

Implications of organisational capacity on project delivery of SMMEs in South Africa: A review of literature ¹

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Abstract

In this study, organisational capacity is considered as the sum of organisational capabilities to perform functions that will deliver expected levels of performance; suggesting that organisations must be enabled to solve problems, set and achieve objectives, learn and adapt operations to attain set goals. Therefore, this research investigates the relationship between organisational capacity of South African SMMEs and project delivery. Through a review of literature, the qualitative study sought to address the increasing levels of project failure among SMMEs in South Africa and move beyond understanding the failures in the context of finances as has been researched in the past to an organisational capacity context. The theory of resources and skills was adapted as theoretical lenses to enhance understanding of the importance of resources and skills for an organisation to fulfil its business objectives and gain competitive advantage. The study's findings reveal that SMMEs in South Africa lack the appropriate human resources with skills and innovative capabilities to enhance the organisation's capacity for project delivery. Instead of focusing on financial limitations alone, the study prompts a broader view of the problem to incorporate organisational capacity of SMMEs.

Key words: Organisational capacity; project delivery; small businesses; innovation; human resources; South Africa

Introduction

Organisations require some sort of enablement in order to carry out actions that fulfil their mission or achieve certain goals. According to Audenis (2010), perfect fulfilment of organisational activities is possible by establishing matching capacity in terms of the right resources at the right time, determining how much of those resources is required, and taking the steps necessary to ensure that service level requirements are met. In order to generate adequate capacity to contain organisational activities, investment decisions should be centred on strategy creation, ideal structure setup, finance, facilities, skill and program leadership (Clutterbuck & Doherty, 2019).

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To emphasise the importance of organisational capacity, the South African government has launched a number of initiatives to assist SMMEs in developing capacity. Supplier Development (SD), for example, is part of a company's efforts to help SMMEs improve capacity under the Broad Based Economic Empowerment (B-BEE) program. Enterprise development, according to Morales-Pooe (2016), is an organisational approach in which small businesses with growth potential are integrated into the economic mainstream (i.e., the value chain system) of industries to which they would not otherwise have had access.

South African public authorities, conscious of the capabilities of SMMEs, have attempted to establish support for these fragile entities through different measures, including financial aid and empowerment programs, since the early 2000s (Darroll, 2015; Mukwarami & Tengeh, 2020). Despite their efforts, many South African SMMEs are failing (Lose, Robertson, & Tengeh, 2015) due to a lack of organisational capacity; this is due to a management problem, which, although vital for any firm, is much more so for the SMMEs. It is even more so when we consider how difficult it is for these SMMEs to properly channel and optimize their internal capabilities. Furthermore, in the current context of the pandemic Covid-19 crisis, which has harmed many organisations, SMMEs' survival, sustainability, and project delivery ability are more important than ever, in particular by becoming more innovative and agile in order to better adapt to an increasingly complex, uncertain, and paradoxical world, but also by responding to a growing demand from employees who aspire to more "well-being" and "freedom" (Boubakary & Moskolai, 2021:4).

The SMMEs sector in South Africa contributes almost 40% of the country's gross domestic product. Nevertheless, it has an 80% failure rate, owing to a lack of managerial skills (Van Niekerk & Labuschagne, 2006). Businesses fail to delivery services and deliver projects for a variety of reasons, including a lack of expertise and competence in many aspects of running a firm. While gaining experience in any commercial situation does not ensure success, not having such experience increases the odds of failure dramatically. Ncwadi and Dangalazana (2005) hold similar views, focusing on project delivery in the construction industry, and argue that poor quality project management is causing labour outputs and quality performance in the construction industry to deteriorate on a daily basis. The central questions this study seeks to answer are: What is the impact of organisational capacity on SMMEs project delivery? How can project delivery be enhanced among SMMEs in South Africa? This study is coming against the backdrop of several studies which have explored the challenges confronting SMMEs in South Africa which have forced most of them to close down in a few years after being established. To put to context, project delivery refers to financing, planning, design, construction, operation, management, and maintenance of the project adopted by a business to achieve desired project outcomes (Gajurel, 2014).

