

Environmental Scanning and SME Performance: A Strategic Analysis of Dynamic Capabilities and Resource-Based Perspectives in Kabwe District, Zambia

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Abstract:

This study investigates the impact of environmental scanning on the performance of small and medium enterprises (SMEs) in Kabwe District, Zambia. Grounded in the Resource-Based Theory (RBT) and Dynamic Capabilities Theory (DCT), the research evaluates the duration, frequency, and scope of environmental scanning activities among SMEs, exploring the processes involved and their effectiveness in enhancing business performance. Data were collected from 202 SME owners/managers through a structured Likert-scale questionnaire and semi-structured interviews. Quantitative data were analyzed using Structural Equation Modeling (SEM), while qualitative data were analyzed via Directed Content Analysis (DCA). The results indicate a positive relationship between environmental scanning and SME performance, though practical application of environmental scanning practices remains limited. The study recommends fostering a culture of experimentation, creativity, and continuous improvement, promoting cross-functional collaboration, and improving access to digital technologies and tools. Policy interventions to support SMEs in accessing financial, technological, and infrastructural resources are also suggested.

Keywords: Environmental scanning, SMEs, performance, strategic management, structural equation modeling, resource-based theory, dynamic capabilities theory

1. Introduction

1.1 Background of Village Banking and Financial Inclusion

The viability of a company or business depends heavily on its ability to gain an edge not only in its competitors but also in the ever-changing business environment, (Mutambo et al., 2022:1776). In today's global and competitive economy, it is imperative that organizations always make better decisions than their competitors and maintain a healthy economic position based on information gathering and analysis, (Vecchiato, 2012, Majama, 2017; Mwange, 2018; Mutambo et al. 2023; Mutambo et al. 2023).

The usefulness of an effective strategy does not stop with providing direction for management and employees, (Mwange et al., 2022; David, 2017; Kim, 2014). In addition to its function as a North Star, also plays an important role in the decision-making process, (Majama, 2017; Mwange, 2018). For organizations that have an adequate understanding of their strengths and weaknesses, the strategy helps managers decide where best to spend efforts and resources (Mutambo et al. 2022; Mwange et al. 2022). The strategic analysis and Environmental Scanning provides the basis for the strategic choice, (Majama, 2017; Mutambo, 2022). Environmental Scanning is generally the first stage of the strategic management process in most literature (Hill et al.2014.; Kraja & Osmani, 2013; Bassey & Isayas, 2022).

Environmental scanning is a foundation topic in strategic management and has been identified as an essential component of many organizational processes. ES is closely related to scenario planning (Sharma and Yang, 2015), supports product innovation (Martini et al., 2017), and is a precursor to strategic change (Ben-Menahem et al., 2013). From its initial conception as a basic information seeking activity, Environmental Scanning has evolved into a complex concept entailing diverse individual and organizational practices to deal with an ever-changing environment (Robinson and Simmons, 2018). This evolution of ES research has resulted in a number of related fields emerging. For example, ES can be viewed as the foundation construct upon which areas such as competitive intelligence (Franco et al., 2011; Qiu, 2008), market intelligence (Mortara et al., 2009), and business intelligence (Marshall et al., 2004) have been built. Indeed, such terms, along with Environmental Scanning, are often used synonymously. ES research also feeds into other areas of management theory, such as strategic sense-making (Thomas et al., 1993) and organizational learning (Daft and Weick, 1984). ES encompasses activities such as horizon scanning (van Rij, 2010) and aspects of scenario planning (Saritas and Nugroho, 2012), both of which are regularly seen as discrete research areas in their own right.

It involves analyzing the internal and external environment in which the organization Operates, (Nyariki, 2013; Otieno et al., 2018). While the external analysis aids managers in identifying organizations' opportunities and threats, the internal analysis is for identifying the distinctive competencies of the organization (Kraja & Osmani, 2013).

By conceptualization, Bhardwaj and Kumar (2014:40) envisaged that environmental scanning is the collection and use of information about events, trends, and relationships in an organization's external environment, the knowledge of which would assist management in planning the organization's future course of action. Furthermore, Lau et al, (2012:1230) define environmental scanning as a process to gather and interpret information and using the results in the strategic planning process. Fleisher and Bensoussan (2003:269) went on describe the organizational environment as all the forces emanating or operating from outside the enterprise. In that vein, organizations scan the environment in order to understand external forces of change so that they may develop effective responses that secure or improve their position in the future || (Jansen, 2002:107). The increasingly turbulent and complex external environment makes that management are not focused on the most important issues, they do not consider new forces in the environment and do not make a sincere attempt to understand the full range of threats and opportunities (Cheng, Kadir, & Bohari, 2014:440). The objective of environmental scanning is to identify changes that will influence an enterprise's active.

