

Exploring the role of innovation in promoting performance of small rural SMMEs: A case study of small scale agricultural enterprises in the Vryburg region of South Africa

Subtitle as needed (*paper subtitle*)

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Abstract—The sub-optimal performance of small, micro and medium enterprises (SMMEs) has been a grave concern in African developing countries, where the triple challenges of high unemployment, poverty and inequality are rife. More so, while a growing body of entrepreneurship literature attributes the underperformance of SMMEs in developing countries to lack of innovation of these firms, this literature has focused substantially on large scale, urban based enterprises in the manufacturing and retail sectors. Consequently, despite the increasing value of rural based agricultural enterprises to the economies of developing countries, the role of innovation in the performance of rural-based SMMEs remain under-explored and ambiguous in literature. Therefore, this paper examines the role and contribution of innovation to the improvement of SMME performance. The thesis of this paper is that mindful of the agro-based nature of African economies, the ballooning population that domicile in rural areas coupled with the increasing role of food security in national development discourses, the significance of innovation in successful SMME performance cannot be over emphasised. To test the hypothesis that innovation positively impacts performance of small rural agricultural SMMEs, this study employed survey approach to data from 198 small scale agricultural enterprises (SAAEs) in the Vryburg region of South Africa. Our findings suggest that innovation has a positive and moderate influence on the performance of small rural agricultural SMMEs surveyed. The study recommends the design and implementation of innovation-driven approaches to agricultural SMMEs to promote sustained profitability and growth of the SMME sector in developing countries.

Keywords—Innovation, small scale agricultural enterprises, performance, small, micro and medium enterprises

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1. Introduction

This study investigates the role of innovation in the performance of small scale agricultural enterprises (SSAEs) in the Vryburg region of South Africa. Small businesses, dubbed small, micro and medium enterprises (SMMEs) in South Africa, constitute the backbone of the South African economy making up to 95% - 97% of all South African enterprises (Dzansi, 2004; Damane, 2008; Abor and Quartey, 2010; Nieman & Nieuwenhuizen, 2010; Venter et al. 2011; Agbobli, 2013). Despite the phenomenal presence of SMME establishment in the country, their performance has been suboptimal and of great concern to entrepreneurs, government and policy makers alike (Agbobli, 2013; Global Entrepreneurial, Report 2011, 2013). While South Africa records a failure rate of small business of 70-80%, the global failure rate of such firms is estimated at 80% (Van Eeden et al. 2001; Ghassemieh et al., 2005; Fatoki and Asah, 2011).

In view of the aforementioned high failure rates of small start-ups at national and global levels, the role and contribution of innovation to the performance of the small business sector in developing economies warrants investigation. Pretorius, Millard and Kruger (2006) stress the critical role that innovativeness plays in the entrepreneurial process in a country. The main thesis of this paper is that although innovation does not necessarily constitute a panacea to all chronic challenges of survival and sustainability of small businesses, it remains a significant precondition and critical factor in optimal performance of such firms. Literature on entrepreneurship affirms the pivotal role innovation in business performance measured in various terms such as profitability, competitiveness, growth and sustainability (Verhees and Meulenbergh, 2004; Venter et al. 2008; Nieman and Nieuwenhuizen, 2009). In fact, prior studies have shown that innovation positively influences performance in large urban-based service and manufacturing businesses (Gudmundson, Tower and Hartman, 2003; Bhaskaran, 2006). However, there is dearth of research on the significance of innovation to rural small businesses. This study fills this research gap by exploring the influence of innovation on the performance of small scale agricultural enterprises (SSAEs) in the Vryburg region of South Africa.

