and the RBV) helped in the formulation of a robust conceptual model and the testing of hypotheses. Basing on hypothesis testing, which happens to be one of the most commonly used inferential technique that uses sample data to assess the veracity of a hypothesis about a population (Gravetter & Forzano, 2016), hypotheses were tested and either accepted or rejected.

8.3 RESEARCH APPROACH

There are two general methods of collecting and reporting information in the realm of research: quantitative and qualitative approaches (Ben-Eliyahu, 2014). The decision to take a qualitative or quantitative approach should be based on one's research question and the nature of the data to be collected and analysed in order to address the question (Matthews & Ross, 2010).The qualitative approach stems from an anti-positivistic, interpretivist paradigm, which is idiographic and holistic in nature, and whose aim is to elicit participant accounts of meaning, experience or perceptions (De Vos et al., 2011). The focus in qualitative research is understanding, explaining, discovering, exploring, and clarifying feelings, situations, attitudes, perceptions, beliefs, values and the experiences of participants (Kumar, 2014). The current study had to explore the network of relationships between managerial interpersonal competencies, performance management, agency relationships and firm performance using structural equation modelling. Such an analysis was not amenable to the naturalistic observation and subjective exploration of reality afforded by qualitative research, but rather lends itself to controlled measurement, which produces hard (in the sense of being unambiguous and robust) and reliable data, owing to the accuracy offered by the measurement (Bryman & Bell, 2015).

Qualitative research also produces descriptive data as written or spoken word by the participant. Since qualitative research is concerned with understanding and describing, instead of explaining and predicting human behaviour, it is often associated with non-statistical methods and small samples, often purposively sampled (De Vos et al., 2011). Qualitative research requires descriptions of events, interactions, and situations, either visual or verbal, with the data contained within transcriptions of video focus groups or interviews, or even in records taken during the interactions (Cooper & Schindler, 2014). The notes, videos and observations made would then be summarised into narrative reports that attempt to describe and construe the phenomenon under study (Gravetter & Forzano, 2016). Policy-makers not only give low credibility to results from qualitative studies, but even stakeholders often use quantitative research whenever research is called upon (Rahman, 2017; Sallee & Flood, 2012). In terms of research method, due to smaller sample sizes characterising qualitative research, study results may not claim wider generalisability to other contexts, not to mention that qualitative data may be elusive and difficult to interpret and analyse (Rahman, 2017, Lam, 2015). Furthermore, qualitative researchers often use inductive reasoning (where theory is generated from research), yet quantitative research relies more on deductive reasoning (moving from the general to the specific), beginning with certain premises (like theories and hypotheses), and then making logical conclusions from them (De Vos et al., 2011).

Another difference between qualitative and quantitative research is that, in qualitative research, the researcher will be closely involved with the people under investigation, whose perceptions of what is important offers the point of orientation; whereas in quantitative research, researchers are not involved with their subjects (Bryman & Bell, 2015). This lack of involvement makes quantitative research more objective. Moreover, qualitative research is invariably unstructured, making it difficult for the researcher to examine the exact issues and concepts that are the centre of the study (Bryman & Bell, 2015). Worse still, the distinction between study designs and data collection methods is blurred for qualitative research, yet quantitative designs have more distinction and clarity between designs and data collection methods (Kumar, 2014). In addition, structured guidelines for conducting quantitative research - variables, concepts, hypotheses, and methods of measurement are well-defined before the research commences, and remain the same throughout (De Vos et al., 2011). This tends to increase objectivity and unbiased conclusions are very likely. Since the main research objective for the current study sought to examine the relationship between managerial interpersonal competencies, performance management, agency relationships and business performance among family and non-family owned small-to-medium enterprises, the study lends itself to a more objective inquiry amenable to quantitative research.

Furthermore, quantitative research is grounded in rationalism, follows a predetermined, rigid and designed set of techniques to explore, aims at quantifying the extent of variation in a phenomenon, gives emphasis to measurement of variables with more interest on the objectivity of the process, believes in validation based on a large sample size, values the reliability and validity of findings and reports findings in an analytical and aggregate manner, drawing inferences and conclusions that are generalisable (Kumar, 2014). The objective of quantitative research is to quantify research problems, to count and measure issues and then to generalise these findings to a wider population; yet, qualitative research seeks to understand beliefs and behaviours, acknowledge processes and appreciate the context of people's experiences (Hennink et al., 2011). Considering the above evidence, the quantitative approach, comprising of data based upon numbers (Gray, 2014) was deemed appropriate for this study. It allowed the use of frequencies and statistical generalisations to relate results to a greater population (Wahyuni, 2012) of family and non-family owned small-to-medium enterprises, not directly involved in the study. Quantitative research also requires that the researcher should be detached (emotionally or physically) from the research to avoid biasing the results (Cooper & Schindler, 2014). Since the social phenomena under this study were regarded as objective in nature, subjects were measured only once using a structured questionnaire involving minimal to no attachment to the research process.

8.4 RESEARCH DESIGN

Iacobucci and Churchill (2010) consider a research design to be the plan or framework for a study, guiding the collection and analysis of data; and which is meant to ensure that the study will not only be relevant to the problem, but will also use the most economical procedures. Designing a study helps researchers design and implement a study in such a way as to allow them to obtain intended results, thereby not only increasing chances of getting information that could be related to the real situation, but also warranting that the information gathered enables researchers to answer research questions as vividly as possible (Iacobucci & Churchill, 2010). Thus, a research design defines the reason of doing the study, the kinds of questions to be addressed, data collection techniques, approaches to collecting samples and how the data are to be analysed (Gray, 2014).

The current study employed a correlational design, specifically the ex post facto (literally meaning 'after the fact' or 'retrospectively' design). Correlational studies are regarded as ex post facto studies (Simon & Goes, 2011). A correlational design attempts to describe relationships, rather than explain them (Gravetter & Forzano, 2016). Although a correlational research does not imply causality, it serves two functions according to De Vos et al. (2011). Firstly, it allows for predictions to be made even though one may not have an idea why a relationship exists. For instance, it may be established that, a strong positive relationship exists between managerial interpersonal competencies and firm performance, but one's dilemma would be on why such a relationship exists. Secondly, correlational research provides data that is either consistent or inconsistent with scientific theory.

Regarding the ex post facto, it is pre- experimental, implying that, it does not meet the scientific standards of experimental designs, nor does it involve a control group (De Vos et al., 2011). The ex post facto design provides another means by which researchers can examine the extent to which an independent variable can possibly affect the dependent variable(s) of interest. For instance, the current study examined the extent to which three independent variables that were obtaining prior to the study - managerial interpersonal competencies, performance management and agency relationships affect the performance of both family and non-family owned small-to-medium enterprises. Cohen et al. (2011) identify two kinds of design in ex post facto research—the co-relational study (or causal research) and the criterion group (or causal-comparative) study.

On one hand, a co-relational(or causal) study concerns itself with identifying the antecedents of a current condition and entails the gathering of two sets of data-one which will be retrospective and intended to determine the relationship between them (Cohen et al., 2011). On the other hand, the causal-comparative research attempts to identify a causative relationship between the independent and dependent variables. The relationship sought after is usually an unproven one because as the researcher, one might lack full control over the independent variable (De Vos et al., 2011). According to Cohen et al. (2011) a causal-comparative researcher sets out to determine possible causes for a phenomenon under study, through comparison of subjects in which the variable exists with comparable subjects where it is absent. In this case, the effect of managerial interpersonal competencies, performance management and agency relationships on firm performance, were being investigated in family and non-family owned small-to-medium enterprises in Gauteng Province. The current study specifically adopted the retrospective causal-comparative research design which entails that a researcher begins examining a specific question when the effects have happened already; and the researcher strives to determine if one variable could have influenced another variable (Maheshwari, 2019). This specific design has been chosen for the following reasons:

- It is less time consuming.
- The research design is economical.
- It is the only design which is retrospective in nature.
- The researcher cannot influence the independent variables.
- The design allows the researcher to analyse data based on his personal opinion to arrive at the best possible conclusions (Maheshwari, 2019).

In addition, the design is predominantly suitable when simple cause-and-effect associations are being examined; as it gives a sense of direction and proffers a rewarding basis of hypotheses that can later be verified by more rigorous experimental methods (Cohen et al., 2011).

8.5 POPULATION

A population is the sum of units where a sample is to be chosen (Bryman & Bell, 2015). The term 'units' implies that it is not necessarily people that are sampled as the researcher has the latitude to sample from cities, regions or firms(as in the current study), and so on. In other words, a population can be understood as the total possible cases that can be considered as research subjects. However, a target population is the sum of cases that conform to some chosen conditions (Lacobucci & Churchill, 2010). In this study, the target population consisted of all family and non-family owned small-to-medium enterprises in South Africa's Gauteng province. The researcher had to choose the province of Gauteng because it had a higher concentration of small, medium and micro-enterprises - with just more than 30% of these enterprises by the third quarter of 2017, followed by close to 14% in both Limpopo and KwaZulu-Natal (The Small Enterprise Development Agency (SEDA), 2018).

Having established a target population, it becomes crucial that a sampling frame be established. Sampling frames for probability samples are full lists of all the cases in the population from which samples are to be drawn (Saunders et al., 2015). However, if all the cases in the population cannot be individually identified, one cannot have a sampling frame for that study population (Kumar, 2014). Such is the case with the small-to-medium enterprises under study. According to the SEDA, SMME Quarterly Update (2018), the number of SMME owners in Gauteng in the third quarter of 2017 amounted to 687 867. Unfortunately, this figure included an unknown number of micro enterprises (defined by Kesper, 2001, as employing 0-4 employees), which are not part of this study. The other problem with the list is that it did not categorise the enterprises into their respective sizes. Furthermore, the fact that no reliable database on family businesses existed in South Africa (Visser &

Chiloane-Tsoka, 2014) made it impracticable to come up with a comprehensive sampling frame for family and non-family owned small-to-medium enterprises.

8.6 SAMPLE SIZE AND SAMPLING PROCEDURE

Sample size and procedure are quite important considerations in ensuring that bias is kept to an absolute minimum. The subsequent factors suggested by De Vos et al. (2011) influence the final size of the sample for a study; the heterogeneity of the population, the type of sample, the desired degree of accuracy, the number of variables into which the data are grouped and the availability of resources. However, due to research grants provided by the Central University of Technology, Free State, South Africa, resources needed to carry out this research were not a challenge. The research grants were instrumental in travelling for data collection.

8.6.1 Determining sample size

For non-probability sampling methods, the issue of sample size is unclear, and, unlike probability sampling, no rules exist (Saunders et al., 2015). A well-ordered non-probability sample often gives satisfactory results, such that researchers may not even consider probability sampling (Cooper & Schindler, 2014). However, there might be need for exceptions when it comes to SEM.

SEM is a multivariate statistical analysis approach used for purposes of examining the nature of relationships among observed and latent variables with either a hypothesis testing or confirmatory goal. It requires larger sample sizes when compared to other multivariate analysis approaches (Hair et al., 2014; Byrne, 2012). When considering sample size in SEM, researchers usually aim at achieving adequate statistical power (i.e. the possibility of rejecting the null hypothesis when it is untrue; or simply the probability of not committing a Type II error) to observe true relationships in the data (Wolf, Harrington, Clark & Miller, 2013). Surprisingly, even though there is a large increase in SEMs in the behavioural science literature in recent years, consideration of sample size requirements for applied SEMs often rely on out-dated rules-of-thumb. Although stringent rules on sample size have generally disappeared, new rules centred on several Monte Carlo simulation studies steadily emerged (Wolf et al., 2013). Monte Carlo methods are mathematical procedures that use computer simulation and random sampling to solve problems under different SEM conditions and sample sizes (Brown, 2015; Wang & Wang, 2012). Past findings with small samples (Hoyle, 1999; Marsh & Hau, 1999) recommend that SEM models could be assessed safely with small samples. Generally, sample sizes between 100 and 150 are set as a minimum sample size for SEM research (Wolf et al., 2013).

It should always be noted that SEM is more sensitive to the size of samples than other multivariate approaches, as certain statistical algorithms used by SEM programs become unreliable when using small samples (Hair et al., 2014). Although minimum sample sizes for SEM models depend on many factors, among which are model complexities and the communalities (average variance extracted among items) in each factor, Hair et al. (2014) proffer the advice summarised in Table 8.1 below.

Table 8.1: Suggestions for determining minimum sample sizes

Suggested Minimum Sample Size	**Model Complexity And Basic Measurement Model Characteristics**
100	Models containing five or fewer constructs, each with more than three items (observed variables) and with high item communalities (.6 or higher)
150	Models with seven or less constructs, modest communalities (.5), and no underidentified constructs.
300	Models with seven or lesser constructs, lower communalities (below .45), and/or multiple underidentified (fewer than three) constructs.
500	Models with large numbers of constructs, some with lower communalities, and/or having fewer than three measured items

The authors proceed to caution that, in addition to the features of the model under estimation, sample size must be increased if:

- data departs from multivariate normality,
- sample-intensive estimation techniques such as ADF are used, or
- missing data goes beyond 10 per cent.

Given that each model (one for family owned small-to-medium enterprises and the other for non-family owned small-to-medium enterprises) used in the current study contains five constructs (Managerial interpersonal competencies, Performance Management, Agency Relationships, Return on Investment and Innovation), each with items exceeding three and with high item communalities (.6 or higher), the suggested minimum sample of 100 highlighted above was exceeded in non-family owned enterprises (with 120 participants), and almost achieved in their family counterparts (with 90 participants).

Alternatively, Kock and Hadaya (2018) suggest that the '10-times rule' method has been preferred when calculating sample sizes as it is simple to apply. The method is based on the principle that the size of sample should be larger than 10 times the maximum number of inner or outer model links targeting any latent variable in the model. Considering the structural model for family owned small-to-medium enterprises in the next chapter, the maximum number of both inner and outer model links pointing at a variable, are 9 (i.e. after adding both inner and outer links, rather than considering them separately). This translates to nine times ten (9x10) equals 90 – suggesting a minimum sample size of 90 for the model. The same could be said for the structural model for non-family owned small-to-medium enterprises since the maximum number of both inner and outer model links pointing at a variable are also 9. According to the '10-times rule', each model would require a minimum sample size of 90, translating to 180 for both models. The two structural models met the minimum sample size requirement suggested by the '10-times rule' method.

8.6.2 Sampling procedure

Saunders et al (2015) point out that sampling provides a valid alternative to collecting data from the whole population when:

- It would be unpractical for one to survey the whole population.
- One’s budget limitations prevent them from surveying the entire population.
- One’s time limitations prevent them from surveying the whole population.
- A researcher has collected all the data, yet results are needed quickly.

Sampling methods fall into two major groups: probability and non-probability sampling (Gravetter & Forzano, 2016). On one hand, probability sampling draws randomly from the population and is very useful if the researcher intends to generalise, because it strives for representativeness of the wider population (Cohen et al., 2011). Probability sampling is popular in randomised controlled trials. In probability sampling, the probability of each case being chosen from the population is known, and each case stands an equal chance to be selected (Saunders et al., 2015). The fact that probability sampling requires extensive knowledge of the population, which may require the researcher to list all individuals in the population, makes it less popular for research in the behavioural sciences (Gravetter & Forzano, 2016). It is for the same reason that probability sampling could not be used in the current study. In any case, determining sample size is either a matter of judgment or mathematical precision (Cohen et al., 2011). Examples of probability sampling techniques include simple random sampling, systematic sampling, stratified random sampling and cluster sampling.

On the other hand, non-probability sampling intentionally avoids representing the whole population; but attempts to represent a particular group, or a particular segment of the wider population, such as a group of teachers or a class of students, and so on (Cohen et al., 2011). In non-probability sampling, the chance, or probability, of each case being chosen from the population is unknown, and each case does not stand an equal chance to be selected (Saunders et al., 2015). Non-probability sampling is exemplified by sampling techniques such as convenience sampling, quota sampling, snow balling, purposive sampling, and so on (Saunders et al., 2015; Gravetter & Forzano, 2016).

Non-probability sampling can be used for quantitative research when either the number of elements in a population is not known, or the elements cannot be identified individually (Kumar, 2014). In situations like these, the selection of cases would then depend upon such considerations as accessibility or referrals. In the current study, due to lack of comprehensive sampling frames for both family and non-family owned small-to-medium enterprises in Gauteng Province, non-probability sampling (convenience sampling in particular) was deemed most applicable for this research. Selection of cases was guided by the convenience of the cases to the researcher in terms of accessibility.

Some authors (De Vos et al., 2014; Gray, 2014) call convenience sampling accidental, volunteer, haphazard, or availability sampling considering that respondents are usually those nearest or most accessible. Any case which happens to cross the researcher's path and is related to the phenomenon is included in the sample until a desired number is reached (De Vos et al., 2011). Convenience sampling is the most used method in the behavioural sciences, and examples of it include television surveys, or people in the street who are stopped for interviews (Gravetter & Forzano, 2016).

Convenience sampling was considered to be the most appropriate for acquiring a large sample to meet the minimum threshold of data required by SEM, given the limited amount of time to complete the research and the lack of knowledge on the actual population size or list (Creswell, 2012). It provided the researcher with the opportunity to select difficult-to-identify members of the population (Saunders et al. ,2015). Although in convenience sampling, the researcher chooses subjects that are readily accessible, and whose opportunity to participate is not equal, the results may not necessarily be generalisable to the population, but as the sample size increases, the statistical power of the convenience sample also increases (Etikan, Musa, & Alkassim, 2016). As a way of further mitigating the weaknesses associated with convenience sampling (e.g., it offers no guarantees of a representative and unbiased sample), the researcher had to ensure that samples were reasonably large to increase their statistical power. To achieve this, the province under study was grouped into zones or districts to make sure that each district provided at least representative samples, depending on its size and the availability of family and non-family owned small-to-medium enterprises.

Five zones were loosely formed from the more elaborate list from the Gauteng Education Department Districts list comprising of 15 districts (see Table 8.2). The zones in Table 8.2 contributed the following number of respondents through convenience sampling procedure: Ekurhuleni – 30, Gauteng- 50, Johannesburg- 58, Sedibeng-20 and Tshwane-52. This gave a total of 210 respondents.

