AN ANALYSIS OF PERFORMANCE OF SMALL AND MEDIUM ENTERPRISES IN MOZAMBIQUE. A CASE STUDY OF BEIRA CITY (2005-2010)

BY

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Thesis submitted in fulfilment of the requirements for Doctor of Philosophy in Business Management

To

ZIMBABWE OPEN UNIVERSITY

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November 2016
ABSTRACT

SMEs are economic entities which greatly contribute to the economic and social development of a country by generating employment, mobilization of natural and social resources, well-being of families and competitiveness of a country. However, because these organisations are of family line and have limitations in terms of financial and human resources, they have been susceptible to micro and macro environmental factors. This research aims to analyze the performance of SMEs in Mozambique with main focus in Beira. A qualitative approach was used to analyze in depth the factors that influence the success or failure of SMEs because of the nature of the study. The researcher was the main instrument in generation of data and she used participant observation in SMEs, interviews with owners or managers of SMEs, employees and customers of the same organisations and group discussions. Three small and two medium businesses were used in this study. Triangulation of data was used to validate the results of this research. From the research, the researcher found out that because of the nature of SMEs in Beira, they face many challenges in terms of access to finance, offering quality services/products. Government policy, political situation, climate change, competition and seasonal market are factors influencing SMEs performance. The study concluded that for SMEs to be successful in performance, they have to look for ways to attract and retain competent personnel, attract and retain customers and offer quality products and/or quality services.
DEDICATION

This work is dedicated especially to my father who before I even knew there was a doctoral degree he dreamt and wished that one day I would reach the level of a full professor. My mother who always treated me like a princess. My children Alsler and Hesler and their father who whilst I was spending and enjoying nights and nights they could not sleep.
AKNOWLEDGEMENT

First of all I thank Almighty God through the Holy Spirit enlightened me, inspired me and blessed me and the people who helped me to do this work. Without the Lord I couldn’t have done it.

My sincere gratitude goes to the Catholic University of Mozambique for creating the opportunity to materialize the doctoral program, to Zimbabwe Open University, for having approved my application to the program and the opportunities it has given us.

I would like to offer my sincere thanks to my supervisor Professor Bornface C. Chisaka for accepting and carrying out this quality supervision. To my co-supervisor Professor Doctor Alfandega Manjoro, and my first supervisor Professor Nherera; and Professor Doctor Amalia Dickie for the relentless strength and guidance that they gave me.

I also thank the Provincial Director of Industry and Commerce, the BAU, the vice president of the Trade Association and the companies that were part of my case study for the information they provided.

Many thanks to Issufo Mutuala who established contacts with the companies where I went for data collection, fellow candidates in doctoral Luis Macunha, and Esther Masarira, who contributed to my inspiration.

To my fellow colleagues; Celestino Amaro and Mester Machaze thank you for support in English, Sergio Niquisse for the map and Belmiro Beli for the formatting of the work.

My friend Master Edma Hussene and her family for taking care of my children while I was doing my thesis at weekends.
I also thank all those who always asked me how my PhD was going on because in some way, they gave me the strength to fight.

Finally, I thank my family and ask for forgiveness for the times I wasn’t a good wife and a mother. Everything happened for a great and good cause.

To all of you, God bless you.
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### Abbreviations

| Abbreviation | Description 
<table>
<thead>
<tr>
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<tbody>
<tr>
<td>BSC</td>
<td>Balanced Score Card</td>
</tr>
<tr>
<td>EU</td>
<td>European Union</td>
</tr>
<tr>
<td>EVA</td>
<td>Valor Económico Adicionado</td>
</tr>
<tr>
<td>GDP</td>
<td>Gross Domestic Product</td>
</tr>
<tr>
<td>GNP</td>
<td>Gross National Product</td>
</tr>
<tr>
<td>HRM</td>
<td>Human Resource Management</td>
</tr>
<tr>
<td>LOC</td>
<td>internal locus control</td>
</tr>
<tr>
<td>MSE’s</td>
<td>Micro, Small Enterprises</td>
</tr>
<tr>
<td>MSME’s</td>
<td>Micro, Small and Medium Enterprises</td>
</tr>
<tr>
<td>n-Ach</td>
<td>need for achievement</td>
</tr>
<tr>
<td>OECD</td>
<td>Cooperation in Economic Development</td>
</tr>
<tr>
<td>QLW</td>
<td>Quality Life at Work</td>
</tr>
<tr>
<td>RTP</td>
<td>Risk Taking Propensity</td>
</tr>
<tr>
<td>SME’s</td>
<td>Small and Medium Enterprises</td>
</tr>
<tr>
<td>US</td>
<td>United States</td>
</tr>
</tbody>
</table>
CHAPTER ONE

1. BACKGROUND TO THE PROBLEM

1.1 Background to the study

This chapter presents the introductory remarks that form the basis for this thesis. In this chapter the following issues were discussed: the background to the study, statement of the problem, purpose of the study, objectives of the study, research questions, significance of the study, definitions of terms and organisation of chapters. The idea is to give the reader an appreciation and deeper understanding of essential related issues in understanding this study.

The terms Small and Medium Enterprise (SME) encompass a broad spectrum of definitions. Different organisations and countries set their own guidelines for defining SMEs, often based on headcount, sales or assets. The notion of SME is not uniform as it varies from country to country, even though some criteria are common. The World Bank defines SMEs as those enterprises with a maximum of 300 employees, $15 million in annual revenue, and $15 million in assets. The Inter-American Development Bank, meanwhile, describes SMEs as having a maximum of 100 employees and less than $3 million in revenue (Dalberg, 2011: 6).

According to the Department of Micro, Small and Medium (MSME) enterprise development of the Ministério de Desenvolvimento, Comércio e Exterior - Uruguay (2002) in GMC Mercosur Resolution No. 90/93, defines SME using different sectors such as industry, trade and services and the classification takes into account the number of employees and annual revenue as the two variables used in the classification. The GMC Mercosur Resolution No. 59/98, in its Phase II of the policy, maintains the same previous parameters in classification of SMEs as illustrated in table 1.1:
Table 1.1: SMEs in South America

<table>
<thead>
<tr>
<th>No. of employees</th>
<th>Industry</th>
<th>Trade and Services</th>
<th>Industry</th>
<th>Trade and Services</th>
</tr>
</thead>
<tbody>
<tr>
<td>11 - 40</td>
<td>11 - 40</td>
<td>6 – 30</td>
<td>41 - 200</td>
<td>31 – 80</td>
</tr>
<tr>
<td>Annual Revenue</td>
<td></td>
<td>US$ 3.5 million</td>
<td>US$ 1.5 million</td>
<td>US$ 20 million</td>
</tr>
</tbody>
</table>

Source: Adapted from Department of Micro, Small and Medium Enterprise Development of the Ministry of Industry and Foreign Trade (2002)

When setting up SMEs, the United States International Trade Commission (2010), the European Union (EU) and South Africa use universal criteria such as number of employees and annual revenue level. Unlike the EU, the United States (US) includes one’s rating in the manufacturing and agriculture sectors and services as in Table 1.2. On the other hand in Tanzania even with agriculture, SMEs cover non-farm economic activities mainly manufacturing, mining, commerce and services, (Ministry of Industry and Trade 2002)

Table 1.2: SMEs in United Stated of America

<table>
<thead>
<tr>
<th>Number of employees</th>
<th>Manufacturing and non-exporting services firms</th>
<th>Exporting services firms</th>
<th>Farms</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Most</td>
<td>High value</td>
<td></td>
</tr>
<tr>
<td>No. of employees</td>
<td>&lt; 500</td>
<td>&lt; 500</td>
<td>&lt; 500</td>
</tr>
<tr>
<td>Annual Revenue</td>
<td>Not applicable</td>
<td>≤ $7 million</td>
<td>≤ $25 million</td>
</tr>
</tbody>
</table>

In the EU the notion, definition and criteria of SMEs vary. According to Sampayo et al (undated), the definition of SMEs uses criteria of market share and relative importance of the company. Thus, an SME company or sector may be defined as that which has a residual market position, personalized management and independence from large companies. Denmark which is also part of EU only uses the criterion of number of workers. The European Commission (1995), uses the number of employees and annual revenues to define SMEs as illustrated in Table 1.3 below:

**Table 1.3: SMEs in Europe**

<table>
<thead>
<tr>
<th></th>
<th>Small Enterprise</th>
<th>Medium Enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of employees</strong></td>
<td>&lt; 50</td>
<td>&lt; 250 depending on industry</td>
</tr>
<tr>
<td><strong>Annual Revenue</strong></td>
<td>≤ €50 million</td>
<td>≤ €10 million</td>
</tr>
</tbody>
</table>

**Source:** European Commission (1995)

**Table 1.4: SMEs in South Africa**

<table>
<thead>
<tr>
<th></th>
<th>Small Enterprise</th>
<th>Medium Enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of employees</strong></td>
<td>&lt; 50</td>
<td>&lt; 100 - 200 depending on industry</td>
</tr>
<tr>
<td><strong>Annual Revenue</strong></td>
<td>&lt; R2 m to R25 million depending on Industry</td>
<td>&lt; R4 million to R50 million depending upon Industry</td>
</tr>
</tbody>
</table>

**Source:** National Credit regulator (2011)

The National Credit regulator uses the number of employees and annual revenues as criteria for defining SME’s. For example while Egypt defines SMEs as having more than 5 and fewer than 50 employees, Vietnam considers SMEs to have between 10 and 300 employees.
Table 1.5: SMEs in Tanzania

<table>
<thead>
<tr>
<th></th>
<th>Small</th>
<th>Medium</th>
<th>Medium Enterprise</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Number of employees</strong></td>
<td>5-49</td>
<td></td>
<td>50-99</td>
</tr>
<tr>
<td><strong>Annual Revenue</strong></td>
<td>Above s5 million to s200 million</td>
<td>Above s200 million to s800 million</td>
<td></td>
</tr>
</tbody>
</table>

*Source: Ministry of Industry and Trade (2002)*

Globally as expected, SMEs play a very important role in the economy, especially of developing countries, since the emergence of a company reduces unemployment, increases the Gross Domestic Product (GDP) which contributes to economic growth and poverty reduction in the country. This is partly why the demand for them, has increased significantly and the interest of researchers in this area has also increased. It has been found that in most countries, there is an avalanche of SMEs in both the formal and informal sector. According to Dalberg (2011) the SMEs sector are the backbone of economies in high-income countries but are less in developed countries where the income is considerable low. Over 95% of companies in Organisation for Economic Cooperation and Development (OECD) countries are SMEs, which represents almost 60% of employment in the private sector. The report of the United States International Trade Commission (2010) indicates that SMEs contribute significantly to employment generation, entrepreneurship and Gross National Product (GNP).

Ayyagari, Beck and Kunt (2005) paper, indicated that countries with a higher level of GDP per capita have larger SME sectors. The negative correlation of the size of the informal economy and mostly micro and small enterprises, suggests that the overall contribution of formal and informal small firms, remains about the same across income groups. As income
increases, the share of the informal sector decreases and that of the formal SME sector increase. However, the correlation may not be the same for the companies of all countries.

For many years, small businesses have played an important role in the Scottish economy, particularly since the decline of traditional industries such as shipbuilding, coal, steel and textiles. The Scottish Economic Bulletin No. 58 (1998) show that in 1997 there were 296,640 enterprises in Scotland of which, 98.2%, were small with 0 to 49 employees. There were 3,311 medium sized enterprises, with 50-249 employees, that accounts for 1.1% of the total number of enterprises. Campbell and MacDonald in Stansfield and Grant (2003, p.17) highlight that small firm’s make a significant and consistent contribution to job creation whatever the trade cycle is. Jayathilake and Welmille (2010) confirm that SMEs have gained recognition as the largest source of employment, income generation, poverty alleviation and regional development in Sri Lanka.

In Africa, an example of Kenya, according to Bowen et al (2009) in 2005 SMEs contributed more than 50 percent in the generation of new jobs. Demonstrating with evidence, Omar et al (2009) observe that SMEs play a vital role in the economy of Malaysia. They contribute to the growth of the manufacturing sector, agriculture and services in terms of output, value addition and employment. Hashim and Wafa, as cited in Omar et al. (2009) confirm that SMEs provide employment opportunities, improved initiatives, competition and accelerated support of large enterprises. And also SMIDEC cited in Omar et al (2009) confirms that SMEs contributed 32 percent to GNP, 56.4 percent in employment and 19 percent for export.
In Mozambique where there are prospects for income generating enterprises, both medium and small enterprises, success depends on the internal and external factors of the company. Nonetheless, the evidence on the contribution of SMEs demonstrates how SMEs are essential in contributing to the economic and social development of a country. This qualitative researcher strongly believe that in a country where SMEs do not have long cycle (often open up new SMEs and close) this should be viewed as a negative indicator of fragile economic growth and none sustainability. The weaknesses in the performance is attributed mainly to the inability for rapid growth and innovation, weakness in skills (entrepreneur, business and management) lack of planning management, family run, regulation and policy.

According to Sebrai (1999) as cited in Tachizawa and Faria (2002) the mortality rate of companies varies from 30% to 61% in the first year of existence of the company, from 40% to 68% in the second year, and 55% to 73% in the third year venture. According to Amix (2005), as cited in Bowen et al (2009), one of the biggest challenges of SMEs is the negative perception that customers have on the perception that SMEs do not have skills or abilities to provide quality services and are unable to manage more than one project simultaneously. Longenecker et al (2006) cited in Bowen et al (2009) argue that the main cause of failure of SMEs is poor management, focusing on lack of plans and funding. Moreover, Oketch (2000), Tomecko and Dondo (1992) and Kiinu (1991) cited in Bowen et al (2009) identify the lack of credit as the reason of the bankruptcy of SMEs.

The financial resources form a basis to conduct organisational functionality and acquire the other resources like qualified human resources, technology to innovate organisational performance and material resources in general. According to Ebashi et al (1991) cited in Nguyen (2001), SMEs in Vietnam have faced difficulties due to lack of financial resources for
new equipment and technology, low productivity and competitiveness, lack of experience, poor management of marketing, production and finance. This is similar to problems experienced by SMEs in Mozambique.

Onugu (2005) stated that in Nigeria, most SMEs go bankrupt within the first five years of existence and the others between six to ten years. This is due to diverse factors such as insufficient funds, weakness in market research, failure to plan, lack of market for the finished products, lack of skill in separating family or personal finance, centralization in decision making, unfavourable fiscal policy, inconsistency in policies, multiple taxes, and several other reasons.

Mazumdar (2001) observes that SMEs face a lot of problems during their functioning process. The functioning of an organisation can be affected by many factors which can be internal and external. The internal factors can be viewed as part of the management process and the existence of resources, but external views can be viewed as part of the macro environmental factors which can be political, economic, legal, social, and technological and environment (PESTEL).

1.2 SME´s in Mozambique

Mozambique defines SMEs as enterprises which have a number of workers equal to or below 200. Mozambique is considered an underdeveloped country (from the third world) and the researcher considers it to have a disproportionate development to population growth. The Ministry of Industry and Trade (2007) in Mozambique affirms that although the SMEs are dominant part in the business area, their impact on formal employment is marginal: only 1.3%
of existing labour force in the country that is 129.225, are recruited by 28.474 SMEs, taking account that annual population growth is, on average, 2.37% over the last ten years.

The increase of SMEs is due to the fact that there are many unemployed people who are looking for something to do to support their families. Due to lack of employment or desperation they choose to start with small businesses. Although the government regulates business, it can be noted that many of the dealers begin to sell at home, on the streets and at institutions. Few people think and decide in advance to start their business formally. It can be considered that the number of informal SMEs is greater than the formal SMEs. However, these generally contribute to the Mozambican economy.

According to Mazumdar (2001), the SMEs contribute to equitable development process and poverty alleviation in national economy. In the same way, Valá (2009) observes that SME’s constitute about 78% of economies globally. These companies contribute towards poverty alleviation through economic development. In his analyses, he stressed that many poor people in the districts of Mozambique have invested in SMEs.

The idea of Mazumdar (2001) and Valá (2009) that is confirmed by the Ministry of Industry and Trade (2007), who defend that SMEs play vital role in the national economy. The importance of SMEs for a nation’s economy has four dimensions:

a. Generate employment,

b. SMEs are crucial for a country’s competitiveness,

c. SMEs diversify activities, stimulate innovation and creativity, and
d. SMEs mobilize social and economic resources.

Mozambique is a developing country whose SMEs have similar characteristics to many of the background mentioned. The report of the Mozambique Council of Ministers (2007) reveals that the performance of SMEs in the traditional industries is inadequate; growth of number of SMEs is not satisfactory; the opportunities that they offer are not sufficient as most of them are informal and contribute less than half of the gross volume of business. In addition, labour productivity is low, manufacturing and trade areas are the ones that support the SME sector, while their performance in traditional industries is not adequate, and there are marked asymmetry in terms of regional dimension.

The existing regulation for SMEs is neither flexible nor accommodating. That is why many companies are still informal. There are several banking institutions and non-banks which SMEs may approach to obtain credit, but due to high interest rates and affordability constraints or limited funding, many of them use their own capital. Although each region of Mozambique is different from the other, the tendency of bankruptcy in the short or medium term is normally the same although each region has its own reasons.

What is important is not only to increase the number of SMEs in Mozambique, but to make them to be able to survive in the long term. The purpose of this study is to find useful means to prevent such disastrous situations. It is also important to change the mindset of people on what a business is. It is important to note that it is not sufficient to have the will to start the business without taking into cognizance all the process from planning to monitoring and evaluation of the performance.
Filho (2010) states that entrepreneurs, executives and employees of many organisations seek to discover new and good ideas from business guide. They are also searching for new trends of business management to adopt to improve the performance of their companies and to quickly apply in their organisations business, models of the best companies in the market. There are several concepts related to measuring organisational performance. Caro et al (1998) suggest that the objective measure of organisational performance is to establish the degree of stagnation or progress of their activities and processes as well as appropriateness of the use of goods and services in order to take precautionary or correct possible errors in order to achieve the company envisaged goals.

Hronec (1994) cited in Caro et al (1998) regard a measure of performance of the organisation as a vital sign, which qualifies and quantifies the way activities achieve their goals. A system of performance measurement involves a set of measures of organisation (departments and subdivisions), activities organized in order to meet the performance standard required by the company, (Moreira cited in Caro et al, 1998).

Entrepreneurial success depends on the smooth progress of each phase of the business. However to analyse performance of SMEs, the focus should be on some indicators such as staff, client and the quality of products and services. The company is exposed to internal and external environment to which their performance will be affected, besides this researcher considers three conditions which business cannot prosper without which are:

a. The clients, without them there is no organisation or business. Today many people say the customer is at the forefront, this is why we seek to create the conditions for the
client to be satisfied. The client is the only one capable of dismissing everyone in the company from the floor cleaner to the manager.

b. The staff, who are members of the organisation play a crucial role, particularly in the service industry. People management is essential in modern management of business as it is viewed as a competitive factor that makes a difference. The existence of an organisation is made possible by its staff. For an organisation to exist, it is necessary that staff exist and that they have a good relationship in order to achieve common cooperate objectives. Progress in business depends on how their staff treats their clients.

c. And of-course the customers need to be satisfied by the product that they look for too. Nowadays, in a competitive environment the entrepreneur needs to look for ways to overcome competition. One of the ways is to offer quality products and services, that is why, the researcher has chosen this indicator as the third indicator to analyze the performance of SMEs.

1.3 Statement of the Problem

The city of Beira has many SMEs which are both formal and informal. This is a direct result of high rate of unemployment in the country which has seen many youths failing to be absorbed in the mainstream sectors of the economy. Despite the critical role played by the SMEs sector, it faces numerous constraints and challenges.

The majority of SMEs in Mozambique have more problems than successes, because of the many challenges that they face, from the initiation stage to maturity. Most SMEs, fail to run a full life cycle because of problems encountered in the business development process. The
situation is worsened especially by particularly to most Chinese and Nigerians who get financial support from their respective governments compared to our local entrepreneurs who want to venture into SMEs with the little they have. Many of these begin with the informal business and later formalize their business.

Mozambique is a country experiencing positive economic growth as a result of mega projects. This scenario should have been conducive for the SMEs survival. But contrary to all expectations most of the SMEs find it difficult if not impossible to operate in the current environment. It is therefore important for me as a qualitative researcher to verify, through a detailed and prolonged study, the reasons behind their lack of success. This study is therefore intended to find out:

   a. The factors that influence the success or failure of SMEs.
   b. How to manage the factors that influence the success or failure of SMEs.

1.4 Purpose of the Study

SMEs contribute to the general welfare of the nation, but their life cycle is very short. Improving the performance of these SMEs is one of the challenges that the government faces. Reliable information on the challenges faced by SMEs and the effect of macroeconomic policy on SMEs will help many managers of SMEs and government entities.

Therefore, this study sought to investigate and provide an expose of the factors affecting the performance of SMEs and find ways to avoid early problems, in the Beira city.
Studies on performance measurement and problems of SMEs have been of interest as research topics to many academic and non-academic researchers in order to answer questions such as:

a. What are the factors that influence the success or failure of SMEs?

b. How do we manage the factors that influence the success or failure of SMEs?

1.5 Research Questions

This study attempted to answer the following specific questions:

a. What are the factors that influence the success of SMEs performance?

b. How do you manage the factors that influence success of SMEs?

c. How do SMEs manage to attract and retain staff?

d. How do SMEs manage to attract and retain customers?

e. What are the challenges that SMEs are facing?

f. How do SMEs overcome these challenges?

1.6 Significance of the Study

A lot of studies have been done on SMEs and this study seeks to look at the problems faced by SMEs from the three angles which are the clients, staff, and the quality of the product or service being offered. This study aims to come up with strategies to improve the performance of SMEs and how their growth can address issues of unemployment, poverty alleviation and general enhancement of livelihoods of the general populace.

It is hoped that this study will contribute to opening the minds of entrepreneurs and independent business owners, SME prospects by providing them with new strategies. The knowledge of the factors contributing to the success or failure of a business may provide and
guide managers to improve the performance of their workers. The higher the performance of the organisations, the greater the profit benefited for shareholders and employees of the organisation.

There are some studies that identify factors influence the success or failure of SMEs in Brazil and some African countries, but the researcher cannot find any study that focused on the experience of related with Beira or Mozambique. This study therefore, aims to draw on the experiences of SMEs with specific reference to the city of Beira.

The great advantage of this study is the Mozambican strategic model for the performance of SMEs in the city of Beira. However, there will be new knowledge, new approach of SMEs useful performance management for the student community and especially for students in the area of administration and business management.

1.7 Definition of Terms

For clarity and avoidance of misinterpretation, of terms it is of paramount importance to define some of the terms which were used mainly in this study. These terms are defined in the context and frame of reference of the study to avoid misinterpretation of facts. However, this qualitative researcher saw it fit to define these terms again whenever they appeared for the first time.

According to Conselho de Ministros (2003) in Mozambique, SMEs are industrial and commercial establishments who possess initial investment equal to or greater than 2500 meticais and less than 10 million meticais. The number of workers in SMEs according to the
same source should be composed of a number greater than or equal to twenty five and less than two hundred and fifty.

**Organisation** is a group of people who interact, communicate to achieve results.

**Organisational Performance** is the organisation's ability to achieve efficiency and effectiveness in its management.

**Client** is any individual who buys goods or services from a particular organisation. It is important to state that, in this qualitative research, client was used interchangeably with customers. The difference between these two are the fact that clients are much more faithful to the organisation due to customer’s satisfaction.

**Quality of the Product and Service** is the set of characteristics that meet the customer expectation and demand. It is through this that loyalty and reputation are built.

**Staff** is people entering, remain and participating through his competences in the organisation, regardless of their position in the organisation's hierarchy.

**Client satisfaction** is the feeling of pleasure, joy and happiness that results from products or services that surpass or exceed customer expectations.

**Staff satisfaction** is the feeling of pleasure, joy and happiness that results from reaching or exceeding the worker's expectation.

Entrepreneurship is the act of identifying a business opportunity and start a business. Entrepreneurs see opportunities where others don’t realize the existence of such opportunities and are prepared to take a risk.

**Organisational Challenges** are difficulties that organizations face during the working process of the organisations. In this research, the focus is on the difficulties of SMEs.
1.8 Delimitation of the Study

The study will be delimited to:

a. SMEs enterprise of Beira city.

b. Factors that contribute to SMEs failures.

c. Performance of SMEs in three perspectives (customer, staff, and quality product and/or services).

d. Procedures used by small and medium enterprises to achieve efficiency and effectiveness through the use of identifiable strategies in the 2005 to 2010.

e. Challenges SMEs face and mechanisms to overcome such challenges.

Being a qualitative study, the researcher did not give much importance to the sample size as the mainly objective was to make an in depth study of factors affecting SMEs.

1.9. Organisation of Chapters

Chapter 1

This chapter essentially is an introductory part of the research which includes background to the study, statement of the problem, purpose of the study, research questions, and significance of the study, definition of terms, this organisation chapter and summary chapter. The chapter provided the necessary background to the research problem under study.

Chapter 2

This chapter makes a review of related literature to the performance of SMEs in Mozambique and other countries. The chapter covered theoretical framework and empirical framework and overview of performance of SMEs in three perspectives (customer, staff and quality product and/or services). Also, this chapter includes such issues as the process for obtaining quality, measurement models and performance evaluation, evaluation model of quality of life at work,
constraints for SMEs, challenges of SMEs, human resource management and organisational performance, attracting and retaining people and client in an organisation, the contribution of SMEs in the economy, human resource management in SMEs, human resource management and organisation performance, quality management on performance of SMEs.

Chapter 3

This chapter gives research methodology and design used in this study. The methodology chapter gives the global and detailed vision about the methods and techniques of philosophical study. This chapter also gives the following topics: Paradigm of performance, the methodology of the study and rationale for its choice, qualitative methodology and its philosophical perspectives, research design, a brief description of the site of the study, entry into the site of the study, population of the study, sample and sampling procedures; and data generating instruments and procedure.

Chapter 4

This chapter looks at research result and discussion. Data were analyzed factors that influence SMEs performance. All emerging themes and sub themes are identified and discussed accordingly. Also, a comparative analysis is made on the informant perception with the literature review.

Chapter 5

In this chapter the researcher presents the summary of findings from literature review and from participants as well as Empirical data. It is also include conclusions that were raised from factors that influence SMEs performance in different ways. At the end of this chapter were presented new insights and knowledge in ways of suggestions and recommendations to the stakeholders of the SMEs namely: the owner or Manager, employees and the government.
especially to the Ministry of Labour mainly. Finally was recommended future research that can be carried out to improve SMEs performance.

1.10. Chapter Summary

It is clear that SMEs are of great relevance to the economy, but they face many challenges throughout their life cycle. The challenges of SMEs vary according to the reality of each country or depending on the level of economic development of the country, which means that the factors affecting SMEs in first world countries will be different from those of the second or third world countries.
CHAPTER TWO

2. REVIEW OF RELATED LITERATURE

2.1 Introduction

Literature review is the base that supports any scientific research (Ribeiro, 2007). The Literature Review chapter is essential in an academic research. It guides the researcher through research and ideas of others, as well as the reader to understand the context of the research. This chapter aims to recognize and give credit to the intellectual creation of others, report, evaluate the knowledge produced in the area of the performance of SMEs. According to Ribeiro (2007), it is necessary to know what has already been developed by other researchers before taking any action on what to search. This is because literature review contributes to the definition of the objectives of the work, theoretical constructs, planning research, comparisons and validation. Santos (2006), suggests that literature review plays an important role for both the researcher and the reader, as well as to locate the work under the search. It also identifies the relevant authors to support the study, which will require an extensive, constant and sustained reading. For the readers, literature review can help to identify the theoretical framework of the study on the basis of the selected authors.

Organisational performance is a critical concept to organisational success, which is why today there are many researchers, entrepreneurs and managers concerned with this phenomenon. Many studies have been done around this area. Some authors discuss organisational performance as a dependent variable and others as an independent variable. This means that there are many approaches to the phenomenon of organisational performance. According to Schmidt and Bohnenberger (2009), the academic community addresses the performance measures using objective measures of performance as well as subjective measures. The
objective measures are those using financial indicators for its measurement and subjective measures are collected from the opinion of participants.

2.2 Conceptual Framework

The concept of organisational performance varies from author to author. In the past, the approach on business performance, took into consideration financial or accounting variables. Today, the concept of business performance is being seen more holistically, not only the financial variables, but also the non-financial elements. According to Filho (2010), there is much doubt about what actually works in the business world, this definitely makes entrepreneurs, executives and employees seek formulas to improve the performance of their companies. Applying and trying different ideas reveals the existence of constant failures at the enterprise level.

2.2.1 Concept of Organisational performance

Salem (2003), defines organisation performance as being about doing work, as well as being about the result achieved. It can be considered as the outcomes of work because they provide the linkage to the strategic goal of an organisation, customer satisfaction and economic contribution.

To Rodrigues (2010), performance refers to the simultaneous action, the result of the success of this action and the result compared with some pattern. To understand the definition of performance, Neely (2004) made a checklist;
Table 2.1: Checklist of performance definition

<table>
<thead>
<tr>
<th>Definition</th>
<th>Example</th>
</tr>
</thead>
<tbody>
<tr>
<td>Measurable by either a number or an expression that follow communication.</td>
<td>Performance in management is multi-person concept</td>
</tr>
<tr>
<td>To accomplish something with specific intention</td>
<td>Create value</td>
</tr>
<tr>
<td>The result of any action</td>
<td>The value created, however measured</td>
</tr>
<tr>
<td>The ability to accomplish or the potential for creating a result</td>
<td>Customer satisfaction seen as a measure of potential of the organisation for the future sales</td>
</tr>
<tr>
<td>The comparison of a result with some benchmark or selected or imposed reference – either internally or externally</td>
<td></td>
</tr>
<tr>
<td>A surprise result compared to expectations</td>
<td></td>
</tr>
<tr>
<td>Acting out, in psychology</td>
<td></td>
</tr>
<tr>
<td>A show, in performing arts, that include both acting or actions and the result of the action as well as the observation of the performer by outsiders</td>
<td></td>
</tr>
<tr>
<td>A judgment by comparison</td>
<td></td>
</tr>
</tbody>
</table>

Source: Adapted from Neely (2004)

The position of Euske et al (1993) and Dias (2010) is that, performance is the sum of all processes that lead to decision-making that creates greater value to an organisation for the future (i.e. one that is efficient and effective)
The diverse views above show that there are many perceptions of performance. The different views about performance are summarized as: relative concept, capacity of generating future result, when used by decision makers as a creation alignment or value, and judgment. The position of Euske et al (1993) and Dias (2010) is not different from the position of this study where the author considers performance as the ability to achieve efficiency and effectiveness in its management/organisation.

2.2.2 Concept of Measurement of Organisational Performance

Competition in the organisational market contributes to an increase in concern for organisational performance, hence the need to measure it. The measurement of organisational performance manifests in different forms today, therefore many authors assert that what is not measured is not manageable.

Rummler and Branche (1994) as cited in Lima (2010) state that performance measurement is used to respond to the need to communicate to employees on the organisation's expectations regarding the performance and make them understand the reasons for success and failure of the organisation. Performance measurement can indicate activities that add value to the product and/or service offered by the organisation, helping it to compare and review its objectives (Lima 2010, p.18). To Marri, Gunasekaran and Grieve (2000), performance measures are established to achieve goals and provide with intent to monitor, guide and improve all the business functions and the organisation as a whole. Neely et al cited by Marri, Gunasekaran and Grieve (2000), argue that performance measures is a set of metrics used to quantify efficiency and effectiveness of action. They take into consideration five objectives of performance namely; quality, speed, dependability, flexibility and cost. This author defend
cost as a good performance measurement objective, arguing that, if an organisation faces cost
performance as unsatisfactory, it might be disaggregated into purchasing efficiency, operation
efficiency and staff productivity and it probably may explain the roots cause of the poor
performance.

There are various concepts regarding measuring organisational performance. Performance
measurement is the process to gauge performance in order to improve quality and quantity of
the operations of an organisation (Dinh, 2011). Caro et al (1998) consider that the objective of
measurement of an organisational performance is to establish the degree of progress.
Stagnation or progress of activities and processes as well as appropriateness of the use of
goods and services are used to take precautionary or correct possible errors in order to achieve
the objectives being pursued.

in Caro et al (1998) consider performance measurement as a vital indicator of an organisation,
which helps to qualify and quantify the way activities help achieve goals. A system of
performance measurement involves setting of targets of an organisation’s departments and
subdivisions against related processes and activities organized to meet the standard of

2.2.3 Concept of SMEs

According to Conselho de Ministros (2003) in Mozambique, small enterprises are industrial
and commercial establishments who possess initial investment equal to or greater than
250,000 meticais. The number of workers in small enterprise, according to the same source should be composed of a number greater than or equal to twenty five workers.