Explaining further, Hunger and Wheelen, (2007) stated that environmental analysis includes the: remote external environment (political, economic, social, technological, legal and environmental landscape-PESTLE), (see also Otieno et al., 2018); industry environment (competitive behavior of rival organizations, the bargaining power of buyers/customers and suppliers, threats from new entrants to the industry and the ability of buyers to substitute products-the Porter's 5 forces), (Olanipekun et al.2015; Onyekwelu, 2020; Otieno, et al, 2018); and internal environment (strengths and weaknesses of the organization's resources-its people, processes and IT systems), (Onyekwelu, 2020).

In view of the foregoing, despite the significance of environmental analysis to an organization, the extent to which it is adopted and implemented in Small and Medium Enterprises is uncertain especially in an economic challenging jurisdiction of Kabwe District, Zambia.

Underpinned by the Resource Based Theory (RBT) which stresses the vitality of resources both tangible and intangible in the running of organizations, (Hillman et al., 2009; Banda, M., and Mwangi, 2023), and the Dynamics Capabilities Theory (DCT) which invigorates the cardinance of the external enviromntal in the functionality of

the businesses, (Teece, 2016; Teece et al. 2016; Teece, 2018; Samsudin & Ismail, 2019), herewith conceptualized as SMEs, this paper investigated the critical role of Environmental Scanning and the performance of SMEs with lessons from Kabwe District, Zambia. The study was premised against the backdrop that Zambian SMEs, especially those in Kabwe district, continue to face devastating ramifications in operations and progression, (Mwaanga et al. 2021; Ministry of Commerce Trade and Industry, 2020; Mukosa et al. 2020; Mwaanga et al. 2020; Mwewa, 2018; Mwika et al. 2018).

1.2 Objectives of the Study

1. To evaluate the duration, frequency, and scope of environmental scanning activities among SMEs in Kabwe District, Zambia.
2. To understand environment scanning activities among SMEs in Kabwe District, Zambia.
3. To investigate the processes involved in Environmental Scanning in SMEs in Kabwe District, Zambia.
4. To assess the measures, impact and effectiveness of environmental scanning activities among SMEs in Kabwe District, Zambia.

2. Literature Review

The contemporary business landscape is characterized by constant change and unpredictable dynamism. For Small and Medium Enterprises (SMEs), navigating this complex terrain necessitates a proactive approach to understanding and responding to environmental factors. Environmental scanning, a systematic process of gathering and analyzing information relevant to an organization's external environment, emerges as a critical strategic tool for ensuring SME survival and fostering growth. This literature review delves into the diverse perspectives and empirical evidence surrounding the relationship between environmental scanning and SME performance.

2.1 Global Perspective on Environmental Scanning and SME Success

The importance of environmental scanning for SMEs is universally acknowledged across various geographical contexts. Studies from diverse regions like Kenya (Sekere et al., 2023), Zambia (Muuka, 2019), Zimbabwe (Magaisa et al., 2013), and Indonesia (Omsa et al., 2018) highlight the positive impact of environmental scanning on key performance indicators such as profitability, sales volume, and overall business success. These studies, rooted in the principles of positivism, emphasize the quantitative nature of the relationship between environmental scanning and performance.

2.2 The Multifaceted Nature of Environmental Scanning

Environmental scanning encompasses a broad spectrum of information gathering activities, encompassing political, economic, social, technological, environmental, and legal (PESTLE) factors, as well as competitor analysis, market trends, customer behavior, and technological advancements (Vudzijena, 2015; Saadeghvazir et al., 2012). The significance of each factor varies across industries and regions. For instance, Saadeghvazir et al. (2012) found that in the Iranian automobile parts manufacturing sector, competitor analysis held paramount importance, while other PESTLE factors had less impact on performance.

2.3 The Impact of Environmental Scanning on Specific SME Sectors

The research landscape highlights the relevance of environmental scanning for diverse SME sectors. Mang'ana et al. (2017) examined its influence on Matatu Savings and Credit Cooperatives in Kenya, discovering a positive, albeit relatively low, influence of environmental scanning on their performance. Puttawong and Kunanusorn (2020) investigated the food production industry in Bangkok, demonstrating a significant positive indirect effect of environmental performance on corporate competitive performance through the mediating role of green corporate image. These studies underscore that environmental scanning holds significant value across a range of SME industries, tailored to their specific needs and challenges.

