




# Size matters: The market–non-market strategy nexus and firm performance in South Africa



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**Purpose:** This study seeks to discover how a firm's size and its use of both market and non-market strategies (MS and NMS) impact firm performance in South Africa.

**Design/methodology/approach:** We used the Prolific platform to gather survey data from 247 executives and managers across the country representing a variety of firm sizes and industries. Cronbach's alpha, analysis of variance (ANOVA) and structural equation modelling via partial least squares (PLS-SEM) were then employed to test constructs and hypotheses. Configuration theory and social exchange theory (SET) are the conceptual foundations for this study.

**Findings/results:** Firm size is a driver of the market strategy of differentiation, but not cost leadership. Larger firms are also more likely to pursue both political and social NMS. Differentiation and social NMS positively impact firm performance, but cost leadership and political NMS do not.

**Practical implications:** Managers should emphasise differentiating their products and services rather than being a low-cost provider. When considering various non-market strategies, they should emphasise social NMS. Although large firms are more likely than small firms to pursue political NMS, they do not appear to accrue any benefit.

**Originality/value:** This study fills gaps in the strategy-performance literature by directly linking firm size to strategic choices and by analysing the effects of different types of MS and NMS on firm performance. As such, it is valuable to both academics and practitioners. This study also advances our understanding of MS and NMS in South Africa.

**Keywords:** Non-market strategy; market strategy; business strategy; Africa; South Africa; firm size; firm performance; SmartPLS.

## Introduction

### Background

Market strategies (MS) emphasise competitive advantage through the market, such as superior products or services, lower costs, niche orientation and unique business models. Scholars have investigated the relationships between MS and firm performance for several decades, but non-market strategies (NMS) can also enhance firm performance outside of the market context (Liedong, 2022; Sun et al., 2021). A non-market orientation includes political and social interactions between organisations and external actors mediated by governments, public institutions and other stakeholders (Baron, 1995). Recent research underscores the importance of non-market activity as a consequential part of a firm's strategy and a potential driver of performance (Sun et al., 2021). A growing body of scholarship evaluates the links between NMS and firm performance, but relatively little is known about these issues in emerging economies (Bignotti & Myres, 2022; Parnell et al., 2023). This article seeks to analyse that link and improve our understanding of how MS and NMS drive firm performance in South Africa.

The Republic of South Africa is one of the largest and wealthiest nations on the continent, with a population of about 60 million. South Africa's economy is often viewed as transitional but not in the sense of enhancing market orientation (e.g. China, Russia and former Soviet bloc nations). Its economic performance was stagnant for a decade preceding the nation's first multiracial election in 1994. Still, the legal and political system has changed as the country's indigenous majority has increased involvement in financial and political affairs (Gaffley & Pelsler, 2021; Transparency International, 2022).

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South Africa is an intriguing nation for organisational inquiry not only from a broad strategy-performance perspective but also in terms of how firms integrate social and political concerns (Bignotti & Myres, 2022; Chitimira et al., 2022). Social NMS is an essential consideration in South Africa. Firstly, social norm compliance in consumer behaviour is vital in South Africa and much higher than in developed countries (Mason et al., 2022). This also applies to subjective norms (e.g. what do family, friends and society think about my behaviour?). Indeed, the influence of these factors on consumer behaviour is relatively strong. Moreover, considering the content of social norms in South Africa and the elements of social NMS, many aspects are similar and very important in the country, such as the support of local companies, people and the community (Dobbelstein et al., 2020).

However, South Africans are broadly sceptical about political NMS (Mokgobu et al., 2023). For example, the analysis of the perceived reasons for challenges during the installation of water infrastructure in the city of Tshwane suggests that many people view political collusion as the most important cause of construction problems. South Africans tend to consider companies that engage in socially responsible projects positively, but corporate political donations tend to be associated with secrecy and poor corporate governance practices (Madlela, 2022).

A few prominent South African or multinational companies dominate the business landscape. Research has focussed primarily on large organisations (Okoumba et al., 2020). The country has a dual economy with two distinct sectors, one of which is highly developed and experiences trends and levels of development comparable to those in high-income economies, and the other that resembles underdeveloped and emerging markets (Mashavira et al., 2021). South Africa contains various untapped, underserved, low-income and high-risk market segments. Corporate governance reforms in South Africa lag behind those in most developed economies (Katz et al., 2023), and most research is still focussed on compliance (Hove-Sibanda et al., 2017).

Small and medium enterprises (SMEs) associated with consumer brands in South Africa tend to focus more on different buying criteria when compared to customers who buy from big national or international brands (Dobbelstein et al., 2020). Large firms in South Africa appear to be better positioned to leverage the financial benefits of NMS (Bond, 2008). Very often, SMEs – including those in South Africa – lack the economies of scale necessary to benefit fully from non-market intervention. Their products are often more expensive (Bardakci & Whitelock, 2004), so they often focus on (perceived) better quality, local authenticity or ‘buy local’ themes. For local regional South African SMEs, credibility, especially in product quality and commitment, has a relatively strong influence on the consumers’ purchase decisions (Dobbelstein et al., 2020). Consequently, South African SMEs also use different marketing strategies for consumer goods than national or international companies.