2.2.3.1 Characteristics of Small and Medium Enterprises

Russo (2006) characterizes SMEs as follows:

a. Managers are sometimes considered as partners or shareholders;

b. The organisational and hierarchical structure is simple, with little or no delegation of decision-making powers of the directors;

c. They are predominantly private companies which are unlisted;

d. Their materials, financial and human resources are relatively scarce; and

e. Their bargaining power with banks, suppliers and large customers, is generally reduced or compromised.

Leone (1999) brings a more detailed discussion of the characteristics of SMEs considering three specificities, such as: organisational, individual and decision-making specificities.

a. Organisational specific features

It is my contention as researcher that SMEs have the following features: centralization trend; simple organisational structure; less control over the external environment; the influence of perceived uncertainty on the internal aspects of structures; low level of organisational maturity; process planning and control, which are a bit formalized and quantified; little formalized strategies and intuitive.

b. Decisional specific features
Decisional features can be highlighted as follows: decision making based on experience, judgment, or intuition of the owner manager. The owner/manager does not have time or the necessary skills for strategic and analytic decision-making. The major part of the time is, the decision is made in short time optic. The manager has no strategic and analytical ability or attitude. The decision process is individuals, done daily, and with little formalized procedures for the owner/manager. The decision makers are individuals, which is a privilege to the managers of SMEs; and the manager makes all decisions without formal procedure every day.

The manager is a unique person who makes decisions. The value system of the owner manager, signalize the decision maker and the survivor and developer of policy like the owner of the business. Work is part of her/his life and her/his enterprise can be considered as just an extension of her/his life.

The decision making process is local and centralized. The decision circuits are short, which explain the big success in registration of these enterprises and as well as the strategic fail.

c. Individual specific features

It is common in SME's to have an owner manager who works closely with their employees, making their own goals and aspirations within the company's goals and aspirations. The profile of the owner/manager is more of a strategist who takes risks rather than an administrator and manager who seeks to implement strategies that minimize costs. In SMEs, there is a small difference between physical person and juridical person, manager and owner.

The role of the owner manager is based on property ownership. The ownership of organisation assets is in the hands of entrepreneur or her/his family. Even in a limited liability company, SMEs are often a personal or family business. Consequently, there is a symbiosis between the social heritage and leader.
The profile of leader is more of a strategist who runs risk than an administrator or manager seeking to apply a strategy that minimizes risks. To characterize SMEs, Kaufmann (2007), identified quantitative and qualitative criteria. Qualitative characteristics consider that SMEs vary between contexts or dimensions of the economy country-specific. However as a general rule, the definition of SME is made according to their level of development and following the objectives concerning the facilitation of SMEs. As the qualitative characteristics, Kaufmann (2007), confirms the idea Leone (1999) summarizes as follows:

- a. SMEs have a strong readiness to face risks, market flexibility and performance;
- b. There is a direct relationship between the manager and the company (the manager is normally the owner of the company);
- c. All vital organisational decisions and operation of the company are responsibilities of the owner herself/himself;
- d. Relations between workers and the employer are personal and direct.

The researcher agrees with the idea of Kaufmann (2007), and to quantitatively characterize the SMEs of this research, the researcher used the concept of Conselho de Ministro (2003). The qualitative characteristics are appropriate for Mozambican reality that Kaufmann (2007), Leone (1999) mention, they fit the reality of Mozambican SMEs.

2.2.4 The Concept of Customer Perspective

To Russo (2006), the customer perspective, determines how the organisation wants to be seen by their customers. To be successful, the organisation will need to know their customers, their needs, and the factors that give more value in the business relationship, which will be important in determining the most appropriate indicators. Generally, there are four main customer concerns: time, quality, performance/service and cost for which organisation should
articulate goals and then translate by specific measures. Russo (2006), points out that the customer's perspective translates the desired alignment between customers and market segments that aims to serve and the nature of the indicators used. These usually relate to factors such as satisfaction, loyalty, retention, acquisition and profitability of customers and translate oriented objectives to certain markets or specific segments. These evaluation measures represent the targets for marketing processes, operational, logistics and product development and services.

According to Filho (2010), the customer perspective seeks to identify the customer value for a given organisation. This approach is intended to show whether the strategic choices implemented by an organisation are contributing to the increase in the value perceived by customers for products, services, brand image, buying experience and relationship. The customer perspective assesses whether the value proposition for the customer target segments is being realized.

Russo (2006) argues that the customer perspective, often consider two levels of indicators: core measurement group and customer value proposition.

a. **Core measurement group**

Main and generic indicators of results, in consonance with the strategies (regarding satisfaction, customer retention and profitability, market share and acquiring new customers).

b. **Customer value proposition**

Customer value propositions, representing the indicators of the results that the company expects to obtain from customers.
Hernandez, Cruz, and Falcão (2000) present a different approach to the value proposition by dividing the value proposition into three categories:

- Value proposition in the attributes of goods and services, as its functionality, quality, price and delivery time to the customer.
- Value proposition in the relationship with the customer, and the ability of the organisation to understand customer needs and act on those insights.
- Value proposition on the image and reputation of the organisation in its ability to communicate this to the public and to persuade customers citing advantages of carrying out the business with them.

Russo (2006) and Filho (2010) and Hernandez et al (2000) attempt to explain the meaning of client perspective. The approaches of the authors are different, but the main idea of the customer's perspective is to create value for the client as a way of satisfying their needs and desires, and attract customers. To create client value, it is important for organisations to know their client and try to identify their needs. The Russian (2006) idea relate to the reality of SMEs. Russo (2006), started from the idea of techniques to improving the performance of multinationals looking focusing on the techniques of SMEs.

Table 2.2, shows the hypothetical dialogue between those responsible for the strategic management of the organisation and customers. To fill this table, the manager should make the following question: What perceived value should be generated to the customer in order to achieve our vision?
Table 2.2: Dialogue between the organisations management team and organisations customers

<table>
<thead>
<tr>
<th>Objectives</th>
<th>Measures</th>
<th>Goal</th>
<th>Initiatives</th>
</tr>
</thead>
<tbody>
<tr>
<td>Attracting and retaining more</td>
<td>Numbers of new customers in the</td>
<td>Win fifty new customers for each</td>
<td>Introduce customer loyalty program</td>
</tr>
<tr>
<td>customers</td>
<td>strategic segment</td>
<td>segment.</td>
<td></td>
</tr>
</tbody>
</table>

Source: Filho (2010)

2.2.5 Customer Equity

According to Filho (2010), customer equity is the sum of value perceived by the customer, the brand value and the value of retention. Kotler and Keller (2014), argue that organisation that want to expand their profits and sales need to invest time and resources in seeking new customers.

a. Value Perceived By the Customer

According to Filho (2010), value perceived by the customer is the comparison made by a customer on what he receives from the organisation versus what he has paid for and the convenience in the purchasing experience.

To Kotler and Keller (2014), value perceived by the customer is the difference between evaluation made by the potential customer on all benefits and costs of an offer and alternatives perceived, as can be seen in Figure 2.1 below. The total benefit for the customer is the perceived monetary value of a set of economic, functional and psychological benefits that customers expect from particular offering to the market due to the product, services,
employees and image. The total cost to the customer is the perceived set of costs that customers expect to incur, including monetary costs, time, energy and psychological.

**Figure 2. 1: Determinants of value Perceived by Customer**

Source: Kotler and Keller, 2014

b. **Brand Value**

This measures how a customer feels about the firm. It includes the emotional connection or relationship the customer has with the firm. According to Aaker (1996) brand equity is the set of values linked to a brand, its name and its symbol is its economic significance for the company and its consumers. Brand equity consists of features such as awareness, acceptability, preference and loyalty.

a. Awareness is the degree of knowledge measured by recall test or brand awareness within a particular category of product or service.
b. Acceptability is the perceived quality or degree of acceptance / rejection of the brand of a product or service in terms of adaptation to the needs of consumers.

c. Preference corresponds to the degree of consumer preference between brands of the same category, due to the attributes associated with each of them and their relevance in the selection process.

d. Loyalty corresponds to the degree of loyalty or personal relationship of the consumer in relation to a particular product and service and the devotion or loyalty may vary from one person to another.

To Filho (2010), the brand seeks to establish the emotional link between the organisation and its customers. The emotional value of the brand can be seen as economic or monetary value of the feelings experienced when customers have a positive experience with the products and/or services offered by a organisation.

Zenone (2011) states that brand equity increases chances or choices of the brand by consumers at the point of sale, especially in times where the consumer has little time to choose and when there is no profusion of brands with equal possibilities to generate positive associations in the minds of consumers. In this context, Filho (2010) states that brand equity contributes to the value of the organisation to strengthen customer loyalty by reducing the organisation's pressures to compete with the prices, to emphasize the quality of supply of the organisation. The value of the brand contributes to the choice or purchasing decisions by consumers. However, when the price of the product and / or service is higher than the consumer’s expectation, he/she opts for substitute goods. There are times that the consumer likes a particular product brand, but sometimes they get limited by their financial capabilities.
c. Value Retention: Customer Loyalty

According to Kotler and Keller (2013), the probability of satisfaction and purchase repetition depends on whether the supply meet or not the expectation of that. It measures how a customer is loyal to the brand. It adds to the economic value of an organisation. Filho (2010), says that not all customers are attractive to the organisation. The unattractive customers are the ones that are not profitable, which is why the organisation should try to discourage the unattractive customers to do business with them. In this situation, managers should make an assessment of the current value and potential value of your customer base. There are several situations in which many customers are buying on credit, and when it comes to time of paying, they have difficulties in paying. This type of client contributes to the failure of the owner.

2.2.5.1 Factors contributing to Attracting and Retaining Customers

Kotler and Keller (2014), defend the need for solid connection with customers to promote customer retention. The authors identify three types of marketing activity that companies are using to boost loyalty and retention, they are: interaction with customers, development of loyalty programs and creating structural linkages.

a. Interaction with customers

The organisation can develop continuous mechanisms that keep marketing permanently connected to customer feedback.

b. Development of loyalty programmes

The shopping frequency programmes are designed to provide rewards to customers who buy frequently and in large quantities. They can help build a long-term loyalty customer
relationships with a high Customer Lifetime Value (CLV), creating cross-selling opportunities in the process.

c. Development of loyalty programmes and creating structural linkages

The organisation can offer customers special equipment or services to help them manage applications or stocks. Customers are less inclined to change when involved high capital and research costs as well as lots of discount for loyal customers.

Kotler and Keller (2013, 2014) identified the stages of attraction and retention process thought the funnel. The marketing funnel in Figure 2.2 identifies the percentage of the potential target market at every stage of the decision process, ranging from the merely conscious to the highly faithful ones. The funnel also emphasizes the importance of not only attract customers but also retain and develop client. Kotler and Keller (2013, 2014) through the funnel:

a. Attracting new customers can cost up to five times more than satisfying and retaining existing client.

b. Organizations lose an average of ten percent of its client each year.

c. As the sector, a reduction of five per cent in client loss rate can increase profits of twenty-five to eighty-five percent.

d. The rate of profit tends to increase along the customer life time retained because of increase in purchases, statements, premium prices and lower operating costs of customer service.
2.2.6 The Concept of Quality Services or Product

The concept ‘Quality’ is relative since what someone considers to be quality, the other may not do the same. Also, what is considered quality today is /may not be in the future? Quality has different concept due to changes in needs occurring in a given individual or institution. This argument justifies the existence of numerous concepts of quality services or products. Silva et al (2012), state that the concept of quality develops over time due to the specifics of the period. According to Rocha (2011) quality is a complex process which rests on the ability to serve certain purposes by excellence.

According to Deming cited in Rocha (2011), the concept quality is based on two main elements as follows:

Client satisfaction is to set your preferences for the type of product to offer once you have studied the customer preferences.
a. Quality is multidimensional and virtually impossible to define taking into account simple features.

Juran as cited in Silva et al (2012) defines quality of a product and service as the combination of characteristics of products and services in use which correspond to client expectations. Silva et al (2012) suggest that in the product-based approach, quality is seen as a set of measurable characteristics that are required to satisfy the client. While in the value-based approach, quality is defined in terms of cost and price. Juran cited in Veras (2009), Miranda (1994) as cited in Paulo, Reginaldo and Murillo (2006) consider quality as the absence of disability.

Correa cited in Gomes (2004) and Texeira, Texeira and Sousa (2006) consider quality service as a situation in which a particular product meets or exceed customer expectations. Quality is the fixing of problems and their causes along the entire range of all factors of marketing, design, engineering, production and maintenance, which influences user satisfaction (Feigenbaum cited in Veras, 2009). Veras (2009) states that Garvin (1992) attempted to systematize the quality concepts in five (5) approaches:

a. **Transcendental Approach**

This approach argues that quality can hardly be precisely defined, defining quality as a characteristic that makes the product acceptable, not by analysis but by practice and experience.

b. **Approach Based on Product**

To produce a product that fully meets your specifications; any deviation implies a drop in quality. In this approach, the author argues that quality improvements lead to lower costs because they prevent defects, making its product costs cheaper.
c. **Approach Based on User**

The approach based on the user, defends that, quality product meets consumer preference.

d. **Approach Based on Production**

Approach based on production argues that to produce a product that fully extend its specifications, any deviation implies a drop in quality. Quality improvement leads to lower costs because it avoids defects, making the product cheaper.

In order to produce good products and which are acceptable by consumers, the process must be organized, undergoing a control system, by checking specification items in the product established as standard. The automated production system facilitates the operation and achieves greater control of products in production; it makes the process more reliable for the consumer.

e. **Approach Based on Value**

This approach evaluates quality considering cost and price of a particular product. It assesses the quality of a product in the situation where the product offers performance or in accordance to an acceptable price for the consumer. Organisations attempt to produce products with quality, but with a low cost to have an acceptance in the market and put low price to gain profit.

The complexity of the concept of quality is justified by the fact that the perception of the quality vary from person to person as preferences, needs, desires and ability save property. In general, quality discussed in this work can be considered to be all good or service that meets or exceeds customer expectations.
2.3 Theoretical Framework

The theoretical framework section deals with theoretical foundations of the present study. This section discussed the different theories of organisational or business performance measurement that include the three perspectives, such as client, staff and quality.

2.3.1 Measurement Models and Performance Evaluation

The Measurement Systems of Organisational Performance take into account the objectives and strategies of the organisation. It includes in each process of the organisation, links between the managers and the practical implementation of the activities in organisation (Muller, 2003 cited in Lima, 2010). This means that for each area, there is a model of appropriate performance measurement. This study is more concerned with performance models in the areas of customer management, human resources management and models of quality products and / or services. Good organisational performance has been the interest of managers, shareholders and executives. That is why various models have emerged to measure it, in order to fit the new reality of the market and gain competitive advantage. In the 1980s performance was measured taking into account the interests of shareholders (shareholder value). Interest increased in the Stakeholder theory, (Hubbard, 2009).

The Stakeholder Theory includes the Balanced Scorecard BSC, the Triple Bottom Line (TBL) theory argues that organisations should measure their performance taking into consideration interested parties (internal and external stakeholder) including communities and government, and not only have those who have direct relationship with the organisation (internal stakeholder).
Rezende (2003) presents five models of performance measurement as: strategic assessment, business model and financial, market analysis, organisational behaviour, and indicators of quality and compliance of internal processes.

a. The model of strategic assessment is to determine the compatibility between the objectives and constraints, levels of environmental turbulence and resources available. The model measures the overall performance of the organisation, using techniques such as Management Audit and review of scientific management, BIM model, SWOT matrix, extended rivalry model, positioning matrix, attractiveness matrix and position.

b. The economic and financial measurement model aims to retrospect, diagnose and predict impacts of making decisions about the company cash flows, patrimonial structure. Depending on the aim of the analyst to measure the economic and financial performance, this model uses as practice: vertical analysis, horizontal analysis, liquidity indicators, activity indicators, debt indicators and structure, profitability indicators, indicators leverage, cash flow, risk, stock performance, economic value added (EVA) formulations and analytical performance.

c. The analysis model merchandising or merchandising factors study aims at guiding the strategy and management of the organisation in order to establish a position that reconciles the immediate satisfaction of the customer, the consumer welfare in the long run, the moves of the competition and responsibilities to society in general.

d. Indicators of organisational behaviour aim to identify the factors that mobilize workforce and knowledge to generate results that meet the interests of stakeholders. This analysis is used as a macro environmental evaluation tool, assessment of the operating environment, evaluation of practices in use, job evaluation, evaluation of performance gaps, evaluation of programme outcomes, assessment of potential climate
assessment and organisational environment assessment and organisational culture assessment.

e. The quality and compliance model of internal processes aims to know the efficiency and organisational effectiveness by identifying the means and resources employed along the value chain to obtain a service or product that will meet a specific need, focusing on economic activities. The focus on quality and compliance is an economic activity around which an organisation is structured to: customer service, surplus generation for shareholders, remuneration of employees and benefits for society in general. The quality and compliance processes is measured through qualitative and quantitative methods as: Verification list of Greenway, Verification list of Abernathy, value chain, critical factors for success, method of Deming, quality tools, systematic Malcolm Baldrige, Six Sigma programme and benchmarking.

Different from Rezende (2003), Neely (2004) shows three performance measure perspective such as: the accounting performance, marketing performance and operational management performance.

2.3.1.1 The Accounting Perspective

This perspective is like financial model from Rezende (2003). Otley (1999) defends that the accounting community measurement systems have three fundamental different roles in organisations that they provide:

a. A tool for financial management

b. Information on overall business performance, and

c. A means of motivation and control.
The organisational performance can also be measured through this accounting perspective. However, because it is a quality research, it was not necessary to use this perspective in this work as it measures satisfaction in numbers.

2.3.1.2 The Marketing Perspective

The marketing perspective is defended by Clark (1998) who argues that it is difficult to assess marketing perspective because of uncontrollable external variable such as customers and competitors. Clark (1998) mentions four important recent measures of a health organisation in marketing: marketing orientation, customer satisfaction, customer loyalty, and brand equity.

a. Marketing Orientation

This perspective described as marketing oriented and market driven and suggests that a good marketing involve activities that develop and use intelligence about market to both clients and suppliers.

b. Customer Satisfaction

The basic notion behind customer satisfaction is that customer have expectations about the product and services they buy. Customer’s satisfaction depend on how well the consumption experience meets or exceeds those expectations.

c. Customer Loyalty

The notion of this perspective is that loyal customers are willing to pay a premium price. According to Clark (1998), citing Reichhel (1994), a good marketing attracts the right customers at the right time. Clark (1998) argues that loyal customers are easier to retain, so marketing cost for the customers should be lower. Given retention, over time firms hope to obtain more business per loyal customer, as the customer initial impression of the firm leads to a willingness to try other products.
The variable of measure marketing performance is like quality and compliance model of internal processes from Rezende. Kaplan and Norton (2005) stated that the measurement system of an organisation affects the behaviour of managers and employees. For performance measurement, they propose the BSC model. According to Filho (2010), the system is considered balanced management because it promotes balance of the main variables such as: objectives for short and long-term of an organisation focusing on external and internal environment of the organisation, financial measures and measures of intellectual capital, and leading indicators. To measure organisational performance, this model uses four perspectives, which are: financial, customer, internal process perspective learning and renewal or growth.

The financial perspective is to verify whether the implementation strategy contributes to improve net income, return on investment, the creation of economic value and cash flows. This perspective is like Rezende’s economic and financial measure and Clark’s (1998) accounting perspectives.

The customer perspective aims to enhance customer satisfaction through their products. According to Rust et al cited in Filho (2010) different groups of customers can realize customer value in different ways: value is low price, value is when you receive quality for the price you have paid, value is the quality of the product you have paid for, value is what you sacrifice at expense of other things, including the time and effort. Customer perspective provides information on customer satisfaction, attraction and retention, customer profitability and market share.
The learning and renewal or growth perspective aims to identify the value of the employee to the company in contribution levels as an individual, as a member of a work team and as someone embedded in the organisational culture. The biggest challenge of this perspective is to assess whether the work done by the officers and employees of the organisation enables learning and create new knowledge. This perspective is like Rezende’s (2003) quality and compliance model of internal processes and marketing perspective from Clark (1998).

Luitz and Rebelato (2003), acknowledge Garvin (1998) who proposes the use of a structural model which uses three indicators to assess organisational performance as follows: work process, procedures and behavioural processes of change.

The work process evaluates performance by checking the level of fulfilment of plans drawn. Behavioural processes check whether the current behaviour of the organisation contributes to the communication structure, decision making and learning desired in the organisation. The process of change aims to measure the level of progress of the critical points and the intensity of planning and implementing organisational change.

The internal process perspective is to determine whether the core business processes defined in the value chain of the company are contributing to generating the value perceived by customers to achieve the goal.

In order to measure performance, it is necessary to have performance indicators which will provide information on organisational behaviour against the targets set. Andrade (2009) identified two major groups of indicators, i.e. the quality and performance indicators. Quality indicators measure customer perceptions for the product and / or service and the ability to
meet the customer’s desire. This perspective is like Rezende’s (2003) quality and compliance model of internal processes and Clark’s (1998) marketing perspective.

Although the three performance measuring models above (from Rezende, Clark, Kaplan and Norton) are different approaches, there are many variables which are the same. To define the performance measurement perspective for this study, the researcher based her ideas on Kaplan and Norton’s Model.

Takashina and Flowers (1996) cited in Andrade (2009) define quality indicators as those that are directly related to the quality of product or service. Performance indicators are used to measure the level of efficiency and effectiveness, and to identify the cause of the discrepancy between the indicator and planned performance (Andrade, 2009). Efficiency indicators aim to measure the ability of a system to use its resources rationally. Effectiveness indicators aim to measure the degree of achievement of a particular goal. According to Son (1984) cited in Andrade (2009), effectiveness is related to the quality of service.

A business enterprise can be measured using financial and nonfinancial measures. The financial measures include gross profit and turnover, while nonfinancial measures focus on issues relating to clients and the reference rates, delivery time, waiting time and staff turnover (Chong et al, 2008).

2.3.2 Performance Model

2.3.2.1 Performance and the Causal Model
Causal model aims to create result in the future. The causal model can take variety of forms as illustrated in figure 2.3 (performance tree) below. The causal model has three generic stages:
outcome, processes and foundation. According to Euske, Lebas and McNair (1993), each organisation will need to define uniquely, concepts that apply to its situation. Once the model is defined, each organisation must select the appropriate indicator to describe it and its status. The causal model is portrayed as a tree to show how organisation goes through this process. The outcome, results or outputs are divided into two broad categories: traditional conceptualizations and other conceptualizations. The income account shown in the right hand side is an example of traditional conceptualization of a result that might be held by an owner manager or a stakeholder. Other results are valued by groups of stakeholders: the environmental acceptability of the organisation to political, regulatory and administrative powers that either implicitly or explicitly grant the organisation its license to operate. These outputs are consequences of the product attributes that constitute the fruit of tree. These attributes are the elements of the product that the customer values. They include, the traditional quartet: price, availability, service and quality and they can include other elements: working condition, innovation and flexibility. The attribute are basis of customer and stakeholder satisfaction, satisfaction in general. The attribute are result of business process. These constitute the trunk of the performance tree.
Modelling the performance creation process as a tree, offers an opportunity to visualize outcome. Results or outputs often do not happen in the same time frame as action: work in the soil, the choice of the type of tree, taking care of the tree are actions that must be implemented long before any fruit can be seen, let alone harvested. The model creates reality about what performance is. The causal model is elaborated by trial and error, critically using past data.

**Proposition 1**

Performance can be expressed as a set of parameters or indicators that are complementary and sometimes contradictory, that describe the process through which the various types of outcome and results are achieved.


**Proposition 2**

Understanding performance relies on the identification of a causal model that describes how actions today can influence results in the future. Performance is dynamic, it is not a one-time event. It is an instance in the continuous performance creation process.

**2.3.2.2 Performance and Decision Making Model**

Each user can interpret the performance data as he or she pleases according to different time frames, objectives, intent, risk avoidance, attitudes or perspectives. This diversity interpretation increases the complexity of providing a definition of performance (Euske et al, 1993),). Russo (2006) corroborates the idea of Euske et al (1993), arguing that performance measurement is an essential point of management activity, providing information managers need for decision making. It is used to monitor and coordinate performance to make proper application of available resources. Russo (2006), provides reasons to measure the following performance:

- Alignment of mission, values, and behaviour;
- Continuous improvement of processes, products and results
- Quantify successes or failures achieved.

**Proposition 3**

Performance is defined by the user of the descriptive signals of performance. Performance, because it is a social construct, is a concept with no objective description. Each person define it her or his own way (Euske et al, 1993).
**Proposition 4**

Performance does not have the same meaning if the evaluator is inside or outside of the organisation. The operations of the organisation remain a black box while the insider operationalizes performance in cooperation with other internal actors (Euske et al, 1993).

**2.3.2.3 Performance Defined from Inside or From outside the Organisation**

The descriptors used in either case will not be the same. An outsider will not be the same as an insider. An outsider will look at general indicators based on some preconceived, and possibly statistically defined, relations, such as the ones found in financial analysis. The actual workings of the organisation will remain a black box.

An insider will model action variables. While its normal to have a diversity of views about performance as defined from the insider of the organisation, it is more likely to have a unique, although many faceted, definition, shared by all actors involved in its creation. If a member of the organisation does not share the same view of performance, action cannot be coordinated and resources may be wasted.

**Proposition 5**

Performance is always connected or attached to a domain of responsibility. The different views of performance associated with the domains provide the basis for an understanding of complexity and management of performance in the organisation (Euske et al, 1993).
2.3.2.4 Performance and Responsibility

For each domain of responsibility, there will be different descriptors of performance and different uses for the signals describing it. All these descriptors will not necessarily be consistent with one another. Therefore, it is crucial to admit that performance does not have a unique operational definition in an organisation (Euske et al, 1993).

2.3.2.5 Performance and Measurement

Performance is multifaceted and encompasses creating the results. However the descriptor, the quality and quantity measures are mere surrogates of performance.

**Proposition 6**

Performance exists only if outcomes and results can be described or measured so that they can be communicated for someone to decide to do something within the shared model of causal relationships (Euske et al, 1993).

**Proposition 7**

The relevance of the causal model needs to be continuously validated both within the shared model of causal relationship (Euske et al, 1993).

**Proposition 8**

Performance indicators or measures should not be confused with what they only partially describe (Euske et al, 1993).
2.3.2.6 Performance is only a relative term

Performance corresponds to potential for value creation. That value is to be created over a period of time. Any causal model must, therefore, specify a time frame, in addition to decision parameters and a context. The context is comparative (Euske et al, 1993).

Proposition 9

Performance is a relative concept requiring judgment and interpretation. Performance affects a superior process or result relative to the referent. Choice of the referent is a significant decision with long-term consequences. The relatively superior position could be short or long term and over few or many indicators. Contradictions among the temporal measures and the other indicators are inevitable. Performance will again be in an interpretative context in which managers or users of information will decide on the key parameters of performance ((Euske et al, 1993).

2.3.2.7 Performance can be changed

Performance management requires that procedures be put in place that allow the evolution of the organisation and its management system in line with evolution of its environment. In order to manage performance one must:

a. Describe the value creation process in its context and time (proposition 1)
b. Share this model with all relevant actors (proposition 4)
c. Partition and allocate decision rights on the basis of this model (proposition 5)
d. Identify and select the descriptive indicators both for results and for the steps to create the results (propositions 3 and 4);
e. Document these indicators through an appropriate information system (proposition 6)
f. Choose the reference for benchmarking and external validation (proposition 8, 9, 10)
g. Evaluate the signals and messages coming from each indicator (proposition 8)

h. Identify, evaluate, and implement all actions likely to improve the likelihood that the result will be coherent with the strategic intent (propositions 7, 8, and 9)

2.3.3 Human Resources Management and Organisational Performance

Executives cited in Cunha et al (2012) declare that people are the most important assets and are the key success factor of the organisation. Similarly, Chiavenato (2008) states that there is no organisation without people because they are the driving force and control in operation. Moreover, organisations consist of people who communicate and interact to achieve common goals. Consequently, the success and failure of an organisation depends on the people.

According to Stiles and Kulvisaechana (undated), there is evidence of a positive relationship between the development of human capital (HC) and organisational performance. The emphasis on HC reflects a view that the market value of intangible assets depends more particularly on the human resources. The recruitment and retention of employees is a part of the equation. The organisation tends to enjoy the skills and ability of its employees by encouraging individuals and organisational learning and create a supportive environment in which knowledge can be created, applied and shared.

Nemliçaliskan (2010) argues that practice attraction, development and retention of high quality frames lead people to the strategic and operational needs of the organisation, provides the development, acquisition and retention of talented people, which may contribute to performance, productivity, flexibility, superior innovation, and high levels of customer service. The author makes it clear how important the strategy to attract and retain qualified
staff affects organisational performance. Moreover, the author emphasises the examination of policies for attracting and retaining staff by SMEs.

2.3.4 Factors to attract and retain employees in the organisation

2.3.4.1 Value of People in Organisation

Herman (1993), describing the value of employees, refers to the value of good employees. This author considers good employees as the employees who have the capacity and use their capabilities for high performance. Herman (1993), features good employee as those who:

a. determines the pace of their work team and of their leader, it is he who inspires and motivates his colleagues;

b. conveys confidence to all that are around him;

c. manages aggressively, meet challenges with new and different approaches.

2.3.4.2 Factors which make employees abandon organisations voluntarily

Cunha et al (2012) argues that employees may abandon the organisation for many reasons. These factors can be internal or external such:

a. Labour Market or Employment

Due to high employment rates and a shortage of available workers, competitors seduce other organisation's employees with better conditions.

Because organisations can hire employees from outside at a lower cost, organisation do not invest in the training of their workers, or provides them with opportunities for career progression. Consequently, this leaves makes many employees search for greener pastures with more favourable opportunities.
b. **Organisation, Department, Team**

1. Lack of organisational support (the organisation does not care about the welfare of the employees)

2. The opportunities for learning and staff development are scarce. It is impossible or difficult to advance.

3. The rewards are unfair.

4. The procedures used in the promotions are unfair or unclear.

5. The social environment is unfavourable (e.g. no group spirit).

6. The organisation hinders worker reconciliation and family or personal life.

7. The organisation democratizes sacrifices, but the dividends originated there are only distributed to a small core.

8. The employee feels that the expectations that have been created at recruitment and selection time are dashed out.

c. **Characteristics of the Job**

For Cunha et al (2012), the characteristics of the job factor that can induce the abandonment of work are as follows: routine work, poor required skills, the risks that the employee runs in when performing their duties, lack of autonomy to carry out duties, the individual feels misfit in their occupation and decides to redirect their career, earning a higher yield, but feels that the job is not challenging.

The authors' views are valid, but people have different characteristics. On one hand, there are people who like working and the challenges that come with it and on the other hand, there are people who want jobs but do not like working. Cunha et al (2012) relates to people who prefer face challenges.
d. **Characteristic of an employee and his relationship with the organisation.**

According to Cunha et al (2012), the characteristics regarding the organization greatly contribute to permanence or not wanting to work in the organization. The authors mention the various situations as the change of life and status of the employee, health problems, hygiene and safety at work, the type of work he performs.

e. **Leadership**

Leadership style is one factor that contributes to keeping workers in the organisation. Voluntary abandonment may be a result of the undesirable characteristics of the leader. Cunha et al (2012) mentions undesirable behaviours of a leader as autocratic or authoritarian leadership, unfair treatment of workers, lack of openness and frankness in their leadership, and incompetence of the leader.

### 2.3.4.3 Strategies which Contribute to Attracting Talent to the Organisation

**Herman (1993)** identifies the following strategies used to attract good employees:

a. **Be worthy of good elements**

Herman (1993) believes that to attract and retain good employees, the manager needs to have something that he gives them. Employees need to feel close to the manager. The organisations need to be seen as a pleasant and comfortable place to work, providing quality products and services and to build on a positive reputation for the people who work there. The questions that many people put across is: What exists there? Herman (1993), argues that they do not see any positive aspects, in working for their organisations, whether in the long run or short run. The author also suggests that managers show that the company is sound with a clear vision of the future, and a developed mission statement of the organisation. They should also share their views with others so that they hear what others think and perceive.
b. Come out from the crowd

To come out from the crowd there are some issues that should be reflected as: What does your organisation have that is exclusive? Why should someone work for your organisation and not to your competitor? How do you define your organisation, and your opportunity as being different from other alternatives on the market? Herman (1993) states that the best candidates will compare the offers received. They'll look for comfort factors when deciding on the best option. They will also examine the factors of discomfort that might inspire a negative decision. Herman (1993) identifies some comfort factors that the manager should take into consideration:

1. Exposing the books on management and leadership, dealing with issues related to human resources (special importance); these books serve as messages to visitors about your interests.
2. Find/earn reputation of the company in relation to the quality of its services and products through quality. This will create respect and admiration for the way things are done in the organisation.
3. Focus on personal factors.