2. Problem background

The high failure and low Total Entrepreneurial Activity (TEA) of SMMEs in the developing world in general and in South Africa in particular are well documented (Agbobli, 2013; Dzansi and Ndjike, 2014; Global Entrepreneurship Monitor (GEM) Reports 2011, 2013). These high failure and low survival rates have been attributed to the lack of an innovation culture among SMMEs (see Dzansi, 2004; FNB and Endeavour, 2010; Herrington, Kew, Simrie and Turton, 2011). Considering the dismal performance of SMMEs in South Africa in conjunction with the complex, ambivalent relationship between innovation and business performance (see Plambeck and Taylor, 2005; Dubey and Ali; 2011; Sánchez, 2012) this study seeks to explore the role of innovation in promoting performance of SSAEs in the Vryburg region of South Africa. The choice of the Vryburg area was informed by the fact that this region is one of the most agriculturally productive areas in South Africa. In fact this region, which has agriculture and mining as its principal economic activities, has earned the pseudonym the "Texas of South Africa" (SA Venues. Com) due to its rich herds of cattle. In order to explore the influence of innovation on firm performance, the following hypotheses were formulated.

1. H1SSAEs Small scale agricultural enterprises (SSAEs) in Vryburg region are innovative.
2. H2 There is a positive relationship between innovation and performance of SSAEs.

3. Literature Review

In order to unravel the complex relationship between innovation and firm performance, the different constructions of innovation and firm performance in entrepreneurship literature were examined followed by the innovation-performance relationship. These discourses on innovation, firm performance and their mutual relationships are presented in the following sections.

A. Innovation

Innovation is defined as the concretisation of an initial idea for developing a new product or improving a product (Roskos 2004:7). Others describe innovation as a combination of invention based on creativity and commercialisation of the invention (Ireland et al. 2001:56). The UK Government Department of Trade and Industry defines innovation as: "the successful exploitation of new ideas" (DTI, 2006:vii). Abbott and Jeong (2006:188) suggest that businesses tend to exploit new ideas primarily for economic gain. Despite these multiple constructions of innovation, there is a general consensus on the potential of innovation to drive competitiveness and business success in turbulent business environments (Venter et al. 2008:63; Nieman & Nieuwenhuizen, 2009:60).

Our working definition of innovation is premised on the Schumpeterian (1934) conception of the construct as: the creation and implementation of new ideas, processes, products

or services (Renko, Carsud and Brannback, 2009; Ghorbani, Soleimani and Madani, 2012). Innovation could be typified as: radical (disruptive) innovation - which is associated with dramatic breakthroughs in ideas or process re-organisation that often require enormous resources, or as incremental innovation - which introduces new products or processes gradually using relatively smaller amounts of resources (Verhees and Meulenbergh, 2004; Venter et al. 2008; Kuratko, 2009). Resource rich large businesses usually engage in radical innovations while incremental innovations are normally implemented by small businesses. Radical innovations usually require enormous investments in activities such as research and development, introduction of state-of-the-art technology, dynamic changes in production systems and sophisticated marketing strategies and models which the rich large businesses are able to afford. Incremental innovations are usually no radical departures from the current form of business processes although they consume smaller amounts of resources and therefore are affordable to small businesses. Given their size and limited working capital budgets, SSAEs in the Vryburg region would be expected to engage in incremental innovations.

B. Firm performance

Consistent with mainstream literature, firm performance was measured in terms of growth and profitability (Narver and Slater, 1990; Matsuno, Mentzer and Ozsomer, 2002; Yusuf, 2002; Wiklund and Shepherd, 2005). Growth reflected the non-financial dimension of expansion of business activities and covers increases in volume of sales and employment figures. Another measure of growth was returns on investment (ROI). Profitability measured financial performance of the business in particular gross profit (before corporate tax).