As Boubakary (2019) and Boubakary and Zerbib (2019) pointed out, SMMEs have every interest in modifying their management models and recreating key procedures to better adapt to this new reality. Furthermore, as Kamdem (2016) points out, more than half of the world's economic growth champions will be African during the next decade, and SMME managers would profit from employing all of their imagination and inventiveness to succeed in the face of a crisis (Boubakary, 2020). As a result, the objective of this study is to add to the theoretical understanding of the role of SMMEs' organisational capacity in project delivery. The argument that the study is raising here is that the mobilisation of organisational resources and abilities, which is frequently necessary to explain strategic behaviour (Wtterwulge, 1998), may play a significant explanatory role in the project delivery of SMMEs.

Literature review

Organisational capacity

The ability of an organisation to perform a project or service is influenced by capacity. For the purposes of this research, organisational capacity is defined as the set of capabilities, knowledge, and resources that a company requires to be successful (Connolly & Lukas, 2000). Organisational capacity, according to Misener and Doherty (2009), is the amount to which an organisation possesses specific characteristics that have been recognized as crucial to goal attainment. Studies relate the lack of organizational capacity among South African SMMEs to a weak education system that fails to adequately prepare students for both official and informal work, as understood within the existing status of SMMEs (Mabunda & Frick, 2020). Even those who attend technical vocational education and training (TVET) do not get enough exposure through internships (Gewe, 2009; Mabunda & Frick, 2020). Organisational capacity is dependent on key elements namely: mission, vision and strategy, governance and leadership, finance, internal operations and management, programme delivery and impact and strategic leadership (Connolly & Lukas, 2000).

Organisational capacity is increased by effective partnerships, financial management, external linkages, capital resources, and formalisation, according to the World Bank (2009). As a result of the importance of organisational capacity, even international development organisations should make it a priority to enable their implementing partners to satisfy their performance responsibilities at any given moment. Capacity is vital for people, institutions, and society to execute duties, solve issues, and define and accomplish goals (Development Assistance Committee (DAC), 2006). It is important to explore literature on organisational capacity of SMMEs in South Africa in order to better understand how organisational capacity is linked to project delivery. Boubakary and Moskolai (2021) explored highlight the influence of the organisational capacity of SMMEs

on their performance and project delivery in Cameroon. The findings of the study revealed that the capacity to acquire knowledge and the ability to innovate positively influence the organisational and project delivery performance of the company.

Leitão and Franco (2011) looked at organisational capacity in the context of human resources and investigated the role played by the capacity of the entrepreneur for determining entrepreneurial project delivery. The study reveals that the unique significant human capital determinant is the entrepreneur's intuition and it needs to be complimented by an efficient organisational structure. Extant literature on South African SMMEs has pointed out the lack of capacity as one of the major causes of project failure and poor service delivery (Ngobo & Sukdio, 2015; Bushe, 2019). These studies point out that empowerment policies such as B-BEE, have not sufficiently alleviated the organisational capacity affecting SMMEs in South Africa.

It may be important to briefly discuss capacity building as part of a larger capacity development as it provides a more contemporary perspective on capacity development, it may be useful to briefly address. External elements, such as stakeholders and specific external actions that may be sectorial or legislative, impact or limit capacity growth inside an organisation (Arko-Achemfuor, 2019). In such instances, an organisation's internal growth programs must adhere to external environmental regulations in order for it to remain relevant and meaningfully contribute to society. Capacity is defined as the sum of capabilities and resources, as well as performance, change, and adaptation (Panagiotakopoulos, 2011). Skills and technical sufficiency, methods and processes utilised by the organisation to generate a desired performance are all examples of capabilities and resourcing (Bélanger & Hart, 2012). In order to be able to change and adapt, the organisation must set supportive institutional rules, such as policy instruments to enable/empower staff to act in a certain way which is consistent with expectations.

