

Managerial interpersonal competencies and the performance of family- and non-family-owned small and medium-sized enterprises in Zimbabwe and South Africa



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Orientation: Regardless of the contribution done by small and medium-sized enterprises (SMEs) in modern economies, and the critical role managerial interpersonal competencies play in sustaining these enterprises, no known comparative study has been conducted in SMEs in developing economies.

Research purpose: This study purposed to establish the impact of managerial interpersonal competencies on SME performance as measured by innovation and return on investment (ROI) in both family-owned SMEs (FOSMEs) and non-family-owned SMEs (NFOSMEs) in Zimbabwe and South Africa.

Motivations for the study: Efforts at understanding managerial competencies and firm performance among SMEs have taken a holistic approach, using all known managerial competencies; yet, recently, there is acknowledgement that interpersonal competencies are more effective in business sustainability than other competencies. With this observation, the need to extent this finding in other contexts among FOSMEs and NFOSMEs in developing countries becomes apparent.

Research approach/design and method: The study whose design was a descriptive comparative case study adopted a quantitative approach.

Main findings: The study found a positive and significant relationship between managerial interpersonal competencies and firm performance as measured by innovation and ROI in FOSMEs in both countries.

Practical/managerial implications: NFOSMEs may need to focus their training on interpersonal competencies for managers in order to be sustainable. For FOSMEs, continuous enhancement of managerial interpersonal competencies is important as it promotes innovation and business sustainability.

Contribution/value-add: The study helps fill the lacuna between research and practice with respect to managerial interpersonal competencies in FOSMEs and NFOSMEs in the two countries.

Keywords: interpersonal competencies; performance; small and medium-sized enterprises (SMEs); Zimbabwe; South Africa.

Introduction

Numerically, small and medium-sized enterprises (SMEs) dominate the global business stage (Ayyagari, Demirgüç-Kunt, & Maksimovic, 2011; Ramukumba, 2014). A publication following a meeting of the Organisation for Economic Cooperation and Development (OECD) Council at Ministerial Level (2017) suggests that in developing countries, SMEs are the largest forms of businesses contributing approximately to 60% of the countries' gross domestic products (GDPs), employing about 70% of the population, and are major players in value beneficiation – creating between 50% and 60% of it. In Zimbabwe, SMEs employ at least 57% of the productive population in the country, and over 3.5 million people own small businesses (Finscope Micro, Small and Medium Enterprises Survey, 2012). Like in Zimbabwe, in South Africa, SMEs account for about 91% of the formal business entities, contributing to about 51% to 57% of the GDP and providing almost 60% of employment (Cant & Wiid, 2013; Kongolo, 2010).

In spite of their prominence, it is deplorable to note that South African small businesses do not make it past the second year of trading with failure rates as high as 63% (Cant & Wiid, 2013). According to Neneh and Van Zyl (2012), 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 – one of the highest failure rates in the world. Similarly, about 60% of SMEs in Zimbabwe do not perform well and usually fail in their first year, while 25% fail within the first 3 years (Mudavanhu, Bindu, Chigusiwa, & Muchabaiwa, 2011; Small Enterprises Development Corporation [SEDCO], 2004).

Orientation

Fatoki (2014) attributes the high SME failure rate in South Africa to internal causes related to lack of management and functional skills among managers. The Finscope Micro, Small and Medium Enterprises Survey (2012) reveals that 46% of the adult population in Zimbabwe who are SME owners have little to no exposure to any managerial knowledge or skills. Commenting on this scenario, Goriwondo (2013) argues that the reason is because the majority of these SMEs operating in Zimbabwe are born out of necessity. An investigation of the poor performance of SMEs by Gombarume and Mavhundutse (2014) reveals that lack of requisite skills among managers and owners had a bearing on the performance of their businesses. Lack of managerial skills is ubiquitous in both FOSMEs and NFOSMEs (Diederichs, 2014; Maas, 2014) in the two countries. The aforementioned findings have made SMEs' performance an interesting area and subject of research among scholars (Alasadi & Abdelrahim, 2007; Jarvis, Curran, Kitching, & Lightfoot, 2000), who point out that, among the many factors that could be attributed to the performance of SMEs, managerial interpersonal competencies (IC) should not be ignored, because studies (Heaphy & Dutton, 2008; Stoetzer, 2010) show that positive human relations drive organisations. Consequently, this study investigates the relationship between managerial IC and firm performance in FOSMEs and NFOSMEs in the two countries.

Research purpose and objectives

Interpersonal or soft skills are those attributes or aptitudes that allow a person to perform their job more effectively (Combs, Yongmei, Hall, & Ketchen, 2006). They deal with the emotional side of things, determine the quality of interactions with stakeholders in a firm and help improve the manager's ability to relate well with key stakeholders (employees, suppliers and so on) – which in itself is a driver of superior firm performance. The relationship between managerial competencies and business performance still remains an essential issue within organisational literature (Mitchellmore & Rowley, 2010). However, studies linking managerial competencies and firm performance (Combs et al., 2006; Laguna, Wiechetek, & Talik, 2012) have only been conducted in single contexts with little or no differentiation of FOSMEs or NFOSMEs. Yet, scholars (Derbarliev & Janeska-Iliev, 2015;

Dyer, 2006) acknowledge that differences might exist between managing a family business and a non-family business, even in terms of managerial competencies needed for performance, because the two differ in terms of purpose, decision-making and stakeholders. While the above evidence is applauded in terms of advancing theoretical understanding on the role of managerial competencies in family and non-family business performance, there still remains dearth of evidence on how managerial IC in particular are related to the performance of FOSMEs and NFOSMEs in Zimbabwe and South Africa, where support for SMEs has seen the countries appointing a responsible ministry and where there are exponential growths of SMEs yearly (Kongolo, 2010; The Finscope Micro, Small and Medium Enterprises Survey, 2012). Moreover, literature (Laguna et al., 2012; Sidek & Mohamad, 2014) on managerial IC does not provide sufficient explanation on their role in the success of SMEs in two contexts in a single study. The under-exploration of this relationship, particularly in both FOSMEs and NFOSMEs in emerging economies like Zimbabwe and South Africa, provides a platform for further investigating the phenomenon. Based on this, the aim of this study was to determine and compare the impact of managerial IC on the performance of FOSMEs and NFOSMEs in Zimbabwe and South Africa, and it is guided by the following objectives:

- To find out the managerial IC of owner-managers in FOSMEs and NFOSMEs in Zimbabwe and South Africa.
- To determine the performance of FOSMEs and NFOSMEs in Zimbabwe and South Africa as measured by innovation and return on investment (ROI) over a period of 2 years.
- To assess the impact of managerial IC of managers-owners in FOSMEs and NFOSMEs in Zimbabwe and South Africa on the businesses' performance.