C. Innovation and firm performance

Innovation reflects the willingness and ability of a business to create new products or services for its customers. Literature suggests that contributes directly to business competitiveness and success (Erdil, et al. 2004; Verhees and Meulenbergh, 2004; Cillo, De Luca and Troilo, 2010; Rubera and Kirca, 2012). Although Pretorius, et al. (2006:3) affirm the positive relationship between innovation and business performance, they lament that the low level of innovation among South African businesses. In consonance with this observation, GEM (2012) ranked South Africa low on total entrepreneurship activity (TEA) and highlighted its decline from 9.1% in 2011 to 7.3% in 2012 (GEM 2012:6). Such a phenomenon creates disturbing picture of entrepreneurship driven by innovation for South Africa. This is particularly the case given that entrepreneurial and marketing success are largely driven by innovation (i.e. providing novel products or services) and innovativeness (i.e. willingness to do something new) in businesses (Pretorius, 2006; Olavarrieta and Friedmann, 2008; Bolinao, 2009; Rubera and Kirca, 2012).

This study infers that studies on innovation have been conducted mainly in large businesses to the neglect of small businesses (Appiah-Adu, 1997; Salvou and Lioukas, 2003). As

such, the study focuses on innovation in small businesses with specific reference to SSAEs in the Vryburg region. The choice of SSAEs is informed by the commanding market share they have in relation to other emerging businesses. In general, SMMEs (for which SSAEs are a critical component) constitute approximately 91% of formal business establishments in the country (Abor and Quartey, 2010). They also make a significant contribution to employment creation and national economic growth. SMMEs contribute directly to employment generation as they employ close to three quarters of South Africa's employed population (Nieman and Niewenheizeh, 2009:207). In terms of national economic growth, SMMEs contributed more than 35% of South Africa's Gross Domestic Product in 2009 and between 52-57% in 2010 (Abor and Quartey, 2010). Mindful of this impressive contribution, we infer that innovative SSAEs will not only establish the mainstay economic activities of the nation, but rather may positively impact business performance as well. Unsurprisingly, research has credited the impact of innovation on improved performance of firms (Ndabeni, 2008:82; Cillo et al. 2010:5).

4. Methodology

Quantitative approach employing a survey formed the basis of this investigation. Surveys are considered appropriate in situations where the intention of the researcher is to collect data on a phenomenon that cannot be directly observed and are used extensively to assess attitudes (Croft, 2008:85). To establish the relationship between innovation and the performance of SSAEs, the perspectives of managers/owners on the significance of innovation in the performance of their firms were surveyed by the researchers.

D. Sampling and data collection

In the Vryburg rural setting reliable published data on SMMEs including SSAEs is hardly available (see Dzansi, 2004; Pretorius & Millard, 2005). This obstacle was overcome by constructing an approximated sample frame of 885 SSAEs in the study area using a scientific calculator. A total of 268 SSAEs were then sampled randomly and self-administered questionnaires were distributed to them. These SSAEs engaged in various agro-related economic activities such as crop and livestock farming, processing of agricultural produce and agro-based marketing. This phenomenon mirrors evidence from previous research that the Vryburg region is predominantly rural (65% rural) with agriculture-related activities constituting the predominant economic activities in the area (Bophirima District Municipality, 2006; Dr Ruth S. Mompoti District Municipality, 2009).

E. Data analysis

Research data on managers/owners' responses on the influence of innovation on the performance of their firms was loaded into statistical package for the social sciences (SPSS) for analysis. From this software, descriptive and inferential statistical analysis was conducted, which resulted in the

production of tables. Since this study is pre-occupied with the relationship between innovation and performance, frequency tables and correlation analysis formed the basis of this analysis.

F. Response rate

Of the randomly sampled 268 SSAEs, 207 completed the questionnaires successfully were returned. This constitutes a response rate of 77.23%. Nine (9) questionnaires were incorrectly filled and were excluded from the analysis. Therefore, 198 completed questionnaires were analysed.

G. Sample demographics

The demographics are presented in two parts namely, the profile of respondents (business owners/ managers) and their business profile. These profiles are summarised in the tables below.

