SMMES CAPACITY INFLUENCE ON CUSTOMER SATISFACTION, RELATIONSHIP MARKETING AND BUSINESS PERFORMANCE IN AN EMERGING MARKET

Vulumuzi Bhebhe
The DaVinci Institute for Technology Management, South Africa

ABSTRACT

The importance of business performance in the corporate world cannot be over-emphasized. As a result, interest on the antecedents of sustainable business performance and profitability by the business practitioners and academicians alike has been on the increase. Nevertheless, research in the context of small, micro and medium enterprises (SMMEs) related to the role played by enterprise capacity and relationship marketing on business performance remains scant attention – especially in an emerging market such as South Africa. In view of this research gap, the purpose of this study is to examine the influence of internal marketing capacity, innovation capacity, relationship marketing and customer satisfaction on SMMEs' performance in South Africa. Seven hypotheses were posited and empirically tested using a data set of 380 collected from three Provinces in South Africa. The results support the proposed hypotheses. The managerial implications of the findings are discussed and limitations and future research directions are indicated.

KEYWORDS: Internal marketing; relationship marketing; innovation capacity; customer satisfaction; business performance; SMMEs; Emerging Markets

Address Correspondence to: Vulumuzi Bhebhe, DaVinci Institute for Technology Management, South Africa.
Email: vu@uigroup.co.za
1. INTRODUCTION

Small, micro and medium enterprises (SMMEs) are receiving great attention from the government of South Africa, Goldstuck, (2012). For instance, according to Goldstuck, (2012), the Estimates of National Expenditure 2011, 36 published by the South African Government, a total of R2-billion was budgeted for the Department of Communications for 2010/11. Of this total, R1.289-billion was allocated to ICT enterprise development. This is so because SMMEs employ 60% to 70% of the country’s labour force (e.g, Zahra, Neubaum, & Naldi, 2007; Olawale, & Garwe, 2010), and contribute 70% of the GDP. As such, there has been growing interest from the academics, business practitioners and policy makers on what influences sustainable SMMEs performance in South Africa – the second biggest economy in Africa. For instance, a study by (Terziovski, Fitzpatrick, & O'Neall, 2003), found customer satisfaction and business process reengineering (BPR) as predictors of business performance in financial services sector. (Hervani, Helms, & Sarkis, 2005), noted innovation capacity to have an important influence on business performance in the supply chain industry, while Grönroos, (1994), found internal marketing and relationship marketing to play an instrumental role in the small business performance, (Kandampully, & Suhartanto, 2000), in the hospitality industry. Other studies have identified relationship longevity, resources endowments, entrepreneurship skills among others as important determinants of business performance (Kamdar, & Van Dyne, 2007). However, it appears from the existing body of literature that researchers have neglected to investigate the important influence of internal marketing on business performance and the mediating role played by innovation capacity, relationship marketing and customer satisfaction in this internal marketing – business performance relationship - especially in the context of small, micro and medium enterprises. Given the aforementioned importance of SMMEs in an emerging marketing such as South Africa, it is astonishing that there is impoverished research on such important predictors of business performance in a crucial sector of the economy – hence the need to address this lacuna. In view of this identified research void, the objectives of this study are therefore to:

- investigate the influence of internal marketing capacity on customer relationship marketing in the South African SMMEs sector
- examine the influence internal marketing capacity on innovation capacity in the South African SMMEs sector
- determine the influential role played by internal marketing capacity on customer satisfaction in the South African SMMEs sector
- assess the influence of relationship marketing on business performance in the South African SMMEs sector
- explore the role played by innovation capacity on business performance in the South African SMMEs sector
- investigate the influence of customer satisfaction on business performance in the South African SMMEs sector
- explore whether Innovation capacity is a by-product of effective Internal Organisational Marketing Capacity within the total early stage of entrepreneurial activity.

The rest of the article is organised as follows. A review of the literature, conceptual framework and hypotheses are provided. These are followed by the discussion of methodology, the constructs and scales used, and the analysis and conclusions are outlined. Finally, managerial implications, limitations and future research directions are given.
2. LITERATURE REVIEW

2.1 Innovation
It is a symbol of advancement in core industries, thus automotive, to telecommunications, from information technology to medicine and rocket science, from solar energy to astronomy, from the financial services industry to mining, from the airline industry to space technology, (Lessem, & Schieffer, 2010). Innovation for the bottom of the pyramid markets is another sustainability vehicle. Most companies target consumers at the upper tiers of the economic pyramid, completely overlooking the business potential at the base. South African Start-ups and SMMEs already have access to the low-income markets which fortunately remains mainly untapped. The world's poor is distressingly plentiful with 65 % earning below $2000 / +/- R20 000 per year (Prahalad & Hammond, 2002). This market is made up of about 4 billion people, a market largely untapped by the world's multi-national companies. Prahalad & Hammond, 2002), further makes an assertion that that market of roughly having about 4 billion people remains untapped by the world's multinational companies is due to the assumption that the market has no meaningful disposable income. The hypothesis is that such income markets have little to spend on goods and services and what they spend on is just food, shelter and other basic necessities. They further theorise that it is assumed that there are various barriers to commerce like corruption, illiteracy, inadequate infrastructure, currency fluctuations, bureaucratic red-tape, inter alia. These barriers are assumed to be the causative factors that make it impossible to run profitable enterprises in these markets. Such assumptions are a reflection of a narrow and out-dated view of the emerging markets (Prahalad, & Hammond, 2002).