Problem background

In Zimbabwe, approximately 80% of enterprises are either family-owned or non-family-owned and are mainly small to medium-sized (Sikomwe, Mhonde, Mbetu, Mavhiki, & Mapetere, 2012). Although, literature on FOSMEs is subsumed and overlaps with that on NFOSMEs, FOSMEs have exceptional characteristics (Craig & Lindsay, 2002; Getz & Carlsen, 2000). For example, the mere involvement of family in ownership, management and governance, makes FOSMEs different from their other counterparts (Chu, 2009; Klein, Astrachan, & Smyrniotis, 2005). In addition, the two enterprises may differ with respect to the purpose of the business – profit making or sustainability, succession issues and how decisions are made (Chalus-Sauvannet, Deschamps, & Cisneros, 2016). However, the emergence of these types of SMEs in Zimbabwe was a result of the harsh economic conditions which have seen many workers losing jobs and joining the informal market (Zindiye, Chiliya, & Masocha, 2012). Similarly, in South Africa, the adverse economic conditions, ageing entrepreneurs, and the current unemployment rate standing at around 26% (Kesper, 2000; Kingdon & Knight, 2000) led to around 250 000 people being involved in starting their own businesses (Adcorp, 2012). The low survival and high failure rates of both FOSMEs and

NFOSMEs in South Africa are attributed to lack of or poor managerial competencies of the owner-managers of the firms (Herrington, Kew, Simrie, & Turton, 2011; Rambe & Makhalemele, 2015). Similarly, an investigation of challenges faced by SMEs in Chitungwiza, Zimbabwe, Gombarume and Mavhundutse (2014) reveals that 45% of their respondents felt that they had no requisite managerial competencies in the management of their business. However, the aforementioned findings can be criticised for just stating lack of managerial competencies as causal to SME failure, without specifying specific competencies responsible for such failures. Literature (Asumeng, 2014; Hawi, Alkhodary, & Hashem, 2015) state that besides managerial IC, a plethora of other managerial competencies exist.

Literature review

Managerial competencies

The concept competence is multi-faceted and has many applications. A key challenge in the competence literature is that there are numerous definitions of the term (Hayton & McEvoy, 2006; Hoffmann, 1999) and that the terms 'skills, expertise, acumen and competency', despite being interrelated, are sometimes used interchangeably in literature (Smith & Morse, 2005). According to Strebler, Robinson and Heron (1997), two key meanings or uses of the term 'competency' exist: competency as behaviours that an individual demonstrates and competencies as minimum standards of performance. However, regarding the term 'managerial competency', it is frequently used when competencies possessed by successful managers are discussed (Abraham, Kams, Shaw, & Mena, 2001; Childs & Gibson, 2010). Although it is inevitable that successful management of SMEs requires owner-managers to possess a wide range of competencies, there is a general lack of consensus among scholars on components of managerial competencies as well as their classifications (Rambe & Makhalemele, 2015).

Extant literature (Amstrong, 2012; Mitchelmore & Rowley, 2010) suggest that over 400 different competencies can be found and that different proposals as to their grouping exist. Agut, Grau and Peiró (2003) posit that the traditional approach to competence distinguishes two interrelated types of managerial competencies - technical and generic. Technical competencies allow an effective performance of specific tasks, which are mostly programmed, and technical and competent management would therefore entail effective performance of technical tasks and coping with non-programmed events. However, regarding family-owned businesses, as the business grows, technical skills begin to diminish in their significance, with generic qualities such as commitment to the business, respect of employees, intelligence and creativity increasing in their significance (Yordanova, 2012).

Managerial interpersonal competencies

Managerial IC (also known as generic, soft or human skills) encompass the knowledge and ability to work with people or

are simply called people skills (Katz, 1955; Sidek & Mohamad, 2014). These competencies cover individual characteristics like attitudes, motivation or personality traits that enable one to cope with less programmed and technical tasks and more generic job situations such as the initiative to implement new plans (Agut et al., 2003).

Managerial IC benefit small enterprises in the following ways: they enable diversity, conflict and change management and empower owners-managers to motivate, lead and evaluate employee performance (Nieman & Bennett, 2006). They also enable coordination, planning and trust (Robbins & Hunsaker, 2006); empower owners with the ability to understand their subordinates and to know what motivates them (Bateman & Snell, 2009); and help managers to be more reflective and self-directed (Hager, Holland, & Beckett, 2002). Combs et al. (2006) admit that IC are important to entrepreneurs as they allow them not only to function optimally in today's high-performing organisations, but even makes them outperform competition.

The resource-based view

The foundations of the resource-based view (RBV) of the firm can be found in the work by Penrose in 1959 who regarded the firm as an administrative institution and a collection of both physical and human productive resources (Curado, 2006). It is probably the only claim to a 'new' theory of the firm that strategic management as a field can make (Conner, 1991; Peteraf, 1993), because other theories originate from either economics or sociology. In 1984, Wernerfelt coined the term 'resource-based view' and considered the firm as a bundle of resources that are semi-permanently tied to the firm. A seminal paper by Habbershon and Williams (1999) provides the starting point for the RBV in the family business. The paper coins the term 'familiness of the firm' to those resource bundles that are distinctive to a firm as a result of family involvement (Habbershon & Williams, 1999). In this instance, it can be suggested that the resources and capabilities of the family business as a unit, the individual members and the firm interact to contribute to the overall performance of the business. The resource-based perspective has an intra-organisational focus and argues that performance is a result of firm-specific resources and capabilities (Barney, Ketchen, & Wright, 2011). The basis of the RBV is that effective organisations will find their future competitiveness on the development of unique capabilities, which often may be implicit or intangible in their nature.

According to Katua, Mukulu and Gachunga (2014), a firm's resources can be grouped into tangible (technological, financial, physical and human) and intangible (reputation, brand-name and know-how) resources. On the one hand, Grant (1991) classifies tangible resources into either financial or physical assets. Intangible resources, on the other hand, could be assets or skills. As assets they may take the form of intellectual property assets (Hall, 1992), organisational assets (Barney, 1991) or reputational assets (Roberts & Dowling, 2002). Intangible resources that are skills may include

human capabilities (Hall, 1992; Day, 1994). Most researchers (Lockett & Thompson, 2001; Ray, Barney, & Muhanna, 2004), however, argue from a strategic point of view that intangible resources are often the most important ones.

Regarding FOSMEs and NFOSMEs, their most important resource resides in the intangible skills of their human capital. Surprisingly, early works on family businesses (Beckhard & Dyer, 1983; Lansberg, 1983) made the assumption that family influence makes a difference, but did not explicitly argue why. On the contrary, recent studies (Arregle, Hitt, Simon, & Very, 2007; Carney, 2005) offer clearer rationale for differences. For example, the positive attributes of FOSMEs' human capital, which include warm, friendly and intimate relationships (Horton, 1986), are regarded as the potential for deep firm-specific tacit knowledge (Sirmon & Hitt, 2003) and unusual commitment (Horton, 1986). Contrastingly, employees in non-family businesses may not show greater commitment and cooperation (Dawson, 2012) and may not be willing to forego pay in the short term in view of long-term gains.

