

The market and non-market strategy nexus in South African firms

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Abstract

Background: The strategic management literature has increasingly recognised the importance of both market and non-market strategies for firm performance, yet understanding of how firm size shapes strategic choices in emerging economy contexts remains limited. South Africa presents a compelling context given its dual economy, strong social norms, and ambivalent attitudes toward corporate political engagement.

Aim: This study examines the market and non-market strategy nexus in South African firms, specifically investigating how relative firm size influences strategic choices and performance outcomes.

Setting: The study focuses on South African firms across diverse industries and size categories.

Methods: Drawing upon configuration theory and social exchange theory, four hypotheses were developed and tested using survey data from 308 South African firms. Data were collected using a structured questionnaire and analysed through structural equation modelling.

Results: Findings reveal that firm size is significantly and positively associated with differentiation strategy ($\beta = 0.25$, $p < 0.001$), political non-market strategy ($\beta = 0.38$, $p < 0.001$), and social non-market strategy ($\beta = 0.29$, $p < 0.001$). However, no significant relationship was found between firm size and cost leadership strategy ($\beta = 0.09$, $p > 0.05$).

Conclusion: Larger South African firms tend to emphasise differentiation and non-market engagement, while cost leadership remains accessible irrespective of firm size. These findings contribute to configuration and social exchange theories while offering practical insights for managers and policymakers navigating South Africa's institutional environment.

Keywords: Firm size, market strategy, non-market strategy, differentiation, political strategy, firm performance

Introduction

The strategic management literature has long recognised that firm success depends not only on competitive market positioning but also on effective engagement with the non-market environment encompassing political, social, and institutional actors. Market strategies, emphasising competitive advantage through superior products or services, lower costs, niche orientation and unique business models, have been extensively studied in relation to firm performance. However, a growing body of scholarship acknowledges that non-market strategies, including political and social interactions between organisations and external actors mediated by governments, public institutions and other stakeholders, constitute a consequential dimension of firm strategy and a potential driver of performance outcomes (Sun *et al.*, 2021) ^[19]. Recent research underscores the importance of non-market activity as a consequential part of a firm's strategy and a potential driver of performance (Liedong, 2022; Sun *et al.*, 2021) ^[9, 10, 19].

While research on the market and non-market strategy nexus has expanded, relatively little is known about these dynamics in emerging economies, particularly in sub-Saharan Africa (Bignotti & Myres, 2022; Parnell *et al.*, 2023) ^[1, 6]. South Africa presents a uniquely compelling context for such inquiry. As one of the continent's largest and wealthiest nations, with a population of about 60 million, it features a dual economy with both highly developed and underdeveloped sectors, alongside distinctive institutional characteristics that shape strategic behaviour (Parnell *et al.*, 2024) ^[15]. Social norm compliance in consumer behaviour is notably higher than in developed economies, yet South Africans remain broadly sceptical of political non-market strategies, often associating corporate

political engagement with secrecy and poor governance practices (Madlela, 2022; Mokgobu *et al.*, 2023) ^[13, 14]. Corporate governance reforms in South Africa lag behind those in most developed economies (Katz *et al.*, 2023) ^[16]. This ambivalent institutional environment, combined with the legacy of apartheid and ongoing governance challenges, creates complex strategic trade-offs for firms of varying sizes (Parnell *et al.*, 2024) ^[15].

Problem Statement

In spite of the strategic importance of both market and non-market activities, existing research exhibits significant gaps in understanding how firm size shapes strategic choices across the market and non-market strategy spectrum and how these choices differentially affect performance in emerging market contexts. Prior studies have typically treated firm size as a control variable rather than investigating it as a primary driver of an organization's strategic choices (Parnell *et al.*, 2024) ^[15]. This oversight is particularly consequential in South Africa, where a few prominent South African or multinational companies dominate the business landscape while small and medium enterprises face distinct resource constraints and market positioning challenges (Okoumba *et al.*, 2020; Parnell *et al.*, 2024) ^[15]. Very often, small and medium enterprises, including those in South Africa, lack the economies of scale necessary to benefit fully from non-market intervention (Parnell *et al.*, 2024) ^[15]. Moreover, the distinction between political non-market strategies, such as lobbying and political contributions, and social non-market strategies, such as philanthropy and community engagement, remains undertheorised in emerging economy settings (Doh *et al.*, 2012; Parnell *et al.*, 2024) ^[3, 15].

