PERFORMANCE OF MSMES IN ZAMBIA; AN INVESTIGATION OF CRITICAL SUCCESS FACTORS.

BY

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A Dissertation Submitted to the University of Zambia in Partial Fulfillment of the Requirements for the Degree of Master of Business Administration

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DECLARATION

I, Guylet Kunda do hereby sincerely declare that this thesis represents my own work, apart from where otherwise acknowledged and that it has never been previously submitted for a degree at the University of Zambia or any other University.

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APPROVAL

This dissertation by Guylet Kunda has been approved as fulfilling the requirements for the award of Master's Degree in Business Administration – General by the University of Zambia.

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ABSTRACT

Micro, Small, and Medium-sized Enterprises (MSMEs) are a very heterogeneous group and operate in a wide array of business activities. MSMEs play a critical role in the development of an economy as they are a source of livelihood and employment creation. In Zambia, MSMEs development is one way of reducing reliance on the mining sector and building a more diverse and resilient economy. The study aimed to establish the critical success factors of micro, small and medium enterprises in Lusaka that can be emulated by similar enterprises to ensure business survival success.

The study was limited to identifying and understanding critical success factors that affect the performance of MSMEs in the Lusaka district. The study focused on identifying Critical Success Factors (CSF) relevant in the Zambian environment. To achieve the research objectives of investigating the critical success factors in the performance of MSMEs in Zambia, a survey methodology was adopted. The study employed both qualitative and quantitative methods of collecting and analysing data. The study identified 10 critical success factors for MSMEs in Zambia within the wider spectrum of Entrepreneurial factors, Enterprise factors, and Business environment factors. The 10 CSF revealed by the study are 1. commitment of the owner/manager; 2. business planning; 3. management of competitors; 4. government regulations; 5. management of customers; 6. enterprise's pool of resources; 7. management of sources of finance; 8. employee commitment; 9. Innovation; and 10. Profitability.

The study, therefore, concludes that MSMEs need to pay particular attention to the identified 10 (ten) CSF for the sole purpose of achieving the desired performance. It should be recognized that critical success factors for MSMEs vary from region to region, country to country, and according to the type of MSMEs. The success and performance of MSMEs largely depend on how they can cope with these critical success factors identified and how policymakers and implementing agencies understand these realities. The study recommends that there is a need for the government to scale up its efforts towards the protection of the MSMEs for them to be able to thrive. Further, the study recommends that MSMEs develop a strategy through which they can obtain customer feedback on their products/services and use these responses to develop superior tastes for their products. Besides, the study recommends that MSME's should set-up financial priorities at the commencement stage of their business.

KEYWORDS: MSMEs, Critical Success Factors, performance, entrepreneur, enterprise.

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Finally, I am grateful to the University of Zambia ‘s Graduate School of Business staff and my fellow students who in one way or another contributed to the learning process, without them the experience would not have been as rewarding and satisfying.

DEDICATION

This dissertation is dedicated to my wife Jacinthia Mweetwa Kunda and my sons Temweni Kunda, Ongani Kunda, Lubuto Kunda and Kuyela Kings Kunda. It is also dedicated to my late father Mr. Lloyd Kunda who even in death remains a foundation of inspiration and strength. My surviving mother Mrs. Sennipher Kaluba Kunda and my late sisters Catherine Kunda and Violet Kunda.

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LIST OF ACRONYMS & ABBREVIATIONS

MSME's - Micro, Small and Medium Enterprises

MCTI - Ministry of Commerce Trade and Industry

SIDO - Small Industrial Development Organization

GRZ - Government of the Republic of Zambia

ZDA - Zambia Development Agency

GDP - Gross Domestic Product

CSO - Central Statistics Office

CSF - Critical Success Factor

OECD - Organization for Economic Co-operation and Development

FDI - Foreign Direct Investment

CEO - Chief Executive Officer

CFO - Chief Finance Officer

IBM - International Business Machines

SPSS - Statistical Package for Social Scientists

EBIT - Earning Before Interest and Tax

SADC - Southern African Development Community

BSC - Balanced Score Card

CBS - Secular Balanced Score Card

CSF - Critical Success Factor

CHAPTER ONE

INTRODUCTION AND BACKGROUND

1.1 Background to the study

This chapter presents the introduction and background of the study, the problem statement, the research objective(s), the research questions, the rationale for conducting the study, and the research methodology used to achieve the objective of the study. The overall objective of the chapter is to clarify the context of, and background to the thesis as a whole thereby making it easier to follow the argument raised by the study. The chapter starts by highlighting the definition of Micro, Small, and Medium-Sized Enterprises (MSMEs) and their important role in the economy. The chapter provides the characterization of the MSME sector, the past, present, and future perspectives of MSMEs in Zambia. The chapter also locates the study problem as unavailability of consensus on what constitutes Critical Success Factors that enhance the performance of MSMEs in Zambia.

1.2 Background

Micro, Small, and Medium-sized Enterprises (MSMEs) are a very heterogeneous group. MSMEs operate in a wide array of business activities, ranging from the single artisan fabricating various steel products for the construction sector at a market stall in a township, the lady cooking and serving Nshima at a busy city bus stop, the internet café in a township, a software firm selling online to a medium-sized beverages manufacturer selling to a multinational chain of supermarkets in the domestic and foreign markets. The MSME owners may or may not be poor and operate in very different markets including urban, rural, local, national, regional, and international. The MSMEs owners embody different levels of skills, capital, sophistication, growth orientation, and maybe in the formal or informal economy. Statistical definition of MSMEs varies by country but is usually based on the number of employees and value of sales and value of assets. In Zambia, MSMEs have been categorized according to the number of employees, level of investment, and turnover (MCTI, 2008).

MSMEs play a major role in economic development in every country. Studies indicate that both in advanced economies and developing countries MSMEs contribute on average 60 percent of total

formal employment in the manufacturing sector (Ayyagari et al, 2007; Pennisi, 2012; Shah, 2012). For African economies, the contribution of the MSME sector to job opportunities is even more important, taking into account the contribution of the informal sector, MSMEs account for about three-quarters of total employment in the country (Ayyagari et al, 2007; MCTI 2011).

In Zambia, MSME development is a strategy for employment creations and reducing reliance on the mining sector to build a more diverse and resilient economy. The role that MSMEs play in an economy cannot be over-emphasized because MSMEs provide sustainable economic growth through job creation, development of entrepreneurial skills, and the potential to contribute significantly to export earnings.

1.2.1 Past, Present and Future Perspectives of MSMEs

Although MSMEs have existed since independence, the enactment of the Small Industries Development (SID) Act of 1981 was the first attempt to organize the MSMEs sector in Zambia. This Act enhanced the effectiveness of the sector's contribution to the national economy by establishing the Small Enterprise Development Organization (SIDO). The Fourth National Development Plan of 1989 provided implementation structural frameworks to support the SID Act of 1981, by providing infrastructure for operations of MSMEs, promoting access to credit of MSMEs with growth potential, and improving production capacities of MSMEs with the view to increase incomes and employment. The resources to the MSME sector were availed through the SIDO, the Development Bank of Zambia (DBZ), and the Village Industries Services (VIS), which were the primary source of small enterprises' support.

With the liberalization of the Zambian economy post year 1991, several measures instituted created an enabling environment for MSMEs to flourish. The measures included the development of the Industrial, Commercial, and Trade Policy in December 1994 and revising the SID Act replacing it with the Small Enterprises Development (SED) Act of 1996. Further, in 2006 the Government of the Republic of Zambia (GRZ) reviewed the SED Act of 1996 leading to the enactment of the Zambia Development Agency, (ZDA) Act No. 11 of 2006. The MSME policy of 2008 complements the ZDA act to enhance sector coordination and the development of interventions.

The MSMEs sector in Zambia is characterized by activities of enterprises engaged in the production of goods and services with the primary objective of generating employment and income by persons concerned. Further, the MSMEs are concentrated in the traditional economic sectors characterized by the use of low technology and are oriented towards the local and less affluent segments of the market. Most MSMEs in the country have characteristics of a household enterprise and are operated mostly by a single person with or without the help of family members, and usually not registered and licensed with either the Patents and Companies Registration Agency (PACRA) and the Local Authorities.

The sectoral distribution of MSMEs in Zambia shows that 70% of the enterprises are in the agricultural sector while 21%, and 3%, are in the retail, in manufacturing respectively (Conway and Shah, 2010). Further, Conway and Shah (2010), indicate that only 2% of the MSMEs are involved in the service sector such as hotels, restaurants, and transport. The business activities are therefore largely in agriculture and agricultural processing, trading, manufacturing, and only a small portion is engaged in service-related businesses.

MSMEs are very instrumental for the development of an economy through for example creation of employment, increasing tax base for the country, improving incomes for the low earners among other benefits (MCTI, 2008; Muriithi 2017). Further, Fatoki (2014) shows that SMEs were an important vehicle for job creation, sustainable economic growth, equitable distribution of income, and stimulation of economic growth. Harasty et al. (2015) indicate that 85% of those employed in the Zambian economy worked in the informal economy which is dominated by the MSME sector. However, there is scanty information regarding the MSMEs sector activities and as such, it is difficult to estimate the size of the private sector in totality, as data from the Central Statistics Office (CSO) do not disaggregate national output concerning enterprise size (CSO, 2012).

The Zambian MSMEs face a horde of business constraints that include inaccessible markets, shortage of inputs, inaccessible finance, poor transport facilities and lack of appropriate tools/machinery, anti-MSMEs government regulatory barriers, lack of skilled labour, shortage of shop/rental space, unavailable utility services, and technical problems (Conway and Shah, 2010). Working conditions are also usually poor as certain production areas are considered health hazards

and workers are subjected to long working hours and unstable income. According to a World Bank Report of 2010, Zambian firms of all sizes identified the lack of access to credit, excessive competition from imports, insufficient demand, and infrastructural weaknesses as their most pressing constraints (World Bank 2010). One assumption is that all these business constraints may be manifestations of market failure, which appear to be endemic in the MSMEs sector. This has presumably led the sector to be underperforming hence it important to identify critical success factors that MSMEs must concentrate on to ensure organizational performance. Various authors have attempted to define Critical Success Factors (CSFs).

The concept of a critical success factor was coined as long back as 1961 by Daniel and was made popular by Rockart in 1979 (Quesada & Gazo, 2007). Rockart (1979) defined Critical Success Factors as the limited number of areas in which results ensure successful competitive performance for the enterprise. Oakland (2003) defines critical success factors as those elements which should be examined to ensure effective management and attainment of organizational goals. Masocha and Charamba (2014) furthermore highlight that a key success factor is anything that enables an enterprise to get business.

In a nutshell, Critical Success Factors are those limited areas 1n which an organization can spend its resources and focus its efforts to achieve the desired goals (performance improvement, productivity, quality improvement, and increasing its market share) most effectively and efficiently. According to Alazmi and Zairi (2003), there is a limited number of areas in which results ensure successful competitive performance.

Lampadarios (2016) and Tracy (2007) mention that each industry has its critical success factors. CSFs may not be standard for all enterprises hence the need to identify the factors that are perceived to be significant by the MSMEs in the Zambian Business Environment. Therefore, this research attempted to identify those Critical Success Factors which may be relevant to MSMEs in operating in the Zambian Business Environment domicile in Lusaka across various sectors.

1.3 Statement of the Problem

In as much as the MSMEs in Zambia have the potential to be catalysts for economic growth and employment creation, the MSME sector in the country has not met this expectation. The MSMEs over the past years has faced several constraints that include inaccessible markets, shortage of inputs, inaccessible finance, poor transport facilities and lack of appropriate tools/machinery, anti-

MSMEs government regulatory barriers, lack of skilled labour, shortage of shop/rental space, unavailable utility services, and technical problems (Conway and Shah, 2010). Further Mwaanga et al. (2016) indicates that the major or key factor was lack of market information with regards to how to access business plans and when and how to get the correct information that relates to business registration. Despite, these constraints, there have been some effective attempts by state and non – state actors to coordinate and build capacity in the MSME sector. These interventions are yet to have any significant effect on the growth and performance of MSMEs in Zambia. Most of the MSMEs have remained stagnant while few have experienced growth in the last few years. Stagnation of the MSME sector has been shown to have negative associations with economic growth, employment, innovation, and the external economy. Nuwagamba (2015), shows that most MSMEs in Zambia were characterized by a low use of technology and were oriented towards local and less affluent market segments. When MSMEs record low growth and stagnation, they are likely to be out of business as there are always threats from competitors and new entrants leading to MSMEs being clouded out of business. Given this state of MSMEs in Zambia, there is a need to identify the Critical Success Factors required to improve and enhance the performance of MSMEs in Zambia. Addressing this problem will have practical benefits for the development and growth of the MSME sector and contribute to economic diversification, growth, and employment creation. The research, therefore, focused on: "What are the Critical Success Factors that enhance the performance of MSMEs in Zambia? Has government created an enabling environment for MSMEs to flourish and what opportunities exist for MSMEs in Zambia?"

1.4 Objectives of the study

The **aim** of the study was to establish the Critical Success Factors of MSMEs in Lusaka that can be replicated by similar enterprises to ensure business survival and success.

The specific objectives of the study included;

i. To identify the critical factors that enhance performance of MSMEs
ii. To determine strategies MSMEs adopt to enhance performance
iii. To establish the effects of the critical factors on performance

1.5 Research Questions

The study examined the following research questions:

i. What are the Critical Success Factors that enhance performance of MSMEs?
ii. Which strategies work for MSMEs to improve performance
iii. What are the effects of critical success factors on performance of MSMEs?

1.6 Scope and Delimitation of the study

The areas covered were the Chilenje market, Luburma market, Kabwata market, Town centre market, and COMESA market. The scope of the study was to ensure that gaps are identified which have for some time now contributed to the poor performance of MSME. After understanding these critical success factors, a recommendation will be made and this will inform the decision-making process not only for business owners but also the Government of the Republic of Zambia.

The study drew respondents from registered and unregistered MSMEs operating in Lusaka. The study was limited to identifying and understanding Critical Success Factors that affect the performance of SMEs. The performance of MSME can be evaluated at four fronts, namely profits, employment, net worth, and contribution to the economy. However, the focus of the study was identifying CSFs that are relevant to MSMEs in Zambia.

1.8 Significance of Study

Performance of MSMEs in Zambia a study of critical success factors is critical to understand those key factors which are critical for MSME's positive performance in Zambia. This will assist in understanding these key factors to which the owner of the business must pay particular attention to improve the performance of their business and also to contribute to the development of the Zambian economy. Studying the specific challenges inhibiting MSMEs operations in Zambia from the perspective of the MSMEs is crucial since it would present the problem from the perspective of the active actors thereby making it a baseline study for policy interventions by state agencies, development partners, and non-governmental organization with missions to develop the MSME sector.

The current study provided a set of Critical Success Factors Model for entrepreneurs in Zambia. It revisited the CSFs of entrepreneurs identified in the previous studies. The study also highlights the importance of Critical Success Factors that are essential to achieve entrepreneur success. The

results can be useful in optimizing the local entrepreneurial performance by presenting both success and failure factors that significantly influence the business operating performance.

The study contributes to partial fulfilment of requirements for the award of Master Business Administration.

1.9.1 Structure of the Dissertation

The research report comprises Six (6) Chapters which include, Chapter 1; Introduction to the research, Chapter 2; Literature Review Chapter 3; Theoretical Framework, Chapter 4; Methodology; 5 Presentation and Discussion of Findings, Chapter 5; Summary, Conclusions, and Recommendations. The chapters of the research report include the following thematic issues:

1. 9.2 Chapter 1: Introduction

The introduction provides the background of the study, the statement of the problem, the study objectives, and the rationale for the study on "Performance of MSMEs in Zambia; An Investigation of Critical Success Factors". The chapter shows the research gap that the study attempts to fill and explains the research demarcation. The chapter ends by giving an outline of the thesis and synopsis of chapter contents as contained in the thesis.

1.9.3 Chapter 2: Literature Review

This chapter presents the literature reviewed on the Critical Success Factors that drive the performance of MSMEs across the globe. The chapter also explains the relevance of each reviewed literature to the study. Finally, the chapter provides a summary of the main findings and arguments from the literature review.

1.9.4 Chapter 3: Theoretical Framework

This chapter begins with a brief introduction that highlights the theoretical framework applied by the study. The balanced scorecard and the circular balanced scorecard are explained in this chapter. Further, the relevance of these theoretical constructs in studying the Critical Success Factors in the performance of MSMEs is explained. Based on the theoretical framework, the conceptual framework guiding the study is explained. The chapter, therefore, provides the theoretical basis of the study.

1.9.5 Chapter 4: Methodology

The chapter outlines the research design and methodology. The methodology section explains the processes by which data was collected, the type of data collected, how it was arranged, processed, and analysed.

1.9.6 Chapter 5: Results – Presentation and Discussion of Findings

Chapter Five describes the findings. The chapter describes the sample profile which is highlighted to show the readers how the respondents were distributed in the sample and their demographic characteristics. The chapter thereafter focuses on presenting the results from the study which are arranged by answering the research objectives. Finally, the chapter presents a factor analysis and discusses the findings.

1.9.7 Chapter 6: Summary, Conclusion, and Recommendations

Chapter Six presents summaries of the study findings with the researcher's insights, linking theory to findings before concluding. The chapter thereafter provides recommendations for future research.

1.10 Chapter Summary

This chapter provided a summary of the key sections of the proposal which include the background of the study, the statement of the problem, study aim and objectives, and the location of the study. This chapter also made a case for the identification of critical success factors that aid the performance of MSMEs. Furthermore, all the other chapters build upon this chapter, thereby reflecting the essence of the current chapter.

CHAPTER TWO

LITERATURE REVIEW

2.1 Introduction

This chapter presents the literature review of the dissertation. The chapter begins by explaining the definitions of success in MSMEs and provides a review of literature on studies that have been conducted on Critical Success Factors of MSMEs globally, in Africa, within SADC, and in Zambia. The focus of the chapter is on the analysis of how Critical Success Factors enables MSMEs to achieve business success across different settings elsewhere in the world thereby providing insights into Critical Success Factors for Zambian MSMEs. The chapter also provides a review of relevant international and national research previously undertaken on critical success factors of MSMEs to identify shortfalls in MSME sector policy research. The chapter, therefore, presents a review of literature on studies that have been undertaken relating to critical success factors of MSMEs. Lastly, the chapter makes a conclusion that links the presented model to the propositions the research seeks to prove.