Table 8.2: Sampling zones for Gauteng province

DISTRICT/ ZONE				
Ekurhuleni	Gauteng	Johannesburg	Sedibeng	Tshwane
Edenvale Tembisa Kempton Park Bedfordview Wattville Bapsfontein Benoni Daveyton Petit Putfontein Alberton Bedfordview Boksburg Edenvale Germiston Katlehong Vosloorus Tokoza	Brakpan;Daggafontein; Duduza; Daveyton; Kwa-Thema; Nigel; Springs; Tsakane: Welgedag; Devon; Wattville Bapsfontein; Baviaanspoort; Bronkhorstspruit; Clayville; Cullinan; Ekangala; Hammanskraal; Premier Mine; Rayton; Zonderwater Bank; Bekkersdal; Brandvlei; Doringfontein; Glenharvie; Hekpoort; Krugersdorp; Libanon; Maanhaarrand; Magaliesberg; Mothlakeng; Muldersdrift; Oberholzer; Randfontein; Randfontein South; The Village; Toekomsrus; Ventersdorp; Western Areas; Westonaria,Azadville	Soweto; Eldorado Park; Johannesburg Southern Suburbs; Lenasia, Halfway House; Hyde Park; Lyndhurst; Modderfontein; Parktown; Sandton, Alexandra Township, Ivory Park,Midrand Johannesburg North, Parktown; Randburg; Soweto, Central, Far North; Cosmo City;Grasmere; Jackson's Drift; Johannesburg; Lenasia; Lawley; Orange Farm; Vlakfontein Florida; Roodepoort; Braamfischer; Tshepisong; Meadowlands, Dobsonville	Daleside; Heidelberg Transvaal; Henley-On-Klip; Jameson Park; Meyerton; Rensburgdorp; Rotanda; Sharpeville; Vereeniging; Walkerville Everton; Loch Vaal; Vanderbijlpark; Sebokeng; Palm Springs; Bophelong; Boipatong; Evaton	Sinoville; Soshanguve Atteridgeville; Eldoraigne; Erasmia; Irene; Lyttelton; Mamelodi; Pretoria-West; Rissik; Silverton; Centurion Akasia, Attridgeville; Mabopane; Ga-Rankuwa; Hercules; Pretoria-Noord;

Source: Adapted from Gauteng Education Department (2017)

8.7 DATA COLLECTION

Data collection is a practical activity that must be carried out within time and without spatial and resource constrains (Matthews & Ross, 2010). Lee and Lings (2008) arrive at two main types of collecting data - those which are interactive (involving subjects of one’s research in some way like questioning them) and those which are non-interactive. While interactive methods are flexible, their main disadvantages are that they rely on the willingness of the subject to give true information, and on the recall of participants; and at the same time, the researcher or research instrument has the capacity to influence responses (Lee & Lings, 2008). On the contrary, non-interactive methods like documentary analysis suffer less from these problems. They record objective behaviour as it happens, and do not depend on research participants to recall it (Lee & Lings, 2008).

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

8.7.1 Strengths of questionnaires

Questionnaires have the advantage that they are easily standardised, are cost effective and require little training of researchers (Bless, Higson-Smith & Sithole, 2013). Since closed items were used for most of the questions (except for biographical information), closed items had the advantage that they enabled the collection of a substantial amount of information. Other advantages of closed items suggested by Neuman (2011) are that:

- They allow respondents to understand meanings of questions better.
- Questions can be answered within the same framework.
- Responses can easily be compared with one another.
- Answers can easily be coded and statistically analysed.
- Response choices help clarify question meaning for respondents
- There are fewer irrelevant answers to questions.
- Replication is easier.

The above advantages were realised in the current study. Firstly, simple and everyday language used in the wording of questions made comprehension of questions a lot easier. Secondly, the use of closed items with simple Likert scales (Strongly Disagree, Disagree, Undecided, Agree, Strongly Agree; and Not at All, To A Little Extent, Undecided, To a Moderate Extent, and To a Large Extent) provided a uniform framework from which questions could be answered. The other advantage of Likert scales emanate from the fact that, respondents are not compelled to choose response options in extremes, allowing for neutrality if they choose so (De Vos et al., 2011).Thirdly, since responses from Likert scales were standardised and not narrative in nature, it was easier to compare responses from different respondents because a distinct number represented a participant's response. Finally, standardised Likert scales made the coding and analysis of data much easier (especially if working around quantitative data), and even made the replication of the study more feasible.

8.8 RESEARCH INSTRUMENT

As previously mentioned, a structured questionnaire was designed to collect data. The questionnaire was pre-coded for statistical analysis. Pre-coding was done by assigning numerical values to Likert scales, restricted and dichotomous questions. This was done in view of the recommendation by Kumar (2014) that, spacing for coding raw data could be provided at the time of constructing the research instrument. Assigning a number in advance to each possible answer enabled quicker and easier data entry.

The questionnaire comprised of closed items. The closed items gave respondents the opportunity to choose one or more response choices from a few choices provided (De Vos et al., 2011). Brief instructions on how to complete the questionnaire were given on the questionnaire itself, even though research assistants were always available to give respondents assistance during completion of the questionnaires. Bless et al. (2013) advise that a questionnaire should take between 15 to 90 minutes to complete. The questionnaire used for the current study took about 15 minutes to complete. Great caution was taken to avoid doublebarrelled and leading questions, while the language was made simple to be understood by a layman.

The questionnaire was written in English which has become the urban language of public life, commonly used in the media, government, and business (Alexander, 2017). English is extensively used as the second common language of communication after isiZulu, in Gauteng province (Alexander, 2017).

8.8.1 Structure of the questionnaire

The questionnaire consisted of five sections. Section A solicited biographical information, and the other five sections solicited information pertaining to Managerial Interpersonal Competencies, Performance Management, Firm Performance and Agency Relationships.

The above five sections of the questionnaire consisted of three independent variables – managerial interpersonal competencies, performance management and agency relationships, as well as one dependent variable -firm performance, measured by return on investment and innovation. It was hypothesised that managerial interpersonal competencies affect performance management, agency relationships and firm performance, and that performance management also affect agency relationships and firm performance as well. It was also hypothesised that performance management (performance appraisal methods in particular) affect firm performance. Table 8.3 below summarises the scales used to collect data for the study, and the number of items in each section and source. A detailed description of each section is given below:

Table 8.3: Variables, number of items and source of the questionnaire items

Sections	Variables Or Construct Under Investigation	Number of Items	Source
A	Biographical Information: gender, position, relationship to owners, mode of company ownership, relatives employed, number of employees, period in operation, presence of HR department, the one(s) responsible for HR issues at the organisation, education, age, race,experience.	13	Literature reviewed (Gallo, Tapies & Cappuyns,2004; Lussier & Sonfield, 2015)
B	Managerial Interpersonal Competencies	7	1.Chandler & Jansen (1992) 2. Managerial Behaviour Self Rating MSAI-key form (Cameron & Quinn,2011)
C	Performance Management-Performance Appraisal Methods in particular	7	Literature reviewed(McMahon,2013; Chen, 2011; Mone & London, 2009)
D	Firm Performance in terms of innovation and return on investment	**Di)** Innovation-6 **Dii)** Return on investment-6	Literature reviewed (Utrilla & Torralega, 2012; Emenyoni et al., 2014; Classen, et al., 2014)
E	Agency Relationships	12	Literature reviewed (Cruz, et al., 2010; Gomez-Mejia, &Wiseman, 2012; Brawley, 2016)

As shown on Table 8.3 above and as alluded to above, Section A solicited biographical information such as the gender of respondents, mode of firm ownership, or whether a Human Resource department existed at the firm. The section also had items on the age of the company, or the number of relatives of the owner/manager employed. There were items on the respondent's present position in the organisation and their relationship to owners of the organisation. The information solicited by the above items was critical in determining the degree to which family ownership (or otherwise) influenced decisions in the organisation, among other things.

Section B measured the managerial interpersonal competencies of owner/managers. These included owners, managers, and HR managers. The choice of managerial interpersonal competencies was influenced by the seminal work by Chandler and Jansen (1992), Yordanova (2012) and Nkosi et al. (2015), which considered the competencies as requisite for effective management. Most items for this section were adapted from the Managerial Behaviour Self Rating MSAI-key form (Cameron & Quinn, 2011). Respondents were required to indicate their level of agreement with given statements on a Likert scale, ranging from 1-Strongly Disagree to 5-Strongly Agree. For example, in Section B, an example of an item was: *indicate your level of agreement with the following statement, 'I clarify to employees what is expected of them'.* Likert scales were used for all items in sections B to F.

Section C solicited information on Performance Management. Following the advice by De Vos et al. (2014) that students must exploit their own observations and those of others through a rigorous study of literature and interview with experts, items for Sections C to E were self-designed. This was necessitated by the fact that there were no known standardised scales available at the time, which effectively measured the dimensions (De Vos et al., 2011). Section C measured performance management in terms of the key component in performance management – performance appraisal (Brawley, 2016; Bititci et al., 2015). The section required respondents to indicate the extent to which a method was used. Items were measured on a scale, ranging from 1, 'Not at all' to 5, 'To a large Extent'. For example, *indicate the extent to which you use each of the following performance appraisal methods in your business, 'A 360-degree feedback using feedback from supervisors, team members, customers, peers and self to rate employees'.*

Section D measured firm performance in terms of innovation and return on investment for the period 2015 and 2016. This section required respondents to indicate their level of agreement with given statements. For example, pertaining to innovation, *Owner/managers initiated unique improvements to product features in 2015.* Regarding return on investment, an example is: *This firm's overall returns exceeded overall costs in 2015.* The scale: 1. Strongly Disagree to 5. Strongly Agree, was used.

Section E had items on agency relationships, the levels and quality of delegation arrangements in both family and non-family owned small-to-medium enterprises. This section required respondents to indicate their level of agreement with given statements. For example, respondents were required to indicate their level of agreement with the statement *'Tasks can safely be delegated to trusted employees like family members'*. As with the above section, the scale: 1. Strongly Disagree to 5. Strongly Agree, was used.

8.8.2 Field work

De Vos et al (2011) advise that a covering letter should accompany all questionnaires. A covering letter which formed an integral part of the questionnaire and constituted its first page (De Vos et al., 2014) introduced the researcher and his institution, explained the purpose of the research, contained an appeal for the respondent to complete it, assured participant anonymity and voluntary participation and indicated how long it would take to complete the questionnaire, among other things.

Questionnaires were then distributed after making some introductory remarks (reminiscent of issues covered in the cover page of the questionnaire) to respondents. Assurances of confidentiality and anonymity especially made respondents cooperate. In addition, the fact that questionnaires were hand delivered and that the research assistants only availed themselves in the event of participants encountering problems, limited research assistants' influence in the completion of questionnaires.

Given the geographical scope of the study, research assistants were appointed to assist in the distribution of questionnaires. Two former students who had graduated with honours degrees in Human Resource Management and a research company (Research IQ, Marketing Research Consulting and Training) were chosen to assist in the distribution of questionnaires. This was in accordance with the recommendations by Burns and Bush (2010) who contend that, the potential for field work errors is likely to be lower with professionals than with part-timers or first timers. Fifty per cent of questionnaires were distributed with the assistance of the professional research company, and the rest were distributed by the two alumni of Great Zimbabwe University. As observed by Kumar (2014), the researcher's selection of this method of administration depended on the ease with which it allowed assessment of the respondent population. Respondents that were literate completed the questionnaires on their own, while those not sufficiently literate were assisted by the research assistants to complete the questionnaires. The use of students conversant in Zulu (the popular indigenous language in the province), made it easier to adapt the language and vocabulary used in the questions to the respondents (Bless et al., 2013). This was however done in few cases.

Research assistants were recruited and trained for collection of data. To rid the study of non-sampling errors likely to be encountered due to falsification and cheating, the researcher insisted that company phone numbers be inscribed on top of the questionnaires. This made it feasible for taking random samples of completed questionnaires for purposes of validating whether research assistants visited the premises, and whether questionnaires were properly administered. All these efforts assisted in obtaining reliable data.

8.9 VALIDITY AND RELIABILITY OF INSTRUMENTS

Since the data collection instrument was largely designed by the researcher, issues to do with their psychometric characteristics (reliability and validity) became very pertinent. Although reliability and validity are criteria for assessing the quality of an instrument, the two factors are partially related and partially independent (Gravetter & Forzano, 2016). They are related in that, reliability is a prerequisite for validity-a measurement cannot be valid unless it is reliable (Gravetter & Forzano, 2016).

8.9.1 Ensuring reliability

Reliability is a matter of whether an instrument or technique applied repeatedly could yield the same result each time (Babbie & Mouton, 2015). If research is to be reliable, then, it must show that if it were to be done on similar groups of respondents in the same context (however defined), similar results would be found. Cohen et al. (2011) identify three principal types of reliability, namely, stability, equivalence, and internal consistency. Reliability as stability implies that a reliable research instrument will yield similar data from similar respondents over time. Reliability as equivalence means that an equivalent form of an instrument devised will yield similar results; and as internal consistency, reliability concerns itself with the correlation between answers to items in a measurement scale, to find out to what extent the items measure the construct to which they relate (Cohen et al., 2011).

Reliability is of central concern to social scientists, as such, the Cronbach's alpha of determining internal reliability of instruments was used, since it could easily be incorporated into computer software for quantitative data analysis (Bryman & Bell, 2015). Cronbach's alpha is intended to measure split-half reliability by estimating the average correlation that would be obtained by considering every possible way to split the test (the questionnaire in this case) in half (Gravetter & Forzano, 2016). It produces values between 0 and 1.00, with a higher value showing a greater degree of internal consistency or reliability. Reliability of the scale is established by both the traditional Cronbach's alpha (internal consistency) approach and the concept of construct reliability as an ideal alternative in structural equation modelling because of the tendency of coefficient alpha to understate reliability (Hair et al., 2014). A value above 0.7 suggests a good reliability (Hair et al., 2014) although a value of 0.6 is sometimes acceptable in management sciences (Malhotra, 2009).

This research used the internal consistency reliability because questionnaires were presented to respondents only once, and the measurement scales comprised of multiple items. Due to the likert-scale responses obtained, Cronbach's alpha was used to assess the reliability of items measuring each construct.

8.9.2 Ensuring validity

To establish validity, it must be shown that the measurement procedure is measuring what it purports to be measuring (Gravetter & Forzano, 2016). A widely accepted classification of validity consists of three major forms: content validity, criterion-related validity, and construct validity (Cooper & Schindler, 2014). These three widely accepted approaches to the validation of research instruments are discussed below.

8.9.2.1 Content validity

The content validity of a measuring instrument is the extent to which it provides adequate coverage of the investigative questions guiding the study (Cooper & Schindler, 2014). If the data collection instrument adequately covers the topics that have been defined as the relevant dimensions, it can be concluded that the instrument has good content validity (Cooper & Schindler, 2014). To ensure content validity, questions were given to HR experts and experts in small-to-medium enterprises to be examined for bias, sequence and clarity. Furthermore, comprehensive literature review done in this study culminated in the identification of elements of the following constructs in small-to-medium enterprises under investigation: managerial interpersonal competencies, performance management, agency relationships and enterprise performance. Having done this, specific elements of every construct under inquiry were used to formulate items in the questionnaire, to the extent that the questions adequately covered much of the spectrum of concepts and constructs in the study.

8.9.2.2 Criterion-related validity

Criterion-related validity, sometimes called predictive validity, reflects the success of measures used for prediction or estimation (Babbie & Mouton, 2015; Cooper & Schindler, 2014). The success is measured when we compare how people have answered a new measure of a concept with existing, widely accepted measures of the concept (Gray, 2014). According to Cooper and Schindler (2014), any criterion measure must be judged in terms of four qualities, viz, relevance, freedom from bias, reliability, and availability. In view of the above qualities, criterion for measuring the different constructs in the questionnaire were deemed relevant since they were defined and scored in the terms that literature judged to be the proper measures. The researcher attempted to attain freedom from bias by allowing for adjustments in the definitions of small-to-medium enterprises. Enterprises with 5 to 49 employees were considered small and those with 50 to 200 employees were considered medium. This was done to accommodate differences emanating due to the size and complexity of the two types of firms. A reliable criterion is stable in that it can be reproduced (Cooper & Schindler, 2014). For instance, measurement for return on investment and innovation for the respective years under consideration, emanated from historic assessments of firm performance, and are therefore reproducible. Finally, the information stated by a criterion must be readily available. For the current study, information relating to all constructs was availed by respondents at no cost to them.

8.9.2.3 Construct validity

Construct validity is an indication of the quality of a research instrument to measure what it is supposed to measure, and it is based on statistical procedures (Kumar, 2014). It is determined by establishing the contribution of each construct to the total variance witnessed in a phenomenon.

Convergent and discriminant validity are considered as subtypes of construct validity (Trochim, 2020). Convergent validity assesses the extent to which items converge or share a high proportion of the variance in common (Hair et al., 2014*)*. The convergent validity of a scale was assessed by the factor loading of each item (above 0.5), the item-total correlation (above 0.5) and the Average Variance Extracted (AVE) above 0.5. The AVE is the average percentage of variation explained among the items of a construct (Hair et al., 2014). The following formula was used to calculate the AVE: (AVE): $Vn = \sum \lambda yi^2 / (\sum \lambda yi^2 + \sum \dot{\varepsilon} i)$, where $\sum \lambda yi^2$ is the sum of standardised loadings squared; and $\sum \dot{\varepsilon} i$ is the sum of indicator measurement errors.

8.9.2.4 Discriminant validity

The discriminant validity measures the extent to which a construct discriminates other constructs in the model. Discriminant validity is attained when the measurement model does not have redundant items (Ahmad, Zulkurnain & Khairushalimi, 2016). To establish discriminant validity, the researcher needs to show that measures that should not be related are not related (Trochim, 2020). The distinctiveness of a construct is measured in terms of how much the construct correlates with other constructs and how uniquely the measured items represent only this single construct *(*Hair et al., 2014). To assess the discriminant validity of the scale, the $\sqrt{\mathrm{AVE}}$ was used and should be greater than the correlation involving the constructs (Alarcón & Sánchez, 2015).

8.10 DATA ANALYSIS

SEM techniques were used since the nature of the study was to ascertain the effect of managerial interpersonal competencies, performance management and agency relationships on firm performance of selected family and non- family owned small-to-medium enterprises. The methods included doing the first step in SEM data analysis, which involved dealing with missing data using the multiple imputation method. Item analysis was used for the purpose of removing poor items in the different scales used for data collection. Integrated analyses checked were – item total correlations, the squared multiple correlation, checking the subscale or scale reliability and variance when an item or items is/are deleted, inter-item correlation and the items means and standard deviation.

To assess the unidimensionality of scales and sub-scales of the different instruments used in the study, dimensionality analysis was also performed. Exploratory factor analysis and the Principle Component Analyses (PCA) were used. The PCA analyses all variances in the correlation matrix.

8.10.1 Structural equation modelling

As stated above, to establish the effect of managerial interpersonal competencies, performance management, agency relationships on business performance in both family and non-family owned small-to-medium enterprises, Structural Equation Modelling was adopted. According to Nunkoo, Ramkissoon and Gursoy (2013), SEM is a statistical procedure for testing measurement, functional and predictive hypotheses that approximate world realities. SEM uses various types of models to depict relationships among observed variables, with the same basic goal of providing a quantitative test of a theoretical model hypothesised by the researcher (Hair et al, 2014; Schumacker & Lomax, 2010). This explains why it has become more popular as a tool for analysing the relationships between variables than correlation and regression analysis, as it overcomes the single relationship limitation by interpreting the relationships among multiple variables simultaneously. Using SEM, this study sought to test a conceptual model that captures multiple relationships between managerial interpersonal competencies, performance management, agency relationships and business performance.