For Herman (1993), people are different and that's why not every gives the same dedication to work. Managers therefore have the challenge to bring people together in order to lead them towards the same goal. What works in an organisation is the basic, careful and real engagement of people. To demonstrate this, Herman (1993) used the normative principle of Matsushita Electric where he said people are highly motivated when there is: respect, rewards, communication, courtesy, discussion, negotiation, consensus, loyalty to employees, training, few direct orders, thinking in the long term, hope for the future, freedom innovative, stable, clearly assigned responsibilities especially for receptionist and new employees.
smiles, many "thanks" and "please", politeness and consideration, receptiveness to criticism, generous help in retirement, dedication, determination, discipline and effort at work. Herman (1993) states that employees are excited and maintains the highest level of excitement when they see results and feel affection for the administration.

c. Place staff to compete

Herman (1993), states that employees usually compete and use all resources they have at their disposal, seek better jobs, better wages, higher status and better opportunity to make a valuable contribution to business and society. Herman (1993) suggests to managers to examine the good elements that they have in the company like those they want to keep in the team. This author affirms that the wise leaders with all their communication skills observe how people are competing, which is important to them. The author also suggests that: observation, listening, asking questions give them much possibility of what of understanding consciously or unconsciously the guidance they need to compete positively.

d. Compete to not lose people

Herman (1993) suggests that efforts to attract, inspire and maintain must be continuous. This effort is almost as we are creating a protective boundary around people. Otherwise, competition may come from four different sources, such as non-specific source, companies operating within the same area, entrepreneurs from other sectors and the fourth source comes from our own organisation. The non specific competition is an internal attitude that you can easily lead to pro-active or reactive behaviours. If a key employee is not satisfied, there will be more receptive to alternative employment. In this situation, people are less productive, less motivated to work for the organisation and even less for themselves. When there is no specific external attraction, the competitor does not really have definite form. The sense of alienation, usually lead employees to seek opportunities almost randomly. They are always competitors that are attracting these people, and sometimes managers contribute in pushing employees out
of the organisation. The competition for good employees that the company faces in their own field of activity is the most dangerous one. Competing organisations also need their good employees. The risk is losing more than an employee of value. Worse, competitors use the official ruling to obtain information and discard it.

Herman (1993) argues that people are eager to get opportunities to grow professionally and yearn for advances both in position and in stature, responsibility and opportunities. To keep employees in the organisation it is necessary for managers define directions and be a strategic leader.

e. Managers Define Directions
Herman (1993) states that the pressures and standards of colleagues, direct the way many people behave in the workplace, but it is clear that managers have significant influence on the attitudes of their employees. People want to be respected and like to be seen as part of organisational success. When the organisation's problems are addressed properly by management, employees demonstrate their loyalty and dedication to the job.

f. Strategic Leadership
Herman argument (1993), is that doing something strategically means planning ahead, and then implement the strategies. The manager should not only implement the strategies, but he should assume that all employees will be the loyal and productive forever. Employees tend to be flexible in implementing strategies depending on how they are employer and other staff. In addition, the manager should be ready for adjustments, since each situation is different and the needs of each individual will be different.
To keep staff in the organisation, Herman (1993), identified a variety of strategies which are divided into environmental strategies, relationship strategies, strategies for the tasks, compensation strategies and strategies for the growth of employees, as shown in the following tables 2.4, 2.5, 2.6, 2.7, 2.8.

**g. Environmental Strategies**

According to Herman (1993), the basic strategy to maintain good employees and keep them productive, relate to the working environment. Environmental strategies address three crucial aspects of the place of work:

1. The ethical basis and the basis of values on which the organisation was erected.
2. The policies that interpret these values and translate them into working attitudes.
3. The physical environment, which is a concrete manifestation of concern that the organisation has with the space that their employees occupy.

**Table 2.3: Environmental Strategies**

<table>
<thead>
<tr>
<th>Strategy Type</th>
<th>Subdivision of strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>Environmental</td>
<td>Sharing a common vision; value each individual; work in teams; loyalty is a two-way relationship; enthusiasm is justified and appropriate; we are here to serve the customer; have a set of governing principles; offer stability; safety and risk as a necessity, to prevent any kind of discrimination; abstain from irreverence; be fair and honest; instilling a sense of family life; enhance the professional position; promote integrity; encourage companionship; promoting a healthy workplace; insist on the safety of the workplace; avoid ridiculous rules; provide flexible working hours; apply progressive discipline impartially; making work fun.</td>
</tr>
</tbody>
</table>

*Source: Adapted from Herman (1993)*
The ethics and values define the character of the organisation, its moral fibre. Such strategies determine how decisions are taken, how people are treated and how they treat others.

Policies are devised basing on ethics and values of the organisation. It is from the policies that one can get guidelines of life with respect to how it should build up. The physical location where people work is a large mirror of the organisation, its values and policies. The more comfortable the place is, the higher employee productivity. Herman (1993), argues that all these elements come together to establish and maintain the feeling that your employees have on the environment in which they work.

To solve the problems of dissatisfaction derived from poor working environment, Cunha et al (2012) suggest that the organisation make studies on organisational environment which may cause the organisation to understand the potentially abandonment factors and able to act on them correctly.

**h. Relationship Strategies**

The relationship strategies are intended to indicate how the people who make up the staff in organisations are treated and the way they treat one another. According to Herman (1993) positive treatment are essential to the maintenance staff and productivity.
Table 2.4: Relationship Strategies

<table>
<thead>
<tr>
<th>Strategy Type</th>
<th>Subdivision of strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Relationship</td>
<td>Understand behavioural styles; understand values and ethical standards; resolve conflicts; call regular meetings with members of your team; call spontaneous meetings; facilitate open communication; protection for their employees; acknowledge good strategic work done intentionally; acknowledge &quot;Young Woman&quot;; acknowledge other &quot;Special Staff&quot;; be patient; show respect for others, give people freedom and flexibility; trusting your employees; show genuine and sincere esteem; listen; let people be what they are; find opportunities to talk to your staff; balance of praise and criticism; raise self-esteem of all; not gossip, look for positives and not negatives; express confidence in its staff, allow people to meet; treat people as individuals be accessible; have a sense of humour, be exemplary, show leadership at the top of your organisation, reduce stress; Keep anxiety under control; not question, nor anticipate every time the answers of your employees; be firm and fair.</td>
</tr>
</tbody>
</table>

Source: Adapted from Herman (1993)

i. Focus on the Task Strategies

The strategies focus on the tasks, report concerns related to tasks. According to Herman (1993), if people have a positive view of the work developed, they will feel more comfortable to stay with the current employer.
Table 2.5: Focus on the task strategies

<table>
<thead>
<tr>
<th>Strategy Type</th>
<th>Subdivision of strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Give people real tasks; providing challenges; combat frustration; remove barriers to performing tasks; adjust work to the potential, capabilities and employee talent; enable employees to work as a team, fulfil promises made; provide resources to get the job done; avoid rejection, sharp criticism and humiliation; encourage and welcome new ideas; define obligations; define responsibilities; define authority; encourage initiative; inspire and enable creativity and innovation, set boundaries and parameters; knowing what your employees are doing; answer when people ask for approval or guidance; give clear instructions; engage people, reduce requirements for accountability, not controlling people every little detail; not keeping employees after hours without notifying them in advance; appreciate routine work; adhere to performance contracts; fight boredom; devise tasks to meet personal needs; give off days to employees; provide specific details on an assessment of performance.</td>
</tr>
</tbody>
</table>

Source: Adapted from Herman (1993)

j. Remuneration Strategies

Herman (1993) argues that one of the main reasons that make people change jobs is higher income and/or social benefits from the other side. Managers need to understand what people feel about the issue of competitiveness and allow them to remain competitive in the race that
each dispute. Herman (1993), points out that the key to success in this competitiveness is to ensure that the way the manager combines the elements is legal and fair to everyone involved.

Herman (1993) reasoned that the field of remuneration is changing rapidly. Flexible financial packages, combined with creative benefits offers strongly influence the work structure in this constantly changing world.

Table 2. 6: Remuneration Strategies

<table>
<thead>
<tr>
<th>Strategy Type</th>
<th>Subdivision of strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>4. Remuneration</td>
<td>Present the total amount of salary; provide incentives pay opportunities to all employees; linking pay to performance; leverage the cash compensation package for maximum efficiency; idealize a system of rewards for employee involvement, compensate employees with high potential but weak skills with a training program; use flexible benefits in a changing workforce; consider plans to allow ownership of shares by employees.</td>
</tr>
</tbody>
</table>

Source: Adapted from Herman (1993)

Chiavenato (2010), Cunha et al (2012) corroborate the idea of Herman (1993), remuneration is also an important factor to keep staff in the organisation. Cunha et al (2012) calls attention to take into account the factor of paying a little higher than the competitor, the organisation runs two risks:
a. The competitor can respond in the same way, which can eventually affect the organisation.

b. If the other conditions are not ensured, the salary turns out not to be sufficient for retention, the organisation will end up incurring higher costs without imposing higher returns.

But Cunha et al (2012) identify some alternative benefits such as stock options and other deferred compensation arrangements.

d. Growth of Employee Strategies

Herman (1993) argues that good employees wish to grow in their career. They want to learn, and apply new knowledge and skills.

Table 2.7: Growth of Employee Strategies

<table>
<thead>
<tr>
<th>Strategy Type</th>
<th>Subdivision of strategies</th>
</tr>
</thead>
<tbody>
<tr>
<td>5. Growth of employee</td>
<td>Giving people challenging obligations; support them in formal education; provide learning material for personal growth; connect them with external resources for learning materials; send employees to external seminars; make them pass skills learnt in training to others; help people to grow with larger jobs; enable people to discover the value of talents that they possess; encourage intellectual growth; designate special projects, increase competence deliberately; providing incentives for growth.</td>
</tr>
</tbody>
</table>

Source: Adapted from Herman (1993)

If a manager idealizes an individualized plan with each employee, this will emphasize the sense of his importance, and improve both his self-esteem as well as how he is going to
perceive the organisation. According to Herman (1993), plans must exist and need to be revisited periodically.

To retain staff in the organisation, Cunha et al (2012) recommends that the organisation adopts procedures in the process of recruitment and selection of staff meeting two basic requirements:

a. During the recruitment process, the organisation should be realistic, presenting both positive and negative aspects thus avoiding the expectation frustration of the employee.

b. During the selection process it is also important to pay attention to the organisation's personality and the extent to which the candidate fits in. Cunha et al (2012), points out that selection should be limited to analysing technical capabilities, but also the adaptation of the individuals to work in the company. The author stresses that the pursuit of reconciliation between the individual and the organisation starts before the recruitment and selection process itself. The image or reputation of the organisation acts as a factor of attraction or rejection to potential candidates.

Unlike Herman's ideas (1993), Cunha et al (20012) identifies the description of jobs as an effective solution for staff retention. The author focuses on five relevant aspects such as:

a. Diversity of skills required;

b. The variety of tasks to perform;

c. Autonomy at work

d. The possibility of the function providing performance feedback to its performer, and

e. Function Identity.
2.3.4 Process for Obtaining Quality

Rocha (2011) asserts the quality process as complex, because it presents a continuous cycle, as shown in the Figure 2.4 below, noting that the existence of quality involves action on several points of the system such as: the organisation objectives, conformation to standards (processes and quality policies, establishment of quality concept, implement measure, monitor and evaluate the quality services), involvement of employees and customers, measuring results, continuous improvement and quality development.

**Figure 2.4: Quality Process**

Source: Rocha (2011)

a. Deming Theory

Deming cited in Rocha (2011) identifies fourteen points for quality improvement as:
### Table 2.8: Process for obtaining Quality Deming

<table>
<thead>
<tr>
<th>Points</th>
<th>Qualifier item</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Create a consistent view in order to improve the product or service</td>
<td>It is valid for an organisation that has a strategy for the future therefore it requires a vision that consists in the constant improvement of product and service to always meet the customer's need or desire.</td>
</tr>
<tr>
<td>2. Gain consciousness of the changes in the new economy and adopt the new philosophy</td>
<td>Philosophy consisting of continuous improvement.</td>
</tr>
<tr>
<td>3. End with the dependence of the inspection as a quality instrument</td>
<td>The inspection of the finished product should be replaced by self control since it does not produce quality. The inspection to increase quality increases costs and is effective.</td>
</tr>
<tr>
<td>4. Stop to consider the business on the basis of price</td>
<td>Price is important but the emphasis on minimizing costs can bring poor quality. The choice must be based in each case, what better meets the needs, interests, and requirements of the client.</td>
</tr>
<tr>
<td>5. Improving consistently and continues the system of production and services</td>
<td>The quality should be acquired throughout the process by which teamwork is the essence and should be expanded and improved.</td>
</tr>
<tr>
<td>6. Promote training and education at work</td>
<td>Need for constant improvement of the capacities of the worker with the organisation's requirement, especially through the initial training.</td>
</tr>
<tr>
<td>7. Consistence leadership</td>
<td>Leadership is the engine of quality management</td>
</tr>
<tr>
<td>8. Do not lead on the basis of fear</td>
<td>Fear is the enemy of quality because it hinders collaboration, avoids placement issue and problem solving.</td>
</tr>
<tr>
<td>9. Break down the barriers between departments</td>
<td>Abandonment of the professional structure</td>
</tr>
<tr>
<td>10. Eliminate slogans and exhortations on the basis of imposing goals</td>
<td>The slogans and exhortations do not help to improve the work. On the contrary, they create habits of anxiety, and cause frustrations. The organisation must be concerned about motivating the good habits of workers and changing their bad behaviors.</td>
</tr>
<tr>
<td>11. Equip the management with objectives on the basis of quantitative indicators</td>
<td>The pressure on the quantitatively determined objectives do not help the pursuit of quality, or contribute to system change</td>
</tr>
<tr>
<td>12. Do not classify the performance of employees on the basis of ranking</td>
<td>Use of individual performance evaluation generates competition, causes mistrust and hinders cooperation between workers, as fundamental quality factor</td>
</tr>
<tr>
<td>13. Institutionalize a strict program of education and development</td>
<td>As organisations seek continuous improvement, they must insist on training both the managers and workers.</td>
</tr>
<tr>
<td>14. Getting everyone in the organisation engages in change</td>
<td>Everyone in the organisation should have an idea on how to improve quality</td>
</tr>
</tbody>
</table>

**Source:** Adapted from Rocha (2011)
b. Juran Theory

Rocha (2011) argues that the Juran`s ideas (1954) on quality are part of a trilogy: quality planning, quality control and quality improvement. This idea was based on the idea found in a book which stated that 85% of quality problems are caused by the processes of management and only 15% by workers.

**Quality Planning**

1. Identify consumers;
2. Determine their need;
3. Create features in products that meet those needs;
4. Create processes that meet these characteristics; and
5. Transfer the leadership of these processes to the operational level.

**Quality Control**

1. Assess the current level of performance;
2. Compare with objectives; and
3. Take steps to reduce the gap between current performance and expected output.

**Quality improvement:**

1. Recognize the needs of improvement;
2. Transforming the opportunity to improve on a task for all workers;
3. Create a board quality, select improvement projects and project teams;
4. Promote training in quality;
5. Assess the projects progress;
6. Reward the winning teams;
7. Make publicity for the results;
8. Review retrieval systems to increase the level of improvement; and
9. Include the improving goals in the business plans of the company.
b. Feigenbaum Theory

According to Rocha (2011) the idea of Feigenbaum to achieve quality should be a concern for all workers and should be integrated in all management processes and manufacturing, thus making it a management philosophy and a commitment in the search for excellence. Moreover, Feigenbaum cited in Rocha (2011) identifies the following principles of quality:

1. Quality as a process that concerns the whole organisation;
2. Quality as what the customer thinks it is;
3. Quality and cost as a sum and not a subtraction;
4. Quality as a process that requires the involvement of individual and team;
5. Quality and strength to manage;
6. Quality as ethics;
7. Quality as a process that requires continuous improvement;
8. Quality as a way to better productivity; and
9. Quality as a process that is implemented in a system that must be taken into account by providers and consumers.

c. Crosby Theory

According to Crosby cited in Rocha (2011), quality means having zero-defects in the service and/or products. For this purpose it is necessary to have strict management that is concerned with quality. For this purpose, he identified points which show the principles of quality, such as:

1. Commitment to quality management;
2. Teams of quality improvement;
3. Measurement of processes to determine where the problems are;
4. Assessment of quality costs;
5. Quality awareness of all employees;
6. Corrective action problems;
7. Planning zero defects through employee education;
8. Zero defects per day;
9. Establishment of goals for all staff;
10. Elimination of the causes of errors;
11. Recognition of those who participate in the process;
12. Quality councils; and
13. Start over again in order to continue to improve.

d. **Claus Moller Theory**

Rocha (2011) argues that the idea of Moller rests on the quality of human resources to the detriment of focusing only on product quality, considering the quality of the staff as an assumption for the process of quality improvement. Moller assumptions are the following:

1. High levels of quality of staff contribute to high levels of quality in the departments;
2. Departments with high quality levels create products and services of superior quality;
3. The quality of products and services creates a culture of quality, which influences the whole company;
4. A quality company has a pleasant atmosphere and satisfied customers;
5. Satisfied customers translate into better financial results, better image and a successful future;
6. An environment of success creates a general sense of well being and encourages the development of a creative atmosphere, a team spirit and a higher quality of staff.

e. **Peters Theory**

According to Rocha (2011), the philosophy of Peters is that quality has no end and we never achieve it. The organisation always seeks it through customers. The author identifies five principles established by Peters:

1. Obsessive respect for customer needs
2. Constant innovation in all company areas
3. Spirit of partnership among all the staff to gain full compliance to the objectives
4. Passion for change at the leadership level
5. “Tableau do bord” simple but capable board to ensure quality.

It is important to emphasize that the quality process is complex and involves various stages of organization and the enculturation of employees on implementation of policies and organizational procedures. Deming, Juran, Feigenbaum, Crosby and Peters models clearly demonstrate the complexity of the concept quality. Despite the fact that the authors’ theories are different, you can see that the authors show concern for the implementation of quality management with purpose to customer satisfaction. In contrast to other theories, Moller’s theory seeks to show the importance of both, quality in human resources as well as quality in products. However, these theories help to understand the quality management of the utility in the success of SMEs.
2.3.5 The 5P’s Model

According to Pryor et al (2010), the 5P’s model (purpose, principles, processes, people and performance) is an essential ingredient for the strategic management of quality, which is intended to guide the organisation to the essential performance, world-class status and long-term survival. The arrows in the figure below represent the connection between strategy (purpose) and structure (principles such as internal structure and processes such as external structures) and structural influences on the behaviour of employees (people) and the corresponding results (performance).

**Figure 2.5: The 5Ps Model**

Source: Pryor at al (2010)

a. **Purpose**

The Purpose includes all the elements that constitute the aims of the organisation, including mission, vision, goals and objectives and strategies;

b. **Principles**

It corresponds to the guiding principles, philosophies or assumptions that guide the organisation itself and its business. This variable includes ethics and organisational culture.

c. **Processes**
They constitute a variable that represents the organisational structure, internal systems, rules and procedures used by the organisation to produce their products and services.

d. People
The individual and teams who perform work that is consistent with the principles and the processes must be in place before people can be consistently effective. If small business leaders understand and can align purpose, principle, processes and people they are more to achieve performance excellence.

e. Performance
This includes all performance metrics, measurements and results that should be used as support or can help in decision making.

2.3.6 Quality of Service Evaluation Model

The Model identifies ten (10) criteria which the clients use as their basis to assess the quality of services. The criteria are: tangibility, reliability, concern, competence, courtesy, credibility, security, access, communication and understanding of the client.

Berry and Parasuraman cited in Silva et al (2012) and Brito and Vergueiro (2010) considers quality, to have the following dimensions: tangibles, reliability, responsiveness, assurance and empathy, as shown in Table 2.10. This table presents detailed way the items that qualify each of the quality dimensions, which meaning that during the process of monitoring and quality assessment must be observed for each dimension the items listed in the table. The Berry and Parasuraman, Brito and Vergueiro model is very clear and helps managers to obtain tools for customer satisfaction.
According to Pena, Silva, Tronchin and Melleiro (2013), tangible concerns the appearance of physical facilities, equipment, personnel and material that can be perceived by the human senses.

Pena et al (2013) considers reability as the ability of the supplier to execute the service in a safe and efficient manner.

Brito and Vergueiro (210) define responsiveness as hand to assist you and provide a service with rapid response and readiness.

According Brito and Vergueiro (2010), assurance is quality measurement indicator that concerns in knowledge and courtesy of estaff and their ability to inspire confidence.

Empathy is quality measurement indicator that concerns the capacity of the caring, individualized attention the firm provides its customers. Brito and Vergueiro argues that empathy offering individualized attention to users.
<table>
<thead>
<tr>
<th>Quality Dimension</th>
<th>Qualifying item</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Tangibles</strong></td>
<td>Modern equipment</td>
</tr>
<tr>
<td></td>
<td>Visually and attractive physically Installation</td>
</tr>
<tr>
<td></td>
<td>Clean and well dressed employees</td>
</tr>
<tr>
<td></td>
<td>Visually attractive service materials and equipments</td>
</tr>
<tr>
<td><strong>Reliability</strong></td>
<td>To do something at the right time</td>
</tr>
<tr>
<td></td>
<td>To show real interest in solving problems, bring solution to the client at the first time, perform the service at the promised time</td>
</tr>
<tr>
<td></td>
<td>keep a history of reliably services</td>
</tr>
<tr>
<td><strong>Responsiveness</strong></td>
<td>Inform clients about the execution time of services</td>
</tr>
<tr>
<td></td>
<td>Availability to serve customers immediately</td>
</tr>
<tr>
<td></td>
<td>Willingness of staff to help the client</td>
</tr>
<tr>
<td></td>
<td>Readiness of employees in meeting any questions</td>
</tr>
<tr>
<td><strong>Assurance</strong></td>
<td>Employee behaviour will bring confidence</td>
</tr>
<tr>
<td></td>
<td>Customers feel safe in performing a service</td>
</tr>
<tr>
<td></td>
<td>employees are educated with customers</td>
</tr>
<tr>
<td></td>
<td>Staff able to answer questions</td>
</tr>
<tr>
<td><strong>Empathy</strong></td>
<td>Give individual attention to each client</td>
</tr>
<tr>
<td></td>
<td>Convenient opening hours</td>
</tr>
<tr>
<td></td>
<td>Personalized service</td>
</tr>
<tr>
<td></td>
<td>Focus on better service</td>
</tr>
<tr>
<td></td>
<td>Understanding the specific needs of the client</td>
</tr>
</tbody>
</table>

**Source:** Silva et al (2012)

Garvin (1992) cited in Barbêdo and Turrioni (2003), also identify seven quality indicators as performance, character, durability, attendance, conformity, perceived quality and aesthetic. Unlike the Berry and Parasuraman model, Gravin model identifies some subjective dimensions as the dimensions of perceived and aesthetic quality.
Table 2.10: Quality Dimension - Garvin Model

<table>
<thead>
<tr>
<th>Quality Dimension</th>
<th>Qualifying item</th>
</tr>
</thead>
<tbody>
<tr>
<td>Performance</td>
<td>Basic operational characteristics of a product.</td>
</tr>
<tr>
<td>Character</td>
<td>Relates to secondary characteristics that supplement the basic operation of the product</td>
</tr>
<tr>
<td>Durability</td>
<td>Measures the lifetime of a product with technical and economic dimensions</td>
</tr>
<tr>
<td>Attendance</td>
<td>Facility to provide product or service when needed</td>
</tr>
<tr>
<td>Conformity</td>
<td>The degree to which the project and operational characteristics are in accordance with predetermined patterns within the limits of variability</td>
</tr>
<tr>
<td>Perceived Quality</td>
<td>The subjective perceptions of quality that arise as a result of the company image, advertising or brand</td>
</tr>
<tr>
<td>Aesthetic</td>
<td>Sensory Characteristics and external appearances of a product</td>
</tr>
</tbody>
</table>

*Source:* Adapted from Barbedo and Torrioni (2003)

The SERVQUAL model is an instrument which many researchers have used to carry out research on customer satisfaction, to measure the quality of a service organisation with a standard scale of 22 items. According to Salvador (2007) SERVQUAL model verifies the expectations and perceptions of the critical dimensions of quality. This instrument consists of two parts; the first part is to measure the desired level of service (customer expectations), and the second part measures the actual perception of the customer about the service performed (quality evaluation by customers). According to, quality can be measured through five dimensions:

### 2.3.7 SERVPERF Model

Cronin and Taylor (1992, 1994) cited in Maia, Salazar and Ramos (2007) characterize the SERVPERF model as a model that measures the quality of service through customer
perceptions about the performance of service. Matos and Veiga (2000) state that Cronin and
Taylor (1992) made the following test:

1. Alternative method of operation of the perceived quality of service that would be
   based only on the performance of service, and
2. The significance of the relationship between service quality, customer satisfaction and
   purchase intentions.

With this test the following results were obtained.

1. The performance based on the measured quality of service (SERVPERF) may be
   better to measure the quality of service.
2. the quality of service is a consumer satisfaction antecedent
3. Consumer satisfaction has a significant effect on purchase intentions
4. The quality of service has less effect that consumer satisfaction on purchase
   intentions

2.3.8 Evaluation Model of Quality of Life at work

a. Walton Model (1973)

To assess the quality of life at work (QLW), Walton (1973) cited in Freitas and Souza (2009)
identifies eight criteria:

1. Fair and adequate compensation
2. Health and Safety in working conditions
3. Immediate Opportunity for the use and development of human capacity
4. Future opportunity for continued growth and safety
5. Social integration in the work organisation
6. Constitutionalism in work organisation
7. Work and space full of life
8. Social relevance of work life

b. Westley Model (1979)

The model argues that the problems experienced by people in the workplace can be classified into four categories, which are; injustice, insecurity, isolation and anomie (Walton, 1973 cited in Freitas and Souza, 2009)

c. Davis and Werther Model (1983)

Hitz (2010) argues that Werther and Davis, agree that factors such as: supervision, working conditions and payment affect the QLW and point out that the positions structure is the link between people and organisations and that is the reason why companies need human resources.

According to Hitz (2010), the model of Davis and Werther is based on the following three levels:

1. Organisational (workflows, work practices and expertise) concerning the pursuit of efficiency, thus contributing to the motivation of employees and obtaining the maximum possible production.

2. Environmental, which supports the analysis of issues in the external environment, such as skill and availability of the worker; social expectations.

3. Behaviour which considers behavioural aspects as elements to evaluate QLW as: autonomy, task identity and feedback.

d. Hackman and Oldham Model (1975)

According to Melo (2009) in model of QLW, Hackman and Oldham (1975) considers seven dimensions (skill variety, job autonomy, importance, interrelationship, identity, and an intrinsic and extrinsic feedback).
This model also relates to the dimensions of the psychological state with critical tasks such as perception of the meaning of work, and knowledge of the actual results of the work. The idea of Cunha et al (2012) on the jobs of workers as a retention factor is related to these five variables of the model, (Hackman and Oldham Model (1975).

e. Nadler and Lawler Model (1983)

According to Melo (2009) the essence of this QLW is on the motivation and employee satisfaction that will result in higher performance from it.

2.3.9 Constraints for SMEs

SMEs have faced many constraints in the process of their operations. Some are similar and others are different due to various factors. In Zimbabwe, according to Nyoni cited in Zindiye (2008) constraining factors include: limited access to finance to meet costs, lack of marketing skills and market knowledge, inadequate management and entrepreneurial skills, lack of access to infrastructure, lack of access to land, lack of information and a hostile regulatory environment.

Borgarello et al (2004) argues that SMEs in Mozambique face a variety of obstacles which can be classified into the following three groups: credit market (capital markets and commercial banks), macroeconomic environment, institutional framework, and infrastructures and market.

Ishengoma and Kappel (2008) classified constraints of small firms into four groups as; high tax, limited investment in productive assets, limit access to market and limited access to loan and business services (BS) as in figure 2.6 below. The authors’ perception of the relationship
between business constraints and growth potential or performance of micro and small enterprises (MSEs). The authors argue that the constraint of business on one hand limits the physical capital accumulation, while on the other hand constrains the ability of the company to carry out its daily operations as it reduces domestic financing and the ability to take appropriate decisions. Consequently it interrupts business operations and slows its performance. When MSEs have limited differentiated market access, they are forced to operate with low income. Low income, in turn, discourages making investments. The low profit will result in limitation on internal resources while the resulting high tax rate reduces organisational funding source.

**Figure 2.6: Conceptual Relationship Between Business Constraints and Performance**

![Conceptual Relationship Between Business Constraints and Performance]

**Source:** Ishengoma and Kappel (2008)

### 2.3.10 Stages of Growth of SMEs

SMEs have been facing moments of turbulence at various stages of business life cycle and particularly in the growth phase. Degenhardt et al (2002) explain two approaches (static and dynamic), which account for their performance in the growth phase. The static approach
asserts that there are four reasons why SME always remain small rather than face growth strategies. The arguments are as follows:

The static approach presents four reasons of SMEs remaining small forever rather than face growth strategies. The arguments are as follows:

a. **Local Oriented**

The growth of SMEs is limited due to the delimitation of the market niche, i.e. the use of implicit and explicit strategies.

b. **‘Arrested development’**

Entrepreneur fears the challenges of growth by avoiding risks, having a tendency to give more weight to the risk than the growth opportunities from the growth.

c. **The life style firm**

In a situation of decision making between growing and remaining a small business, the entrepreneur prefers to keep the business small to avoid facing new challenges which can lead him or her to bankruptcy.

d. **Informal or formal**

The fact that many small businesses, especially in developing countries are informal, their growth will demand formalization of the companies and consequently involvement of complex procedures that will involve costs. In the dynamic approach, the author uses life cycle model to explain why there is no growth of many small businesses. The life cycle has the following stages: introduction, growth, maturity and decline. In each of these phases the company behaves differently.

According to the author, the first stage (introduction), growth is relatively low due to the development of new products and new experiences. The stage of development is characterized
by a rapid growth stage since the success of the company leads to expansion. The third phase is maturity, and is characterised by reduced growth because the company is looking for stability. Once stability is created in the fourth phase, the company avoids situations of disorder that can be created if it is to expand. The tendency at this stage is to restart the business, so it opts for a strategy of business diversification.

2.4 Empirical Review of Related Literature

2.4.1 Entrepreneurial profile and organisational Performance

In order to constructed and validate the mode to investigate the relationship between entrepreneurial profile of the students of a higher education and the performance organisation administration by them, produced an article on the topic entrepreneurial profile and organisational performance. To achieve the objectives, the researchers applied techniques of a quantitative study where simple questionnaires and random probabilistic analysis depending on the course to 1,122 Feevale students. To evaluate the impact of entrepreneurial students and their intention to opening of own business, it has built a structural equation model in which causal relationships between the measure organisational performance and the independent variables; self-realization, leader, risks takers, planners, innovative and sociable were estimated. The study just mentioned above shows that the only entrepreneurial characteristic that significantly relates to organisational performance is self-realization. Being a quantitative study, the number of respondents had to be significant, the Schmidt and Bohnenberger (2009) study, with a sample of 7.8%, is not significant, which can contribute to error occurrence in their result. The Schmidt and Bohnenberger (2009) study, is like the present study because the two had as a dependent variable organisational performance This research, differ Schimidt and Bohnenberger (2009) research, for following reason: this research is qualitative approach, does not identify the variable entrepreneurism as a possible
determining factor in organisational performance, it does not correlate variables and is not intended to validate a model.

2.4.3 Leadership, Confidence and organisational performance

Dias (2010) when conducting his research to obtain master's degree raised the issue of individual and sharing, in order to assess the influence of leadership on the trust in management and both on performance. When collecting and analyzing data, Dias (2010) used a quantitative approach which measured such variables: management skills, confidence and perceived organisational performance. To evaluate the management skills the researcher used valuation model management skills. To assess confidence in the management team appealed to the integrative model of organisational trust. And to assess organisational performance researcher appealed Likert scale of five points. This study validated some assumptions made, particularly in terms of influence of diversity and expressiveness of managers' skills portfolio on the confidence felt in management. There is also the existence of the cooperating political role in the functioning of the leadership teams and improving the results obtained by each of the remaining managers individually, simultaneously demonstrating the importance of shared leadership in improving the management team perceptions. The study of Dias (2010) is liken the present study because the two had as a dependent variable organisational performance. This search is the search Dias (2010) for the following reasons: this research is qualitative; it does not identify the variable leadership and trust as a possible determining factor for organisational performance and does not test hypotheses. The Dias research clarifies well the information about the different models used to assess each of the independent variables, but the researcher was unable to have clear answer about the two questions with: what skills mobilized by company managers and how important career performance. In my opinion, research targeting the not exactly been looking for answers to these questions. The established
hypotheses rather lead to a quantitative research, but the questions posed would lead qualitative approach. Furthermore, to evaluate the performance of the perception would carry out a qualitative research.