2.2 Measuring business success and performance in an MSME

The measurement of business success, particularly in MSMEs, is a still a challenge in modern times. A review of the literature clearly shows that there is a lack of agreement over what constitutes the best measure of success. For example, the field of Business Performance Measurement (BPM) lacks a cohesive body of knowledge (Marr and Schiuma, 2003). However, throughout this study; "BPM is a system that provides a concise overview of performance through sets of (financial and/or non-financial) metrics that guide and support the decision-making processes of an organisation. This is done by gathering, processing and analysing information about its performance, and communicating it in the form of a succinct overview to enable the review and improvement of strategy deployment and alignment of key business processes" (Taylor and Taylor, 2014). Hamzani and Achmad, (2015) in their study on performance of MSMEs in Indonesia found that three indicators; increased productivity, increase in sales volume and increased revenue were important in measuring performance of MSMEs. Performance measures therefore evaluate how successful an enterprise is in meeting different metrics that include financial and non-financial. According to Kee (2012), all these factors can influence entrepreneur

success in either a positive or negative way, therefore CSFs provide a comprehensive approach that critically focus on clarifying assumptions to induce the flexibility that are neutral and aid divergent thought. At the same time, Katz & Green (2009) assert that CSFs can be processes, benchmarks, or components of a business to ensure the profitability and remain competitive in the market place. Caralli (2004), indicates that Critical Success Factors (CSFs) define key areas of performance that are essential for an enterprise to accomplish its mission. The key areas of performance provide a common point of reference for the entire organization. Thus, any activity or initiative that the organization undertakes must ensure consistently high performance in these key areas; otherwise, the organization may not be able to achieve its goals and consequently may fail to accomplish its mission (Caralli, 2004). Achieving, the CSFs creates the foundation for success in business.

Mabhunga and Van Der Poll (2017), identified the factors that may be considered as critical in the success of MSMEs in the retail sector. The factors identified as critical in the success of MSMEs in the retail sector were commitment of the owner/manager, business planning, management of information, management of revenue, management of costs, innovation, management of customers, management of suppliers, management of competitors, the enterprise's pool of resources, management of regulators and management of sources of finance. The study also attempted to highlight the influence that each of the factors had in enhancing the success and survival of MSMEs. The study did not claim to provide an exhaustive list of all factors critical to the success of MSMEs. The study concluded that the factors influencing the performance of MSMEs were so numerous and sometimes so complex that no study may identify all the possible factors.

2.3 MSMEs Global perspective

MSMEs are created by entrepreneurs at a global level just like elsewhere in the world and can be small and may grow into a medium or large one subsequently. Literature shows that MSMEs account for more than 90 percent of all enterprises in the world and contribute as high as 80 percent of employment in manufacturing and MSMEs are also recognized to have advantages over large firms in terms of greater flexibility, quicker-decision making process, and niche business strategy (UNIDO, 2006; Zucchella and Palamara, 2006). Further, Amit Bouri et al (2011), inferred that the

MSME sector is considered to be the backbone of the high-income countries than the low-income countries wherein MSMEs have made a critical contribution to Gross Domestic Product (GDP) and employment. This raises the question of whether the nature of MSMEs in high-income countries significantly differs from that in low-income countries. Clearly, studies show that MSMEs in high-income countries may inherently have characteristics that make them different from those in low-income countries. This is supported by the Organisation for Economic Co-operation and Development (OECD) that indicates that more than 95 percent of enterprises in the OECD area are MSMEs which not only account for 60 percent of private-sector employment, but also make a large contribution to innovation, and support regional development and social cohesion (Amit Bouri, 2011). This assumption is supported by Akingunola (2011) who asserts that MSMEs contribute to economic output and employment in developed countries accounting for 65 percent and 80 percent in the United States of America, 45 percent and 80 percent in Japan, and 45 percent and 55 percent in Western Europe respectively. Emphasizing the potential of MSMEs to generate employment, Rana Bijoy Deb (2004) observes that, the employment generation potential of small-scale industries in a developed nation has been universally recognized. The small-scale enterprises have created 66 percent of new jobs in the United State in the past twenty years and create 250,000 jobs every year in Great Britain also play an equally important role in Germany, Spain, and the Netherlands. There are other reasons apart from employment and economic growth advanced in support of the role and importance of MSMEs in an economy globally. Inter alia Pollard (2001), OECD (2005) explain that MSMEs are important in sustaining home-grown business against imports and entering into further exports, alliance, mergers, and acquisition in the OECD countries. This could be on account of the advantages that MSMEs have over large firms in terms of greater flexibility, quicker-decision making process, and niche business strategy as indicated by UNIDO (2006) and Zucchella and Palamara (2006), making it relatively easier for MSMEs to form alliances, mergers, and acquisitions.

On the other hand, Kula and Tatoglu (2003) report that MSMEs play important role in employment generation and also in the economic development of emerging nations. Further, the World Bank (2007), study report on Brazil, China, India, Egypt, United Kingdom, Ghana, United States, South Africa reports that the MSMEs' contribution to employment generation was 66.9 percent, 78 percent, 39.6 percent, in India, China, and South Africa respectively. The percentage contribution of MSMEs to employment generation according to World Bank (2007) in both developing

countries and developed countries is comparable. This questions Amit Bouri et al (2011) assumption that the MSME sector is considered to be the backbone of the high-income countries than the low-income countries wherein MSMEs has made a critical contribution to Gross Domestic Product (GDP) and employment. It could be that collectively, MSMEs in developed countries contribute more compared to those in developing countries.

The reviewed literature above shows the importance of MSMEs at the global level in driving businesses, contributing to GDP, and creating employment. This raises the question as to whether MSMEs in Zambia play an equally important role as MSMEs at the global level as reviewed in the literature. The entrepreneurs' ability to make decisions about scarce resources and MSMEs' inherent quicker decision-making process and greater flexibility might be key ingredients to factors the lead to the successful performance of MSMEs which is the focus of this study. The literature provides a frame to question the structural nature of MSMEs in Zambia in this study.

2.3.1 MSMEs Performance Global Perspective

MSMEs' performance can be evaluated and understood from both quantitative and qualitative perspectives. From a quantitative perspective MSMEs' performance can be measured in terms of efficiency, financial results, level of production, number of customers' market share, profitability, productivity, dynamics of revenues, costs, and liquidity as indicated in various literature (Anggadwita & Mustafid, 2014; Gupta & Batra, 2016; Zimon, 2018). On the other hand, from a qualitative perspective, MSME performance focuses on evaluating: goals achievement, leadership style, employee behaviour customer satisfaction product and process innovation, organizational and marketing innovation (Alpkan, Yilmaz, & Kaya, 2007; Anggadwita & Mustafid, 2014; Sheehan, 2013). Performance measures, therefore, evaluate how successful an enterprise is in meeting different metrics that include financial and non-financial in other terms. From these perspectives, MSMEs performance is seen for example by the European Commission as a three-dimension outcome that includes; the number of MSMEs, the number of employees in MSMEs, and the added value of MSMEs (European Commission, 2016). However, Foreman-Peck (2013) indicates that in the United Kingdom, researchers focus on the innovation policy, which has a great impact on service and manufacturing MSMEs. This provides an insight into this study which aims at identifying the critical success factors of MSMEs as clearly can be seen from Foreman-Peck

(2013) that innovation was one of the factors that had a great impact on MSMEs. Related to understanding what influences performance and MSME growth Osakwe et al (2015) analyzed the influence of critical macroeconomic variables on MSME growth in the Czech Republic, and suggested a concave relationship between unemployment and growth of MSMEs. The study concluded that there was a positive relationship between economic growth and growth of MSMEs, while the domestic credit offered by the financial sector had no statistically significant influence on the growth of the MSMEs. The question, therefore, is why domestic credit offered by the financial sector was found not to be statistically significant. Could it be that there were other favorite sources of finance for MSMEs in the Czech Republic? What then are the indicators of MSME performance? Hamzani and Achmad, (2015) in their study on the performance of MSMEs in Indonesia found that three indicators; increased productivity, increase in sales volume, and increased revenue was important in measuring the performance of MSMEs. Further, Gopang, Nebhwani, Khatri, and Marri (2017), in their empirical study undertaken to identify the relationship between occupational health and safety measures (OHSMs) and performance of MSMEs collected data from 35 MSMEs in Pakistan, using a questionnaire. Their study considered a series of 14 indicators to describe MSMEs performance namely: reputation, productivity, employee satisfaction, profits, sales, prompt order delivery, sufficient working capital, effectiveness in operations of production, product quality, the achievement of targets, number of clients, easiness in supervision, reduction in product cost and product diversification. The identified factors or indicators from these studies show that a mixture of both quantitative and qualitative indicators can be used to measure the performance of MSMEs. In addition to these identified indicators, Rasiah, (2002) identified various external environmental factors that impacted MSMEs performance in Malaysia such as the impact of the state government approach to business development. The state can play a vital role in building capacities for MSMEs by creating an enabling environment. For example, Figal Garone et al (2015) suggest that the existence of a cluster development policy has an impact on MSMEs' performance. Literature suggests several factors that influence the performance of MSMEs. Lin and Lin (2016), studying a sample of 77 Taiwanese MSMEs, found that the level of organizational performance depended on the types of network relationships while Chi, Wu, and Lin (2008) explored the impact of foreign direct investment (FDI) on MSMEs and organizational performance. All in all, the literature reviewed shows that the performance of MSMEs can be evaluated using both quantitative and

qualitative indicators. Though there is a need to be very clear on the indicators to be used when assessing the performance of MSMEs, most of the indicators identified in the reviewed literature may not apply to MSMEs in Zambia because of the development stage they are at in their life cycle. However, the indicators identified to inform the construction CSF in this study.

2.4 MSMEs Critical Success Factors Global Perspective

The concern on the importance of performance indicators leads to a discussion about factors that are critical to achieving business success in MSMEs. Lampadarios (2016) in a study of the UK chemical distribution industry, identified the factors critical to small business success and provided an integrative perspective of the industry. The research was based on the opinions of owners and very senior managers (Managing Directors, Directors, CEOs, and CFOs), an approach extensively used by other researchers. A total of 180 MSMEs fulfilling the criteria of this study were identified with 118 owners/managers participating, generated a very satisfactory response rate of 65.5%. The study established Regulatory Compliance, Entrepreneurial Orientation, Customer Relations Management, Market and Product development, Prior Work Experience, and Management Skills, Human Capital, Economic Environment, and Strategic Planning as Critical Success Factors (CSFs). The findings of the study suggest that success is a multidimensional phenomenon where both firm-internal and firm-external factors need to be optimized simultaneously as satisfying one or two factors does not necessarily guarantee success. Strong interrelationships are also revealed amongst the critical and non-critical success factors (Lampadarios, 2016). The findings by Lampadarios (2016), suggest that a set of identified critical success factors should be satisfied wholly to the exclusion of non. This is in line with the principles of the balanced scorecard approach which presupposes that a set of factors should be relatively balanced to achieve business success (Kaplan and Norton, 1996). Another study conducted by Al-Tit et al (2019) explored the critical success factors (CSFs) of small and medium-sized enterprises (SMEs) in Saudi Arabia. A questionnaire was developed using 28 factors/indicators identified from the previous researches. From 500 respondents, a total of 347 questionnaires were returned. By conducting exploratory factors analysis, these indicators were categorized into six factors, namely: Individual factors, business characteristics, management factors, business support, capital availability, and business environment. Using IBM SPSS and AMOS, the results indicated that business support was the most critical factor that significantly affects the success of SMEs in Saudi Arabia, followed by

individual factors, capital availability, and management factors. The study established that business characteristics and business environment factors had no significant impacts on the success of these enterprises. Though this study shows that business characteristics and business environment were not significant, some studies indicate the significance of these factors. The multidimensional nature of critical success factors may be specific to regions a feat that is likely to be present in this current study.

In a study conducted amongst Pakistan small business owners Coy et al., (2007) revealed that hard work, good customer services, and product quality were the three most important factors for a business to achieve success. The reputation for honesty, friendliness, and good customer service was found to be critical for entrepreneurs in Vietnam and Romania (Benzing et al., 2005). In another study, Benzing et.al (2009) also found that Turkey entrepreneurs rated honesty, friendliness, and social skills as the three most important success factors. Similar results were found in the survey of the entrepreneurs in other developing nations (Chawla et al., 2010, Hung Manh et al., 2007, Yusuf, 1995). The studies were done in developed countries seem to reveal a set of critical success factors that are mostly quantitative as found by Lampadarios (2016), while the qualitative factors are most prevalent in developing countries. For example, several studies found that culture religion, and gender may play a role in entrepreneurial behaviors (Busenitz and Lau, 1996, Chu and Katsioloudes, 2001, Carter and Jones-Evans, 2006, Turan and Kara, 2007, Hughes, 2003, Robichaud et al., 2010). Chong (2012) found that although not exhaustive and conclusive, revealed the perceptions of Malaysian entrepreneurs on the critical success factors for MSMEs. The entrepreneurs believed that individual factors such as the reputation of honesty, good customer service, and hard work were more important than environmental factors such as government support and political involvement.

Literature reviewed shows that globally critical success factors were multidimensional and varied from nation to nation. However, variations in methodology could have influenced the differences in critical success factors identified in the studies reviewed. To this effect, this study used confirmatory factor analysis as opposed to exploratory factor analysis as used by Al-Tit et al (2019) in the literature review. The choice of confirmatory factor analysis was based on the benefits of

utilizing the identified CSF through literature and test them to confirm if they existed and influenced the success of MSMEs in Zambia.

2.5 MSMEs African Perspective

Notably, MSMEs play a significant role in Africa given their role to reduce poverty, boost countries' Gross Domestic Product (GDP) and provide employment for the majority of the population (Benzing & Chu, 2012). The sector is particularly important due to its simple approach in response to the majority of Africans needs by offering affordable goods and services at reasonable terms and prices besides being a source of income and employment (Kauffmann, 2006). MSMEs are the backbone of most economies in Africa. African economies consist of two sectors: the informal and the formal sectors. The informal sector companies tend to operate without business registration or license. MSMEs operate in nearly all industrial sectors of the economy and represent more than 90% of formal enterprises and contribute to over 50% of employment and GDP (Akinboade, 2015). Kelley et al. (2016) highlighted that individuals in Africa display the highest levels of entrepreneurial intention. Further, in Sub-Saharan Africa MSMEs predominate in the business sector accounting for 60% of the total number of enterprises and account for 41% of economic growth in those countries (Nuwagaba, 2012; Tumwine et al., 2015).

MSMEs in Africa are involved in all sectors of industrial development, from mining, manufacturing, service industry to agriculture, fishing to climate change. However, most MSMEs are involved in the service industry sector where they account for two-thirds of employment levels (Kamunge et al., 2014). MSMEs are also the link between simple industries to complex and highly developed large industries and provide a platform for Africa-take off to development. The industries play a pivotal role as facilitative development through the provision of inputs and services for industries while at the same time providing direct goods and services to consumers. This makes MSMEs continue to be propelling the engine for sustainable growth and economic development of African countries (Fjose et al., 2010).

Mutandwa et al., (2015) indicate that in Rwanda SMEs account for 98% of all enterprises and employ nearly half of all private-sector workers just like is the picture with the rest of Africa. For instance, in Kenya, SMEs contribute 40% of the GDP, over 50% of new jobs and account for 80%

of the workforce (Kithae, 2012; Mwarari & Ngugi, 2013). In 2003, SMEs offered employment to 3.2 million Kenyans (Kauffman, 2005). Similarly, MSMEs accounted for 70% of Nigerian industrial jobs and 95% of the manufacturing sector (Kauffman, 2003) while in Ghana SMEs accounts for 70% of all businesses and employed 70% of the total workforce (Government of Ghana, 2003; World Bank, 2006). In Nigeria, MSMEs contribute 46% of GDP and 25% of employment (Ibrahim and Shariff, 2016). In Cameroon, SMEs account for an estimated 22% of GDP and employ a substantial proportion of the country's labour force (Akinboade, 2015). In Uganda, in addition to their contribution to GDP, MSMEs create employment for skilled, semi-skilled, and unskilled people and offer a means of distributing national income more evenly leading to economic growth and development (Kakwa, 2008). In Ghana, approximately 70% of the workforce is employed in micro, small, and medium-sized enterprises (Chu et al., 2007).

All the literature reviewed under this section shows some common trend characteristics of MSMEs in Africa, which is important as the current study is located in Sub Sahara Africa. Though on a comparative basis, the contribution to GDP of MSMEs in Africa compared to those in developed countries, their contribution in real terms is significant according to the sizes of the respective economies.

2.5.1 MSMEs Performance - African Perspective

The most comprehensive studies of the performance of African enterprises were based on the World Bank RPED survey of African manufacturing enterprises and their business environment (Biggs and Srivastava, 1996; Bigsten et al., 2000; Fafchamps, 2004; Biggs, 2006). Among the findings of these studies were that failure rates of African manufacturing enterprises are very high and that most face closure within the first five years (Marlow, 2009). Moreover, it was found that African industrial structures are characterized by a 'missing middle' with dominant large (often foreign) firms and a large undergrowth of small, typically informal enterprises. These amputated industrial structures were partly attributed to the weak resource configurations of local enterprises (lack of human skills, managerial capability, brands, technology, and capital), partly related to difficult business environments (unstable institutions, weak contractual environments, corruption, and failing related and supporting industries) (Biggs et al, 2006).

Typically, this literature focused on either internal resource constraints or external challenges of the business environment but rarely analyzed how combinations of internal and external factors interact to influence performance. Moreover, as the early literature was largely driven by economists, strategic management perspectives were more or less absent (Tvedten et al, 2014). In the following sections, more recent literature on African enterprise development is reviewed with a view of getting insights on the performance of African MSMEs taking into account the interaction of business environment, internal and strategy factors. These factors not only set a stage for identifying what influences MSMEs to succeed in their performance. Hansen et al (2016) measured performance in four ways: 1. Earnings Before Income and Tax (EBIT); 2. Benchmark against industry peers; and 3. Growth in turnover; 4. Growth in employment in their study of what makes local African MSMEs fail or succeed is essential both from a strategic management perspective and from an industrial development perspective. The study was based on a unique data set of 210 food processing enterprises in Tanzania, Kenya and Zambia examined variations in performance of African MSMEs and analyses what causes these variations. Growth was suggested to be the most appropriate performance measure for MSMEs and had been used in numerous studies of African enterprises (Barkham et al, 1996; Yusuf and Saffu, 2005; Feiling, 2008).