When doing analyses using SEM, several multivariate techniques were used, such as testing for normality, using skewness and kurtosis values. The results of these determined the best estimation methods to be used, such as the robust maximum likelihood (RML). Testing of the substantive hypothesis was done using confirmatory factor analysis, which was used to assess the measurement model fit. Good measurement fit was obtained after manifest variables were deemed valid and reliably represented the constructs of interests. A model fits if the reproduced covariance matrix approximates the observed covariance matrix (Perry, Nicholls, Clough & Crust, 2015). Goodness of fit was used to assess the fit of the measurement model.
In the study, the relationship among the latent variables in the proposed model constituted the structural model. When interpreting the structural model, the researcher had to confirm if the relationships indicated through theorising in the relevant chapter were supported by data. After fitting the measurement model with the structural model using AMOS, the structural model was evaluated, using indices such as Chi-square, RMSEA and goodness of fit.

It was only in the situation when the comprehensive model fitted closely, that is, when the close fit hypothesis (H_0) was not rejected, and when all the path coefficients of the hypothesised relationships were statistically significant, that the structural model was deemed successful or plausible.

8.11 ETHICAL CONSIDERATIONS IN FIELDWORK

Research ethics concerns the responsibility of researchers to be honest and respectful to all individuals who are affected by their research studies or their reports of the studies' results (Gravetter & Forzano, 2016). Ethical considerations therefore place participants rather than the researcher at the spotlight of the research design, when deciding appropriate and acceptable conduct. Research ethics help prevent research abuses by placing emphasis on the humane and sensitive treatment of research participants, who may be placed at varying degrees of risk by research procedures (Bless et.al., 2013). Gray (2014) admits that ethical principles generally fall into four main areas, namely, the need to: avoid harm to participants, ensure informed consent of participants, respect the privacy of participants, and avoid the use of deception. However, it is believed that each study has its own unique ethical considerations.

8.11.1 Avoiding harm to participants

Most social or business research, in contrast to some medical research, does not run the risk of causing physical harm to participants. However, there may be dangers of causing participant's psychological damage, or causing anxiety, stress, embarrassment, or loss of self-esteem (Gray, 2014). Considering this, the researcher was sensitive to avoid disruption of work processes during the administration of questionnaires. Lunch hours were at times used and questionnaires were occasionally left behind to be collected when convenience beckons. Furthermore, to deal with respondents' mental distress caused by imaginative speculation about the purpose of the research, participants were briefed about the purpose of the study.

8.11.2 Informed consent and voluntary participation

Typically, participants have to be informed about, the purpose of the study and its basic procedures, the identity of the researcher, the sponsor and the use to which data might be put (De Vaus, 2012) .They should as well be provided with an outline of reasonable foreseeable risks, embarrassment or discomfort, a description of the likely benefits of the study, a description of how they were selected, an offer to answer any questions and a statement that participation is voluntary (this is contained in the cover page), that each participant is free to withdraw at any time or to decline to answer any particular question (De Vaus, 2012). However, debate still exists among researchers regarding the amount of information to be released for participants to be considered informed. Nevertheless, the researcher does not intend to get entangled in these debates. All the same, the researcher provided basic information regarding the current study - as contained on the cover page and offered answers to further questions. Furthermore, the researcher required that consent be obtained before participation, and the questionnaire cover page contained a provision for respondents to withdraw any time they wanted to do so. Respondents were informed of the purposes the information shall be used for and the authority the researcher had to collect data -which was a letter from the Ethics Committee of the Faculty of Management, Central University of Technology, Free State, South Africa.

8.11.3 Privacy of participants

Respecting the privacy of participants involves issues to do with confidentiality and anonymity. Often, social science research may involve collecting personal information which, if made public, could embarrass, humiliate, or cause harm to participants in one way or another (De Vaus, 2012). Gravetter and Forzano (2016) observe that the enforcement of confidentiality benefits both the participants and the researcher. When participants are protected from the embarrassment or emotional stress that could result from public exposure, researchers are more likely to obtain willing and honest participants (Gravetter & Forzano, 2016). To ensure confidentiality and anonymity, respondents were not identified with their names on both the collection of data and the publication of research results. The covering page also contained assurances for the confidentiality of data and respondents. Their input to the project was confidential as data had been stored in such a way as to preclude any unauthorised access. This was achieved by storing data in lockable cabinets and removing all identifying information. Electronic data was kept private using passwords and encryption.

8.4 CONCLUDING REMARKS

This chapter focused on the research methodology which helps to explain where this research is coming from and why the researcher wants to do it in the ways explained herein. The research methodology section also explained why positivism, which happened to be the main paradigm in the current study, was chosen, what research approaches, design and methods were chosen and why a technique of data analysis was used. The credibility and integrity of the study was maintained by way of considering the psychometric characteristics of research instruments as well as ethics to follow when conducting research. The following chapter will report on the findings of the study.

CHAPTER 9: RESULTS AND DISCUSSION

9.1 INTRODUCTION

The previous chapter focused on the research methodology. The main objective of the current study was to establish a structural model on the effect of managerial interpersonal competencies, performance management and agency relationships on the performance of family and non-family owned small-to-medium enterprises in Gauteng Province, South Africa. Chapter 2 reviewed theories relevant to the study, chapters 3 to 7 comprise of literature pertinent to the study, while Chapter 8 provides a detailed justification of the methodology used in the empirical study. The current chapter is going to present and discuss the findings of the study.

9.2 FINDINGS

This section reports and discusses the research findings. A brief analysis of the response rate is done, followed by discussion of the demographic data, then a report and discussion of research findings.

9.2.1 Response rate

Of the 260 questionnaires administered to owners, owner-managers, managers or HR managers, 210 meaningful questionnaires were returned, translating to an 80.8% response rate. The response rate was high since questionnaires were hand delivered. This allowed research assistants to wait for completion or come for collection during more convenient times.

9.2.2 Demographics

Without the inclusion of demographics, researchers risk assuming absolutism, which implies that the phenomena of interest are the same irrespective of nationality, race, mode of SME ownership, one's position in the enterprise, relationship to enterprise owners, and so on. Participant characteristics permit researchers to move towards universalism, which acknowledges the existence of psychological processes manifesting differently (Beins, 2017) depending on the race, nationality, socioeconomic status, or other such defining variable of participants. The biographical information included categorical (e.g. gender or one's position in the firm) and continuous variables (e.g. the number of years the organisation has been operating, or age of respondents). Descriptive statistics were used to describe the variables.

9.2.3 Categorical variables

A categorical variable is one that can take on one of a limited, and normally fixed number of possible values, allocating each individual or other unit of observation to a particular category or nominal group, on the basis of some qualitative characteristic (Kaur, 2013). Categorical variables may only be measured in terms of whether the concerned items belong to certain distinct groups. One may not quantify or even rank order the categories.

9.2.3.1 Percentage distribution of respondents by enterprise

Table 9.1 below shows the distribution of respondents by enterprise.

Table 9.1: Percentage distribution of respondents by enterprise

		Frequency	Valid Percent
Family owned small-to-medium enterprises	Small	78	86.7
	Medium	12	13.3
	Total	90	100
Non-family owned small-to-medium enterprises	Small	99	82.5
	Medium	21	17.5
	Total	120	100

The column frequency refers to the number of respondents pertaining to a specific category. The column valid percent provides information about the percentage of respondents in a specific category when missing values are excluded. Table 9.1 above shows that small enterprises dominated in both family and non-family owned small-to-medium enterprises. They comprised 84.3 % of the firms. The prevalence of small business comes as no surprise given that as of the year 2001, around 250 000 people were involved in starting their own businesses in South Africa (Adcorp Analytics, 2012). Small businesses in South Africa account for about 91% of the formal business entities, contributing about 51 to 57% of gross domestic product, and providing almost 60% of employment (Cant & Wiid, 2013; Kongolo, 2010).

9.2.3.2 Gender

Table 9.2 below shows the percentage distribution of respondents by gender.

Table 9.2: Percentage distribution of respondents by gender

	Family owned small-to-medium enterprises		Non-family owned small-to-medium enterprises	
	Male	Female	Male	Female
Frequency	73	15	92	29
Valid Percent	83	17	76	24

As shown on Table 9.2 above, males dominated in both the management and ownership of both types of enterprises in Gauteng province. These findings seem to confirm the World Bank report on micro, small and medium enterprises (MSMEs) in South Africa, which indicated that female ownership of these enterprises has dropped by 10% in the past decade, from 48% in 2008 to 38% in 2017(Sechele-Manana, 2019). One of the reasons why the gender gap is widening alarmingly in the SME sector could be that the banking sector tends to ignore the non-financial support that women need to succeed in their entrepreneurial endeavours (Sechele-Manana, 2019).

9.2.3.3 Position of respondents

Table 9.3 below shows the percentage distribution of respondents by their position.

Table 9.3: Percentage distribution of respondents by position

	Family owned small-to-medium enterprises				Non- family owned small-to-medium enterprises			
	Owner	Manager	HR Manager	Owner-Manager	Owner	Manager	HR Manager	Owner-Manager
Frequency	37	23	15	20	22	43	9	28
Valid Percent	38.9	24.2	15.8	21.1	21.6	42.2	8.8	27.4

HR managers were the least participants in terms of percentage. HR managers were not popular in the enterprises under study. In small firms where resources are likely to be scarce, there may be a very small number of formal human resource departments or professionals (Abduli, 2013; Barisic & Boricevic, 2013). Moreover, managerial practices in most small-to-medium enterprises are closely linked to individual skills and characteristics of the entrepreneur who usually will be multi-tasked and often takes on multiple roles (Ates et al., 2013).

9.2.3.4 Human resource management (HRM) issues

Table 9.4 below shows the percentage distribution of personnel responsible for human resource management issues within the firms. The table shows that 87% of owner- managers in family owned small-to-medium enterprises and 83.1% in non-family owned small-to-medium enterprises dealt with HR issues. As observed by Dessler (2013), managing human resources in small firms is different, due to their size, priorities, informality, and the nature of the entrepreneur. Owner-managers may prefer to keep direct personal control of the firm and hesitate to delegate responsibilities to other managers (Umer, 2012).

Table 9.4: Percentage distribution of people responsible for HR issues

		Frequency	Valid Percentage
Family owned small-to-medium enterprises	Owner-manager	60	87
	Manager	6	8.7
	Accountants	3	4.3
Non-family owned small-to-medium enterprises	Owner-manager	74	83.1
	Manager	8	9
	Outsource	3	3.4
	Accountants	2	2.2
	Personal Assistant	2	2.2

9.2.3.5 HR Department

Table 9.5 below shows that 78.2% and 73.6% of family and non-family owned small-to-medium enterprises, respectively, had no HR department. This scenario affirms conclusions by Abduli (2013) that small-to-medium enterprises may not have a special human resources management department, as they are more likely to be owner-managed. In this case, the owners act as dominant leaders responsible for setting the direction and running the business based on their experience and common sense, often leading to a command and control management style (Ates & Bititci, 2011).

Table 9.5: Percentage distribution of HR departments in Small-to-Medium Enterprises

		Frequency	Valid Percentage
Family owned small-to-medium enterprises	Yes	19	21.8
	No	68	78.2
	Total	87	100,0
Non-family owned small-to-medium enterprises	Yes	32	26.4
	No	89	73.6
	Total	121	100,0

9.2.3.6 Education level of respondents

Table 9.6 shows that in terms of education, majority of respondents had diploma qualifications in both kinds of firms. This suggests some considerable professional or technical training for South African entrepreneurs. Training helps increase managerial interpersonal competencies and even equip managers to adapt performance management practices meant for large firms to suit SME needs. To confirm this, a study carried out on immigrant-owned small-to-medium enterprises in South Africa indicated a relationship between owners' education and performance (Fatoki, 2014).

Table 9.6: Education level of respondents

	Family owned small-to-medium enterprises				Non-family owned small-to-medium enterprises				
	Secondary	Diploma	Degree	Masters Degree	Primary	Secondary	Diploma	Degree	Masters Degree
Frequency	29	48	8	3	4	39	57	17	2
Valid Percentage	33	54.5	9.1	3.4	3.4	32.8	47.9	14.2	1,7

9.2.3.7 Continuous variables

A variable that can assume an infinite number of values between two points is continuous in nature (Satake, 2015). Such variables are contained within a range. Under this section, results of biographical information that used continuous variables are discussed using the mean as the focal reporting value.

9.2.3.8 Number of employees

Table 9.7 below shows the total number of employees in both kinds of firms.

Table 9.7: Number of employees

	Minimum	Maximum	Mean	Std. Deviation
Family owned small-to-medium enterprises	5	79	20.19	18.72
Non-family owned small-to-medium enterprises	5	150	28.47	37.09

On average, the enterprises represented in this study had 24 employees (the average of 20.19 and 28.47) and a standard deviation of 27.91 (the average of 18.72 and 37.09). However, given the huge discrepancy between the respondents (std dev. = 27.91; Min=5 and Max= 150), it was important to analyse the median as well. Given a median value of 9, it suggests that 50% of the enterprises had an average number of employees located between 5 and 9.

9.2.3.9 Number of relatives employed

Table 9.8 below shows the number of relatives employed in family owned small-to-medium enterprises.

Table 9.8: Number of relatives employed

	Minimum	Maximum	Mean	Std. Deviation
Family owned small-to-medium enterprises	1	12	3,11	2.1445

It should be noted that 116 respondents in all did not answer the question relating to the number of relatives employed. This result makes sense because the question was directed only to those respondents working in family owned small-to-medium enterprises. On average, family owned small-to-medium enterprises employed three relatives. According to Zhang and Cao (2016), family firms tend to show compassion towards their family members by employing them instead of non-relatives and by even placing them in senior managerial roles. Furthermore, according to the Resource Based View, participation by family members in both business and family relationships in their personal and professional lives generates a unique context for human capital, compared to their non-family counterparts.

9.2.3.10 Operation period

Table 9.9 below shows that both family owned small-to-medium enterprises and non-family owned small-to-medium enterprises had been in operation for about 10 years on average. These SMEs have survived failure as the number of SMEs in South Africa that fail in their fifth year varies between 50% and 95%, and about 75% of new SMEs do not become established firms (Neneh & van Zyl, 2012).

Table 9.9: Number of years firms have been operating

	Minimum	Maximum	Mean	Std. Deviation
Family owned small-to-medium enterprises	1.5	45	10.33	8.67
NFamily owned small-to-medium enterprises	1.5	54.5	10.05	8.47

9.2.3.11 Age of respondents

Table 9.10 below indicates that the entrepreneurs were on average around their mid-thirties. However, whether entrepreneur age affects enterprise performance is a relationship that, despite receiving extensive debate in popular literature, is not yet conclusive (Prasad, Ehrhardt, Liu & Tiwari, 2015).

Table 9.10: Age of respondents

	Minimum	Maximum	Mean	Std Deviation
Family owned small-to-medium enterprises	23	58	35.95	8.08
Non -family owned small-to-medium enterprises	2	75	36.48	11.93

9.3 STRUCTURAL EQUATION MODELLING (SEM) RESULTS

Following Hair et al. (2014), the SEM analysis was done in two phases. The first phase was the confirmatory factor analysis (CFA) whose purpose was to establish the reliability and validity of the instruments used to measure the scales. Factor analysis in general is mostly used in cases where there is some uncertainty as to the exact nature of the dimensions being measured or when the researcher wants to confirm whether the theoretical dimensions are in fact being measured (De Vos et al., 2011). CFA therefore characterises a special case of SEM. The second phase tests the hypotheses formulated in the proposed conceptual model.

9.3.1 Confirmatory factor analysis (CFA)

The purpose of the CFA (or measurement model) is to test the constructs' validity and reliability. Confirmatory Factor Analysis is a special form of factor analysis employed to test whether the measure of a construct agrees with the researcher's appreciation of the nature of that construct (Ahmad et al., 2016). The final measurement model is not interested in the relationships per se but serves to confirm the structure of the scales. The measurement model helps to relate measured variables to latent variables.

The initial measurement model showed unsatisfactory results. The following model fit indices were retrieved from AMOS 24. CMIN/Df= 3.422; GFI= 0.638; AGFI= 0.585; CFI= 0.647; TLI= 0.617; RMSEA= 0.107; where:

CMIN/Df - is the minimum discrepancy divided by its degrees of freedom
AGFI - adjusted goodness-of-fit statistic
CFI - comparative fit index
TLI - Tucker-Lewis Index
RMSEA - Root mean square error of approximation
PCLOSE - the p-value of a test on RMSEA

According to Hair et al. (2014) and Byrne (2012), the acceptable thresholds for the most common model fit indices in SEM are:

CMIN / df < 5
RMSEA < 0.085 (preferably < 0.05)
CFI > 0.95 although 0.9 is still acceptable
TLI > 0.90
GFI > 0.90
AGFI> 0.8,

The model fit of the initial model was far below the acceptable thresholds (Hair et al., 2014; Byrne, 2012). It was therefore important to improve the model fit indices. A diagnostic guided by an analysis of the modification indices, the factor loading and the standardised residual covariance matrix helped to identify problematic items. According to Hair et al. (2014), a standardised residual covariance value above |2.4| and a factor loading below 0.5 might be problematic. The following items were deleted in combination with the modification indices values to improve the model fit indices:
IC3, IC5, IC6, PAM1, PAM2, AR4, AR5, AR6, ROI2, ROI4, ROI6 and INN3, where:
IC - Managerial Interpersonal Competencies

PAM - Performance Appraisal Methods
AR - Agency Relationships
ROI - Return on Investment
INN - Innovation.