It seems that participation by family members in both business and family relationships in their personal and professional lives increases their complexity and generates a unique context for human capital compared to their non-family counterparts (Sirmon & Hitt, 2003). Human capital leads to a sustainable competitive advantage when they are firm-specific, rare, valuable, inimitable and non-substitutable. Literature on RBV (Barney, 1986a, 1986b, 1991; Rumelt, 1987; Wernerfelt, 1984) suggest that competitive advantage and performance results are a result of firm-specific resources and capabilities that are costly to copy by other competitors. While resources such as natural resources, technology, economies of scale and finance can create value, the RBV argues that these sources of value are not only available to all but also easy to copy if compared to such a complex resource like the human resource (Barney, 1991). In the context of this study, the integration of family and business in FOSMEs creates several significant and distinctive characteristics when compared to their other counterparts. For instance, the potential for the early involvement of children in the family business is more likely to produce profound levels of firm-specific tacit knowledge (Sirmon & Hitt, 2003). Tacit knowledge, which is difficult to visualise or codify, may be transferred through direct exposure and experience, giving family firms the potential to have deeper levels of firm-specific knowledge than their non-family counterparts (Sirmon & Hitt, 2003).

Measuring small and medium-sized enterprise's performance

Performance measurement of SMEs helps improve their performance and chances of survival (Kirsten, Vermaak, & Wolmarans, 2015). Ogiogio (2005) admits that measuring performance aids organisations measure, monitor and evaluate performance, as well as define and set benchmarks that help in the implementation of performance improvement plans. Performance measurement also allows for the design

of performance tracking systems, guide organisational growth and development, and make accountability for results easy (Ogiogio, 2005). However, Utrilla and Torralaga (2012) caution that as the unique feature of family businesses results from the family business interaction, performance measures should therefore reflect the duality between business and family. Families often value activities and products quite highly to the extent of de-emphasising financial performance such as firm value, profits, equity or asset returns (Astrachan & Pieper, 2010).

Relying solely on financial measures could thus be misleading. In view of this, owners/managers of modern SMEs have adopted a hybrid approach in which both financial and non-financial measures to determine firm performance are used (Chong, 2008). Studies that ignore this in their performance measures may not yield results that accurately depict the characteristics of family businesses, because such studies are likely to ignore the possibility that these enterprises might be willing to sacrifice financial success for other issues (Utrilla & Torralaga, 2012).

Even though there is a general agreement that the traditional (or lagging) financial measures are still valid and relevant, they need to be balanced with more contemporary, intangible and externally oriented measures like employee satisfaction, innovation and so on (Bititci, Firat, & Garengo, 2013; Yip et al., 2009). In addition, it is the realisation that performance research in family enterprises may be more complex than single-metric performance (Astrachan & Pieper, 2010) that led to the adoption of a non-financial measure (product and process innovation) and a financial measure (ROI) as measures of business performance in this study.

For any venture, whether large or small, family or non-family, profitability is crucial for it to remain a sound going concern (Lkhagvasuren & Xuexi, 2014). Compromises on profitability are likely to have adverse effects on both the capitalisation and expansion of a business. Profitability frequently measured by ROI has, by convention, been used to measure performance and is extensively regarded as the ultimate bottom line test of success (Farooq, 2014). It is however disturbing to note that way back in 1990, Feeser and Willard observed that the scarce use of profitability measures such as ROI or ROA (return on assets) in SMEs could be attributed to the fact that financial data may not easily be available for these ventures or that such measures were not considered appropriate for small enterprises. However, Begley (1995) proves that profitability measures are rather the most suitable in SMEs even in the presence of other measures. Shepherd and Wiklund (2009) even question results from studies using subjective performance measures (like product and process innovation) only, which would hardly ever be validated by objective measures (such as ROI). It is upon this background that this study had to settle for ROI as one of the measures of SME performance.

Product and process innovation (simply referred to as innovation in this study) initiatives are known to augment

the long-term performance of a firm (Classen, Carree, Van Gils, & Peters, 2014; Kraus, Harms, & Fink, 2011). Innovations serve as major driving forces for entrepreneurship at both firm and national levels (Kraus et al., 2011). However, the uptake of innovation in FOSMEs and NFOSMEs could be different as innovation is a high-risk endeavour that involves large, upfront and mostly irreversible expenses, and yet, success of innovations is not guaranteed (Classen et al., 2014). Past studies (Cabrera-Suárez, De Saa-Pérez, & García-Almeida, 2001; Carney, 2005) often bemoan the lack of innovation in family businesses; yet, other studies (Craig & Moores, 2006; Zahra, 2005) suggest a relationship between involvement of family and innovation outcomes. Recent studies (Classen et al., 2014; Rößl, Fink, & Kraus, 2010) could therefore be right to suggest that there is a general dearth of research regarding the innovative behaviours of family firms. Worse still, in the SME context, Werner, Schröder and Chlosta (2014) observe that differences in innovation activities between FOSMEs and NFOSMEs remain inconclusive. In spite of this, the fact that innovation facilitates an SME's ability to adapt to ever-changing market circumstances through the introduction of new and refined products (Ireland, Covin, Donald, & Kuratko, 2009) made the researchers choose it as another measure of SME performance.

Managerial interpersonal competencies and small and medium-sized enterprise performance

There is a dearth of literature on managerial IC and SME performance, notwithstanding that SMEs are in the majority and that the field of family business research is gaining impetus (De Massis, Frattini, & Lichtenthaler, 2012; Sharma, Chrisman, & Gersick, 2012). The family setup is likely to present fascinating scenarios for the competence-performance nexus. For instance, a family's desire to keep control of their firm may present access hurdles to venture capital investment opportunities, creating incongruity between managerial IC and innovation projects (Gomez-Mejía, Cruz, Berrone, & De Castro, 2011). Furthermore, family businesses may lack infrastructural capabilities such as technology or appropriate managerial competencies that can lead to lower performance and that many resource constraints faced by SMEs are often found in family firms (Eddleston, Kellermanns, & Sarathy, 2008). Interestingly, as familial altruism tends to treat people for who they are and not for what they do (Dekker, Lybaert, Steijvers, Depaire, & Mercken, 2013) and places more emphasis on family agendas and other social agendas like social cohesion, issues of managerial IC are likely to be given peripheral considerations.

Contrastingly, a study by Yordanova (2012) on Bulgarian family firms establishes that as the business grows, technical skills may begin to diminish in their significance, with qualities such as commitment to the business, respect of employees, intelligence and creativity increasing in their significance. The aforementioned findings by Yordanova (2012) imply that with the passage of time, the growth of family businesses would require more managerial IC than

technical competencies. In view of this, we can hypothesise that in both FOSMEs and NFOSMEs:

- H1: There is a significant positive relationship between managerial IC and firm performance as measured by innovation.
- H2: There is a significant positive relationship between managerial IC and firm performance as measured by ROI.

Another study by Nkosi, Bounds and Goldman (2015) on the skills required for the management of black-owned small enterprises in Soweto, South Africa, finds out that the following IC were cardinal for the development of the businesses, namely interacting with customers, staff and suppliers in an effective way; solving conflicts; acquiring customers by word of mouth and referrals; going an extra mile for customers; building positive relationships with staff and customers; and relating to people easily. Interestingly, the aforementioned managerial IC correspond with most of the competencies labelled under the categories of team management and technical non-finance in a related study by Velegrakis et al. (2009) of relevant competencies required by European SME managers. Although the aforementioned studies fall short of differentiating family from non-family SMEs, their findings significantly contributed to the fledgling body of knowledge.