In evaluating the performance of MSMEs based on the literature in this section shows that it is inevitable to also identify why some MSMEs fail especially in Africa. Though this provides some insights into what should be avoided for critical success factors to push MSMEs towards success, it is not within the scope of this study. Importantly, it is essential both from a strategic management perspective and from an industrial development perspective to understand factors that measured performance of what makes local African MSMEs fail or succeed (Hansen et al (2016). From this position, the study is informed that performance measures are a benchmark that can guide an organization to succeed or not.

2.5.2 MSMEs Critical Success Factors African Perspective

Toluyemi, et al. (2016) identified success factors that adequately explained the variation in the performance of MSMEs in Nigeria. Nine (9) success factors were identified. However, the study revealed that the period of apprenticeship; forward, backward and horizontal networking as well as enterprise location have a positive relationship with the performance of enterprises. On the other hand, the age at which apprentice started apprenticeship, Entrepreneur level of education, Family

type, and enterprise start up arrangement have negative relationships with the enterprise performance. These aspects that are responsible for the successful performance of MSMEs in Nigeria are more biased on the qualitative aspects of the factors. Related to findings by Toluyemi et al (2016), according to Rogerson (2001) and Skinner (2005), a lack of credit is a major constrained experienced by emerging African MSME entrepreneurs, who is depended on personal savings or loans from relatives and friends, as the source of their start-up capital. Finance, skills, business training, and less rigid regulations are the key elements to promote entrepreneurship, to enhance the enterprise environment, to improve competitiveness and capacity in the MSME enterprise (Rogerson, 2008).

A study by Bouazza et al, (2015) revealed that the growth of MSMEs in Algeria was hampered by several interrelated factors which include business environmental factors that are beyond MSMEs' control and internal factors of MSMEs. Another study by Hamzani (2013), cites five major problems faced by the entrepreneur in the MSME sector as; marketing difficult, raw material difficult, capital difficult, labour difficulties, and lack of energy. Further, a study by Ndesanlwa and Kikula, (2016) showed that innovation had positive impacts on the efficiency and performance of MSMEs in Tanzania.

The critical success factors unique to Africa seem to be anchored on the ability of the Entrepreneur and the MSMEs to overcome the failure factors. This raises questions about whether the environmental factors have a significant influence on the success of MSMEs in Africa. This also shows that in as much as critical success factors can be considered as push factors for the performance of MSMEs there will always some pull factors such as the ones identified in this section of the literature review.

2.6 MSMEs Regional Perspective - SADC Region

As stated already the development of MSMEs lies at the core of economic growth worldwide. Research has revealed that across the world the SME sector employs one-half to two-thirds of the labour force in developing countries and that the sector contributes significantly towards national incomes as desired. The SADC-Development Finance Resource Centre (DFRC) aims to play a pivotal and catalytic role in this area through specially designed SME institutional support

programs to enhance direct foreign investments' delivery capacity and SMEs support at the enterprise level. The Centre identified the following constraints that MSMEs in the SADC region faced: On the financing side: Lack of medium to long-term finance for start-ups and expansions; inappropriate terms and conditions for short-term credit or trade finance; insufficient financing and other instruments to support the MSME sector; low capitalization and lack of collateral; and poor record-keeping or financial management while on the Business Support Side: low-level investment in infrastructure that has the potential to stimulate MSME activity; complex and cumbersome laws and regulations that control and govern the setting up and development of MSMEs; regulations that favour only big business and discourage MSME start-up and operation; inability to market MSME products and services; absence of appropriate environmental management systems (ems) that meet international standards; and a dearth of programmes and, where they exist, uncoordinated programmes that support entrepreneurship with marginal support to women entrepreneurs (Muredzi and Perkins 2015). These constraints can be counterproductive to the CSF of MSMEs that this study attempts to identify. As a consequence of these constraints, the region has witnessed a proliferation of informal sector activity which needs to be transformed into formal businesses and integrated into the formal (taxable) economy.

In South Africa, just like in most of the countries in the region MSMEs are major sources of employment with around 68% of the population working in them (Rabie et al., (2016). They are also a major source of income generation and poverty alleviation (Asah et al., 2015). However, many MSMEs do not achieve their full potential; with some failing to grow while others fail. The failure rate is estimated to be between 70% and 80% with a 70% failure rate within the first year of operation (Rabie et al., 2016). SADC governments have adopted different policies, strategies, and programs to promote MSMEs in their countries. Overall, the policies and programs in the region have not been as effective.

The reality facing MSMEs in Africa is again confirmed in the literature reviewed in this section. There is a trend of businesses failing even in the SADC region as recorded in the literature. The question is what can MSMEs in Zambia do to avoid the pitfalls faced by MSMEs in the sub-region.

2.6.1 MSMEs Performance Regional Perspective - SADC Region

Though there are no studies reviewed whose scope covered the entire SADC region, the reviewed literature, the in-country studies were reviewed to show the performance of MSMEs in the region. Mabhungu and van der Poll (2015) proposed a performance measurement framework for MSMEs in the retail sector in Zimbabwe. The study assumes that the performance measurement framework should be based on critical success factors of the enterprise and the key performance indicators of the critical success factors. The critical success factors which can be considered are the commitment of the owner-manager, business planning, management of information, strategies to manage revenue and costs, innovation, management of customers, management of suppliers, management of competitors, the enterprise's pool of resources conformance to regulations and management of resources of finance.

The hyperinflationary environment experienced between the period 2004 and 2008 saw the proliferation of MSMEs in the retail sector (Chikweche, 2015). He further argues that the MSMEs were taking the market once occupied by large retail outlets which had either ceased operating or reduced the level of operating. Examples of such large retail outlets in Zimbabwe are OK supermarket, TM supermarket, Spar supermarkets, large clothing companies such as Topics, Edgars and large furniture retail shops such as Meikles, Pelhams, TV Sales and Hire and many others. The hyperinflationary period was characterized by high-interest rates, frequent price changes, shortage of foreign currency, and price controls (McGreal, 2007). Most formal large organizations could not continue operating during a turbulent economic environment. On the other hand, the same hyperinflationary period presented opportunities for MSMEs as they could be reactive enough to adapt to the rapidly changing economic environment (Mufudza, Jengeta & Hove, 2013). The large retail outlets regained lost market share by recapitalizing and expanding their outlets as well as improving operational systems so that they could use their critical mass advantage (Chikweche, 2015). The large retail outlets managed to improve their performance by forming strategic alliances with suppliers, reducing profit margins, and diversifying to other business sectors (Chikweche, 2015).

The MSME sector is recognized as a significant contributor to economic growth and development and mass employment in Swaziland. It was with this realization that the Government of Swaziland

initiated the first Fin Scope MSME Survey in Swaziland 2017 (Fin Scope Swaziland, 2017). The study attempted to bridge the lack of recent, holistic and reliable information about the MSME sector. The Fin Scope MSME Survey Swaziland 2017 was conducted with a sample of 3024 adult business owners who were selected at the household level across the country. The survey showed that 53% of business owners considered their business to be growing, 25% considered their business as very successful, while 38% considered it fairly successful and 17% believed that their businesses were big. The survey showed that the owners with successful business are more likely to be registered, keeping financial records, and claim that their businesses performed better than the previous season.

One of the most favorable points of these small businesses is that if they grow in size, the economy of the country will be affected and as a consequence, the levels of poverty will decrease. However, the real situation is that in some cases their productivity and performance remain low for several years. Whereas their low performance can be assigned to the adverse circumstances affecting them, past researchers have found problems within firms, especially related to management (poor management practices), finance (cost of finance or access to finance,) and lack of decision making.

2.6.2 MSMEs Critical Success Factors Regional Perspective - SADC Region

As already indicated in the preceding section, MSMEs in the SADC region face many challenges while authors Mabhunga and Van Der Poll (2017), identified the factors that may be considered as critical in the success of MSMEs in the retail sector in South Africa. The factors identified as critical in the success of MSMEs in the retail sector were the commitment of the owner/manager, business planning, management of information, management of revenue, management of costs, innovation, management of customers, management of suppliers, management of competitors, the enterprise's pool of resources, management of regulators and management of sources of finance. The study also attempted to highlight the influence that each of the factors had in enhancing the success and survival of MSMEs. The study did not claim to provide an exhaustive list of all factors critical to the success of MSMEs. The study concluded that the factors influencing the performance of MSMEs were so numerous and sometimes so complex that no study may identify all the possible factors.

In a study entitled "Overcoming SMEs Challenges through Critical Success Factors; A case of SMEs in Western Cape Province, South Africa" Ramukumba (2014) identified some of the critical success factors for the MSMEs to improve their performance to overcome the challenges they are faced within the competitive market environment. The research investigated the critical success factors that can help these MSMEs to be sustainable and have positive growth so to limit the high business failure rate in South Africa. Ramukumba (2014), used the ability of the MSME to generate enough cash; the ability of the MSME to attract repeat customers; competitive pricing; advertising and promotion; skilled workers; and product performance as variables to evaluate the performance of MSMEs in Western Cape Province, South Africa. The research established that attracting repeat customers and the performance of the product are the critical success factors that can lead to the sustenance of these MSMEs. The study concluded that the resource-constraint MSMEs needed to focus on critical success factors to build a competitive advantage to stay competitive amidst the challenges from globalization and liberalization. Further, in a study conducted on enterprise success factors in MSMEs Gauteng, South Africa, it was concluded that a lack of technical and managerial skills impedes business development. Research conducted on MSME failures in South Africa revealed that failure was primarily caused by a lack of management skills and training. This finding is confirmed by 90% of a sample of 1000 entrepreneurs who believe that MSME failure is due to a lack of managerial skills (Brink et al., 2003; Rogerson, 2008).

The limitations faced by MSMEs in achieving success seem to be the inverse factors that MSMEs require to achieve business success. The reviewed literature above shows that while on one hand the lack of technical and managerial skills and training caused the failure in most MSMEs the same factors once harnessed would be responsible for business success. The authors cited in the review identified common critical success factors for MSMEs in the region and include a commitment of the owner/manager, business planning, management of information, management of revenue, management of costs, innovation, management of customers, management of suppliers, management of competitors, the enterprise's pool of resources, management of regulators and management of sources of finance.

2.7 MSMEs sector in Zambia

In Zambia and many other developing countries in the world, MSMEs are perceived to be economic drivers as they reliably create employment providing opportunities for low-income poor people, thereby increasing financial inclusion. However, there have been limited studies undertaken in Zambia to show the contribution of MSMEs to the economy with empirical evidence. Zambia did not have a Micro Small and Medium Enterprises (MSME) policy until 2008. The rationale for this policy is to create a national vision and leadership for the deliberate development of the MSME sector and to facilitate the creation and implementation of relevant and effective sector legislation and regulatory framework (MCTI, 2008). From its stated policy objectives, the MSME policy has a more holistic approach to increasing the levels of entrepreneurship in Zambia, but the missing link between new knowledge and increased entrepreneurial activity is still obvious. Further Mwanawina (2008), has pointed out in his study that there is disharmony in the identification of priority areas among government departments and as such, even when issues of foreign investment were considered, we do not expect to find a structured approach. In his analysis of three government departments' focusing on MSMEs development, a few lacunae were identified. Nuwagamba (2015), shows that most MSMEs in Zambia were characterized by low use of technology and were oriented towards local and less affluent market segments. The study also shows that the MSME sector had developed since the liberalization of the economy.

The MSME sector is estimated to account for 97 percent of all businesses in Zambia although 9 out of 10 are said to operate in the informal sector. MSMEs operating in a very informal manner remains one of the major challenges faced by the sector. Inevitably both formal and informal MSMEs in Zambia contribute to the GDP by creating opportunities for future growth and an innovative diversified economy. Of the 8.1 million adults in Zambia, 1.2 million operate a business accounting for a good portion of their income. In this growth pathway, MSMEs still face challenges some of which include unanticipated financial mismatches between their income and expenses. (FSDZ, 2017) To overcome these and other challenges, MSMEs require support from Financial Services Providers (FSPs) like Banks and Micro Finance Institutions to grow their portfolios.

However, the provision of finance to the MSME sector in Zambia remains a challenge. A survey conducted by the World Bank on Enterprise Development in Zambia (2007) identified poor access

to finance as a major impediment to investment and growth in Zambia. Only 16% of firms surveyed reported having a loan or line of credit from a financial institution, compared with 23% for the region and 35% for all countries surveyed. Therefore, while Zambia's cost of doing business index has progressively improved in recent years, access to finance continues to feature among the three key constraints to investment and growth.

The policy environment for MSMEs growth has been set in the country, with the development of the enabling policy environment. However, MSMEs still face the major challenge of access to finance. In this current study, how does access to finance affect the CSF of MSMEs in Zambia?

2.7.1 MSMEs Performance in Zambia

According to the Zambia Business Survey (2010), 97% of employees in the MSME sector fit within the micro and informal levels, with small and medium enterprises accounting for 2% and 1% respectively. Most of Zambia's MSMEs tend to resemble home-based income-generating and income smoothing activities rather than structured businesses. There is generally little or no capital investment into enterprise growth (Bonger and Chileshe 2013). Clarke, et al. (2010) indicates that 81 percent of the microenterprises are located in rural areas where they account for 91 percent of employment, 70 percent are involved in agriculture production. Overall, agriculture is the largest sector and accounts for half of all of Zambia's MSMEs. In terms of enterprise activity, 93% of Zambian MSMEs are engaged in primary production (mainly agricultural) and trading activities, leaving a very small proportion in value-adding activities such as manufacturing and processing (Clarke, et al., 2010).

The fact that smallholder agriculture in Zambia is almost entirely seasonal has a significant effect on overall MSME sector productivity. Few MSMEs (whether rural or urban) use productivity monitoring/measuring mechanisms that consider indicators such as Cost of Sales or even Number of Customers. By far the vast majority of the MSME owners are male. What may probably need to be better understood is the extent to which traditional cultural and business practices may have pushed women "behind the scenes" and so affected their ability to openly manifest their entrepreneurial potential. What is already known is that women have greater challenges than men in obtaining credit, productive inputs, information, and other public services. Women are also more likely to be engaged in trading and retailing (44% of enterprises) than agriculture (31 percent). Compared to their male-folk, women-owned firms are also more likely to be, smaller, located in

low productivity sectors such as garments and will have lower levels of capital per worker, and tend to be smaller. Women entrepreneurs are more likely to have a lower level of education (Van Klaveren, et al., 2009)

Mwaanga et al. (2016) investigating the factors influencing the failure of MSMEs in Kabwe, Zambia found that entrepreneurs were very much influenced by their initiative. The study indicated that the major or key factor was a lack of market information with regards to how to access business plans and when and how to get the correct information that relates to business registration. Furthermore, the research revealed that apart from the lack of market information, the small businesses were affected by the prevailing financial constraints and high taxes imposed on them by the central and the local authorities. The findings of the study showed that businesses failed due to the luck of security required to access the loans to boost their businesses.

The Zambia enterprise survey has been providing statistic on the growth and performance of the MSMEs sector in Zambia which shows that in terms of enterprise activity, 93% of Zambian MSMEs are engaged in primary production (mainly agricultural) and trading activities, leaving a very small proportion in value-adding activities such as manufacturing and processing. These activities limit the performance of Zambian MSMEs as most of them do not engage in value addition. The MSMEs policy and other government lead programs encourage MSMEs to engage in value addition as a driver for improved performance.

2.7.2 MSMEs Critical Success Factors in Zambia

Regrettably, very little literature exists on SME's in Zambia, with Phillips and Batia-Panthaki, (2007) arguing that "although a small number of (limited) studies on MSMEs have been undertaken, no aggregate data exist and in reality, the number of small and microenterprises operating in Zambia, nor the size and sector in which they operate can be accurately estimated." Phiri and Ng'andwe (2018) in a paper titled "Marketing "A cost," or "A key success factor," for small-medium enterprises (SMEs), Lusaka Province, Zambia" argue that empirical evidence (Phiri & Mwale, 2019) have shown that cost of advertisement inversely correlates with sales (i.e. Testing Ho at 5% level of significance, $Pv < \alpha$ ($0.016110754 < 0.05$); Reject Ho). Therefore, as competition for customers becomes more intense, entrepreneurs (business owners) must understand the importance of developing creative marketing strategies; their success and survival depend on it.

Marketing takes the center stage in the realization of revenue and profits for businesses. Successful entrepreneurs recognize that modern marketing strategies must include techniques such as social media and marketing that pull customers into their companies. Further Phiri and Mwale (2019) firmly argue that advertising gives the following benefits: it helps in establishing and promotion of the company and its products or services, it builds the brand, and it also creates demand since it persuades the customers to buy. It contributes to the creation of brand awareness and demand. Advertising informs customers about a product, company, or service. It is a strong medium of communication and for promoting particular features and overall achieving sales and profit goals. Therefore, based on the above findings it was concluded that despite being expensive to advertise, there was a need that organizations invested in advertising.

Olusegun et al (2018) conducted a study to assess factors Influencing the Growth of Small, Medium, and Micro Enterprises in the Zambian Construction Industry. The results revealed that all the 30 variables assessed were significant with a mean value above 2.5 with the minimum been a high value of 3.5. Olusegun et al (2018) identified 'good financial management, 'personal network', 'ability to manage personnel', 'proper cash flow management, 'good management skills, and 'proper planning' as the top five important influential variables while flexible labour, change in the market location, and support of family and friends were identified as the least three important influential factors for the growth of construction SMMEs.

The results agreed with the studies of Stefanovic et al. (2010) and that of Hampel-Milagrosa et al. (2013) which good financial management, proper planning, taking calculated risks, good record keeping, source of capital, size of the firm, and support from friends and families among others are factors to consider when the growth and development of construction SMMEs is the target. The result also agreed with the study of Al-Mahrouq (2010) which identified innovation, flexible labour, and change in market location as the factors to consider for growing construction SMMEs to maximize their potential benefits to the national economy.