After the refinement of the model, the following final measurement model shown in Figure 9.1 below was adopted:

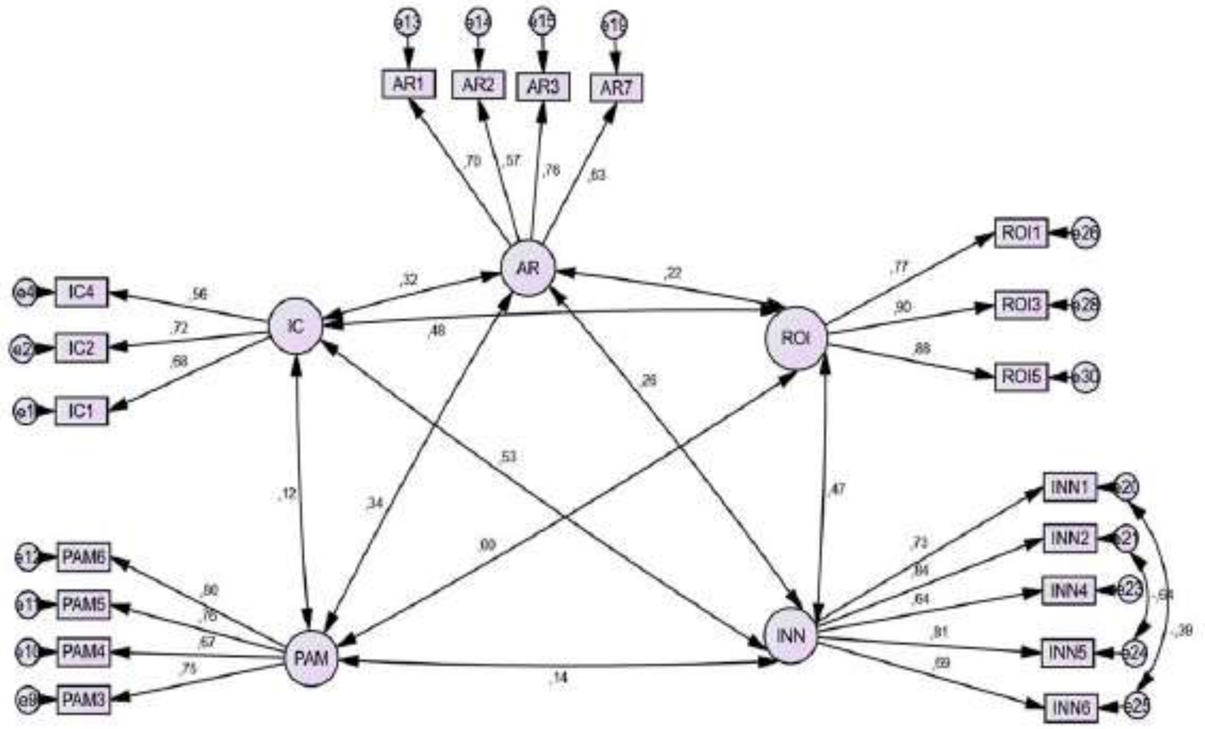

Figure 9.1: Final measurement model

The final measurement model (CFA) showed acceptable model fit indices as follows.
CMIN/DF= 1.73; GFI= 0.853; AGFI= 0.800; CFI= 0.906; TLI= 0.887; RMSEA= 0.042; PCLOSE= 0.995. GFI is visibly below 0.9. However, the Adjusted GFI adjusts this GFI.

With these satisfactory model fit indices, the reliability and validity of the scales were then tested.

9.3.2 Reliability analysis

According to Hair et al. (2014), reliability of the scales is established by both the traditional Cronbach's alpha (internal consistency) approach and the concept of construct reliability (CR). Construct reliability provides an ideal alternative in SEM because of the tendency of coefficient alpha to understate reliability (Hair et al., 2014). A value above 0.7 suggests a good reliability (Hair et al., 2014) although a value of 0.6 is sometimes acceptable in management sciences (Malhotra, 2009). Table 9.11 below presents the results of reliability and convergent validity. The Cronbach alpha values and CR values suggest that the scales were reliable because the values were above 0.7(except for the construct IC).

Table 9.11: Reliability and convergent validity of the scales

CONSTRUCTS	ITEMS	FACTOR LOADINGS	ITEM-TOTAL	CRONBACH'S ALPHA	CR	AVE
AGENCY RELATIONSHIPS(AR)	AR1	0.697	0.556	0.760	0.763	0.449
	AR2	0.574	0.484			
	AR3	0.761	0.657			
	AR7	0.634	0.539			
MANAGERIAL INTERPERSONAL COMPETENCIES (IC)	IC1	0.675	0.499	0.691	0.692	0.430
	IC2	0.72	0.553			
	IC4	0.563	0.465			
INNOVATION(INN)	INN1	0.726	0.604	0.836	0.860	0.554
	INN2	0.84	0.732			
	INN4	0.636	0.601			
	INN5	0.814	0.662			
	INN6	0.687	0.596			
PERFORMANCE APPRAISAL METHODS(PAM)	PAM3	0.746	0.676	0.832	0.832	0.555
	PAM4	0.67	0.594			
	PAM5	0.756	0.668			
	PAM6	0.802	0.703			
RETURN ON INVESTMENT (ROI)	ROI1	0.773	0.724	0.888	0.891	0.731
	ROI3	0.904	0.822			
	ROI5	0.883	0.802			

By way of example, the construct AR has a Cronbach's alpha value of 0.760. This suggests that the four items forming AR measure the construct at 76%.

9.3.3 Convergent validity

The convergent validity assesses the extent to which the items converge or share a high proportion of the variance in common (Hair et al., 2014). The convergent validity of a scale is assessed by the factor loading of each item (above 0.5), the item-total correlation (above 0.5) and the Average Variance Extracted (AVE) (above 0.5). Table 9.11 above, shows that the factors load well in the constructs (factor loadings

>0.5). The item-total correlation values also indicate decent values except for AR2 = 0.484 and ICI= 0.499 and IC4= 0.465. The AVE is the average percentage of variation explained among the items of a construct. The AVE values of the constructs AR (AVE= 0.449) and IC (AVE= 0.430) however are marginally below 0.5. The values of the factor loading and item-total correlation support to some extent the convergent validity of these scales.

9.3.4 Discriminant validity

To assess the discriminant validity of the scale, the $\sqrt{\text{AVE}}$ > correlation coefficient in the correlation matrix was used. Table 9.12 below summarises the discriminant values of the constructs.

Table 9.12: Correlation matrix to assess the discriminant validity

	INN	IC	PAM	AR	ROI
INN	**0,745**				
IC	0,528	**0,656**			
PAM	0,138	0,118	**0,745**		
AR	0,264	0,316	0,344	**0,670**	
ROI	0,470	0,481	-0,001	0,219	**0,855**

The values in bold in the diagonal represent the $\sqrt{\text{AVE}}$. To ensure discriminant validity, $\sqrt{\text{AVE}}$ of a specific construct should be above all the correlation coefficients of this construct with other constructs. For example, the correlation between **INN** and **PAM** (.138) is lower than the Square root of the AVE of **INN** (**.745**) and the Square root of the AVE of **PAM** (**.745**). The above comparison principle applies to the rest of the other constructs in the measurement model. The correlation matrix confirms that there is discriminant validity. Now that the validity and reliability of the scales and the fit of the measurement model were confirmed, the hypotheses were then tested with the structural model.

9.3.5 Hypothesis testing

Hypothesis testing is one of the most used inferential procedures which use sample data to evaluate the credibility of a hypothesis about a population (Gravetter & Forzano, 2016). A hypothesis is an informed speculation about the possible relationship between two or more variables which must be tested (Bryman & Bell, 2015). Hypotheses can be framed as either null (H_0) or alternative hypotheses (H_1). The null hypothesis is a statement about the population that always states that there is no effect, no change, no relationship (Gravetter & Forzano, 2016), while the alternative hypothesis is the one which is assumed to be true once the null hypothesis is untrue. Related to hypothesis testing is the alpha level or level of significance concept. The alpha level affords a criterion for significance. A hypothesis test with an alpha level of 0.05, for instance, implies that the test demands that there is less than 5% (0.05) probability that the results are only due to chance.

The hypotheses were tested through the structural model. The structural model helps relate latent variables to one another. The model below shows the following acceptable model fit indices:

CMIN/DF= 1.995; GFI= 0.883; AGFI= 0.841; CFI= 0.916; TLI= 0.898; RMSEA= 0.040; PCLOSE= 1.000.

Figure 9.2 shows the hypothesised relationships in the study.

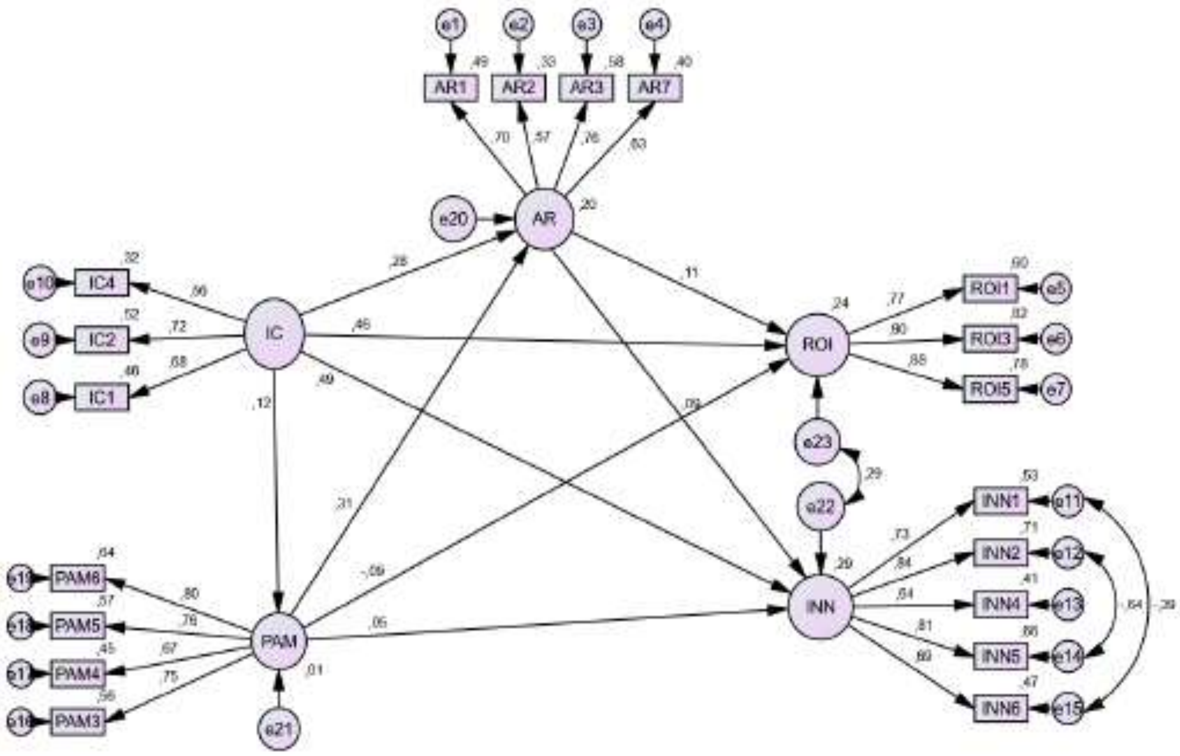

Figure 9.2: The structural model

Table 9.13 below summarises the result for each hypothesised relationship.

Table 9.13: Results for hypothesised relationships

Relationships			Regression weights	*p-value*	Hypotheses decision	Variance Explained (R^2)
IC	→	AR	0,301	0,003	Accepted	0,196
PAM	→		0,311	0,000	Accepted	
IC	→	INN	0,493	0,000	Accepted	0,291
AR	→		0.091	0.291	Rejected	
PAM	→		0,049	0,528	Rejected	
IC	→	PAM	0,118	0,193	Rejected	0,014
IC	→	ROI	0,459	0,000	Accepted	0,244
PAM	→		-0,092	0,257	Rejected	
AR	→		0,105	0,243	Rejected	

The column regression weight on the table above refers to the strength of the relationship. The p-value determines whether the relationship is significant or not. When p-value <0.05 the relationship is deemed statistically significant. The table shows that five hypotheses were rejected and four were accepted.

Table 9.13 also shows that there is a positive and statistically significant effect of IC (β=0.301; $p<0.05$) and PAM (β=0.311; $p<0.05$) on AR. These two variables account for about 20% (R^2 =0.196) of the variation of AR. In other words, IC and PAM explain up to 20% of the variation of AR. According to these results, IC is also a critical factor that significantly affects both INN and ROI. These results led to the acceptance of the following hypotheses:

***H_1**: There is a significant effect of managerial interpersonal competencies on performance, as measured by innovation, regardless of small-to-medium enterprise type.*

***H_2:** There is a significant effect of managerial interpersonal competencies on performance, as measured by return on investment, regardless of small-to-medium enterprise type.*

***H_4:** The managerial interpersonal competencies of owner/managers have a significant effect on agency relationships, regardless of small-to-medium enterprise type.*

***H_5**: Performance appraisal methods have a significant effect on agency relationships, regardless of small-to-medium enterprise type.*

P-values of 0.000 for hypotheses **H_1** and **H_2** which are both less than 0.05 suggest *a significant effect of managerial interpersonal competencies (also known as generic/soft /human managerial competencies) on firm performance as measured by innovation and return on investment, regardless of small-to-medium enterprise type.* This means that the owner/manager’s interpersonal competencies affect employee innovative behaviours and enterprise profitability as measured by return on investment in both types of enterprises. Several studies (Tarwirei, 2015; Fatoki, 2014) confirmed positive relationships even though their classification of requisite components of managerial competencies or measures of performance, were somewhat different. For example, Fatoki’s (2014) emphasis on the antecedents to managerial competencies takes a different trajectory to the one given by the current study, while the one by Tarwirei (2015) used productivity as a measure of performance. A related study by Rahman et al. (2011) among technical students in Malaysia suggests that entrepreneurs should further acquire generic skills as these skills help them to perform effectively in their workplace, and later contribute to the enterprise. However, very few, if any studies, explored the relationship between managerial interpersonal competencies, and firm performance as measured by innovation and return on investment. The results of the current study confirms the need for owner/managers in both types of enterprises to attend management courses organised by institutions of higher learning, non-profit organisations, or related agencies in order to sharpen their interpersonal competencies for improved business performance.

A p-value of 0.003 which is less than 0.05 means that hypothesis **H4** which states that *the managerial interpersonal competencies of owner/managers have a significant effect on agency relationships; regardless of small-to-medium enterprise type* was also accepted. Owner/managers' interpersonal competencies were found to affect agency relationships in both types of enterprises. There is a dearth of literature on the above relationship and happens to be this study's significant contribution to literature. The reason being that literature that may be considered appropriate for a large or listed corporation may be less relevant for entrepreneurial firms in general (CIPD, 2014). However, regarding family owned small-to-medium enterprises in particular; family ownership is more amenable to relational contracts based on mutual expectations, and which depart from the assumption of economic rationality (Ponomareva & Ahlberg, 2016). This may rob the family enterprise of employees with the requisite managerial competencies (Padgett et al., 2015), or may inhibit proper execution of top management competencies. Since owner/managers' interpersonal competencies were found to affect agency relationships in both types of enterprises, the same management competence development courses could be used to enhance the quality of owner/managers' interpersonal competencies.

Hypothesis **H5** which states that *performance appraisal methods have a significant effect on agency relationships, regardless of small-to-medium enterprise type* had to be accepted because of a p-value of 0.00 which is less than 0.05*.* This implies that the way employee performance appraisal is done affects the kind of agency relationships in both types of enterprises. The fundamental concern of performance management (of which performance appraisal forms a key, component) is universally held to be the alignment of individual employee objectives with organisational goals (Taylor, 2013). Alignment can be attained through a cascading process which allow objectives to flow down from the top, and at each level, team or individual objectives are defined considering higher-level goals (Armstrong, 2012). Van Puyvelde et al. (2013) maintain that non-aligned objectives of managers and employees is an indication of agency problems in the manager-employee relationship. Yet, performance management should allow for goal alignment between principals and agents by arresting one assumption of agency theory, which claims that both principals and agents pursue personal objectives (Van Puyvelde et al., 2013). Since it has been established that the way performance appraisal was done affected the kind of agency relationships in both types of enterprises, it is therefore advisable to achieve a balance of formal and informal performance management that best suits the owner/manager, their team and the enterprise, and that also puts the business in an optimal position to create the best performance (Kadak & Laitinen, 2016). In addition, especially in family owned small-to-medium enterprises, appraisals by professionals or consultants who are not related to any family member, increases the chances that a family member will receive appropriate and constructive feedback.

The following five hypotheses were rejected:

H_3: *The managerial interpersonal competencies of owner/managers have a significant effect on performance appraisal methods, regardless of small-to-medium enterprise type.*

H_6: *There is a significant effect of performance appraisal methods on business performance as measured by innovation, regardless of small-to-medium enterprise type.*

H_7: *There is a significant effect of performance appraisal methods on business performance as measured by return on investment, regardless of small-to-medium enterprise type.*

H_8: *There is a significant effect of agency relationships on business performance as measured by innovation, regardless of small-to-medium enterprise type.*
H_9: *There is a significant effect of agency relationships on business performance as measured by return on investment, regardless of small-to-medium enterprise type.*

A p-value of 0.193 which is above 0.05 implies the rejection of **H_3** which states that *the managerial interpersonal competencies of owner/managers have a significant effect on performance appraisal methods*, *regardless of small-to-medium enterprise type.* This means that the way performance management and performance appraisal in particular is done in both types of firms is not affected by the levels of owner/managers' interpersonal competencies. This could be explained by the fact that personnel in small-to-medium enterprises are likely to be so engrossed with managing daily work, that they have no extra time for additional activities like implementing performance measurement (Abduli, 2013) or performance appraisal. In addition, sheer lack of managerial capacity and culture in these firms result in managerial tools and techniques being perceived as of little benefit to the firm (Pekkola et al., 2016). To worsen matters, employees in smaller firms are likely to perform a greater variety of tasks than those in larger firms, and specialist skills are less likely to be found in smaller firms (Healy, et al., 2015). This helps explain why interpersonal competencies of managers may have no positive effect on performance appraisal methods; which like performance measurement may often be considered as not only a time-wasting activity, but a cause of red tape and an impediment to the flexibility of the enterprises (Cocca & Alberti, 2010). However, since performance management data serves strategic, developmental, and administrative purposes (Noe et al., 2015) which is key to optimal operations in any business entity, owner/managers in both types of small-to-medium enterprises need to be trained in order to leverage on this.

P-values of 0.528 and 0.257 for **H_6** and **H_7** respectively, suggest no *significant effect of performance appraisal methods on business performance as measured by innovation and return on investment, regardless of small-to-medium enterprise type.* This study rejects these associations, suggesting that the way performance appraisal is done has no bearing on employee innovative behaviours or return on investment. These results differ from those by Aleem & Rahman (2018) who examined the influence of HR practices on the perceived financial performance of listed small-to-medium enterprises in Karachi, Pakistan. Even though the study considered a bundle of HR practices, it confirmed that, training and performance appraisal had the most positive and strongest association with a firm's perceived business performance. Results of the current study were again contrary to those of previous scholars (Stanciu, 2014; Saunilla, 2014) who established that performance management resulted in greater financial performance, innovation capability, increased employee productivity and more motivated employees in entrepreneurial ventures. The possible reason for failure by the small-to-medium enterprises to reap benefits from performance appraisal could be that the firms use more informal management practices extensively, thereby negating the potential benefits brought by formality. Consequently, cheap performance management software that focuses on individual needs of small-to-medium enterprises could be more ideal in both types of enterprises. Moreover, it would be better to use only a few vital indicators, especially if reported in a visually and graphically effective way, in order to allow the manager to concentrate only on crucial performance factors and to make informed decisions swiftly (Cocca & Alberti, 2010).