Our study is relevant for South Africa because of the critical view on political NMS, the high support of social NMS and the different marketing strategies that SMEs (can) employ vis-à-vis large companies. In the following section, we elucidate the theories underpinning our research and develop our hypotheses. Next, we describe our methods and then share our findings. We discuss the significance of those results in the penultimate section and conclude with the limitations of our work and directions for future research.

## Theoretical foundations and hypotheses

This study is based on two theoretical perspectives. Firstly, configuration theory that investigates different combinations of strategic and structural factors in organisations (Sheehan & Foss, 2007). Assessing configurations focusses on patterns of distinct strategies or characteristics that often coincide and explicates the reality of strategic equifinality. Strategy scholars invoke a configurational perspective to identify optimal combinations (Kreiser et al., 2021). This study focusses on strategic intent and explains how emphasising MS and NMS drive firm performance.

Secondly, social exchange theory (SET) is the basis of NMS, which presupposes interdependent relationships in which parties move resources and share them for mutual benefit (Jia et al., 2019). The interactions are two-sided with quid pro quos and involve bidirectional transactions that create obligations for all parties. Non-market activity is a form of social exchange in which businesses and politicians trade resources (Hillman & Hitt, 1999). Political NMS is a form of social exchange between businesses and politicians (Sun et al., 2012). When firms employ financial and information tactics, money and information are correspondingly traded for political favours.

Unlike most studies that use firm size as a control variable, we investigate it as a primary driver of an organisation’s strategic choices. Firm size impacts performance (Yao et al., 2022), and strategy also affects performance (Jukka, 2023), but the relationship linking firm size to strategic choice (MS vs. NMS) and hence to firm performance is scarcely studied in current literature. Our work addresses this concern. Further, we delve into the types of MS (cost leadership vs. differentiation) and NMS (political emphasis and/or activity vs. social emphasis/activity) and how they influence firm outcomes. This level of nuance is a second contribution.

A third offering addresses the growing yet still relatively small body of literature concerning management and strategy in Africa. As previously noted, South Africa is a pivotal country for Africa. We focus on one country in a continent with linguistic, cultural and economic heterogeneity. We contribute to a broader understanding of African business by investigating activity in a critical transitional economy.

## Firm size and market-oriented strategies

Researchers commonly cite organisational scale as a crucial determinant of a firm's competitive (i.e. market-oriented) strategies. Rivals typically vary in terms of size, resources and goals. Some are small, have few resources and do not have substantial financial ambitions. Others are large, endowed with resources and seek to dominate their sectors. These differences create the context for disparate strategies (Desai, 2013).

The current understanding of links between structure, strategy and firm performance can be traced to industrial organisation (IO) economics. Porter's (1985) generic strategy typology applies IO logic to firms and suggests that a business can obtain competitive advantage and superior performance through either cost leadership or differentiation. Cost leadership can enhance performance by reducing costs relative to rivals, permitting a firm to reduce prices while maintaining reasonable margins. Cost leaders attract and retain customers because their products and services are rendered at a relatively low cost and typically sold at low prices. Cost leadership is often buttressed by economies of scale and often pursued by large firms (Lee et al., 2021).

In contrast to cost leadership, differentiators emphasise the uniqueness of their products and services. Costs are a lesser concern because higher prices usually provide more attractive margins. Differentiation is often associated with global growth, particularly among multinational firms and in transition economies (Humphreys et al., 2020; Ullah & Wei, 2017). In South Africa, small businesses often have financial challenges that limit their ability for cost leadership and growth strategies (Gaffley & Pelser, 2021). Hence, firm size is expected to drive both cost leadership and differentiation in South Africa:

**H1a:** Relative firm size will be positively associated with an emphasis on broad cost leadership.

**H1b:** Relative firm size will be positively associated with an emphasis on global growth and differentiation.

## Firm size and non-market strategies

Two broad streams of NMS research have developed in the literature (Mellahi et al., 2016). Political NMS (i.e. corporate political activity or CPA) includes interaction with political institutions and actors in ways that benefit the firm (Hillman et al., 2004). Social NMS includes corporate social responsibility (CSR) and other firm activities that signal social impact through stakeholder management, charitable donations and philanthropic initiatives. Large firms are more visible to stakeholders and often have a greater interest in non-market activity (Den Hond et al., 2014).

Strategy research has evaluated organisational size in different ways. For example, in his study of MS and NMS concerning climate, Kim (2022) found that relative firm size is positive and significant for emissions trading experience. However, he used size as a control variable.

Adomako et al. (2023) find no significance for relative firm size but with a sample restricted to small and medium enterprises. Hence, we surmise that larger firms will emphasise both political and social non-market strategy, as they have more resources to employ and are more at risk (Parnell et al., 2023):

**H1c:** Relative firm size will be positively associated with its emphasis on political non-market strategy.

**H1d:** Relative firm size will be positively associated with its emphasis on social non-market strategy.

## Firm size and performance

As aforementioned, a firm's size can impact its strategy and stakeholder orientation, but it is often treated as a control variable in firm performance studies because it is presumed to influence it (Parnell & Brady, 2019). Some research suggests that small businesses attempt to grow more quickly than large ones because expansion leads to scale economies (Park & Jang, 2010). Nonetheless, decades of research on the impact of firm size have yielded contradictory findings (D'Amato & Falivana, 2020; Li et al., 2020).