2.8 Critical Success Factors of MSMEs

As already discussed, several authors have looked at the concept of critical success factors in the functioning of MSMEs. The table below a summary of reviewed literature on critical success factors for MSMEs

Summary of critical success factors from Literature

Table 2-1 : Summary of critical success factors from Literature

Author/s	Year	Critical Success Factors Identified
Mugozhi & Hlabiso	2017	1. Mentorship 2. Close monitoring & evaluation
Joshi & Mihreteab	2016	Entrepreneurial characteristics 1. Age & gender 2. Education level 3. Experience 4. Behavioural aspects Firm characteristics 1. Age 2. Size 3. Management Structure Contextual Factors 1. Operating environment
Lampadarios	2016	Entrepreneurial Factors 1. Age 2. Education level 3. Entrepreneurial orientation 4. Gender 5. Prior work experience and management skills Enterprise Factors 1. Age and size of company 2. Business networks 3. Customer relations management 4. Financial resources 5. Internationalization 6. Humana capital 7. Market and product development 8. Marketing 9. Strategic planning Business Environment Factors 1. Political 2. Economic 3. Socio – cultural 4. Technological 5. Legal & regulatory 6. Ecological & environmental
Chiwara	2015	1. Access to financial resources 2. Regulatory environment 3. Skills shortages in entrepreneurship and management
Ramukumba	2014	1. The ability of the SME to generate enough cash 2. The ability of the SME to attract repeat customers 3. Competitive pricing

		4. Advertising & promotion 5. Skilled workers 6. Product performance
Ha et al	2014	1. Entrepreneurs' health & brain 2. Entrepreneurs' investment 3. Entrepreneurs' reputation, image and branding
Jebna & Baharudin	2013	Financial Factors 1. Cash flow 2. Amount of sales/ revenue Non – financial Factors 1. Competitor observation 2. Customer satisfaction 3. Experience 4. Service quality 5. Open – change outlets 6. Solving problems
Ng & Kee	2013	1. Leadership style 2. Image & reputation 3. Organizational innovation 4. Entrepreneurial competence
Sefiani	2013	Internal Factors 1. Characteristics of SMEs 2. Characteristics of the entrepreneur 3. Firm strategies External Factors 1. Macro – environmental factors 2. Micro – environmental factors
Lema	2013	1. Demographic characteristics (age & education level of SME owners and managers) 2. Business characteristics (age of SMEs) 3. Capital structure (source of initial capital & capital size) 4. Marketing strategy

2.9 Emerging Issues

This section focused on issues that the researcher focused on during literature review. It highlights in summary the works done by other scholars regarding the subject matter. It outlines the findings by other researchers and identifies gaps in the research conducted by other scholars. From these findings, the researcher closes gaps that these researchers did not address regarding the subject matter in the Zambian context.

Emerging issues and gaps

Table 2-2: Emerging issues and gaps

SL No	AUTHOR(S)	ARTICLE	RESULTS	GAPS
01.	Lampadaros (2016)	Critical Success Factors for SMEs: An Empirical Study in the UK Chemical Distribution Industry	The study established that regulatory compliance, entrepreneurial orientation, customer relations, management, market and product development, prior work experience, and strategic planning were CSF identified in the study.	Data collection was based on perception of only very senior managers which meant that findings presented a one side view point. This study attempted to collect data from cross section of respondents.
03.	Biggs and Shah (2006)	African Small and Medium Enterprises, Networks, and Manufacturing Performance	The study found that failure rates of manufacturing enterprises was very high in Africa and that enterprises closed within five years.	Focussed more on enterprises in manufacturing. Current study not included service and retail enterprises.
04.	OSAMA MAQSOOD, H., MAQSOOD, Z., & MAQSOOD KHALID, M. (2020).	Exploring the critical success factors (csfs) of knowledge management in smes: a literature review. *Journal of Global Economics, Management and Business Research*,	CSFs govern and facilitate the effective implementation of KM in SMEs. By comprehending the tally of good critical factors (GCF), SMEs can ensure success of KM. However, development of CSFs needs extra care for growth and change in the field of SMEs in developing countries.	This study provides an investigative perspective of CSFs for implementing KM in the SME sector. It does not provide the perspectives from an entrepreneurs' point of view.
05.	Mabhunga I and Van Der Poll B (2017)	A Review of Critical Success Factors Which Drives the Performance of Micro, Small and Medium Enterprises.	The study identified CSF in retail as commitment of the owner/manager, business planning, management of information, management of	The study did not claim to provide an exhaustive list of all factors critical to the success of MSMEs. The study concluded that the factors influencing the

			revenue, management of costs, innovation, management of customers, management of suppliers, management of competitors, the enterprise's pool of resources, management of regulators and management of sources of finance. The study also attempted to highlight the influence that each of the factors had in enhancing the success and survival of MSMEs.	performance of MSMEs were so numerous and sometimes so complex that no study may identify all the possible factors.
06.	Ramukumba (2014)	Overcoming SMEs Challenges through Critical Success Factors: A Case of SMEs in the Western Cape Province, South Africa.	The study established that attracting repeat customers and performance of the product was CSF for MSMEs. Therefore, MSMEs needed to stay focused on CSF.	The environment is limited to the western cape. Some of the findings could be replicated in this current study.
07.	Bonger and Chileshe (2013)	The State of Business Practices and the Impact of Business Development Strategy on MSMEs in Lusaka and Kabwe, Zambia	The study concluded that MSMEs had limited/no capital investments into enterprise growth.	
08.	Van Klaveren, M. K., Tijdens, M., Hughie-Williams, N. & Martin, R. (2009).	An overview of Women's Work and Employment in Zambia., Amsterdam: University of Amsterdam	The study found out that in terms of enterprise activity, 93% of Zambian MSMEs are engaged in primary production (mainly agricultural) and trading activities, leaving a very small proportion in value-adding activities such as manufacturing and processing. The study also revealed that	The study focused more on challenges faced by women and not the CSF which is the focus of the current study.

			women had greater challenges in obtaining credit, productive inputs, information, and other inputs.	
09.	Mwaanga & Moonga, (2016)	Small Business Management in Kabwe: Factors Influencing Their Failure.	The study results indicated that lack of market information regarding business registration, financial constraints, and the taxes imposed hindered business success in Kabwe.	The study was limited to businesses in Kabwe central business district. The study sample should have been escalated to include more towns for the results to be representative.
10.	Phiri, William & Ng'andwe, Euphrasia. (2018).	Marketing "A cost," or "A key success factor," for small-medium enterprises (SMES), Lusaka Province, Zambia.	The study identified that MSMEs required planning for advertisements in their operational budgets. The study showed the direct benefits of MSMEs that invested in advertising.	Major gap of the study was its focus only on the importance of advertising to the exclusion of other factors that drive business success.
11.	Oguntona, Olusegun & Aigbavboa, Clinton & Desiree, Khanyisa. (2018).	*Factors Influencing the Growth of Small, Medium and Micro Enterprises in the Zambian Construction Industry*.	The study isolated good financial management, personal network, and ability of the entrepreneur to manage as key to business success.	The study did not zero down to CSF that drive business success. It did not interrogate the nature and environment that the businesses operated.

2.10 Chapter Summary

While many studies have explored the Critical Success Factors which are important to ensure the performance of MSMEs, this study investigated the CSF for MSMEs in Zambia. A review of the literature suggests that CSF for MSMEs performance varies from region or country to country. Attention has turned to how the entrepreneur interacts with the business environment. In this regard, this study falls within the spectrum of entrepreneurship development in emerging economies.

CHAPTER THREE

THEORETICAL AND CONCEPTUAL FRAMEWORK

3.1 Introduction

This chapter presents the theoretical framework used in this study and the adapted conceptual framework that guided the study. The theoretical framework is anchored on the balanced scorecard model (Kaplan and Norton, 1996) while the conceptual framework is developed and adapted based on the circular balanced scorecard and provides a framework to answer the question: 'what are the key performance measures or critical success factors for MSMEs in Zambia". The chapter further identifies and operationalizes the variables investigated in the study.

3.2 Theoretical framework

The theoretical literature review is very cardinal as it plays the fundamental role of unveiling the theory, or theories, that underpin the paper argument, or if there is no such theoretical background, which is the related extant knowledge. It sets the limits of discussion and defines and clarifies the main concepts that will be used in the empirical sections. A substantive and thorough literature review is the basis for any good research project (Bootee, 2005) and a well-crafted literature review section provides the theoretical foundation that is required to support any argument of contribution. Theories are systems of concepts that explain facts and provide stories as to how phenomena work the way that they do (Boer et al., 2015) and the first task of a literature review is to reveal which theories are used in the paper´s argument.

3.2.1 The Balanced Score Card

The Balanced Score Card (BSC) model is composed out of four perspectives that determine short and long-term objectives, contains financial and non-financial perspectives, and includes leading and lagging indicators (Kaplan and Norton, 1996). The Balanced Scorecard links mission, vision, and strategy to operational activities. Using the BSC the organization's performance is managed from four dimensions, customer perspective, internal perspective, innovation and learning perspective, financial perspective (Kaplan and Norton, 1996). The methodology features an initial executive workshop with twofold goals: (1) to discuss and develop consensus over the statements

about the mission and future vision of the enterprise; (2) to establish strategic objectives to translate the business vision into operations for each of the BSC's perspective. Next, the formation of four sub-groups (one per perspective), each with the task of translating critical success factors into performance measures, is recommended; Kaplan and Norton then envisaged two more executive workshops to discuss the results of each sub-group and define the business BSC and the operational plan to be carried out.

It is interesting to note that such characteristics are also found in the implementation methodologies of performance measurement systems that do not adopt the Balanced Scorecard model like, for example, in the Performance Prism by Neely et al. (2002a), in the Cambridge Performance Measurement (PM) Process developed by Cambridge University (Bourne et al. 1996) and in the Integrated Performance Measurement Systems (IPMS) Reference Model of Strathclyde University by Bititci et al. 1997. The Performance Prism features multiple top-down procedures: performance measures are selected through a top-down process (to be repeated for every stakeholder, that is for investors, customers, employees, suppliers, and society in general) aiming at identifying the following: (1) expectations and contributions of the stakeholder under consideration; (2) strategies to satisfy the stakeholder; (3) necessary critical processes to realize the strategies; (4) necessary abilities to effectively and efficiently execute the processes. The above-mentioned approaches were developed with large enterprises in mind. According to Kaplan and Norton (1996), the balanced scorecard not only allows the monitoring of present performance but also tries to capture information about how well the organization is positioned to perform in the future.

Studies have shown that most performance measurement models like the BSC that have worked well for large enterprises don’t consider the characteristics of MSMEs (Brem et al., 2008; Garengo et al., 2005; Taticchi et al., 2008; Taticchi et al., 2010). In scholarly literature, the issue of transferability to the small and medium enterprise context was only specifically tackled by Hudson’s studies (ref. Hudson et al. 2001; Hudson-Smith and Smith 2007). Hudson stated that the main problem with applying the top-down approaches to MSMEs is their "extent", that is the fact that the identification of the critical success factors and the key performance measures for the various perspectives happens at the same time, and the implementation of the operating system is

launched after having clearly defined a complete and balanced set of measures. To avoid this problem, an implementation method defined as "incremental" is proposed.
Implementing such a model or framework is hindered because an MSME: lacks human resources; has little managerial and financial capacity; adopts a reactive approach to strategic planning; has primarily "tacit knowledge and little attention is given to the formalization of processes (Garengo et al., 2005). This method focuses upon “depth” instead of extent: the implementation process features the sequential repetition of the “name, act, use, learn” cycle for every strategic objective: Name: the main strategic objective to immediately focus upon is identified; Act: the performance measures connected with that strategic objective are identified, along with the improvement actions needed; Use: the measurement system is implemented and the improvement actions are activated; Learn: the target achievement is monitored and, at the same time, the adequacy of the selected measures is assessed.

Even with this approach, the basic logic is a top-down one; although Hudson pointed out that the development processes of PMSs in small enterprises should be able to exalt informal strategies and overcome limited experiences and competencies in the formalization of strategies (Hudson-Smith and Smith 2007), as a first step, the name – act – use – learn Bourne et al. 1996 cycle requires an actual rationalization of the strategic vision. The distinctive element in the majority of small and medium enterprises is the overlapping of roles (entrepreneur, managers, family members) and such an "institutional overlapping" is often associated with an organizational and managerial structure with peculiar characteristics: Dominant role of entrepreneurs and simple structural configuration; Lack of formalized management systems and little "engineering" of processes, along with an abundance of vague roles; An entrepreneurial formula that is often not formally expressed, along with intuitive and informal strategic processes.

Top-down approaches offer a starting point in the establishment of the BSC (i.e. definition of the company's mission and clarification of its objectives) that collides with such a cultural framework. The organizational and cultural peculiarities of small and medium enterprises call for a new approach in the implementation of the BSC; this approach shall tackle, explicitly and systematically, the little interest that MSMEs have in rationalizing their operational practices and strategic processes, and shall hence reverse the top-down logic.

3.2.2 The Circular Balanced Scorecard

Biazzo and Garengo (2012a), developed a method for MSMEs who haven't formalized their strategy, and thus, cannot apply a top-down methodology. Biazzo and Garengo (2012a) assume that an MSME will develop their strategy both emergently as well as planned. Their methodology is based on the strategy map developed by Kaplan and Norton (2004) and Balanced Scorecard also developed by Kaplan and Norton (1996). The Suggestion is to base the development of a Performance Management System on executing a gap-analysis for the measures currently under control, to identify the desired future state and strategy of the organization (Biazzo and Garengo, 2012a; Garengo and Biazzo, 2012). The methodology is called the 'Circular Balanced Scorecard' and consists out of 4 stages, which altogether represent a cycle: 1. Identify existing performance indicators; 2. Develop implicit strategy map based on identified indicators; 3. Develop desired strategy map based on the implicit strategy map, determine the discrepancy between strategy and identified critical success factors, and determine comprehensiveness of performance measures in line with critical success factors; and 4. Develop Balanced Scorecard based on the desired strategy map; develop key performance measures, targets, goals, and initiatives. Their methodology is graphically portrayed in figure 1.

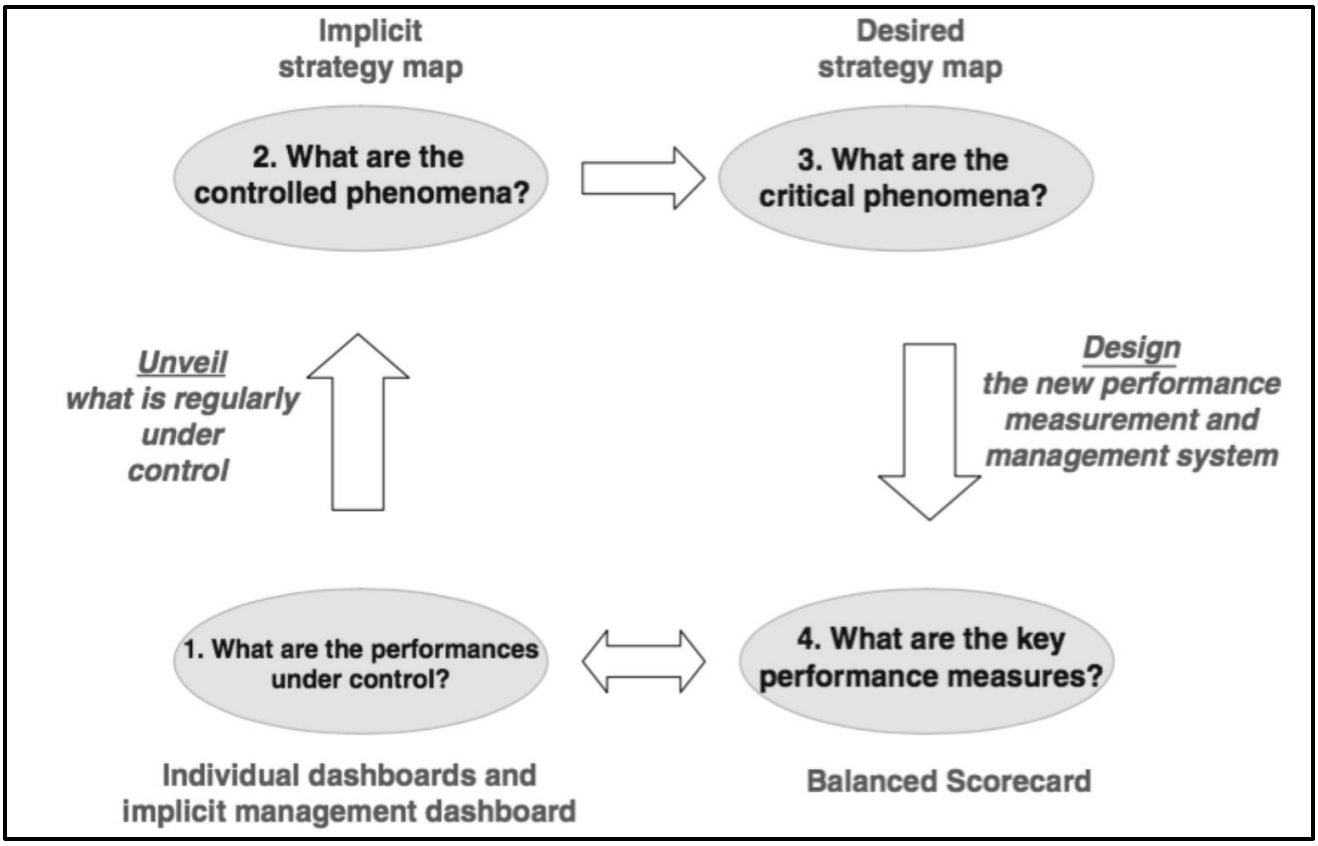

Figure 3.1: A circular approach to the implementation of the BSC adapted from Biazzo and Garengo, (2012b)

3.2.3 Agency Theory

Agency theory is said to be the principle that is used to explain and resolve issues in the relationship between business principals and their agents. Most commonly, that relationship is the one between shareholders, as principals, and company executives, as agents (Brousseau, 2002). The theory has continued to evolve. In noting the basic analyses still to be undertaken Gregory (1992) stated that the principal-agent analysis is a diverse and rapidly developing field. It is more accurate to describe it as a modeling approach within which there are some common structures and assumptions with wide variations. Yet, in 2002 Eric Brousseau hinted at the incompleteness of the theory in considering the future economic analysis of this type of contract and in stating that this would require the "collaboration with professionals and scholars in other disciplines". In this regard, the critical success factors to enterprise growth and development should be incorporated and continued to be analyzed as an ideal practice of MSMEs corporate governance.

3.3 Conceptual Framework

In order to measure performance of the MSMEs using the circular balanced score card, it was important to develop a conceptual framework to situate the study. The circular balanced score card postulates that a Performance Management System can be developed based on executing a gap-analysis for the measures currently under control, to identify the desired future state and strategy of the organization (Biazzo and Garengo, 2012a; Garengo and Biazzo, 2012). The agency theory adds a dimension that the entrepreneur requires to understand the diverse actors involved in business processes. Against this background, the conceptual framework adopted in this study is mainly being drawn from the work of Simpson et al., 2012; Rutherford et al., 2000; Gibb, 2000 categorized critical success factors as entrepreneurial factors, enterprise factors, and business environment for business success as presented in figure 2. This categorization of CSF was adapted as the foundation of the conceptual framework for the study.