Hypotheses 8 and 9 suggest *a significant effect of agency relationships on firm performance as measured by innovation and ROI, regardless of small-to-medium enterprise type*. The current study rejects the two hypotheses since p-values of 0.291 and 0.243 for $\mathbf{H_8}$ and $\mathbf{H_9}$ respectively are above 0.05. This means to say that agency relationships obtaining in both types of enterprises do not affect employee innovative behaviours and return on investment. The fact that agency costs, especially in family businesses, rise considerably with the increase of family ownership and the separation of ownership and control (Zhang & Cao, 2016), could be the very reason why profitability got compromised in the small-to-medium enterprises under study. Conversely, Machek et al. (2013) conclude that the impact of family involvement on business performance was not adversarial. Surprisingly, the assertion by Yupitun (2008) that agency costs of family firms are not significant compared to non-family firms (hence increasing their potential to perform better) could not be sustained by findings of this study. Consonant to the current study are findings from a related study by Xianga et al. (2014) which established that for larger small-to-medium enterprises (those with 20–200 employees), gains realised by way of lower agency costs emanating from family ownership were almost completely offset by losses due to altruism and the lack of self-control. The study, however, limited itself to family owned small-to-medium enterprises and could have conceptualised familiness in ways different from the way it has been conceptualised in South Africa. In any case, research on agency relationships and their impact on the performance of both types of firms is in its infancy and results are mixed. Even though the existing agency relationships in both types of enterprises did not affect employee innovative behaviours and return on investment, academics should not ignore family business heterogeneity due to size, age or degree of active ownership, in their quest to understand the conditions under which family firms outperform their other counterparts if inaccuracies in empirical studies are to be avoided (Lwango et al., 2017).

9.4 GROUP DIFFERENCE ANALYSIS USING STRUCTURAL EQUATION MODELLING

Group difference analysis permitted the exploration of how each relationship in the model varied across the two groups- family and non- family owned small-to-medium enterprises.

The group difference analysis was conducted on AMOS 24 to check whether there was a statistical difference in the structural model between the two types of enterprises. The two models below were built and tested following the SEM approach. Figures 9.3 and 9.4 below depict the two models.

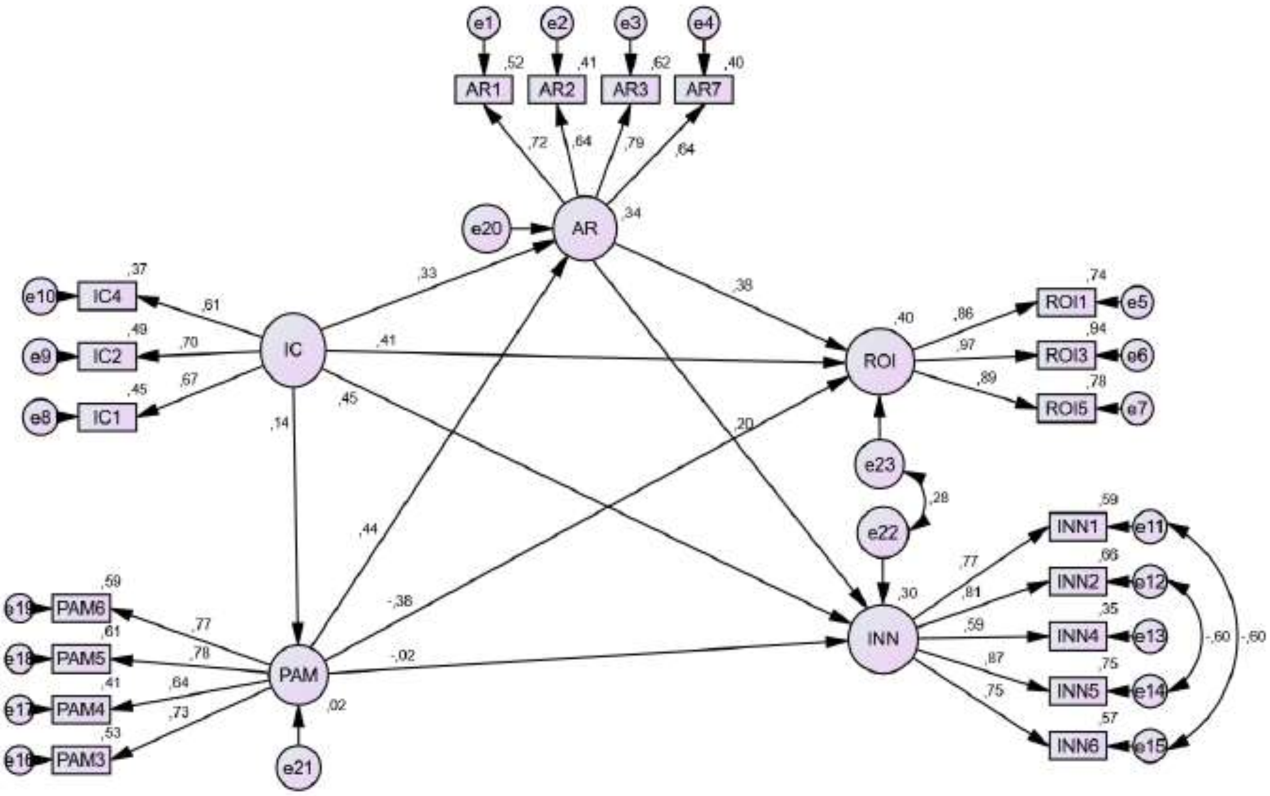

Figure 9.3: Structural model for family owned small-to-medium enterprises

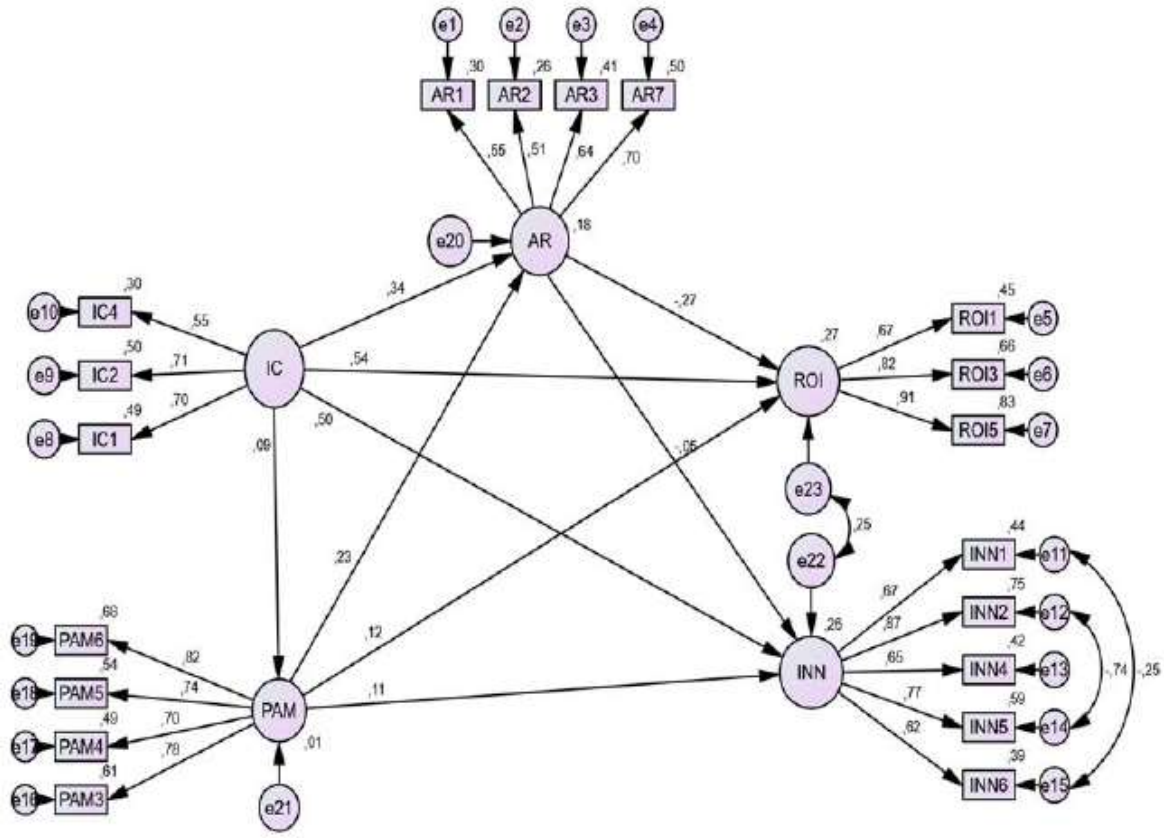

Figure 9.4: Structural model for non-family owned small-to-medium enterprises

The two models above show acceptable fit indices:

CMIN/DF= 1.995; GFI= 0.883; AGFI= 0.841; CFI= 0.916; TLI= 0.898; RMSEA= 0.040; PCLOSE= 1.000.

Table 9.14 summarises the results for each hypothesised relationship.

Table 9.14: Group differences: Results for hypothesised relationships

			Family owned small-to-medium Enterprises		Non-family owned small-to-medium Enterprises	
			Estimate	**P**	**Estimate**	**P**
AR	<---	**IC**	0,326	0,021	0,337	0,017
	<---	**PAM**	0,439	0,001	0,227	0,057
INN	<---	**IC**	0,449	0,004	0,504	0,001
	<---	**PAM**	-0,024	0,852	0,107	0,285
	<---	**AR**	0,198	0,189	-0,054	0,654
PAM	<---	**IC**	0,14	0,324	0,088	0,457
ROI	<---	AR	0,379	0,012	-0,27	0,052
	<---	**IC**	0,413	0,004	0,543	0,001
	<---	**PAM**	-0,38	0,005	0,121	0,254

Table 9.14 above seems to be more stable and provides more significant relationships in the context of family owned small-to-medium enterprises, when compared to their other counterparts. Below, are the hypotheses that were accepted (i.e. those that showed that differences existed between family and non-family owned small-to-medium enterprises):

H_{1d}: *There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of managerial interpersonal competencies on firm performance, as measured by innovation.*

H_{2d}: *There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of managerial interpersonal competencies on firm performance, as measured by return on investment.*

H_{4d}: *There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of managerial interpersonal competencies of owner/managers on agency relationships.*

H_{5d} : *There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of performance appraisal methods on agency relationships.*

***H$_{7d}$:** There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of performance appraisal methods on firm performance as measured by return on investment.*
***H$_{9d}$:** There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of agency relationships on firm performance as measured by return on investment*

From Table 9.14 above, p-values < 0.05(p=0.004 for family owned small-to-medium enterprises and p=0,001 for non-family owned small-to-medium enterprises) suggest statistically significant relationships on both hypotheses **H$_{1d}$** and **H$_{2d}$**. The two hypotheses which state that there *is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of managerial interpersonal competencies on firm performance, as measured by return on investment and innovation* respectively were accepted in both kinds of firms. Interestingly, the effect of owner/managers' level of interpersonal competencies on both employee innovation and return on investment was more significant in non-family owned small-to-medium enterprises. The previously mentioned findings contradict those from a study by Bulog et al. (2017) among managers in a family owned and non-family owned firm in Croatia, whose sizes are not clear. Their study found out that managers in the family owned firm had better skills and were more effective when compared to their other counterparts. However, firm size and contextual disparities could help explain the difference in findings between the current study and the one done in Croatia. The fact that the effect of owner/managers' level of interpersonal competencies on performance was more significant in non-family owned small-to-medium enterprises, may imply that owner/managers in family owned small-to-medium enterprises require intensive training on how to handle the family and business entities, if their competencies are to translate into improved performance. Worse still, owner/manager competencies in family owned small-to-medium enterprises could also be hampered by family skirmishes spilling over into the businesses, emotional rather than rational decision-making, authoritarian paternalistic cultures, nepotism, unclear organisation, inflexibility in innovation, succession and resistance to change (Farrington & Venter, 2009).

Although research on the competence-performance nexus among small-to-medium enterprises in South Africa is in its infancy (Kyobe et al., 2015), a related investigation on the impact of managerial competencies on the performance of small-to-medium enterprises in the Buffalo City Municipality in the Eastern Cape Province by Tarwirei (2015) established that high performance of small-to-medium enterprises was linked to managers' technical and business skills; while the ability to outperform industry rivals and increase productivity was dependent on human skill (Tarwirei, 2015). However, the study is not explicit on the enterprises' mode of ownership.

In addition, in explaining differences in both family and non-family owned small-to-medium enterprises, the current study could confirm research findings that suggest that the desire by a family to keep control of their firm represents an access hurdle to venture capital investment opportunities, creating incongruity between managerial competencies and innovation projects (Block et al., 2013; Gómez-Mejía, Cruz, et al., 2011). The results from the current study could also help explain how the lack appropriate managerial competencies in family owned small-to-medium enterprises can lead to lower performance (Kyobe et al., 2015).

Although past studies (Yordanova, 2016; Sharma, 2013; Dibrell & Moeller, 2011) established that, differences between the two types of firms could be explained by the fact that family members' contact with the business since childhood and other such kinship considerations give the firms a competitive advantage, this study refuted these findings. Even if family firm stewardship governance has been associated with innovativeness and performance (Siddik & Kabiraj, 2016; Dibrell & Moeller, 2011), the current study could not ascertain these findings. Instead of the integration of family and business in family owned small-to-medium enterprises creating several significant and distinctive advantages, in terms of managerial interpersonal competencies and firm performance(as propounded by the resource based view) when compared to their other counterparts, the opposite was the case. The fact that there is always competition between business and family in family owned businesses in terms of what comes first, the business or the family (Sultan et al., 2017)- may confound the relationship between owner/managers' level of interpersonal competencies, and business performance as measured by employee innovation and return on investment. However, since the differences between family and non-family firms unearthed in previous studies could have been caused by demographic sample differences such as size, age, type of industry and location – instead of 'real' differences between groups, the observation by Rettab and Azzam (2011) that the prevalence of evidence from diverse studies is what eventually shapes the meta view of the superiority of one business over the other, seems valid.

P-values of 0.021 and 0.017 for family and non-family owned small-to-medium enterprises shown on Table 9.14 above are less than 0,05 respectively. They suggest a statistically significant relationship on **H_{4d}** which states that *there is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of managerial interpersonal competencies of owner/managers on agency relationships.* However, the effect of owner/managers' level of interpersonal competencies on the quality of agency relationships is more significant in non-family owned small-to-medium enterprises. From a resource based view, the most important resource a family firm has is its human capital, which enables them to assess, obtain, bundle, shed and leverage their resources in ways that vary from those of non-family firms-thus giving them a competitive advantage (Rau, 2014; Sirmon and Hitt, 2003; Barney, 1991). Although the current study did not consider the typology of the families (clan family, professional family firm, and so on) accepting **H_{4d}** suggests that management competencies within the context of family ownership is likely to reduce conflicting goals as behaviour is monitored largely through close family ties (Duh, 2010). However, despite the aforementioned advantages accruing to family owned enterprises, the current study established that the effect of managerial interpersonal competencies on the quality of agency relationships was more significant in non-family owned small-to-medium enterprises. This area requires more research because the family setting provides a variant to the impersonal setting implied by the agency contract (Kotla & Sieger, 2018; Madison et al., 2015), thus presenting confounding scenarios.

Family ownership is more amenable to relational contracts based on mutual expectations and which depart from the assumption of economic rationality (Ponomareva & Ahlberg, 2016). Non-economic motives such as nepotism, family altruism or internal family conflicts of the management and the board that ordinarily characterise the contractual relationships within family owned small-to-medium enterprises, are largely informal when compared to the more formal contractual arrangements in managerially governed firms (Collin & Ahlberg, 2012).The foregoing motives may rob the family enterprise of employees with the requisite managerial competencies (Padgett et al., 2015), or may inhibit proper execution of top management competencies. For instance, an investigation into family business and small-to-medium enterprises in South Africa by Visser & Chiloane-Tsoka (2014) established that since most family owned small-to-medium enterprises are closely held and owner-managed with owners having direct insights into internal processes of the firm, the control function of the board may not be necessary and many of their boards exist on paper only. The firm would therefore be indistinguishable from the owner-manager, upon whom its failure or success depends (Stokes & Wilson, 2010), but whose competency in all areas pertaining to the family business may be questionable. In addition, agency problems can still manifest themselves in privately held and owner managed firms because non-economically motivated inclinations give owners an incentive to take actions that compromise their personal welfare, as well as the welfare of those around them (Pagliarussi & Costa 2017, Gómez-Mejía et al., 2011; Schulze, et al. 2001). The study established that agency problems related with private ownership and owner management, stemming from family ownership, together with those engendered by altruism, jeopardize the performance of privately held, family-managed firms.

A p–value of 0,001 less than 0,05 in family owned small-to-medium enterprises, led to the acceptance of $\mathbf{H_{5d}}$ which states that *there is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of performance appraisal methods on agency relationships.* However, a p-value of 0,057, greater than 0, 05 in their non-family counterparts led to the rejection of the above hypothesis. This means that the way employee performance was appraised affected the quality of agency relationships in family owned small-to-medium enterprises only. Goal alignment makes performance appraisal even more meaningful and focussed in family owned small-to-medium enterprises, since the process of performance management has to begin at the top - the family CEO after being evaluated by the board and/ or leadership team through a 360-degree process, later reviews the performance of each employee reporting to him/her in turn (Dashew, 2007).The process has to cascade downwards till every employee's performance has been evaluated. However, close personal relationships in family owned small-to-medium enterprises may cause conflicts of interest (Nosé, Korunka, Frank & Danes, 2015), that could significantly affect the successful implementation of performance management. Furthermore, demographic similarity between the appraiser and appraisee and the quality of the work relationship - likely to be impacted by family or friend status - can intensify positive affect towards the appraisee, resulting in inflated performance appraisal ratings (Brawley, 2016).

Alternatively, adopting formal performance management practices may be viewed as unnecessary by members in family owned small-to-medium enterprises based on the view that, the interests of family member employees are already aligned - further reducing the likelihood of using formal management systems (Pittino & Visintin, 2013).Yet, the family and business values do not always align and worse still, family businesses appear to prefer informal, often discretionary measures, leading to the adoption of unfair performance appraisal systems(Pittino, Visintin, Lenger & Stenard, 2016). Unfortunately, such informality may result in conflicts during the process of appraisal, given that job performance may not be rigidly or explicitly defined, and the criterion for performance management is vague, opening prospects for disagreement about either job responsibilities or acceptable behaviours (Brawley, 2016). However, since the current study established that the way employee performance was appraised affected the quality of agency relationships in family owned small-to-medium enterprises only, this implies that expert advice may have to be enlisted in managing both the performance appraisal process and the dynamics of agency in family businesses where they are fundamentally different from their non-family counterparts.

At the 5% level of significance, p-values of 0,005 and 0,254 in family and non-family owned small-to-medium enterprises respectively suggest the acceptance of **H_{7d}**, which states that *there is a significant difference between family and non-family owned small-to-medium enterprises, in terms of the effect of performance appraisal methods on firm performance, as measured by return on investment* within the context of family owned small-to-medium enterprises only. The way performance appraisal was done affected firm profitability in terms of return on investment in family owned small-to-medium enterprises only. Although the above findings resonate well with those from a study of 225 Japanese SMEs by Jung and Takeuchi (2010), this area requires further research, especially given that both familiness and small-to- medium enterprises are conceptualised differently in the two countries. The study established that the dominance of a community culture within the firm is an antecedent of top management's supportive leadership, which in turn necessitates a performance-based appraisal practice, and eventually leads to better organisational performance in terms of objective indicators of turnover, absenteeism rates and workforce productivity (Jung & Takeuchi, 2010). Such a community culture is easy to establish in family owned small-to-medium enterprises when compared to their counterparts of the same size. Consequently, certain informal practices like the family atmosphere that draws high commitment among employees, use of patient and survivability capital and close rapport with stakeholders constitute unique resources that are likely to give the family firm leverage (Rau, 2014; Simon & Hitt, 2003).