An investigation on the impact of managerial competencies on the performance of SMEs in the Buffalo City Municipality, Eastern Cape Province, South Africa, by Tarwirei (2015) finds out that high performance of SMEs was linked to managers' technical and business skills and that the ability to outperform industry rivals and increase productivity was dependent on human skill. This confirms that managerial interpersonal skills help individuals perform effectively and directly contribute to a firm's growth (Rahman, Mokhtar, Yassin, & Hamzah, 2011; Sidek & Mohamad, 2014).

Regarding Zimbabwe, there is an apparent lacuna in respect of studies on managerial IC in her SMEs. The few studies conducted (Gwatsvaira & Mtisi, 2016; Mudavanhu et al., 2011; Sandada & Mangwandi, 2015) do not isolate specific managerial IC, but rather consider managerial competence among a host of other factors affecting business performance. Worse still, the aforementioned studies are not clear on whether the firms are large organisations or SMEs, or on whether they are family or non-family. They fell into the pervasive tendency of lumping together family businesses and small businesses and then either use SME or family firm as a generic term, because a majority of SMEs internationally are family-owned (Lee, 2006).

It is therefore important to note that the managerial interpersonal competency-performance nexus is not a straightforward one. The nexus is mediated by many organisational (e.g. an organisation's strategic information technology competencies, competitive service delivery, marketing strategies, job performance-related factors) and environmental factors (e.g. physical location of an enterprise, the industry where the business is located, government

regulation and outside influences if a firm operates as a franchise of a bigger international corporation), whose contingencies have numerous implications for firm growth, survival and profitability (Rambe & Makhalemele, 2015).

Research methodology

Research design

This investigation employed a case study descriptive comparative research design whose advantage is that it may be realised in the context of either qualitative or quantitative research (Bryman & Bell, 2007). The case study descriptive comparative research design has the advantage that it embodies the logic of comparison, in that, it implies that we can understand social phenomena better when they are compared in relation to two or more meaningfully contrasting cases (family- and non-family-owned furniture manufacturing SMEs in Zimbabwe's Harare Province and South Africa's Gauteng Province) or situations (Bryman & Bell, 2007).

Research approach

The study adopted a descriptive quantitative approach. The purpose of quantitative research is to quantify a research problem, to measure and count issues, and then to generalise these findings to a broader population (Hennink, Hutter, & Bailey, 2011). The quantitative approach has the advantage that it may be used to answer questions about relationships among measured variables with the purpose of explaining, predicting and controlling phenomena (Leedy & Ormrod, 2005). It is more appropriate for determining the extent of a problem, issue or phenomena (Kumar, 2005), such as the impact of managerial IC on the performance of FOSMEs and NFOSMEs in the two countries under study.

Research participants

The target population in the study were all FOSMEs and NFOSMEs in furniture manufacturing in Zimbabwe's Harare Province and South Africa's Gauteng Province. The two provinces, Harare and Gauteng, in the two countries under study, were chosen because of the high concentration of furniture manufacturing SMEs in them (Gauteng Industrial Policy Framework, 2010–2014; Madzivanzira, 2011). As some of the SMEs are not registered for fear of taxation and associated levies, no comprehensive databases (Sikomwe et al., 2012; Visser & Chiloane-Tsoka, 2014) could be found from agencies such as the Small Enterprises Development Corporation (SEDCO) in Zimbabwe or the Small Enterprise Development Agency (SEDA) in South Africa and even from the parent ministries.

Despite the relatively high concentration of furniture manufacturing SMEs in the two provinces, these enterprises are not in the majority, and therefore, census sampling was adopted. Census sampling involves a study of every member of a given population, and according to the statistical law of large numbers, the bigger the sample size, the more accurately

it will represent the population (Gravetter & Forzano, 2009). A total of 105 and 106 questionnaires were completed by owners/managers of both FOSMEs and NFOSMEs in furniture manufacturing in Harare and Gauteng provinces, respectively.

Research instruments

One self-constructed structured questionnaire to collect data from the two countries was designed. The self-constructed items measured managerial IC, ROI and innovation. As advised by Sangoseni, Hellman and Hill (2013), in order to ensure face validity of the instrument, an expert was engaged to look at the items in the questionnaire and agreed that the items were a valid measure of the concepts. The questionnaires were pre-coded for statistical analysis. Closed questions used in most sections gave respondents the opportunity to choose one or more response choices from a number provided (de Vos, Strydom Fouché, & Delpont, 2011). Section A on biographical information comprised of dichotomous questions, closed questions and open-ended questions requiring at most two-phrased answers. The rest of the questionnaire comprised of five-point Likert-scaled questions, where respondents indicated the degree to which they either agreed or their attitude regarding the extent to which a particular phenomenon was used (De Vos et al., 2011; Neuman, 2006).

Research procedure

The questionnaire was subjected to pilot testing on SMEs in the hoteling sector before data were collected on full scale. Pilot testing was performed to allow for modifications on the instrument that were deemed necessary in order to increase its reliability (De Vos et al., 2011; Neuman, 2006). The services of four trained research assistants were enlisted in both countries. Questionnaires were hand delivered. Respondents were given time to complete the questionnaires before the field workers collected them the following day. This has a tendency to raise response rates because of the personal contact and also because the fieldworkers did not bother respondents during inconvenient times (De Vos et al., 2011). Data for 2015 and 2016 were collected.

Statistical analysis

As the data were quantitative in nature, the Statistical Package for Social Sciences (SPSS) statistics version 20 was used for descriptive statistics. Group difference analysis was conducted on Analysis of a Moment Structures (AMOS) version 24 to check whether there was statistical difference in the structural model between FOSMEs and NFOSMEs.

Ethical considerations

The researchers were 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 convenient. The researchers also required that consent be obtained from

participations, and the cover page contained a provision for respondents to withdraw at any time. Respondents were informed of the purposes the information shall be used for and the authority the researchers had to collect information – which was a letter from the Ethics Committee of the Faculty of Management, Central University of Technology, South Africa. Furthermore, respondents' input was to be confidential as data had to be 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.

Research findings

Managerial interpersonal competencies

Descriptive statistics were used to make comparison between Zimbabwean and South African SMEs. Table 1 shows the averages on mean responses for the seven items that measured different dimensions of managerial IC from the questionnaire.

Interpersonal competencies-managerial interpersonal competencies, Zimbabwe and South Africa

A mean above 3 (the median point) on the five-point Likert scale suggested that most respondents agreed with items from a given construct.

Firm performance

Tables 2 shows the chosen indicators of performance in respective SMEs in the two countries.

From Table 2, average innovation means lying between 3.83 and 4.49 indicate that entrepreneurs in the two kinds of businesses in the two countries were agreeable to the respective items on the questionnaire, although South African owners and/or managers were more agreeable.

The final measurement model

The three items that finally constituted the construct managerial IC and the five constituting innovation (INN) had a mean of 4. In addition, constructs constituting ROI

had a mean above 3.5. These means suggest that most respondents were in agreement with the respective items on the questionnaire. After refinement, the following final measurement model was adopted:

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 final measurement model confirmatory factor analysis (CFA) showed acceptable model fit indices:

Degrees of Freedom (DF) = 1.73; Goodness-of-Fit Index (GFI) = 0.853; Adjusted goodness-of-Fit Index (AGFI) = 0.800; Comparative Fit Index (CFI) = 0.906; Tucker-Lewis Index (TLI) = 0.887; Root mean Square of Approximation (RMSEA) = 0.042; *P*-value associated with test on RMSEA (PCLOSE) = 0.995. With these satisfactory model fit indices, the reliability and validity of the scales were tested.