2.2 Relationship Marketing:
Customer Relationship Marketing is a critical business construct (Granero & Vega-Jurado, 2012), without which business success might be a pipe dream (Granero & Vega-Jurado, 2012. It is imperative to uphold cognitive construct that, innovation is multi-faceted. Product innovation and social innovation have dominated the extent pragmatic modern literature (Lessem & Schieffer, 2010). Relationships with clients are progressive and to add another twist to the already complicated business construct, customers' wants and needs are heterogeneously considered. It, therefore, makes us infer that adopting a customer relationship marketing philosophy as well as training staff to be client centric and systematically evolve with the clients' needs over time as a social innovation construct (Lessem & Schieffer, 2010).

2.3 Internal Marketing:
According to Ahmed & Rafiq (2002), Internal Marketing is a planned effort using marketing like approach directed at motivating employees, for implementing and integrating organisational strategies towards customer orientation. This term was coined in the mid-1970s on having a satisfied customer through the use of a satisfied labour force. It had its foundation on attaining perpetual service quality (Ahmed, & Rafiq 2002).
Extant literature has myriads of meanings attributed to Internal Marketing, hence the reason for its largely impoverished use, (Ahmed & Rafiq, 2002). In order for Internal Marketing to be effectively operationalized as a paradigm of organisational transformation, management and implementation strategies, it is prudent to give clarity as to what internal marketing really is. Ahmed & Rafiq (2002) theorised that the application of marketing-like philosophy and marketing-like tools internally moderates the relationship between Internal Marketing mix and organisational competencies. It means organisations that employ Internal Marketing easily accomplish a greater level of customer satisfaction than those that do not, (for example However, in order for employees to practise effective organisational Marketing in order to create synergies within the organisation, they need adequate training, motivation, communication, retention efforts and the recruitment and selection has to be rigorous (Ahmed, Rafiq & Saad, 2003).

2.4. Organisational Performance:
Measuring performance in most organisations seems to have one flow and that, it is backwards looking. All too often, when Managers get the information on spreadsheets they do not have the necessary technical and managerial skills to complete the analysis necessary for the root causes to be identified.

2.5. Customer Satisfaction:
Satisfaction can be defined as a psychological phenomenon, which is further defined as an emotional state that appears to a purchaser while making comparable process Wojciechowska-Solis, (2013). According to Chawarika (2016) customers are critical to analysing the business environment. It can further be defined as a result of service of product consumption and evaluating its characteristics. Wojciechowska-Solis, (2013), further revealed that a customer confronts his experiences after using the services with his expectations, desires, individual standards, or a specific model of evaluation. If these expectations are met or exceeded, the customer is satisfied with the services, Wojciechowska-Solis, (2013). Customer satisfaction may be further defined as feelings, pleasure, happiness and or joy, feelings of frustration and disappointment brought about by one’s comparison of the purchased product’s performance and outcome in relation to originally perceived expectations, for example, (Mittal & Kamakura, 2001).
3. PROPOSED CONCEPTUAL MODEL AND RESEARCH HYPOTHESES

3.1. CONCEPTUAL MODEL

The theoretical framework guiding the investigation is depicted in figure 1 below, this research will use seven variables: repurchase intention, customer satisfaction, customer satisfaction, relationship marketing, internal marketing capacity, innovation capacity and business performance. Figure 1 depicts the conceptualised research model. The hypothesised relationships between the research constructs will also be discussed hereafter.

3.2. Hypotheses Development

3.2.1 Internal Marketing capability and Relationship Marketing

Internal Organizational marketing when leveraged effectively is a precursor in achieving customer satisfaction and trust (Ahmed et al., 2003). At the same time, extant literature has pointed to the fact that, Internal Organisational Marketing is a catalyst for service quality, which in turn is an antecedent for cognitive trust. Cognitive trust impacts customer loyalty through effective variables such as emotions, satisfaction and effective commitment (Ranganathan, Madupu, Sen, & Brooks, 2013). Long term customer loyalty is directly proportionate to the effective harnessing of Customer Relationship Marketing. Companies that employ effect customer relationship programs through staff that have received adequate internal organisational marketing training techniques could expect improved performance and better turnover, e.g. (Granero & Vega-Jurado, 2012). It can, therefore, be theorised that, based on extant literature, providing employees with training in Internal organisational marketing results in organisations that are effective in Customer Relation Marketing. This has a direct proportionate effect on customer emotions like trust, giving a ripple effect to long- term relationships that prove to be vital in organisational performance in the long run. Based on the above philosophies, the researcher then hypothesised that:

\[ H1: \text{There seems to be a positive relationship between Internal Organisational Marketing Capability and Customer Relationship Marketing Capability.} \]