The theory of resources and skills

The theory of resources and skills helps to understand organisational capacity and its relationship with project delivery. The theory describes resources as tangible or intangible assets attached to the business (Lu, Zhou, Bruton & Li, 2010). The ability of an organisation, be it formal or informal, lies in the resources it has at its disposal or can mobilise to satisfy its customers (Grant, 1991). From this theoretical framework, SMMEs consist of assortments of assets and individuals that possess skills (Ramon-Jeronimo, Florez-Lopez & Araujo-Pinzon, 2019). In this sense, the resource approach considers the enterprise as a set of basic resources or assets, some of which are of particular importance, such as the firm's know-how of how to navigate its everyday business. This know-how refers to both the core competencies and the organisational capacities that make it possible to implement them.

Supporters of the theory argue that skills and competences are thus organisational routines that are maintained and improved through group learning (Kraaijenbrink, Spender & Groen, 2010; Burger-Helmchen & Frank, 2011). In other words, when resources are capable of doing a job or activity, they are a competency for the company that may create a competitive advantage if the task or activity is valued, scarce and sustained, difficult to duplicate, and non-substitutable (Kaleka, 2012). The failure of South African SMMEs has been related to a lack of human and financial resources, limiting their ability to provide projects and services. According to the principle, when a company has enough resources, it has a competitive edge. It is necessary for an organization to be exposed to learning in order to grow its skill capacity. The South African government has attempted to apply this theory using the B-BEE's Supplier Development where programs such as incubation are meant to develop the organisational capacity in terms of skills acquisition and project delivery. Desreumaux et al. (2006) Resource analysis therefore emphasises the importance of combining resources and skills in the pursuit of competitive advantage, as the business is equated with a portfolio of resources that cannot be traded on the market.

Research approach

This study used a systematic review of the literature to determine the implications of organisational capability on SMME project delivery in South Africa. A review of the literature was chosen because it is repeatable and provides a clear approach for selecting relevant research, as Baker (2010) advised. The articles that were included have to be published in English and peer-reviewed with empirical evidence. These articles were designed to cover organisational capability in connection to SMMEs in the most relevant way possible. The process of choosing eligible research was broken down into multiple parts, each of which involved either including or excluding papers based on pre-set criteria. The first phase included the initial search. In this phase, selection of the papers was based on searching for relevant journal articles from Scopus. As the evaluation was confined to prominent peer-reviewed publications, Scopus was used to reduce the number of papers examined. Other databases, such as Google Scholar, have a far bigger number of publications, but they also include various types of publications, such as working papers, conference papers, and student assignments, which we didn't want to include in our search. Search was performed by the following keywords: "capacity", "SMMEs", "organisational capacity", "project delivery", "small business", and "small enterprises", browsing title, abstract and keywords. A total of 122 related articles were found.

In the second phase, articles were excluded if they did not belong to the subject area "Project Management". The review's goal was to reach a high level of management

relevance, and publications in that topic area were presumed to match that standard. Furthermore, only essays and articles in the press were considered. The number of articles was reduced to 59 during this period.

Articles were removed in the third round based on their titles. The remaining articles were examined title by title, and those that did not satisfy the predetermined criteria were eliminated. The number of articles was reduced to 55 at this phase.

The abstract check came in the fourth phase. All of the remaining publications' abstracts were examined, and those that were inappropriate were removed from the list of relevant papers. The number of articles was decreased to 53 at the end of this phase. In the fifth phase, articles were excluded based on the full text.

This phase finally ensured that all the articles met the predefined inclusion and exclusion criteria. Thus, the final number of relevant articles was 39.