The advent of digital technologies has revolutionized environmental scanning practices. The availability of vast amounts of data offers SMEs unprecedented opportunities to gain insights into market trends, customer behavior, and competitor activities. However, effectively harnessing this information necessitates robust data analysis capabilities and a strategic approach to information gathering. Ngamkroekjoti et al. (2005) highlight the importance of technology strategy in driving environmental scanning, emphasizing the need for proactive technology adoption to ensure companies remain informed and competitive.

2.4 Challenges and Barriers to Environmental Scanning

Despite its clear benefits, SMEs often face challenges in implementing effective environmental scanning practices. These challenges include limited resources, lack of expertise, time constraints, and a reluctance to invest in information gathering activities (Lotayif, 2018; Magaisa et al., 2013). To overcome these hurdles, SMEs can leverage readily available online resources, collaborate with industry associations and research

institutions, and seek external support from consultants specializing in environmental scanning.

In conclusion, the compelling body of literature reviewed clearly demonstrates the significant role of environmental scanning in driving SME performance. From boosting profitability and sales volume to fostering innovation and promoting sustainable practices, environmental scanning empowers SMEs to navigate the complex and dynamic business landscape. However, it's crucial to acknowledge that effective implementation requires overcoming challenges, leveraging technological advancements, and integrating environmental scanning with other critical factors shaping SME success. By embracing environmental scanning as a core strategic practice, SMEs can equip themselves with the knowledge and agility needed to thrive in the ever-evolving world of business. Significantly, although a positive relationship was found between environmental scanning and the performance of SMEs, narrow scope, paucity of empirical evidence, knowledge gap, inconsistency in the application of theoretical framework in the current literature as supported by Myles (2017) precipitated the current study in selected SMEs in Kabwe District, Zambia.

3. Methodology

Underpinned by the delineation of Epistemological thought which is the nature, sources of knowledge or facts, (Creswell, 2015; Saunders, 2016, Saunders, 2019), the study was invigorated in the realm of the pragmatic philosophy herewith the consequences of actions, (Dudovskiy, 2018; Dawadi et al., 2021; Muzata, 2017). Additionally, Deductive(Testing), (Murphy et al., 2014; Muzata, 2017), and Inductive (Theory), Muzata (2017) were applied.

Compounded by concurrently presentation, (Muzata, 2017, Creswell, 2014a), the researcher applied both Explanatory-Relationships and Effect, (Creswell and Plano Clark, 2011), and Exploratory-In-depth Investigation, (Creswell, 2014) generated within the domain of descriptive case study (Brondy, 2020). The sample size was calculated using the Slovin formulation which produced; $n = N / (1 + Ne^2) = 500 / (1 + 500(0.05^2)) = 220$; n thus, approximated sample was 220 SMEs though 202 was determined as the final sample size through response rate.

Furthermore, data was obtained via Likert Scale Questionnaire, and Semi-Structured Interview Guide and analysed using Structural Equation Modelling (SEM) in IBM. SPSS version 27 and IBM SPSS AMOS version 23, for quantitative data and Directed Content Analysis (DCA), (Shawa, 2021) for qualitative data.

4. Results

4.1 Descriptive Statistics

A review of ES1 indicated that the majority (67.3%) of the informants agreed that the analysis and understanding of internal capacities enhances SME performance while the minority (0.5%) disagreed. In view of ES2, most of the respondents agreed (61.4%) that the Performance of their Businesses had grown due to the new production system while the marginal (0.5%) strongly disagreed. Similarly, positive findings were recorded on E3 where many of the respondents Agreed (72.3%) and only a few (0.5%) disagreed. Additionally, findings on ES4 showed that the majority of the participants agreed (57.3%) and 31.4 % strongly Agreed that they had invested in recruiting, retaining and retraining the right employees to improve business performance whereas the minority (0.5%) strongly disagreed. Furthermore, a review of ES5 found that many of the respondents also agreed (65.3%) and while a small proportion (1.5%) disagreed. Moreover, ES6 found that 70.3% agreed while 1.5% disagreed. Similarly, the mainstream (68.8%) of the participants on ES7 agreed while the minority (1.0%) disagreed. Thus, it was established statistically that SMEs in Kabwe District were involved in environment scanning in their business operations owing to a positive agreement they gave to the questions asked.