3.2.2. Internal Marketing Capacity and Customer Satisfaction

Marketing mix and organisational competencies. This profoundly means organisations that employ Internal Marketing easily accomplish a greater level of customer satisfaction than those that do not. However, in order for employees to practise effective organisational Marketing in order to create synergies within the organisation, they need adequate training, motivation, communication, retention efforts and the recruitment and selection has to be rigorous (Ahmed et al., 2003). If there is leverage on Internal Organisational Marketing by Start-up SMMEs, the superior value gets extended to customers through the enterprise's rigorous market orientation. This then creates a competitive advantage through superior organisational performance, for example, (Ahmed et al., 2003). According to Ahmed et al., (2003), a strong market orientation in the value chain, therefore, creates competitive advantage in the customers' perception, which leads to superior organisational performance. It can, therefore, be posited that:

\[ H2: \text{There is a positive relationship between Internal Marketing capability and Customer Satisfaction.} \]
3.2.3. Internal Marketing Capability and Innovation capability
Pragmatic empirical findings in the extant literature are of the view that, knowledge sharing (Granero & Vega-Jurado, 2012) is imperative if an organisation has to harness innovation. Management's role in knowledge dissemination, which also includes Organisational Marketing, plays a critical role in the organisation's role in leveraging innovation, for example, (Granero & Vega-Jurado, 2012). Organisational structure and influence are catalysts in attaining organisational innovation and the absence of the antecedents easily influence how and what extent organisations innovate, (Granero & Vega-Jurado, 2012). The inference is that management has a direct influence in driving their respective organisations to be client centric through internal organisational marketing, which according to extant literature has a ripple effect on organisational capacity to innovation. Research and Development is a vital antecedent to innovation, though pragmatic findings are that not only Research and Development activities and other related activities are important, but that certain organisational attributes are of critical importance in creating a thriving enterprise (Granero & Vega-Jurado, 2012:17). Organisations need effective management to enhance performance. Deducing from the above, the author can posit that:

\[ H3: \text{There is a positive relationship between Internal Marketing Capability and Innovation capability.} \]

3.2.4. Customer Satisfaction and Business Performance:
Customer satisfaction is defined as feelings, pleasure, happiness and or joy, or feelings of frustration and disappointment brought about by one's comparison of the purchased product's performance and outcome in relation to originally perceived expectations, (Kotler & Armstrong, 2010). Customer satisfaction is a very abstract term (Wibawa, Sumarwan, & Dewi, 2010) and the state of satisfaction is dependent on a myriad of variables such like: personal preferences, product to product, culture, gender orientation and so on (Wabawa et al 2010. Satisfying a customer is an important part of marketing which when measured and applied appropriately could lead to customer loyalty and trust, and eventually business or organisational performance, for example, (Nusair & Kandampully, 2008). Taking the above hypotheses into cognisance as causal abstract constructs, the canvasser arrives at the notion that:

\[ H4: \text{There is positive a relationship between Customer Satisfaction and Business Performance.} \]

3.2.5. Innovation Capability and Business Performance
The mantra of today’s business is “innovate or die”. This directly equates to the fact that businesses that do not innovate (Product Innovation or Social Innovation) according to Lessem & Schieffer (2010) face demise sooner rather than later. Innovation and economic development are intertwined (Savitskaya Salmi & Torkkeli, 2010), these findings directly link the capability of an organisation to innovate to its performance. Failure to effectively leverage and harness innovation leads to mediocre business performance and this can breed unsustainable start-ups and SMMEs. New product innovativeness is generally considered as an important indicator of new product performance. Companies that do not want to innovate in their product offering like the once number one cellular phone manufacturer Nokia, find the going tough and that competitors understand that innovation is directly proportional to performance and organisational success. Good examples of companies that harnessed innovation and leverage on innovation had enhanced on their performance. Based on the above constructs, the researcher then posits that:

\[ H5: \text{There seems to be a positive relationship between Innovation Capability and Business Performance} \]
3.2.6. Innovation capability and Relationship Marketing

Innovation by its very nature is transformative (Lessem & Schieffer, 2010), and therefore if organisations have to transform themselves to be profitable, innovation has to be their mantra. However, having innovation as the mantra of the organisation without building relationships with clients might not yield the desired results for Start-up and SMMEs. It is imperative to uphold cognitive construct that innovation is multi-faceted. Product innovation and social innovation have dominated the extant pragmatic modern literature (Lessem & Schieffer, 2010). Relationships with clients are progressive and to add another twist to the already complicated business construct, customers' wants and needs are heterogeneous in nature. This, therefore, makes us infer that adopting a customer relationship marketing philosophy as well as training staff to be client centric and systematically evolve with the clients' needs over time, is in itself an innovative act. Urban & Hauser (2004) observed that, as a social innovation construct (Lessem & Schieffer, 2010), one can then conclude that trying to put these business constructs on a hierarchy is more of an "egg and chicken" scenario. Therefore the researcher postulates that innovation and customer relationship marketing are intertwined business constructs that Start-up SMMEs cannot operate without employing. The researcher then posited that:

H5: There is a positive relationship between Innovation capability and Relationship Marketing

3.2.7. Relationship Marketing and Business Performance

In order to remain relevant and viable, a complete paradigm and regime change has to be the main focus of Start-up and SMMEs. Not focusing on Customer Relationships and enhancing performance can result in Start-up and SMMEs demise. Suppliers and customer seem to be currently swept by the trend of shifting paradigms between suppliers and customers. Sols & Verma, (2008) revealed that suppliers are realising the importance of long-term business relationships hence the serious paradigm shift. Being in sync with customers' needs has a positive core relation to customers' trust, which in turn has a positive effect on loyalty and long term relationships. Equipping marketers and indeed Start-up and SMMEs with this knowledge yield positive results for the young entrepreneurs and indeed the economy at large. Managers and planners need to seriously embark on a regular dialogue with diverse customers. His theory is that companies have to wake up to the realisation that customers have heterogeneous needs and having unique relationships with these individual clients which result in satisfied clients, for example, Kotler & Armstrong (2010) related trust to long term relationships—which he said improves profitability and indeed performance. With these constructs, the researcher then posits that:

H7: There seems to be a positive relationship between Relationship Marketing capability and Business Performance.
4. RESEARCH METHODOLOGY

4.1 Sample and data collection
The target population for the study was start-ups and SMMEs within the total early stage of entrepreneurial activity in Gauteng, KwaZulu-Natal and North West Provinces of South Africa. Students from the three provinces were recruited as research assistants to distribute and collect the questionnaires. A total of 400 questionnaires were distributed and 380 usable questionnaires were retrieved for final data analysis. This figure represented a response rate of 95%. To eliminate differences in response patterns due to different reference points, all respondents were prompted to answer the questionnaire with reference to specific business or enterprise and then complete the entire questionnaire, guided by the research assistants.

4.2 Measurement Instrument and Questionnaire Design
The research scales employed for this study were operationalised on the basis of previous work. Appropriate modifications were made in order to fit the current research context and purpose. A seven (7) item scale which was adopted from Ahmed, et al., 2003 was used to measure “Internal Organisational Marketing Capability”; A four (4) item scale was adopted from Chinomona (2012) was also used to measure “Innovation Capability”; a five (5) item scale was adopted from Chinomona, (2013) was used in measuring “Customer Satisfaction”. A five (5) item scale which was adopted from Nieto, Hernández-Maestro, & Muñoz-Gallego (2014) was used to measure “Business Performance”; while a five (5) item scale which was adopted from Leverin & Liljander (2006) was used for “Relationship Marketing Capability”. All the measurement items which used a five-point Likert-type scale was done by representing 1= strongly disagree to 5= strongly agree to express the degree of agreement.

5. DATA ANALYSIS

5.1 Structural Equation Modelling Approach
In order to statistically analyse the measurement and structural models, this study used Structural Equation Modeling (SEM) technique (Ringle, Wende & Will 2005). This study commences the data analysis section by coding the data in Excel spreadsheet and cleaning the data for missing entries and double entries. This was followed by descriptive statistics and confirmatory factor analysis thereafter. Finally, the path modelling which tested the hypothesised relationships was performed and research findings were discussed. In SEM, the measurement model refers to the linkages between the latent variables and their manifest variables and the structural model captures the hypothesised causal relationships among the research constructs.

5.2 Accuracy Analysis Statistics:
Mean scores of scales and their corresponding scale items are presented in Table 1 while scale constructs are presented in table 2. Thereafter, a discussion on the individual scale item test summaries related to research scale reliability and validity follows. Convergent validity was confirmed by assessing whether the loadings between each underlying construct and its corresponding scale items were statistically significant. All factor loadings in the CFA were significant (between 0.5 and 0.8), thus supporting the convergent validity of all scale items. Discriminant validity of the research constructs was assessed using correlations among latent constructs of less than 1.0, acceptable CFA model fit, and the chi-squared difference in all two-factor (i.e., any paired latent constructs) CFA tests that restricted the factor inter-correlations to the unit. The results of scale reliability tests are presented in Table 1.
Table 1: CFA Assessment of the measurement instruments