Reliability and validity of scales

As data collection instruments were self-made, issues to do with their psychometric characteristics are very germane. Reliability pertains to the degree of consistency and stability in instruments, while validity demonstrates that a particular instrument measures what it purports to measure (Cohen, Manion, & Morrison, 2011; Cooper & Schindler, 2014). Table 3 presents the results of reliability and convergent validity of scales used in the structural equation model.

The Cronbach's alpha values and construct reliability (CR) values suggest that the scales were reliable because the values were very close and in most cases were way above 0.7. The construct IC, for instance, had a Cronbach's alpha value of 0.691. This suggests that the three items forming IC measure the construct at 69.1%.

Convergent and discriminant validity are considered as the subtypes of construct validity (Trochim, 2006). The convergent validity assesses the extent to which items converge or share a high proportion of the variance in common (Hair, Black, Babin, & Anderson, 2014). The convergent validity of a scale is

TABLE 1: Managerial interpersonal competencies in Zimbabwean and South African small and medium-sized enterprises.

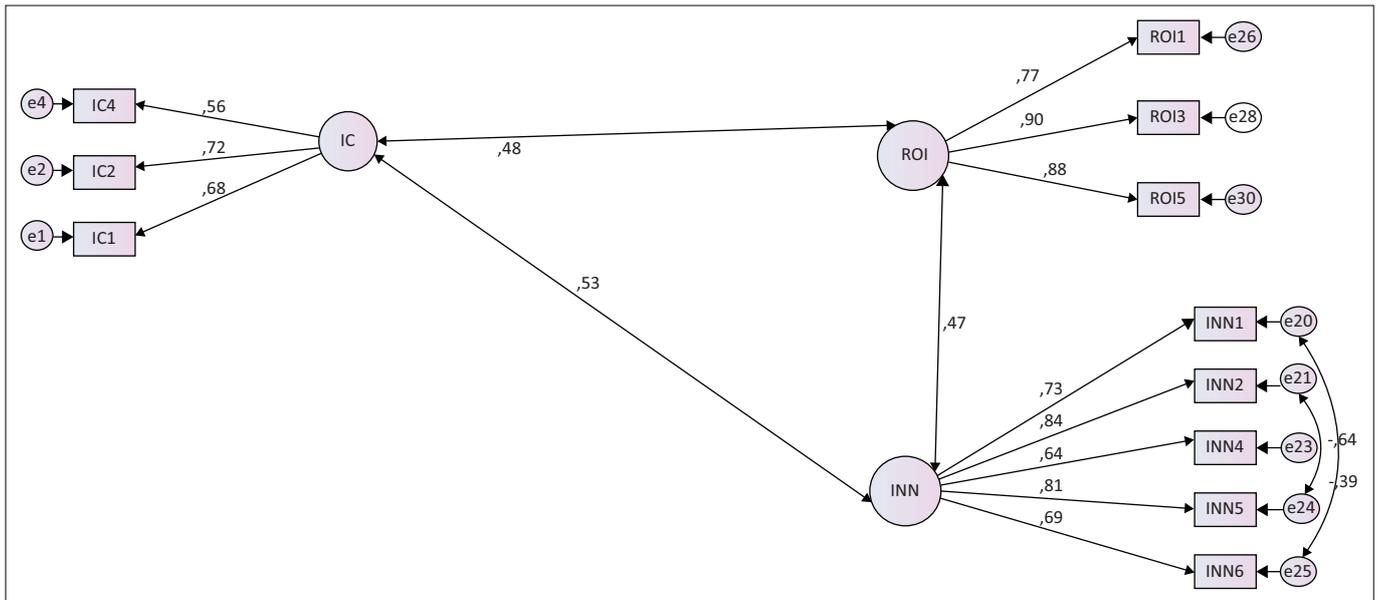
Items	Family-owned				Non-family-owned			
	<i>N</i> (Valid)	Mean	Median	Standard deviation	<i>N</i> (Valid)	Mean	Median	Standard deviation
IC(ZWE)	47	4.25	4.00	0.342	58	4.18	4.00	0.29
IC(SA)	40	4.49	4.43	0.469	60	4.44	4.00	0.428

N, Number; IC, interpersonal competencies; ZWE, Zimbabwe; SA, South Africa.

TABLE 2: Innovation and return on investment in Zimbabwean and South African small and medium-sized enterprises

Items	Family-owned				Non-family-owned			
	<i>N</i> (Valid)	Mean	Median	Standard deviation	<i>N</i> (Valid)	Mean	Median	Standard deviation
INN(ZWE)	48	3.92	4.00	0.705	58	3.83	4.00	0.543
ROI(ZWE)	47	3.71	4.00	0.815	56	3.52	3.67	0.646
INN(SA)	39	4.49	4.00	0.539	63	4.25	4.00	0.616
ROI (SA)	39	4.06	4.00	0.921	61	3.83	4.00	0.825

N, number; INN, Innovation; ROI, return on investment; ZWE, Zimbabwe; SA, South Africa.



IC, interpersonal competencies; ROI, return on investment; INN, innovation.

FIGURE 1: Final measurement model.

TABLE 3: Reliability and convergent validity of the scales.

Constructs	Items	Factor loadings	ITC	Cronbach's alpha	CR	Average variance extracted (AVE)
IC	IC1	0.675	0.499	0.691	0.692	0.430
	IC2	0.72	0.553			
	IC4	0.563	0.465			
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			
ROI	ROI1	0.773	0.724	0.888	0.891	0.731
	ROI3	0.904	0.822			
	ROI5	0.883	0.802			

ROI, return on investment; IC, interpersonal competencies; ITC, item-total correlation; CR, construct reliability; INN, innovation.

assessed by the factor loading of each item (above 0.5), the item-total correlation (ITC) (above 0.5) and the AVE (above 0.5). Table 3 shows that the factors load well in the constructs (factor loadings > 0.5). The ITC values also indicate decent values except for IC4, which is equal to 0.465. The AVE is the average percentage of variation explained among the items of a construct. The following formula was used to calculate the AVE:

$$(AVE): V_n = \frac{\sum \lambda_i y_i^2}{(\sum \lambda_i y_i^2 + \sum \epsilon_i)} \quad [\text{Eqn 1}]$$

Even though the AVE values of the construct IC (AVE= 0.430) are below 0.5, it is marginally below 0.5. The values of the factor loading and ITC support to some extent the convergent validity of these scales.

Regarding discriminant validity, it measures the extent to which a construct discriminates from other constructs in the model. To establish discriminant validity, the researcher needs to show that measures that should not be related are actually not related (Trochim, 2006). The distinctiveness of a construct is measured in terms of how much the construct correlates with other constructs and how uniquely the

TABLE 4: Correlation matrix to assess discriminant validity.