P-values of 0,012 and 0,052 for family and non-family owned small-to-medium enterprises respectively suggest a statistically significant relationship within the context of family owned small-to-medium enterprises only. This led to the acceptance of $\mathbf{H_{9d}}$ which states that *there is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of agency relationships on firm performance measured by return on investment* within the family owned small-to-medium enterprises context. This means that the quality of agency relationships affected return on investment only in family owned small-to-medium enterprises. However, regarding agency relationships and firm performance, there is a dearth of studies in Africa and South Africa in particular, hence the need for more research. Acceptance of $\mathbf{H_{9d}}$ implies that in family-influenced firms, the interaction of the family unit, the business institution and different family members create inimitable systemic conditions and constituencies that influence the performance outcomes of the family enterprise (Rau 2014; Sharma & Nordqvist, 2013, Habbershon et al., 2003). Moreover, given the involvement of family in firm ownership and management, family owned businesses may significantly reduce agency costs and enhance firm performance, for the goals of the firm's principals are aligned with its agents since they are characteristically one and the same (Memili et al., 2015; Kim & Gao, 2010).

Interestingly, a mean of 4.08 (on a likert scale ranged 1-strongly disagree to 5-strongly agree) for family owned small-to-medium enterprises and 2.56 for their other counterparts on the item AR 1 (Tasks can safely be delegated to trusted employees like family members) show the inimitable systemic conditions unique to family owned small-to-medium enterprises. Furthermore, an overall mean of 3.85 for family owned small-to-medium enterprises, compared to 3.4 for their other counterparts on item AR 7 (Owner – manager's family members are more likely to endure short term losses for long-term survival of the firm) again help show the advantages of family ownership. However, from a resource-based view, family managers may not have the requisite training or expertise needed to grow the firm, especially if family values encourage nepotism (Duh, 2010).

On the contrary, the traditional agency theory suggests that there is less need for sophisticated corporate governance mechanisms and formal supervision for family firms. Therefore, their agency costs are not significant compared to non-family firms (Herrero, 2011; Yupitun, 2008). This could explain why they might have an edge over their non –family counterparts. In addition, with reciprocal altruism (both family owner and family manager are altruistic toward each other), a family firm has a competitive advantage in pursuing certain business opportunities because the family firm will have lower reservation prices for those business opportunities (Memili et al., 2015). According to Yupitun (2008), within family firms, personalism and particularism allow decision-making and authority to coalesce with a bias towards the dominant family coalition – resulting in cost-savings, arising from lower information asymmetry between owners and managers. In other words, the three propensities characteristic of family ownership (parsimony, particularism and personalism) give advantages in scarce environments, facilitate the creation and utilisation of social capital, and engender opportunistic investment processes (Memili et al., 2015; Carney, 2005) - culminating in better performance of family owned small-to-medium enterprises.

Furthermore, the assumption of agent opportunism may not hold in a proximal agency relationship wherein the parties are mutually dependent, work closely with each other, and may be emotionally attached (Cruz et al., 2010) as in family owned small-to-medium enterprises. A related study by De Massis et al. (2015) suggests the existence of an inverted U-shaped relationship between family ownership and performance; and concluded that balancing family and non-family members in the top management team was beneficial to small-to-medium enterprises' performance. Although balancing non-family and family members in top management was found to be helpful to the enterprises' performance, the family ratio in the top management team became crucial only at high levels of family ownership. These findings provide support to the idea that, the advantages of family management stem mainly from the alignment of interests between owners and managers, plus the positive effects of kinship relations within the group of managers, while the shortcomings were associated with the exceedingly redundant human capital of family members.

The hypotheses below showed that no significant differences existed between family and non-family owned small-to-medium enterprises. The following hypotheses were rejected.

H_{3d}: *There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of managerial interpersonal competencies of owner/managers on performance appraisal methods.*

H_{6d}: *There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of performance appraisal methods on firm performance as measured by innovation.*

H_{8d}: *There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of agency relationships on firm performance as measured by innovation.*

At the 5% level of significance, p-values of 0,324 and 0,457 in family and non-family owned small-to-medium enterprises respectively are greater than 0,05, suggesting no statistically significant relationships. This led to the rejection of **H_{3d}**, which states that *there is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of managerial interpersonal competencies of owner/managers on performance appraisal methods*. It can be concluded that, the effect of owner/managers' level of interpersonal competencies on the way performance appraisal was done did not differ regardless of enterprise mode of ownership. This can be explained by the fact that personnel (management included) in both types of businesses are likely to be so engrossed with managing daily work, that they have no extra time for additional activities (Abduli, 2013) like implementing performance appraisal. In addition, sheer lack of managerial capacity and culture in these firms may result in managerial tools and techniques (such as performance appraisal) being perceived as of little benefit to the firm (Pekkola et al., 2016). Frequently, employees occupy different positions at the same time, organisation structures are flat, and although the owner-manager oversees both operational and managerial functions, managerial activities are usually neglected (Barisic & Bozicevic, 2013). In spite of the aforementioned explanations, and as has been alluded to before, it remains imperative that owner/managers in both types of enterprises receive appropriate training for them to appreciate the benefits of proper performance appraisal

P-values of 0,852 and 0,285 for family and non-family owned small-to-medium enterprises are both greater than 0, 05, suggesting that there is no *significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of performance appraisal methods on firm performance measured by innovation.* This led to the rejection of $\mathbf{H_{6d}}$ in both kinds of firms. Thus, no differences existed in the way performance appraisal affected employee innovative behaviours in both types of enterprises. There is a dearth of literature on the relationship between performance appraisal methods and firm performance in small-to-medium enterprises (Wickramasinghe, 2016). Although extant literature is replete with studies on the extent to which HRM can be used to augment business performance (Saha et al., 2017; Foss et al., 2015), research has progressed slower in small-to-medium enterprises than in other businesses (Kim & Gao, 2010). Furthermore, despite the few insights describing how HRM (and performance management in particular) in family firms differ from their non-family counterparts, as well as from each other (Gagne et al., 2014), theory that seeks to explain how these differences emerge and how they shape important outcomes in family firms is still in its infancy (Combs et al., 2018) - hence, the need for further research in this area. However, a study in medium-sized enterprises in Sri Lanka by

Wickramasinghe (2016) found that the following six characteristics of performance management, viz; focus, target setting, integration with other human resource management functions, administrative work procedures, interdependency and responsibility were significant predictors of performance management effectiveness. Performance appraisal in both types of enterprises under study failed to influence innovation possibly due to informality, goals not aligned with company, team, and individual objectives and inefficient employee performance feedback systems.

At the 5% level of significance, p-values of 0,189 and 0,654 in family and non-family owned small-to-medium enterprises suggest a rejection of **H$_{8d}$** which states that, *there is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of agency relationships on firm performance measured by innovation* in both kinds of SMEs. Despite the paucity of research regarding agency relationships and firm performance in South Africa, Panda and Leepsa (2017) observe that, generally, the separation of ownership from control in organisations may lead to loss of appropriate monitoring by the owners on the managers, who may use business assets for their private purpose to maximise their welfare, with obvious implications on firm performance. Opportunistic behaviour by either party has the potential to impact parties outside the immediate principal–agent relationship, as well as direct and indirect stakeholders in society (Zardkoohi et al., 2015) - but with far-reaching consequences to the business. Besides the financial implications of opportunistic behaviours, opportunism may also affect mutual trust and commitment, thus creating serious threats in quality of social embeddedness (Zardkoohi et al., 2015; Yaqub, 2009).

In addition, Machek et al. (2013) conclude that, the impact of family involvement on business performance was not adversarial. The study established that the mean size of the effect was moderately positive, implying that family ownership and management had a slightly positive impact on business performance (Machek et al., 2013). Interestingly, the current study established no significant relationship between agency relationships and firm performance in both kinds of enterprises. Although the above meta-analysis by Machek et al. (2013) provided rich and summarised data, the concerned studies were largely done in Europe, which proffered disparate conceptualisations of both the entrepreneurial and the family firm. Worse still, their analysis remains silent on the sizes and industry of the firms concerned. These results suggest that the agency and stewardship theories are not necessarily in conflict with each other but can both be used to come up with a more general governance framework for small-to-medium enterprises in South Africa.

9.5 CONCLUDING REMARKS

This chapter both presented and discussed the research findings. The next chapter focuses on the conclusion and recommendations informed by these findings. The conclusion helps to refocus the purpose of the research, reveals an outline of what was found and discloses the implications of the findings. Recommendations are also proposed and they are meant to proffer specific actions that could be needful in terms of policy, theory, practice, or subsequent research.

CHAPTER 10 CONCLUSIONS, RECOMMENDATIONS AND FUTURE RESEARCH

10.1 INTRODUCTION

The previous chapter presented and analysed data on the effect of managerial interpersonal competencies, performance management and agency relationships on the performance (measured by innovation and return on investment) of family and non-family owned small-to-medium enterprises. Based on the reported empirical findings in the previous chapter, the present chapter presents conclusions, recommendations, and proffer suggestions for future research.

10.2 OVERVIEW OF THE STUDY

This study has been motivated by the fundamental role small-to-medium enterprises play worldwide in the socio-economic development of countries in areas such as employment creation and contributions to the gross domestic product (Ardic et al., 2011). In South Africa, small-to-medium enterprises account for about 91% of the formal business entities and contribute significantly in the country's gross domestic product and employment creation (Cant & Wiid, 2013; Kongolo, 2010). Despite such contributions, the performance of small-to-medium enterprises has been a subject of investigation over the last decade or so, yet, they often have been treated as a homogeneous group without distinguishing family from non-family owned ones.

The previously mentioned lack of empirical evidence is against a backdrop that argues that the key internal cause of small-to-medium enterprises' failure in South Africa is lack of management and functional skills among managers (Fatoki, 2014). In fact, these competencies are some of the requisites for effective human resource management (Fatoki, 2014; ThabitYahya & AbdelhayElsayed, 2012; Ulrich, Younger, Brockbank & Ulrich, 2012) and performance management. To demonstrate how narrowly managerial competencies have been construed, other competencies such as managerial interpersonal competencies have actually been applauded for promoting venture performance (Sidek & Mohamad, 2014; Rahman et al., 2011), and yet in all previous studies, despite non-differentiation of small firm type, these competencies have not been considered. Moreover, studies linking managerial competencies and firm performance (Tahmasb et al., 2014; Königová et al., 2012) have been done with little or no differentiation between the exact competencies required, or family and non-family owned businesses. These issues have been considered in the current study, with an endeavour to contribute to the growing body of literature on small-to-medium enterprises.

Furthermore, whether the small -to -medium enterprises are family owned or non-family owned, issues of agency relationships in running the business have become pervasive since they are fundamental aspects upon which business relationships are built (Ahmad et al., 2012). Considering that agency relationships have been studied in the context of large public listed companies in both South Africa and some other parts of the world (Yahya et al., 2016), very few studies have demonstrated such a role in small-to-medium enterprises, especially in a developing economy. This study attempted to close that gap by investigating whether agency relationships, owner/managers' interpersonal competencies, and performance appraisal (a tool, and central pillar of performance management) could show some differences in the performance of family and non-family-owned small-to medium enterprises. To close the gap, literature was reviewed, resulting in a structural model, depicting how business performance is affected by the inter-relationship between managerial interpersonal competencies, performance management and varying levels of agency relationships. The intention was to empirically evaluate the proposed model and determine any differences between family and non-family owned small-to-medium enterprises in South Africa. Thus, from the proposed structural model, the following hypotheses were formulated:

***H*$_1$**: *There is a significant effect of managerial interpersonal competencies on performance, as measured by innovation, regardless of small-to-medium enterprise type.*

***H*$_2$:** *There is a significant effect of managerial interpersonal competencies on performance, as measured by return on investment, regardless of small-to-medium enterprise type.*

H_3: The managerial interpersonal competencies of owner/managers have a significant effect on performance appraisal methods, regardless of small-to-medium enterprise type.

H_4: The managerial interpersonal competencies of owner/managers have a significant effect on agency relationships, regardless of small-to-medium enterprise type.

H_5: Performance appraisal methods have a significant effect on agency relationships, regardless of small-to-medium enterprise type.

H_6: There is a significant effect of performance appraisal methods on business performance as measured by innovation, regardless of small-to-medium enterprise type.

H_7: There is a significant effect of performance appraisal methods on business performance as measured by return on investment, regardless of small-to-medium enterprise type.

H_8: There is a significant effect of agency relationships on business performance as measured by innovation, regardless of small-to-medium enterprise type.

H_9: There is a significant effect of agency relationships on business performance as measured by return on investment, regardless of small-to-medium enterprise type.

In order to explore how each relationship in the model varied across the two groups – family and non-family owned small-to-medium enterprises; group difference analysis was done. Group difference analyses were conducted using the SEM to evaluate the relationships in models between the two types of enterprises. Below were the hypotheses formulated to perform group difference analysis:

H_{1d}: There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of managerial interpersonal competencies on firm performance, as measured by innovation.

H_{2d}: There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of managerial interpersonal competencies on firm performance, as measured by return on investment.

H_{3d}: *There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of managerial interpersonal competencies of owner/managers on performance appraisal methods.*

H_{4d}: *There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of managerial interpersonal competencies of owner/managers on agency relationships.*

H_{5d}: *There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of performance appraisal methods on agency relationships.*

H_{6d}: *There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of performance appraisal methods on firm performance as measured by innovation.*

H_{7d}: *There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of performance appraisal methods on firm performance as measured by return on investment.*

H_{8d}: *There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of agency relationships on firm performance as measured by innovation.*

H_{9d}: *There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of agency relationships on firm performance as measured by return on investment.*

10.3 CONCLUSIONS BASED ON THE EMPIRICAL STUDY

The main objective of this study was to examine the effect of managerial interpersonal competencies, performance management and agency relationships on business performance among family and non-family owned small-to-medium enterprises in Gauteng Province, South Africa.

The following subsidiary objectives were proposed to achieve the afore-mentioned main objective:

1. To develop a conceptual model that describes the relationship between managerial interpersonal competencies, performance management,

agency relationships and business performance among family and non-family owned small-to-medium enterprises.

2. To collect data from small-to-medium enterprises owner/managers and empirically evaluate the proposed model for model fit.
3. To determine whether mode of firm ownership affects the relationship between managerial interpersonal competencies, performance management, agency relationships and business performance among small-to-medium enterprises.
4. To highlight the differences in the interpersonal competencies required of managers of family-owned small-to-medium enterprises on the one hand and non-family-owned small-to-medium enterprises on the other hand.

10.3.1 Confirmatory factor analysis

The purpose of CFA was to operationalise the latent variables. According to Burger (2012), operationalisation of the measurement model is achieved when it reproduces the observed covariance matrix, and when the model parameter estimates indicate that the majority of the variance in the indicator variables are able to be explained in terms of the latent variables to which they were meant to reflect. The model fit of the initial model was far below the acceptable thresholds. It was therefore important to improve the model fit indices. A diagnostic guided by an analysis of the modification indices, the factor loading, and the standardised residual covariance matrix helped to identify problematic items, which were then deleted to improve the model fit indices.

The final measurement model (CFA) showed acceptable model fit indices, as follows. CMIN/DF= 1.73; GFI= 0.853; AGFI= 0.800; CFI= 0.906; TLI= 0.887; RMSEA= 0.042; PCLOSE= 0.995 (where PCLOSE= the p-value of a test on RMSEA). GFI was visibly below 0.9. However, the Adjusted GFI adjusts the GFI.

Furthermore, reliability of the scales was established by both the traditional Cronbach's alpha (internal consistency) approach and the concept of construct reliability (CR) as proposed by Hair et al. (2014). The Cronbach alpha values and

CR values suggested that the scales were reliable because the values were above 0.7.

Regarding convergent validity, the factors loaded well in the constructs (factor loadings >0.5). The item-total correlation values also indicated decent values except for AR2 = 0.484 and ICI= 0.499 and IC4= 0.465. The AVE values of the constructs AR (AVE= 0.449) and IC (AVE= 0.430) however, were marginally below 0.5. The values of the factor loading, and item-total correlation supported to some extent the convergent validity of the scales. To ensure discriminant validity, $\sqrt{\text{AVE}}$ of a specific construct should be above all the correlation coefficients of each construct with other constructs. The correlation matrix confirmed that there was discriminant validity.

The afore-mentioned procedures led to fitting the structural model, which helped to relate latent variables to one another. The structural model showed the following acceptable model fit indices: CMIN/DF= 1.995; GFI= 0.883; AGFI= 0.841; CFI= 0.916; TLI= 0.898; RMSEA= 0.040; PCLOSE= 1.000.

It was deduced from the structural model that there was a positive and statistically significant effect of managerial interpersonal competencies (β=0.30; $p<0.001$) and the key component to performance management – performance appraisal methods (PAM) (β=0.311; $p<0.01$) on agency relationships (AR). These two variables (managerial interpersonal competencies and performance appraisal methods) accounted for 20% (R^2 =0.196) of the variation of agency relationships. It was also established that managerial interpersonal competencies were a critical factor that significantly affected business performance among family and non- family owned small-to-medium enterprises, as measured by innovation, and return on investment.

Regarding group differences, the two structural models (one for family owned small-to-medium enterprises and the other for their counterparts) also showed acceptable model fit indices: CMIN/DF= 1.995; GFI= 0.883; AGFI= 0.841; CFI= 0.916; TLI= 0.898; RMSEA= 0.040; PCLOSE= 1.000. However, the structural model for family owned small-to-medium enterprises seemed to be more stable and provided more significant relationships in the context of family businesses when compared to the structural model for their other counterparts.

10.3.2 Hypothesis testing

The hypotheses were tested through the structural model. The structural model helped to relate latent variables to one another. The following acceptable model fit indices were shown: CMIN/DF= 1.995; GFI= 0.883; AGFI= 0.841; CFI= 0.916; TLI= 0.898; RMSEA= 0.040; PCLOSE= 1.000. The proposed structural model depicted nine hypothesised relationships. Below, are the conclusions drawn from the results.

10.3.3 Effect of managerial interpersonal competencies on innovation

The first hypothesis tested the effect of managerial interpersonal competencies on performance as measured by innovation, regardless of small-to-medium enterprise type. To examine the validity of this relationship, the following hypothesis was proposed: ***H*$_1$**: *There is a significant effect of managerial interpersonal competencies on performance, as measured by innovation, regardless of small-to-medium enterprise type.* The results showed that there is a significant effect of managerial interpersonal competencies on performance measured by innovation, regardless of small-to-medium enterprise type. As a result, the alternative hypothesis was accepted leading to the following conclusion:

The owner/manager‘s interpersonal competencies affect employee innovative behaviours in both types of enterprises.