Table 1: Profile of business owners/managers

Variable	Value	Frequency	%
Role	Owner	50	25
	Manager	34	17
	Owner/manager	114	58
Gender	Male	98	49
	Female	100	51
Age	16-25	8	4
	26-35	25	12
	36-45	61	31
	46-55	79	40
	55 +	25	13
Ethnic origin/race	Afrikaner	4	2
	English	6	3
	Other European	8	4
	Black RSA	142	72
	Other Africa.	37	19
Educational Status	No formal education	12	6
	Primary school	28	14
	Middle school	34	17
	High school	94	47
	Undergraduate	25	13
	Post graduate	5	3
Business Training	None	88	44
	Apprenticeship	36	18
	Short courses	36	18
	High school	17	9
	Undergraduate	17	9
	Postgraduate	4	2
Entrepreneurs hip Training	None	69	35
	Apprenticeship	68	34
	Short courses	48	24
	High school	3	3
	Undergraduate	8	8
	Postgraduate	2	2

Table 1 indicates that most (58%) of the SSAEs are owner-managed. Gender composition appears evenly distributed. Females constituted 51% of respondents while and males consisted of the remainder (49%). This shows equal gender

representation in the SSAE ownership/ management in the Vryburg region. The positive side is that women are getting more involved in job creating activities.

Table 1 reveals that the majority (72%) of the respondents were black South Africans. The researchers' experience is that that blacks especially black females are the hardest hit by unemployment in the country. Involvement in economic activities of black females in the Vryburg region contributes to addressing the chronic unemployment crisis facing South Africa. The greatest proportion (71%) of the SSAEs owner/managers surveyed fall within the 36-55 years old group (Table 1). The implication is that the youth (16-35 years) constituting 31% are not so much involved in the management of agro-related business in the Vryburg region.

In terms of educational status of respondents, high school leavers constituted the majority (48%) and only 6% of respondents did not have any formal education whilst 16% had some university education. With regard to general business training, a majority (56%) had some form of business training ranging from matric level to even postgraduate level and a substantial proportion (65%) had undergone apprenticeship or taught entrepreneurship courses. To the effect that 65% of the respondents had some form of entrepreneurship training, the prospects look good for engaging in further entrepreneurship training. The remaining 35% would also not encounter serious entrepreneurship training since they have some formal educational background.

H. Profile of business managers/owners

Table 2 indicates that most (87%) of the SSAEs were either micro (employing 1 to 5 people) or very small entities (employing between 6 and 10 people). These statistics confirm earlier findings (see Venter et al. 2010; Agbobli, 2013) that South African small businesses are mostly micro or very small in nature.

Table 2: Business profile

Variable	Value	Frequency	%
Number of employees	(1-5 persons)	110	56
	(6-10 persons)	62	31
	(11-50 persons)	18	9
	(51-100 persons)	8	4
Age of Business	(1-5 years)	38	19
	(6-10 years)	75	38
	(11-15 years)	50	25
	(16-20 years)	23	12
	(Over 20 years)	11	6
Type of	Animal	44	22

agricultural activity	-related products		
	Crop-related products	30	15
	Both animal and crop-related products	124	63

According to Table 2, a sizeable majority (81%) of the SSAEs had been in existence for more than five (5) years whilst only 19% had been in existence for five (5) or less years. These statistics show a relatively good longevity among SSAEs in the study area.

5. Findings

Results of the findings and discussions are presented in this section. This section first presents the level of innovation of SSAEs, then the relationships between innovation and various performance indicators such as growth in sales, profitability, returns on investment (ROI) and in the number of employees. These findings are elaborated in the sections below.

1. Level of innovation in SSAEs

The study explored the level of innovation in SSAEs, which constituted the basis for further statistical analysis. The results show that on average, 72% of respondents agreed with statements on innovative practices in their businesses (see Table 3). This indicated managers/owners' participation in innovative businesses processes in their SSAEs. Subsequent sections report relationships between innovation and the performance of SSAEs.