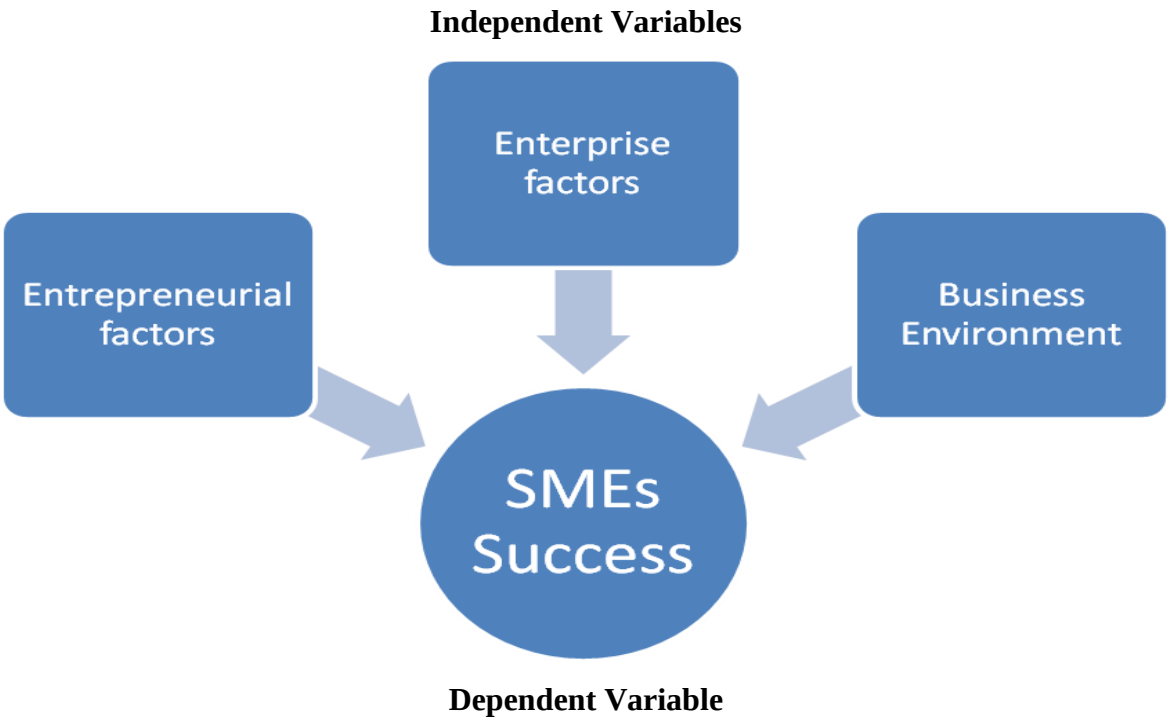

Figure 3.2: CSF Categorization adapted from Simpson et al., (2012); Rutherford et al., (2000); Gibb, (2000)

Based on existing conceptual frameworks: Amoros (2011), Chawla et al. (2010, 1997), Lussier (2010), Dobbs & Hamilton (2007), Kaplan and Norton (1996), and Biazzo and Garengo, 2012b

the study adapted independent variables broadly classified as entrepreneurial factors, enterprise factors, and business environment. Government regulations were included as a moderating variable. This framework postulates that attributes embedded in independent variables are important for achieving success. The assumption is that government regulation was important in overcoming the challenges posed by market failure in the MSMEs sector. Ultimately, the study used this framework to analyze the critical success factors that propel MSMEs in Zambia. The graphical presentation of the framework is given in figure 3.3.

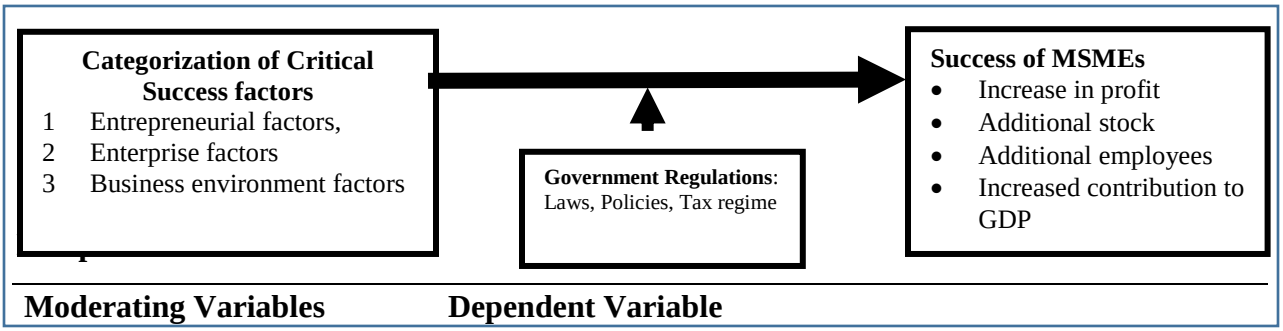

Figure 3.3: Conceptual Framework

3.4 Operationalization's of the Variables/Constructs.

Conceptualization is the process of specifying what we mean when we use particular terms. In research, conceptualization produces an agreed-upon meaning for a concept for research. Different researchers may conceptualize a concept slightly differently. Conceptualization describes the indicators used to measure the concept and the different aspects of the concept. The operationalization of variables/constructs, therefore, specifies how a concept was measured in this study.

3.4.1 Independent Variables

Under each category of critical success factors, the study identified variables that were investigated. A total of 44 constructs were identified in the study according to the categorization of critical success factors presented in figure 3. The identified variables in Table 3.1 were investigated to establish the CSF on the performance of MSMEs in Zambian. The constructs were evaluated using a Linkert scale ranging from 1 to 5 interpreted as follows: 1 Not important; 2 Less important; 3 Middle important; 4 Important; 5 Very important. Therefore, the level of

measurement was operationalized as Scale or Interval. The operationalization of the constructs is presented in table 3.1 below.

Table 3-1: Operationalization of Variables

Category of CSF	**Construct**	**Level of Measurement**
Entrepreneurial Factors	1. Gender of owner	Scale
	2. Age of owner	Scale
	3. The education level of the owner	Scale
	4. Number of hours dedicated to business	Scale
	5. Experience of the owner	Scale
	6. Management skills	Scale
	7. Commitment to customer satisfaction	Scale
	8. No experience.	Scale
	9. No interest in the business venture.	Scale
	10. Scared of recording business failure.	Scale
Enterprise Factors	11. Availability of capital	Scale
	12. Location of the business	Scale
	13. Use of business planning tools	Scale
	14. Marketing of products	Scale
	15. Use of technological tools	Scale
	16. Quality of products or services	Scale
	17. Business relies on research and development to products	Scale
	18. SMEs should tap into creative talent when employing new staff	Scale
	19. Product differentiation is vital for competitiveness	Scale
	20. SMEs should introduce new products every year.	Scale
	21. SMEs seeking feedback from customers and improve when necessary.	Scale

Category of CSF	Construct	Level of Measurement
	22. Implementing reward skills for creative employees with creative ideas.	Scale
	23. SMEs striving to secure patent rights for their products to avoid imitations.	Scale
	24. SMEs relying on innovation as a source of value addition for their products.	Scale
	25. SMEs have challenges in raising capital for expansion.	Scale
	26. SMEs having poor financial planning tools	Scale
	27. SMEs experiencing challenges in credit fulfilment.	Scale
Business Environment Factors	28. Compliance with legal matters	Scale
	29. Availability of financial resources	Scale
	30. Social network	Scale
	31. Government support	Scale
	32. Availability of skilled labour	Scale
	33. External advisory services	Scale
	34. The high-interest rate is charged by Banks.	Scale
	35. Lengthy processes in applications for loans.	Scale
	36. Financial lenders prioritizing large businesses over SMEs.	Scale
	37. Harsh financial conditions for SMEs profitability margins.	Scale
	38. Government regulations.	Scale
	39. Competition from foreign businesses.	Scale
	40. Difficult to raise capital.	Scale
	41. Government support to the SMEs.	Scale
	42. Difficult to find financial capital	Scale

Category of CSF	Construct	Level of Measurement
	43. Difficult to find labour.	Scale
	44. Difficult government regulations to start a business.	Scale

3.4.2 Moderating Variables - The role of government

Goel and Rishi (2012), emphasized the regulatory and coordinating role of government in the stimulation of entrepreneurial activity. They indicated that increasingly, this role may prove important and will be required in developing countries, where the predominance of MSMEs is regarded by scholars as indicative of any economy where the likelihood of business failure is particularly high (Wiggins 1995). Another driver for government interest in the stimulation of entrepreneurial activity is that MSMEs in developing countries are more likely to have a higher innovation propensity than those in developed countries (Naude, 2013). Literature suggests an endogenous interaction between innovation, entrepreneurial activity, and economic growth (Hall et al. 2012; McMullen 2011; Wong, Ho, and Autio, 2005). The implication of this is that governments in such economies may need to focus more on supporting the development of entrepreneurial activity by implementing policies that provide the enabling environment and emphasize reduction of uncertainty as well as transaction costs.

Government policies should aim to encourage and promote the development of local technologies. Emphasis should be on the promotion of the local industry to reduce reliance on imports. MSMEs are said to face a "liability of smallness" because of their size and resource limitations. Still, there is evidence that MSMEs have the potential to initiate minor technological innovations to suit their circumstances. However, for MSMEs to fully develop and use this potential, they need specific policy measures to ensure that technology services and infrastructure are provided (Wanjohi, 2009). Policy initiatives in revitalizing the MSME sub-sector should not only be engineered by the government, but all the stakeholders in the development arena should take the frontline.

3.5 Chapter Summary

Chapter three presented the theoretical and conceptual framework for the study. The balanced scorecard and the circular balanced scorecards were used as the theoretical framework for the

study. Based on the existing conceptual framework, entrepreneurial factors, enterprise factors, and business environment. Government regulations were included as a moderating variable. This framework postulates that attributes embedded in independent variables are important for achieving success. A total of 44 variables were operationalized in this chapter.

CHAPTER FOUR

RESEARCH METHODOLOGY

4.1 Introduction

Research methodology refers to a systematic way of solving a research problem. An essential feature of good research is its pursuit of reality. It is difficult to reach reliable and convincing results without good research methodology, as it aspires for essential knowledge. This chapter explains the research philosophy that informs the study. In this chapter, the research design and philosophy used during this investigation were described in addition to the reasons for choosing them. The chapter further outlines the research design adopted to obtain primary data. The target population, data analysis, and limitations of this study are also discussed in this chapter. Finally, the chapter summary is provided.

4.2 Research Philosophy

Research is guided by research philosophy assumptions to arrive at a research design

4.2.1 Positivism

Positivism assumes that reality exists independently of humans. 'Cogito, ergo sum' – 'I think, therefore I am', a pronouncement by René Descartes (cited in Phillips & Burbules, 2000), greatly influenced modern philosophy. The Positivist approach has been a recurring theme since Plato, who believed that nature had certain unalterable ideas that needed to be tested and proven true. In Table 4.1 the basic constructs of Positivism and how they link with this research study are depicted.

Table 4-1: Positivism Link to the Research Study

Positivism Link to this Research Study	
Inquiry Aim	To explain, predict or control
In this study	To predict the critical success factors for MSMEs in Zambia.
Method	Quantitative
In this study	Factor Analysis to predict and establish the CSF
Logic	Deductive
In this study	If the MSMEs do not record success as expected then we can deduce that the Construct validity which has implications for interpretations about the validity
Epistemology	Objectivist - objectively true
In this study	The researcher and the subjects are independent of each other

Ontology	Realism
In this study	When the CSF are analyzed they show a true reflection of how they function in reality to the performance of MSMEs

Adapted and combined from Scherman, (2007) & Guba & Lincoln, (1994)

4.2.1.1 Inquiry Aim

The inquiry aims to make use of Factor analysis to establish the Critical Success Factors that define the performance of MSMEs in Zambia. The data will be analyzed and through factor loading, CSF was identified.

4.2.1.2 The rationale for working with Positivism

With the help of Positivism, empirical investigations can be made to answer questions. Positivism is seen from the perspective that science does not need to have a prior sense of the whole to which different parts belong to study the different parts (Fischer, 1991). In this study, the CSF based on literature was explored to establish those that were significant for MSME performance in Zambia. A Positivist research approach to the MSME sector research makes use of methods that directly investigate the questions asked. With the help of Factor analyses – a statistical procedure used in this study (discussed in section 4.8), the validity level was investigated. Factor analyses can specifically be used to determine the level of the construct validity of an assessment. Reliability and validity form the crux of any measurement since they are important in establishing the credibility and truthfulness of the findings. Both reliability and validity are represented in many types and forms and have multiple meanings (Neuman, 2003).

4.2.2 Constructivism

Constructivism (also known as Constructionism) is a relatively recent perspective in Epistemology that views all of our knowledge as "constructed" in that it is contingent on convention, human perception, and social experience. Epistemology asks questions like: "What is knowledge?", "How is knowledge acquired?", "What do people know?", "What are the necessary and sufficient conditions of knowledge?", "What is its structure, and what are its limits?", "What makes justified beliefs justified?", "How we are to understand the concept of justification?", "Is justification internal or external to one's own mind?" Therefore, our knowledge does not necessarily

reflect any external or "transcendent" realities. It is considered by its proponents to be an alternative to classical Rationalism and Empiricism.

The common thread between all forms of Constructivism is that they do not focus on an ontological reality ("reality-as-it-is-in-itself", which constructivists regard as is utterly incoherent and unverifiable), but instead on constructed reality. Thus, they reject out of hand any claims to universalism, realism, or objective truth, and admit that their position is merely a view, a more or less coherent way of understanding things that have thus far worked for them as a model of the world. The research design, therefore, is informed both by positivism and constructivism.

4.3 Research Design

Arising from the foregoing the philosophical assumptions were arrived at to achieve the research objective of investigating the critical success factors in the performance of MSMEs in Zambia, a descriptive research design using survey methodology was adopted.

The study employed quantitative methods of collecting and analyzing data. Terre Blanche et al. (2006), indicate that the quantitative research method is a type of research where researchers collect data in form of numbers and use statistical types of data analysis. The use of the qualitative and quantitative methods allowed for triangulation of the study findings thereby ensuring reliability and validity of the study. Mixed methods could be argued to be the contemporary approach to solving real world problems in academic research. Morse (2003) posits that mixed method design as the incorporation of various qualitative or quantitative strategies within a single project which may have either a qualitative or quantitative theoretical drive. A structured MSME questionnaire was used to collect quantitative data while interviews were used to collect qualitative data.

The questionnaire was administered to respondents at the enterprise level while the interview was used to collect information from key informants within the Business Associations. The data was collected directly from enterprise respondents. To ensure the correctness of the research findings, questions were specific and easy to understand. Besides, before the start of fieldwork to collect data, the questionnaire was pretested to achieve clarity and have an idea of what to expect from the field. The pre-test ensured that the researcher achieved correctness of the language used,

identify poor wording in questions, and establish the timeframe required to complete the questionnaire.

Table 4.2 shows the research matrix that was used during the study.

Table 4-2: Research Matrix

Research Matrix					
Research Questions	**Independent Variable**	**Measure**	**Level of Measurement**	**Data collection tools**	**Type of Analysis**
1. What are the effects of entrepreneur attributes of success factors for MSMEs?	Entrepreneurial Factors	• Gender of owner • Age of owner Education level of owner • Number of hours dedicated to business • Experience of the owner	Interval	Questionnaire	Factor Analysis
2. How is the effect of resource availability on the success of MSMEs? 3. What is the impact of innovation as a critical success factor of MSMEs?	Enterprise Factors	• Location of business • Use of business planning tools • Marketing of products • Use of technological tools • Quality of products or services • Management skills • Commitment to customer satisfaction	Interval	Questionnaire	Factor Analysis
		• Business relies on research and development to products • SMEs should tap into creative talent when employing new staff • Product differentiation • Feedback from customers	Interval	Questionnaire	Factor Analysis

Research Matrix					
Research Questions	**Independent Variable**	**Measure**	**Level of Measurement**	**Data collection tools**	**Type of Analysis**
		• Rewards creative employees with creative ideas • Patent rights • Innovation as a source of value addition for products			
4. What role do the environmental factors play in the success of MSMEs?	Business Environment Factors	• Compliance with legal matters • Availability of financial resources • Social network • Government support • Availability of skilled labour • External Advisory services	Interval	Questionnaire	Factor Analysis

4.3 Population

MSMEs are scattered across the length and breadth of the country with most of them located in the central business districts of most towns in Zambia. A target population is the specific set of individuals or objects about which information is desired. Kothari (2004) defines a population as a well-defined set of people, elements, services and events, group of things or households under investigation. According to PACRA (2020), Lusaka District SME population was 9,194 businesses registered as of December 2019. The target population was small businesses whether registered with PACRA and members of the Zambia Chamber of Small and Medium Business Association (ZCSMBA) domicile in Lusaka. This made it easier for the researcher to approach these MSMEs since the researcher lives and works in Lusaka. Choosing any other region would have meant traveling a long distance just to collect data from the MSMEs, which would have been very difficult considering the time frame for this study.

4.4 Sample size and sampling procedures

A sample size of the 385 MSMEs was targeted for responses distributed in Lusaka. A Mixed sampling method was applied to this study. Firstly, the purposive sampling method was employed

to arrive at a Sampling Enumeration Area (SEA) which in this case would be a market, trading location, or zone within Lusaka. A total of five (5) SEAs were identified in this study and included Chilenje Market, Luburma Market, Kabwata Market, Town Center Market, and COMESA Market. The researcher proceeded to identify the types of business or trading that occurred in each SEA for purposes of identifying strata. A total of seven (7) strata were identified and included hardware, motor vehicle spare parts, Garages and workshops, retail and grocery shop, agro-business, restaurants, and food production, Cosmetics, hair salon, and barbershop. A ratio method was used to provide representativeness of the various strata in the sample. The sample selected is represented in Table 4.3 below. The numbers for the respondents that were purposively sampled largely depended on availability and willingness to cooperate in responding to the questionnaire. Care was taken to capture a representative sample of enterprises across the sectors. Purposive sampling was also employed to identify key informants within the business associations.

Secondly, simple random sampling was used to determine the sample size consisting of 385 respondents was randomly drawn selected using simple random sampling applying the interval technique. The procedure that was followed to arrive at the sample were as follows;

(i) Firstly, the number of elements in the population divided by the number of elements needed for the sample was estimated to calculate and fix the sampling interval;

(ii) A random starting point between 1 and the sampling interval was chosen; and

(iii) Lastly, the sampling interval was repeated to choose subsequent elements.