Findings

SMMEs' ability to acquire new skills and knowledge

The scarcity of skills needed to fuel company growth is a socioeconomic issue in South Africa, having significant implications for SMMEs' organizational capability and general ability to survive (Ramukumba, 2014; Mateus, Allen-Ile, & Iwu, 2014; World Economic Forum, 2014). Despite the necessity to invest in skill acquisition, SMMEs have traditionally been hesitant to give formal training to their staff for a variety of reasons (Bruwer & Smith, 2018). These factors might be time or cost-related, both of which SMMEs have historically had limited resources for. While there is evidence that big organisations' skills and training initiatives have distinct benefits, the same does not appear to be true for SMMEs. A study by Rabie, Cant and Wiid (2016) established that SMMEs are generally uninterested in improving organisational capacity through participation in training activities. The study further established that SMMEs participation in training activities is up to 50% less than that of larger organisations and the smaller the size of the business, the wider is the gap in participating in training and development initiatives (OECD, 2002). This view has been supported by many corporates who have SMMEs under incubation programmes under the B-BEE. These corporates indicated that most SMMEs are not willing to acquire new skills and knowledge to help them improve their business. Other researchers Lakaka (2002) and Sandrock (2011) have found that there is a mismatch between managerial control and the skills that the SMMEs need. Herrington and Wood (2003) point out that lack of education and training has reduced organisational capacity in new firms in South Africa.

The lack of skills limits project delivery among SMMEs more than lack of finances (Odendaal, 2013). Instead, Odendaal (2013) argues that there is a dearth management skills in SMMEs which are required for the management of finance, leading to a waste of funds that could have been distributed elsewhere. This is one of the reasons for the low level of entrepreneurial creation and the high project failure. With the COVID-19 pandemic, skills have increasingly become important for the survival of companies which have been forced to adapt online mechanisms of doing business (Ardakani & Avorgani, 2021; Breier, Kallmuenzer, Clauss, Gast, Kraus & Tiberius, 2021). Sánchez, Martnez-Ruiz, and Jiménez-Zarco (2007) added to this viewpoint by stating that in the knowledge society, small businesses must develop competitive advantages based on adequate and intensive use of information and communication technologies (ICTs), which is a necessary component of success in today's market. Poor technical skills, a lack of education and training, and a lack of ICT knowledge are some of the challenges influencing the viability and project delivery of SMMEs in South Africa, according to Bvuma and Marnewick (2020).

There are two key reasons why SMMEs do not provide training and development programs in their organizations, according to researchers (Olawale & Garwe, 2010; Ongori & Nzonzo, 2011). To begin with, it appears that SMME owners undervalue the benefits that training may provide to the company, its employees, and its management. Second, SMME owners typically give less training and development to their employees because they believe the expenses are more and the rewards are fewer than bigger companies (Storey, 2004). Furthermore, according to the research, SMMEs may not always have the cash to invest in their workers' skill development (OECD, 2002). Short-termism and inability to accrue the advantages from training costs are mentioned as reasons why SMMEs may not invest enough in external staff training (European Commission, 2009:24).

Another challenge facing SMMEs with regard to the implementation and availability of training initiatives is that the trainee may not remain with the business for a prolonged period for the disbursement on training costs to be recouped (OECD, 2002:12). Wadern, Han and Nzawou (2018) add that staff turnover is one of the key challenges facing business owners and managers within the small business sector in South Africa. As a result, SMMEs lose interest in investing in skills development of employees but the impact is huge as it affects project delivery. The efforts to acquire skills to enhance organisational capacity are also influenced by both the size of the business as well as their position towards share productivity and innovativeness (Bélanger & Hart, 2012). It is these differing costs and benefits that explain why SMMEs provide less training and development ascendancies to employees (Storey, 2004).

The importance of acquisition of skills to enhance project delivery has been Kotey and Folker underscored by Wadern et al. (2018) who see training the most prevailing driver to improve the competencies of employees and to assist towards project and service delivery. Chandler and McEvoy (2000) further state that organisations that empower employees through training and development are prone to have less employee turnover, greater productivity and greater financial performance.