Table 3: Innovation in SSAEs

	Disagree/strongly disagree	Agree/strongly agree	
Entrepreneurial Orientation (EO): innovativeness			
The business encourages employees to come up with new ideas at the work place	22%	79%	198
The business tries to solve problems concerning products/services by using creative methods	25%	69%	198
The business encourages development of unique ways of marketing products/services	35%	66%	198
The business often adopts new technology in making its products/services	21%	80%	198
The business introduced new products/services to the market in the past 1- 5 years	32%	68%	198
Mean	27%	72%	198

J. The relationship between innovation and SSAE performance

In this section, the influence of innovation on business performance is reported. As already indicated, business performance was measured in terms of growth in sales, gross profit, ROI and number of employees. These various performance indicators are elaborated in subsequent sections.

K. The relationship between innovation and sales growth

Results presented in Table 4 suggest that positive, significant and moderate correlations existed between elements of innovation and growth in sales. The significant but moderate positive relationship between innovativeness and sales growth in SSAEs suggests the caution with which small businesses tend to approach risks associated with growth. In addition most SMMEs in South Africa are informal (Pretorius and Millard, 2005; Ligthelm, 2013) and therefore lack the capacity to pursue aggressive growth strategies.

Table 4: Significant tests for innovation based on growth in sales growth

Statement	Estimated sales growth over the past 5 years					Chi-square	Cramer's V
	Decreasing (more than 5%) (n=21)	Decreasing (1-5%) (n=27)	No change (0%) (n=26)	Increasing (1-5%) (n=79)	Increasing (more than 5%) (n=45)		
Entrepreneurial Orientation (EO): innovativeness							
The business encourages employees to come up with new ideas at the work place	38%	67%	73%	90%	87%	30.610, sig	0.393
We solve products/ services problems creatively	52%	67%	62%	85%	82%	14.642, sig	0.272
We encourage development of unique ways of marketing products/services	38%	44%	62%	70%	87%	22.018, sig	0.333
The business often adopts new technology in making its products/services	33%	70%	81%	92%	84%	38.019, sig	0.438
The business introduced new products/services to the market in the past 1- 5 years	33%	56%	65%	75%	80%	18.096, sig	0.302

L. Relationship between innovation and growth in gross profit

Table 5 shows positive significant correlations between growth in gross profit and innovation variables. However, the magnitude of the relationships is moderate. This is consistent

with correlations between innovation and sales growth reported in Table 4.

Table 5 Significant tests for innovation based on growth in gross profit

Statement	Business's gross profit over the past 1-5 years					Chi-square	Cramer's V
	Decreasing (more than 5%)	Decreasing (1-5%)	No change (0%)	Increasing (1-5%)	Increasing (more than 5%)		
Entrepreneurial Orientation (EO): innovativeness							
The business encourages employees to come up with new ideas at the work place	35%	67%	77%	90%	88%	32.961, sig #	0.433
We solve products/ services problems creatively	52%	63%	68%	86%	80%	14.660, sig	0.272
We encourage development of unique ways of marketing products/services	35%	47%	64%	70%	90%	25.729, sig	0.360
The business often adopts new technology in making its products/services	39%	67%	91%	90%	85%	29.794, sig #	0.420
The business introduced new products/services to the market in the past 1- 5 years	35%	57%	68%	77%	75%	17.397, sig	0.296

M. Relationship between innovation and growth in ROI

It is reported in Table 6 that all elements of innovation correlated positively but moderately with growth in ROI. This relationship mirrors performance trends of SSAEs for growth in sales growth and gross profit.