Current literature broadly supports the idea that relative firm size positively impacts firm performance. For example, Yao et al. (2022) found that enterprise scale reduces the negative impact of financing constraints on firm performance, that is, smaller firms suffer more from restrictions on financing. Santa et al. (2022) reported a positive relationship between cost and quality strategies and performance in large organisations but not for SMEs. Firm size, growth and performance are frequently correlated because large companies are more likely to have more resources, which enhances their ability to gather and analyse information and gives the company a competitive edge. Following this logic, many firms become more globally focussed as they grow:

**H1e:** A firm's relative size will be positively associated with firm performance.

## Market strategies and firm performance

Substantial research has supported a positive link between cost leadership and firm performance (Lee et al., 2021). Moreover, business expansion can prompt geographical development, which presents a significant obstacle to the company because it needs to adjust to external and internal, often unpredictable and complex challenges. Early on, growth can disrupt organisational performance (Grazzi & Moschella, 2018).

Strategy-performance scholarship in Africa is mainly consistent with work in developed economies, but it has primarily concentrated on manufacturing firms (Oyewobi et al., 2019). For example, Amoako-Gyampah and Boye (2001) analysed the links between environmental conditions and the strategic operations decisions made among Ghanaian manufacturers. Acquah (2011) examined how individual

and combination generic strategies (e.g. cost leadership and differentiation) influence firm performance among family-owned businesses in Ghana. He discovered that both cost leadership and differentiation strategies promote competitive advantage.

In addition, networking with government bureaucrats and community leaders confers benefits, while networking with political leaders does not. Acquah and Yasai-Ardekani (2008) examined how the nexus between competitive and manufacturing strategies drives performance in Ghana. They found that firms executing a combination strategy of cost leadership and differentiation outperform firms focussing on cost leadership alone but not on differentiation alone. In addition, they found that firms following a coherent generic strategy such as cost leadership or differentiation do see enhanced performance over firms that are 'stuck in the middle' (p. 353). Amoako-Gyampah and Boye (2001) studied supplier integration, organisational capabilities and firm performance across 149 firms in Ghana; they discovered that while supplier integration is positively associated with competitive capabilities in cost, delivery, flexibility and quality, only flexibility has a positive effect on firm performance. We expect similar findings in South Africa:

**H2a:** A firm's emphasis on broad cost leadership will be positively associated with firm performance.

**H2b:** A firm's emphasis on global growth and differentiation will be positively associated with firm performance.

## Non-market strategies and firm performance

Firms pursue social and political NMS to improve performance (Liedong et al., 2020). The link between NMS and performance is intuitive and multifaceted (Parnell, 2015). A non-market orientation seeks to build relationships with stakeholders; firms would not pursue NMS if they did not expect it to enhance performance. The statements operationalising political NMS concentrated primarily on the relationship between the companies and (former) government officials, politicians and political parties. Most published work suggests a link between the political and social dimensions of NMS (e.g. Hadani & Coombes, 2015; Marquis & Raynard, 2015) although there are some exceptions (Liedong et al., 2017).

Non-market strategies can drive performance in many ways (Mellahi et al., 2016). Social NMS can increase overall firm performance by helping the organisation achieve broader social objectives (Bosse et al., 2009). Statements operationalising social NMS are mainly about relationships and supporting social initiatives and philanthropic ideas, such as Gift of the Givers or Child Welfare South Africa, two popular non-profit and/or charity organisations in South Africa. Corporate social responsibility as a political tactic is often more prevalent in developing and transitional economies because firms can leverage social activities to support government development objectives by filling in the gaps in governmental financial and resource allocation

(Frynas & Stephens, 2015). Businesses can take on some traditional governmental responsibilities through CSR, such as reducing poverty and addressing needs like access to clean water and healthcare (Bignotti & Myres, 2022).

In South Africa, retailer Woolworths supports local schools with the My School Card (Corbishley 2017). Also, CSR involving voluntary self-regulation minimises the need for government regulation, reducing pressure on the already weak institutions in these countries. Corporate social responsibility turns businesses into development agents in underdeveloped countries, building trust between the business community and the government and giving credibility to the businesses (Liedong et al., 2015). In addition, CSR's vital developmental role in underdeveloped countries gives it a micro-political appeal, mainly because it can help politicians keep their election promises and increase their prospects of winning reelection. Election campaigns in these countries frequently include promises to fund crucial infrastructure, amenities and services. Therefore, CSR is commonly applied in political markets for social exchange (Jia et al., 2019). This trend is more pronounced because of the absence of reliable corporate political interfaces and lax regulations, which enable firms to employ various unusual political techniques (Liedong et al., 2020).

Scholars have identified positive, direct links among stakeholder management (Bosse et al., 2009), social interaction, broad non-market activity (Parnell, 2015), political relationships and performance. In their review of scholarship on the NMS-performance link, Mellahi et al. (2016) found that 102 out of 163 studies evaluating a form of NMS and performance identified a positive association.