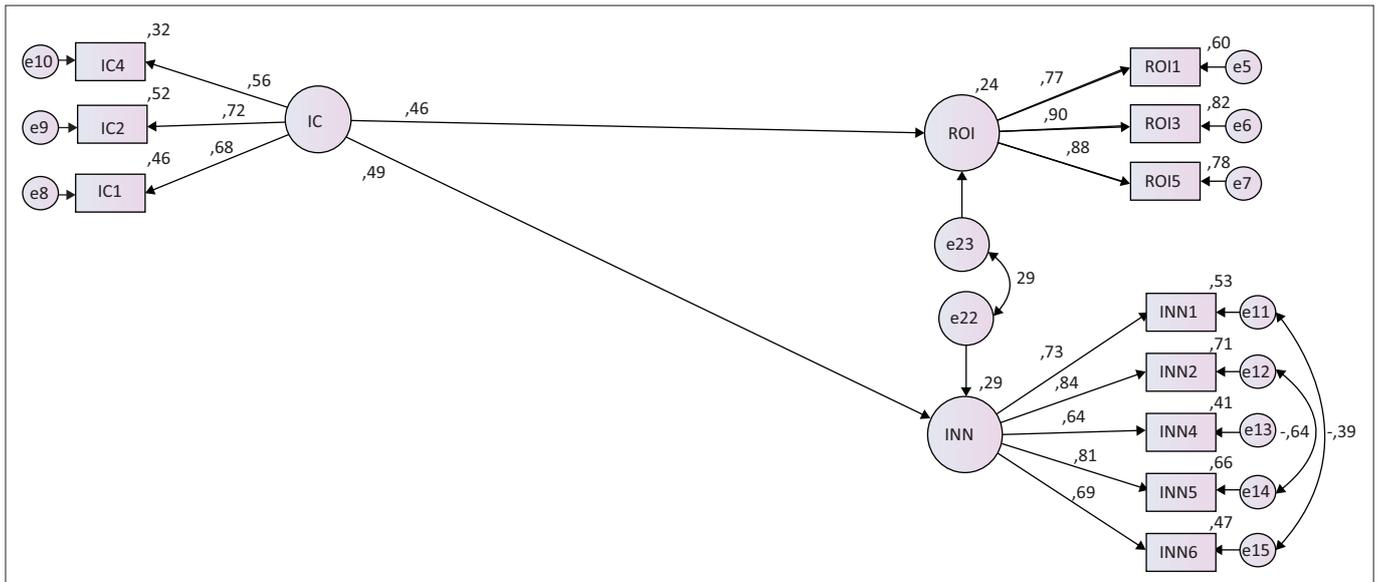
Construct	INN	MIC	ROI
INN	0.745	-	-
IC	0.528	0.656	-
ROI	0.470	0.481	0.855

Note: The values in bold in the diagonal represent the \sqrt{AVE} .

ROI, return on investment; IC, interpersonal competencies, MIC, managerial interpersonal competencies; ROI, return on investment

measured items represent only this single construct (Hair et al., 2014). To assess the discriminant validity of the scale, the \sqrt{AVE} should be greater than the correlation coefficient in the correlation matrix. Table 4 summarises the discriminant values of the constructs.

To ensure discriminant validity, \sqrt{AVE} of a specific construct should be above all the correlation coefficients of this construct with other constructs (Ahmad, Wilson, & Kummerow, 2016). As indicated on Table 4, the correlation matrix confirms that there is discriminant validity. After the validity and reliability of the scales as well as the fit of the measurement model were confirmed, the hypotheses were tested with the structural model.



IC, interpersonal competencies; ROI, return on investment; INN, innovation.

FIGURE 2: The structural model.

TABLE 5: Results for each hypothesised relationship.

Relationships	Regression weights	p-value	Hypotheses decision	Variance explained (R^2)
IC → INN	0.493	0.000	Accepted	0.291
IC → ROI	0.459	0.000	Accepted	0.244

Note: When p -value < 0.05 the relationship is deemed statistically significant.

IC, interpersonal competencies; ROI, return on investment; INN, innovation.

Testing hypotheses with the structural model

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

DF= 1.995; GFI= 0.883; AGFI= 0.841; CFI= 0.916; TLI= 0.898; RMSEA= 0.040; PCLOSE= 1.000. Figure 2 below shows the structural model.

Figure 2 shows the hypothesised relationships in the study, and Table 5 summarises the result for each hypothesised relationship.

The column labelled regression weight refers to the strength of the relationship. The p -value determines whether the relationship is significant or not. When $p < 0.05$, the relationship is deemed statistically significant. According to these results, IC is a critical factor that significantly affects both INN and ROI. Table 5 shows that the two hypotheses were accepted.

Group difference analysis using structural equation modelling

This subsection investigates how each relationship on the model varies across groups. The two hypothesised relationship tested are as follows:

H1: There is a significant positive relationship between managerial IC and firm performance as measured by innovation.

H2: There is a significant positive relationship between managerial IC and firm performance as measured by ROI.

Group difference analysis was conducted on AMOS 24 to check whether there is a statistical difference in the structural model between FOSMEs and NFOSMEs. The two models below were built and tested following the structural equation modelling (SEM) approach. Figures 3 and 4 depict the two models.

The two models show acceptable fit indices

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

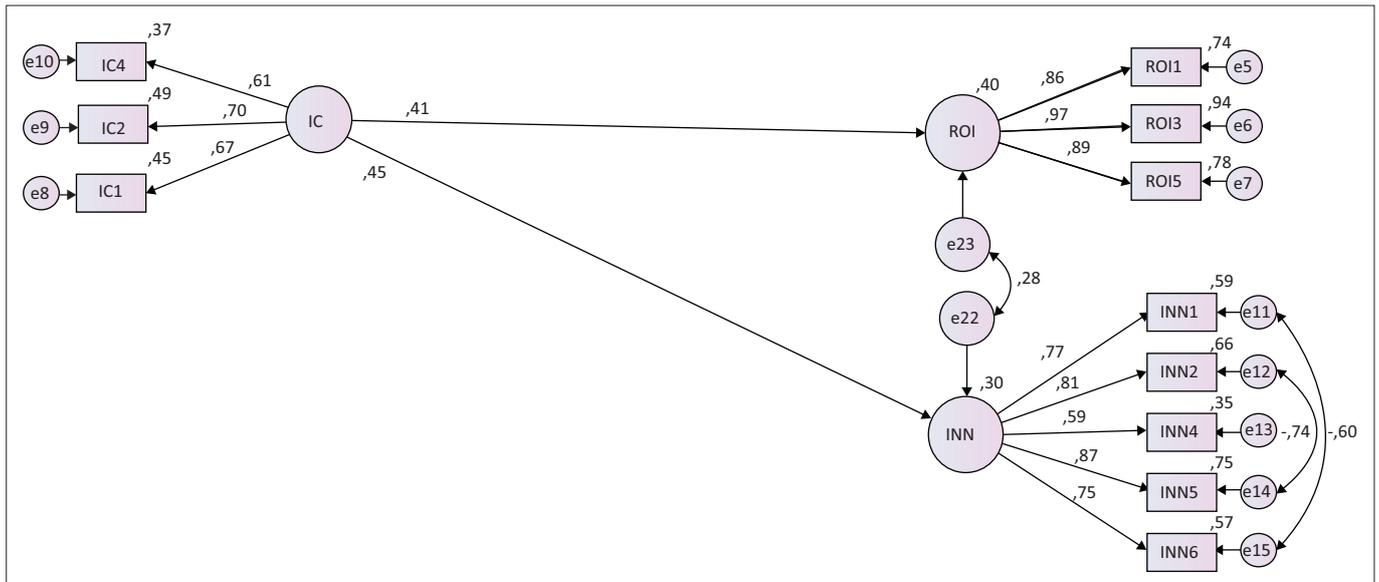
Table 6 presents the regression weights of the relationships emerging in the model among FOSMEs and NFOSMEs.