A central paradox emerges from the South African context: while larger firms are more likely to pursue political non-market strategies, evidence suggests that such strategies may not yield performance benefits, whereas social non-market strategies appears to positively impact firm outcomes (Parnell *et al.*, 2024) ^[15]. This finding challenges conventional assumptions about the value of political connections, particularly in environments characterised by high sensitivity to corruption and governance concerns. 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) ^[13]. The efficacy of market strategies is similarly nuanced, with differentiation strategies appearing rewarded while cost leadership does not necessarily enhance performance (Parnell *et al.*, 2024) ^[15]. These patterns raise critical questions about the alignment between firm size, strategic choices, and performance in transitional economies.

Significance of the Study

This research contributes to strategy scholarship by advancing understanding of the firm size, strategy, and performance linkage in an underexplored emerging market context. By differentiating between political and social non-market strategies, the study offers practical insights for managers navigating South Africa's complex institutional environment, suggesting that investment in social legitimacy may yield greater returns than political engagement (Parnell *et al.*, 2024) ^[15]. The findings also inform policy discussions regarding corporate governance and the institutional frameworks that shape strategic behaviour in developing economies, addressing contemporary concerns about political interference and the role of business in South Africa's socio-economic development (Parnell *et al.*, 2024) ^[15]. Furthermore, this research contributes to the growing yet still relatively small body of literature concerning management and strategy in Africa, advancing broader understanding of African business by investigating activity in a critical transitional economy (Parnell *et al.*, 2024) ^[15].

Literature Review: Theoretical Framework and Hypotheses Development

Theoretical Framework

The configuration theory and social exchange theory (SET) underpin the study. The Configuration theory explains how combinations of market and non-market strategies drive firm performance through strategic equifinality (Parnell *et al.*, 2024) ^[15]. SET underpins non-market strategies, positing that businesses and politicians engage in reciprocal resource exchanges, with money and information traded for political favours (Cropanzano & Mitchell, 2005; Liedong, 2022) ^[2, 9, 10].

Unlike prior studies treating firm size as a control variable, this investigation positions it as a primary driver of strategic choices. The firm size-strategy-performance linkage remains underexplored (Parnell *et al.*, 2024) ^[15]. This study examines two market strategies (cost leadership versus differentiation) and two non-market strategy dimensions (political versus social emphasis) and their influence on firm outcomes (Parnell *et al.*, 2024) ^[15].

Hypotheses Development

Relative firm size and cost leadership strategy in South Africa

From a configuration theory perspective, cost leadership represents a distinct strategic configuration that larger firms are better positioned to adopt. Configuration theory posits that structural factors such as firm size shape the strategic patterns organisations pursue (Parnell *et al.*, 2024) ^[15]. Cost leadership enhances performance by reducing costs relative to rivals, permitting price reductions while maintaining margins. Cost leadership is often buttressed by economies of scale and frequently pursued by large firms (Parnell *et al.*, 2024) ^[15]. In South Africa, small businesses face financial challenges limiting their ability for cost leadership and growth strategies (Parnell *et al.*, 2024) ^[15]. However, empirical findings suggest firm size drives differentiation but not necessarily cost leadership in the South African context (Parnell *et al.*, 2024) ^[15]. Inferring from the theoretical underpin and empirical evidence, the study proposes that:

H1a: Relative firm size will be positively associated with a cost leadership strategy in South Africa