The sample size was selected using the formula below:

$$n = \frac{N}{1+N(E)^2}$$

P-value 5%

95% confidence level

Where

E is the margin of error (the level of significance)

Table 4-3: Distribution of the Sample

Sampling Enumeration Area	Strata	Frequency	Percentage
Chilenje Market,	Hardware,	11	4%
	Motor vehicle spare parts,	7	3%
	Garages and workshops,	4	2%
	Retail and grocery shop,	12	5%
	Agro-business,	8	3%
	Restaurants and food production,	16	6%
	Cosmetics, hair salon, and barbershop	3	1%
Luburma Market,	Hardware,	8	3%
	Motor vehicle spare parts,	9	4%
	Garages and workshops,	3	1%
	Retail and grocery shop,	4	2%
	Agro-business,	6	2%
	Restaurants and food production,	13	5%
	Cosmetics, hair saloon, and barbershop	7	3%
Kabwata Market,	Hardware,	6	2%
	Motor vehicle spare parts,	3	1%
	Garages and workshops,	9	4%
	Retail and grocery shop,	12	5%
	Agro-business,	8	3%
	Restaurants and food production,	6	2%
	Cosmetics, hair salon, and barbershop	8	3%
Town Center Market	Hardware,	3	1%
	Motor vehicle spare parts,	6	2%
	Garages and workshops,	5	2%
	Retail and grocery shop,	11	4%
	Agro-business,	9	4%
	Restaurants and food production,	6	2%
	Cosmetics, hair salon, and barbershop	5	2%
COMESA Market.	Hardware,	7	3%
	Motor vehicle spare parts,	2	1%
	Garages and workshops,	6	2%
	Retail and grocery shop,	11	4%
	Agro-business,	3	1%

Sampling Enumeration Area	Strata	Frequency	Percentage
	Restaurants and food production,	6	2%
	Cosmetics, hair salon, and barbershop	5	2%
Totals		**248**	**100%**

4.5 Data sources

The study used both primary and secondary sources of data. Secondary data was obtained from publications including Journal articles, Abstracts, Surveys (literature review) while Primary data on the other hand was obtained from fieldwork using a combination of a structured enterprise questionnaire and in-depth interviews. With the help of research assistants, the enterprise questionnaire was administered over a period of two (2) months. Interviews were conducted with members of the Business Association in Lusaka were conducted during the same period.

4.6 Data collection techniques

The data was collected through a survey using a structured questionnaire (Appendix I) administered by the researcher and research assistants were employed to assist in administering the questionnaire due to time constraints. The questionnaire distributed to MSMEs was divided into two sections: Section A, concentrated on the bio data of the respondent firms such as: Age of the firm, Form of ownership, Nature of the firm, Number of employees of the firm, Average monthly turnover of the firm. This data helped identify the type of MSME in order to segment them into Micro, Small or medium enterprise during analysis; and Section B, which focused on the critical success factors of MSMEs in Zambia.

The secondary data was obtained from reviewing journals and literature relevant to the subject matter of this research. Official policy documents of government of Zambia were also reviewed. Questionnaires were administered to each selected enterprise using face to face technique as opposed to self-administered questionnaires to ensure clarity of meaning on the questions. The researcher spent time in the study area interacting with the members of the business associations, administering questionnaires and conducting key informant interviews and profiling the nature of their business. The study employed a structured questionnaire in order to achieve a high degree of validity and reliability of the collected data and to eliminate the subjectivity of judgement. The

enterprise questionnaire was used on a sample of 385 enterprises. However only 248 questionnaires were successfully answered and returned. This represents a response ratio of 64.4% which is above an acceptable rate of survey responses of 33.3% as established in the research by Watt et al. (2002). Therefore, the response rate was adequate for analysis of the data. The research process ensured that results could easily be summarized and generalized to give a reliable view of the total population even though the study was done on a relatively small sample.

4.7 Piloting

A research tool was tested on a pilot sample of members of the target population. This process allowed the researcher to identify whether respondents understood the questions and instructions and whether the meaning of the questions was the same for all respondents. Where closed questions were used, piloting highlighted whether sufficient response categories were available and whether any questions were systematically missed by respondents. Appropriate adjustments to the instrument were made before rolling out data collection. Pilot tests are used in survey-based research to identify the weaknesses and optimize the questionnaire. A valid questionnaire enables accurate data, which measure the concepts; a reliable questionnaire enables these data to be collected consistently. Pilot testing the questionnaire is of paramount importance to ensure that the respondents will have no problems in understanding the questions and recording their answers. This is likely to improve response rates, helping the researcher achieve a high response rate providing greater credibility to research findings (Akinci & Saunders, 2015). A pilot test was carried out with 40 participants. The pilot test was also analyzed using SPSS on the 40 participants. These were requested to evaluate the different sections of the questionnaire and provide feedback on key requirements that included an easy understanding of questions, the flow of questions, and the questionnaire structure. Before the final distribution of the questionnaire, a few modifications were made particularly to the questionnaire's wording.

4.7.1.1 Remedies to Research Instruments

Remedies to research questions were identified while administering the questionnaire in the field and the questionaries' were adjusted while operationalizing in the field.

4.8 Data Preparation and Entry

Out of 385 sets of questionnaire surveys distributed, the author received only 248 valid responses, and the data was consolidated into Microsoft Excel Sheet and then transferred to SPSS Version 16 by creating a database with a data codebook. The data codebook contained variable names, variable types, variable labels, variable values, measures, and other formatting variables to ensure that all the data copied from the Excel sheet was organized accordingly.

4.9 Data Analysis

Firstly, the data were analyzed using both qualitative and quantitative techniques. The study organized and analyzed the qualitative data by using themes of key findings. According to Gay (2006), most of the studies that were conducted by the survey method were processed based on calculating and interpreting descriptive statistics. The Statistical Package for Social Sciences (SPSS version 16) was used to process and analyze the quantitative data. The responses gathered from respondents through the completed questionnaires were captured on a spreadsheet document. The data were analyzed quantitatively using factor analysis statistical techniques and outputs provided in form of tables. Factor analysis based on the common factor model' postulates that observed measures are affected by underlying common factors and unique factors, and the correlation patterns need to be determined. The Principal Component Analysis method of extraction in SPSS was used in this study to determine which factors were critical for the success of MSMEs in Zambia.

Factor analysis operates on the notion that measurable and observable variables can be reduced to fewer latent variables that share a common variance and are unobservable, which is known as reducing dimensionality (Bartholomew, Knott, & Moustaki, 2011). These unobservable factors are not directly measured but are essentially hypothetical constructs that are used to represent variables (Cattell, 1973). Confirmatory Factor Analysis (CFA) was used to discover the number of factors influencing variables and to analyze which variables ‘go together’ (DeCoster, 1998). A basic hypothesis of CFA is that there are common ‘latent’ factors to be discovered in the dataset, and the goal is to find the smallest number of common factors that will account for the correlations (McDonald, 1985). Another way to look at factor analysis is to call the dependent variables ‘surface attributes’ and the underlying structures (factors) ‘internal attributes' (Tucker &

MacCallum, 1997). Common factors are those that affect more than one of the surface attributes and specific factors are those which only affect a particular variable.

The study selected the critical success factors that had at least 3 variables, the eigenvalue of 1 and above, r > .70, while those factors with 2 or fewer variables were rotated (Tabachnick & Fidell, 2007), (Kaiser, 1960), and (Jolliffe, 1986). This procedure was used to ascertain the critical success factors influencing the performance of MSMEs in Zambia.

4.9.1 Model specification

In the 'classical factor analysis' mathematical model, p denotes the number of variables $(X_{1,}\, X_{2,} \ldots\ldots\ldots X_{p,})$ and m denotes the number of underlying factors$(F_{1,}\, F_{2,} \ldots\ldots\ldots F_{m,})$. $X_{j,}$ is the variable represented in latent factors? Hence, this model assumes that there are $m_{,}$ underlying factors whereby each observed variable is a linear function of these factors together with a residual variate. This model intends to reproduce the maximum correlations.

$$\boldsymbol{X_{1,} = a_{j1,}F_{1,} + a_{j2,}F_{2,} \ldots\ldots\ldots\ldots\ldots\ldots a_{jm,}F_{m,} + e_{j}.}$$

Where $\boldsymbol{j_{,} = 1, 2, \ldots\ldots\ldots, p_{,}}$

The factor loadings are $\boldsymbol{a_{j1,}a_{j1,} \ldots\ldots\ldots a_{jm,}}$ which denotes that $\boldsymbol{a_{j1,}}$ is the factor loading of **j**th variable on the 1st factor. The specific or unique factor is denoted by $\boldsymbol{e_{j}}$. The factor loadings give us an idea about how much the variable has contributed to the factor; the larger the factor loading the more the variable has contributed to that factor (Harman, 1976). Factor loadings are very similar to weights in multiple regression analysis, and they represent the strength of the correlation between the variable and the factor (Kline, 1994).

4.10 Reliability and Validity Test

The reliability test was conducted to check whether the questions that had been asked for the measuring variables are unidirectional if Cronbach's Alpha is greater than 0.7 (Sekaran, 2008). According to the independent variables of Entrepreneurial, Enterprise, and Business environment factors satisfy the condition while the alpha value for the dependent variable of user intention just left behind for the value of 0.7 as two items were used to measure the variable. Only factor loadings above 0.5 were considered in the final section of factors. Hence, the constructs were considered valid measures (Churchill, 1979). Further, it was reasonable to assume that all variables have face

validity and construct validity as they were adapted from well-established measures in the literature (Sekaran, 2008).

Table 4-4: Reliability Statistics

Reliability Statistics

Cronbach's Alpha	Cronbach's Alpha Based on Standardized Items	N of Items
.753	.752	63

4.11 Ethical considerations

The author adhered to all ethical standards in conducting social science research in Zambia. The study did not at any point violate the ethical standards as set by the Zambia Research Ethics Council. Further, the researcher completed the ethical clearance form provided by the University of Zambia, Graduate School of Business, and obtained Ethical clearance for the study from UNZA, Graduate School of Business. Further, to adhere to ethical standards, the study methodology observed that there was no plagiarism in the process of this study. A declaration is provided at this effect that the works contained herein are the original works of the author.

4.11.1 Informed consent and Confidentiality

All participants were given a covering letter including information such as the organization behind the study, including the contact name and address of the researcher, details of how and why the respondent was selected, the aims of the study, any potential benefits or harm resulting from the study, and what will happen to the information provided. The covering letter both encouraged the respondent to participate in the study and also met the requirements of informed consent. The covering letter also pledged that all the information collected from the respondents was going to be treated with confidentiality.

4.11.2 Confidentiality

This was handled by not publishing information submitted by the respondents. There was no section in the questionnaire that asked the respondents to fill in their details. The respondents were also assured of the privacy of any information given during the research. This was adhered to up to now and only the researcher analyzed the data from the questionnaire.

4.11.3 Information consent and privacy

As described in the Belmont Report (2005), informed consent allows for the confirmation of autonomy among all research participants. Informed consent, usually in the form of a document signed by the subject, relays all pertinent and relevant research information, such as risks and benefits, to the potential subject, allowing him or her to make an informed decision regarding participation. Subsequently, the participant is allowed to withdraw from the research or experiment at any time and for any (or no) reason. This process is a basic legal and ethical standard by which all research must abide. This study ensured that the participants were protected by ensuring that participants are fully informed and therefore may freely choose to participate in the study. It gave participants adequate time to ask questions of the researcher, receive clear answers, and reflect on this information before choosing to participate.

4.11.4 Plagiarism

The study is purely my work. All published and unpublished material, whether in manuscript, printed, or electronic form, used in this study have been duly acknowledged and cited appropriately. It was implemented during the literature review in chapter two and chapter one.

4.11.5 Transparency

Transparency is an essential foundation for rule-governed and intersubjective valid social science research, in that it permits scholars to assess research and to speak to one another. It is also a precondition for any other advances in social science method, theory, and data collection. This was exercised by being explicit, clear, and open about the methods and procedures used in the study.

4.11.6 Coercion

In conducting the collection of data, my research assistance distributed the questions and no respondent was forced in any way possible to answer the distributed questionnaires. Coercion of the respondents can adversely distort the data collected and unethical. It is for this reason that no single respondent was coerced in the process to respond to the distributed questionnaires. On the contrary, all the respondents willfully participated in the research.

4.1.2 Chapter Summary

To achieve the research objective of investigating the critical success factors in the performance of MSMEs in Zambia, a descriptive research design using survey methodology was adopted. Positivism was the philosophy that guided the study as empirical evidence on CSF for MSMEs was investigated. The chapter described the various steps taken to undertake the study. The study sample initially was 385 and the successful responses were 248. A questionnaire survey was used to collect data while the data were analyzed using factor analysis to identify CSF for MSMEs.

CHAPTER FIVE

PRESENTATION AND DISCUSSION OF FINDINGS

5. Introduction

This chapter presents the findings of the study on the Performance of MSMEs in Zambia; An Investigation of Critical Success Factors. This chapter includes a compilation of primary data collected through field study and SPSS version 20 software was used to analyze the data. The chapter focuses on presenting the study findings showing how the critical success factors were extracted using factor analysis. Further, the chapter identifies 14 factors as critical to the performance of MSMEs.

5.2 Respondent Characteristics

The respondent characteristics variables considered in this study include; gender of the respondent, gender of the business owner, age of owners of the enterprise, education level of ownership of the business, the position held by the respondent in the business, and the number of employees.

Table 5-1: Gender

	What is your gender?	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Male	169	68.1	68.1	68.1
	Female	79	31.9	31.9	100.0
	Total	248	100.0	100.0	

The findings in table 5.1 indicate that majority of the respondents were male, accounting for 68.1% of the representation, whereas the Female representation was computed to be 31.9 %. On the other hand, table 5.2 below shows that 63% of the respondents were above the age of thirty with only 2.4 being below the age of 18. This shows that the study sample composed of adults as opposed to individuals considered as children.

Table 5-2: Age Group

What is your age group?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	18 years of age and under	6	2.4	2.4	2.4
	19 – 29 years of age	85	34.3	34.3	36.7
	over 30 years of age	157	63.3	63.3	100.0
	Total	248	100.0	100.0	

Table 5.3 shows the age distribution of the owners of the enterprise. The table shows that the age of business owners ranged from 18 to 75 years, while the average age of business owners was 49 years. The age range shows that individuals engaged in entrepreneurship are both young and old. These findings concur with the findings of The Kauffman Firm Survey (KFS), a longitudinal survey of nearly 5,000 companies that were legally formed in 2004, which has become something of a gold standard for entrepreneurship data. The study found that the mean age of entrepreneurs was 45 years for some regions while in other regions it was 49 years (Stangler and Spulber, 2013).

Table 5-3: Owners Age

Age of Enterprise Owners					
	N	Minimum	Maximum	Mean	Std. Deviation
AGE OWNER	248	18.00	75.00	48.8778	11.85571
Valid N (listwise)	248				

The education level of respondents helps to identify which demographic profile in terms of education levels owners of most businesses interviewed/sampled. Table 5.4 shows that majority of respondents had a grade twelve to college/university education as shown above. The findings presented in table 5.4 indicate that about 4% had attained an undergraduate degree. Further, about 17% of the respondents indicated that they have attained a College diploma. About, 36.3% of the respondents indicated that they have attained a grade twelve certificate and finally about 2.4% of the respondents, indicated that, they had attained post-graduate education. The significant number of participants indicates that they have attained decent education, which indicates high literacy levels. The fact that the study was undertaken in the Lusaka district which has a reasonable number of education facilities.

Table 5-4: Education Level

	What is your education ?	Frequency	Percent	Valid Percent	Cumulative Percent
Valid	No education	4	1.6	1.6	1.6
	Certificate	27	10.9	10.9	12.5
	Less than High School	68	27.4	27.4	39.9
	High school	90	36.3	36.3	76.2
	Diploma	43	17.3	17.3	93.5
	University degree	10	4.0	4.0	97.6
	Postgraduate	6	2.4	2.4	100.0
	Total	248	100.0	100.0	

5.3 Characteristics of Business owners

The success of MSMEs in Zambia is due to many factors, but the greatest determinant of a business's success is the entrepreneur/herself (Driessen and Zwart 2015). Therefore, the entrepreneur attributes play an important role in achieving success by the MSME. The study examined a set of factors that define the Entrepreneur attributes that include gender, age of the owner, educational level of the owner, number of hours dedicated to the business, and experience of the owner. The respondents were asked to rate the importance of each attribute on a Linkert scale ranging from whether they 1 = disagree, 2 = partially disagree, 3 = uncertain, 4 = agree and 5 = strongly agree. The results in table 5.5 to 5.8 show how respondents perceived the importance of entrepreneur attributes in the success of the enterprise. Table 5.5 shows that 62.1% of the respondents did not view the gender of the owner of the business as an important factor in the success of the business, while the results show that 33.1% agreed that the entrepreneur's gender was important to the success of the business.

Table 5-5: Owner Gender

Does the gender of the owner of business play a role in the performance of the enterprise?

Gender of owner					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	154	62.1	62.1	62.1
	Uncertain	12	4.8	4.8	66.9
	Agree	82	33.1	33.1	100.0
	Total	248	100.0	100.0	

The respondents were asked whether the age of the owner of the business was important to the success of the business. Table 5.6 shows that 39.9% agreed that the age of the owner of the business was important while 35.1% disagreed and 20.6 strongly agreed. This shows that at least 60.5% of the respondents believed that the age of the owner of the enterprise was important.

Table 5-6: Age of owner

		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	87	35.1	35.1	35.1
	Uncertain	11	4.4	4.4	39.5
	Agree	99	39.9	39.9	79.4
	Strongly Agree	51	20.6	20.6	100.0
	Total	248	100.0	100.0	

Table 5.7 below shows that 57.7 % agreed that the educational level of the business owner was importantly disaggregated as 45.2 indicating agree while 12.5 strongly agreed.

Table 5-7: Education Level

The education level of the owner					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Disagree	82	33.1	33.1	33.1
	Strongly Disagree	9	3.6	3.6	36.7
	Uncertain	14	5.6	5.6	42.3
	Agree	112	45.2	45.2	87.5
	Strongly Agree	31	12.5	12.5	100.0
	Total	248	100.0	100.0	

Table 5.8 below shows that 25.4% of the respondents motivated to start a business because of Market opportunity while another 25.4 % indicated that they liked doing business and 22.2% attributed their motivation to start a business as a result of unemployment. Only 10.9%, 8.1%, and 8.1% attributed their motivation to start a business to the use of academic knowledge, experience in business, and independence respectively.