Table 6: Significant tests for INNO based on growth in ROI

Statement	Business's return on investment (ROI) over the past 1-5 years					Chi-square	Cramer's V
	Decreasing (more than 5%) (n=21)	Decreasing (1-5%) (n=41)	No change (0%) (n=22)	Increasing (1-5%) (n=84)	Increasing (more than 5%) (n=30)		
Entrepreneurial Orientation (EO): innovativeness							
The business encourages employees to come up with new ideas at the work place	48%	61%	86%	92%	80%	27.214, sig #	0.380
We solve products/ services problems creatively	62%	59%	77%	86%	77%	13.178, sig	0.258

We encourage development of unique ways of marketing products/services	48%	42%	82%	69%	90%	24.53 4, sig	0.352
The business often adopts new technology in making its products/services	43%	68%	91%	91%	83%	25.53 1, sig	0.383
The business introduced new products/services to the market in the past 1- 5 years	33%	51%	68%	81%	77%	24.27 8, sig	0.350

N. Relationship between innovation and growth in number of employees Poverty alleviation

The correlation between innovation and growth in employment of SSAEs is significant, positive though weak (see Table 7).

Table 7: Significant tests for innovation based growth in number of employees

Statement	Growth of employees			Chi-square	Cramer's V
	0 persons (n=62)	1-5 persons (n=99)	6+ persons (n=37)		
Entrepreneurial Orientation (EO): innovativeness					
The business encourages employees to come up with new ideas at the work place	71 %	83%	78%	3.155, ns	0.126
The business tries to solve problems concerning products/services by using creative methods	63 %	81%	81%	7.393, sig	0.193
The business encourages development of unique ways of marketing products/services	52 %	71%	76%	8.190, sig	0.203
The business often adopts new technology in making its products/services	69 %	87%	78%	7.311, sig	0.192
The business introduced new products/services to the market in the past 1- 5 years	52 %	75%	76%	10.658, sig	0.232

6. Discussion of findings

In overall terms, the relationships between innovation and the performance indicators (growth in sales, gross profit, ROI and number of employees) were significant and positive. The strength of associations among these variables ranged from moderate to weak. Notwithstanding the not so strong (moderate) relationships, innovation exerted positive and

significant influence on performance of SSAES (see Table 5). This finding is consistent with those established in the literature (Kotler and Armstrong, 2000; Roskos, 2004; Verhees and Meulenbergh, 2004; Wolff and Pett, 2006; United Kingdom Department of Trade and Industries (UK DTI), 2006; Bolinao, 2009) which observed that innovativeness positively influences business performance. In addition, the positive but moderately significant relationship between innovation and performance of SSAEs is an indication that SSAEs are more likely to be involved in incremental innovation - which introduces new products or processes gradually but making use of small amounts of resources (Verhees and Meulenbergh, 2004; Venter et al. 2008; Kuratko, 2009). This view perfectly consummates the nature and character of SSAEs involving limited resource capabilities that constrain their involvement in and diffusion of research and development (R &D)-based innovation, the large scale roll-out of new technologies or the optimisation of innovative productive techniques.

It was firstly hypothesised that SSAEs in the Vryburg region are innovative (Ha1: *SSAEs in Vryburg region are innovative*). The results of the survey affirmed high levels (72%) of innovation in SSAEs (see Table 1). There were also relatively high scores on all the elements of innovation. About 79% of respondents agreed that they were involved in idea generation, 80% reported that they adopted new technology in producing goods and services, while 68% agreed they introduced new products to their customers. These results lend support to the first hypothesis (Ha1: SSAEs in Vryburg region are innovative). It is therefore, concluded that the SSAEs in the Vryburg region are innovative. At best, this innovative behaviour buttresses evidence from literature that the innovativeness of a firm reflects its willingness and ability to create new products or services for its customers, which translate into business competitiveness and success (Cillo, De Luca & Troilo, 2010; Rubera & Kirca, 2012). Innovation is known to drive entrepreneurial marketing for greater success of businesses (Erdil et al., 2004:8; Pretorius, 2006; Olavarrieta & Friedmann, 2008; Bolinao, 2009).