10.3.4 Effect of managerial interpersonal competencies on return on investment

The second hypothesis tested the effect of managerial interpersonal competencies on performance as measured by return on investment, regardless of small-to-medium enterprise type. To examine the veracity of this relationship, the following hypothesis was proposed: ***H*$_2$**: *There is a significant effect of managerial interpersonal competencies on performance, as measured by return on investment, regardless of small-to-medium enterprise type.* Results showed that there is a significant effect of managerial interpersonal competencies on performance as measured by return on investment, regardless of small-to-medium enterprise type.

The alternative hypothesis was therefore accepted, leading to the following conclusion:

Owner/manager's interpersonal competencies affect enterprise profitability as measured by ROI.

10.3.5 Effect of managerial interpersonal competencies on performance appraisal

The third hypothesis focused on the effect of managerial interpersonal competencies on performance appraisal methods, regardless of small-to-medium enterprise type. To examine this relationship, the following hypothesis was proposed: ***H_3:*** *The managerial interpersonal competencies of owner/managers have a significant effect on performance appraisal methods, regardless of small-to-medium enterprise type.* The results showed that no significant effect of managerial interpersonal competencies on performance appraisal methods existed in small-to-medium enterprise, regardless of type. The alternative hypothesis was therefore rejected, and the null hypothesis accepted, leading to the following conclusion:

The way performance management and performance appraisal is done in both types of firms is not affected by the levels of owner/managers' interpersonal competencies.

10.3.6 Effect of managerial interpersonal competencies on agency relationships

The fourth hypothesis tested the effect of managerial interpersonal competencies on agency relationships, regardless of small-to-medium enterprise type. To examine the authenticity of this relationship, the following hypothesis was proposed: ***H_4 :*** *The managerial interpersonal competencies of owner/managers have a significant effect on agency relationships, regardless of small-to-medium enterprise type.* Results showed that the managerial interpersonal competencies of owner/managers have a significant effect on agency relationships, regardless of small-to-medium enterprise type. The alternative hypothesis was therefore accepted, and the null hypothesis rejected, leading to the following conclusion:

Owner/managers' interpersonal competencies affect agency relationships in both types of enterprises.

10.3.7 Effect of performance appraisal methods on agency relationships

The fifth hypothesis focussed on the effect of performance appraisal methods on agency relationships in both small-to-medium enterprise types. To examine this relationship, the following hypothesis was proposed: ***H_5****: Performance appraisal methods have a significant effect on agency relationships, regardless of small-to-medium enterprise type.* Results showed that performance appraisal methods have a significant effect on agency relationships, regardless of small-to-medium enterprise type. The alternative hypothesis was therefore accepted, and the null hypothesis rejected, leading to the following conclusion:

The way employee performance appraisal is done affects the kind of agency relationships in both types of enterprises.

10.3.8 Effect of performance appraisal methods on innovation

The sixth hypothesis tested the effect of performance appraisal methods on business performance as measured by innovation, regardless of small-to-medium enterprise type. To examine this relationship, the following hypothesis was proposed: ***H_6:*** *There is a significant effect of performance appraisal methods on business performance as measured by innovation, regardless of small-to-medium enterprise type*. Results showed that there is no significant effect of performance appraisal methods on business performance as measured by innovation, regardless of small-to-medium enterprise type. The alternative hypothesis was therefore rejected, and the null hypothesis accepted, leading to the following conclusion:

The way performance appraisal is done does not affect employee innovation in both types of enterprises.

10.3.9 The effect of performance appraisal methods on return on investment

The seventh hypothesis focused on the effect of performance appraisal methods on business performance as measured by return on investment, regardless of small-to-medium enterprise type. To investigate this relationship, the following hypothesis was proposed: ***H_7:*** *There is a significant effect of performance appraisal methods on business performance as measured by return on investment, regardless of small-to-medium enterprise type*. Results showed that there is no significant effect of performance appraisal methods on business performance as measured by return on investment in small-to-medium enterprises, regardless of type. The alternative hypothesis was therefore rejected, and the null hypothesis accepted, leading to the following conclusion:

The way performance appraisal is done does not affect profitability as measured by return on investment in both types of enterprises.

10.3.10 Effect of agency relationships on innovation

The eighth hypothesis tested the effect of agency relationships on business performance as measured by innovation, regardless of small-to-medium enterprise type. To examine the veracity of this relationship, the following hypothesis was proposed: ***H_8:*** *There is a significant effect of agency relationships on business performance as measured by innovation, regardless of small-to-medium enterprise type.* Results showed that there is no significant effect of agency relationships on business performance as measured by innovation, regardless of small-to-medium enterprise type. The alternative hypothesis was therefore rejected, and the null hypothesis accepted, leading to the following conclusion:

Agency relationships obtaining in both types of enterprises do not affect employee innovative behaviours.

10.3.11 Effect of agency relationships on ROI

The ninth hypothesis tested the effect of agency relationships on business performance as measured by return on investment, regardless of small-to-medium enterprise type. To investigate the legitimacy of this relationship, the following hypothesis was proposed: ***H_9:*** *There is a significant effect of agency relationships on business performance as measured by return on investment, regardless of small-to-medium enterprise type.* Results showed that there is no significant effect of agency relationships on business performance as measured by return on investment, regardless of small-to-medium enterprise type. The alternative hypothesis was therefore rejected, and the null hypothesis accepted, leading to the following conclusion:

Agency relationships in both types of enterprises do not affect enterprise profitability as measured by ROI.

10.3.12 Hypothesis testing on group differences

Group difference analysis permitted the exploration of how each relationship in the model varied across the two types of enterprises. To check whether there was a statistical difference in the structural model between the two types of enterprises, group difference analysis was conducted on AMOS 24. The two models showed acceptable fit indices. The proposed structural models depicted nine hypothesised relationships. The hypotheses were tested through structural equation modelling. The conclusions drawn from the results are shown below.

10.3.13 Effect of managerial interpersonal competencies on innovation

The first hypothesis investigated whether a significant difference existed between family and non-family owned small-to-medium enterprises in terms of the effect of managerial interpersonal competencies on firm performance, as measured by innovation. To examine this relationship, the following hypothesis was proposed:

H1d: *There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of managerial interpersonal competencies on firm performance, as measured by innovation.*

The results showed that there is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of managerial interpersonal competencies on firm performance, as measured by innovation. However, the effect of managerial interpersonal competencies on firm performance, as measured by innovation, was more significant in non-family owned small-to-medium enterprises. The alternative hypothesis was therefore accepted, and the null hypothesis rejected, leading to the following conclusion:

The effect of owner/managers' level of interpersonal competencies on employee innovation is more significant in non-family owned small-to-medium enterprises.

10.3.14 Effect of managerial interpersonal competencies on return on investment

The second hypothesis tested whether a significant difference existed between family and non-family owned small-to-medium enterprises in terms of the effect of managerial interpersonal competencies on firm performance, as measured by return on investment. To investigate this relationship, the following hypothesis was proposed: ***H2d:*** *There is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of managerial interpersonal competencies on firm performance, as measured by return on investment.* Results showed that there is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of managerial interpersonal competencies on firm performance, as measured by return on investment. However, the effect of managerial interpersonal competencies on firm performance, as measured by return on investment was more significant in non-family owned small-to-medium enterprises. The alternative hypothesis was therefore accepted, and the null hypothesis rejected, leading to the following conclusion:

The effect of owner/managers' level of interpersonal competencies on firm profitability as measured by return on investment is more significant in non-family owned small-to-medium enterprises.

10.3.15 Effect of managerial interpersonal competencies on performance appraisal

The third hypothesis tested whether a significant difference existed between family and non-family owned small-to-medium enterprises, in terms of the effect of managerial interpersonal competencies on methods of appraising performance. To investigate this relationship, the following hypothesis was proposed: ***H_{3d}:*** *There is a significant difference between family and non-family owned small-to-medium enterprises, in terms of the effect of managerial interpersonal competencies of owner/managers on performance appraisal methods*. Results suggested that there is no significant difference between family and non-family owned small-to-medium enterprises, in terms of the effect of managerial interpersonal competencies of owner/managers on performance appraisal methods. This led to the rejection of the alternative hypothesis, and the null hypothesis was accepted, leading to the following conclusion:

The effect of owner/managers' level of interpersonal competencies on the way performance appraisal was done did not differ regardless of enterprise mode of ownership.

10.3.16 Effect of managerial interpersonal competencies on agency relationships

The fourth hypothesis tested whether significant differences existed between family and non-family owned small-to-medium enterprises in terms of the effect of managerial interpersonal competencies on agency relationships. To examine this relationship, the following hypothesis was proposed. ***H_{4d}:*** *There is a significant difference between family and non-family owned small-to-medium enterprises, in terms of the effect of managerial interpersonal competencies of owner/managers on agency relationships*. Results showed that there is a significant difference between family and non-family owned small-to-medium enterprises in terms of the effect of managerial interpersonal competencies of owner/managers on agency relationships. However, the effect of managerial interpersonal competencies of owner/managers on agency relationships was more significant in non-family owned small-to-medium enterprises. The null hypothesis had to be rejected. This lead to the following conclusion:

The effect of owner/managers' level of interpersonal competencies on the quality of agency relationships is more significant in non-family owned small-to-medium enterprises.

10.3.17 The effect of performance appraisal methods on agency relationships

The fifth hypothesis focused on whether significant differences existed between family and non-family owned small-to-medium enterprises, in terms of the effect of performance appraisal methods on agency relationships. To examine this relationship, the following hypothesis was suggested: ***H_{5d}:*** *There is a significant difference between family and non-family owned small-to-medium enterprises, in terms of the effect of performance appraisal methods on agency relationships*. Results showed that there is a significant difference between family and non-family owned small-to-medium enterprises, in terms of the effect of performance appraisal methods on agency relationships in family owned small-to-medium enterprises only. The alternative hypothesis was accepted in family owned small-to-medium enterprises but rejected in non-family owned small-to-medium enterprises. This led to the following conclusion:

The way employee performance was appraised affected the quality of agency relationships in family owned small-to-medium enterprises only.

10.3.18 The effect of performance appraisal methods on innovation

The sixth hypothesis tested whether significant differences existed between family and non-family owned small-to-medium enterprises, in terms of the effect of performance appraisal methods on firm performance measured by innovation. To examine this relationship, the following hypothesis was suggested: ***H_{6d}**: There is a significant difference between family and non-family owned small-to-medium enterprises, in terms of the effect of performance appraisal methods on firm performance as measured by innovation.* Results suggested there is no significant difference between family and non-family owned small-to-medium enterprises, in terms of the effect of performance appraisal methods on firm performance as measured by innovation. This led to the rejection of the alternative hypothesis, and the null hypothesis was accepted, leading to the following conclusion:

No differences existed in the way performance appraisal affected employee innovative behaviours in both types of enterprises.

10.3.19 The effect of performance appraisal on return on investment

The seventh hypothesis tested whether significant differences existed between family and non-family owned small-to-medium enterprises, in terms of the effect of performance appraisal methods on firm performance as measured by return on investment. To examine this relationship, the following hypothesis was suggested: ***H_{7d}**: There is a significant difference between family and non-family owned small-to-medium enterprises, in terms of the effect of performance appraisal methods on firm performance as measured by return on investment*. The results showed that there is a significant difference between family and non-family owned small-to-medium enterprises, in terms of the effect of performance appraisal methods on firm performance as measured by return on investment in family owned small-to-medium enterprises only. The alternative hypothesis was accepted in family owned small-to-medium enterprises but rejected in non-family owned small-to-medium enterprises. This led to the following conclusion:

The way employee performance was appraised affected profitability in terms of return on investment in family owned small-to-medium enterprises only.

10.3.20 The effect of agency relationships on innovation

The eighth hypothesis focused on whether significant differences existed between family and non-family owned small-to-medium enterprises, in terms of the effect of agency relationships on firm performance as measured by innovation. To examine this relationship, the following hypothesis was suggested: ***H*$_{8d}$*:** *There is a significant difference between family and non-family owned small-to-medium enterprises, in terms of the effect of agency relationships on firm performance as measured by innovation.* Results showed that there is no significant difference between family and non-family owned small-to-medium enterprises, in terms of the effect of agency relationships on firm performance as measured by innovation. This led to the rejection of the alternative hypothesis, and the null hypothesis was accepted, leading to the following conclusion:

Whether an enterprise was family or non-family owned did not have any effect on the relationship between quality of agency relationships and employee innovative behaviours.

10.3.21 The effect of agency relationships on return on investment

The ninth hypothesis tested whether significant differences existed between family and non-family owned small-to-medium enterprises, in terms of the effect of agency relationships on firm performance measured by return on investment. To examine this relationship, the following hypothesis was suggested*: **H*$_{9d}$*:** There is a significant difference between family and non-family owned small-to-medium enterprises, in terms of the effect of agency relationships on firm performance measured by return on investment.* The results suggested that there is a significant difference between family and non-family owned small-to-medium enterprises, in terms of the effect of agency relationships on firm performance as measured by return on investment in family owned small –to-medium enterprises only. The alternative hypothesis was accepted in family but rejected in non-family owned small-to-medium enterprises. This led to the following conclusion:

The quality of agency relationships affected return on investment only in family owned small-to-medium enterprises.

10.4 RECOMMENDATIONS

Drawing from the conclusions above, the following recommendations are proffered:

10.4.1 Recommendations for practice

Given the pivotal role small-to-medium enterprises play on both global and national business stages, their survival is critical to any well-meaning government. Firstly, since owner/managers' interpersonal competencies have been found to affect both employee innovative behaviours and profitability in both types of enterprises, there is need to augment competencies internally through deliberate human resource development initiatives to leverage on them. Secondly, although the quality of agency relationships in both types of small-to-medium enterprises have no effect on innovation and profitability, they are affected by owner/managers' interpersonal competencies. In addition, the effect of owner/managers' level of interpersonal competencies on the quality of agency relationships differed, depending on the enterprise's mode of ownership. In turn, the quality of these agency relationships was found to affect profitability measured by return on investment only, in family owned small-to-medium enterprises.

The scenario makes the need for management training of owner/managers, especially in family owned small-to-medium enterprises on issues to do with succession planning and professionalising HR imperative. The success and growth of family owned small-to-medium enterprises could be hampered by family skirmishes spilling over into the businesses, rivalry between siblings, emotional rather than rational decision-making, authoritarian paternalistic cultures, nepotism, unclear organisation, inflexibility in innovation, succession and resistance to change (Farrington & Venter, 2009).

Thirdly, the way employee performance appraisal is done affected the kind of agency relationships in the enterprises, particularly in family owned small-to-medium enterprises. Expert advice may have to be enlisted on managing principal-agent dynamics, especially in the family businesses where they are fundamentally different from their non-family counterparts, insinuating that governance structures like oversight boards, monitoring mechanisms, incentives and strategic planning systems of family owned small-to-medium enterprises may need to differ from those of their counterparts. As has been alluded to before, concerted effort should be put towards financing these enterprises' competence development courses, as most of them are largely using outdated performance management techniques. Competence development courses are also required where the owner doubles as the manager, who in most cases has no adequate knowledge, expertise, and experience. To avoid, compromising employees' perceptions of equality and fairness, the evaluation of performance to determine who qualifies for raises, bonuses or other incentives must be well-defined. In view of this, it is recommended that family members should not review each other's performance if credibility and objectivity are to be achieved. Appraisals by professionals or consultants who are not related, increases the chances that a family member will receive appropriate and constructive feedback. In addition, cheap and easy performance management systems or software that focus on individual needs of small-to-medium enterprises, rather than adaptations of systems meant for large corporations could be more ideal for performance appraisal in both types of enterprises.

10.4.2 Recommendations for policy

The issues mentioned above beckon policy makers to make deliberate policies that target funding of entrepreneurial ventures to address the biased economic development that existed under apartheid. Policy interventions necessary to address the imbalance could include making skills development programs mandatory for owner/managers. Agencies or SME associations like the Family Business Association of Southern Africa (FABASA), should therefore be empowered (both financially and by policy provisions) to provide a conduit for knowledge and skills enhancing programs. This could be done through mentorship and providing learner-ship to owner/managers. This is likely to assist family enterprises, to leverage on managerial interpersonal competencies for more employee innovative behaviours and improved profitability. The same competencies would go a long way to assist owner/managers augment the quality of agency relationships obtaining in the firms for better performance.

Although no differences existed in the way performance appraisal affected employee innovative behaviours in both types of enterprises, performance appraisals affected profitability in family owned small-to-medium enterprises. Therefore, the national government through the relevant ministries should consider more financial inducements, tax relief for start-ups and additional grants to support investment in new technology, and more training for owner/managers. Policies (like granting tax holidays) meant to incentivise large companies that finance small-to medium enterprises could unlock much of the untapped funding. In addition, policies could be put in place to enable small-to-medium business owners access loans at concessionary interest rates. This could, among other things, go a long way in assisting small-to-medium enterprises acquire sufficient information technology infrastructure for supporting data collection, analysis, interpretation, and reporting processes for effective implementation of performance management.

Even though the way performance management and performance appraisal in particular is done in both types of firms was not affected by the levels of owner/managers' interpersonal competencies, the national government still has a duty to play. The government should endeavour to ease the burdensome regulatory environment and associated bureaucracies that entrepreneurs need to go through, to formalise and professionalise operations. This may encourage shortcuts and informalisation, which may ultimately characterise the way performance management will be executed in the firms. That could be done through crafting enabling policies that would enable owner/managers create platforms to not only voice their concerns, but to make contributions regarding enactments of either trading laws, regulatory instruments, and so on. South Africa improved her global ranking according to The World Bank's annual Doing Business Report (DBR) in categories such as the Starting a Business category (where it reduced the time for online business registration), as well as the Getting Electricity category. However, the country overall ranked 82 out of 190 countries (Creamer Media's Engineering News, 2019). This buttresses the recommendations in respect of the role the government should play in creating an enabling environment.

10.4.3 Recommendations for future research

Future studies could consider incorporating larger sample sizes that would not only increase the generalisability of findings, but further stabilise the models envisaged in this study. Future studies could also consider replicating this study in other provinces.

As business practices evolve, new managerial competencies critical to success are constantly emerging since competencies themselves are dynamic and not static – changing in accordance with changing business trends. As a result, future studies may include such other competencies that measure corporate governance capabilities and ethical conduct, which are likely to have a bearing on managerial interpersonal competencies. Furthermore, future studies may have to consider other managerial competencies such as conceptual or political competencies -traditionally listed by Chandler and Jansen (1992) or any other such competency models.

The current study took a more subjective point of view linked to the owner/manager's perception of the business as a family business, in its conceptualisation of family owned small-to-medium enterprises. Considering only family ownership and a single family as the only measure differentiating family from non-family owned small-to-medium enterprises was too restrictive of family businesses. The study did not consider the heterogeneity due to multi-family ownership and the generational effect. Therefore, since definitions of what makes a firm family or non-family vary from country to county, and even from region to region (Harms ,2014), great caution should be taken when generalising findings of the study.