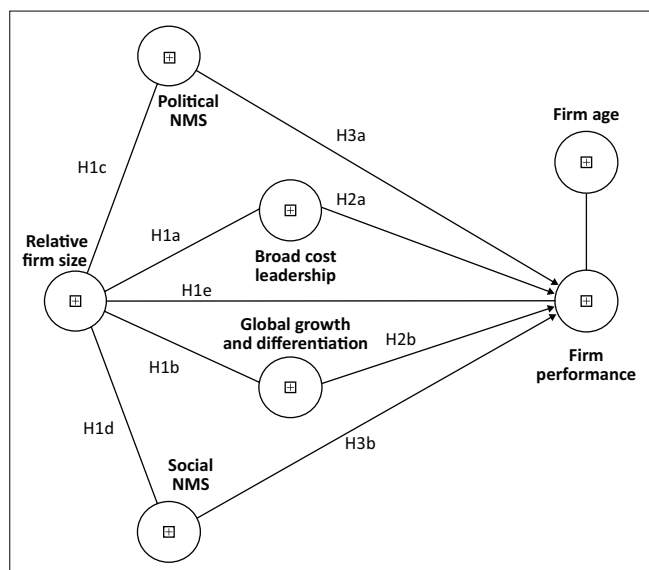
Regarding recent research in Africa, An et al. (2021) analysed the use of both MS and NMS across 1276 firms among five nations: Ghana, Kenya, Tanzania, Uganda and Zambia. They found that both MS and corporate political action (CPA) improve firm performance, but the effect of the latter dissipates as a nation's market-based institutions strengthen. Local firms benefit more than foreign ones as institutions develop (Parnell et al., 2023). We anticipate similar findings in this study:

**H3a:** A firm's emphasis on political non-market strategy will positively affect firm performance.

**H3b:** A firm's emphasis on social non-market strategy will positively affect firm performance.

## Methodology

The hypotheses are summarised in Figure 1, with firm age as a control variable. Respondents provided informed consent to participate in the study. We measured relative firm size by asking respondents to compare the size of their firms to those of their competitors (i.e. much smaller, smaller, about the same size, larger or much larger). We also asked respondents to classify their firms according to the number of employees and conducted an analysis of variance (ANOVA) to evaluate



H, hypothesis; NMS, non-market strategies.

**FIGURE 1:** Hypotheses.

the relationship between size category and relative size. As expected, the relative firm size was the lowest for micro-enterprises (i.e. fewer than 10 employees) and the highest for large enterprises (i.e. more than 500 employees). The significance of the  $F$ -value was below 0.001, confirming relative firm size as a valid measure.

Our firm performance measure includes financial, non-financial and overall performance. Most published strategy-performance studies have focussed on financial indicators or related outcomes such as risk reduction or competitive advantage. However, research on the balanced scorecard and stakeholder management concepts underscores the importance of non-financial measures such as employee satisfaction, customer satisfaction and capability development. The literature supports a broad, positive link between non-financial and financial performance. For example, Otto et al. (2020) found a significant and positive link between customer satisfaction and financial performance. They also supported the notion of customer satisfaction as a mediator between strategic orientation and performance. Scholars have also identified associations between financial performance and other non-financial indicators, such as employee satisfaction (Bamberger et al., 2021), service satisfaction (Rew et al., 2020) and capability development (Parnell, 2021).

We used Prolific to survey 247 top and middle managers who are both residents and citizens of South Africa. We removed responses that were completed too quickly, included evidence of straightlining, or contained more than 10% missing data. Table 1 provides a summary of the respondents and their organisations.

We used partial least squares (PLS) structural equation modelling (SEM) with SmartPLS version 4 to test the hypotheses. We followed established guidelines when evaluating the measurement and structural models (Hair et al., 2021).

**TABLE 1:** The sample ( $N = 247$ ).

Variable	$n$	%
<b>Position</b>		
Middle manager	209	84.6
Top management	38	15.4
<b>Gender</b>		
Male	100	40.5
Female	147	59.5
<b>Firm size</b>		
Micro (1–10 employees)	25	10.1
Small (11–50 employees)	49	19.8
Medium (51–250 employees)	48	19.4
Large (251+ employees)	125	50.6

Reliability and validity were evaluated with the PLS algorithm (see Table 2). Construct reliability was assessed with Cronbach's alpha (Nunnally, 1978). Scores exceeded 0.600 in all instances and 0.700 with one exception. Composite reliability exceeded 0.700, and average variance explained (AVE) scores exceeded 0.500 for all constructs (Ashill et al., 2005). The instance where the alpha score was below 0.700 was a three-item scale that exceeded recommendations for composite reliability and AVE. Hence, the measures are reliable.

The Fornell-Larcker matrices presented in Table 3 suggest discriminant validity in all constructs (Sleimi & Emeagwali, 2017) and are reinforced by the heterotrait-monotrait (HTMT) output in Table 4. Discriminant validity is established when HTMT values are below 0.85. Moreover, none of the confidence intervals (CI) include the corresponding threshold values (or a more conservative value of 0.85) (Franke & Sarstedt, 2019).

We employed two additional tests to evaluate the veracity of the data. The variance inflation factor (VIF) scores were below 3.0 for all items. The overall firm performance item was 3.180. These results suggest collinearity is not a significant concern. Also, factor-level VIF scores were less than 3.3 in all instances, suggesting that the model is free from common method bias (Kock, 2015).