4.2 Structural Equation Modelling

This report presents a Confirmatory Factor Analysis (CFA) of the findings from the survey of SMEs in Kabwe. The CFA aims to test a hypothesized model of underlying factors influencing SME performance, based on the seven measured indicators of Environmental Scanning (ES1, ES2, ES3, ES4, ES5, ES6, and ES7) measured. The results showed that the Factor Loadings were ES1, $p=0.730$, $p \leq 1$; ES2, $p=0.724$, $p \leq 1$; ES3, $p=0.823$, $p \leq 1$; ES4, $p=.828$, $p \leq 1$; ES5 $p=,0.795$, $p \leq 1$; ES6, $p=0.757$, $p \leq 1$; ES7, $p=0.755$, $p \leq 1$) depicting a strong correlation of between 0.70 and 0.80 as espoused by Hair et al. (2010), Child (2006), suggesting a strong relationship between the Environmental Scanning and the indicators in the study thereby asserting that environmental scanning had a positive influence on the performance of SMEs in Kabwe district. Additionally, the model fit indices with acceptable fit to excellent across generally indicated by CMIN/Df χ^2 (X^2) $p < 3$ (1.689); RMSEA, $p < 1$, (0.059); Pclose, $p > 0.05$, 0.030; CFI, $p \geq 0.09$, 0.914; TLI, $p \geq 0.09$, 0.901; IFI, $p \geq 0.09$, 0.916; PCFI, $p \geq 0.50$, 0.791; PNFI, $p \geq 0.50$, 0.706; AGFI, $p \geq 0.50$, 0.784; SRMR, $p < 0.08$, 0.063. Generally, the CFA provide valuable insights into validity and reliability of research findings underlying factors influencing SME performance in Kabwe.

4.3 Qualitative Findings

SMEs Involvement in Environmental Scanning Activities (ESA)

A review of the findings indicated that the majority of the SMEs (96) agreed to be involved in ESA while minority (2) asserted not to be involved in ESA. Arguably, the majority of the respondents understood ES and ascribed to practicing the aforementioned in improving the performance of their SMEs, a finding that informed the study that the respondents were legible to provide valid information on Environmental Scanning as a process in strategic management. To that end, a review of P17, P33, P77, responses epitomized that

“Yes we do that by checking our own business internal capacities, weaknesses and also what affect our business, (P17).

“Yes, we carry our market research to ascertain the availability of customers and also likely challenges,” (P22).

“Yes, we have done research that is based on market value of the ICT's services that are needed in the area,” (P77.)

By implication, the findings deduced that the majority of the respondents carried out ESA in their SMEs as explained by the more that 90 respondents who responded to the affirmative. This is an indication, based on the agreement levels, that ESA were conducted among SMEs hence they were legible to provide information on ES.

Number of times SMEs conducted ESA

ES2 investigated the number of times the SMEs conducted ESA. An analysis of the interactions elucidated the following parttens which promulgated that in the majority of the SMEs, ESA were conducted monthly, followed by handful who did the same regularly and in the least of the SMEs, ESA were conducted daily.

Pattern of Conducting ES

A review of the findings reveals an uneven partten. Accordingly, the majority of the responses (15) showed that SMEs conducted ESA quarterly followed by (14) who did ESA sometimes while other parttens showed disjointed distributions not consisted with the established process. Whereas the patterns of conducting ESA activities were varied, the information obtained is cardinal to the current study in ascertaining and understanding the extent to which SMEs conducted ESA in Kabwe District. Arguably, ES is a process that takes a period of time to be conducted, however, the patterns found indicates a low conceptualization of ES process among the SMEs.

Sources of Environmental Scanning Activities among SMEs in Kabwe District

An examination of the findings showed that the SMEs in Kabwe District obtained information on ESA from their Customers, Competitors, Regulatory Frameworks, Market Research, Media and Technology.

Customers

A review of the findings elucidated that customers were a great source of information for ESA for SMEs. This was evidenced by an overwhelming response among the targeted SMEs who cited feedback received from customers, interactions with customers, customer satisfaction and customer expectations to have been central in business decision making. In cementing this stance, P1, P60, P34, espoused the following:

“Clients, we have very good feedback from the clients, we have free Wifi facility” (P1)

“Consumers of our services and products” (P34)

“Surveys on what farmers want. Customer needs and smart agriculture literature/internet” (P60)

Competitors

Competitors were cited to be instrumental in influencing the decisions of SMEs. The participants were on record to have opined that existing businesses within their external environment provided information on how to improve business performance and added value to the provision of services and products. In citing competitors as source of data for ES, P70, P97, P54 all pointed out the importance of operating businesses in influencing the decisions on the operationalization of their business. In light of that, the aforementioned participants advanced that:

“Our colleagues in business…….” (P97)

“Available drilling companies, methods of drilling” (P70)

“Transportation companies, also business environment in terms of competitors” (P54)