In the context of both types of businesses the models in Figures 3 and 4 seems to be stable and provides more significant relationships in both countries. Table 6 also demonstrates that the two models fits both types businesses. In both models, the two hypotheses are validated since the relationships in the models are deemed to be significant. In both FOSMEs and NFOSMEs in the two countries, the two hypotheses were accepted. In Table 6, p -values less than 0.05 for both FOSMEs and NFOSMEs imply significant relationships between managerial IC and firm performance as measured by both innovation and ROI exists.

Discussion of findings

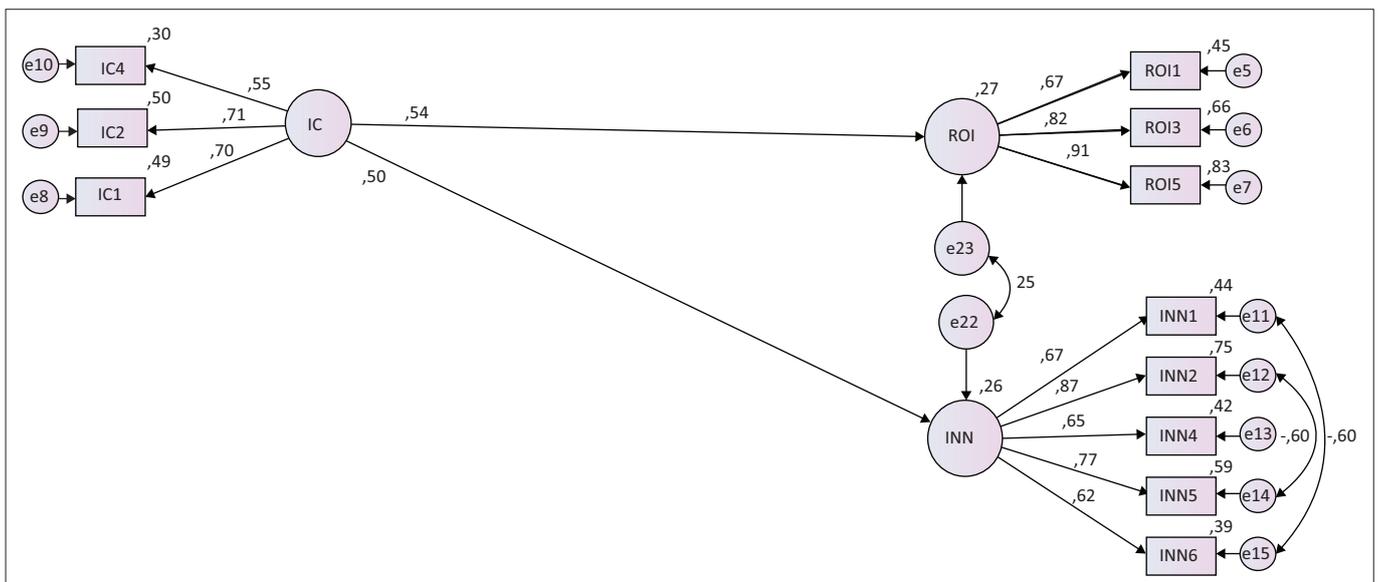
Managerial interpersonal competencies

Table 1 shows no significant differences on managerial IC in both FOSMEs and non-FOSMEs in the two countries. This is quite interesting given that most Zimbabwean managers and owner-managers had secondary education qualifications,



IC, interpersonal competencies; ROI, return on investment; INN, innovation.

FIGURE 3: Family-owned small and medium-sized enterprises.



IC, interpersonal competencies; ROI, return on investment; INN, innovation.

FIGURE 4: Non-family-owned small and medium-sized enterprises.

TABLE 6: Group difference analysis.

Relationship	Family-owned		Non-family-owned	
	Estimate	<i>p</i>	Estimate	<i>p</i>
INN <--- IC	0.449	0.004	0.504	0.0001*
ROI <--- IC	0.413	0.004	0.543	0.002*

Note: Values in bold are non-significant relationships.

IC, interpersonal competencies; ROI, return on investment; INN, innovation.

*, *p*-Values < 0.05 imply that the relationship is deemed statistically significant.

while a majority of their South African counterparts had diplomas. By 2008, Zimbabwe had experienced a 50% decline in economic growth and a 60% closure in factories (Zindiye et al., 2012). Most of the retrenched employees who used to run the factories were forced into entrepreneurial activities. Their competencies could therefore have accrued from years of working in the factories, in spite of their relatively inferior

paper qualifications. It can therefore be concluded that mere paper qualifications have no significant contribution to a manager's human skills.

Firm performance

Table 2 indicates that South African family entrepreneurs were more agreeable – meaning that for the years 2015 and 2016, both ROI and process and product innovation levels were high in these enterprises when compared to their Zimbabwean counterparts. Family firms have been regarded to be not as innovative and more prone to be risk-averse than non-family firms, because of capital constraints and the closeness of the family (Allio, 2004; Carney, 2005). More recent findings by Spriggs, Yu, Deeds and Sorenson (2013)

suggest that even where a firm has innovative capacity, collaboration among many owners (as the case may be in family firms) may limit the use of innovative capacity to promote business performance. Contrary to the aforementioned studies, findings from this study show that South African family-owned SMEs (FOSMEs) had the highest innovation. Their Zimbabwean family-owned counterparts had the least. This difference can be explained by the fact that furniture and solid wood processing is a well-established manufacturing industry within South Africa (SEDA, 2012) and is the highest net exporting sector and had the best performance figures between 1995 and 1999 (Erasmus, 2004). This suggests not only better resourced firms but a conducive environment for innovation as well, translating to better performance (as measured by ROI) when compared to their struggling Zimbabwean counterparts (Sachikonye & Sibanda, 2016).

Regarding ROI, an average mean of 3.71 for family-owned and 3.52 for non-family-owned Zimbabwean SMEs; means of 4.06 and 3.83, respectively, for their South African counterparts indicate that most entrepreneurs in the two types of businesses in the two countries were agreeable to the questionnaire items measuring ROI. Although ROI was generally high across the firms, differences in respect of ROI between the firms were not that significant. A study by Zapata, Brito and Triay (2014) analysing the differences in financial management practices between family and non-family SMEs in the textile industry located in Yucatan, Mexico, showed that family SMEs show lower profitability than non-family SMEs. These findings were not corroborated by this study, whose findings suggest that FOSMEs have a slight edge over their counterparts. It could be true that pertaining to the economic performance of FOSMEs, no consensus exists regarding whether family businesses perform better in terms of turnover, profitability (e.g. ROI) or return on equity (European Foundation for the Improvement of Living and Working Conditions, 2002).