## Ethical considerations

Ethical clearance to conduct this study was obtained from the University of North Alabama, Institutional Review Board (No. 095).

## Results

We used the bootstrapping algorithm in SmartPLS to test each hypothesis. We assessed effect size with  $f^2$  values and interpreted them following Cohen's (1988) benchmarks of 0.02 (small), 0.15 (moderate) and 0.35 (large). The path model presented in Figure 2 includes path coefficients,  $p$ -values and effect sizes. The circles for each dependent variable in the model contain  $R^2$  values. The results of hypothesis tests are provided in Table 5.

The first hypothesis was partially supported. Relative firm size was not linked to broad cost leadership (H1a). However,

**TABLE 2:** Constructs, items loadings, and reliabilities.

Item	Loading	Content
<b>Broad cost leadership†</b>		
Broad	0.769	Focus on a broad group of customers (recoded)
Cost	0.586	Minimising costs
Profit	0.869	Maximising profits
<b>Global growth orientation‡</b>		
Global	0.724	Pursuing opportunities outside of our home country
Growth	0.737	Growing the organisation
Uniqueness	0.801	Producing unique goods and services (recoded)
<b>Political NMS§</b>		
PNMS_Adv	0.808	Serving on government advisory boards, panels, and task forces
PNMS_Ask	0.809	Asking government officials for input before taking strategic action
PNMS_Cons	0.807	Consulting with or hiring former government officials
PNMS_Cont	0.857	Contributing to politicians, candidates, political parties, or political action committees to enhance our interests
PNMS_Infl	0.849	Seeking to influence politicians whose decisions can impact our industry
PNMS_Lobby	0.762	Lobbying government officials for legislation favourable to the organisation
PNMS_Trade	0.780	Working with trade associations and other industry groups
<b>Social NMS¶</b>		
SNMS_Imp	0.769	Taking action to improve society where governments are unwilling or unable
SNMS_Inv	0.786	Involvement in public events and social initiatives to improve reputation
SNMS_Min	0.780	Taking action to minimise negative publicity
SNMS_Part	0.658	Partnering with other organisations whose reputations and political networks can help our firm
SNMS_Phil	0.802	Engaging in philanthropy
SNMS_Soc	0.825	Taking positions on social issues
SNMS_Stake	0.773	Taking action to generate stakeholder support
<b>Firm performance††</b>		
Financial	0.823	Financial performance
Non-financial	0.740	Non-financial performance
Overall	0.924	Overall performance

AVE, average variance explained; NMS, non-market strategies; PNMS, political non-market strategies; SNMS, social non-market strategies.

†,  $\alpha = 0.647$ , composite reliability = 0.707, AVE = 0.564; ‡,  $\alpha = 0.624$ , composite reliability = 0.631, AVE = 0.570; §,  $\alpha = 0.913$ , composite reliability = 0.918, AVE = 0.658; ¶,  $\alpha = 0.887$ , composite reliability = 0.911, AVE = 0.596; ††,  $\alpha = 0.774$ , composite reliability = 0.803, AVE = 0.693.

**TABLE 3:** Fornell-Larcker Matrix.

Construct	Broad cost leadership	Firm performance	Global growth and diff.	Political NMS	Relative firm size	Social NMS
Broad cost leadership	0.751	-	-	-	-	-
Firm performance	0.130	0.832	-	-	-	-
Global growth and diff.	0.225	0.453	0.755	-	-	-
Political NMS	0.000	0.217	0.204	0.811	-	-
Relative firm size	-0.001	0.268	0.240	0.256	1.000	-
Social NMS	0.146	0.485	0.366	0.524	0.264	0.772

NMS, non-market strategies; diff., differentiation.

**TABLE 4:** Heterotrait-Monotrait Ratio.

Construct	Broad cost leadership	Firm age	Firm performance	Global growth and diff.	Political NMS	Relative firm size
Broad cost leadership	-	-	-	-	-	-
Firm age	0.094	-	-	-	-	-
Firm performance	0.187	0.180	-	-	-	-
Global growth and diff.	0.354	0.087	0.646	-	-	-
Political NMS	0.083	0.110	0.245	0.268	-	-
Relative firm size	0.059	0.519	0.298	0.305	0.264	-
Social NMS	0.189	0.103	0.571	0.488	0.595	0.277

NMS, non-market strategies; diff., differentiation.

relative firm size was positively associated with global growth and differentiation (H1b), political NMS (H1c) and social NMS (H1d). Relative firm size was not a direct driver of firm performance (H1e).