2.4.4 Attracting and Retaining People in an Organisation

Peloso and Yenomoto (2010) state that in order to attract talent to the organisation, it is necessary to implement training programs and internships to identify and attract young talent to the organisation. It is not enough to attract such talent, but it is important and necessary to retain them. The commitment to the organisation depends on management salaries, social benefits, industrial relations and health and safety at work, which means that it is important to have a good policy of retaining talent in the organisation.

2.4.5. The contribution of SMEs in the Economy

In order to provide a current picture of the overall impact of SMEs in the European labour market and their contribution in generating more and better jobs in Europe, Vroonhof et al (2011) searched in 27 EU member states and in 10 countries outside Europe, programme, participants competitiveness and innovation (CIP) of the EC companies and industries. As a result of the research they came to a similar conclusion that while SMEs generate employment, what determines their success is the class size of the company and sector to which it belongs.

Chen (2006) stated that in 2001, SMEs in China played an important role in: economic growth that had output value of 60%, 57% sales and 40% of total tax revenue industrial companies. They increased employment by about 79%, and contributed to an expansion of
exports in 2003 amounting to $430 billion. SMEs in China also contributed towards the promotion of innovation in science and technology.

2.4.6 Challenge of SMEs

Jayathilake and Welmille (2010) researched on the analysis of factors influencing the performance of SME's in the North Central Province of Sri Lanka, aiming to examine the characteristic traits, strategic capabilities and their effects on organisational performance. They conducted data collection through standardized questionnaires to a sample of 175 manufacturing managers of selected SMEs in the region of Sri Lanka. They used SPSS to perform be variable and multivariate, linear regression analysis, ANOVA and Chi Square test to determine the relationship between variables. The study showed that managers have weaknesses in their behaviour and a high level of uncertainty in the business environment. There is a relationship between risk taking propensity (RTP) and firm performance. The conclusion of the study is that there is a positive relationship between internal Locus Control (LOC) and need for achievement (n-Ach), while the ability to plot strategy is vital to the achievement of business goals and superior performance in a changing environment. However, the study was limited in studying the performance factors in companies of a certain region. The following variables were used in the evaluation: firm performance (dependent variable); and business strategy and changing environment (independent variables).

De Campos et al (2008) conducted a comparative analysis of SMEs in Brazil and China, based on criteria such as macroeconomic aspects, classification, difficulties in relation to business management and government incentives. In their analysis, they found that SMEs face macroeconomic threats and difficulties in relation to the business management. Their report, De Campos et al (2008) cited Doing Business in Brazil, reveals that in order to secure
a contract in Brazil, the time varies between 19 and 152 days compared to China which varies between 546 and 1473 days. This revelation shows that it is easier to do business in Brazil in relation to China. De Campos et al. (2008) cited Pereira, state that managing business in Brazil has had challenges such as; falling demand, high taxes, and index incompetence. The UPS report (2008) shows that the difficulty in managing business in China is related to the financing of the business and supply chain efficiency. The conclusion of the study shows that the economic and legal environment of Brazilian companies hamper trade practice and conducting business for Brazilian companies to compete with Chinese companies need a clear and more concrete policy implementation.

De Campos et al (2008) views were confirmed by Tachizawa and Faria (2002) who observed that to start a business in Brazil, various documents are needed. There is a lot of bureaucracy, rates, terms which take about 35 to 45 days. As a result of this bureaucracy, 60% of formal businesses close in less than 1 year. Tachizawa and Faria (2002) cited in Sebrai conducted a survey in 11 states and found that the first stage is the mortality rate of companies, up to 3 years after its creation, the second phase which sought to identify the factors that influence mortality. The results revealed that company size was the most important factor, with a significantly greater percentage, while lack of working capital and knowledge of the business field were identified in 8 of the 11 states.

The basis for the research was the on the challenges that SME`s face. This problem is similar to the problem being pursued in the current research, to the extent that both researches identify difficulties that SMEs face. The difference between these two studies is the purpose of the research, because the research conducted by De Campos et al (2008) was intended to understand and compare the characteristics of SME’s in Brazil and China while the current
research aims to analyse the performance of SME’s. Although the study by De Campos et al was conducted in a different way as shown above from the current study, both were to investigate how the legal and economic environment factors impact on SMEs. To analyse the role of SMEs in economic growth, Nakano (2009) assessed the value added by SME's growth rate and the contribution of capital, total productivity labour (TFP), and the situation of development and sale of products and services as factors influencing the environment of SME's. The analysis took a long time to be completed, from 1960 to 2007. The results show that during this period, SMEs have been responsible for over 50% of economic growth (value added) due to increased input of capital and labour, and growth in TFC. The contribution of innovation to economic growth is reflected in the growth of TFC.

The experiences of SMEs in Mozambique are similar to those in other countries especially in Africa. Kaufmann and Parlmeyer (2000) published an article entitled: “Dilemma of Small Business in Mozambique: The Reason to be is the Reason not to Prosper.” The first part of the article consisted of literature review on businesses in small African companies, in particular Mozambique. Small businesses were characterized by the following indicators: labour intensity, dependence on infrastructure, transaction costs and market failures entrepreneurship, sources of finance and demand; analysed government policies, regulations and bureaucracy, and management skills. Based on the review of literature, the article concludes that most small enterprises do not grow because they fear competition and so remain small and informal. The barriers of small businesses are market inefficiency, which implies high transaction costs, lack of trust and honesty in business culture, inefficiency in business, excessive bureaucracy, corruption, lack of management skills or entrepreneurship, lack of information on the disadvantages of formality, lack of transparency and information in the market for sub-contracting. The Kaufmann and Parlmeyer’s (2000) research is similar to
De Campos et al (2008) since both characterize SMEs and take into account the difficulties that these companies face. However, the characterization indicators are different, which means that these two studies interpret different ideas in the studies.

2.4.7 Human Resource Management in SMEs

Veloso and Keating (2008) conducted a study entitled HRM in SMEs of High Technology. The study aimed to characterize and identify the HRM practices used in organisations; understand the indicators used in decision making for the adoption of new practices; explore the perceived impact of HRM and/or organisational development practices, by employees of the target organisation of that HRM. For this purpose, the authors used three case studies in medium-sized enterprises in the sector of new technologies (software), performed sequentially by analyzing intra cases and later between cases. The first two case studies were carried out as exploratory studies, to help identify unique patterns of knowledge. The comparative analysis of cases increases the probability of new insights to the theory based on the adjustment of the collected data. The three case studies were intended to replicate and not sample as advocated by Yin (1994) who argues that when performing multiple case studies, one should consider multiple experiments and not as subjects differentiated to answer the same questionnaire. The replication approach uses multiple designs case studies including the following phases: development of theory, case selection and definition of assessment measures which are essential in the design of the protocol and data collection, conducting individual studies and their analysis. This research concluded that the process of implementation of HRM practices in companies A and C is incremental, resulting from processes of informal benchmarking while Company B was designed as a package of imported practices of multinational companies. The perception of employees and decision makers about the importance of HRM to firm performance is differentiated into three companies, namely:
1. Company A attributed the instrumental value of value creation and clear perspective of employees and managers as constraints;

2. For Company B, the perception of value is different for leaders, HRM is a way of motivating employees ensuring greater efficiency but also a form of formal control, for employees it is an essentially administrative function;

3. For Company C, the function in a less mature stage, is perceived as an essentially administrative function, but is recognized either by employees or by potential decision makers as essential for the future development of the organisation.

From the data resulting from the comparison ‘between the cases’ there was evidence that the HRM function has a strong component for negotiating and conflict management. The perception of utility changes as a function of the degree of specialization of HRM functions is greater in company A and C and lower in B.

2.4.8 Human Resource Management and Organisational Performance

In order to investigate the relationship between Human Resource Management (HRM) and organisational performance and to understand the processes by which HRM has implications on organisational performance, Veloso (2007) performed a study on the impact of HRM on organisational performance through four case studies of SMEs which use high technology. The first two case studies were exploratory and the other two were confirmatory. They are identified as important determinant factors of the impact of HRM on the organisational performance, the lifetime of the organisation, labour management, system design and human resource capacity of intervention given to the HRM. This research has come to the following conclusion:
The implementation of HRM practices, whether developmental and / or incremental, in meeting the needs of the organisation involving employees, is more effective than a programmatic process. The consistency of HRM practices in terms of strategic fit has an important impact on the behaviour of employees and their perception of HRM. Veloso’s study (2007) is related to the current study because they both aim at finding factors that contribute to the organisational performance. However, Veloso’s study is more specific, which deepens knowledge of the organisational performance taking into account the human factor or people who work or contribute to the effectiveness of organisational activities. The present study analyses performance, taking into consideration not only human resources but also the customer, internal processes, and quality of services and is therefore more comprehensive. Veloso's study analysis is only for companies whose technology is high while many SMEs in Mozambique have low technology. The author takes the view that if the case study had covered both situations, its comprehensive analysis would have provided clearer conclusions.

In order to provide a pilot study to examine the status quo of HRM practices of SMEs in China and look for a possible correlation between HRM and corporate performance, Zheng (1999) conducted a research on HRM and enterprise performance in SME's in China, using primary and secondary data. Primary data were collected through interviews with 74 managers with key responsibilities in HRM. He used convenience random sampling in Ten Chinese Cities, since he had the opportunity to take part in some conferences, business and occasional trips to such cities where contacts were available. The sector distribution of respondents was not intentionally focused, but uniformly covered the following sectors: electronic (14%) trade (9%), technology (8%), pharmaceutical and printing paper (both 7%), among other Chinese SMEs. The study was based on four hybrids of possible interrelationships between HRM practices and firm performance as a result of distortion
indicators such as transition of China's economy. The study came to the following conclusion:

In general, SMEs in China mostly have some practice of HRM in their companies. The companies have autonomy in the recruitment of staff, the introduction of motivation and competition mechanism, reduction of lifetime employment and guaranteed salaries. Nevertheless, the focus in training is still very weak and there is also space for improvement in task performance evaluation. The analysis of the performance of SMEs indicated that they are growth-oriented and the market has relative advantages and is continuously expanding. The author stresses that it is difficult to conclude that the performance is a direct result of HRM practice. Hence, the interrelationship between HRM and performance is relatively clear in only a few special companies, the Domestically Owned Private enterprises (DPE). Other hybrids show opposite results. The opposite results may not necessarily be attributed to not practicing HRM, it rather shows that indicators of distortion of the current status quo of the Chinese economy in transition have their own reasons. Such distortions encompass unfair competition, imperfect market and the legal system in an inflexible market.

In order to examine the relationship between use of HR practices and performance professionals for SMEs in Turkey, Koyuncu et al (undiluted) conducted an exploratory study on HRM practices in SME's in Turkey. A total of 243 SMEs were randomly selected, but responses were received from only 172 organisations, which represents 75% of the population. The study population was composed of HR managers, deputy managers or firm supervisors. The study revealed that there was a moderate use of HRM practices.

Respondents indicated only moderate use of the HRM practices and rated their effectiveness as only moderate. Respondents indicating greater use of these HRM practices rated the
effectiveness of their SMEs generally higher than their competitors and higher in the current year than last year. However, the ratings of the effectiveness of these HRM practices were generally unrelated to SME performance. Personal demographic characteristics of the respondents, and characteristics of the SMEs, were inconsistently related to use of the HRM practices. Findings indicate that use of particular HRM practices was associated with perceptions of better SME performance. Managers in SMEs can incorporate these positive HRM practices.

2.4.9 Quality Management Practices on Performance of SMEs

Fening (2012) investigated how the implementation of quality management practices contributes to the performance and growth of SMEs in Ghana. The main objective of the research was to determine the relationship between quality management practices and performance of SMEs in most developing countries. The research therefore adopted the MBNQA variables as an instrument of quality management practices, such as leadership, strategic planning, workforce management focus, process management and results. To achieve these objectives, the author conducted a qualitative study which resorted to collecting data through questionnaires administered through face to face interviews with a sample of 200 small businesses. The study concluded that companies which implement quality management practices will have positive effects on the performance and growth of SMEs in Ghana. The quality management practices improve organisational performance for large and SMEs anywhere in the world. The study conducted by Fening involved 200 companies which had more than 50 employees in metropolis of the capital, Accra. However, its conclusions generalized large and small companies, globally. The sample covered only a few companies in a particular country, and this cannot lead to generalisations, but the conclusions should only
apply to Ghana. This study supports the argument that the quality of service and products contributes to the performance of SMEs.

In his dissertation, Balgobind (2007) researched the relationship between HRM practices and organisational performance in the manufacturing sector of the brewing industry in South Africa.

The objectives of the study were as follows:

1. To identify the HRM practices that can influence the performance of the business, define business performance and specifically the performance indicator most commonly used in that sector.

2. To determine whether there is a relationship between HRM practices and business indicators and recommendations around HR practices and business performance indicators using a conceptual model.

The research design was exploratory and data collection was through primary and secondary sources. Secondary data formed the primary data source of information to obtain business performance indicators and information on the HR practices. The results showed that there is a direct relationship between HRM practices and performance indicators. There was statistical evidence that the use of HRM practices in firms contributes positively to organisational performance. Among the HR practices, performance appraisals and career development had a direct casual relationship with the customer satisfaction perspective.

Similar to Balgobind (2007), Nemliçaliskan (2010) conducted a survey which listed the HRM practices and organisational performance. Both studies conclude that there is evidence of a
statistical relationship between greater adoption of HRM practices and business performance. In addition, they suggest that there is a causal link between HR and organisational performance which allow HR managers to design programmes that provide operating results to achieve greater organisational performance. After emphasizing that HR are an important source of competitive advantage, strategic HR management is defined by examples of academic research on the impact of strategic HRM practices on organisational performance, the studies come to the conclusion that the way in which an organisation manages its HR has a significant relationship with its performance.

While Balgobind (2007) sought to identify the HR practices that influence organisational performance, Mohamad et al (2009) investigated the relationship between HR practices and organisational performance. The study sought to examine HR practices and the impact of incentive programmes in the context of organisational manufacturing in Malaysia. The research to examine the HR practices and the impact of organisational incentive in the Malaysia context identified three types of practices, which are: performance evaluation, training and information technology. He was part of the research that involved a sample of 85 firms from Sarawak, Malaysia comprising participants and volunteers. It emerged from the study that, the practices of training and information technology have a direct impact on organisational performance.

Incentive programmes have a positive relationship with organisational performance but do not moderate the relationship between HR practices and organisational performance.
While Balgobind (2007) listed the HRM practices and organisational performance, Khan (2010) in Pakistan, Mohamad et al (2009) did an empirical study in the Oil and Gas on the effects of HRM practices on organisational performance. The main aim of the author was to evaluate the effects of HRM practices on organisational performance. The author used primary data and selected randomly twenty public and private organisations in Pakistan. In order to measure the development, he included questions that define HRM practices and their impact on organisational performance and HRM practices identified for performance. He included questions that define HRM practices, their impact on organisational performance and identified HRM practices for performance.

In order to measure the development, the questions were prepared defining HRM practices and their impact on organisational performance and were identified HRM practices for performance. The researcher carried out a pilot test with a sample of 40 managers of its population. Using descriptive statistics, the research established that there is general agreement among different HRM practices. Reliability and validity of data, test of normality of data, correlation analysis, factor analysis and regression analysis were also conducted. The study showed that management should use HRM practices as a tool for superior performance.

From the case study of the Libyan Iron and Steel Company (LISCO) Elasfer and Karami (2008), studied the effectiveness of selection of HRM practices on performance and organisational objectives. Based on questionnaires designed for executives of LISCO, they carried out statistical analysis using the Statistical Package for Social Sciences (SPSS) software. Based on regression analysis, they obtained the following results:
a. The HRM practices have little impact on Lisco performance, and even less on the achievement of Lisco goals.

b. The only exception to this is the HR planning, suggesting that the important thing in HRM is its integration into the strategic thinking of an organisation, and not the specific form that it takes.

The results of this study confirm the doubt that Zheng’s (1999) observation that it would be difficult to say that performance is a direct result of HRM practices. Zheng (1999) had when he says that the performance is a direct result of HRM practices. He confirms the results from Balgobind’s (2007) study which suggest that the practice of incentive programmes have a positive relationship with organisational performance, but does not moderate the relationship between HR practices and organisational performance.

2.4.10 Attracting and Retaining of People in the Organisation

Peloso and Yonemoto (2010) wrote an article on attracting, developing, and retaining talent with the main objective being to analyse the process of attracting, developing and retaining talent of the company. They showed the new way of managing HR today, seeking to demonstrate that the growth and development of the organisation in today's business world depends on human capital. For this purpose, they only used secondary data to analyse new trends in people management in the business environment, and the role of employees in organisations. The authors concluded that the new management of people seeks to attract more people with great professional potential, capable of creating innovative processes, developing new products and managing teams and projects, as well as having strategic vision of business. Hence, to have these great professionals in their workforce, they seek ways to attract talent to the organisation through training programmes and internships. In order to
reduce the rate of staff turnover, it is advisable that organisations have an attractive salary administration, plans to invest in social benefits, ensure safe working conditions, and a pleasant professional environment that values working relationships.

This article provides additional information for questions regarding the attraction and retention of employees in the organisation, but does not identify a clear scientific methodology. It also doesn’t identify the problematic issues that need to be addressed. Moreover, we cannot understand what the delimitation of the research was, because the author did not specify this point and did not even state the research objectives clearly.

Unlike many researchers, Daud and Yusoff (2010) conducted an empirical study relating to knowledge management and performance of SMEs, in order to examine the impact of the process of knowledge management on organisational performance in Malaysia. The study used transverse methods for collecting primary data through interviews to ascertain SME's Multimedia Super Corridor status. With the help of secondary data, the researchers discussed ideas about knowledge management in SMEs, knowledge management processes in SMEs (knowledge acquisition, knowledge conversion and knowledge protection) and organisational performance, focusing on application.

2.5. Chapter Summary
The literature review chapter was intended to collect information and analyse issues related to the topic and the performance of SMEs, as published in books, manuals and research reports. Review of both theoretical literature and empirical studies were conducted. The chapter also analysed several theories about virtues and problems of SMEs and contextualised evidences in the introductory chapter became clearer through results of several studies coming from
various authors. For efficacy, analysis of the theoretical framework revealed research related to the performance of SMEs in general, and in particular elements that support the achievement of objectives, such as, client management, staff and quality of products and/or services. Beyond relationship among the several researches themselves and with the current study, the analysis also identified the strengths and weaknesses of the researches from the literature review.

This chapter's main objective was to provide bases of support for the effectiveness of the thesis based on the context of the research topic and the problem on the performance of SME's in a global level and particularly in Mozambique where the study was conducted. Based on the contextualization, it was clear that SMEs play an important role in a country's economy and the continued existence of the economic sector. Despite SMEs providing a great contribution to national economies, challenges have also been observed regarding their sustainability. There are several factors that determine their sustainability, which can be internal and external.

The major objective of this research is to find ways for optimal management, taking into consideration the aspects of attraction and retaining of customers and the staff and the quality of products and services.
CHAPTER THREE

3. RESEARCH METHODOLOGY AND DESIGN

3.1 Introduction

A thesis is a complex academic work which requires an original contribution to knowledge, addressing procedures, and scientific methods used to carry out the investigation. Cervo et al (2007) said that methodology is the order to be imposed in various processes required to achieve a certain purpose or desired outcome. It is a set of several stages or steps that must be followed to carry out research, and that shape the technical. The methodology chapter is needed therefore, as it explains in detail the methodological principles, procedures, scientific methods to be used during research and data analysis. According to Miranda (undated) research studies are always about epistemological issues related to three aspects to do with;

   a. the nature of research questions,
   b. the relationship between researcher and the process of scientific investigation, and
   c. the objective inherent in an investigation.

The research techniques or methods should be clear to justify why there is a methodology chapter. The Methodology chapter is important, both for the researcher as well as for the reader due to the fact that whatever results are going to be obtained by the study, their credibility depends to a large extend on the methodology used. As a result, this chapter focuses on addressing the broad strategy or philosophical base of the entire research process and the designation of working strategic plans to obtain the required information. Based on this chapter the reader can perceive or can be clear about what the researcher surveyed (object of study), how she researched (means used in the research) and why she used such means.
According to the ZOU manual (2013), when someone goes to the methodology chapter, there is need for the researcher to look in detail and clearly on the how, as well as why the researcher is going to look in order to resolve the research questions. Therefore, this chapter focuses on the research methodology used by this researcher and shows all the means to solve the research question. The main idea of this manual is to show clearly and scientifically how the whole process was carried out without leaving room for doubt for the reader. This study, adopted the qualitative paradigm that provides the researcher with different ways of operationalizing and measuring theoretical constructs and practical concepts on performance.

3.2 Paradigm of Performance

3.2.1 Introduction to the paradigms of performance

All scientific communities have a paradigm or set of theories in which they practice and ensure their ability to talk or discuss the rationality of their work (Silvestre and Araújo, 2012). According to Fossey et al (2002), the research paradigm describes a system of ideas or overview by researchers used to generate knowledge. The paradigm allows us to view the world and identify what is important to us (Santos, 2000). This qualitative research, on performance of SMEs also follow these norms. Qualitative research is a multi-methodical naturalistic perspective that involves an interpretive approach analysis (Denzin and Lincoln 1994, p.2 cited in Aires 2011). Fossey et al (2002) identify three principal research paradigms, such as: empirical-analytical, interpretive and critical research paradigm.

This section aims at providing an insight into formal paradigms of performance and resulting performance theories and also shows implicit ideological fabric on which these theories are modelled.
3.2.2 Research Paradigm of Performance used in this research

The philosophy guiding this research is to gather the researched people’s experiences and views on performance and what they think should be done to increase productivity, which in essence is the interpretivist paradigm. The interpretive or phenomenological paradigm is based on a belief that reality is multiple and socially constructed. It is the belief of this researcher that truth is not universal, but that it is dependent on context and therefore research in this school of thought has to focus on the context of the people’s experiences in SMEs. Terre Blanche and Kelly (1999) argue that the qualitative research methodology describes and interprets people’s feelings in a human way rather than through quantification and measurement. The interpretative approach argues that research should explore “… socially meaningful action through the direct detail observations of how people in natural settings in order to arrive at understandings and interpretations of how people create and maintain their social world” (Newman, 1997:68). This emic perspective which represents the insider’s viewpoint is very essential and will be complimented by the etic perspective.

Given the fact that the essence of this research is to make an in depth study on the issue of performance particularly what the locals think about these phenomenon makes the qualitative methodology ideal for this kind of the study. The interpretative or phenomenological paradigm is the one associated with the qualitative research methodology. If the essential description truly captures the intuitive essence, one has validity in a phenomenological sense (Giorgi 1988: 173)
3.3 The Methodology of the Study and Rationale for Its Choice

According to Kothari (2004), a research methodology involves various steps adopted by the researcher and the logic or rationale behind those steps. This means that a research methodology involves two things which are steps or processes that a researcher takes in the research enterprise and the logic or philosophy that supports the steps or processes of the research endeavour.

The qualitative methodology provides the researcher with an opportunity to develop insight into the policy of cultural dimensions related to performance (Dzvimbo, Bartlett, Goodson, Kelchtermans, Schratz, Vandenberghe, and Sullinger, 1994). The researcher believes that the qualitative methodology would provide her with a deep understanding of behaviour and culture which are central in understanding the performance and the way to avoid failure in SMEs.

3.3.1 Qualitative Methodology

The qualitative methodology, for its holistic and interpretative features has a flexible structure which does not follow a rigid structure. Martins et al (2010) explains that this methodology has emerged as an alternative to the positivist paradigm and quantitative studies that have proved to be ineffective for the analysis and study of subjectivity inherent in human behaviour and activity. It is important to note that this research, will study SMEs behaviour in relation to their client, staff and their activity.

Aires (2011) suggests that qualitative research has an open cluster of its own methodology which has as multi paradigmatic focus, where the researcher is multi methodical which must simultaneously manage the interpretative sensitivity and positivist conception. Qualitative
researchers study things in their natural settings, attempting to make sense or to interpret phenomena in terms of the meanings people bring to them (Martins & Belfo, 2010). According to Godoy (1995) and Garnica (1997) the basic characteristics of qualitative research are as follows:

The direct source of data is the natural environment and the researcher is the key instrument;

a. The data collected are predominantly descriptive;

b. The main concern of the researcher is the meaning that people give things and their life.

The researchers use the inductive approach in their data analysis. The point of view of Joubish, Khurram, Ahmed and Haider (2011), does not differ from other various authors. He argues that qualitative research is used to help the researcher in understanding how people feel and why they feel as they do, the samples tend to be small, interviews or group discussions are two common methods used for generating data. This approach refers to situations where you collect data in an unstructured way. Flick (2002) and Joubish et al (2011) argue that it is concerned with developing subjective and social reality explanation. Joubish et al (2011), argues that the social aspects aims to help us to understand the world in which we live and why things are the way they are. Joubish explains this idea and describes the questions that social aspects seek to answer:

a. Why people behave the way they do.

b. How opinions and attitudes are formed.

c. How people are affected by the events that go on around them.

d. How and why cultures have developed.

e. The differences between social groups.

Joubish et al (2011) affirmed that the world view of the qualitative is that:
a. There is no single reality.

b. Reality upon perceptions is different for each person and change over time.

c. What we know has meaning only within a given situation or context.

Bradley (1993) cited in Dias (2000) characterizes the qualitative researcher as the interpreter of reality. Summarizing Patton (1980) and Glazier (1992), Dias considers the following characteristics of qualitative researches:

a. Those which describe in detail, phenomena and behaviours;

b. Direct quotations from people about their experiences;

c. The passage of documents, records, correspondences;

d. Recordings or transcripts of interviews and speeches; and

e. Interactions among individuals, groups and organisations.

According to Flick (2002), the central guiding idea of qualitative research can be summarized in the following essential features:

a. Appropriateness of the methods and theories

b. Perspectives of participants and their diversity

c. Reflexivity of the researcher and the study

d. Variety of methods and perspectives in qualitative research

e. Understanding *(verstehen)* as epistemological principle

f. Reconstitution of cases as a starting point

g. The construction of reality as basis

h. The text as empirical materials
a. Appropriateness of the methods and theories

In this study the adequacy of the methods and theory was used in order to consider whether the question of the factors that determine the performance of SMEs may or may not be empirically studied. Flick (2002) citing Bortz (1984) argues that the criterion for determining the object of research is the possibility of the available methods used and accepted in the study. The success or failure of SMEs cannot be applied in isolation. It is the result of real complexity and own business performance and other external factors. Flick (2002), to explain the appropriateness of the methods and theories poses as a form of problem solving in qualitative research, the adoption of open methods that fit the complexity of the studied object.

b. Perspectives of participants in its diversity

According to Flick (2002), the perspective of the participants considers that, there are different point of views and different practices because of the different perspectives of the individuals and their social environments.

c. Researcher reflection on the study

Flick (2002), argues that in qualitative research there is an interaction of the researcher with the field and its members as explicit part of the production of knowledge. Because of its subjective, the reflections of the researcher about their actions and field of observation, impressions, irritations and feelings, have documented the daily research and in the context of protocols.

d. Variety of methods and perspectives in qualitative research

As the variety of approaches and methods in qualitative research the author quoted above considered that this type of study suits this definition. The practice and analysis are characterized by diversity of approaches and their methods. The opinions of each subject are
e. Understanding (verstehen) as epistemological principles

In order to address the objectives and answer the issues surrounding the performance of SMEs in Mozambique, the current study used the qualitative research approach, which sought to analyze performance of SMEs in the city of Beira, Mozambique country in a holistic manner. According to Marconi and Lakatos (2010), qualitative research adopts philosophical conceptions and specific formulas for collection of data. This research was carried out on the assumption that there is a weakness in Mozambican SMEs. Furthermore, given the fact that this study on the performance of SMEs adopts the characteristics of the natural environment as the source of descriptive data arising from people and an analysis of data which is based on the inductive approach. The practice of organisational performance requires knowledge through the interpretative paradigm and a perspective that seeks to understand how to manage factors that influence the success and failure of SMEs. According to Son (1984), the comprehension of administrative processes can be effected through qualitative research. Performance analysis of SME's is a macro process, and to achieve this, it is necessary to adopt the micro procedures before, which is why understanding performance in specific areas is needed. This study is not intended in any way to quantify the success or failure of companies though many studies have questioned why businesses fail. There are many answers; some of them can be identified in this research. However, this research is concerned with answering ‘how’ to find solutions or models of effective management.
f. Reconstitution of case study as a starting point
Case studies should be analysed differently and in different situations before comparing them. Each case is different and should be analysed separately without generalising them but reconstituted.

g. The construction of reality as basis
The reconstituted cases by different authors through conversation and discussion can therefore be used to form phenomenon which then make different theories.

h. The text as empirical materials
The process of reconstitution of cases therefore are used to make texts, which make empirical material as they are studies done on different companies or different countries in different situations.

3.3.2 Philosophical Perspectives of Qualitative Research
Garnica (1997) argues that from a technical point of view, science is seen as a system of propositions and procedures, which is part of classification of science hierarchy, emphasizing on the need to know and thus ignoring the historical dimension of science. It takes into cognisance the facts (objects), definable elements, determinable, manageable, controllable, and observable.

Qualitative research has a multi-paradigmatic nature and multi methodical being the researcher's task to identify and apply paradigms and methods suitable for the research, considering the reality and purpose of the research. This idea is reinforced by Joubish et al (2011) when he said that qualitative research can be described as ethnographic, naturalistic, anthropological field or participant observer research. The qualitative research is an interdisciplinary, trans-disciplinary and sometimes counter disciplinary field.
Denzin and Lincoln (2006) makes use of four positions on the history of qualitative research

1. Each of the historical moments of qualitative research is still in use these days, whether in the form of legacy or as practices that researchers continue to follow or contest.

2. The field of qualitative research is characterized by an embarrassment of actions by the fact that many research strategies, many paradigms or methods of analysis for researchers to use.

3. This is a time of discovery and rediscovery, the measure that debate and discuss new ways to observe, interpret, argue and write arise.

4. The qualitative research act cannot be seen from within a neutral and objective positivist perspective.

Holanda (2006) considers that qualitative research as a methodology of research in human sciences, which helps to explain, analyze and visualise any hidden phenomena (not measurable); one that is defined epistemologically, and supported in the knowledge of the building process. The author started with two distinct elements to define the qualitative research. First it defines qualitative research by the inclusion of subjectivity in the research, and second, by the deep vision of the phenomenon under study, thus highlighting its constituency together with other phenomena. This qualitative research analyses the factors that contribute to good or poor performance of SMEs in Beira. It is not intended in this research by any means to quantify or measure the performance of these firms, but rather seek to understand the subjective reality of performance data on SMEs and the search for a
minimally organized model that serve as a reference to comprehension of the performance of SMEs in the City of Beira.

According to Oliveira (undated), qualitative research involves the provision of human being that has an interpretive position defending that man is different from the object, it being an active being who interprets the world where you live. This position holds that human life is seen as an interactive and interpretive activity, carried out by contact of persons. There is need to find ways that lead to analyse the values and meanings of organisational social world. The organisational performance carries a series of symbols and meanings that would hardly be perceived and understood without the qualitative approach with interpretive guidance. Whereas, in organisations (SMEs) there are people who carry out interacting and communicating activities for the achievement of organisational objectives. These people are not passive and they need to perform well, hence the need to understand (interpret) the environment. In this case, the researcher understanding that people interact, interpret and make meaning has a turning position for interactions and interpretative behaviour. Araújo (2002) argues that interpretativism, lies in the fact that man cannot be studied mathematically, he is extremely complex, nonlinearly in answering the same stimuli. Business reality varies according to the class or level of business, and the success or failure of these depend on reasons of various orders, this is the main reason why the participation of the researcher is required in the field of conducting research.

Sauaerbronn and Ayrosa (2010), consider the interpretive interactionism as a focused approach to the problem experienced by individuals in the world of experiences and their
contexts members. Klein and Myers (1999) propose a set of principles to conduct and evaluate interpretive research of hermeneutic nature.