Regulatory Frameworks

In light of the forgoing, the respondents promulgated that policies and laws governing the business fraternity provided vital information for conducting ESA, as without these, it was going to be difficulty to operate as an SME. Concisely, the informants were of the view that just like any other sector, the business sector in Zambia is guided by regulatory frameworks that provides a favourable environment for the flourishing of their SMEs. Owing to the fact that this study embraced a myriad of SMEs cutting across business

sectors, the responses rate was varied, however, they were all pointing to regulatory frameworks e.g Health Professionals council of Zambia, General Nursing Council, Government Policies, Labour Unions, Teaching Council of Zambia, and Government Ministries etc. The respondents posited that these regulatory frameworks guided the business operations and informed them on cons and don'ts of business growth. In qualifying this finding, P50, P77, P70 acknowledged that regulatory frameworks ranging from government policies to labour unions provided vital information that informed decision making in their SMEs. Specifically, the aforementioned participants were cited to have mentioned the following:

“.....Examination council of Zambia, HPCZ, GNC.....” (P50)

“.....legal frameworks and government policies” (P77)

“.....our affiliated bodies such as TCZ, ECZ and the MOE” (70)

Market Research

Market research was also cited to be a great source of information for ESA for the SMEs. A review of the findings elucidated that studying the environmental solicited data that informed the SMEs in carrying out ESA. In light of that, through studying the market, the respondents affirmed that they were able to understand market trends and also goods and services that are on demand. Likewise, through market research, the respondents were able to add value to the provision of services and goods which led to efficiency and quality consequently gaining competitive advantage. Similarly, it was found that through market research, SMEs were able to understand the customer needs and customer base that eventually informed the provision of goods and services. In light of that, this finding is consistent with P77, P17, P41, who promulgated that:

“.....market research based on the needed ICT's services needed in this area” (P77)

“.....market research demand for our services” (P17)

“We conduct market research...” (P41)

Media

In this contemporary society, the importance of Media, especially social media cannot be overemphasized in the business fraternity. In this study, the aforementioned stood still among most respondents who reiterated the cardinality of media in the operationalization of their SMEs. The respondents attested that the media provided a platform for marketing of their goods and services. It was also found that due to media, platforms such as social media, the SMEs were able to learn more about the available goods

and services beyond their jurisdiction and were also able to reach out to a large customer base. Concisely, P6, P24, P91 broadcasted the cardinalance of media in providing information for ESA. In qualifying this finding, the aforementioned participants irradiated that:

.. "we use social media such as Facebook, WhatsApp and Instagram" (P6)

"... Most and cheapest is WhatsApp" (P24)

"...print/electronic media..." (P91)

Technology

In the 21st century, technology is as important as business itself. Albeit, it is based on this underpinment that the respondents illuminated that technology influenced their business decisions. Explicitly, the respondents opined that technology led to increased production and efficiency in the provision of goods and services. As orated by P74, the respondents technologized their businesses by using modern technology in their implementation and execution of their projects. Correspondingly, this stance was also held by P30, P81, and P48 who echoed that:

"...technology, we look at technology as it can influence the our business operation" (P30)

"...changes in technology" (P74)

"...kinds of mobile accessories that are known on the market" (81)

"...agricultural technology" (P48)

Economics

Though in minority, the participants envisaged that the economic standpoint of the country (Zambia) was a source of information for ESA. The participants explicated that, as SMEs, they studied the economic status which later informed their strategic decision making. The participants were of the view that economic indicators such as inflation, currency performance especially the performance of the Kwacha against other major convertible currencies e.g the United States of America Dollar, affected the decisions of their businesses. In light of this, the participants reported that the economic indicators were a great source of information for ESA. Accordingly, P49, P18 propagated that:

"...economic situation..." P49

"..... dollar issues, issue of the currency, economic, economic performance" (P18)

Based on the findings, it can be deduced that there is a semblance of understanding of the sources of ESA among the SMEs. This finding can be equated as SMEs in Kabwe District may be conducting ES implicitly.