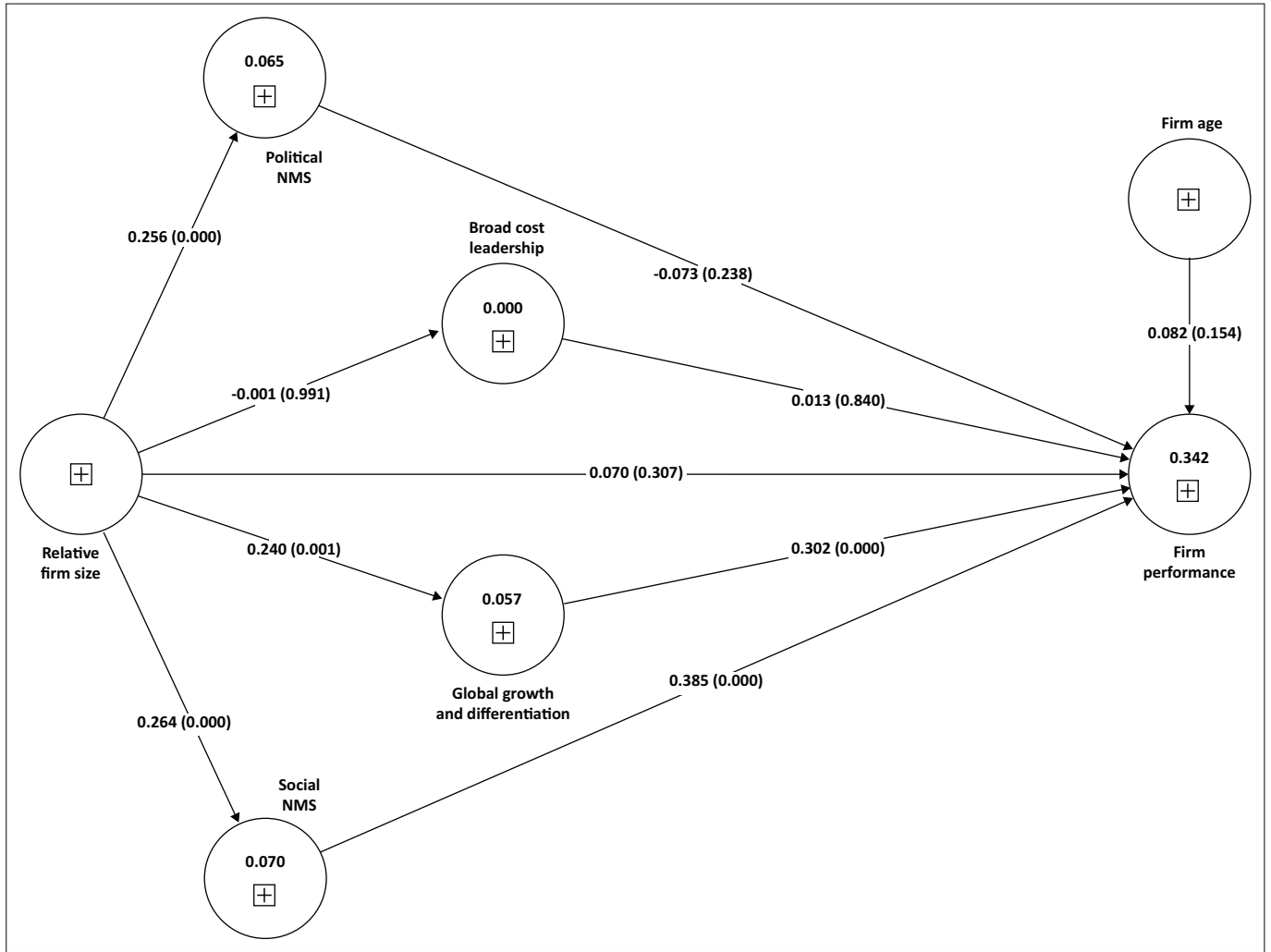
The second hypothesis was partially supported. An emphasis on global growth and differentiation (H2b) was positively associated with firm performance, but broad cost leadership (H2a) was not.

The third hypothesis was partially supported. Social NMS (H3b) was positively associated with firm performance, but political NMS (H3a) was not.

A model including all the hypothesised relationships was compared to a saturated model. No significant links were identified in the saturated model. The Bayesian information criteria (BIC) calculations for each dependent variable in the proposed model were below those in the saturated model, providing overall support for the proposed model.

## Discussion

The overall support for a link between firm size and both MS and NMS (H1) reinforces previous research (e.g. D'Amato & Falivana, 2020; Li et al., 2020), but the lack of a significant link between size and cost leadership (H1a) is intriguing. One possible explanation is that SMEs in developing economies often emphasise cost containment to survive. Indeed, small businesses in the manufacturing sectors struggle because of scale economies, but this may not be the case for those in service sectors where scale economies tend to be relatively low (Okoumba et al., 2020; Park & Jang, 2010). In South Africa, the turnover percentage of SMEs is 32% overall and extremely high in service-oriented industries like business services (59%) and construction (58%) (SA Stats, 2019).



NMS, non-market strategies.

**FIGURE 2:** Tests of hypotheses and the path model. The circles for each dependent variable in the model contain  $R^2$  values. The lines include path coefficients and  $p$ -values.