### 3.3.3. Seven Principles for Interpretive Field Research Applied in this Research

The authors summarize these principles in the Table 3.1:

**Table 3.1: Seven principles for Interpretive field Research**

<table>
<thead>
<tr>
<th>Principle</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. The Fundamental Principle of the hermeneutic Circle</td>
<td>The most fundamental of this principle is hermeneutic circle. The first principle suggests that all human understanding and achieved by interacting between considering the interdependent meaning of parts and the whole that they form. This principle of human understanding is fundamental to all the other principles.</td>
</tr>
<tr>
<td>2. The Principle of Contextualization</td>
<td>Require critical reflection of the social and historical background of the research setting, so that the intended audience can see how the current situation under investigation emerged.</td>
</tr>
<tr>
<td>3. The Principle of Interaction Between the researchers and the Subjects</td>
<td>Requires critical reflection on how the research material (or “data”) were socially constructed through the interaction between the researchers and participants.</td>
</tr>
<tr>
<td>4. The Principle of abstraction and Generalization</td>
<td>Requires relating the idiographic detail revealed by the data interpretation through the application of principles one and two theoretical, general concepts that describe the nature of human understanding and social action.</td>
</tr>
<tr>
<td>5. The Principle of Dialogical Reasoning</td>
<td>Require sensitivity to possible contradictions between the theoretical preconceptions guiding the research design and actual findings with subsequent cycles of revision.</td>
</tr>
<tr>
<td>6. The Principle of Multiple Interpretations</td>
<td>Require sensitivity to possible differences in interpretations among the participants as are typically expressed in multiple narratives or stories of the same sequence of events under study. Similar to multiple witness accounts even if all tell it as they saw it.</td>
</tr>
<tr>
<td>7. The principle of Suspicion</td>
<td>Require sensitivity to possible biases” and systematic “distortions” in the narratives collected from the participants.</td>
</tr>
</tbody>
</table>

*Source: Klein and Myers (1999:72)*
1. The Fundamental Principle of the hermeneutic Circle

For understanding performance of SMEs it was deemed necessary the execution of the analysis of interviews, which consisted of phases with the aim of deepening the perception of the narrative of the participants and the collected data. In many cases the interaction was used to interpret the interplay between the parties. The whole (performance of SMEs), was detailed in parts to understand the interrelationship between attraction and customer retention and organisational performance, attraction and retention of staff and organisational performance, quality product or service and organisational performance. All these elements form a concentric circle of understanding, the parts to the whole, and again the whole to the parts.

2- The Principle of Contextualization

For critical reflection, in the introductory chapter, a background on the performance of SMEs was made in different situations to be aware of what occurs in several countries from developed to underdeveloped countries. In addition, the chapter's work-based literature review of several authors was possible to see different realities on the performance of SMEs.

3- The Principle of Interaction Between the researchers and the Participants

In cases involving a case study, the researcher chose to use in-depth interview as a main method of data generation. But for application of this principle, the researcher has to be close to reality to be researched and often interacted with the research participants.

4- The Principle of abstraction and Generalization

For critical reflection, the researcher did not use statistical inference, but made use of the inductive method to generalize results and conclusions generated. The generalization of this
research or case study of the SMEs in the City of Beira and the results and conclusions of this study only applies to SMEs in Mozambique.

5-The Principle of Dialogical Reasoning

The researcher has a broad knowledge on strategies for business performance and key issues for the success of companies in general. However, the researcher has prejudices about the factors that contribute to the good or bad performance of SMEs in Mozambique. The dialogue between researcher and the data was constant so that the analysis does not suffer influence of preconceived ideas.

6-The Principle of Multiple Interpretations

As the business performance model involves many views and possible contradictions, throughout this study, the researcher tried to be impartial in the development of the narrative in order to clarify the position in which the narrator is.

7- The principle of Suspicion

Based on existing contradictions on the business performance model the researcher sought to make a reading of the social world while maintaining a critical view on the performance of SMEs.

McNabb (2004) describes the qualitative research as a method that integrates two popular approaches such as ethnographic, phenomenology, and others such as case study, grounded theory, and science action.
3.3.4 The Preferences of qualitative research

According to Flick (2002), qualitative research is important for studies of social relations, given the plurality of worlds of life. The rapid change and the consequent social diversity of life universes increasingly confronted with new social scientists contexts and new perspectives, which is why the research applied inductive strategies, rather than from theory to empirical testing. According to Joubism et al (2011), qualitative research helps us understand how people feel and why they feel that way. The main idea in this research is not only to seek to understand the factors that contribute for the success or failure of SMEs but to seek an in-depth understanding of why this takes place as a platform to avoid such cases in future.

Joubish et al (2011), when the research emphasize qualitative the researcher has to:

a. Researcher interest is in qualitative nature of subject’s behaviour.

b. Researcher is searching out an area and cannot find anything much to guide researcher.

c. Researcher has a long term research program in view. The researcher wants to get a good feel for the scope of the variables which might be involved.

In this study, the source of data is natural and the researcher is the main instrument. The investigator spends many hours in the field, collecting extensive data in the field as in the “insider” perspective (Joubish et al 2011)

Joubish et al (2011) mention eight reasons for conducting qualitative research such as:

a. The nature of the research question.
b. The topic to be explored.

c. The need to present a detailed view of the topics.

d. The study of individuals in their natural setting.

e. The interest in writing in a literary style.

f. Sufficient time and expensive resources to spend on data collection in the field and data analysis of text information.

g. Audiences are receptive to qualitative research.

h. To emphasize the researcher’s role as an active learner who can tell the story from the participants view rather than an expert who passes judgement on participants.

The researcher saw a number of advantages of applying the qualitative approach in this research. The qualitative research approach allowed the researcher to obtain in depth data about performance in the area of this study. The chapter also features sampling strategy, data generation methods, confidentiality and ethical considerations deemed to be appropriate for such a complex study. Given the complexity of the phenomenon of performance of SMEs under this study, the researcher saw it appropriate to have a quick look at some of the paradigms of performance deemed to be relevant to this study in a bid to locate the appropriate paradigm applicable to this present study. Qualitative methods have disadvantages too, one of them being that its results are subjective and not objective. The researcher used triangulation of data and methods to make the results a bit more objective.
3.4 Research Design

According to McNabb (2004), research design is a way that investigator applies a logical structures to his or her research project to make sure that the data gathered are sufficient.

The research adopts the qualitative approach to examine the context to which the identified factors influence the success and failure of SMEs. The study uses the qualitative approach to explain factors which determine the performance of SMEs. It is also inductive study because, first, the phenomena was observed, which later made the author discover the relationship between them, (Markoni and Lakatos, 2003). The study can be classified as explanatory, since it aims to identify factors contributing to the occurrence of a particular phenomenon (success and failure of SMEs). In a qualitative research, research problem become research question based on prior research. Its sample sizes can be as small as one, data collection involves interview rather than closed questionnaires, observation and archival data, interpretation is based on combination of the researcher perspective and the data generated. The research design is a case study of the city of Beira.

To make decisions and choose appropriate methodology, the researcher did reflection taking into account the idea of Flick (2002). This author has developed a checklist to select a qualitative research method as follows;

**Checklist for Selecting a Qualitative Research Method**

a. What do I know about the issue of my study or how detailed is my knowledge already?

b. How developed is the theoretical or empirical knowledge in the literature about the issue?
c. Am I more interested in exploring the field and the issue of my study?

d. What is theoretical background of my study, and which methods fit this background?

e. What is this that I want to get close to study- personal experiences of (a group) of certain people or social processes in the making? Or am I more interested in reconstructing the underlying structures of the issue?

f. Do I start with a more focused research question right away, or do I start from a rather unfocused approach in order to develop the more focused questions underway in the process of my project?

g. What is the aggregate I want to study- personal experiences, interactions or situations, or bigger entities such as organisations or discourse?

h. Is it more the single case (e.g., of a personal illness experience or of a certain institution) I am interested in or the comparison of various cases?

i. What resources (time, money, wo/manpower, skills etc.) are available to run my study?

j. What are the characteristics of the field I want to study and of the people in it?

k. What can I request of them and what not?

l. What is the claim of generalization of my study?

One of the crucial stages in the development of research is the planning phase. It is the phase in which the researcher defines all phases of the research process, defining the activities to be carried and supposing that there is a problem. The researcher marked by gender, located in multiple culture, approaches the world with a set of ideas, a schema (ontology and theory) that
checks a number of issues (epistemology) which he then examines a specific aspect of methodology and analysis (Denzin e Lincoln 2006:32). The idea of these authors led the researcher to planning the research taking into account all phases of the research process considered by Denzin and Lincoln (2006) below:

a. The researcher as a cultural subject.

b. Paradigms and theoretical perspectives.

c. Research Strategies.

d. Methods for data collection.

e. The art practices and the political interpretation and presentation of data.

All research activity takes place in logical sequence of steps or stages (McNabb, 2004). To answer the problem raised in this research, various activities were carried out involving the following steps:

a. Identify the research problem.

b. Establish the research questions .

c. Select the research strategy.

d. Prepare the research plan.

e. Gather the data.

f. Analyze and interpret the data.

g. Prepare and present the research findings.
3.4.1 Case Study

According to Martins & Belfo (2010) case study is a research method that examines a social phenomenon in its natural environment, through collection and analysis of empirical data in specific locations and organisations. Barroso (undated) defines case study as a research methodology especially appropriate when seeking to understand, explore or describe events and complex contexts in which factors are simultaneously involved. He also considers case study as one of the strategies used in qualitative research and often used in social sciences, claiming to know the "how" and "why" in a situation which the researcher has little or no control on real events, and when the focus is in a natural phenomenon within a real life context. Case study makes sense if it is based on a rigorous methodological design, starting with the research problem questioning "why" or "how" and where the objectives and the theoretical framework of the research are clear (Meirinhos and Osorio, 2010). According to Filho (1984), case studies play an important role in management research, allowing the deepening in research aimed at an understanding of administrative processes, such as decision making.

Bressan (2004) reinforces Filho’s viewpoint (1984) that qualitative research is more appropriate for some situations in management research, providing for the administration and the trustees significant opportunities to study numerous problems with difficult approaches. Neves (1996) states that most of the case studies are made on the local data source, on the assumption that it is more appropriate to phenomenological analysis, but without leaving aside the use of the logic of scientific empiricism. According to the author, qualitative
research has different meanings in social science research and development implies a temporal-spatial cutting phenomenon determined by the researcher.

Benbasat et al (1987), describes the key characteristics of a case study as follows:

a. Phenomenon is examined in natural setting;

b. Data are collected multiple means (direct and indirect observations, interviews, questionnaires, audio and video records, diaries, letters, etc.);

c. One or few entities (person, group, organisation) are examined;

d. The complexity of the unit is studied intensively;

e. Case studies are more suitable for the exploration, classification and hypothesis development stages of the knowledge building process; the investigator should have a receptive attitude toward exploration.

f. No experimental controls or manipulation are involved;

g. The investigator may not specify the set of dependent and independent variables in advance;

h. The results derived depend heavily on the integrative power of the investigator;

i. Changes in site selection and data collection methods could take place as the investigator develop new hypotheses;

j. Case research is useful in the study of "how?" and "why?" instead of "what?" and "how many?"

k. The focus is on contemporary events.
The study phenomenon is performance of SMEs. Researcher collected data at some SMEs which is considered as a case study through direct and indirect observations, interviews. Data was analyzed. The study question is the reason behind the lack of success, despite critical role played the SMEs sector.

3.4.2 Rationale for Choosing a Case Study

There are several SMEs in Mozambique which are facing similar problems. Collecting data from all of them, apart from being impossible, is not necessary since this is a qualitative research. In order to analyze the performance of SMEs deeply, it was necessary to choose the case study design, which helped in conducting the observations, interviews and examination of policies for the attraction and retention of staff and clients, as well as the quality of products and/or services. A case study pays attention to details, idiosyncratic as well as the pervasive. The choice of case study attempts somehow the pursuit of efficiency that is saving time. Case study methodology is clearly useful; when a natural setting or focus on contemporary events is needed. Similarly, research phenomena not supported by a strong theoretical base may be fruitfully pursued through case research (Benbasat et al 1987:372)

According to Yin (2003), the case study method is a strategy of qualitative study, when researcher want to know “how” or “why” question is being asked about a contemporary set of events over which the investigator has little or no control. The case study method is appropriate when you want to define comprehensively research topics, when you want to consider the influence of the phenomenon of occurrence of context under study and when to use multiple sources of evidence.
Following the case study features dictated by Benbasat et al (1987) justifies the use of the case study reflection as follows:

Table 3. 2: Rationale for Choosing a Case Study

<table>
<thead>
<tr>
<th>Questions</th>
<th>Answer</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Is it possible to examine the phenomenon out of the natural setting?</td>
<td>No</td>
</tr>
<tr>
<td>2. How many resources are used for data collection?</td>
<td>Multiple resource</td>
</tr>
<tr>
<td>3. How many entities are examined?</td>
<td>Few entities</td>
</tr>
</tbody>
</table>

Source: Adopted by researcher from Benbasat, 1987

3.4.3 The Ethnographic Focus in this Study

Marconi and Lakatos (2009) consider ethnographic method as lifting all possible data on companies, where the researcher should try to understand the system of meanings of individuals or groups. The main idea in an ethnographic study is to explain and interpret the culture. SMEs are organisations which have their culture. In the case of a qualitative study, the researcher carried out the data collection of these groups as a way to understand the phenomenon performance from meanings attributed by members. It is important that the researcher acquire deep knowledge of the culture of SMEs to better understand the factors contributing to the success or failure of SMEs. Regarding participant observation that characterizes ethnographic research, the researcher adopted two roles, participating in the organisation's activities while observing the behaviour of both clients, employees and employers and observing from a distance. In the search to understand organisational culture
that tries to suspend pre-existing assumptions, it aims to initially find out how organisational members saw and interpreted their experiences in relation to the factors that determine organisational performance.

Flick (2002) cited Atkinson and Hammersley has the following ethnographic study of characteristics:

a. Strong emphasis on exploration of the nature of a particular social phenomenon

b. Tendency to work primarily on unstructured data, that is, data not yet encoded as a set of categories of analysis at the time of collection

c. Detailed Investigation of a small number of cases or even one.

d. Analyze data, implying the explicit interpretation of the meaning and functions of human acts, the result of which essentially takes the form of descriptions and verbal explanations, allowing at most a subordinate role to statistical quantification.

To acknowledge the ethnographic method of characteristics described by Marconi and Lakato (2009) citing Wilcox (1993), the researcher adopted the ethnographic method as follows:

a. Based on existing management skills and resources turned to the field for data collection

b. For more data, the researcher had to apply the techniques of participant observation, formal and informal interviews.
In addition, the researcher follows the idea of Marconi and Lakatos (2009) on the researcher's behaviour to put aside stereotypes and prejudices and act as participants in an ethnographic study in trying to observe common type of relations found in the environment. To understand the system of SMEs the researcher did not start by hypothesising and categorizing in advance.

The researcher participates in covered or veiled form in the daily lives of SMEs for a year, where she observed the behaviour of clients, employees and employers, heard what they said, made several questions to understand the problems and difficulties they face.

Following the tradition of ethnography, the researcher organized a diary of events and activities occurring during its residence time in the field. The primary data were obtained from the interview transcripts and recorded observations. The researcher also had access to internal documents as confidential reports, memos, policies of the companies that form considered secondary data sources.
3.5 Description of the site of the study

Figure 3.1: The map of Beira City

Source: Geographical Information Centre of Catholic University of Mozambique, 2013

Beira city is the capital of Sofala province, located about 1190 kilometres north of Maputo in the center of the Indian Ocean. It is a port city in the Mozambique Channel. The municipality covers an area of 633 square kilometres, an average elevation of 14 meters above sea level and is located at coordinates 19° 50' South and 34° 51' East. It has boundaries, to the North West, Dondo district in the East, the Indian Ocean and to the South, Buzi district. The city is located in a marshland, near the mouth of Rio Púnguè, and on stretches of sand dunes along the Indian coast. The natural vegetation is characterized by low land and coast with mangroves. Beira is the second largest city in Mozambique, after the country's capital, Maputo, with a population of 431,583 inhabitants according to the 2007 Census.
The city lives of trade and port that moves general cargo, but also there is a container terminal. The city is at the origin of two transport corridors. The Beira Corridor connects Zimbabwe by road and rail and facilitates access to the interior of the continent to the coast. The second corridor connects Malawi and this is the only highway.

**Figure 3. 2: Interview Sites in Beira City**

![Map of Beira City with Interview Sites highlighted](image)

Source: Geographical Information Centre of Catholic University of Mozambique, 2015

Figure 3.2 identifies the places where there are the SMEs that are part of this present research. The areas that are in yellow are the places where they can be identified SMEs, they are: Inhamizua, Manga, Chaimite and Matacuane.

### 3.6 Entry into the site of the study

In the case of qualitative research, one researcher is particularly important, which is why he is the main "instrument" of data collection. Flick (2002), considers the question of access to the field of study as one of the requisites for the qualitative research, since the contact that researchers seek is closer or more intense.
3.6.1 Physical Access to the Site

To access any institution to do an academic study, one needs a permission. The main document to access the institutions is an institutional credential. Credential is a document that gives legitimacy for someone to have access to information in a particular location. With this document the researcher could now have access to places like Balcao de Atendimento Único (BAUs), Industry and Comercial delegation.

The first major activity in this study involved visiting the Associação Comercial da Beira (ACB), provincial department of industry and commerce, provincial department of labour and the SMEs. In these cases involving a survey conducted within the city, access to the various sites was by researcher’s car and a colleague served as a guide.

For the purposes of group discussions and access to the study institutions the first attempt made by the vice president of the ACB, resulted in a failure. The second attempt was made by a colleague, who was working as manager in an oil company. This manager was able to get in touch with the company's customers where he works and other managers who he works with in the same sector and everyone he contacted accepted to receive me.

The second stage of the research, involve dialogue with managers of SMEs. The third stage involved the development of data collection instruments, focus group discussion guides.
3.6.2 Access to Participants

During the first conversation with the owners of the companies it was possible to ask for permission to access the participants. Access to participants was easy because of the trust that they have for the person who facilitated the negotiations for this purpose.

At some point, while having an interview with some managers, the researcher had trouble during the conversation with managers due to frequent interruptions of phone calls. However, these interruptions did not affect the quality of the process of data collection.
Figure 3.4: Pictures Showing Access to Participants

Source: Primary data, 2015

3.7 Participants
According to Marconi and Lakatos (2003), population is a set of animate and inanimate beings that have at least one characteristic in common. A population being a case study, the focus was on licensed SMEs in Beira city in Sofala Province of Mozambique until December 2010 under 39/2003. In cases involving a qualitative research, the researcher selects the participants according to the research problem. The researcher looks for those who know more about the problem by looking at the time they have been in the business and who can validate such information with another point of view or a more critical view of this problematic situation, (Gerhardt and Silveira, 2009: 68). To Yin (1989) a target population refers to the entire group of individuals or objects to which researcher is interested in generating their conclusion. In this study, all formal SMEs in Beira make part of the population.
3.8 Sample and Sampling Procedure

Because this was a qualitative study and a case study, the methodological approach, does not favour a random sampling at large, but judicious or intentional sampling. This means the selection of the sample is subject to certain criteria that allow the researcher to learn more on the performance of SMEs. Therefore, the sample procedure was intentional. Theoretical sampling was applied through gradual principle which consisted of selecting cases or groups of cases based on abstract methodological criteria. Sampling proceeds according to the relevance of the cases, and not by representation. It is a characteristic principle of related strategies of data collection in qualitative research (Flick, 2002: 69).

Researcher preferred applying theoretical sampling because, according to Flick (2002) cited Wiederman (1995), theoretical sampling enjoys the following characteristics:

- The size and characteristics of the population are not known beforehand,
- Repeated extraction of sampling elements, redefining criteria step by step,
- Unanticipated definition of sample size
- Sampling stops when the theoretical saturation is reached

For this study, the sample involves the following group:

i. Eight Employees of SMEs

j. Thirteen Owner or Managers of SMEs

k. Four Clients of SMEs
Table 3.3: Sample of SMEs data was collected

<table>
<thead>
<tr>
<th>Name</th>
<th>Type of Business</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zebonissa Aboobakar</td>
<td>Retail sale</td>
</tr>
<tr>
<td>Transportes Carlos Bie</td>
<td>Transport service</td>
</tr>
<tr>
<td>ENADAL</td>
<td>Forwading agent/ Dispatcher</td>
</tr>
<tr>
<td>Ribatejo Filling station</td>
<td>Refuelling</td>
</tr>
<tr>
<td>Inhamizua Service/ Filling station</td>
<td>Refuelling and mechanical repairs</td>
</tr>
</tbody>
</table>

**Source:** Primary Data, 2015

Table 3.1 above indicates the names of the SMEs, which the researcher visited and collected data from. Shown in the table are SMEs that have various activities. Beira city has many SMEs. The only criterion that the researcher took into account was to select companies that were part of formal businesses SMEs, and having operated for more than five years. The selection also depended on the manager's willingness to accept the invitation to have an interview with the researcher.

### 3.9 Data Generating instruments and procedures

According to Hart, S., Dixon, A., Drummond, M.J. and McIntyre, D (2007), the method is not invented, it depends mainly on the research subject. The scientific method is used to discover the reality of the facts and phenomena. The method is implemented as a set of steps that must be followed to carry out the research, and create techniques. Therefore, methods are general techniques for common procedures become an area of science or all sciences. As the
researcher referenced above, qualitative research is multi methodic, which entails applying diversity of methods and techniques to achieve the predefined objectives To Denzin and Lincoln (2006) the researcher has several methods for collecting empirical materials, which range from interview to direct observation, through the analysis of artifacts, cultural documents and records and the use of visual materials or personal experience.

Richardson as cited by Marconi and Lakatos (2010) states that qualitative research goes in detail to understand the meaning of situational characteristics presented by participants, rather than the production of qualitative measures of characteristics or behaviours. Because it is a qualitative study, this research values prolonged direct contact of the researcher and the environment which is situation of business performance. The primary data were collected through observation, interviews with managers, employees and also clients of some SMEs. The companies’ documents were also analysed.

According to Marconi and Lakatos (2010) one of the characteristics of the qualitative methodology is the collection of data. The data collection phase is a very important phase and requires the use of several steps as the identification of the population being studied, the development of the collection instrument, the planning and programming of the collection and identification of the type of data you want to get. For this analysis both primary data and secondary data were collected. The collection of primary data in SMEs was done in a way which helps to understand the factors contributing to the failure of SMEs. For information gathering, the researcher was the main instrument, in accordance of the dictates of the qualitative methodology since she is the one to realize the phenomenon of SME performance. For this purpose, it was necessary to do collection of information through observation, participant observation, interview, document analysis mode, the content analysis that has its
complementarily in qualitative research and that is used to cross the data obtained by other techniques.

Secondary data were collected to check what other researchers had covered in the related area, to avoid repetition of study subjects and also served as a source of inspiration to set objectives and provide guidelines for the present study. However, the work covered in the literature review chapter is based on research done by other authors. They will also need to use company manuals to gather information about the companies.

### 3.9.2 Interview

Marconi and Lakatos (2002) consider interview as an interview of a professional nature from which the researcher gets someone for information on a given subject. To Hart (2004), interview is not a simple conversation. It is oriented to the achievement of a predefined objective, of collecting through the informant interview data for research. Interviews are critical in qualitative research, particularly in the ethnographic paradigm (Chisaka, 2001). Primary data on policies on attraction and retention of customers and employees, and procedures used to ensure quality and / or services, was collected through face to face interviews with managers.

The arguments about the importance of the interview in qualitative study indicated by Chisaka (2001) and justified as follows:

- Interviews assist in the provision of background information on the participant (Status and experience of the participant in the culture under investigation),
Interviews provide the participant with an opportunity to clearly express their feelings, emotion and perceptions, which gives the researcher an opportunity to physically experience the cultural situation through the participant’s emotional expressions.

Interviews assist the researcher to access sources of information that may not be accessed through observation (Chisaka, 2001 cited Yin).

Semi-structured interviews were used to ensure efficiency and effectiveness in the process of collecting and analysing data by being open but structured.

### 3.9.3 Observation

To Marconi and Lakatos (2010) observation is a data collection technique to get information and use of the senses in getting certain aspects of reality that is to hear, examine facts or phenomena that one wishes to study. Based on the idea of Marconi and Lakatos (2003) on the semi structure, this type of interview allows the researcher to develop issues in the directions as it seems advantage to explore major issues.

In this method, the researcher has direct contact with the studied environment and has the ability to record the information as they occur, and eventually be able to verify unusual data that could pass unnoticed. The researcher observed the behaviour of clients, employees and employers.

### 3.9.4 Focus Group Discussion

The focus group discussion technique is a data collection strategy commonly used in qualitative research, which promotes a debate or group interaction that aims at collecting
information on the research problem or the issue. Backes et al (2011) argues that the focus group is a group interview technique, in which the interaction is configured as an integral part of the method. This process enables the participants to explore their views from reflections on a particular social phenomenon generating their own questions and seeking answers to questions and relevant question to be investigated and facilitates the formation of new and original ideas.

As the study involves ethnographic approach, the disclosed data should allow interaction of different views on the subject in order to learn the peculiarities of the SMEs worldviews. At the same time it is expected that the researcher will understand in depth the challenges of SMEs in Beira.

To achieve the goals, it was necessary to identify the following focus groups:

- Employers of SMEs
- Employees of SMEs

Figure 3.4: Picture of Focus group discussion

Source: Primary Data, 2015
3.9.5. Questionnaire and Interview

A mixed questionnaire, which involves open questions that allow the participants to answer questions freely, was used to collect reliable data. For a qualitative study, open questions are useful since they provide depth in information. The questionnaire came up with general questions to capture general business aspects and specific questions, which meet the objectives of the research related to policies to attract and retain qualified staff, policies to attract and retain customers and procedures to ensure quality of products and/or services.

3.10 Ethical and legal consideration

Research ethics is guiding principles of human behaviour in the research process. The researcher is guided by rules of ethical conduct of research covered by the Zimbabwe Open University (ZOU).

Participant observation invades the life of informant (Creswell, 2007), what makes confidential information revealed. To protect the name and reputation of the informant, the researcher ensured to all participants that:

a. she will keep it a complete secret regarding the identity and the information during the interview,

b. All fairness and honesty was used to produce a true report.

c. Pseudonyms were used to safe guard the participants identity

d. Request to use photos in the thesis and to record the interview was made to the participants.

The information obtained in interviews were recorded by the researcher and only after five years will it be destroyed.
To avoid situations of plagiarism, all ideas and words of other authors were cited and referenced complying with APAs rules, required by ZOU.

3.11. Data presentation, analysis and interpretation

According to Chisaka (2003), the analysis and interpretation of data are part of a single process. Chisaka (2003) states Wolcott, distinguishes the analysis and interpretation of data in ethnographic studies. The next step in analysis of qualitative data is interpreting the patterns and connections that are revealed by bringing the data into order. The researcher also preferred to use the two variables separately.

3.11.1. Analysis of data

Creswell (2007) considers data analysis, the direction extraction of text and image data. The data analysis depends on the type or research approach. Creswell (2007) explains that qualitative studies convey a generic analysis process, but the ideal situation is to join the generic and specific process. According to this author, the general steps are as follows:

a. Organize and prepare data for analysis,

b. Read all data,

c. Analyse in detail with an encoding process,

d. Use the encoding process to generate a description of a scene or people, places, events in a scenario

e. Predicting how the description and themes will be represented in the qualitative narrative,
f. Make an interpretation or extract meaning from data.

Creswell, in stating that the data analysis, the direction extraction of text and image data, which coincides with the last step of data analysis confirms the point brought out by Chisaka when he said, analysis and interpretation of data are part of the same process. However, the researcher split this into two in order to combine the idea of Creswell (2007) and the idea of Flick (2002), which analyses data in sequence. In this study data analysis is based on objective hermeneutics.

Objective hermeneutics is data analysis approach in which the researcher makes a distinction between the subjective meanings from statements or activities from one or more participants and its objective meaning. The analysis in objective hermeneutics have to be strictly sequential, according to the time course of events or the text. The researcher used this procedure to study the interactions between SMEs and their customers, and interactions between SMEs and their employees.

3.11.2. Interpretation

According to Flick (2002), qualitative research become interpretation work base and inference made from an empirical material. The starting point is the interpretive performance of a text (an interview, an observation, a narrative). With the theme coding, the analysis of narrative interviews and objective hermeneutics on the other hand, the centre of interest is the realization of case studies, and only in the later stage is attention directed to the comparison of cases.
3.12 Trustworthiness (Validity and Reliability)

Given the complexity and nature of data collection in qualitative studies, it is common to see the occurrence of subjectivity in qualitative studies which can jeopardize the validity of study. Flick (2002) calls attention to possible errors that may occur in the qualitative research process, which would invalidate them, which are called Type 1 Error, Type 2 Error and Type 3 Error, as following:

a. Type 1 Error
View a relationship, a principle that cannot exist,
b. Type 2 Error
Reject its existence, when in fact it is found,
c. Type 3 Error
Asking the wrong questions.

The above errors can create situations of data distortions. In the research field, especially the observations and repeated statements stereotypically are seen more as indicative of a version of events that shaped as indicators of what really happened. However, qualitative studies are prone to internal and external validity. To ensure the validity of this study, triangulation of data was used.

3.12.1 Interview Situation Analysis

One way to validate data or to ensure the validity of the interview is to formally verify that it was possible to ensure the authenticity during the course of the interview. This can be done by rechecking on the recorder when one is no longer on the site. It can also be done as member checking although it makes part of triangulation.

Flick (2002) in citing Legewi (1987), identifies different forms of proclamation of the interview talking, such as:

a. Content that is said is correct.
b. What you say is socially appropriate in the relational plan,
c. What is said is sincere self-description of the interviewee.

3.12.2 Triangulation of the source of data and instrument of data generation

For Flick (2002), the triangulation means, using different methods, theoretical perspective, environment of space and time in the treatment of a phenomenon. Triangulation was initially conceived as a validation of the results obtained with each method. Given the complexity of a qualitative study it is important to use triangulation as a way to improve the validity of root knowledge.

Patton (1999), identifies four kinds of triangulation that can contribute to verification and validation of a qualitative study:

1. Checking out the consistency of findings generated by different data collection methods
2. Examining the consistency of different data sources
3. Using multiple analysis to review findings,
4. Using multiple perspectives or theories to interpret the data.

This study combined methods, theories, and data source. The multiple observers were not necessary in this research because the researcher is the principal research instrument. The methodical triangulation was used by applying different methods (inter triangulation methods) to enhance and supplement the knowledge and to overcome the epistemological potential. It also includes examining consistency of different data sources.
Theoretical triangulation was used to evaluate or analyse different views or theoretical perspectives to enlarge the production of knowledge. The use of different data sources was implemented by collecting data on the performance of SMEs in different locations, different dates and people.

To overcome distortions produced by the presence of the researcher and to provide the researcher the opportunity to test her own biases and perceptions, as well as those of her participants. The researcher had enough time to check her own developing perceptions, for example, by keeping journals. For the six months the researcher was engaged at the site, she kept a journal that referred to locals and that characterised their life styles in the same way. The researcher continued to view the situation in terms of their early predispositions.

3.12.3 Prolonged engagement of sites and participants

The qualitative methodology views the interaction of the researcher with the field and its members as an explicit part of the production of knowledge. Addressing a qualitative study, which requires different approaches of interpretations, requires that the researcher stays in the field with participants for a long time and to collect quality data to avoid data distortion. According to Guba (1981), going through an extended period on the site of research, allows the investigator to set up the site and make sure that their presence is not a threat, giving the investigator the opportunity to test their own biases and perceptions as well as of participants avoiding as far as possible, the distortions caused by the presence of the investigator.

To avoid discomfort or mistrust on the part of participants, it was necessary to conquer empathy on the part of participants. Somehow this interaction contribute to the opening of the participants. At some point, some data were collected in informal conversations during the
time the researcher was at the site. Spending an extended period at site allows locals to adjust to the presence of researchers and to satisfy themselves that they do not constitute a threat. The researcher spent one year visiting the sites which is sufficient to be considered as prolonged engagement at a site.

3.13. Chapter Summary

To analyse the performance of SMEs, it was necessary to apply qualitative methodology, which helped to reveal deep insights in the factors contributing to the success or failure of these companies. To understand the complexity of performance which are in diverse factors, it was necessary to use the case study. In cases involving an ethnographic study, it was necessary to better understand the daily lives of workers through participant observation. Given that, this study is a qualitative study it addressed technical diversity of data collection including participant observation, focus group discussion, interview and documentary analysis of documents. Criticism often make qualitative research and its interpretations and results become comprehensible and transparent, (Flick, 2002). The researcher chose to use classical criteria such as validity and reliability of qualitative research. The validity was checked through interview situation analysis and triangulation. The next chapter talks about data presentation, analysis and interpretation.
CHAPTER 4

4. DATA PRESENTATION, ANALYSIS DISCUSSIONS AND INTREPRETATION

4.1 Introduction

This chapter aims to analyse and report and interpret findings. In typical qualitative research tradition, the researcher began by a description of the background information of the participants, the places where the study took place and the main points in the study. She then identifies and discusses the emerging themes and sub themes. Data were analysed to identify factors that influence SMEs performance, that describe the forms to manage these factors, describe the relationship between practices to attract and retain staff and clients and determine the optimal model of SMEs performance to the Mozambique reality.