Group difference analysis from structural equation modelling

As shown in Table 6, the two hypotheses mentioned below were accepted in both FOSMEs and in NFOSMEs in the two countries:

- H1: There is a significant positive relationship between managerial IC and firm performance as measured by innovation.
- H2: There is a significant positive relationship between managerial IC and firm performance as measured by ROI.

These findings are interesting in that they are contrary to research findings (Block, Miller, Jaskiewicz, & Spiegel, 2013; Gomez-Mejía et al., 2011) which 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; Gomez-Mejía et al., 2011). This study rather establishes a significant positive relationship between managerial IC and firm performance in both FOSMEs and

NFOSMEs in the two countries as measured by innovation and ROI. It even goes contrary to findings that suggest that family-owned firms often lack infrastructural capabilities such as technology or appropriate managerial competencies leading to lower performance (Eddleston et al., 2008). Rather, it acknowledges that family members' contact with the business since childhood (Burkart, Panunzi, & Shleifer, 2003) and other such kinship considerations may give the firms a competitive advantage. This resonates very well with the RBV which holds that participation of family members in the business increases their complexity and generates a unique context for human capital when compared to their non-family counterparts (Sirmon & Hitt, 2003). The integration of family and business in FOSMEs is more likely to create several significant and distinctive advantages in terms of managerial IC and firm performance. For instance, the early involvement of children in the family business has the potential to produce profound levels of firm-specific tacit knowledge (Sirmon & Hitt, 2003). In addition, family firm stewardship governance has also been associated with innovativeness (Craig & Dibrell, 2006; Dibrell & Moeller, 2011), strategic flexibility (Zahra, Hayton, Neubaum, Dibrell, & Craig, 2008) and enterprise performance (Craig & Dibrell, 2006). Family firm stewardship governance facilitates steward behaviours, such as helping behaviours and high levels of commitment, which are requisite to superior firm performance. However, comparisons of studies in respect of FOSMEs get complicated because of the diverse definitions of what constitutes a family firm. Definitions of family vary from country to country, and even within a country (Sharma, 2013).

The two hypotheses were also accepted in NFOSMEs, suggesting significant positive relationships between managerial IC and firm performance as measured by innovation and ROI. These results corroborate those from a study by Sidek and Mohamad (2014) carried out among small microfinance participants in Malaysia. The study made use of data collected from microfinance participants in the two states of Kelantan and Terengganu. The study found that all the managerial competency dimensions namely; generic (managerial IC), technical, and conceptual skills had positive and significant impact on the growth of small businesses. In a related investigation on the impact of managerial competencies on the performance of SMEs in the Buffalo City Municipality in the Eastern Cape Province, Tarwirei (2015) found that high performance of SMEs was linked to managers' technical and business skills; and that the ability to outperform industry rivals and increase productivity was dependent on human skill (or managerial IC). However, different criteria and dimensions used to measure SME performance (whether objective or subjective measures) confuse comparison of studies.

Furthermore, research distinguishing FOBs and non-FOBs has revealed mixed results (Dyer, 2006; Sharma, 2004). In spite of the methodological concerns raised in the comparative researches performed, the differences between family and non-family firms found in previous studies could be because

of demographic sample differences such as size, age, type of industry and location – instead of ‘real’ differences between groups (Jorissen, Laveren, Martens, & Reheul, 2005). However, this aforementioned observations did not hold for the current study even though 42% of the participants were derived from FOSMEs. By way of conclusion, the observation by Rettab and Azzam (2011) that the relative performance of FOBs versus non-FOBs is an empirical question and 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.

Limitations and direction for future studies

The main limitation of this study lies in poor record keeping by mainly survivalist start-ups whose record keeping is often in shambles-making the measurement of such a construct as ROI over the 2-year period tricky. In addition, the study focused on furniture manufacturing SMEs only, giving us a relatively small sample size. The small sample size resulted in a goodness-of-fit index (GFI) visibly below 0.9 on the final model. Future studies could consider incorporating larger sample sizes that would not only increase the generalisability of findings but would further stabilise the models envisaged in this study. Future studies could consider replicating this study in other provinces and in SMEs other than those in furniture manufacturing. Furthermore, as business practices evolve, new managerial IC critical to success are likely to emerge because competencies themselves are dynamic and not static – changing in accordance with changing business trends. As such, future studies may have to include such competencies as do measure corporate governance capabilities and ethical conduct likely to have a bearing on management’s IC.

Conclusion and recommendations

The study established significant positive relationships between managerial IC and firm performance in both FOSMEs and NFOSMEs in Zimbabwe’s Harare and South Africa’s Gauteng provinces as measured by innovation and ROI. Performance of SMEs seemed not to be influenced by their mode of ownership. The results also suggest that family members’ contact with the business since childhood and kinship considerations were not a liability but rather gave firms the same advantages as their other counterparts. Furthermore, family firm stewardship governance facilitates steward behaviours, such as helping behaviours and high levels of commitment, resulting in comparable performance. Therefore, the assumption emanating from a resource-based view that participation by family members in both business and family relationships in their personal and professional lives, increases their complexity and generates a unique context for human capital that could lead to better performance when compared to their non-family counterparts could not be sustained by the current study.

Survival of SMEs cannot be overemphasised, given the pivotal role they play on both global and national business

markets. Firstly, concerted effort should be put towards financing SMEs for management training and competence development if SMEs are to maintain their leverage on managerial IC. This could be achieved through recapitalisation of the SEDCO in Zimbabwe, and in South Africa’s Gauteng Province, the provincial government may have to extend similar support to furniture manufacturing SMEs. In addition, there is need to increase competencies internally through deliberate human resource development initiatives informed by robust performance management systems. In the same vein, it is recommended that SMEs design cheap management information systems and even use social media platforms aggressively to enhance managerial interpersonal relationship building efforts.

Contributions of the study

This study is unique in that it adopted a cross-national comparative approach rarely used in prior studies. It is one of its own kind performed in the two countries so far that explored the nexus between managerial IC and the performance of FOSMEs and NFOSMEs. The study is also unique in that it affords comparisons of FOSMEs and NFOSMEs, where variant agency relationships obtain as a result of differences in the mode of ownership. In addition, it adopted a hybrid approach in the measurement of performance, making use of a traditional financial measure (ROI) and a more subjective measure (product and process innovation). This again is a digression from some school of thought that prefer use of the objective method in the measurement of business performance, arguing that subjective measurements may change depending on differing personality traits or various organisational positions, causing incoherence and doubts in drawing comparisons (Yildiz & Karakas, 2012). Yet, Bititci et al. (2013) caution that generally the measures to be used to assess and compare the performance of different SMEs should be balanced by including both financial and non-financial measures.

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Competing interests

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

Authors' contributions

N.M. did problem formulation, data collection and review of literature. C.C. did data analysis and helped in results and discussions sections. D.Y.D. did the overall proof reading, editing, and alignment of issues.

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Data availability statement

Data sharing is applicable to this article as new data were created or analysed in this study.

Disclaimer

The views expressed in this article are not in any way an official position of the two aforementioned funding institutions but are entirely views of the two concerned authors.

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