Innovative capacity

In the context of small enterprises, the majority of research indicated a favourable relationship between innovation competence and project delivery (O'Cass & Sok, 2014; Oura et al., 2016; Zhang & Hartley, 2018). According to the study, an organization's innovation competence is linked to its ability to meet business commitments (Zhang & Hartley, 2018), project delivery (Odoom & Mensah, 2018), and service delivery (Zhang & Hartley, 2018). (Dadfar et al., 2013; Keskin, 2006).

According to Dadfar et al. (2013), successful organisational structure, learning, procedures, and partnerships with suppliers, consumers, and other networks are all preconditions for this interaction.

Individual factors of innovation capability have also been shown to be useful in project execution. Oura et al. (2016) discovered that innovation capacity (a collection of interconnected competencies) has an influence on export performance, which is shaped by financial, strategic, and satisfaction-related factors. Saunila (2017) found a link between firm performance and three elements of innovation capability: participative leadership culture, know-how development, and ideation and organizing frameworks. Firm performance is influenced by several sorts of innovation. Export performance (Nassimbeni, 2001), expansion (O'Cass & Sok, 2014), and overall competitive advantage are all linked to product innovation capabilities (Landoni et al., 2016). However, according to O'Cass and Sok (2014), product innovation requires a high degree of intellectual resources, which the majority of South African SMMEs lack. They struggle to finish tasks or deliver excellent services as a result of this conceptual divide. As indicated by Bvuma and Marnewick (2020), the COVID-19 pandemic has pushed businesses to be innovative and adopt technological innovations to survive. In the same context, Landoni et al. (2016) argue that innovation capabilities are effective even to sustain the SMMEs in a competitive market. Furthermore, several forms of innovation capabilities, such as product, process, organization, and marketing innovation, contribute to operational success and project completion (Kafetzopoulos & Psomas, 2015; Maldonado-Guzmán et al., 2018).

Recommendations

The study's findings show that project delivery in SMMEs is related to lack of relevant skills to manage and carry out daily organisational activities. Although training and development is key to addressing this limitation, the study also established that the SMMEs owners are not willing to invest in that area. As a result, this research suggests that a company culture be built on strong values "that are the engine of activity or the foundation of collective effort" (Nkakleu, 2016: 94). Corporate culture must be viewed as an internal integration element aimed at uniting and mobilizing employees who are a priori diverse towards similar goals, such as economic or social performance (Meier, 2013). In this regard, it is impossible for SMMEs to properly deliver projects and provide efficient services without a strong, shared, and explicitly innovation-oriented culture. Collaborative work, which enhances employee knowledge and encourages collective intelligence, is also recommended in restoring a real collective dynamic among South African SMMEs (Boubakary, 2015).

Limitations

The methodology is the most significant weakness of this study. The first search was conducted using the Scopus database, and results from other search engines may have differed significantly. Although keywords were chosen to cover as much of the phenomena as feasible, it is still conceivable that relevant articles were overlooked. Furthermore, while the inclusion and exclusion criteria were made as explicit as feasible, it's likely that important publications were overlooked because the choice was based on the researcher's personal judgment.

Conclusion

The studies on the failure of South African SMMEs is widely documented but there have the solutions offered have not resulted in any significant change. This study was motivated by the continued failure of SMMEs to fulfil projects and services which is widely documented as well (Bushe, 2019). The link between organisational capacity of SMMEs and project delivery was therefore a novel area for exploration. This study, using a review of literature, investigated the implications of organisational capacity on project delivery of SMMEs in South Africa. The findings of the study revealed that organisational capacity in SMMEs is limited at the level of skills and innovation capacity. SMMEs lack managerial skills as well as skilled human resources to adequately provide services and provide customer satisfaction. With the COVID-19 pandemic, the findings reveal that the necessity for innovative skills has increased but SMMEs do not have the human resources with innovative skills. As a result, project failure is inevitable. The findings of the study generate a new thinking, prompting go beyond financial challenges faced by

SMMEs to an understanding of the organisational capacity of the small business. Without concerted effort to address capacity-related challenges faced by SMMEs, their failure may not be easily averted.

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