4.2 Background information of the key informants

As stated in the methodology section, the information was collected through interviews, observations and focus group discussions. The researcher obtained the actual names from the participants during several conversations in the research process, but for ethical and legal consideration, the researcher used pseudonyms. This study focused on an analysis of performance of SMEs in Beira city. The informants were managers or owners of SMEs, employees in the SMEs businesses for not less than five years and customers thereof. Despite the fact that majority of SMEs are run by women, in this study the participants were mostly men. Only in one of the establishments, the researcher was able to interview a female employee. This raised the researcher’s curiosity for several reasons:

Data show that in Mozambique most of the population are women.

a. I attended graduate courses at the Catholic University; there is a flood of women who graduate.

b. One of the current issues in Mozambique is the emancipation of women.
4.2.1 Background information of the Retail Sale

Zebonissa Aboobakar is the owner of a store in the neighbourhood of Matacuane, in Beira, which also bears the same name as hers and it is registered like that. Her activities are limited to retail trade in general, with particular aspect also in selling Petroleos de Liquefied Gas (LPG), cooking gas and she is an authorized retailer of GALP Mozambique, Lda.

The owner is Zebonissa Aboobakar, 60 years of age, widow of Khassam Hassan, and a mother of four children. She has a basic education qualification, 7th grade certificate obtained from Matacuane primary school in Beira City. She got into this business in 1995 together with her husband, now deceased. She is resident in Beira City, where she works, and their offices are located in Rua Alfredo Lawley, in Matacuane, Beira. After the death of her husband, she renamed the organisation Zebonissa Aboobakar from Khassam Hassan, her husband's name, who died in 2012. When the husband passed away, she had problems with taxation issues and coordination and bank cheques, she had to change the name of Hassan Khassam to Zebonissa Aboobakar though continuing with the same activities.

In fact, general trade, selling of basic commodities has always been the main business of Zebonissa Aboobakar, and has now expanded to gas business even to other parts of the Beira City where there are no other authorized retailers in the neighbourhood, as in the case of Manga, Ponta Gea, Macurungo, Munhava. Currently, this store is dedicated to selling various products such as foodstuff products, mattresses, buckets and domestic gas. The current plan of this businesswoman is to expand domestic gas business to all locations in the city of Beira. This is to exploit the same product and the same market.
CARLOS MIGUEL BIE transport is an organisation based in the city of Beira, whose main activities according to its statutes is to transport various goods, rental trucks, service providers, car repairs, confection and sale of meals, enrolled under number 8670 in the Beira Conservatoria in 1992 in the administrative post of Mafambisse, Dondo district of Sofala Province. Its main shareholder is Carlos Miguel Bie, 54 years of age, married, father of four children, and middle technician trained in the Industrial and Commercial Institute of Beira. His main activity is transportation. He is a resident in the city of Beira, where he works, and his offices are located in number 6 National Road, in the 11th district Vaz. To get to the top of Transport activities, Carlos Miguel Bie, started with the Passenger Transport services linking the cities of Beira and Mafambisse, in Dondo district. He later expanded his transport business to inter-provincial transportation doing Beira and Chimoio. The business grew and he acquired tippers and started transporting sand to the city of Beira and Dondo. This transportation of sand came at a time when the business was enjoying the status of "boom" in the construction market, because many houses began to be built in Beira, Dondo and other parts of Mozambique. Due to increased work flows, more trucks were acquired for
interprovincial services and currently are found any part of Mozambique. According to Mr. Carlos Miguel Bie, the business shows signs of growth, due to the increase of product flow demand in Mozambique and, with the Port of Beira, an important trading post. Currently, due to growth, he needs to explore opportunities in other parts of Mozambique.

4.2.3 Background information of the Ribatejo Refuelling Service

The FILLING STATION RIBATEJO, is dedicated especially in selling fuel liquid, cooking gas and a convenience store which sells various products. The main shareholder is Kassam Hassan, married, 32-years, 3rd son in his family, with high school 12th grade qualifications. He started this business activity in 2006. He is a resident in the city of Beira, where he works, and their offices are located at Rua Alfredo Lawley, in the 7th district Matacuane. To flourish in these fuel dealing activities, it is his friend, Faruk Aboobakar, now deceased, who taught him all sales techniques and customer acquisition techniques.

Currently, apart from the Ribatejo fuel station, he has other stations in Munhava, he is a representative of PETROMOC Service Station, car park for trucks and a store in the city of Beira. For fuel transport activities, currently he has five fuel tank trucks with capacities ranging from 20 000 litres to 42 000 litres.

4.2.4 Background information of the Inhamizua Services Station (Refuelling and Mechanic Repairs)

ANTONIO ENIS (son of the owner) is a manager of an organisation that is dedicated in selling especially liquid fuel, cooking gas, and Coca-Cola brand soft drinks, such as fanta, sprite, sparletta and other consumables of Coca-Cola Company, and alcoholic beverages.
Antonio Enis, the main shareholder is married, 32 years of age, and the only child in his family. He has a first degree from the University of Jean Piaget of Mozambique. He has been doing this business for years now with his parents. He is resident in the city of Beira, where he works, and their offices are located in National Road 6.

He learnt how to do this business by watching his father, Antonio dos Santos Alves who had the same type of business and therefore he decided to follow his footsteps. His father stopped being a partner in this business when he got sick. He got a stroke caused by cardiovascular stroke (CVA) in early 2015.

By the time his father, Antonio dos Santos Alves, fell ill, the company had experienced significant growth and had other supply stations to explore in Dondo, belonging to PETROMOC brand in Inhamizua, where this company's headquarters is located. It also had expanded to supplying other areas like a station belonging to the TOTAL brand in Estoril Beira, and another one belonging to GALP ENERGIA brand. The business is just the selling of Coca-Cola products and it is the only sole supplier of these Coca Cola products that are sold in these filling stations. Currently, the business has been experiencing a worrying slowdown due to the problem of health of the owner. A concrete example is the fact that some of their employees have gone for 7 months without their salaries.
4.2.5 Background information about the Elton Narciso forwarding agent

**Figure 4.1: Elton Narciso Despachante Aduaneiro (ENADAL)**

Source: Primary Data, 2015

ENADAL is a Brokers and Customs Clearance Company, whose main activity, according to its statutes, is to provide customs brokerage services. It is an agent who also does photocopying and computer services. It was registered in the Beira Conservatoria, under number 100046423, on 30 April 2008. The main shareholder is Elton Narciso Commissioner Jonace, aged 33 years, married since July 1, 2008 to Benilde Conceicao Jonace, father of 2 children. He obtained his Masters degree in International Business from the University of FUNIBER, Portugal. He has been in this business, for about seven years now. He is a resident in the city of Beira, where he works, and their offices are located at Rua António Enes, near the International Bank of Mozambique. Elton Narciso was inspired to get in this Customs Broker activities, by the fact that he was born in Beira, and as a child he used to love watching ships entering and leaving the Port of Beira. Later on he actually discovered that there was a great opportunity due to the fact that this city is a Port city with a highly privileged location because it receives several ships from around the world for import and export of products to Beira and other parts of Mozambique. As a child he was also fascinated by knowing that other countries in the Hinterland such as Zimbabwe, Malawi, Zambia and Botswana, also basically
used the same port to import and export their products which in some ways increased the activities of brokers. All these Hinterland countries need an agent to help them clear their imports and exports and this meant dealing with the Mozambican authorities, in this case, the Customs authorities of Mozambique. Also in accordance with the dispatcher, Elton Narciso due to the globalization and market globalization factors, the flow of activities is increasingly growing and they are the main link for revenue collection between (importers and exporters) and the Mozambican state. Currently, due to the growth and need to explore opportunities in other parts of Mozambique, ENADAL has its branches in the cities Tete, Maputo and Nacala.

4.2.6 Background information of the employees at Retail Store

Issufo Abdul is a manager and a son of the owner of the store. In addition to managing the family business, he is a student of Accounting and Auditing at Alberto Chipande Junior College. He is 25 and is single. He currently lives alone. After his father's death, he took the lead of the family business and so chose to do a course in accounting and auditing.

António Amarchande is a gas seller in Zebonissa Aboobakar shop since the opening of its business. He is 42 years old and is married. He went up to seventh grade. His main activity in the store is selling of gas. This employee never had any other job in life.

4.2.7 Background information of the employees at Carlos Miguel Bié Transport

Augusto Salvador is 33 years old. He has had this job to work as a manager for five years. Besides being a simple employee, he is related to the business owner too.
Álvaro Bié, is 36 years old and is the manager and the owner of this business. He is the owner and has been working with his brother at the company for fifteen years.

4.2.8 Background information of employees at Ribatejo Refuelling Service

Garrano Moisés is a manager of the service station. At eighteen years of age he started working in a restaurant. He worked there for eight years. He then left to work for Pungué Textile Company where he worked for ten months and had to leave to go for compulsory military service. After serving for nine years he resumed work in Pungué textile and left when the company went bankrupt. 12 years ago he was admitted to the Ribatejo service station to provide oil sales services. Currently, he does accounting.

4.2.9 Background information of the employees at Refuelling and mechanic Repairs

Stela Amaro is 33 years old and has twelfth grade qualification. She has worked for eight years. She once worked as a saleswoman of Credelec, and then later on she worked in the secretariat and is currently working in the accounting department.

Xavier Abdulay is 54 years old and has been working in this company for ten years. Before working in this company, he worked in Infloma (wood processing company). He is currently the manager of the filling stations, and an administrative technician.

Salvador Ariel is 36 years old and is not yet legally married. He is head of the Filling station of Estoril. Before working at the Filling Stations, he worked for the owner of the organisation
as a domestic worker. After winning the boss's confidence, he began working as a filling
station attendant in Inhamizua Filling Station.

4.2.10. Background information of the employee at Elton Narciso forwarding

Sergio Meque is 43 years old. He has worked at ENADAL for 6 years. He helps the customs
broker. He is the operations manager, also works in the area of human resources, supervising
colleagues, and does customer care service. He also works in the dispatch area of
merchandise. He holds a first degree in primary education from the Pedagogical University.

4.2.11 Background information of customers at Ribatejo

João Santos is 39 years old. He is married and is a resident in Macurrungo neighbourhood. He
started to be the customer of this filling station from the time he was staying in Matacuane,
where the filling station is located. He has been a client of Ribatejo for more than five years
now.

Terreno Manso is 41 years old and is a taxi driver in Beira. He is a resident in the city of Beira
and Ribatejo’s client.

4.2.12. Background information of a customer at Aboobakar Retail Store

Lenon Joaquim is 40 years old. He is a professor at the Catholic University of Mozambique.
He stays in the city of Beira, Chaimite neighbourhood. He is a customer of Aboobakar Retail
Store. For twenty years he lived in Matacuane neighbourhood with his parents. And this is how he got to be Aboobakar’s client.

4.3. Data generated from the study

As mentioned in chapter three, four instruments of data generation were used namely; the researcher as the main instrument used, observation, group discussion, interviews as her methods. These methods were used to find out the answers to the research questions of this study;

a. What are the factors that influence success of SMEs performance?

b. How do you manage the factors that influence success of SMEs?

c. How do SMEs manage to attract and retain employees?

d. How do SMEs manage to attract and retain customers?

e. What are the challenges that SMEs are facing?

f. How do SMEs overcome these challenges?

In answer to these questions, these are the themes that emerged. Factors influencing SMEs performance and Perception of Organisational performance are the two themes that emerged to answer the question on the factors that influence successful/good SMEs performance. And for the second question how do we manage the factors that influence success of SMEs many themes emerged are Theoretical models of performance management; Challenge of SMEs; and Strategic Alliance and Organisational Performance and their sub themes.

Factors contributing to attraction and retention of employees; Practices for attracting and retaining employees and organisational performance are the themes that were identified to respond to the research question on how SMEs manage to attract and retain employees. On
the other hand on how SMEs manage to attract and retain customers, Factors contributing to attraction and retention of customer was identified.

4.4. Emerging Themes

During the data generation process, the researcher identified nine emerging themes and their sub themes that came out of the research, as in Table 4.1. All research questions were answered in these themes. Below is a list of research questions and the emergent themes that answer the questions.

a. What are the factors that influence success of SMEs performance?
   1. Factors influencing SMEs performance.

b. How do you manage the factors that influence success of SMEs?

c. How do SMEs overcome these challenges?
   3. Theoretical model of performance management.
   4. Strategic alliance and organisational performance.

d. How do SMEs manage to attract and retain staff?
   1. Factors contributing to attraction and retention of employees.
   2. Practice for attracting and retaining employees.

e. How do SMEs manage to attract and retain customers?
   1. Factors contributing to attraction and retention of employees.
   2. Practice for attracting and retaining employees.

f. What are the challenges that SMEs are facing?

   1. Access to finance
   2. Change environment
   3. Development of SMEs
<table>
<thead>
<tr>
<th>Emerging Themes</th>
<th>Sub themes</th>
</tr>
</thead>
<tbody>
<tr>
<td>1. Factors influencing SMEs performance</td>
<td>Political situation</td>
</tr>
<tr>
<td></td>
<td>Government policy</td>
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<tr>
<td></td>
<td>Climate change</td>
</tr>
<tr>
<td></td>
<td>Competition</td>
</tr>
<tr>
<td></td>
<td>Competency of managers and employees</td>
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<tr>
<td></td>
<td>Seasonal market</td>
</tr>
<tr>
<td></td>
<td>Management Models</td>
</tr>
<tr>
<td>2. Perception of Organisational performance</td>
<td>Maximization of profit</td>
</tr>
<tr>
<td></td>
<td>Return of capital invested</td>
</tr>
<tr>
<td></td>
<td>Efficiency and Effectiveness</td>
</tr>
<tr>
<td>3. Theoretical model of performance management</td>
<td>Customer Perspective</td>
</tr>
<tr>
<td></td>
<td>Learning and growth Perspective</td>
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<tr>
<td></td>
<td>Quality Perspective</td>
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<tr>
<td>4. Challenges of SMEs</td>
<td>Access to finance</td>
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<tr>
<td></td>
<td>Change environment</td>
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<tr>
<td></td>
<td>Development of SMEs</td>
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<tr>
<td>5. Strategic Alliance and Organisational Performance</td>
<td></td>
</tr>
<tr>
<td>6. Factors contributing to attraction and retention of employees.</td>
<td>Worker's quality life</td>
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<tr>
<td></td>
<td>Human Relations</td>
</tr>
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<td></td>
<td>Strategic leadership</td>
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<tr>
<td>7. Practices for attracting and retaining employees</td>
<td>Quality recruitment selection decision process and performance</td>
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<tr>
<td></td>
<td>Staff development and performance</td>
</tr>
<tr>
<td></td>
<td>Compensation and performance</td>
</tr>
<tr>
<td></td>
<td>Organisational Culture and performance</td>
</tr>
<tr>
<td>8. Factors contributing to attraction and retention of customers</td>
<td>Interaction with customer</td>
</tr>
<tr>
<td></td>
<td>Development of loyalty programmes</td>
</tr>
<tr>
<td></td>
<td>Customer satisfaction</td>
</tr>
<tr>
<td>9. Practices for attracting and retaining customers</td>
<td>Right customers with right value proposition</td>
</tr>
<tr>
<td></td>
<td>Positive relationship through acquisition</td>
</tr>
<tr>
<td></td>
<td>Incorporate customer advocacy into day to day service</td>
</tr>
<tr>
<td></td>
<td>Develop relationship to increase stickiness</td>
</tr>
</tbody>
</table>

**Source:** Primary Data, 2015
4.4.1 Factors influencing SMEs Performance

The factors that influence SMEs performance are many and some sub themes were identified which were not discussed in review of related literature. The subthemes identified were; Political Situation, Government Policy, Climate Change, Competition, Seasonal Market and Management Models. These were answering the research question;

What are the factors that influence successful/good SMEs performance?

a. Political Situation

One of the external variables that can influence the performance of SMEs, is the political situation in a given country.

In a conversation with Mr. António Enis he had the following to say:

“...nos dois últimos houve um “boom” no negócio das PMEs comparativamente ao período da década 1990 por causa de democracia”

(…in the last 2 years, there has been a ‘boom’ in SME business unlike in the 1990’s decade before we had complete independence.)

The statement by Mr. António Enis means that there has been an opening in the SMEs sector and an improvement in this business. This businessman made a comparison of the governance period of democracy in Mozambique before and after. According to Mr. António Enis, business has grown in recent years due to political stability and the new dynamics implemented by the new Mozambican government. Indeed, after the end of the war in Mozambique, people could move freely from Rovuma to Maputo, carrying goods from one province to sell in another province. Mr. Garrano Moisés said:
“... a pouco tempo, quando havia problemas de confronto político... a não passagem de pessoas e bens de Muxungué os preços subiram”

(Just a few months ago when we had political problems and people could not pass at Muxungué, the price of commodities and other goods went up).

Mr. Moseis Garrano meant that whenever there is political instability in a country like the recent conflict between Renamo and Frelimo which made it difficult for people to pass from the capital city Maputo to any other province because of the dissidents at Muxungué, there will be an economic problem. This political instability caused prices to escalate as commodities became scarce. This explanation of Mr. Garrano Moisés clearly shows the negative influence of political instability in the business. When the problem began, just in a short time the business situation changed, some small and medium traders had difficulties in bringing goods to their companies.

Mr. António Enis highlighted one of the most recently emerged political instability which contributed to the weak performance of SMEs. The passage of people and goods from the south side to the north and vice versa, made prices to rise, since the cost to transport goods increased. In addition, some goods became scarce in the market. It was clear that in many instances there were no tourists coming into the country as well. Most reservations were cancelled by foreign tourists as well as locals because they were scared of the war that was going to start.

b. Government Policy

According to De Andrade & Amboni (2010), the political-legal variables include political, ideological, and current legislation in general that the government can create and political
stability and institutional instability in the country in general, as these factors will pass on some degree of behaviour change in organisations. Every organisation is influenced directly or indirectly by the legal system, when the law is approved or an interpretation is changed, or when fundamental changes occur mainly in tax legislation.

“A sobrevivencia de PMEs tambéém depende do governo no poder. Quando entrou o presidente Guebuza houve uma prosperidade no negócio. Abriram ainda muitas PMEs”

(The survival of SMEs depends also on the ruling government. When President Guebuza got in power, business started prospering. Many SMEs were opened.)

The quote from Mr. António Enis means the period when President Armando Emilio Guebuza was in power, there was an increase in the number of SMEs and also prosperity of SMEs. Mr. António Enis perception, reveals how government policies and economic situation can influence SMEs’ prosperity. The sharp prosperity in business during the period in which Mr. António Enis is referring to is also the result of economic change. Mozambique has been experiencing a change in economic conditions, such as an increase in the gross domestic product (GDP), a better structure of payment balance, and the rate of inflation and interest rates remained stable. According to Ibrahimo (2013), the Mozambican economy has been constantly referenced by the World Bank and the International Monetary Fund as a successful example in implementing macroeconomic policies especially in promoting rapid economic growth (last decade and a half, GDP grew by an average of 7.5% per year, the stabilization of the inflation rate since 2002 which still has just a one digit, that is about 7.5% a year).

According to the Ministry of Industry and Trade of Mozambique (2007), doing business is not easy because of lengthy and costly procedures that a company is subject to obtain the
necessary licenses and registrations. The regulatory environment in the country is not good enough in encouraging opening of new businesses but hinders it most of the time. This was confirmed by Mr. Kassam Hassan, owner of Ribatejo filling station who said:

“Há muita burocracia para tramitação de documento. Passou-se por muitas direções. Na altura não existia o BAU”.

(There is so much bureaucracy when processing documents. One has to pass through many government delegations, at the time there was no BAU.)

This means that there is a lot of bureaucracy in trying to process documents needed to open an SME. The above statement of Mr. Kassam Hassan confirms that. But he says that at that time there was no BAU. This view indicates that something changed. Data indicate effort by the government to reduce the duration of registration and formation of SMEs. The Doing Business report shows that from 2004 to 2007 there was a positive trend in the reduction of time spent to register an SME business, as shown in the following Table 4.2:

**Table 4.2 Registration of Company Constitutions in Mozambique**

<table>
<thead>
<tr>
<th>Year</th>
<th>Number of days</th>
<th>Number of procedures</th>
</tr>
</thead>
<tbody>
<tr>
<td>2004</td>
<td>540</td>
<td>18</td>
</tr>
<tr>
<td>2005</td>
<td>153</td>
<td>14</td>
</tr>
<tr>
<td>2006</td>
<td>153</td>
<td>14</td>
</tr>
<tr>
<td>2007</td>
<td>113</td>
<td>13</td>
</tr>
</tbody>
</table>


All this shows how Government policy influences the success of an SME business thus answering the research question on what the factors that influence the success of business are.
c. Climate Change

The factor of climate change was one of the unexpected emerging themes which came out in this study, during the data collection. According to the findings it is one of the factors which influence the success of SME performance. In a conversation with manager Antonio Enis, manager, he made several comments on this factor. Climate change is a factor of great relevance to the performance of SMEs.

“no período chuvoso o troço Tica-Nhamatanda torna se intransitável devido ao aumento do caudal do Púnguè. Neste período temos tido serias dificuldades...”

(During the rainy season, it is difficult to travel from Tica to Nhamatanda because of the destroyed roads by the river Pungué. We normally have serious problems around this time.)

The perception of Antonio Enis means that with the increase of the flow of Púnguè river, the region Tica - Nhamatanda becomes almost impossible to pass through because it gets filled with water, and thereby damaging business. In Mozambique, we have had frequent natural disasters such as floods. For example, recently we experienced some floods in 2013 that destroyed all infrastructures of the Gaza district (the central region), and in 2014 Mocuba district (central Mozambique) was also affected.

“temos tido dificuldade, principalmente em Dezembro e Janeiro quando chove muito”

(We normally have difficulties especially in December and January when it rains).

It simply means that it is very difficult in the rainy season especially in December and January to do business. These perception of Mr. Xavier Abdulay, really means that climate change can negatively affect business. On the other hand favourable climate change also can contribute to the success of SME business performance. The climate change factor is the natural threat to
the business, of which we cannot avoid but can somehow minimize the effects. The entrepreneur just has to be prepared to face this kind of situation.

d. Competition

Competition is a threat of which a manager cannot control. The more a given market becomes fertile, the greater the tendency to enter new entrants. The most we can do is minimize such competition based on some strategies outlined by the organisation. In conversation with one of the entrepreneurs, both at the time of interview and focus group discussions. This variable was identified as an "Achilles heel" for the SME business.

“Expandimos o nosso negócio para venda de bens de primeira necessidade, mas com a entrada de estrangeiro, este negócio foi decrescendo”

(We expanded our business to sell basic commodities but with the entrance of foreign products, the business has been going down.)

As quoted from Mr. António Enis, manager of Inhamizua service station, here in a clear situation of the negative effect of competition in SME business performance. This entrepreneur said that he had based his business on selling food but now there is strong competition as the foreigners began to enter this business.

“O dom que os estrangeiros tem em bater este negócio comparativamente a nós locais é diferente. Os estrangeiros têm facilidade de importar os produtos. Estes importam produtos da sua terra, tendo de algumas formas alguns esquemas que facilitam a importação e exportação. O simples e honesto comerciante que vai por vias normais paga direitos relativamente caro.”
(The advantage that these foreigners have over the local is different. The foreign businessmen has an access to import goods from their countries easily and cheaply. They even have ways of avoiding paying some of the duties charged by the government different from the local businessman who have to go through all the complicated and costly channels).

The entrepreneur António Enis, identified a practice of unfair competition, which has been the practice in the local market. He argues that, it is because of this advantage foreigners have to import goods coming from their country, paying customs duties at lower prices, their products also end up having relatively low prices. Also, when talking about foreigners dominating the market and bringing such competition, it clearly shows weakness on the part of the Mozambican business community in addressing competition.


e. Competency for manager and employee

“Sou gestor porque meu pai faleceu. Para não fechar a loja tive que vir ajudar minha mãe a gerir o negócio”

(I am a manager because my father passed away. For the shop not to close, I had to come and help my mother manage business.)

The quote from Mr. Ismael Aboobakar, the manager from Aboobakar retail sale, means that he is a manager just because his father died. He never had any training to be a manager.

“Não tive nenhuma capacitação nem formação para gestor”

(I never had any management training),

Mr. Ismael Aboobakar said, he became a manager because his father died and he had to continue with the family business. A similar situation is of Mr. António Alves who is also the parent of the company manager. However, the competence acquired by him is a lawyer, but does not exercise this profession because he has to help his father manage his business.
“Como o pequeno empresário não tem muito lucro, ele prefere recrutar pessoal que vai aprender na empresa e não pessoas com nível superior”.

(Since it’s a small business, it doesn’t have a lot of profit, he prefers to recruit people who will learn to do the job in the organisation and not people who are already qualified).

The above quote from Mr. Rogério Naene one of the participants of the focus group discussions meant that most small businesses prefer working with people with average level of qualification rather than persons with higher level qualifications to avoid offering higher wages. The small or medium business owner thinks that given its size, it is not necessary to bring a better qualified technician than an average technician who can make and receive less, without even evaluating the benefits this can bring to the organisation.

All this evidence shows the weaknesses of SMEs, whose management character is familiar in nature.

“muitas vezes quando se contrata um licenciado que acaba de terminar o curso, você manda elaborar relatório, ele não sabe”

(Most of the time when you send a first degree graduate who just finished his degree to do a report, they don’t know.)

The quote from Mr. Rogério Naene during the debate means that generally, the new graduates are not well equipped practically when they start work. The participants in the group discussions all agreed with the statement of Mr. Rogério Naene. They added that the new graduates, for example students majoring in management, think being a manager is to be the
head, even when you are unable to do an activity that some of the ordinary people can perform.

To Brandão and Guimarães (2001), competence is the set of knowledge, skills and attitudes necessary to achieve a particular purpose. The logic of this concept is that, managers must have knowledge, skills, and correct attitudes in their management. This logic is associated with the concept of Fleury & Fleurym (2001), which considers that the notion of competence is associated with expressions such as ‘knowing how to act, mobilizing resources, integrating multiple and complex knowledge, taking responsibility, and having a strategic vision’. The manager who ventures into business practice and does not have this knowledge, skill and attitude is of course just trying their lucky in doing business.

The competence or individual performance exert influence on the competence of the organisation thus influencing the success of SME performance. Thus, the individual or manager without skills will contribute to the lack of organisational competence and the chances that he can win is less than that of not winning. This logic is proved by Fleury & Fleurym (2001), when they say that the core competencies of an organisation confer competitive advantages, and generate distinctive perceived value to the customer. Moreover, Fleury & Fleurym (2001), argue that skills are a source of value both to the individual and organisation. The idea of the authors above shows that it is important and necessary for every worker to have essential skills to perform their tasks in order to achieve efficiency and effectiveness.
f. Seasonal Market

The seasonal market factor is one of the variables influencing the success of SME performance as we understood from focus group discussions. The manager of a consulting firm, Mr. Rogério Naene stated the following:

“A AT vai fechar a partir do próximo mês várias empresas de construção civil por causa da questão sazonal. Várias empresas pessoas que abriram empresas de construção civil por causa da demanda do crescimento da cidade mas o mercado não conseguiu absorver por causa das entradas grandes empresas chinesas e vietnames. O pequeno construtor não consegui dar conta do recado”

(The Tax Authority is going to close most of construction companies for seasonal reasons. Many people who opened their construction companies because of the demand when the market increased, suffocated when the big Chinese and Vietnam construction companies entered the market. A small construction company cannot achieve this).

Mr. Rogerio Naene, a manager, says people who opened construction companies because of the demand in the growth of the city, still failed to meet the demand because of the entrance of big companies. The seasonal market factor is related to marketing oriented strategy to the market. According to Deretti (2005), the market orientation aims to deliver value to the efficient and effective customer. To Deretti (2005), and Deretti Schwarzbach (2014) market orientation is considered by many economics, as a strategy generated for durable competitive advantages. Deretti (2005), when analysing various studies about market orientation cite Kohli and Jaworski (1990), Narver and Slater (1990), Desphandé Farley and Webster (1993), and Day (1994) as concluding that the market orientation strategy is a key to organisational performance. Deretti (2005), advises organisations to come to search the market orientation.
The situation reported by Mr. Rogério Naene during the group discussions does not match the reality of theories about market orientation of the authors mentioned above. This can be justified with the results of the study of Jaworski & Kohli (1993), which concludes that the relationship between market orientation and organisational performance depends on the environment in which the company operates. Risk aversion of senior management and the interdepartmental conflict inhibit market orientation.

### g. Management Models

The SMEs are family-friendly companies, where the manager is the business owner, and the employees are his or her children. During the group discussions Issufo Dias said:

“*As PMEs não tem a estrutura empresarial em si.***”

(SMEs do not have a formal company structure).

The statement of Mr.Rogério Naene means that SMEs do not have an organisational structure. According to De Andrade & Amboni (2010), a formal organisation is a planned organisation defined in the organisational chart, enshrined by management and communication to all is through an organisation manual. To De Andrade & Amboni (2010), formal organisations are defined by bureaucratic excellence with the following characteristics: interpersonal relationships, management expertise, routines and procedures, professionalism, operation predictability, and technical competence. Based on the idea of De Andrade & Amboni (2010), about the characteristics of a formal company, Table 4.3 below shows that many SMEs do not have internal rules and regulations in writing.

It may be noted that they only use general rules governed by the government as is the case with the labour laws to regulate the behaviour of workers. Most of them have no manager
with technical skills, with an exception of the customs brokers company because there are rules and regulations by the government for the opening contest of customs Clearance Company. In this case they need someone specialized in administration unlike where all members of management are the owners, children or even relatives. In almost every SME company there is only the manager and not a hierarchical structure and which is not a distinguished division of the business structure. According to De Andrade & Amboni (2010), an organisational structure is used to explain the inter-relationship between the various elements of an organisation and its relationship with the environment in which it operates so that it configures actions towards the achievement of objectives. What happens in SMEs is that all concerns are addressed to the owner or the manager (a child or family member). There is also some division of labour in formal companies and communication between them is smooth. During the interview and observation, the managers of SMEs were able to identify the following:

Table 4.3: Organisational structure

<table>
<thead>
<tr>
<th>Organisational Name</th>
<th>Written standards and internal regulations</th>
<th>Technical competency manager</th>
<th>Specialization in administration</th>
<th>Hierarchy of authority</th>
<th>Division of Labour</th>
</tr>
</thead>
<tbody>
<tr>
<td>Zebonissa Aboobakar</td>
<td>does not exist</td>
<td>does not exist</td>
<td>does not exist</td>
<td>does not exist</td>
<td>Exist</td>
</tr>
<tr>
<td>Carlos Bié Transport</td>
<td>Exist</td>
<td>does not exist</td>
<td>does not exist</td>
<td>does not exist</td>
<td>Exist</td>
</tr>
<tr>
<td>Ribatejo</td>
<td>does not exist</td>
<td>does not exist</td>
<td>does not exist</td>
<td>does not exist</td>
<td>Exist</td>
</tr>
<tr>
<td>ENADAL</td>
<td>Exist</td>
<td>Exist</td>
<td>does not exist</td>
<td>Exist</td>
<td>Exist</td>
</tr>
<tr>
<td>Inhamizua Service Station</td>
<td>does not exist</td>
<td>does not exist</td>
<td>does not exist</td>
<td>does not exist</td>
<td>Exist</td>
</tr>
</tbody>
</table>

Source: Adapted from De Andrade & Amboni organisation concept, 2015
To complement the idea of Mr. Rogério, Mr. Issufo Dias said:

“O modelo de gestão de PMEs, há uma tênue entre o profissionalismo e a amizade familiar (não há separação de este dois elementos). Muitas vezes este tipo de gestão pode levar a falência.”

‘SMEs have a management style which inter relates professionalism and friendship, (there is no great difference between the two). Most of the time, it leads to bankruptcy.

It means that SMEs have a management style where there is no separation between professional and family friends, which can lead to bankruptcy. Actually, what happens in these companies is that sometimes the revenue doesn’t normally go to where it is scheduled so that they are used for consumption and investment.