Table 5-8: Motivation

What was your motivation for starting this business?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Use of academic knowledge	27	10.9	10.9	10.9
	Unemployment	55	22.2	22.2	33.1
	Market opportunity	63	25.4	25.4	58.5
	Experience in business	20	8.1	8.1	66.5
	Independence	20	8.1	8.1	74.6
	Like doing Business	63	25.4	25.4	100.0
	Total	248	100.0	100.0	

5.4 Type of Business Registration

The enterprise characteristics describe the parameters that categorize the enterprises either as micro, small or medium enterprises. The Zambia SME policy categorizes MSMEs in terms of the number of employees that the firm employees. Further, the type of business registration with PACRA is a good indicator of formalization of business organizations in Zambia. Table 5.9 shows that 70.6% of the interviewed enterprises are categorized and registered as sole traders just as Nuwagaba (2015) found that most MSMEs in Zambia were small with features of sole proprietors and in some cases employing a few people and the incomes generated were primarily for looking after their homes. The findings also show that about 11.3% of the enterprises interviewed were registered as partnerships while 17.3% considered themselves as family businesses. Categorizing an enterprise as a family business without linking it to the various forms of business registration may indicate that the business is not registered with the Patents and Companies Registrar (PACRA). The micro nature of the enterprises in the study area defines the opinions about what was perceived to be critical success factors in the performance of their enterprise. The implication is that the data was collected predominantly from a sample made up of micro-enterprises going by the categorization of MSMEs in Zambia's MSME policy (GRZ, 2008).

Table 5-9: Partnership

What kind of partnership is your business?					
		Frequency	Percent	Valid Percent	Cumulative Percent
Valid	Sole Trader	175	70.6	70.6	70.6
	Partnership	28	11.3	11.3	81.9
	Family Business	43	17.3	17.3	99.2
	Local co-operative	2	.8	.8	100.0
	Total	248	100.0	100.0	

5.5 Factor Analysis Results

Factor analysis is mainly used for (a) reducing so many variables (out of that a small number of variables may be interconnected triggering multicollinearity) to smaller manageable factors for simplification of a set of data; (b) to find out the underlying structure of data. Factor analysis is a

technique to identify the unrevealed construct among the variables in the investigation. It can be used to condense the information accommodated in a large number of variables into a few sets of factors or components. Factor analysis offers the tools for evaluating interrelationships or associations among many variables by outlining sets of variables that are highly interconnected (Hair et al. 2009). According to Malhotra (2009), the purpose of factor analysis is to recognize unrevealed dimensions or factors which describe the associations amongst a fixed number of variables to identify the smaller set of uncorrelated variables to substitute the initial sets of correlated variables in multivariate analysis and to identify the small number of sets of silent variables from many variables for use in later analysis. For the current study factor analysis was conducted to identify critical success factors for the performance of MSME in Zambia.

5.5.1 Communalities

Common variance can be described as the variance in a variable that is collectively shared among all other variables under study. The difference or variance depends on the variable's association with all other variables under investigation. The communality values of variables in Table 5.10 are showing shared variance among the variables as embodied by the extracted factors (Hair et.al. 2009). The value exhibited by the commonality is a useful metric of indicting the variance showcased by an individual variable. A superior communality number showcases a higher degree of variance derived by the factor solution. A small communality number exhibits that the said variable is analytically independent and cannot be clubbed with the rest of the variables. The statistical thumb rule indicates that commonalities with a value of less than 0.5 should be removed for further analysis. Therefore, all variables extracted were maintained for further analysis. Table 5.10 shows that the commonalities of the variables were rather high and may indicate that the variables chosen in this study for this analysis were strongly related to each other.

Table 5-10: Communalities

Communalities

Variables	Initial	Extraction
1. Gender of owner	1.000	.849
2. Age of owner	1.000	.871
3. The education level of the owner	1.000	.876
4. Number of hours dedicated to business	1.000	.838
5. Experience of the owner	1.000	.841
6. Availability of capital	1.000	.809
7. Location of the business	1.000	.950
8. Use of business planning tools	1.000	.862

Communalities

Variables	Initial	Extraction
9. Marketing of products	1.000	.882
10. Use of technological tools	1.000	.956
11. Quality of products or services	1.000	.931
12. Management skills	1.000	.904
13. Commitment to customer satisfaction	1.000	.891
14. Compliance with legal matters	1.000	.782
15. Availability of financial resources	1.000	.932
16. Social network	1.000	.900
17. Government support	1.000	.932
18. Availability of skilled labor	1.000	.930
19. External advisory services	1.000	.941
20. Business relies on research and development to products	1.000	.917
21. SMEs should tap into creative talent when employing new staff	1.000	.839
22. Product differentiation is vital for competitiveness	1.000	.911
23. SMEs should introduce new products every year.	1.000	.887
24. SMEs seeking feedback from customers and improve when necessary.	1.000	.893
25. Implementing reward skills for creative employees with creative ideas.	1.000	.853
26. SMEs striving to secure patent rights for their products to avoid imitations.	1.000	.798
27. SMEs relying on innovation as a source of value addition for their products.	1.000	.895
28. SMEs have challenges in raising capital for expansion.	1.000	.837
29. The high-interest rate is charged by Banks.	1.000	.789
30. Lengthy processes in applications for loans.	1.000	.944
31. SMEs having poor financial planning tools	1.000	.945
32. Financial lenders prioritizing large businesses over SMEs.	1.000	.938
33. Harsh financial conditions for SMEs profitability margins.	1.000	.862
34. SMEs experiencing challenges in credit fulfillment.	1.000	.847
35. Government regulations.	1.000	.856
36. Competition from foreign businesses.	1.000	.887
37. Difficult to raise capital.	1.000	.759
38. Government support to the SMEs.	1.000	.789
39. No experience.	1.000	.864
40. No interest in a business venture.	1.000	.841
41. Scared of recording business failure.	1.000	.905
42. Difficult to find financial capital	1.000	.893
43. Difficult to find labour.	1.000	.921
44. Difficult government regulations to start a business.	1.000	.970

Extraction Method: Principal Component Analysis.

5.5.2 Eigenvalue and Total Variance Explained for CSF

Factor analysis aims at using a less quantity of several variables that are still in a position to satisfactorily explain the whole group of variables. The pertinent issue before the researcher is to extract or maintain how many factors. In deciding how many factors to extract or how many factors should be in the analysis, any exact quantitative base has not been developed till today but for the same, the following filtering or checkpoint for the number of factors to be pulled out is being utilized (Hair et al. 2009).

5.5.3 Eigenvalue

The most general method which is utilized is to measure a parameter termed latent. The basic objective behind the same is that a single factor should account for the variance of at least an individual variable if it needs to be included for further examination. Eigenvalue or latent root represents the total variance explained by each factor. The general thumb rule follows that all the factors with latent or eigenvalues larger than 1 are to be taken into consideration and the factors with eigenvalues less than 1 should be left out.

5.5.4 Identification of Critical Success Factors Using Factor Analysis

44 variables relating to reasons for the performance of MSMEs in Zambia were factor analyzed using principal component analysis with Varimax (orthogonal) rotation. The analysis yielded 10 Components explaining a total of 76.665 % of the variance for the entire set of variables. Table 5.11 presents the Total Variance Explained Table that shows the Initial Eigenvalues, Extraction Sums of Squared Loadings, and Rotation Sums of Squared Loadings. The 10 Components yielded Eigenvalues of 1 and above as presented in table 5.11.

Table 5-11: Total Variance Explained

Total Variance Explained									
Component	Initial Eigenvalues			Extraction Sums of Squared Loadings			Rotation Sums of Squared Loadings		
	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %	Total	% of Variance	Cumulative %
1	6.903	15.688	15.688	6.903	15.688	15.688	4.346	9.878	9.878
2	4.877	11.085	26.773	4.877	11.085	26.773	3.737	8.494	18.372
3	3.654	8.304	35.077	3.654	8.304	35.077	3.401	7.729	26.101
4	3.523	8.006	43.083	3.523	8.006	43.083	3.031	6.889	32.990
5	3.240	7.363	50.446	3.240	7.363	50.446	3.002	6.823	39.813
6	3.076	6.990	57.436	3.076	6.990	57.436	2.815	6.397	46.210
7	2.543	5.781	63.217	2.543	5.781	63.217	2.701	6.139	52.349
8	2.254	5.123	68.340	2.254	5.123	68.340	2.681	6.092	58.442
9	1.991	4.526	72.866	1.991	4.526	72.866	2.613	5.938	64.380
10	1.672	3.800	76.665	1.672	3.800	76.665	2.462	5.596	69.975
Extraction Method: Principal Component Analysis.									

5.5.5 Factor Loading

A factor loading denotes the correlations between the factors and variables. It indicates the strength of the variables that constitute the factor. The larger the absolute value of the factor loading, the factor, and the variable are more closely interrelated. This means the more significant role the variable plays in interpreting the factor analysis. (Malhotra, 2008). Table 5.12 guides the researcher in detecting major factor loadings based on sample size.

Table 5-12: Factor Loading Sample size needed for Significance

Factor Loading	The sample size needed for significance
0.30	350
0.35	250
0.40	200
0.45	150
0.50	120
0.55	100
0.60	85
0.65	70
0.70	60
0.75	50

As shown in Table 5.10, 5.11, and 5.12 the values of Communalities (>0.5), Eigenvalues (>1), Percent of Cumulative Variance Explained (>60 percent), and Factor Loadings (>0.4) are greater than cut off values. Hence, after detailed analysis 10 factors were identified.

5.5.6 Extraction of Critical Success Factors

Table 5.13 shows that the study investigated 44 questions relating to critical success factors for the performance of MSMEs in Zambia were factor analyzed using principal component analysis with Varimax (orthogonal) rotation. The analysis reveals that 10 factors were extracted based on the 44 variables investigated explaining a total of 76.665% of the variance for the entire set of variables.

Table 5-13 Rotated Component Matrix

Rotated Component Matrix										
	Component									
	1	2	3	4	5	6	7	8	9	10
Experience of the owner	.858									
Number of hours dedicated to business	.852									
Interest in the business venture.	.804									
The education level of the owner	.654									
Age of owner	.608									
Use of business planning tools		.850								
Financial lenders prioritizing large businesses over SMEs.		.835								
Lengthy processes in applications for loans.		.741								
Use of technological tools		.716								
SMEs having poor financial planning tools		.547								
Competition from foreign businesses.			.805							
Product differentiation is vital for competitiveness			.664							
Scared of recording business failure due to competition.			.553							
The high-interest rate is charged by Banks.			.531							
Difficult government regulations to start a business.				.934						
Government support to the SMEs.				.839						
Government regulations.				.679						
Compliance with legal matters				.649						
SMEs seeking feedback from customers and improve when necessary.					.901					
Marketing of products					.868					
Location of the business					.799					
Commitment to customer satisfaction					.680					
Social network					.588					
Availability of capital						.777				
Availability of skilled labour						.760				
Availability of financial resources						.725				

SMEs experiencing challenges in credit fulfillment							.779			
Difficult to raise capital.							.624			
Difficult to find financial capital							.583			
SMEs have challenges in raising capital for expansion.							.561			
Implementing reward skills for creative employees with creative ideas.								.822		
Management skills								.815		
Difficult to find labour								.734		
MSMEs should tap into creative talent when employing new staff								.511		
MSMEs relying on innovation as a source of value addition for their products.									.787	
MSMEs should introduce new products every year.									.734	
Quality of products or services									.713	
Business relies on research and development to products									.682	
SMEs striving to secure patent rights for their products to avoid imitations.									.519	
Harsh financial conditions for SMEs profitability margins.										.777

Extraction Method: Principal Component Analysis.

Rotation Method: Varimax with Kaiser Normalization.

a. Rotation converged in 22 iterations.

5.6 Discussion of results

The first factor (CSF One) derived was labeled "Commitment of the Owner**"** due to the high loadings by the following items: the experience of the owner, number of hours dedicated to business, interest in a business venture, education level of the owner, age of owner as indicated in table 5.13. This first factor explained 15.688% of the variance. These findings are support studies by Hansson, Liljeblom, & Martikainen, (2011) who suggest that MSMEs which have a family CEO tend to report a high return on assets and return on investment when compared to enterprises where the CEO is not a family member and this return is even reduced where the family CEO is not the founder. This CSF suggests that the owner of a business is likely to make decisions that result in the long-term success and survival of the business. This also depends on the motivation for starting the business, whether the owner was pushed or pulled by certain factors as confirmed by Asah et al., (2015).

The second factor (CSF Two) derived was labeled **"**Business Planning**".** This factor was labeled as such due to the high loadings by the following factors: use of business planning tools, financial lenders prioritizing large business over SMEs, lengthy processes in an application for loans, use of technological tools, and SMEs having poor financial planning tools as indicated in table 5.13. The variance explained by this factor was 11.085%. This finding is supported by Blackburn, et al., (2013) who indicated that a business plan was an important ingredient for any enterprise that seeks to succeed in its operations and therefore MSMEs were not an exception. Further, there is overwhelming evidence linking business planning in MSMEs to growth and the ability to succeed and survive (Lampadarios, 2016). However, there is also an argument that strategic business planning is not feasible in MSMEs because of the volatile business environment in which most MSMEs operate. Parnell et al., (2015) suggest that as a result, most MSMEs shun formal planning. Previous research indicates the existence of a clear relationship between lack of planning by MSMEs and business failure (Jayawarna, Macpherson & Wilson, 2007). This study, therefore, confirms that business planning as CSF Two enables the enterprise to develop and benefit from its environment to achieve the enterprise's performance objectives.

The third factor (CSF Three) derived was labeled "Management of Competitors". This factor was labeled as such due to the high loadings by the following factors: competition from foreign businesses, product differentiation is vital for competitiveness, scared of recording business failure due to competition, and the high-interest rate charged by the banks. The variance explained by this factor was 8.304%. Management of the enterprise's competitors is necessary for the success and long-term survival of the enterprise (Miles, 2012). Hence, enterprises should not focus on their customers only but should place equal importance on their competitors as well if they are to gain a competitive advantage in the business environment (Matanda & Ndubisi, 2009). The findings as indicated in table 5.13 show that management of competition implies putting strategies to fend of competition from foreign enterprises through product differentiation. Management of competitors by the enterprises involves knowledge of who the competitors are and their business operations (Masocha & Charamba: 2014). The MSMEs should aim to offer unique and better products than competitors if it is to survive in the market place.

The fourth factor (CSF Four) derived was labeled **"**Government Regulations". This factor was labeled as such due to the high loadings by the following factors: difficult government regulations to start a business, government support to MSMEs, government regulations, and compliance with legal matters. The variance explained by this factor was 8.006%. MSMEs should conform to regulatory authorities for them to succeed in their business endeavors as cited by Lampadarios, (2016). Examples of regulatory authorities include the Patents and companies' registration agency (PACRA), Zambia Revenue Authority (ZRA) various licensing government departments including the Local Authorities. Therefore, compliance with the country's trade regulations could ensure that an enterprise avoids unnecessary penalties and operate profitably leading to its long-term success.

The fifth factor (CSF Five) derived was labeled **"**Management of Customers". This factor was labeled as such due to the high loadings by the following factors: MSMEs seeking feedback from customers to improve when necessary, marketing of products, location of the business, commitment to customer satisfaction, and social network. The variance explained by this factor was 7.363%. For an enterprise to become competitive and therefore succeed, there is a need to improve customer service (Lampadarios, 2016). Bulak, et al., (2016) shows that enterprises that have successful growth usually have close contact with their customers and are committed to the quality of products and services. The results of this study show that enterprises should develop a close and trusted relationship with their customers for it to achieve higher performance and this can be done through a process of networking with customers as established by Taipale-Erävala, Heilmann & Lampela, (2014). Therefore, it is plausible that the importance of developing a relationship with customers can never be over-emphasized. Therefore, the MSMEs should be customer-focused and concentrate on satisfying customers to retain current customers and acquire new customers leading to higher market performance.

The sixth factor (CSF Six) derived was labeled **"**Enterprise's Pool of Resources". This factor was labeled as such due to the high loadings by the following factors: availability of capital, availability of skilled labour, and availability of financial resources. The variance explained by this factor was 6.990%. The study found to support the resource-based theory which suggests that the performance and growth of an enterprise are driven by the resources possessed by that enterprise (Atristain &

Rajagopa, 2010; Tan, Smyrnios & Xiong, 2014; Yazdanfar & Öhman, 2015). Therefore, an MSMEs capability depends to a greater extent on its pool of tangible and intangible assets that may include financial, physical, human, organizational, and technological.

The Seventh factor (CSF Seven) derived was labeled **"**Management of Sources of Finance". This factor was labeled as such due to the high loadings by the following factors: MSMEs experiencing challenges in credit fulfillment, difficulty to raise capital, difficulty to find financial capital, MSMEs have challenges in raising capital for expansion. The variance explained by this factor was 5.781%. Non-availability of finance is always cited as one of the reasons contributing to the failure of MSMEs (Ramukumba, 2014). The fact that MSMEs cannot easily get finance from financial institutions means that MSMEs should establish good relationships with their suppliers to get goods on credit. Mere access to financial resources is not enough condition for the success of an enterprise. The financial resources may need to be utilized effectively and efficiently to result in a successful enterprise. Some MSMEs with adequate resources have often been found to misuse those resources leading to the failure of the enterprise (Ramukumba, 2014).

The Eighth factor (CSF Eight) derived was labeled **"**Employee Commitment". This factor was labeled as such due to the high loadings by the following factors: implementing reward skills for creative employees with ideas, management skills, difficult to find labour and MSMEs should tap into creative talent when employing new staff. The variance explained by this factor was 5.123%. As indicated by Valaei & Rezaei, (2016), employee commitment is vital for the success and survival of any enterprise. The study shows that MSMEs need to create a business environment that promotes the commitment of employees if MSMEs were to survive. Owner/managers of MSMEs can promote employee commitment by listening to and supporting their employees, creating an environment that inspires employees to work hard, having an interest in each employee, not being negative, and appreciating each employee's work (Krüger & Rootman, 2010). Thus, it can be argued that employee commitment is a hallmark of successful MSMEs.