| Research Construct | Descriptive Statistics | Cronbach’s Alpha | C.R. Value | AVE Value | Factor/Item Loading |
|--------------------|------------------------|------------------|-----------|-----------|---------------------|
|                    |                        | Mean Value       | Standard  | Item--to-Total | Alpha Value         |                  |
|                    |                        |                  | Deviation | Correlation  |                    |                  |
| IM                 | IM1                    | 5.73             | 1.292     | 0.591       | 0.647               |
|                    | IM2                    | 5.88             | 1.107     | 0.627       | 0.641               |
|                    | IM3                    | 5.98             | 1.104     | 0.636       | 0.646               |
|                    | IM4                    | 5.97             | 1.085     | 0.684       | 0.690               |
|                    | IM5                    | 5.92             | 1.034     | 0.724       | 0.827               |
|                    | IM6                    | 5.82             | 1.019     | 0.726       | 0.847               |
|                    | IM7                    | 5.84             | 1.042     | 0.712       | 0.833               |
|                    | IM8                    | 5.56             | 1.077     | 0.601       | 0.635               |
|                    | IM9                    | 5.58             | 1.057     | 0.565       | 0.579               |
|                    | IM10                   | 5.58             | 1.070     | 0.521       | 0.535               |
|                    | IM11                   | 5.67             | 1.066     | 0.616       | 0.582               |
|                    | IM12                   | 5.70             | 1.106     | 0.654       | 0.602               |
|                    | IM13                   | 5.80             | 1.118     | 0.646       | 0.596               |
|                    | IM14                   | 5.86             | 1.012     | 0.536       | 0.611               |
|                    | IM15                   | 5.75             | 1.077     | 0.501       | 0.782               |
| RM                 | RM1                    | 4.39             | 0.845     | 0.363       | 0.666               |
|                    | RM2                    | 4.19             | 0.832     | 0.487       | 0.731               |
|                    | RM3                    | 4.19             | 0.798     | 0.583       | 0.543               |
|                    | RM4                    | 4.24             | 0.760     | 0.593       | 0.525               |
|                    | RM5                    | 4.29             | 0.707     | 0.567       | 0.570               |
|                    | RM6                    | 4.23             | 0.763     | 0.515       | 0.512               |
|                    | RM7                    | 4.24             | 0.807     | 0.545       | 0.700               |

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| Variable | IM | RM | BP | CS |
|----------|----|----|----|----|
| IM       | 1  |    |    |    |
| RM       | 0.521 | 1  |    |    |
| BP       | 0.449 | 0.428 | 1  |    |
| CS       | 0.417 | 0.494 | 0.546 | 1  |

As can be seen, most of the item-to-total values were above 0.5. The Cronbach’s alpha coefficients were between 0.715 and 0.916 while composite reliability (C.R.) indexes were between 0.713 and 0.902. All correlation values were less than 0.8 (See Table 2 showing the construct-correlation matrix). All item loading ranged from 0.5 to 0.7. These values surpass the estimate criteria used by prior literature. All average extracted (AVE) values were above 0.4 and most approached 0.5, therefore being fairly accepted.
5.3. Model Fit Assessment

The results for the measurement model are presented in Table 3. The goodness-of-fit index (GFI) value was 0.900, which indicate a good fit. Since Hoyle and Panter (1995) suggested that GFI might suffer from inconsistencies due to sampling characteristics, this study report four other fit indices that have been viewed as robust to sampling characteristics (Hair, Black, Babin, Anderson, Tatham, 2006), that is: the comparative fit index (CFI), incremental fit index (IFI), Normed fit index (NFI) and the root mean square error of approximation (RMSEA). Values in the range equal or above .90 have been noted as designating adequate fit for CFI, IFI, NFI indices and less than 0.080 for RMSEA index. Also as indicated in Table 3, the fit for all these indices was adequate.

Table 3: Model Fit Assessment

| Model Fit Indices                          | Acceptable Threshold | CFA Model Fit Values | Acceptable / Unacceptable |
|-------------------------------------------|----------------------|----------------------|---------------------------|
| Chi-Square Value: χ2/(df)                 | <3                   | 2.612                | Acceptable                |
| Comparative Fit Index (CFI)               | > 0.900              | 0.963                | Acceptable                |
| Goodness of Fit Index (GFI)               | > 0.900              | 0.975                | Acceptable                |
| Incremental Fit Index (IFI)               | > 0.900              | 0.933                | Acceptable                |
| Normed Fit Index (NFI)                    | > 0.900              | 0.987                | Acceptable                |
| Tucker Lewis Index (TLI)                  | > 0.900              | 0.956                | Acceptable                |
| Random Measure of Standard Error Approximation (RMSEA) | < 0.08              | 0.079                | Acceptable                |