4.4.2 Perception of organisational Performance

The perception of organisational performance varies from person to person. In many situations when people are asked about their perception on performance. It seems a bit difficult to answer this question especially when it comes to customers. When the researcher addressed the issue in this research, the first idea that came to her mind was the interest managers had to deal with the financial area of the company. This suggests that their view on performance is based on the accounting or financial perspective.

a. Maximising Profit

The perception of organisational performance of many entrepreneurs is to maximize profit. For companies that make profit, maximizing profit has been their main objective. According to Vasconcelos and Garcia (2009), maximizing profit on a production level on marginal revenue is calculated on a unit produced equal to the marginal cost of the last unit produced. This considers the existence of normal and extraordinary profit and accounting profit.
Accounting profit is the difference between revenue and actual costs incurred. Normal profit is the cost of capital opportunity. Extraordinary profit is the difference between receipts, the total accounting cost and opportunity cost. Vasconcelos and Garcia’s (2009) logic is on profit maximization of economists. The profit maximizing vision fit in with the accounting perspective (Otley theory, 1999), financial perspective (Kaplan and Norton's theory, 2005) and financial perspective (Rezende theory, 2003).

b. Return on Investment

As mentioned before, profit maximizing vision fit in with the accounting perspective (Otley theory, 1999), financial perspective (Kaplan and Norton's theory) and the financial perspective (Rezende theory, 2003). According to Lamb and Ribeiron (2002), the driver or ROI Booster supports high degree of customer loyalty. However, the perception of some managers is that performing well means having return on investment.

“para mim, ter um bom desempenho, significa eu estar satisfeito. E estar satisfeito é, eu saber que investi um determinado valor e ter esse valor de volta”

(Good performance for me is achieved when I am satisfied. I get satisfied when I get a back my money from a given investment I have made).

They are words of Kassam Hassan, meaning, for him to perform well he has to invest and have a return on his investment.

c. Efficiency and Effectiveness

The concept of performance in this research includes the variables of efficiency and organisational effectiveness. According to Chiavenato (2009), every organisation must be
observed from the point of view of both, efficiency and effectiveness. For Cordeiro and Ribeiro (2002) in a competitive environment, the difference between success and failure, between profit and bankruptcy, between good and poor performance, is in the use of available resources to achieve the objectives of an organisation. The idea of Cordeiro and Ribeiro (2002), emphasized the idea of Chiavenato about watching the organisation point of view of efficiency and effectiveness. Using available resources in a profit maximization way is efficiency; and achieving objectives is efficiency. Chiavenato (2009) defines organisational efficiency as a normative measure of resource utilization in the processes; and effectiveness as a normative measure of achieving results.

The concepts of Chiavenato (2009) on efficiency and effectiveness indicate that the organisations achieve this efficiently and effectively to minimize resources while achieving results satisfactorily. This is the reason that made the researcher to see these two variables that simultaneously see organisational performance situation as the most important ones. The terms efficiency and effectiveness in management are not known technically by managers, employees and customers, but this knowledge is applied in SME management. When a manager says that purchase costs are high, it is because they are not getting satisfactory results and therefore there is no efficiency in sales in this organisation. At the same time, often they buy products that do not take long on the shelf. Thus, they are concerned about the efficiency of sales. Efficiency in sales is to sell a product in the least possible time. Chiavenato (2009) stated that in economic terms, efficiency is the relationship between inputs and outputs while the effectiveness of an organisation is the organisation's ability to meet the needs of society through supply of its products and / or services.
“Por exemplo qualquer cliente que diz, peço que a minha carga chegue em tres dias. Eu dou em dois dias...”

(For example for any client that says I want my goods delivered in three days, I give them in two days).

As quoted Mr. Alvaro Bié, means that when dispatching customer orders, if the client asks for three days he gives them the product in two days. The words from Mr. Alvaro Bié clearly show that the organisation is concerned with achieving efficiency. If the organisation is concerned about achieving efficiency and effectiveness it mean, efficiency and effectiveness are other factors that contribute to the success of an SME performance.

4.4.3 Factors that influence success of SMEs.

The following research question is answered in this section;

How do you manage the factors that influence success of SMEs?

4.4.3.1 Theoretical Model of Performance

Theoretical models of performance is one of the tools that was used to manage factors that influence success of SMEs.

a. Customer Perspective

When Mr. António Enis was asked if he knew his customers, he replied:

“Alguns, que são meus amigos e algumas empresas que têm contrato”,

Meaning
(There are some who are my friends and some organisations have a contract).

Filho (2010), advises entrepreneurs to know their customers, their needs, and the factors that give more value in relation to customer. Kotler and Keller (2014) also argue that it is necessary to know the client's needs and desires in order to satisfy them. At some point, the desires should be turned into needs for the customer. Therefore needs are basic human requirements, while desires are shaped by the society in which we live.

In conversation with Mr. Kassam Hassam, owner from Ribatejo Refuelling Service, he said: "Somente vejo pessoas abastecer combustível. Uns conheço de longa data e outros não. Para ganhar cliente não é necessário ir a busca, basta estar bem localizado."

(I only see people filling in their vehicles. Some I have known them for a long time and others not. To win a client, it’s necessary to be well located).

The statement of Mr. Kassam Hassam means that it is necessary for one to know his customers and to be well located. Mr. Kassam Hassam’s is well located for sure as the researcher observed. This is an area where even long vehicles and public transport have access to. But that does not mean that one should not care for the customer's knowledge. This attitude may not be the best in the long run because competitors may emerge in the same area of activity. When the market is fertile, there is a tendency that many competitors may enter the market.
Alvaro Bié, meant that they do not know their customers in person but just on paper. The important thing for them is to offer a good job. Russo (2006) says that it is necessary to listen to the customers, thus avoiding prioritizing internal policies and objectives that do not go with the opinion of the recipients of the company's products and services. In conversation with customers, Mr. João Santos said:

“...esta tudo bem, mas proponho que trabalhem vinte quatro horas”

(…it’s ok, but I suggest that you open 24 hours).

The statement from Mr. João Santos meant that the customers like the services from the service station, but would be happier if they worked for twenty four hours a day.

Mr. Terreno Manso said:
“gosto dos serviços das bombas, mas podiam prolongar o horário, porque quando alguém chega muito tarde nota-se que os trabalhadores já não estão bem dispostos”

(I love the services of the service station, but its best if they extend their timetable because sometimes when someone arrives late when they are about to close the workers there are already not in a good mood).

Mr. Terreno Manso meant that they like the services, but are not happy with the fact that there is poor service in the evening. This information is important to the service station owner. When one doesn’t know the customer, it means lack of source of information which is important for the perception of the organisation's performance and in the long run not being able to satisfy the customer's desire. The product it offers, according to the prospect of Kotler and Keller (2014), is customer need, as of cars locomotion depends on this as well. The owner is obliged to supply fuel at any given time. It turns out that public transport moves up until weird hours, and generally they prefer to park up their cars at the end of the day to start business the following day without bothering to fill up the car on the following day. Thus, the criterion of Kotler and Keller (2014) that the customer’s request has to be satisfied. Alvaro Bié, a manager of Transport Carlos Bie said that knowing the customers just on paper, does not show a very good picture to customers. If we take into account the idea of Russo (2006) on customer satisfaction, it becomes contradictory to claims of Álvaro Bie. You cannot provide good customer service without listening to them as a way of identifying their needs and desires.

Rezende (2003), argues that the consumer perspective guides the organisation in the market and the products they wish to establish. These are sources of revenue needed to achieve financial goals. The idea of Rezende (2003) is that the more customers we have who are
satisfied with good services, the more the organisation will gain revenue thus accomplishing the main objective of the organisation which is making profit. Organisations ignore this fact. But it is true as shown by this study that customer perspective is one of the ways to manage the influence of success on SMEs.

**b. Learning and Growth Perspective**

In the procedures of SMEs, it was noted that, the human resource sector is almost non-existent. Human resources department, only has workers’ processes of payrolls and documents to show they have social security payment. The person who is responsible for human resources department is the owner.

“tudo o que o trabalhador tem direito esta plasmado no contrato do trabalhador”

(Everything that the worker has the rights too, is stated on the contract).

The words of Mr. Issufo Abdul meant that, all benefits and workers’ obligations are enshrined in the contract.

Usually in organisations that pay more than a stipulated salary, they are other additional documents that are attached to the social benefits policy. But in these SMEs companies, it is different. In these companies all that they have is just a simple agreement or contract which states just the basics. Normally they don’t give any other social benefits.

To guarantee that workers get their salary in time even when the company doesn’t have much is by having, the owners giving them goods on credit sometimes which is then deducted on their salaries at the end of the month. According to Filho (2010), the prospect of learning and growth is to assess what the employee's value, director and manager for the company in three
contribution levels: as an individual, as a member of a work team or as an integrated one in the organisational culture. The values given are linked to child QVT. Moretti (2012), says it is important that the human beings should have the following; feelings, ambitions, and expectative when seeking growth. It is not good to think that man works solely to obtain a salary.

The training of workers in some SME is random. Sometimes employees are trained in courses that have nothing to do with the tasks they perform as observed by the researcher. They actually introduce on the job training especially for sectors where training is an obligation and this training is important especially in if one wants success in his SME. An example is that of energy sector, where the Ministry of Minerals and Energy requires resources that all employees in this sector get trained.

“é minha ambição é estudar mais, mas não tenho tempo.”

(It is my desire to study but I do not have time).

The declaration of Xavier Abdulay, means that given a chance, he would want to continue with his studies.

Russo (2006), states that this perspective of managers should focus attention on the skills needed to achieve strategic objectives.

There are few cases of small and medium entrepreneurs who invest in the training of their employees.

“tive formação pago pelo patrão para trabalhar com computador”

(I had training paid by my boss on how to work with a computer).
This quote by Mrs. Stela Amaro means that, to prepare for competence in the execution of her work, the manager had to send her for a course in computers. This type of case is exceptional. However, this manager shows a concern in developing their staff. To achieve success in SME performance, it is important that managers develop their staff.

“Gostaria de ter emprego melhor mas, fazer o que? Vou me aguentando.”

(I would want to have a better job, but what can I do? I will just have to put up with it).

This statement by Mr. António Amarchande means that, given a choice, he would like to have another job but because there are no other choices, he just have to be there. This is very common in SME where people are in their jobs because they have no other choice. This is because of poverty.

c. Quality Perspective

Considering that the satisfaction of both the customer (customer perspective) and of the employee (perspective of learning and renewal) depends on offering quality services and / or products and QVT respectively. The researcher created a perspective which supports the Quality perspective. Andrade (2009), states that the quality indicators are also known as customer satisfaction indicators, and are measured by how the products and / or service are seen by the customer and capability to meet customer requirements. Evaluating this perspective is not an easy task given that quality is relative. Talking to managers, it was easy to see that there is unanimity in saying that your product and or service is of quality.

“Estamos a crescer porque oferecemos serviço de qualidade”

(We are growing because we offer quality services).
This is the statement of Álvaro Bié, which means that the organisation is growing by offering quality services. Andrade (2009) states that it is important that quality indicators are created starting from the needs and expectations of customers. But Mr. Álvaro Bie had said before that he knows customers only on paper. That means not knowing your customers personally, will make you not listen to their concerns. So his perception of quality of services is not based on satisfaction of customer or customer expectation. He is making an inference based on the idea that if the number of customers increase it is because customers are satisfied or because they like their services.

“Qualidade de produto é termos um produto que consiga satisfazer o cliente, ter um bom ‘produto. Ter produto que faça voltar comprar mais”

(Quality product is having a product that can satisfy the client, having a good product. Having a product that make you want to go back to buy more).

The statement of Mr. Abdul Issufo, means that, a quality product is a product which satisfies the customer and makes the customer come back. This is how SMEs manage factors that influence success in their businesses. The idea of Abdul Issufo goes according to the criteria recommended by Andrade (2002) on evaluation criteria on how a product is seen by a customer.

4.4.4 Challenges of SMEs

SMS goes through many challenges as we saw in Chapter two when doing review of related literature. It is not different from the SMEs in Beira, Mozambique. The study undertaken shows that. These challenges are necessary and they make the businessmen search for factors
that influence success as they are trying to resolve the challenges. Therefore, challenges of SMEs’ data generated is used to answer the research questions which says asks how businessmen manage the factors that influence success in SMEs and also what the challenges of SMEs are.

a. Access to Finance

According to the Ministry of Industry and Trade of Mozambique (2007), there are two types of financial institutions to which SMEs can turn to for loans namely: Banks and non-banking financial institutions. However, most SMEs usually do not use bank loans as a source of financing their business due to high cost and the problem of accessibility. Difficult access to credit leaves non-financial institutions such as funds and micro-credit institutions as the main financial source for SMEs, but with a limited scope. When SMEs have access to finance then it is one of the factors they need to manage success but when they don’t they need to find ways to get the money and thus managing success in business.

b. Environmental Changes

Burtonshaw-Gunn and Msalmeh (2008), argues that every organisation must accept that changes are a natural part of life of any business. Business needs changes to improve, taking into account market demand. SMEs take advantage of these changes to improve their business and hence it is a sign of managing success in business. During observation, the researcher noted that there is a tendency that SME organisations remain static.

The negative effects of these changes can be minimised through having a business document and a business plan which most SMEs don’t have, hence they are affected. In a conversation with Mr. António Enis when asked if they had documented business policies and business plan, his response was this:
“O que pode se encontrar em PMEs antigas que estão a funcionar com mais de quinze anos, criadas com espírito familiar...a organização destas não era sistematizada”

(What we can get from old SMEs which are for more than fifteen years and still exists today and were created in a family environment is that they have no structure).

In English, Mr. António Enis meant that you can find some SMEs formed over fifteen years with no definite system but were created in a family way. The fact that the organisation is old does not mean that the company must continue with old models and techniques. This idea was defended by Burtonshaw and Msalmeh (2008), when they said, any change that takes place on the market or in the undertaking of business, must be accompanied by a strategic realignment. Burtonshaw and Msalmeh (2008) identified some factors that should be considered in the choice of means to implement changes. Each approach has to have appropriate circumstances.

c. Development and Growth of SMEs

Every business owner, when they launch a product or service on the market, has the dream to grow and / or develop the business. Davidsson et al (2005) state that many organisations start small, remain small, and die small.

“PMEs não chegam atingir um certo patamar por causa de certas dificuldades, como iniciam como pequena ou média, se não tem nenhum suporte a tendência é de afundar. Como solução desenvolve outra actividade para suportar a outra actividade”

The statement from Mr. Alvaro Bié during the group discussions means that;

(Many SMEs do not reach a certain level of growth because they have many difficulties since they start small. If they are not supported, the tendency is for them to sink. As a solution, managers open other new small or medium-sized enterprises to support each other).
Indeed there is evidence of various situations. One concrete example is this one of Inhamizua Fuel and Mechanic organisation which started as just one fuel filling station and after sometime, a small general shop was opened. Two more fuel and service stations were opened later on and now they are getting into transport as mentioned by the manager of Inhamizua service station.

He said that:

“Iniciamos com abertura da primeira estação de combustível... com o decorrer dos anos começamos a entrar para o comércio geral ... expandimos mais tarde para mais duas estações de combustível... e também para área de transporte.”

The statement from António Enis means that;

(We began business with the opening of a fuel service station, with the passage of time, we opened a small shop, and later opened two more fuel service stations and now we have entered in the field of transportation).

Development and growth is really one of the factors used by SMEs to manage success in the performance of their business. Both these two companies discussed above started as small businesses and now they are medium businesses and who knows what they maybe tomorrow. There is a trend of growth we can note in these results and this is an indication of success in SME.

According to Davidson et al (2005), the concept of organisational growth is seen in two aspects: the first considers organisational growth and change as when a firm grows from
smaller to larger size. Secondly, growth refers to the process of organisational changes, which leads to a range of other changes as well.

The situation of Inhamizua Service Station organisation fits in the second concept of Davidsson (2007), as there are some changes in the organisation. This is common in running sole proprietors business exploring activities in different areas such as fuel, trade and transport. Davidsson et al (2005), argues that organisations grow at different pace and with different regularity. This author also states that, there is a variety of types or growth modes. Growth can be reached either by volume of current activity, as well as related vertical integration and not always by diversification.

4.4.5 Strategic Alliances and Organisational Performance

Strategic alliance is a process of sharing knowledge, skills and property, products, production capacity, project finance and resources to promote and maintain collaborations between different organisations. This strategy has been generally used by SMEs who do not have sufficient resources to manage.

“Muitas das grandes empresas existentes são um conjunto de pessoa. Se as pequenas empresas se unem transformam-se em grande. A confiança do consumidor para com a empresa é o factor chave de sucesso. Maior parte das PMEs são familiares, o que contribui para redução de confiança por parte do consumidor, mas se as empresas juntarem seus esforços as pessoas irão avaliar a performance como grupo e chegam confiar.”

Mr. Amade Issufo, said;
(Many organisations are made of a group of people. When small organisations unite, they make a big organisation. Consumer’s loyalty to the organisation is an important key for success in an organisation. A lot of SMEs are familiar which contributes to lack of loyalty of consumers, but when organisations unite their force, people will analyse and evaluate them as a group and will increase their loyalty to the organisation).

Mr. Amade Issufo, meant that companies need to come together to share synergies and gain consumer confidence. Hoffmann and Scholosser (2001) states that strategic alliance become a powerful means to improve the competitiveness of organisations, especially in complex and turbulent environments. Obviously, if companies join forces and collaborate in an organized manner the company will succeed. We analyzed what Mr. Amade Issufo said in the following statement:

“Se as pequenas empresas se unem transformam-se em grande”.

(When small businesses join, they form a big one).

Meaning, if SMEs come together they turn into a big organisation. Of course this is how many SMEs were transformed into large enterprises.

4.4.6 Factors contributing to attraction and employee retention

According to Chiavenato (2009), organisations should make all the necessary effort to provide a physical and psychological, pleasant and secure work environment, consistently to attract and retain employees. Russo (2006) said that, this should be the most important and the highest investment made by any organisation. The research question

‘How do SMEs manage to attract and retain employees?’
is answered by the factors contributing to attraction and employee retention and also the practices for attracting and retaining employees.

**a. Quality of life at work**

Herman (1993), argues that people are increasingly becoming conscious when seeking or applying for a job. For example they ask themselves such questions as: what is there for me? According to Chiavenato, QLW implies creating, maintaining and improving the work environment both physical conditions and psychological as well as social conditions. It makes you realize that we are in a labour market where there is competition between organisations for labour. If the organisation does not create quality life at work, it is at a risk of not attracting nor retaining qualified personnel.

**b. Physical Environmental workplace**

Workplace is one of the most important factors needed to create physical conditions, health and safety at work. It is a very important factor to consider if one needs to attract and retain employees in an SME. The physical environment is related to health and safety at work (HST). According to Chiavenato (2009), HST are closely related activities and are to ensure personal working conditions and materials that are acceptable to produce a healthy worker.

From observation, the researcher found out that workers have the minimum clothing required by the Ministry of Labour, such as gowns, helmets and boots for some types of work. This complies with the rules of hygiene and safety. However, in SMEs there is a hygiene plan at work. Chiavenato (2009) says that safety at work is a set of technical, educational, medical, and psychological items or factors used to prevent accidents.

For safety at work as an educational factor, Mr. Kassam Hassam mentioned that:
“por exigência do ministério de energia, todos os bombeiro têm tido formação antes de começar a trabalhar para conhecer regras de trabalho”

The quoted Mr. Kassam Hassam, meant

(It is a requirement by Ministry of Energy that all filling station attendants or those who work at a service station must be trained before starting working).

It is very important that workers know the rules and regulations in the organisation. This information can be acquired through training. Fortunately in this organisation, many employees are given training before they start working. Unfortunately, there is no evidence that there is continuous training. What I gathered out is that the training is provided by the government. But despite the obligation there are persons who had not had the training. As in the case of Mr. Salvador Ariel who is responsible for a fuel pump, and had had no training for both working as a filling station attendant as well as to work as fuel pump manager.

Chiavenato (2009) adds that safety at work operates in three main areas of activity, namely: accidents, thefts and fires prevention. They also try to have all clothing as required by the government since it is an obligation as mentioned before. As of theft one can see that all they care about is to have strict security of private companies to protect their property.

c. Psychological Environmental Workplace

Xavier Abdulay said that;

“Estou nesta empresa estes todos anos porque não tenho problemas com o patrão, ele é boa pessoa.”

Xavier Abdulay meant that;
(I have been in this organisation all these years because I do not have any problems with my boss. He is a good person).

It is because of this good relationship with the boss that Xavier has continued to be in the organisation all these years. This feeling is because of good working environment which the business owner has created.

Mr Moises Garrano said;

“Estou a trabalhar há muitos anos porque há bom ambiente de trabalho”

Meaning,

(I have been working here for a long time because the working conditions are good).

This response shows us that employees are worried and love to work in a place where there are good working conditions in a given organisation.

According to Cunha (2012), organisations must create favourable environments in order to avoid of voluntary abandonment by workers.

“Houve uma altura em que haviam muitos roubos. Eu passava a vida a ser descontado por coisas que eu não sabia quem levou. Eu sou gestor, mas não é possível estar em todo sitio para evitar roubo.”

According to Garrano Moises,

(There was a time when we suffered lots of burglary and each time something disappeared, I was asked to pay for it and yet it’s not feasible that I be in all places even as a manager).
This means that the manager was not happy to have his money be discounted to account for the robberies that were taking place at the service station. According to Chiavenato (2009), to change the performance of people, punishment has been the most often used tool. This author criticizes this practice, saying that it is an extremely illogical global strategy. Punishment has been a common practice in SMEs. However, workers have only been rewarded according to what is enshrined in the contract. The best would be to motivate to change their behaviour for good performance. Chiavenato (2009) offers a tip using positive reinforcement theory that argues that positive reinforcement is oriented directly to desired results. This theory or the principle holds the two following reasons:

As a kind of specific performance level, it is consistently rewarding;

a. Because a specific pattern of performance has ever been compensated, so that it will be repeated in the expectation that the reward is repeated

b. The owner's attitude towards the employee is also part of the dignity of good elements which Herman (1993) has argued.

“Quando tenho alguma preocupação e preciso de dinheiro, o patrão empresta me dinheiro”

(When I have a problem and I need money, my boss lend it to me).

The above quote from Mr. Antonio Amarchande means that when he has a necessity that needs cash urgently, the boss does lend him. According to Herman (1993), to refrain or keep good employees, the manager has to be worthy of good elements. This idea is also defended by Chiavenato (2009) when he says that money can be a motivating effect on productivity. It
is therefore possible for managers of SME to attract and retain the best employees as we saw above just by providing a psychologically environment workplace.

c. **Human Relations**

According to Chiavenato (2009), human relations are internal relations that are between the organisation and the employee. Human relationships include promotions, transfers, dismissals and departures due to retirement. Positive relationships are essential for the retention of staff and for productivity. They are also important for attraction of good employees.

Due to the characteristics of SMEs, most management is based on family relationship. Decision making is made also based on family. Treatment of human relations is also done based on unwritten internal rules. Everything depends on the owner and his family. Nothing is written. As previously stated, there are no organisational policies or plans that govern behaviour within the organisation.

“*Para tomada de qualquer decisão, eu sento com minha mãe em casa, verificamos o caso e decidimos*”

The above statement from Mr. Abdul Issufo means,

(For any decision making, I sit down with my mother at home and analyse the case before we make the decision).

Now, looking into the structure of this organisation, Mr. Abdul Issufo is the company's manager and her mother owns the company. What they are all worried about is avoiding breaking the law. One of the employees is the older sister of the owner.
With this structure, let us imagine that we are facing a situation where the owner’s sister does not get along with one of the workers and this worker is not part of the family. What would be the procedure to resolve such conflict? With these, we can see that this type of family can in some form break some rules of social conduct, as well as create social problems.

We can even look at promotions. What happens mostly is based on the relationship between the person to be promoted and the owner and not on the best employees as observed by the researcher. Chiavenato (2009) defines promotion as a vertical movement of a person to a higher position within the organisation. The trend of SMEs, is to promote family members. Chiavenato (2009) states that promotion symbolizes success representing a step upwards in someone’s career. Therefore, taking into account this perspective, it is extremely difficult for a simple employee who is not part of the family to rise in his career. This type of situation can lead to voluntary abandonment.

“Qualquer decisão relativa a organização é feita por mim como gestor operacional e o meu pai como proprietário. Se o caso for grave que mereça uma intervenção jurídica consultamos ao jurista da organização”

(Whatever decision that has to be made is made by me, the operation manager and my father, the owner of the business. When it’s a serious case which needs a lawyer, we use the company’s lawyer).

The above statement from Antonio Alves, saying that the organisation's decisions are made by him and his father who is the owner of the organisation and when the case needs advice from
a lawyer, they consult the lawyer of the organisation. This attitude is not different from what happens in the organisation of Mrs. Zebonissa Aboobakar. This is an important factor for SMEs on attraction and retention of employees.

d. Strategic leadership

Herman (1993), argues that it is good to apply strategic leadership to ensure that workers are loyal and productive. Doing something means strategically planning ahead, instead, responding to emerging conditions with untimely reactions. Sometimes managers will have to respond quickly to keep the worker's value.

It was clear that SMEs have no business plan. The corporate vision is in the manager's head. Thus, the strategies are with the manager. According to Filho (2010) for work organisational strategies, the leader must be able to:

- Place the strategy in the business centre and consequently the management process;
- Integrate the strategy on operational daily lives of organisations;
- Ensure the compression strategy for all employees.

4.4.7 Practices for attracting and retaining employees

Just like the factors contributing to the attraction and retention of employees, practices for attracting and retaining employees and organisational performance is important when SMEs wants to attract and retain employees for better performance.

a. Quality in the recruitment, selection, decision making process and performance

“Para contratar trabalhadores, falamos com os trabalhadores locais para trazer conhecido”.

(To contract new employees, we normally ask those that we have to bring people they know).
This declaration by António Alves means hiring of new employees is done with the help of existent employees. Technical recruitment, by Chiavenato (2014) is considered as informal, inexpensive and relatively a quick effect system.

Gil (2007), argues that people are the most important asset available to the organisation, so they should be recruited and selected with greater possible competence. In order to attract and retain employees, SMEs need to recruit, select and make the decision with care as mentioned in the review of related literature. Incompetence in recruitment and selection will compromise other management actions to be developed later. Gil's (2007) argues that when we select and recruit people without skills and expertise, we will be running the risk of introducing to the organisation, unproductive people thus compromising organisational performance.

b. Staff development and performance

One of the practices to attract and retain talent recommended by Herman (1993) is to grant staff the opportunity to grow. Herman (1993) states that good employees want to grow in their career. They want to learn and practice new knowledge and skills.

“Tive treinamento para trabalhar com computador”

The quote above is from Stela Amaro, meaning;

(I had training on how to work with a computer). This training was to help her work with her computer.

On the other hand Salvador Ariel said;

“Nunca tive qualquer formação”

Meaning;

(I never had training).
The quote from Salvador Ariel, means that he never had any training. But we are in a strange situation because Mr. Salvador Ariel has a motivating aspect in the role he plays in the company. According to Herman (1993) a way of enabling growth is to improve in one’s organisation. Of course, Mr. Salvador Ariel started as a domestic worker before he became service station attendant in Estoril pump. Now he is the person responsible for pump located in Estoril even without his training. Working at a service station where there are many dangerous elements, one really needs training. One needs training to inform him of the dangerous factors that exists especially in places like this one. For example, fire is the worst enemy of any service station. He needs to be told to never use and even to tell his clients to also never use it like not to smoke when they are filling up their cars or even to switch off the engine when filling up too.

Mrs. Stela Amaro, was able to have a training, which is a motivating factor that brings her satisfaction. According to Herman (1993), one of the strategy is to retain employees is to give them formal training.

Mrs. Stela Amaro and Mr. Salvador Ariel are the two workers in the same organisation but perform different tasks. Mrs. Stela Amaro actually works less time than Mr. Salvador Ariel who had not yet had training opportunity and yet he is responsible for a fuel pump.

Although there is a deficit regarding continuous training of workers, this situation shows somehow the concern of the manager or owner to seek ways to improve training. That may be why workers are working for a long time.
According to Burtoshaw-Gunn and Salameh (2008), people are an important organisational asset, which is why to have good performance attitude, skills and knowledge are necessary. It is the proficiency in these areas which contribute to business performance which is a result of attracting and retaining employees.

c. Compensation and performance

According to Chiavenato (2014) the process of compensating people, is one of the key elements for workers motivation and encouragement in the organisation with a view on organisational objectives and other individual goals to be achieved. The motivation of people is fundamental. It is in one of the reasons that lead people to change jobs. People change jobs for a better income and / or benefits.

Chiavenato (2014) states that reward is an essential element in the conduct of people in terms of feedback and recognition of their performance in an organisation. It should act as a positive reinforcement and support to high performance and help in the retention and the engagement of people in an organisation.

Machado (2014), in explaining this relationship, says that people at present discredit rewards systems based on seniority. Indeed, it is demonstrating that these systems lead to distortions in the form of remuneration, which has no connection with the contribution of the results that the employee gives. The evidence from this author shows that the relationship between productivity and time, where the recent collaborator, whose productivity is growing rapidly as a result of his journey of a learning curve, has a remuneration that falls short of what brings business. With the passage of time and as he acquires age and seniority, their compensation gradually grows much beyond what is their actual contribution.
**d. Organisational Culture and Performance**

All organisations have an organisational culture that is characterized by values that espouse the regularity of the behaviour of its members by the philosophy that guides its policies and the climate expressed, both for its physical layout as by the interaction of its members with each other as the general public (Gil, 2007:42-43).

During observation period it was possible to notice that workers in the different organisations have similar characteristics. It is common to find that some are very engaged in their work to an extend of not worrying about the time of finishing work compared to some organisations.

Santos (1998) argues that culture plays a very important role in organisations. A strong congruent culture underlies the structure and organisational strategies are more effective than an incongruent culture. Gil (2007) corroborates the idea of Santos (1998) stating that companies that promote their cultural adjustment towards environmental changes have better conditions to develop when compared with the most rigid in relation to external stimuli.

**4.4.8 Factors contributing to attraction and retention of customer**

In answering the last research question;

‘How do SMEs manage to attract and retain customers?’,

Findings of factors and practices that contribute to the attraction and retention of customers were discussed.
Attracting and retaining customer takes effort. SMEs need to do this to be able to be efficient and effective. There are many factors that contribute to the attraction and retention of customers as shown in the review of related literature as well as from the data generated.

**a. Interaction with customers**

Kotler (2005) argues that organisations who are looking at increasing their profit and their sales should invest their time and resources in the search for new customers. Moreover, after purchasing, some customers will not be retained. Therefore, companies must seek to build strong ties with their customers through relationships.

Customer interaction is the process by which there is a reciprocal influence between the organisation and the customer. As mentioned above, SMEs generally do not have culture to relate to customers. The relationship is not formal at all. It is important that the Planning Manager manages the relationship process with the customer. Kotler and Keller (2014), argue that, the organisation can develop continuous mechanisms that keep their marketing professional and permanently connected to customer feedback. The interaction with customer contributes to the knowledge of customer needs and wants. This knowledge will contribute to proper organisational performance. These factors help in attracting and retaining customers hence responding the research question on how can SMEs attract and retain customers.

**b. Customer satisfaction**

Kotler’s and Keller (2014) argue that satisfaction is the feeling of pleasure or disappointment of a person arising from the comparison between the perceived product performance and the cases involving managers who do not know their customers that is if the product exceeds expectations. Kotler’s and Keller (2014), argue that many now evaluate how they treat their
customers, identifying the factors that shape the satisfaction, and as a result make changes in operations and marketing. This reality emphasizes Kotler’s and Keller (2014) idea.

Mr John Santos is one of the clients who is satisfied with the filling station and he says;

“Mudei de bairro, mas mesmo assim prefiro vir a Matacuane para abastecer meu carro nesta bomba”

(I changed my residence but I still prefer to come to Matacuane to fill up my car in this service station).

The statement by Mr. John Santos, means that; despite the fact that he has changed his residence, he still prefers to go back to Matacuane’s filling station to fill up.

This shows how happy he is with the organisation. The attitude of Mr. John Santos reveals loyalty to the organisation. Kotler (2005) argues that the satisfied customer remains loyal for a long time, buys more, speaks well of the company and its products, and pay less attention to the competitor. Thus customer satisfaction is one of the factors needed to attract and retain customers.

c. Develop Loyalty Programmes

Keller and Kotler (2014), advise managers to use a shopping frequency programme as a way to offer rewards to customers who buy frequently and in large quantities.

“Não faço nenhum programa, mas faço desconto para o cliente que aparece frequentemente fazer compras”

This statement from Mr. Issufo Abdul says
(I don’t have any shopping frequency programmes but I give a discount to the people who buy frequently from me).