Level of Involvement in Implementing ESA in SMEs in Kabwe District

ES4 asked the respondents about the level of involvement in the process of implementing ESA in their SMES. A review of the findings manifested the traits of Owner-Manager theory which according to Abosede et al. (2016) promulgates that the owner is the main strategists in the organization. A review of the findings opines that the operationalization of the SMEs was synonymous with Owners, but in most cases Managers were hired to administrate over the affairs of the SMEs. The findings from most of the SMEs revealed that the Manager 48 was mostly involved in ESA while in another set of SMEs, the Manager and Employees accounted for 45. On the other hand, only about 1.6% accounted for everyone in the everyone in the SMEs where the remaining percentage was shared among other patterns of involvement. Deductively, it can be asserted that in most SMEs, managers implemented ESA with the exclusion of other stakeholders among them employees. However, in qualifying these findings, P72, P25, P1, posited that:

“This is the reserve of the management and of course working with subordinates in the organization” (P72)

“Owner of the business and us the pharmacists” (P25)

“Mufula Hotel management team who comprises of five professional manager’s e.g purchasing manager, accountant...” (P1)

Whereas these findings are significant, they speak at length to what extent the SMEs understood ES. A critical review shows that only 2.7% of the SMEs had everyone involved in the implementation of ESA is at variance with RBT assumptions of organizational management system that calls for the utilization of all resources in a firm for efficiency thus leading to a competitive advantage.

Impact of Environmental Scanning on the Competitiveness and Overall Performance of SMEs in Kabwe District

A review of the findings indicates that SMEs measured the impact of ES using Sales, Profits, Customers, Diversification and Technology.

Sales

Sales were associated with the demands of goods and services. In the context of the findings, the participants echoed that, due to ES, the information received made their goods and services become marketable which saw sales going up. This was supported by P22, P81, P91, who posited that:

“We have had improved sales” (P22)

“We have had increased sales” (P81)

“Increased sales volume and increased numbers of customers” (P91)

Profits

A further examination of the findings showed that the impact of ES on SMEs was seen through the profits. However, the participants were unable to state the extent to which profit margins increased. This was evidenced by P68, P80, P27, P50 who among other participants responded to the affirmative as highlighted below:

“...more profits” (P68)

“Success is tangible through profits” (P80)

“more profits” (127)

“.....increased income” (P58)

Customers

Customers were cited to be a major determinant of the impact of ES on SMEs. According to the respondents, the information obtained through ES helped them to improve on customer care, quality of good and services in comparison with existing businesses. Likewise, the customers were satisfied with the goods and services received, as the respondents opined due to ES, they were able to improve on the quality of products compared to their competitors hence there was customer retention. This finding is in congruent with P81, P58, P68 who stated that:

“This pushes the business performance as understanding the opportunities is central to attracting customers” (P81)

“Good pupil performance which attracts more customers....”(P58)

“Customer retention because as a business we are able to address their concerns effectively through the knowledge of the business” (P68)

Diversification

The growth of an SME was cited to be as a result of ES. In this perspective, the respondents echoed that they had grown the magnitude of their SMEs from one outlet (location) to multiple outlets in other locations within Kabwe District. The participants

went on to assert that due to ES, they had grown their business activities to cater for a wide range of customers owing to the fact, they did not just open new outlets, they also added new products and services they were on demand on the market. This was evidenced by P10 who asserted that:

“Knowledge of new trends in hospitality has given us an advantage on customer relationship, diversify with business such as restaurant and bar and also good room service” (P10)

Technology

The inception of Technology is associated with efficiency in the provision of goods and services. A review of the findings espoused that the participants said that they had embraced technological equipment's and innovations in the running of their SMEs. In light of that, the participants emphasised that due to ES, they were able to understand that the business world is dynamic and the contemporary society is engulfed with the application of information and communication technologies as a panacea to efficiency and increased production. In cementing this perspective, P17, P36, P60, were cited to have said the following:

“We are able to use technology that is suitable for the projects we do” (P17)

“We have been able to procure modern training equipment's and included other services as needed by our clients” (P36)

“We established our business as farmers agro shop of their choice and we are able to respond and reduce the effect of climate change” (P60)

Additionally, a further review of the findings indicates a deficit between theory and practice on the impact of E.S on the performance of SMEs. Most respondents were not able to quantify the impact of ESA on their SMEs. In light of that, lack of understanding of the impact of ES on SMEs among the respondents infiltrates the quantitative finding which shows a high factor loading between observed variables and the manifest variable (ES).

Measurement of the Effectiveness of ESA on the Performance of SMEs in Kabwe District

The findings showed that measurement on the effectiveness of ESA in improving the Performance of SMEs was done via Sales, Profits, Customer Retention, Customer Satisfaction and Compliance. Nevertheless, the participants dearily gave practical inferences as promulgated below.