This study relied on cross sectional data. Future studies could however make use of longitudinal data to properly capture the effect of managerial interpersonal competencies, performance management and agency relationships on firm performance.

10.5 CONTRIBUTIONS OF THE STUDY

From a theoretical viewpoint, this thesis contributed in validating the resource-based view (Barney, 1991) by explaining several resource advantages that family owned small-to-medium enterprises leverage on to enhance their performance. The current study also helped in validating the stewardship theory (Donaldson & Davis, 1991; 1993) since, comparatively, more stable and significant relationships between the four variables under study (shown in Fig 10.1 below) obtained in family owned small-to-medium enterprises. This study also validated agency as a determinant of differences between the two types of businesses, as agency relationships were not only found to be different in family owned small-to-medium enterprises(due to involvement of family members in business operations), but were found to affect their profitability as well. However, the lack of significant relationship between agency relationships and firm performance in both kinds of enterprises showed that the agency and stewardship theories are not necessarily in conflict with each other, hence may both be used to come up with a more generalised governance framework for both types of small-to-medium enterprises in South Africa.

Research on HRM in family firms has concentrated on the adoption of specific HRM practices (Sánchez-Marín, Meroño-Cerdán & Carrasco-Hernández, 2017), yet very little is known about how performance appraisal affects performance (Heinicke, 2018; Pittino & Visintin, 2013) in either family owned small-to-medium enterprises or their counterparts in South Africa. Worse still, studies addressing this issue from an agency perspective are practically scanty, if any. The current study had to close such a yawning gap in literature.

From a conceptual perspective, while findings of this thesis concur with very recent studies by Ntoung et al. (2020) over the superiority of family owned small-to-medium sized enterprises firms in terms of performance, the current study sheds new light that helps in creating a better understanding of the effects of mode of ownership on performance through both managerial interpersonal competencies and performance management. Given that, whether family businesses have worse or better performance is an empirical matter that depends on many variables entrenched in the local context of each country (Aguiló & Aguiló, 2012), findings of this study have controlled for context by considering small-to-medium enterprises in the same country, with similar corporate governance environments and regulatory contexts. By so doing, this study controlled for many a cause of variances in previous studies which have resulted in building literature on false assumptions.

Furthermore, studies linking agency relationships to performance have been studied in the context of large public listed companies (Yahya et al., 2016; Bendickson et al., 2016). Very few studies have demonstrated the role of agency in small-to-medium enterprises, especially in a developing economy (Yahya et al., 2016).This study is one of the very few contributing to growing literature in the area, and could be the first of its kind in South Africa.

Researchers argue that conclusions emanating from developed countries may not be valid for emerging markets which are characterised by institutional voids (Luo & Chung, 2012). A number of studies (De Massis et al., 2015; Chirico & Bau, 2014) were done in developed countries with different contextual realities from those obtaining in South Africa, where levels of managerial interpersonal competencies and even the conceptualisation of small-to-medium enterprises and family ownership differ significantly. Worse still, there is dearth of studies that specifically consider non-family small-to-medium owned enterprises in South Africa. Most studies (Visser & Ciloane-Tsoka, 2014; Fatoki & Garwe, 2010; Venter & Farrington, 2009) either focus on family owned businesses or on small-to-medium enterprises in general. In view of this, the current study is one of the very few, if any, that sheds light on the nexus between managerial interpersonal competencies, performance management, agency relationships and the performance of family and non-family owned small-to-medium enterprises, in an African country. This thesis has also shaded additional insights to the fledgling discipline on family businesses, since family businesses operating in developing countries have recently become an important subject of debate (Serner, 2014).

The realisation that over-reliance on financial measures may result in situations where critical decisions are made without proper appreciation of their implications led to the conclusion that, over and above the traditional financial measures like return on investment , it is necessary to study the socio-emotional variables that influence family businesses' expectations. This led to the adoption of one lagging measure-product and process innovation. This again is a digression from some school of thought that prefer use of objective methods only in the measurement of business performance, arguing that subjective measurements may change depending on the different personality traits, or various organisational positions, causing incoherence and doubts in drawing comparison with competitors (Yildiz & Karakas, 2012).The study's contribution in the area of performance measurement therefore lies in its ability to adopt balanced measures of business performance by including a more recent, intangible and externally focussed measure(innovation) to complement a more traditional financial measure (Bititci et al., 2013). The use of balanced measures helps produce more balanced results.

The current study also proffered practical suggestions to owner/managers of both types of entrepreneurial ventures. This study confirmed the need for owner/managers in both types of enterprises to attend management courses organised by institutions of higher learning, non-profit organisations or related agencies in order to sharpen their interpersonal competencies and enhance the quality of agency relationships, for improved business performance and growth. Besides striving to achieve a balance of formal and informal performance management that best suits the owner/manager, their team and the enterprise, and that situates the business in an optimal position to create the best performance (Kadak & Laitinen, 2016), it was confirmed that easy and cheap performance management systems or software that focus on individual needs of small-to-medium enterprises could be more ideal in both types of enterprises. The current study also confirmed the need for appraisals by professionals or consultants who are not related to any family member, and who have the potential to improve appraisal effectiveness particularly in family owned small-to-medium enterprises.

More importantly, the current study culminated into a revised model on the effect of managerial interpersonal competencies, performance management and agency relationships on the performance of family and non-family owned small-to-medium enterprises shown in Fig 10.1.

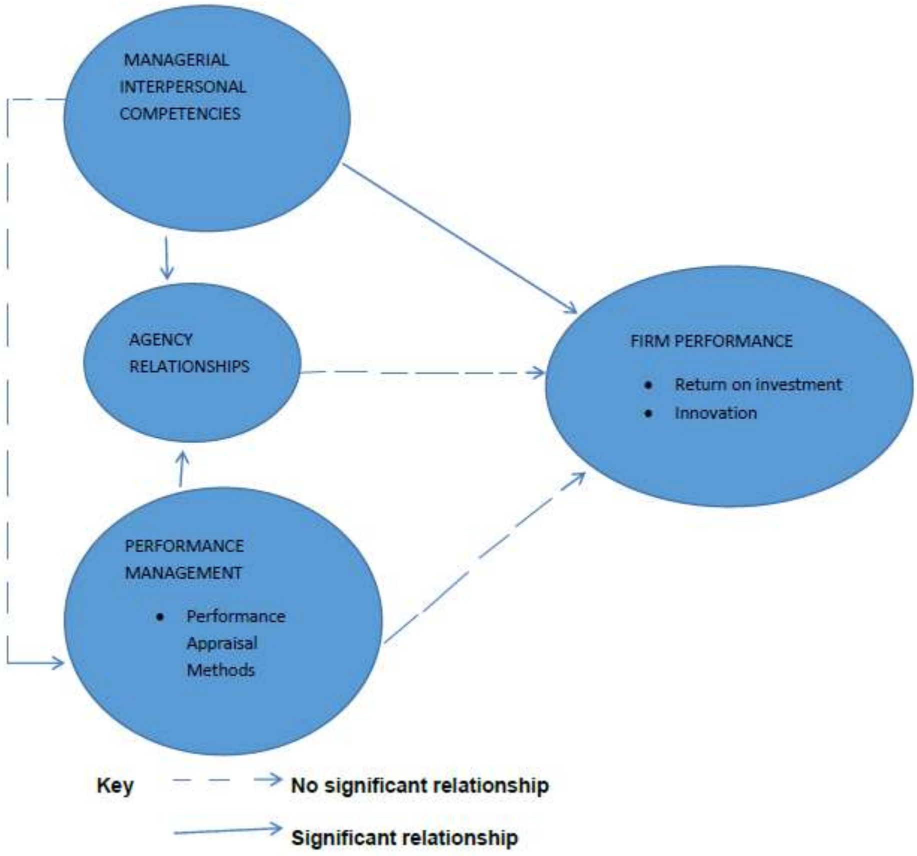

Figure 10.1: The revised framework

Figure 10.1 depicts a revised model based on the findings of this study. Solid lines depict a relationship, while broken ones depict that no relationship exists between variables. Managerial interpersonal competencies (IC) significantly affect firm performance as measured separately by return on investment and innovation (INN). Although there is a significant relationship between managerial interpersonal competencies and agency relationships (AR), no significant relationship exists between managerial interpersonal competencies and performance appraisal methods. In addition, while performance appraisal methods (which serve as evaluation tools for performance management) significantly affect agency relationships in both types of small-to-medium enterprises, no significant relationship exists between them and firm performance, as measured by both return on investment and innovation. No significant relationship exists between agency relationships and firm performance as measured by both return on investment and innovation. However, it should be noted that comparatively, more stable, and significant relationships obtained in family owned small-to-medium enterprises.

10.6 CONCLUDING REMARKS

The purpose of this study was to investigate the effect of managerial interpersonal competencies, performance management and agency relationships on the performance of family and non-family owned small-to-medium enterprises in South Africa. The study developed and tested, using SEM, a model that can be used to explain the effect of managerial interpersonal competencies, performance management and agency relationships on the performance of family and non-family owned small-to-medium enterprises in South Africa. Having validated the structural model, and after submitting both theoretical and practical contributions to the fledgling discipline of HR in entrepreneurial organisations, recommendations to guide practice, policy and further research were proffered.

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APPENDIX 1

RESPONDENTS' QUESTIONNAIRE [OWNER-MANAGER/ MANAGER]

……./……/ 2017

Dear Sir/Madam

My name is Nhamo Mashavira. I am a registered student at the Central University of Technology, Free State, South Africa. I am studying towards a Doctor of Human Resources Management degree. I am conducting a survey on Managerial Competencies, Performance Management and Business Performance among family and non-family owned SMEs in Gauteng Province, South Africa. The study will help in the identification of managerial competencies owner-managers and managers need in order to implement appropriate performance management practices that enhance SME performance. This study is supervised by Prof Crispen Chipunza and Prof Dennis Dzansi who can be contacted on the following details.

Prof Crispen Chipunza (Main supervisor): +276 1138 7325 or ccchipunza @cut.ac.za

Prof Dennis Dzansi(Co-supervisor): 051 507 3219 or ddzansi@cut.ac.za

The information you provide shall remain confidential. The results of this survey will be reported in aggregate form to ensure that you always remain anonymous. Your involvement in this research is voluntary. You may opt not to respond to the questions below and you may also opt to discontinue the completion at any point during the course of the research. Declining to contribute will not disadvantage your organisation in any way.

Please answer the questions as honestly as possible. This survey will take approximately 15 minutes to complete. I am very thankful of your assistance.

Yours faithfully

Mashavira Nhamo [Student Number 214130649]

INSTRUCTIONS TO RESPONDENTS

Please indicate your responses in EACH Section of the questionnaire by ticking the relevant option.

✓

SECTION A: BIOGRAPHICAL INFORMATION

1. Gender

1	Male	**2**	Female

2. Your present position in the organisation

1	Owner	**2**	Manager	**3**	HR Manager	**4**	Owner-manager	**5**	Other (specify)…………… ………..……………... ……………..

3. Your relationship to owners of the organisation

1	Owner	**2**	Family Member	**3**	Not Related to Owners	**4**	Other(specify)……… ……………………… ………………………

4. Mode of company ownership

1	Family Owned and registered
2	Non-Family Owned and registered

5. If the company is family owned, how many relatives of the owner/manager are employed? (specify)

…………………………………………

6. How many employees are in your organisation?................................

7. How long has your organisation been operating? …………………..

8. Do you have a Human Resource (HR) department in your organisation?

1	Yes	**2**	No

9. If your answer to item 9 above is No, who does HR issues at your organisation? …………………………………………………

10. Highest level of education attained

Primary	**1**
Secondary	**2**
Diploma	**3**
Degree	**4**
Honours/Masters	**5**
PhD	**6**
Other (specify)…………………………..	**7**

11. What is your age? ………………………………………

12. Race

1	Black	**2**	White	**3**	Coloured	**4**	Indian	**5**	Other (specify)……………

13. How many years have you been in this organisation? ……………………………………………

SECTION B: MANAGERIAL INTERPERSONAL COMPETENCIES

This section deals with managerial interpersonal competencies.

Indicate your level of agreement with the following statements on your interpersonal competency as an owner/manager.

	Managerial Interpersonal Competencies(IC)	**Strongly Disagree**	**Disagree**	**Undecided**	**Agree**	**Strongly Agree**
IC1	I communicate in a supportive way when employees share their problems with me	**1**	**2**	**3**	**4**	**5**
IC2	I motivate and energise others to do a better job	**1**	**2**	**3**	**4**	**5**
IC3	I make sure that employees at the business are provided with opportunities for personal development	**1**	**2**	**3**	**4**	**5**
IC4	I insist on intense hard work and high productivity from my subordinates	**1**	**2**	**3**	**4**	**5**
IC5	I make sure that sufficient attention is given to interpersonal relationships	**1**	**2**	**3**	**4**	**5**
IC6	I clarify to employees what is expected of them.	**1**	**2**	**3**	**4**	**5**
IC7	I listen openly and attentively to others who give me ideas, even if I disagree.	**1**	**2**	**3**	**4**	**5**

SECTION C: PERFORMANCE MANAGEMENT

This section deals with performance appraisal-an evaluation tool and central pillar of performance management.

Indicate the extent to which you use each of the following performance appraisal methods in your business

	PERFORMANCE APPRAISAL METHOD (PAM)	**Not At All**	**To a Little Extent**	**Undecided**	**To a Moderate Extent**	**To A Large Extent**
PAM1	A 360 degree feedback using feedback from supervisors, team members, customers, peers and self to rate employees	**1**	**2**	**3**	**4**	**5**
PAM2	Rating performance against the achievement of agreed objectives	**1**	**2**	**3**	**4**	**5**
PAM3	Using a grading system when rating employees	**1**	**2**	**3**	**4**	**5**
PAM4	A cost and benefit analysis of keeping the employee	**1**	**2**	**3**	**4**	**5**
PAM5	Using a written record of critical incidents of favourable and highly unfavourable employee work actions	**1**	**2**	**3**	**4**	**5**
PAM6	Placing all employees from a group in rank order of overall performance	**1**	**2**	**3**	**4**	**5**
PAM7	Any other (specify)………………………..	**1**	**2**	**3**	**4**	**5**

SECTION D: FIRM PERFORMANCE

Firm performance is an important organisational outcome that measures business efficiency and effectiveness towards goal achievement.

D (i) INNOVATION

This section deals with innovation levels in your business during the period 2015 and 2016.

Indicate your level of agreement with each of the statements below.

	INNOVATION(INN)	**Strongly disagree**	**Disagree**	**Undecided**	**Agree**	**Strongly agree**
INN1	Our firm designed new products in 2015	**1**	**2**	**3**	**4**	**5**
INN2	Our firm designed new products in 2016	**1**	**2**	**3**	**4**	**5**
INN3	Owner/managers initiated unique improvements to product features in 2015	**1**	**2**	**3**	**4**	**5**
INN4	Owner/managers initiated unique improvements to product features in 2016	**1**	**2**	**3**	**4**	**5**
INN5	Our firm improved its production processes in 2015	**1**	**2**	**3**	**4**	**5**
INN6	Our firm improved its production processes in 2016	**1**	**2**	**3**	**4**	**5**

D (ii) RETURN ON INVESTMENT

This section deals with the return on investment in your business during the period 2105 and 2016.

Indicate your level of agreement with each of the statements below.

	RETURN ON INVESTMENT(ROI)	**Strongly disagree**	**Disagree**	**Undecided**	**Agree**	**Strongly agree**
ROI1	The firm posted net profits in 2015	**1**	**2**	**3**	**4**	**5**
ROI2	The firm posted net profits in 2016	**1**	**2**	**3**	**4**	**5**
ROI3	The firm's income outweighed expenditure in 2015	**1**	**2**	**3**	**4**	**5**
ROI4	This firm's income outweighed expenditure in 2016	**1**	**2**	**3**	**4**	**5**
ROI5	This firm's overall returns exceeded overall costs in 2015	**1**	**2**	**3**	**4**	**5**
ROI6	This firm's overall returns exceeded overall costs in 2016	**1**	**2**	**3**	**4**	**5**

SECTION E: AGENCY RELATIONSHIPS

This section considers your own opinions regarding delegation of duties as an owner-manager or manager of your business.

Indicate your level of agreement with the following statements.

E	**AGENCY RELATIONSHIPS(AR)**	**Strongly disagree**	**Disagree**	**Undecided**	**Agree**	**Strongly agree**
AR1	Tasks can safely be delegated to trusted employees like family members	**1**	**2**	**3**	**4**	**5**
AR2	No one in the firm can do certain tasks as best as I can	**1**	**2**	**3**	**4**	**5**

AR3	Owner or managers' family members value relationships at the expense of performance	**1**	**2**	**3**	**4**	**5**
AR4	Performance related pay help align employee job behaviours with owner/management goals	**1**	**2**	**3**	**4**	**5**
AR5	Frequent monitoring of delegated tasks help me keep track of operations	**1**	**2**	**3**	**4**	**5**
AR6	Frequent face-to-face talks with subordinates over delegated tasks keeps me in control	**1**	**2**	**3**	**4**	**5**
AR7	Owner – manager's family members are more likely to endure short term losses for long-term survival of the firm	**1**	**2**	**3**	**4**	**5**
AR8	There is less need for formal performance management of the owner's family members.	**1**	**2**	**3**	**4**	**5**
AR9	Consideration of family relationships often compromise best practice at the firm	**1**	**2**	**3**	**4**	**5**
AR10	I often end up doing the very tasks I had delegated to others.	**1**	**2**	**3**	**4**	**5**
AR11	Clear documentation of tasks and outcomes is essential in order to delegate effectively.	**1**	**2**	**3**	**4**	**5**
AR12	I train first before considering whom to delegate to	**1**	**2**	**3**	**4**	**5**

THANK YOU

APPENDIX 2

FACULTY RESEARCH AND INNOVATION COMMITTEE

FACULTY OF MANAGEMENT SCIENCES

RESEARCH ETHICS APPROVAL LETTER

Date: 21 March 2018

This is to confirm that:

Applicant's Name	Nhamo Mashavira
Supervisors' Name[s] for Student Project (where applicable)	Prof C Chipunza & Prof DY Dzansi
Level of Qualification for Student Project (where applicable)	D-HRM
Tittle of research project	A structural model on the effect of managerial interpersonal competencies, performance management and agency relationships on the performance of family and non-family owned small-to-medium enterprises in South Africa

Ethical clearance has been provided by the Faculty Research and Innovation Committee in view of the CUT Research Ethics and Integrity Framework, 2016 with reference number **15/10/2015**

The following special conditions were set:

XX	None
	Specific conditions

The following specific conditions apply:

1. _________NA____
2. ________NA____
3. ________NA____

We wish you success with your research project.

Professor P Rambe
Deputy FRIC Chairperson)