

## Chapter 2

# Strategic Capabilities for the Sustainability of Small, Medium, and Micro Enterprises

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### ABSTRACT

*Sustainability of small, medium, and micro enterprises has been an issue due to the lack of strategic capability of many entrepreneurs. This chapter examines the strategic capabilities that are necessary for the sustainability of small, medium, and micro-enterprises. A literature review approach was adopted by the authors to examine the relationship between the measures of strategic capability of small, medium, and micro-enterprises, and the sustainability measures of the small, medium, and micro-enterprises. The result shows that there is a positive relationship between strategic capability and sustainability of small, medium, and micro-enterprises. The measures of strategic capability include sensing, seizing, transforming, and innovative capabilities. The sustainability measures of the small, medium and micro enterprises are strategic objectives, customer satisfaction, and retention, organisational value, networking, availability of resources, innovation capability, profitability, and organisational competitiveness.*

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## **INTRODUCTION**

Sustainability has been the main concern for all human and economic activities in the twenty-first century. In terms of economic activities, research shows that there is a positive relationship between the establishment of Small Medium and Micro Enterprises (SMMEs) and the economic growth of a nation (Aparicio, Urbano, & Audretsch, 2016; Bushe, 2019). SMMEs contribute to the gross domestic product of many economies but a number of them still end up in failure (Chew, Yan, & Chea, 2015). The government needs to promote entrepreneurial activities with the provision of loans and other technical supports for the development of SMMEs. Apart from government supports, studies show that lack of strategic capability is also responsible for the failure of SMMEs in their early stage of development (Bouazza, Ardjouman, & Abada, 2015; Bushe, 2019). For example, Small Enterprise Development Agency (SEDA, 2016) puts it that a high volume of SMMEs in South Africa fails within an average period of three and half years due to lack of necessary capabilities, managerial skills, and expertise for efficient production and operation of the business. The challenges of SMMEs include inadequate finance, poor infrastructure, lack of research and development, strict labour regulations, low workforce level, lack of government support, high crime rate, less access to market, lack of skills and competence, and lack of managerial and operations skills (SEDA, 2016). Hence, this chapter examines the strategies capabilities that are essential for the sustainability of SMMEs.

Galpin, Whittington, and Bell (2015) indicated that sustainability has become very dominant in the twenty-first century, which has undoubtedly led existing and developing businesses to base part of their strategic objectives on sustainability. However, the ability to implement these strategic objectives by small businesses will require updating the necessary capabilities that will support its sustainability (McCarthy & Gottschalk, 2014). It is usually difficult for one organisation to imitate the competencies of another. However, organisation that wishes to strive and sustain itself above others will require capabilities that cannot be easily replicated by competitors (Breznik & Hisrich, 2014). A global survey showed that over a thousand corporate executives indicated that there is an increase in the risk of not acting on sustainability, as it is detrimental to the survival of large and small businesses (Breznik & Hisrich, 2014). When a well-designed business strategy is executed, it will enhance an organisation's competitive advantage (Parnell, 2011). Galpin, Whittington, and Bell (2015) opined that organisations should consider incorporating sustainability into its organisational culture as a form of strategy. Galpin et al. (2015) study further indicated that it is necessary to formulate a strategic plan that creates and nurtures sustainability to complement a value system set to achieve its organisational goals and objectives. This chapter examines the strategic capabilities that are necessary

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