**TABLE 5:** Tests of hypotheses.

Variable	Original sample	Sample mean	SD	$t$ - statistic	$p$	Support	$f^2$
H1a: Firm Size > Broad Cost Lead	-0.001	0.010	0.101	0.011	0.991	no	0.000
H1b: Firm Size > Global Growth & Diff	0.240	0.246	0.072	3.318	0.001	yes	0.061
H1c: Firm Size > Political NMS	0.256	0.261	0.059	4.301	0.000	yes	0.703
H1d: Firm Size > Social NMS	0.264	0.267	0.066	4.022	0.000	yes	0.075
H1e: Firm Size > Firm Perf	0.070	0.070	0.069	1.021	0.307	no	0.005
H2a: Broad Cost > Firm Perf	0.013	0.027	0.064	0.202	0.840	no	0.000
H2b: Global Growth & Diff > Firm Perf	0.302	0.300	0.068	4.441	0.000	yes	0.112
H3a: Political NMS > Firm Perf	-0.073	-0.069	0.062	1.180	0.238	no	0.006
H3b: Social NMS > Firm Perf	0.385	0.386	0.070	5.541	0.000	yes	0.144
n/a: Firm Age > Firm Perf	0.082	0.083	0.058	1.425	0.154	n/a	0.007
Mediation: Firm Size > Broad Cost Lead > Firm Perf	0.000	-0.001	0.007	0.002	0.998	-	-
Mediation: Firm Size > Global Growth & Diff > Firm Perf	0.072	0.073	0.026	2.832	0.005	-	-
Mediation: Firm Size > Political NMS > Firm Perf	-0.019	-0.018	0.017	1.072	0.284	-	-
Mediation: Firm Size > Social NMS > Firm Perf	0.102	0.103	0.031	3.238	0.001	-	-

NMS, non-market strategies; SD, standard deviation; Diff, differentiation; Perf, performance; n/a, not applicable.

Although firm size was not directly linked to firm performance, we found the expected positive association between relative firm size and global growth and differentiation (H1b). This finding reinforces the existing literature (e.g. Humphreys et al., 2020; Ullah & Wei, 2017). We also found support for H1c and H1d, where we

anticipated that relative firm size would associate positively with both political NMS and social NMS, respectively. Hence, larger firms have more to gain (or lose) than smaller ones, so it is incumbent upon larger firms to engage in NMS. These findings reinforce earlier work by Hillman et al. (2004).

The data (H2) suggest South African firms are rewarded for a global, growth-oriented approach to differentiation, not cost leadership. This preference for differentiation is inconsistent with the findings of Acquah and Yasai-Ardekani (2008) but is consonant with the results of Amoako-Gyampah et al. (2020). Both studies were in the context of Ghana but published 12 years apart; it may be that as a country develops, the benefits of a cost leadership strategy attenuate. According to the World Bank, South Africa's per capita gross domestic product (GDP) was \$7055 in 2021 compared to \$2363 in Ghana. Hence, South African firms can expect enhanced performance based on differentiation but not by merely being a low-cost provider of goods and services. For a large South African firm, a cost leadership strategy might mean giving away profit unnecessarily, whereas global growth via 'international' pricing could increase volume and margins. Alternatively, if a company is not a prominent industry leader, growth through cost leadership means spending more than its competitors, which is likely counterproductive. Because of exchange rate concerns, a global growth firm might still have low prices compared to global competitors. If it can differentiate, primarily through quality, it can be competitive by offering comparable or superior quality at relatively lower prices.

The performance implications of social but not political NMS (H3) are noteworthy. Previous research suggests that political intervention can hurt financial performance, while social involvement primarily supports the non-financial dimension of performance (Zhang et al., 2020). Other work (e.g. Hadani & Coombes, 2015; Marquis & Raynard, 2015) suggests that non-market orientation can drive performance in some but not all instances.

Perhaps the distinctions between social and political activity can partly be explained by their potential overlap. Some scholars (e.g. Liedong et al., 2020; Morsing & Roepstorff, 2015) view the politicisation of social NMS as inadvertent, which runs counter to how corporations intentionally approach the creation of political NMS (Hillman & Hitt, 1999). Some studies assume that social NMS necessarily drives political NMS, while others distinguish between the two dimensions. Social NMS can be viewed as a form of insurance against political risks (Liedong, 2022; Sun et al., 2021).

Scholars have debated the link between the social and political dimensions of NMS. Morsing and Roepstorff (2015) and Liedong et al. (2020) explicitly characterised CSR as a political or social strategy. Indeed, research has identified synergies (Den Hond et al., 2014; Hadani & Coombes, 2015; Liedong, 2022), but others suggest the social and political dimensions are incompatible (Liedong et al., 2017).

The potential overlap between MS and NMS can also impact firm performance. The two arenas can be complementary to an extent, but trade-offs can engender stakeholder conflict and require strategic choices. Hence, some strategic combinations might be more desirable than others (Baron, 1995).

Cultural and historical influences should not be overlooked when evaluating these findings relative to published work in other emerging economies. South Africa's transition in the 1990s was political, not economic. The country did not transition from a centrally planned economy to a market-based one, but it transitioned from a system of apartheid to a more representative democratic republic. Additionally, South African culture is a blend of several indigenous customs and mores (e.g. Zulu, Xhosa) as well as the Afrikaans way, which developed over centuries of the Dutch experience in the country. Although there are many economic similarities across emerging economies, these factors distinguish South Africa, especially when compared to transition economies such as China and nations in Central and Eastern Europe (Ipsmiller & Dikova, 2021). South Africa has a Corruption Perception Index (CPI) of 42 and ranks 72 globally (Transparency International, 2022). Its population is very sensitive regarding corruption, so perceived differences between corruption, lobbying and political NMS are minimal (Madlela, 2022), which could explain the non-significant (but negative) influence of political NMS on a firm's performance.