5.4. Structural Model Results

Since acceptable CFA measurement model fit was obtained, the study proceeded to the next stage of checking the structural model fit and hypothesis testing. Table 4 presents the results for the structural model depicted in Figure 1. The overall fit of the structural model was adequate and the recommended statistics for the overall structural equation model fit indices were $\chi^2$/df =2.9612; GFI=0.93; CFI=0.98; IFI=0.98; NFI=0.97; RMR=0.49 and RMSEA=0.080. As shown in Table 4, the completely standardised path estimates indicate significant relationships among the constructs at p<0.10. These results provided support for the entire proposed seven research hypothesis. The path coefficients for H1, H2, H3, H4, H5, H6 and H7 are $\beta_1=0.433$, $\beta_2=0.387$, $\beta_3=0.448$, $\beta_4=0.389$, $\beta_5=0.239$, $\beta_6=0.3279$ and $\beta_7=0.280$ respectively.
Table 4: Path Modelling Results

| Hypothesis                                      | Hypothesis | Factor loading | Supported and rejected |
|------------------------------------------------|------------|----------------|------------------------|
| Internal Marketing Capacity (IMC) ✕ Relationship Marketing (RM) | H1          | 0.433          | Supported and significant |
|                                                | H2          | 0.387          | Supported and significant |
| Internal Marketing Capacity (IMC) ✕ Customer Satisfaction (CS) | H3          | 0.448          | Supported and significant |
| Internal Marketing Capacity (IMC) ✕ Innovation Capacity (IC)      | H4          | 0.389          | Supported and significant |
| Customer Satisfaction (CS) ✕ Business Performance (BP)            | H5          | 0.239          | Supported and significant |
| Internal Marketing Capacity (IMC) ✕ Customer Satisfaction (CS) | H6          | 0.279          | Supported and significant |
| Innovation Capacity (IC) ✕ Business Performance (BP)              | H7          | 0.280          | Supported and significant |

Specifically, the first postulated hypothesis was the relationship between internal marketing capacity and relationship marketing. Consistent with hypothesis one (H1), results indicate that the greater the internal marketing capacity the higher the levels of relationship marketing. The second posited hypothesis was a positive relationship between internal marketing capacity and customer satisfaction. Also in support of hypothesis two (H2), the results indicate that higher levels of internal marketing capacity are positively associated with higher levels of customer satisfaction. The third proposed hypothesis was a positive relationship between internal marketing capacity and innovative capacity. The path coefficient of internal marketing capacity and innovation capacity is positive and significant. This implies that hypothesis three (H3) is consistent with the current study prediction and is supported. Thus, higher levels of internal marketing capacity are associated with higher levels of the SME innovation capacity. The fourth posited hypothesis was the relationship between customer satisfaction and business performance. Also in support of hypothesis four (H4), the results indicate that the greater the levels of customer satisfaction the greater the business performance.
The fifth postulated hypothesis was the relationship between innovation capacity and business performance. The current study empirical results are in line with the proposed hypothesis five (H5) and support the reasoning that the higher the levels of innovation capacity the higher the business performance. The sixth posited hypothesis was a positive relationship between innovation capacity and relationship marketing. Also in support of hypothesis six (H6), the results indicate that higher levels of innovation capacity are positively associated with higher levels of relationship marketing. The last proposed hypothesis was a positive relationship between relationship marketing and business performance. The path coefficient of relationship marketing and business performance is positive and significant. This implies that hypothesis seven (H7) is consistent with the current study prediction and is supported. Thus, higher levels of relationship marketing are associated with higher levels of business performance.

![Figure 2: Path Model Results](image)

6. DISCUSSION AND CONCLUSIONS
The purpose of the current research was to examine the influence of internal marketing capacity on business performance and the mediating role of customer satisfaction, relationship marketing and innovation capacity in this internal marketing capacity – business performance relationship. In particular, seven hypotheses were posited. To test the hypotheses data were collected from three Provinces of South Africa. Drawing from the empirical results of this study, all the postulated research hypotheses were supported in a significant way. Important to note about the study findings is the fact that the overall research findings fitted in the conceptual research model. In the conceptual research model, internal marketing capacity was the sole predictor variable while customer satisfaction, relationship marketing and innovative capacity are the mediating variables. Business performance is the sole outcome variable. The hypothesised relationships and the path coefficients were depicted Figure 2.

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The overall research results indicate that internal marketing has a stronger influence on innovative capacity (0.448) than it has on relationship marketing (0.433) and customer satisfaction (0.387). At the same time, internal marketing has a strong effect on relationship marketing (0.433) than innovative capacity has on relationship marketing (0.239). Finally, Customer satisfaction has a stronger impact on business performance (0.389) when compared to relationship marketing – business performance relationship (0.280) and innovation capacity – business performance relationship (0.239).

6.1. OVERALL IMPLICATIONS AND CONTRIBUTIONS

6.1.1 Implications for managers
In the South African and emerging markets context, businesses that satisfy their clients will tend to perform better and will be more sustainable than the ones that do not. Similarly, in these emerging markets and mainly in the South African context, Start-ups and SMMEs have to train their employees more on internal marketing and relationship marketing. This is due to the fact that this makes them to be more innovative and according to the study results, innovation is the number one contributor to customer satisfaction. Customer Satisfaction leads Business Performance and or sustainability of SMMEs.