This is acceptable and common in practice. This attitude motivates the customer to come back more often. Developing loyalty programmes help SMEs to attract and retain employees.

4.4.9 Practices for attracting and retaining customers
Apart from the factors that contribute to the attraction and retention of customers, the practices of attracting and retaining customers help answer the research question on how SMEs manage to attract and retain customers.

a. Right customers with right value proposition
SMEs must satisfy especially the needs and wants of their target and top clients. They need to value their target customers. Firstly SMEs must identify the target customers, segment them, define who they are, what they want and why. Then make a list of what they need, give them what they want and if there are any problems, they solve them. It is important to empower employees to handle clients according to their value.

b. Positive relationship through acquisition
The acquisition process sets the tone for the relationship. The way the SME handles their customers may create a good or a bad relationship. SMEs should even give some incentives to customers to create this relationship, like Issufo Abdul from the store who give discount to customers who buy in bulk as mentioned earlier on. SMEs can use other on-boarding program as stated in the review of related literature.

c. Incorporate customer advocacy into day to day service
Incorporating customer advocacy into day to day service has a direct impact on customer satisfaction which helps attract and retain customers and in the long run revenue will increase. This can be done even with communication channels and relevant offers at the right time. An example of this is ENADAL which help clients from outside who may have problems even of language to clear their documents. This way ENADAL is able to attract and retain consumers. Customers also need SMEs which resolve their problems in a short time. Like in the case of Carlos Bie transport which delivers products needed in three days in two days.

**d. Develop relationship to increase stickiness**

The objective of SMEs is to get profit and to do this, it is important to attract and retain especially clients who are cross-selling. This means developing a strong relationship with those clients that are more profitable to the organisation. This can also be done by creating customer loyalty programmes mentioned in detail above.

**4.5 Perception of Performance of SMEs from Literature**

The literature review found out that there are differences of perceptions of organisational performance. The performance can be seen as:

- a. Achieving organisational results;
- b. Success of an organisational action;
- c. Capacity do generate future result;
- d. Reach the efficiency and effectiveness simultaneously.

The perception of organisational performance in the past tended to focus on financial indicators such as productivity, profitability, and return on investment. Currently performance vision changed. According to Kaplan and Norton (2005), executives know that the traditional indicators of financial accounting as return on investment and benefits for shares may display
misleading signals for continuous improvement and innovation activities that are currently competitive. Kaplan and Norton (2005) identify a performance tool called BSC allowing executives repair business in four major perspectives, which answer four basic questions:

a. How do we see customers? (customer perspective)

b. What should we be better at? (Perspective of internal processes)

c. How can we best continue creating value? (Perspective learning and innovation)

d. How do we see shareholders? (financial perspective)

According to Degenhardt (2002), SMEs have been turbulent in various stages of the life cycle phase, particularly in the growth phase. Because of the nature of SMEs, they face various difficulties due to various internal and external factors; as inadequate management and entrepreneurial skills, limited investment in productive assets, high tax, and limited access to loans.

The Ministry of Industry and Trade of Mozambique (2007), said that no business is exempt from managing the environment in which it operates. Managing business environment is perhaps simpler for entrepreneurs of SMEs. SMEs have been severely affected by the environment because it does not have enough resources. Starting from the premise that SMEs have been severely affected by the environment, the government of Mozambique has embarked efforts to develop and implement plans for the development of SMEs.

The empirical literature review were identified through various studies and various factors that influence organisational performance, some of which are not clearly identified in the theoretical literature review. Empirical studies prove the following:
a. Entrepreneurial characteristics have a significant relationship to organisational performance, (Schmidt and Bohnenberger, 2009)

b. Dias (2010) study ‘The diversity and expressiveness of manager skills and portfolio on the confidence felt in management’.

c. The existence of the cooperating political role in functioning of the leadership teams and improving the results obtained by each of the remaining managers individually, simultaneously demonstrating the importance of shared leadership skills in improving management’s perception (Dias, 2010).

d. There is a relationship between RTP and organisational performance, (Jayathilake and Wemille, 2010).

e. Jayathilake and Wemille (2010) study, There is a positive relationship between LOC and n-Ach, while the ability to plot strategy is vital to achievement of business goals and superior performance in a changing environment.

f. Fening (2012) study; Organisation which implements quality management practices will have positive effects on the performance both for large and SMEs anywhere in the world.

g. Incentive program have positive relationship between HR practices and organisational performance, (Balgobind, 2007)

Veloso (2007), identified the important determinant factors of the impact of HRM on the organisation performance on the life time of the organisation, labour management, system design and human resource capacity of intervention given to the HRM.
4.3. Perception of Performance of SMEs in Beira City

The view on the performance of SMEs varies from person to person. The basis for this research was performance as achieving efficiency and organisational effectiveness. The researcher identified in this study the idea of this performance facing the interests of the shareholder. This perception is from the key informants interviewed by the researcher.

We are in a time where when the customer invests a certain capital, they want to have a quality product, which he considers to be unadulterated and is durable.

4.4. Comparative analysis of Participants Perception with those from Review of Related Literature

Is there any difference in the perception of performance between the review of related literature and the results found in the field? The organisational performance is seen as a success, resulting in organisational efficiency and effectiveness. Review of related literature brings a modern approach to assessing organisational performance. Dias (2010) defined performance as the sum of all processes that lead to decision-making that creates greater value for the organisation for the future (i.e. one that is efficient and effective). This modern view is holistic, and aims to address the concern for customers, internal processes, employees and shareholders in present and even in future.

SME managers and workers still have the traditional perception of organisational performance. During an interview with one of the key informants, Issufo Abdul when asked what performance was, he defined performance as;
“Ter uma coisa mais ou menos organizada... por exemplo, não termos um contabilista na área de recursos humanos, não ter um individuo que faz tudo, mas ter o homem de recursos humanos na sua área, estafeta na sua área, cada individuo na sua área”

(Having things more or less organized... for example, not having an accountant in the human resources department, and not having someone who does everything. An employee in the human resources in the human resources department, messenger in his area, all individuals in their areas).

Unlike Dias who defines performance in the light of efficiency and effectiveness, Issufo Abudo perceive performance as factors of what needs to be done if someone wants to achieve high performance in their organisations. These are practices of performance. We can say that these have performance vision as making profit and return on investment.

In review of related literature we found several factors that affect organisational performance, which were identified; for example constraints of SMEs. In Zimbabwe, according to Nyoni (2002, p. 10) cited in Zindiye (2008) constraining factors include: limited access to finance to meet costs, lack of marketing skills and market knowledge, inadequate management and entrepreneurial skills, lack of access to infrastructure, lack of access to land, lack of information and a hostile regulatory environment.

Borgarello et al (2004) argues that SMEs in Mozambique face a variety of obstacles which can be classified into the following three groups: credit market (capital markets and commercial banks), macroeconomic environment, institutional framework, and infrastructures and market. In the credit market, most SMEs get their capital mostly from non-financial institutions than from banks because of these constraints as stated by Rogerio Naene;
“Nós que somos pequenos empresários quando iniciamos o negócio a princípio é parte se do pressuposto que é uma subsistência, só que o mercado em si é muito sazonal e os clientes em quase todas as áreas... existem mecanismos para não levar a falência? Sim existem. Existem os bancos. Mas os Bancos por exemplo, a partir de 49 anos de idade que é o que a maioria dos empresários já querem criar uma subsistência para a família já não dá empréstimo”

(We, the SME managers, when we start our business, it is to help us, unfortunately the market is seasonal. Do we have any mechanisms to help us not to get bankruptcy? Yes, there are. We have banks. But banks for example, banks don’t give credit to people who are above 49 years of age and yet that’s the year when one needs to settle and create an income generation project for the family).

Apart from this, there are also other factors we found out in the study of SMEs in Mozambique. In this study we found out that some of the constraints of SMEs are political situation of the country, climate change, seasonal market, SME management model.

During the related literature review various concepts and models on product quality and / or service were identified. The models of product quality/service are as follows; And yet we discover the following from the participants: The 5P’s Model which talk about Purpose, Principle:Process, People and Performance; Quality of Service Evaluation Model which talk about criteria are tangibility, reliability, concern, competence, courtesy, credibility, security, communication and understand of the client; Quality Dimension Model which is divided into different distints depending on the author such as Berry and Parasuraman Model, Garvin Model, Brito and Vergueiro Model; SERVPERF Model which measures the quality of service through customer perceptions about the performance of service; Evaluation Model of

Managers and workers acknowledge that quality product and / or service satisfies the customer. This coincides with the thought of Kotler and Keller (2014), Rock (2011). Customers realize that quality is to have a product which is not adulterated and is durable.

Joao Santos a client at Ribatejo service station said,

“as pessoas tem que atender bem e o combustível não tem agua de todas vezes que abasteço aqui, sinto que abasteci carro, ...”

(People should attend clients well, and moreover their fuel is not mixed with water. Each time I fill up my car there, I feel, I have filled up my tank for sure).

This is supporting the idea of Kotler and Keller (2014).

4.5. Chapter Summary

The present chapter presented research findings, discussion and interpretation. Due to the qualitative nature of the study, it was necessary to describe the profile of key informants to help the easy perception of their character. By encoding, nine emerging themes were identified and their respective sub-themes, which facilitated the discussion of issues related to the research questions. However, all six issues raised in the chapter on introduction were discussed in this chapter. Furthermore, to enrich the discussion it was necessary to compare the issues discussed in the literature review and findings in the field.
CHAPTER 5

5. SUMMARY, FINDINGS AND RECOMMENDATIONS

5.1 Introduction

This chapter summarizes, concludes and draws recommendations to the study of the performance of SMEs in the city of Beira. This work has as the main objective analyzing the performance of SMEs. The analysis used is qualitative research. The case study involved three small and two medium-sized enterprises. Given the complexity of the qualitative study, data were collected through observation, interviews and focus group discussions.

These data were used to answer the following research questions;

a. What are the factors that influence successful SMEs performance?
b. How do you manage the factors that influence success of SMEs?
c. How do SMEs manage to attract and retain staff?
d. How do SMEs manage to attract and retain customers?
e. What are the challenges that SMEs are facing?
f. How do SMEs overcome these challenges?

The recommendations made in this chapter will serve as support for the owner, managers and SME workers. Some proposals for future researchers will be put forward.

5.2 Summary of Findings from Review of Related Literature

The literature review showed that SMEs are the most prevalent business worldwide. These organisations play a very important role in a country's economy by generating employment, competition for competitiveness in business and mobilization of economic and social resources.
In answering our first question on the factors that influence the success of SME’s performance, the researcher reviewed related literature. SMEs are very susceptible to micro and macro-environmental factors because they have not had sufficient resources to meet the challenges demanded by these factors. There are several difficulties they face, such as limited investment, limited market access, high tax, and limited access to loan. These difficulties contribute for them to have short life cycle.

In empirical review of related literature, the spirit of entrepreneurship has an influence on successful SMEs performance just like the diversity and expressiveness of manager skills and the cooperating political role in the way leadership teams function. The relationship between RTP and organisational performance, and the positive relationship between LOC and n-Ach, is vital to achievement of business goals and superior performance in a changing environment.

Organisations which implement quality management practices and have an incentive program will have positive effects on the performance both for large and SMEs anywhere in the world.

Review of related literature also answered the second research question, how to manage the factors that influence success of SMEs by discussing the different perspectives of performance. The customers’ perspective is one of them which, determines how the organisations want to be seen by their customers. This approach is intended to show whether the strategic choices implemented by an organisation are contributing to the increase in the value perceived by customers for products, services, brand image, buying experience and relationship.
The financial perspective is to verify whether the implementation strategy contributes to improve net income, return on investment, the creation of economic value and cash flows. The financial perspective which other authors consider as accounting perspective is like business and financial model which defend that the accounting community recognizes that measurement systems have three fundamental different roles in organisations that they provide:

a. A tool for financial management
b. Information on overall business performance, and
c. A means of motivation and control.

The internal perspective on the other hand is to determine whether the core business processes defined in the value chain of the company are contributing to generating the value perceived by customers to achieve the goal. The perspective of learning and growth aims to identify the value of the employee to the company in contribution levels as an individual, as a member of a work team and as someone embedded in the organisational culture. These elements are to manage the factors that influences success of SMEs.

How do SMEs manage to attract and retain employees is the third research question which is answered by factors that contribute to attraction and retention of employees and the practices for attracting and retaining these employees. Organisations should make all the necessary effort to provide a physical and psychological, pleasant and secure work environment, consistently to attract and retain employees. It includes quality life at work which implies creating, maintaining and improving the work environment both physical conditions and psychological as well as social conditions. Workplace is one of the most important factors
needed to create physical conditions, health and safety at work. It is a very important factor to
consider if one needs to attract and retain employees in an SME. It should be both
psychologically and physically conducive. Human relationships include promotions, transfers,
dismissals and departures due to retirement. Positive relationships are essential for the
retention of staff and for productivity. Strategic leadership is important. The corporate vision
is in the manager's head. Thus, the strategies are with the manager.

Furthermore practices of attracting and retaining employees help SMEs. For example,
employers should consider quality in the recruitment, selection, decision making process and
performance. Incompetence in recruitment and selection will compromise other management
actions to be developed later.

Another factor of the practices to attract and retain talent recommended is to grant staff the
opportunity to grow which can be done through training. Reward should act as a positive
reinforcement and support to high performance and help in the retention and the engagement
of people in an organisation.

Companies must seek to build strong ties with their customers through relationships thus
helping SMEs manage to attract and retain customers through customer interaction. Customer
interaction is the process by which there is a reciprocal influence between the organisation
and the customer. Thus customer satisfaction is one of the factors needed to attract and retain
customers. Kotler (2005) argues that the satisfied customer remains loyal for a long time,
buys more, speaks well of the company and its products, and pay less attention to the
competitor. The participants in this study also agree with the idea by going to service stations
which are not near to where they stay just because they are satisfied with the service they get
there. They said, they are well attended to in these places and they feel good in filling up their cars in these places.

The factors contributing to the attraction and retention of customers and the practices of attracting and retaining customers also answer the fourth research question on how SMEs manage to attract and retain customers. These practices are divided into five;

a. Right customers with right value proposition  
b. Positive relationship through acquisition  
c. Incorporate customer advocacy into day to day services  
d. Develop relationship to increase stickiness  

a. Summary of Findings from Empirical data

The experiences of SMEs in Beira city are similar to those in other countries especially in Africa. The first research question in this study is asking for the factors that influence success of SMEs performance. In answer to that participants indicated some emergent themes discussed below. One of the factors mentioned by participants is the political situation in Beira city.

In a conversation with Mr. António Enis he said that in the last two years, there had been a ‘boom’ in SME business unlike in the 1990’s decade before independence. This businessman made a comparison of the governance period of democracy in Mozambique before and after. Another participant commented on the political situation of a country too. Whenever there is political instability in a country like the recent conflict between Renamo and Frelimo which made it difficult for people to pass from the capital city Maputo to any other province because of the dissidents at Muxungué, there will be an economic problem.
Government policy also help to give order in SME. Kassam Hassam, a manager at Rebatejo mentioned that the government oblige all service stations to have complete protective attire for all attendants. Because of this, they all have and this influence the success of SMEs performance.

Climate change is a challenge to SMEs performance in that sometimes circulation of products is limited and thus causing the prices to go up. The market is competitive. When SMEs are doing well in one business, many would want to get in and partake of their share in the same market. This causes revenue to drop and thus affecting performance negatively as expressed in the participants in the group discussion. This is the same as the competency of SMEs managers. Since most managers are in these positions not because they are professional but because of their family relationship, they may not be competent enough to be in these positions. This attitude makes the SMEs not have good management models as observed in the field where one SME had many different activities but has a centralised management and even same bank account. Seasonal market influence success of SME performance positively and negatively. It is positive in that, SMEs do perform well when the market is good and is negative when the market is stagnant or experiencing a decline as mentioned by the participants during the interview with the researcher.

To manage factors that influence success of SMEs performance is one of the tools that was used to manage factors that influence success of SMEs. Theoretical models of performance is one of the tools that was used to manage factors that influence success of SMEs. Customer perspective is one of them. When Mr. António Enis was asked if he knew his customers, his
reply showed that he knew his clients unlike Mr Alvaro Bie who wasn’t very concerned about his clients and who only knew his clients on paper and not physically.

To achieve success in SME performance, it is important that managers develop their staff. This is lacking in SMEs in Beira participants of the study, as we found out from Salvador Ariel who is a service station attendant and yet had never had any training despite the dangerous environment he is exposed to. Offering quality products is one way of managing the factors that influence success of SMEs. Álvaro Bié, in an interview with the researcher mentioned that their organisation is experiencing growth by offering quality services.

Challenges of SMEs such as limited access to finance, change of environment and development of SMEs are factors that influence success of SMEs performance. Mr Rogerio Naene said that it is difficult for individuals to get money from the bank and the law says no one can get money when they are over 49 years. Another factor is of change environment and in response to this, Mr. António Enis said that you can find some SMEs formed over fifteen years with no definite system but were created in a family way.

Strategic alliance is a process of sharing knowledge, skills and property, products, production capacity, project finance and resources to promote and maintain collaborations between different organisations. Amade Issufo said in the following statement: when SMEs come together they turn into a big organisation. Of course this is how many SMEs were transformed into large enterprises.
The research question, “How do SMEs manage to attract and retain employees,” was a research question answered by factors and practices which contribute to attracting and retaining employees. Workers quality life, physical and psychological work environment are important factors needed to attract and retain workers. For safety at work as an educational factor, Mr. Kassam Hassam mentioned that: It is a requirement by Ministry of Energy that all filling station attendants or those who work at a service station must be trained before starting working. It is very important that workers know the rules and regulations in the organisation. This information can be acquired through training.

Concerning human relations, Antonio Enis, said that the organisation's decisions are made by him and his father who is the owner of the organisation and when the case needs advice from a lawyer, they consult the lawyer of the organisation. This alone shows how human relations intervene into SMEs business.

The factors and practices of attraction and retention of customers answer the research question based on attraction and retention of customers. Managers and workers acknowledge that quality product and / or service satisfies the customer. Joao Santos a client at Ribatejo service station said, people should attend clients well, and moreover their fuel should not be mixed with water. Each time he filled up his car there, he felt, he had filled up his tank for sure, when asked why he went to the same service station when he wanted to fill up. Another customer Mr John Santos who is satisfied with the filling station and says; he changed his residence but still preferred to go to Matacuane to fill up his car in this service station. All this is because of customer satisfaction which is a result of customer interaction and it leads to loyal customers.
5.4 Conclusion

5.4.1 Factors that Influence SMEs Performance

SME companies are family businesses in nature where the management system is centered on the owner or manager who is usually the son or anyone else in the family. The management models applied to these companies have not been adequate as it has deficiency in the part of organisational structure. The criteria used for decision-making is not a very competitive one. The failure of SMEs originates from the weakness of management, which contributes to weakness in other areas as expressed by participants in the group discussions and as observed by the researcher.

Political instability is an uncontrollable factor which indirectly or directly affect business, since it prevents the movement of goods from one place to another. Government policies are important in the regulation of organisational activities but when government prepares plans and programmes that aim at the development of SMEs, it should find mechanisms so that the information reaches the beneficiaries as indicated by the participants in this study.

Mozambique has suffered effects of climate change such as floods. This factor contributes in some way to failure of SMEs since roads are sometimes destroyed and products have difficulties in circulating as expressed by the participants in this study.

Competition is an important factor which the manager has to take into account to compete in the market using all necessary resources to cope with this competition as highlighted by participants in this research. Otherwise the company can lose its market share in favour of its competitor.
To run any business, it is necessary that the person involved is equipped with core competencies that are knowledge, skills and attitude. The management in SMEs do not have skills as the researcher found out during the study. The managers SME in this study do not have training in management, neither do their workers have any specific training that is why this factor has negatively affected the management of SMEs largely.

Seasonal market consideration is a strategy that aims to guide the organisation on the market. Many authors recommend the use of this strategy for SMEs. If managers do not take into account the environment in which the organisation is located, they cannot be able to set objectives. Rogerio Naene, one of the owners of an SME added that if one is not careful and just open an SME impulsively, it may influence the success of an SME.

5.4.2 Ways to manage the factors that influence success of SME.

To manage the factors that influence success of SME, apart from the financial perspective, SME must take into account the customers’ perspective. The manager will have the possibility to evaluate the position of the organisation for the target customer, in relation to results awaited. These results are customer satisfaction, attract new customers, retention of existing customers, profitability of customer and participation in the market. When customers are satisfied they become loyal and thus helping SMEs in Beira city perform well as mentioned by one of the participant, Elton Narciso that his clients always come back because he treats them well.

Another point is the internal process perspective where the organisation has a possibility to identify the principle of business processes. These processes are defined in chain value and they contribute to generation of the value perceived by customer. Unfortunately in this study,
many participants do not know their customers and neither do they make any effort in the interviews with the researcher.

Learning and growth perspective, we can verify the learning, and attention given to new knowledge, attitudes, ability of employees. Some of the participants expressed that they never had training and one of them said, he doesn’t have time to continue with his studies and this affect the success of SME performance negatively.

5.4.3 Ways that SMEs manage to attract and retain employees

The QLW is a factor affecting social and economic life of workers. A good social benefit plan will guide the organisation to implement practices that meet the needs and desires of the worker.

A satisfied worker feels motivated to work. If the employee is not satisfied, his mind is in arranging survival means thus contributing to poor work performance. An organisation where there is good interaction between employers and workers and among workers themselves, creates a healthy climate conditions for the organisation. A healthy organisational climate leads to motivation to work. Garrano Moises (58), one of the employees said that he is happy where he is because his boss knows abilities and capabilities and he gives him tasks accordingly. He is too old to start a new job.

Business management depends on the existence of a leader. Entrepreneurial success depends on the leader's character. The leader is one who inspires moral values such as courage, wisdom, humility, honesty and discipline. If the leader does not transmit these values naturally, a filth organisational culture will be created which will lead the company to an
abyss. It is important that an organisation has a strategic leadership. But this is difficult since most of the leaders are not trained but just inherited the SME from their parents as observed in the study.

The attraction and retention of workers depends on the total quality management in human resources which begins by implementing a good recruitment and selection process, give workers continuous training, fairly compensate workers and create an organisational culture that instills moral values to the worker. The participants expressed that most of the time, recruitment is not done systematically but employees are sometimes asked to bring people they trust to fill in some post in the SMEs. Fair compensation of workers by participants show that when they are not paid fairly, their performance is also not fair as they are not motivated.

5.4.4 Ways that SMEs manage to attract and retain customers

The organisation's relationship with customers is a necessary condition. It is important for organisations to know their customers and can therefore identify their needs and desires to satisfy them. Usually, SMEs do not bother to know their customers. Their first concern is making money so their perception of performance is profitability and ROI. When SME interact with clients, they can give them feedback on the business making the manager also realize his weaknesses if he has any and eliminate them as expressed by participants.

The customer loyalty programs are useful because with them, the manager may cause the client to always come back and bring more customers. This program can succeed if the manager knows his customers. Satisfying the customer means providing goods or services that meet or exceed their needs. Issufo Abdul goes to an extend of giving products on credit to his customers which make them satisfied. He also even give discount to his customers when
they buy in bulk. Everything starts with the identification of customer needs and desires. After identifying the manager seeks to find goods or services to satisfy consumers’ needs.

5.4.5 Challenges of SMEs

Challenges are necessary and they make the businessmen search for factors that influence success as they are trying to resolve the challenges. Some of the challenges the researcher found are access to finance, environmental change and development and growth of SME. Most SMEs do not use bank loans as a source of investment because of the high interest rate charged. On the other hand, the political, economic and social environment are a big challenge to the SMEs as they are not able to run at the same pace with them. These challenges affect negatively the development and growth of SMEs.

5.4.6 New Insights and Knowledge

a. Political situation is one of the factors that affect the success of SMEs performance.

   This factor emerged from interviews with participants and was not mentioned in the review of related literature. The causes of failure of SMEs cannot be generalized. Each has its specificities and its resources, like this political instability found in Mozambique.

b. The organisational performance is relative. It depends on what the organisation intends to achieve. This is mainly because there are some factors which are not predictable like climate change which emerged from an interview with one of the participants and is not in the review of related literature.

c. We cannot compare the failure of SMEs in a given country with another country. For economic, social and political realities are different. Even the government policy as cited from data generation and not in the literature review because it’s probably a factor that affects only Beira city.
d. The performance of the person depends on the organisational culture and each person's work culture. The culture of SMEs’ of leadership does affect SME performance because of being family based and not professionally based.

e. The formula of organisational performance is in the SME manager, that is, the manager's characteristics determine organisational success or lack of success.

f. An organized SME manager will know how to plan and deliver activities to optimize its resources.

g. A flexible SME manager will know how to adapt to new realities.

h. A visionary SME manager will know how to anticipate good and bad situations.

i. Organisational performance is in the hands of the SME manager, because it will define who plans and implements. Carlos Bie Transport is one good example of an SME which started as small and is now big. He is different from others because he continued in the same type of activity unlike others in this study who got into many activities and growth is very low and review of literature does not cover this.

j. A communication SME manager meets his/her employees and knows what they think and what they are capable to do.

5.5 Recommendations

The recommendations of this study are addressed to SMEs managers or owners, workers and to the government in general and in particular the Ministry of Labour and Ministry of Industry and Trade.
5.5.1 SMEs owner or Manager

The effective functioning of an SME company is important for its people who depend on it to survive. Therefore, it is important to keep it alive to avoid unemployment and suffering of families.

It is important that both the managers and the company's employees have essential skills to maintain the efficient and effective functioning of the organisation, so people need preparation through education, training and ongoing training. Knowledge, skills and attitude are the basis for problem solving.

The business vision should not be the concern of the SME manager only, but should be shared with all who work for the functioning of SME organisation. The vision must be communicated and inspiring. Therefore it must be written in the organisation's documents.

It is important that the SME organisation has a participative management, because employees will feel to be part of the organisation and also get involved in achieving organisational objectives.

It is necessary for managers or owners of SMEs to keep on doing capacity building in order to lead organisations efficiently and effectively. There is a need to know how to separate professionalism and family relationships as the family sometimes brings conflicts of interest.

The manager of the SMEs should be dynamic in opening new businesses as well as establish management criteria that help or facilitate management.
There are very simple techniques to satisfy the customer. It is important that the manager and his employees create ways of relating with the customers to ensure their loyalty.

Sometimes the cost of hiring a new worker is greater than creating conditions to maintain what already exists. So it is important to create methods and techniques to attract and retain talent in the organisation.

5.5.2 To Employee

It is recommended to workers:

That they should have working spirit, because organisational performance depends on their performance.

They make part of the customer attraction and retention process because they are the ones who are directly in contact with the customers. Attending customers is crucial because even a word is enough to expel the client.

5.5.3 To local Government

Ministry of Industry and Trade

The plans and policies aimed at SME development are welcome. But it is important to put into practice projects for implementation of such plans and make them known to all potential beneficiaries of these projects.

The regulations aimed at regulating the behaviour of SMEs are clear. However, it is important that the Ministry ensures compliance with these regulations.
5.5.4 To Ministry of Labour

It is recommended that the Ministry work to ensure compliance with current regulations in labour law in order to guarantee the rights of the employees, physically, socially, morally, and psychologically.

5.6 For future researchers

This research focused on performance of SMEs in Beira city. The researcher analysed the performance considering customers’, learning, and workers growth and quality perspectives. It could be interesting for future research investigating the other perspectives like the financial perspective.

Future researchers can opt to carry out quantitative studies to analyse the relationship between attracting and retaining customers and SMEs performance; quality management and SMEs performance using bigger samples.

In chapter two of related literature and chapter five of summary and conclusion, the researcher identified several factors that influence the performance of SMEs. Future researchers could also choose one of the factors related to performance of SMEs and use the same qualitative approach to deepen the knowledge on factors influencing the performance of SMEs.
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APPENDICES

APPENDIX I: Credencial

UNIVERSIDADE CATÓLICA DE MOÇAMBIQUE
FACULDADE DE ECONOMIA E GESTÃO

CREDENCIAL

Para

__________________________
Albertina Celeste Inácio Ribáuè, é estudante do curso doutoramento em Filosofia de Negócios, pela Zimbabwe Open University em parceria com esta Universidade.

No âmbito do plano de estudos ora em curso nesta Faculdade, este estudante é chamado nesta fase, a realizar a tese **Cujo tema se designa: Desempenho de PMEs em Moçambique. Estudo caso, PMEs da Cidade da Beira.**

Neste contexto a Faculdade de Economia e Gestão aprecia o apoio de V.Excia na disponibilização de toda a informação relevante e possível para o sucesso do trabalho do fim de curso do estudante acima referido.

Desde já gratos pela vossa cooperação.

Com os melhores cumprimentos.

Beira, 30 de Maio de 2014

O Director da Faculdade

______________________________
(Prof. Dr. Alfandega Manjoro)
APPENDIX II: Interview Guide For owners or managers of SMEs

Good morning / Good afternoon, my name is Albertina Ribauê, student at the Zimbabwe Open University. I'm doing research on performance of SMEs in Mozambique. Case study of SMEs in the city of Beira.

I ask your permission to record this conversation and take pictures. I promise that specific information will only be used for academic purposes.

The Introduction

i. Gender  __________________

ii. Age  __________________

B. Activity in exploring

1. What is the business area in which operates?

2. Can you tell me a little about the history of the company?

3. How is your day to day work?

4. What are the procedures that had to open the company?

5. How is the company structured?
6. What were the reasons to practice business?

7. Do you like to practice business? Why?

8. Have you had any preparation for this practice?

9. Do you think you have an entrepreneurial spirit? Why?

10. What were the biggest challenges you faced during this business period?

11. What do you do to overcome these challenges?

12. What are the projects that have to with your business?

13. What are the procedures do you use to make any decisions?
C. Attraction and retention of workers

1. How many workers do you have?

2. How long do they work?

3. What procedures used to hire workers?

4. What do you do to retain workers?

5. Is there political made to the operation of the company?

6. What are the existing policies in the company?

D. Attraction and Customer Retention

1. Do you know your customers?
2. What do you do to attract new customers?

________________________________________

3. What do you do so that the customer always comes back?

________________________________________

E. Quality of Product / service

1. What is your perception of product quality and or service?

________________________________________

2. Do you think the product and / or service offering to your customer are of quality? Why?

________________________________________

Thank You
APPENDIX III: Interview Guide for workers

Good morning / Good afternoon, my name is Albertina Ribăuè, student at the Zimbabwe Open University. I'm doing research on performance of SMEs in Mozambique. Case study of SMEs in the city of Beira.

I ask your permission to record this conversation and take pictures. I promise that specific information will only be used for academic purposes.

1. How long have you worked in the company?

2. Can you tell me a little about your day to day work?

3. Have you had any training to do this type of work?

4. Have you had another job before?

5. What did you do?
6. How did you get this job?

7. What do you notice about organisational performance?

8. What do you think about your performance?

9. Do you like the work you do? Why?

10. What do you notice about product quality and / or service?

11. Do you like the work environment?

12. What do you like and why?

13. What makes you keep this work?

14. What would you like the organisation do so you feel very satisfied in this job?
15. Do you think your work contributes to the company's well-being and for you?

16. What are your future projects?

Thank You
APPENDIX IV: Interview Guide for customers

Good morning / Good afternoon, my name is Albertina Ribáuè, student at the Zimbabwe Open University. I'm doing research on performance of SMEs in Mozambique. Case study of SMEs in the city of Beira.

I ask your permission to record this conversation and take pictures. I promise that specific information will only be used for academic purposes.

1. How long are you a customer of the company?

2. What kind of product or service do you search in the company?

3. Why do you opt for the services of this company?

4. How often a month do you look for the services of this company?

5. What do you think is organisational performance?

6. What would you like the organisation did so that you would always come back demanding for the product or service of the organisation?

Thank You
APPENDIX V: Guide for Focus Discussion

Good afternoon

I ask your permission to write and make pictures during our debate.

I would like to thank you for your presence.

This debate aims to collect your perception, feelings and ideas about the SME performance in Mozambique in general and city of Beira in particular.

The idea to organize the focus group discussion emerges as a methodology to continue my research on performance analysis of SMEs in Mozambique - case study SMEs in Beira city.

I, as a researcher, I guarantee that this information will not have other purposes, but for purely academic consumption.

Interest me in this debate discuss the following points:

• What are the main challenges facing entrepreneurs in SMEs?

• How organisations must manage their challenges?

• What are the factors contributing to the success or failure of SMEs?

• How the organisations must address the factors that contribute to their success or failure?

• What are the best strategies and practices for SMEs?

  a. For survival of SMEs

  b. For competitive advantages and win

Thank You