Sales

Contextually, it was found that increase in sales predicated the effectiveness of the ESA on the performance of SMEs. The participants were on record to have attested that they had increased due to ESA which according to them symbolized effectiveness. In light of that, P38, P61, P85, were cited to have said the following:

“The measure in sales though to get the proper measure is not immediate but you likely to measure the sales” (P38)

“When we make more sales indicates that we providing need based catering services” (P61)

“When we make strides towards sales” (P85)

Profits

In the words of the respondents, profits also measured the effectiveness of ES on the performance of their SMEs. In that vein, they stated that, the more money they made, the more they associated ES scanning on performance of their SMEs. In other words, a monetary gain was synonymous with the effectiveness of ES on SMEs. In light of that, P76 was cited to have said:

“We do so through business performance, increment in income generation and also satisfaction from the clients” (P76)

Customer Retention

Most of the SMEs asserted that due to ES, there was increased number of customers in their SMEs. Equally, the participants espoused that customer gave positive feedback about the services and goods they received and respondents associated the good feedback as a consequence of ESA. In light of that, the participants (P81, P76, P68) were cited to have espoused that:

“Attraction of more clients speaks volumes about we are doing as an entity” (P81)

“We do so through business performance, increment in income generation and also satisfaction from the clients” (P76)

“Customer retention” (P68)

Customer satisfaction

A report from the participants further indicated that the SMEs recorded customer satisfaction of their goods and services as they had added value. Accordingly, the respondents, they added value to the goods and services which gratified the end users (Customers). In light of that, P9, P59, P78 opined that:

“Through quality control and also when we make our customers satisfied with our services” (P9)

“When our customers (farmers) appreciate the effectiveness of the products we offer” (P59)

“Once we notice that we have efficiency, our customers are satisfied” (P78)

Compliance

In the similar vein, the participants espoused that ES enabled them to comply with available regulatory frameworks. Thus, the participants were of the view that ES enabled them to understand the available laws and policies that guides the operation of their businesses. This made them to comply with the regulatory frameworks. In light of that, P10 radiated that:

“Affiliatory and compliance, providing health education that is commensurate with practice” (P10)

A review of the findings indicated that the SMEs measured the effectiveness of ESA through Sales, Profits, Customer Retention, Customer Satisfaction and Compliance to regulatory frameworks. However, they did not give practical inferences hereof of the level of measurement as the question intended to explore the experiences of the SMEs conceptualized as tangible results. In light of that, the participants were merely heard academically conceptualizing the measurement. It can therefore be contested the extent to which the aforementioned business growth indicators espoused by the participants reflected the actual scenario in their SMEs.

4.4 Discussion

Positive Association, But with Caveats

The study's quantitative findings demonstrate a significant consensus amongst respondents that Environmental Scanning enhances business performance. This finding aligns with existing literature such as Sekere et al. (2023) who in Kenya concluded that Environmental Scanning significantly influenced performance of Small and Medium Manufacturing Enterprises. Similar views are held by Vudzijena (2015) who also found a strong positive relation between Environmental Scanning and performance of retail SMEs in Harare. More so, the importance of environmental scanning for SMEs is universally acknowledged across various geographical contexts. Specifically, studies from diverse regions like Kenya (Sekere et al., 2023), Zambia (Muuka, 2019), Zimbabwe (Magaisa et al., 2013), and Indonesia (Omsa et al., 2018) highlight the positive impact of environmental scanning on key performance indicators such as profitability, sales volume,

and overall business success. These studies, rooted in the principles of positivism, emphasize the quantitative nature of the relationship between environmental scanning and performance.

Nevertheless, the study's quantitative findings do not reveal the nature of this relationship. While a positive association exists, it does not necessarily imply a causal relationship deducing that Environmental Scanning may be correlated with strong performance but not the sole driver, significantly this nuanced relationship is pronounced also by Muuka (2019) who in Zambia found other key factors affected SMEs performance such as access to business information, access to good infrastructure and government policy and regulations among SMEs in Curio business.

Thus, it can be established that external factors like market conditions, government policies, and access to finance may also play critical roles as revealed from the qualitative findings in the study. This implies that environmental scanning is not a straight forward process as it entails other inherent forces impeding or contributing to the process. These findings are consistent with literature that envisages that, despite its clear benefits, SMEs often face challenges in implementing effective environmental scanning practices, (Muuka 2019; Magaisa et al., 2013). These challenges include limited resources, lack of expertise, time constraints, and a reluctance to invest in information gathering activities (Lotayif, 2018; Magaisa et al., 2013).

Furthermore, a significant portion of respondents likely agreed on the importance of Environmental Scanning due to its theoretical soundness rather than concrete evidence of implementation as underpinned by the interactions the researcher had with the respondents which showed a lack of practicality in the way environmental scanning was conducted, adopted and implemented in the sampled SMEs in Kabwe District. This highlighted the crucial or cardinality of qualitative findings in the current study.