6.1.2 Implications for policy makers
Over the years, special prominence has been placed blame on access to capital as the principal reason for Start-ups and SMMEs failure in South Africa. This study corroborates that whilst lack of access to capital has a bearing on the start-ups and SMMEs success, it is however not the chief reason. It could be strategic for policy makers in South Africa to emphasise on adequate training in entrepreneurship before making funds available to Start-ups and SMMES who are in the Total Early-Stage of Entrepreneurial Activity (TEA). In the training programmes, Policymakers could strategically include the related constructs such as Internal Marketing; Relationship Marketing; Innovation; and customer service techniques that could make Start-up SMMEs to have satisfied clients and eventually make them more sustainable. Forward planning as well as introducing entrepreneurial training to nascent entrepreneurs at very tender age has to be looked into by policy makers, as these are the antecedents that create entrepreneurial intention at a very tender age.

6.1.3 Academia Contribution:
The paramount contribution made by this study to academicians is through the development of a model that seek to explain relational cohesion between business performance and internal marketing, relationship marketing, innovation capacity and customer satisfaction for Start-ups in the total early stage of entrepreneurial activity within the South African context and indeed the emerging markets arena. Such an endeavour has hardly been done yet, at least to the best knowledge of the researcher and therefore, could be one of the first of its kind. Total Early Stage Model (TEAM). The developed in this thesis can possibly be utilised by other future researchers to investigate the relationship between Business Performance and Customer satisfaction, innovative capacity, internal marketing capacity and relationship marketing for different business contexts such as advertising, logistics, supply chain management, inter alia.
Whilst research is awash with business performance topic, rarely has this been done in the context of start-ups in the early stage development of entrepreneurial activity, more so in the emerging markets context. Much research has been focused on medium to big companies, most of which are in the developed worlds. Furthermore, the sustainability framework developed in this research can be used by other researchers in business and other fields in future studies. To a large extent, the contribution made by this enquiry can be considered to be a supplement to current academic knowledge and the existing body of literature, on SMMEs that are at the early stage development phase, particularly in the context of emerging markets where there is impoverished research.

6.2. Limitations and future research:
Due to budgetary constraints, this study was only limited to Gauteng, NorthWest and KwaZulu-Natal. Some provinces were not touched and this could provide a gap for future academicians to research on. Furthermore, the study has only been limited to start-ups and SMMEs at the Total Early-Stage Development of Entrepreneurial Activity that are registered. The informal Start-ups that are not registered have not been included and this could be of great interest to future researchers. Lastly, this study did not touch on rural start-ups and SMMEs. Future studies can also include these peripheral groups.

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**APPENDIX: MEASUREMENT**

**INSTRUMENTS Internal Marketing**

1. Strategic reward

| B.1 | Our system is linked to our business goals. | Strongly disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly agree |
|-----|-------------------------------------------|------------------|---|---|---|---|---|---|---|----------------|

| B.2 | Our employees are informed about how they are rewarded. | Strongly disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly agree |
|-----|----------------------------------------------------------|------------------|---|---|---|---|---|---|---|----------------|

| B.3 | Our employees are informed why they are rewarded. | Strongly disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly agree |
|-----|--------------------------------------------------------|------------------|---|---|---|---|---|---|---|----------------|

| B.4 | Our enterprise reward system emphasizes motivation. Those behaviors, actions and accomplishments that help advance our organisation towards our business goals. | Strongly disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly agree |
|-----|---------------------------------------------------------------------------------------------------------------------------------------------------------------|------------------|---|---|---|---|---|---|---|----------------|

2. Internal communications

| B.5 | Our enterprise internal communications is the key to creating understanding amongst our employees. | Strongly disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly agree |
|-----|--------------------------------------------------------------------------------------------------------|------------------|---|---|---|---|---|---|---|----------------|

| B.6 | Our enterprise internal communications is the key to building ownership amongst our | Strongly disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly agree |
|-----|-------------------------------------------------------------------------------------------------------|------------------|---|---|---|---|---|---|---|----------------|

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employees.

B.7 Our enterprise internal communication is the key to providing information to all our employees. | Strongly disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly agree

B.8 Our enterprise internal communication is consistent with our advertising to external customers. | Strongly disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly agree

B.9 Our enterprise internal communications is consistent with our external public relations. | Strongly disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly agree

B.10 Our internal communications is consistent with all forms of our external communications. | Strongly disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 |

3. Training and development

B.11 Our enterprise training and development programme is clearly directed at creating the competencies that are important to our business. | Strongly disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly agree

B.12 Our enterprise believes that keeping up with changing technologies requires continuous re-examination of our training programmes. | Strongly disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly agree

B.13 Our enterprise believes that keeping up with changing business demands requires continuous re-examination of our training programmes. | Strongly disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly agree

4. Senior leadership

B.14 Our enterprise believe that our leadership possesses intellectual ability to move the company and its employees towards the right direction | Strongly disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly agree