The Ninth factor (CSF Nine) derived was labeled "Innovation". This factor was labeled as such due to the high loadings by the following factors: MSMEs relying on innovation as a source of value addition for their products, MSMEs should introduce new products every year, Quality of

products or services, Business relies on research and development to products, MSMEs striving to secure patent rights for their products to avoid imitations. The variance explained by this factor was 4.526%. Innovation is a requisite for sustainable long-term business performance (Saunila, 2016). There is an argument that innovation is the lifeblood of an enterprise's growth and survival as it is central in creating value and competitive advantage for the enterprise (Baregheh, Rowley & Sambrook, 2009). Previous studies established a positive relationship between the business performance of MSMEs and the extent of innovation (Otero-Neira, Lindman & Fernández, 2009; Forsman & Temel, 2011; Kotey, 2014). An innovative enterprise is one that constantly seeks new ideas that result in new products and ways of doing business (Shirokova, Vega & Sokolova, 2013). MSMEs need to develop new abilities, entrepreneurial orientation, entrepreneurial culture, and entrepreneurial mindset to survive and grow especially when faced with constraint of resources identify constant innovation as a critical factor for MSMEs to successfully compete with large enterprises. They posit that this innovation should focus on marketing strategies, internal processes, and maximizing the delivery of customer benefits and satisfaction.

The Tenth factor (CSF Ten) derived was labeled level of profitability. This factor was labeled as such due to the high loadings by the following factors: Harsh financial conditions for SMEs profitability margins. The variance explained by this factor was 3.800%. Although profitability may be regarded as the main objective of any profit-making enterprise, it may also be viewed as a CSF for the sustainable performance and survival of MSMEs. Historically, most MSMEs assess their performance based on the level of profit (Kaplan & Norton, 1992). However, MSMEs should also use profit measures as tools for motivating and controlling the performance of an enterprise so that everyone in the company channels his or her energy towards achieving the organizational goals.

5.6.1 Situating the findings within the Conceptual Framework – Relationship between CSF and Performance of MSMEs

Simpson et al., 2012; Rutherford et al., 2000; Gibb, 2000 categorized critical success factors as entrepreneurial factors, enterprise factors, and business environment for business success. This categorization of CSF was adapted as the foundation of the conceptual framework for the study. Therefore, the study findings can be categorized as follows: Entrepreneurial factors (commitment

of the owner); Enterprise factors (business planning, enterprise's pool of resources, employee commitment, management of sources of finance, innovation, and profitability); and Business environment factors (government regulation, management of competitors and management of customers). The study findings show that though the Entrepreneurial factors had the highest factor loadings, Enterprise factors collectively outweighed the other factors identified in the conceptual framework. As for entrepreneurial orientation, the results have shown that entrepreneurial orientation is positively related to both nonfinancial performance and financial performance. This result is consistent with previous findings that found that organizational performance could be improved if the firms put a strong emphasis on innovativeness, riskiness, proactiveness, competitive aggressiveness, as well as on autonomy in response to market changes (Gupta & Batra, 2015; Walter et al., 2006). This is further supported by Jabeen and Mahmood (2014) who state that firms adopting a strong entrepreneurial orientation are willing to take risks and thus they can innovate quickly, which would result in more innovative products and leading to superior performance. The study further reveals that enterprise factors to be more critical in the success of their businesses followed by environmental factors.

The identified CFSs can be situated with the circular balanced scorecard methodology to implement strategically aligned Performance management in MSMEs. The proposed methodology is based on the balanced scorecard model and features four main phases: (1) the analysis of current 'individual dashboards' to show the performances that are kept under control; (2) the clarification of the key success factors (critical success factors (CSFs)) underlying the measures under control; (3) the definition of the desired strategy map as a result of the comparison between CSFs that are currently under control and the desired strategy; (4) the translation of the desired strategy map into a dashboard of indicators necessary for the implementation of the strategy. The identified implementation process features key aspects, connecting the actual strategy with the intentional strategy and engaging SMEs in a process of observation and clarification of their future vision.

The study recognizes the relationship between the critical success factors determinants as the drivers of the effectiveness and success of organizational performance in Lusaka based MSMEs. CSFs should not only be seen as a mean to satisfy external stakeholders, but similarly, the CSFs proved to be beneficial in optimizing internal processes of the organization. From the managerial

perspective, this research offers a number of policy implications for MSMEs managers and policy makers. The instrument used in this paper will be very useful to policy makers in MSMEs as a tool for evaluating the effectiveness of their current organizational practices. Furthermore, MSMEs managers should be aware that the intermediating impact of organizational performance (financial and non-financial performance) could only be enhanced by improving the critical success factors determinants. This study can help entrepreneurs, especially MSMEs owners who often lack capital, to identify critical success factors, with which they can add most value to their business. The findings of this study suggest that, for the context of MSMEs in Lusaka and current business environment, technology orientation and entrepreneurial orientation are the most important factors for entrepreneurs to improve their performance, and therefore entrepreneurs should prioritize their investments in these success factors. This study contributes to the body of knowledge by demonstrating that different critical success factors have different degrees of impact on organizational performance. The findings show that technology orientation and entrepreneurial orientation are positively related to both non-financial performance and financial performance, while top management support is positively related to financial performance only. In contrast, the results do not support any relationship between customer focus, employee orientation and organizational performance. By comparing several critical success factors in a model, this study revealed the most significant critical success factors that can contribute to better organizational performance. Hence, this study has successfully developed some guidelines for scholars who are interested in this field to further

5.6.2 Chapter Summary

A total of 10 critical success factors were extracted from the study and these include Entrepreneurial factors (commitment of the owner); Enterprise factors (business planning, enterprise's pool of resources, employee commitment, management of sources of finance, innovation, and profitability); and Business environment factors (government regulation, management of competitors and management of customers). The sample size of 248 enterprises was selected to provide enterprise-based data about critical success factors for the performance of MSMEs.

CHAPTER SIX

CONCLUSION AND RECOMMENDATIONS

5.6.3 Introduction

The preceding chapter presented the results of the CSF for the performance of MSMEs in Zambia. This chapter, however, highlights the main findings, conclusions, and recommendations based on the study findings. The summaries of findings are organized according to key themes from the study questions and objectives. Key findings falling within each theme are deciphered from the preceding chapter and presented briefly and concisely. Further, the chapter provides concrete recommendations on what needs to be done to ensure that performance of MSMEs is improved by focusing on the CSF identified in the study.

5.6.4 Summary of the findings

The main purpose of this study was to identify the critical success factors for Micro Small and Medium Enterprises operating in the Lusaka district. The study sought to accomplish this by analyzing variables considered in the literature to be important for the performance of MSMEs to achieve business success. The study attempted to answer the following research questions as discussed in section 1.6. A structured questionnaire was distributed to the participants of the study who comprised of MSME's owners in the Lusaka district. The study makes a finding that the majority of the MSMEs in Lusaka were Sole Traders and their enterprises could be categorized as Small to Micro businesses according to the classification by in the Zambian MSME policy. The study identified 10 critical success factors for MSMEs in Zambia within the wider spectrum of Entrepreneurial factors, Enterprise factors, and Business environment factors. The 10 CSF revealed by the study are 1. commitment of the owner/manager; 2. business planning; 3. management of competitors; 4. government regulations; 5. management of customers; 6. enterprise's pool of resources; 7. management of sources of finance; 8. employee commitment; 9. Innovation; and 10. Profitability. The study, therefore, concludes that to master performance for business success MSMEs should pay particular attention to the 10 CSF identified.

Further, the study identified government policy and regulations to affect the growth in Lusaka distinct to a great extent. The study found out that government policy and regulations have a moderating effect on the performance of MSMEs. In previous studies, Kinyua (2014), researching on factors affecting the performance of small and medium enterprises in the Jua Kali Sector in Nakuru town in Kenya found out that access to finance had the potential to positively affect the performance of SMEs; management skills were found to positively and significantly affect the performance of SMEs; macro-environment factors were found to significantly affect performance and Infrastructure did not significantly affect the performance of SMEs in the study area. The study results also indicated that as the number of years in operations increased the performance in SMEs increased. Therefore, the finding of this study supports existing literature. The study also established that access to business information affects the growth of businesses in the Lusaka district to a moderate extent and this information was not readily available at the Zambia Development Agency. Even the available information was not deemed to be relevant nor does it inform the respondents of the changes in the business environment on time. Overall, the business information services in the Lusaka district affect the performance of businesses to a small extent.
The study further reveals that MSMEs in Lusaka faced several challenges that included the absence of innovation in their business processes and products. The study established that the absence of innovation was due to the stage the MSMEs were in their development life cycle as most of them were still in the formative stage. The study further established that the MSMEs also faced financial access challenges related to interest rates on loans and difficulties in accessing capital from the financial markets. The findings show that financial market imperfections or inadequacies affected the MSMEs more compared to the bigger firms.

5.7 Conclusio*n*

The objective of the study was to establish the CSF affecting the performance of MSMEs in the Lusaka district. The study concludes that it should be recognized that critical success factors for MSMEs vary from region to region and according to the type of MSMEs. Of importance in determining the critical success factors is the stage that the MSMEs are at in their life cycle. In as much as literature identifies several critical success factors for MSMEs, this study identified only 10 CSF within the three broad categorization in the conceptual framework. The success and performance of MSMEs largely depend on how they MSMEs can cope with these critical success

factors identified and how policymakers and implementing organs understand these realities. Entrepreneurs require continuous improvement and should be alert to the demands of a changing business environment.

5.8 Recommendations

The study recommends the following:

(i) That there is a need for the government to scale up its efforts towards the protection of the MSMEs for them to be able to thrive. This can be done through the implementation of policies that require a certain percentage of government procurement to be done from the local companies. This can be done through the sourcing of large procurements locally instead of the large multinationals that come in and have an undue advantage against the MSMEs.

(ii) There is also a need for the streamlining of the income structure in the country especially regarding the development of tax policies and the application of VAT.

(iii)The government also needs to step up their efforts towards the development of infrastructure for incubating MSMEs for them to take advantage of innovative technical advisory services and other related services that can be offered by the set-up incubators.

(iv) The study recommends that MSMEs develop a strategy through which they can obtain customer feedback on their products and use these responses to develop superior tastes for their products. By developing such a business strategy MSMEs could use the CSF identified in this study to promote their competitiveness.

(v) The study recommends product diversification as a critical component of market expansion and this can only be realized through research on the market requirements.

(vi) Besides, the study recommends that MSME's should set-up financial priorities at the commencement stage. The MSMEs should have a concrete business plan that lays down the projections for a minimum period of three financial years. Through this period the business should identify potential funding models that would be comfortable for the running of the business. Beyond the large commercial banks, there are numerous credit lenders such as Micro Finance institutions and the government agencies such as CEEC. The study also recommends that small businesses should employ the services of financial advisors to identify gaps in running business finances and fulfilling credit responsibilities.

5.9 Limitations of the Study

Due to time constraints, a relatively small sample size of 385 MSMEs with a response rate of 64.4% being realized, thereby limiting the extent to which findings from this study could be generalized. Therefore, it would have been better to have a sample of some MSMEs across the country compared to those in Lusaka. But due to time and resources constraint, the researcher only managed to travel to those two districts.

The other limitations were due to some MSMEs being difficult and indifferent in providing information for fear that the information given would in one way or the other get to the Tax authorities as most of them did not fulfill their tax obligation despite the assurance that the researcher gave them.

5.10 Areas for Further Study

Arising from this study, the following directions for future research should be carried out. This study only covered MSMEs in the Lusaka district. Other researchers are encouraged to conduct studies on other MSMEs in other towns who should be involved to enable the researcher to make more insightful conclusions. Further, this study didn't concern itself with the challenges and possible solutions hindering MSMEs from exploiting the CSF to achieve business success. In the future, research should be instituted to establish the challenges and the possible solutions. furthermore, a comparison should be done between the CSF for the performance of MSMEs and Large companies. This will help in shedding more light on factors that could help MSMEs evolve to become large corporations and be of more relevance to individual entrepreneurs.

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6. APPENDIX 1

Questionnaire on: Performance of SMEs in Zambia; An investigation of critical success factors.

Researcher: Guylet Kunda

Introduction

I am a registered student at the University of Zambia, Graduate School of Business, studying to earn a Master of Business Administration. As part of the requirements, I am required to undertake a research study on a subject approved by the university. I am therefore undertaking this study on: "Performance of SMEs in Zambia; An investigation of critical success factors". To meet my study objectives which are:

a) To identify and analyze current regulatory and institutional framework inclined to MSMEs;
b) To analyze MSMEs organizational environment and identify drivers of MSMEs performance;
c) To find out the mechanisms through which MSMEs contribute to innovative and value addition activities in their businesses; and
d) To provide evidence for the development of policy option/choices to create an enabling environment for MSMEs in Zambia to embrace Critical Success Factor in their performance management systems.

I am at your business premise to collect data on the subject matter and requesting for your cooperation and consent. The data that will be collected shall strictly be treated with confidentiality and will only be used for academic purposes.

Kindly sign below to indicate your consent to proceed with this questionnaire interview.

Signature: …… **Date: ……**

SECTION A

1. What is your age group?
   i) 18 years of age and under
   ii) 19 – 29 years of age
   iii) over 30 years of age
2. What is your gender?
   i) Male
   ii) Female
3. What is your education level?
   i) No education
   ii) Certificate
   iii) Less than High School
   iv)High school
   v) Diploma
   vi) University degree
   vii)Post graduate
4. How much time do you involve yourself in the present business?
   i) Full time
   ii)Part time
   iii) Part-time with another job
5. How many years of previous experience did you have before joining or starting this business?
   i) None
   ii) Less than 3 years
   iii) 3 -5 years

iv) 6- 10 years

v) More than 10 years

6. How many years has your Enterprise been in business?
    i. Less than 3 years
    ii. 3 -7 years
    iii. 7- 15 years
    iv. More than 15 years

7. Please estimate/indicate your turnover for the previous financial year?

……

8. How is the company registered with PACRA?
    i. Sole Trader
    ii. Partnership
    iii. Private Limited Company
    iv. Cooperative

9. How much experience do you have?

    i)Previous experience

    ii) Private sector

    iii) Government

    iv) Family business

10. How many previous ventures have you been involved in business?

    i) None

    ii) Less than 3 years

    iii) Between 3 and 5 years

    iv) Between 5 and 10 years

    v) More than 10 years

11. What is your position in this business?

i) Owner

ii) Manager

iii) Others

12. Kindly indicate your job description in business?

i. Owner manager

ii. Manager

iii. Supervisor

iv. Employee

v. Spouse

vi. Son

vii. Daughter

viii. Relative (please specify)

13. What is the age of your business?

i) Less than 3 years

ii) Between 3 and 5 years

iii) Between 5 and 10 years

iv) More than 10 years

14. What is your nationality?

i) Zambian

ii) Non-Zambian

15. How many employees are there in your business?

i) Below 5 employees

ii) 5-10 employees

iii) 10-20 employees

iv) More than 20 years

16. What is the percentage of Zambian workers in your business?

i)Less than 5%

ii) 5-10%

iii)10-20%

iv) 20-30%

v) More than 30%

17. What is your main business?

i) Manufacturing

ii) Retail

iii) Service (Foods and Hospitality)

iv) Agriculture

v) Other (Please specify)

……

18. What kind of partnership is your business?

i) Solo

ii) Partnership

iii) Family Business

iv) Local co-operation

v) Foreign Business

19. What was your motivation for starting this business?

i) Use of academic knowledge

ii) Unemployment

iii) Market opportunity

iv) Past experience in business

v) Independence

vi) Like doing Business

SECTION B

TO WHAT EXTENT ARE THE FOLLOWING FACTORS IMPOTANT TO THE SUCCESS OF ENTERPRENEURISM? Use the following scale.

Not important	Less Important	Middle Important	Important	Very Important

1	2	3	4	5

20.	Gender of owner	1 2 3 4 5
21.	Age of owner	1 2 3 4 5
22.	Education level of owner	1 2 3 4 5
23.	Number of hours dedicated to business	1 2 3 4 5
24.	Past experience of the owner	1 2 3 4 5
	To what extent does the following factors important to the Success of entrepreneurship	
25.	Availability of capital	1 2 3 4 5
26.	Location of the business	1 2 3 4 5
27.	Use of business planning tools	1 2 3 4 5
28.	Marketing of products	1 2 3 4 5
29.	Use of technological tools	1 2 3 4 5
30.	Quality of products or services	1 2 3 4 5
31.	Management skills	1 2 3 4 5
32.	Commitment to customer satisfaction	1 2 3 4 5
	To what extent are the following environmental factors important to the success of the business	
33.	Compliance with legal matters	1 2 3 4 5
34.	Availability of financial resources	1 2 3 4 5
35.	Social network	1 2 3 4 5
36.	Government support	1 2 3 4 5
37.	Availability of skilled labour	1 2 3 4 5
38.	External advisory services	1 2 3 4 5

	To what extent are the following factors important to the Success of an enterprise	
	To what extent does innovation factors play on success of SMEs	
39.	Business relies on research and development to products	1 2 3 4 5
40.	SMEs should tap into creative talent when employing new staff	1 2 3 4 5
41.	Product differentiation is vital for competitiveness	1 2 3 4 5
42.	SMEs should introduce new products every year.	1 2 3 4 5
43.	SMEs seeking feedback from customers and improve when necessary.	1 2 3 4 5
44.	Implementing reward skills for creative employees with creative ideas.	1 2 3 4 5
45.	SMEs striving to secure patent rights for their products to avoid imitations.	1 2 3 4 5
46.	SMEs relying on innovation as a source of value addition for their products.	1 2 3 4 5
	To what extent does financial access factors play on the success of SMEs?	
47.	SMEs have challenges in raising capital for expansion.	1 2 3 4 5
48.	High interest rate charged by Banks.	1 2 3 4 5
49.	Lengthy processes in applications for loans.	1 2 3 4 5

50.	SMEs having poor financial planning tools	1 2 3 4 5
51.	Financial lenders prioritising large business over SMEs.	1 2 3 4 5
52.	Harsh financial conditions for SMEs profitability margins.	1 2 3 4 5
53.	SMEs experiencing challenges in credit fulfilment.	1 2 3 4 5
	To what extent has the following factors challenging the existence of SMEs?	
54.	Government regulations.	1 2 3 4 5
55.	Competition from foreign businesses.	1 2 3 4 5
56.	Difficult to raise capital.	1 2 3 4 5
57.	Government support to the SMEs.	1 2 3 4 5
	In your opinion, to what extent are the following challenges affect Zambian people to start a business?	
58.	No past experience.	1 2 3 4 5
59.	No interest in business venture.	1 2 3 4 5
60.	Scared of recording business failure.	1 2 3 4 5
61.	Difficult to find financial capital	1 2 3 4 5
62.	Difficult to find labour.	1 2 3 4 5
63.	Difficult government regulations to start a business.	1 2 3 4 5

Thank you very much for your cooperation and time!