Unveiling the Gap Between Awareness and Action

Despite the positive quantitative findings, the qualitative data paints a nuanced picture. While SME owners and managers acknowledged the importance of environmental Scanning, their narratives revealed a disconnect between awareness and action. This gap is particularly evident in the implicit nature of their explanations, suggesting a lack of clear understanding or practical application of Environmental Scanning methodologies as espoused by Magaisa et al. (2013), Muuka (2019), Lotayif, 2018; Magaisa et al. (2013) who asserted in the affirmative.

Technically, several factors contribute to this disconnect which includes limited resources. Specifically, SMEs in Zambia, especially those in Kabwe District, often grapple

with limited resources, making dedicated time for comprehensive Environmental Scanning a luxury which is consisted with Mukai's (2019) findings in Livingstone SMEs in curio business. Owners and managers may prioritize immediate operational concerns over strategic analysis, especially in the face of economic uncertainties. Another assumption I derive from this scenario could be lack of skill and training in SMEs.

Notably, many SME owners and managers lack formal training or experience in Environmental Scanning techniques. Consequently, their efforts may be haphazard and fragmented, lacking a systematic and holistic approach.

Additionally, the study assert that lack of collaboration could be a moderating effect in this vein. Contextually, the traditional entrepreneur-as-hero narrative in Zambia often promotes individual initiative over collaborative efforts and external information gathering as compounded by the owner's theory. This cultural influence may lead to a bias towards internal knowledge and intuition, neglecting the insights that Environmental Scanning provides to the growth of SMEs. Therefore, this mismatch between awareness and implementation underscores the need for interventions that translate theoretical knowledge into practical action as rightly pointed out and recommended in the current study.

The study thus establishes that while quantitative data demonstrate a significant consensus that Environmental Scanning enhances performance, the face to face interactions with the SMEs shows a theoretical soundness rather than concrete evidence of implementation.

Environmental Scanning: A synergy of the findings

A review of quantitative findings epitomized that the majority of the respondents agreed with the alternative hypothesis (H_1) that there is a relationship between Environmental Scanning and business Performance of SMEs in Kabwe District. This was evidenced by the significance relationship between indicators and the factors underpinning the validity and reliability of the research findings informed by the Confirmatory Factor Analysis (CFA).

By implication, it was noted that the manifest variables were able to define environment scanning a contributor to the business performance of the SMEs in Kabwe District. This is clearly shown with the reliability and validity of the study which shows the indicators having probability values of ES1, $p=0.730$, $p \leq 1$; ES2, $p=0.724$, $p \leq 1$; ES3, $p=0.823$, $p \leq 1$; ES4, $p=.828$, $p \leq 1$; ES5 $p=,0.795$, $p \leq 1$; ES6, $p=0.757$, $p \leq 1$; ES7, $p=0.755$, $p \leq 1$. By interpretation, these findings according to hair et al (2010), Child (2006) entails that the SMEs affirmed that environmental scanning helped improve their performance.

In the same vein, qualitative findings on one hand epitomizes that participants agreed to be endowed with the aspects of ES and they conducted ESA in their SMEs, a finding that promotes the aforesaid hypothesis. Nonetheless, while this finding is significant, further synthesis elucidates that all SMEs lacked practical inferences on the sources of ESA, the involvement in ESA, as there was a disconnect between practice and theory on frequency of ESA (duration). In the same vein, despite the participants espousing the impact of Environmental Scanning and stating the effectiveness of ESA, on one hand, none of the respondents gave practice experiences permeating to SMEs business performance. Therefore, the study deduces that despite finding a relationship between Environmental Scanning as informed by the findings quantitatively, qualitative findings elucidates that there is lack of practical inferences among the respondents. Thus, the study questions the extent to which the ES was understood and applied in the investigated SMEs in Kabwe District.

5. Conclusion

The study concludes that environmental scanning positively influences the performance of SMEs in Kabwe District, particularly in adapting to external market conditions and mitigating risks. Despite its importance, environmental scanning is underutilized by many SMEs due to limited resources and awareness. SMEs that actively engage in environmental scanning are better equipped to navigate external challenges, leading to improved decision-making and performance.

Recommendations

- ✓ SMEs should be educated on the benefits of regular environmental scanning to stay competitive in dynamic markets.
- ✓ Training programs focusing on environmental analysis techniques should be developed for SME managers to enhance their ability to identify and act on market trends.
- ✓ Government and business associations should facilitate access to market intelligence tools and services to assist SMEs in environmental scanning.
- ✓ Encourage the establishment of networks that allow SMEs to share information and insights on environmental changes affecting their industries.

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