B.15 Our enterprise strategic leadership puts emphasises on path-finding and culture-building to bridge the gap between strategy formulation and strategy implementation. | Strongly disagree | 1 | 2 | 3 | 4 | 5 | 6 | 7 | Strongly agree

Relationship Marketing

1. Customer relationship and satisfaction

| C.1 | I am satisfied with the quality of our enterprise’s services | Strongly disagree | 1 | 2 | 3 | 4 | 5 | Strongly agree

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|   | Statement                                                                 | Agreement Level | 1 | 2 | 3 | 4 | 5          |
|---|--------------------------------------------------------------------------|-----------------|---|---|---|---|------------|
| C.2 | I am satisfied with the enterprise’s bonus program.                      | Strongly disagree | 1 | 2 | 3 | 4 | Strongly agree |
| C.3 | When I have experienced unforeseen or critical situations, the enterprise has managed these in a satisfactory manner. | Strongly disagree | 1 | 2 | 3 | 4 | Strongly agree |
| C.4 | I am satisfied with the interactions that I have had with the enterprise | Strongly disagree | 1 | 2 | 3 | 4 | Strongly agree |
| C.5 | I trust that the enterprise informs me about new services/products       | Strongly disagree | 1 | 2 | 3 | 4 | Strongly agree |
| C.6 | The enterprise satisfies my needs                                        | Strongly disagree | 1 | 2 | 3 | 4 | Strongly agree |

2. Relationship improvement

|   | Statement                                                                 | Agreement Level | 1 | 2 | 3 | 4 | 5          |
|---|--------------------------------------------------------------------------|-----------------|---|---|---|---|------------|
| C.7 | The quality of our services has improved over the past 4-5 years         | Strongly disagree | 1 | 2 | 3 | 4 | Strongly agree |
| C.8 | My overall satisfaction with the enterprise has increased over the past 4-5 years | Strongly disagree | 1 | 2 | 3 | 4 | Strongly agree |
| C.9 | I have become more loyal towards the enterprise over the past 4-5 years   | Strongly disagree | 1 | 2 | 3 | 4 | Strongly agree |

3. Customer loyalty

|   | Statement                                                                 | Agreement Level | 1 | 2 | 3 | 4 | 5          |
|---|--------------------------------------------------------------------------|-----------------|---|---|---|---|------------|
| C.10 | I have never seriously considered leaving enterprise’s                   | Strongly disagree | 1 | 2 | 3 | 4 | Strongly agree |
| C.11 | I consider myself to be a loyal to this enterprise                       | Strongly disagree | 1 | 2 | 3 | 4 | Strongly agree |
| C.12 | I conduct all my affairs at the enterprise                               | Strongly disagree | 1 | 2 | 3 | 4 | Strongly agree |
| C.13 | I would recommend the enterprise to friends and acquaintances             | Strongly disagree | 1 | 2 | 3 | 4 | Strongly agree |

**Business Performance**

Indicate your level of agreement with the following statements *(1=strongly disagree, 5=strongly agree)*

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D1. Overall the performance of our business is improving profitably.

D2. Overall the performance of our business is improving its growth in the number of clients.

D3. Our customer satisfaction is generally excellent.

D4. Overall business image / reputation to the public is improving.

D5. The market share of our business is growing.

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**Innovation Capability**

Indicate your level of agreement with the following statements (1=strongly disagree, 4=strongly agree)

| E1 | Our enterprise is better at developing new ideas aimed at helping customers. |
|----|--------------------------------------------------------------------------|
|    | Strongly disagree                                                         |

| E2 | Our enterprise is more able to fast track new offerings to customers.     |
|----|--------------------------------------------------------------------------|
|    | Strongly disagree                                                         |

| E3 | Our enterprise is better able to manage processes to keep costs down.    |
|----|--------------------------------------------------------------------------|
|    | Strongly disagree                                                         |

| E4 | Our enterprise is more able to package a total solution to solve customer problems. |
|----|--------------------------------------------------------------------------------|
|    | Strongly disagree                                                         |

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**Customer Satisfaction**

| F1 | If clients need products to use, I believe that they would be satisfied with getting them from our enterprise. |
|----|----------------------------------------------------------------------------------------------------------|
|    | Strongly disagree                                                         |

| F2 | Overall, in purchasing products from our enterprise, I believe that clients would be pleased.            |
|----|----------------------------------------------------------------------------------------------------------|
|    | Strongly disagree                                                         |

| F3 | I believe that purchasing from our enterprise is usually a satisfying experience for clients.            |
|----|----------------------------------------------------------------------------------------------------------|
|    | Strongly disagree                                                         |

| F4 | My feelings toward our enterprise’s service to clients can be characterized as satisfying.                 |
|----|----------------------------------------------------------------------------------------------------------|
|    | Strongly disagree                                                         |

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Author: Vulumuzi Bhebhe