In sum, South African firms that pursue global growth and differentiation strategies are rewarded with better performance, while those that pursue cost leadership are not. While South Africa is still developing relative to advanced economies, it has reached a stage where the 'low-hanging fruit' of cost leadership is not readily available. The developmental stage is essential for the strategic planning of established firms and potential entrants in South Africa.

The other important finding is that social NMS positively impacted firm performance, whereas political NMS did not. We offer this result to a growing but still nascent body of knowledge concerning the intersection between social and political NMS and, more generally, between NMS and MS. We conjecture that trade-offs among stakeholders may be the reason for this outcome or perhaps the unique culture and history of South Africa, especially the high sensitivity regarding corruption. While South Africa did not transition from central planning to a market economy as many developing nations did, it shifted from apartheid to a democratic republic, which may still affect the prevalence of NMS today. That metamorphosis reflects complex, dynamic relationships among various indigenous and European influences (Jammulamadaka et al., 2021).

## Conclusion

This study investigates the links among relative firm size, MS and NMS and firm performance in South Africa. Firm size influenced both political and social NMS, and an emphasis on global growth and differentiation but not cost leadership. Global growth and differentiation, not cost leadership, impacted firm performance. Social NMS was a significant performance driver, but political NMS was not.

We expect this article to continue an ongoing conversation about the merits of NMS versus MS, not just in the (South)



African context but more broadly. We have identified salient research questions for further inquiry and ways of improving this research in the future. We hope that other scholars will build upon our efforts.

The most critical area for future research concerns how firms use MS and NMS in other developing and emerging countries, as well as the trade-offs and complementarities of political and social NMS (Chitimira et al., 2022; Okoumba et al., 2020). One step would be to extend beyond South Africa by comparing the South African context with other African nations or with a set of similar economies worldwide. As mentioned, South Africa is *sui generis* concerning its culture and history, and more generalisable results would be obtained with data from other contexts.

We consider the MS-NMS dichotomy a vein for rich exploration. The distinctions between market and non-market orientations are challenging in practice. Firms often take positions on social, environmental and political issues and engage in other non-market tactics to achieve market goals. Moreover, the extent to which different non-market approaches should be integrated into a broad NMS is unclear (Scherer et al., 2016). Additional scholarship is required to identify and corroborate NMS at the firm, strategic group and industry levels. We only addressed the level of the firm in this article.

The short- and long-term costs of MS and NMS are intuitive, but the long-term performance effects of non-market approaches remain ambiguous (Mellahi et al., 2016). Non-market strategies can promote short-term performance but reallocate resources from customers, competitors, technology and other market considerations, potentially damaging the organisation in the long run. Specifically, the extent to which NMS creates long-term benefits that justify the costs and unintended consequences is unknown. Uncovering these benefits will require longitudinal data analysis over an extended period.

Another avenue worth exploring is that a firm's market strategy might drive financial performance while its non-market strategy drives non-financial performance (Zhang et al., 2020). The link between NMS and firm performance supported herein does not resolve this dilemma because it does not address an appropriate balance between NMS and MS. Other nuances of MS versus NMS require an agenda; one article will not suffice.

The extent to which firms can integrate MS and NMS is also unclear, particularly in developing economies like South Africa. Market and non-market approaches represent alternative paths to performance and can address different challenges (Liedong, 2022). Integrating MS and NMS at the firm level is significant for corporate strategy and organisational behaviour domains.

Several additional research questions emanate from our work:

- To what extent can and/or should firms combine various non-market approaches into a broad NMS?
- Do the long-term benefits of NMS justify the costs?
- What is the optimal approach for integrating NMS and MS?

Our study has several limitations. Firstly, non-financial and financial performance were assessed with self-typing scales. This approach can provide keen insight (Parnell & Brady, 2019). Still, objective measures can help evaluate strategy-performance linkages through a different lens and potentially reduce the influence of common method variance.

Secondly, as a cross-sector investigation, this study does not consider industry influences on performance (Park & Jang, 2010). Our sample includes a variety of manufacturing and service industries. We did not control for or identify any possible influences associated with industry membership. Moreover, we considered the perceptions of managers and other professionals, not the views of customers and other stakeholders (Jia et al., 2020). Longitudinal work that evaluates industries and stakeholders would allow for a more compelling empirical analysis.

Finally, research supports that combining cost leadership and differentiation can often enhance firm performance (Lee et al., 2021; Sheehan & Foss, 2007). The current data does not definitively address this concern.

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### Authors' contributions

J.A.P., M.L.T. and T.D. contributed significantly to the article. J.A.P. provided expertise on non-market strategy and collected and analysed the data. M.L.T. added expertise on strategy in emerging economies and critiqued the analysis. T.D. helped interpret the findings from emerging, African, and South African perspectives.

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### Data availability

The data used in this study are available from the corresponding author, J.A.P., upon reasonable request.

### Disclaimer

The views and opinions expressed in this article are those of the authors and are the product of professional research. It

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