Secondly, the hypothesised relationship between innovation and performance of SSAEs was addressed by testing the second hypothesis (Ha2: *There is a relationship between innovation and SSAE performance*). It was found that positive and significant relationships exist between innovation and performance measures reported in Tables 2 to 5 (sales growth: Table 2; gross profit growth: Table 3; growth in ROI: Table 4; growth in number of employees: Table 5). Significant and positive relationships were found between innovation and performance measures of SSAES though the strength of the relationships was moderate. The hypothesis (Ha2: there is a relationship between innovation and SSAE performance) is accordingly supported. The moderate to weak relationships between innovation variables and performance potentially signify the gradual uptake of innovation as small firms tend to internalise productive capabilities and externalise risks due to resources scarcity. As entrepreneurial literature suggests, small businesses more often than not engage in incremental

(piecemeal) rather than ground breaking (radical) innovations due to their limited resource base (Verhees and Meulenber, 2004; Venter et al. 2008; Kuratko, 2009). The positive, significant but moderate relationship between INNO and performance of SSAEs could be attributed to the fact that SSAEs, being small and predominantly informal, would be characterised by incremental innovative practices. This relationship was found to be positive and consistent with the literature (Karanja, 2011; Uhlaner, Stel, Duplat and Zhou. 2013; Ligthelm, 2013).

O. *Implications for policy*

The findings of the paper have significant policy implications for government and agencies or organisations involved in crafting innovation strategies for SMMEs. Firstly, the evidence of innovation among SSAEs embodied in their introduction of new ideas, new products/services, new marketing strategies presents opportunities for government support agencies to promote the broadening of the uptake and development of innovation strategies. The triple helix comprising government support agencies, corporate sector and higher education could form partnerships to provide innovation-focused management training, business coaching and mentoring covering various issues from new business idea conception, new business development, novel marketing strategies, niche market segmentation, value creation and value addition in products/ services. Such managerial initiatives would entrench existing innovative practices thus further deepen the culture of innovation among SSAEs. Since the majority of SSAEs are based in rural areas, a combination of on-the-job training and formal but long visits to rural areas to offer such training, mentoring and coaching would be necessary. In addition the concept of agglomeration could be adapted to suit innovation diffusion initiatives by ensuring that trained, established business peers located in proximity render continual support to their business protégé upon the completion of basic management training by the business protégé.

The significant but moderate relationships between innovation variables and SSAE performance indicators (growth in sales, employees, ROI and profitability), which were interpreted as a signifying gradual innovation uptake and diffusion within SSAEs, provide impetus for government to develop information shops, institutionalise industrial innovation parks, and allocate research and development funds to innovation-based business support organisations in order to accelerate the uptake and diffusion of innovation among emerging and established SSAEs. Information shops could provide basic information on churning business ideas into durable, money spinning innovations, innovation parks could showcase best practices of business innovations to emerging SMME managers/owners while R & D based innovation provides impetus for the creation of prototypes of popular venture start-ups similar to the Silicon Valley projects in the United States.

7. Conclusion

The relationships between innovation and performance of SSAEs were analysed in this paper. It was found that SSAEs adopt innovative strategy in their operations. It was also established that significantly positive correlations exist between innovation and the performance of SSAEs. However, the influence of innovation on firm performance was moderate suggesting the insipient, gradual uptake and diffusion of innovation among these emerging firms. For enhanced growth and profitability, SSAEs and for that matter SMMEs in general ought to pursue innovative strategy more aggressively since innovation is an acknowledged driver of firm performance (Uhlaner, Stel, Duplat and Zhou, 2013).

The study also provided illustrative evidence on the SSAEs' engagement with various innovative activities such as production of new business ideas by employees, new goods/services, new marketing strategies and the generation new technologies. It is safe to suggest that businesses which fail to innovate will sooner or later become irrelevant in the market/industry, thus SSAEs adopt and implement incremental rather than radical innovative strategies to ensure their continued relevance and survival.

growth, profitability and survival.

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