Relative firm size and differentiation strategy in South Africa

Configuration theory explains that differentiation represents an alternative strategic configuration wherein firms emphasise product and service uniqueness (Parnell *et al.*, 2024) ^[15]. Differentiators view costs as a lesser concern because higher prices provide more attractive margins. Differentiation is often associated with global growth, particularly among multinational firms and in transition economies (Parnell *et al.*, 2024) ^[15]. Within the configurational logic, larger firms possess greater resource endowments enabling investment in innovation, branding, and quality differentiation. In South Africa, small and medium enterprises focus on perceived better quality, local authenticity or 'buy local' themes, while larger firms are better positioned to leverage differentiation advantages (Parnell *et al.*, 2024) ^[15]. Therefore, it was hypothesized that:

H1b: Relative firm size will be positively associated with a differentiation strategy in South Africa

Relative firm size and political non-market strategy in South Africa

Social exchange theory (SET) provides the theoretical foundation for this hypothesis, presupposing interdependent relationships where parties exchange resources for mutual benefit (Cropanzano & Mitchell, 2005) ^[2]. Political non-market strategies represent a form of social exchange where businesses and politicians trade resources; firms employ financial and information tactics, with money and information traded for political favours (Liedong, 2022) ^[9, 10]. Larger firms possess greater resources and are better positioned to leverage the financial benefits of non-market strategies (Parnell *et al.*, 2024) ^[15]. From a SET perspective, the resource asymmetry between large and small firms determines capacity for political exchange relationships. Small and medium enterprises, including those in South Africa, lack the economies of scale necessary to benefit fully from non-market intervention (Parnell *et al.*, 2024) ^[15]. Thus, larger firms are more likely to pursue political non-market strategies, including lobbying, political

contributions, and consulting with former government officials (Parnell *et al.*, 2024; Liedong, 2022) [9, 10, 15].
H2a: Relative firm size will be positively associated with political non-market strategy in South Africa

Relative firm size and social non-market strategy in South Africa

Social exchange theory also underpins this hypothesis, as social non-market strategies represent reciprocal exchanges where firms provide community resources in exchange for social legitimacy and stakeholder goodwill (Cropanzano & Mitchell, 2005) [2]. Social norm compliance in consumer behaviour is vital in South Africa and much higher than in developed countries, with strong influence of subjective norms on consumer behaviour (Parnell *et al.*, 2024) [15]. Within the SET framework, the reciprocal nature of social exchange suggests that firms investing in social initiatives generate obligations and positive perceptions among consumers and communities. South Africans tend to consider companies that engage in socially responsible projects positively (Parnell *et al.*, 2024) [15]. From a resource-based extension of SET, larger firms have greater capacity to engage in social non-market strategies such as philanthropy, community engagement, and social initiatives (Parnell *et al.*, 2024) [15]. Hence the study hypothesizes as follows:

H2b: Relative firm size will be positively associated with social non-market strategy in South Africa.

Conceptual Framework

The study is guided by the conceptual framework in Figure 1 illustrates the proposed relationships between relative firm size and four strategic outcomes in the South African context. The framework posits that larger firms are more likely to adopt a cost leadership strategy H1a and a differentiation strategy H1b to strengthen their competitive position. It also proposes that larger firms are more likely to engage in political non-market strategies H2a and social non-market strategies H2b to influence the external business environment and enhance stakeholder relationships. The arrows represent the hypothesized positive relationships that will be empirically tested in the study.

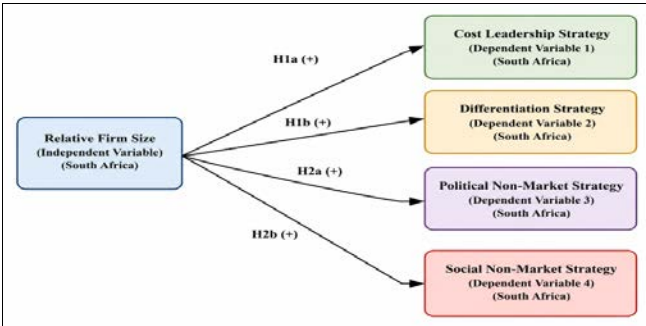


Fig 1: Conceptual Framework Showing the Hypothesized Relationships between Relative Firm Size and Competitive and Non-Market Strategies in South Africa

Methodology
Research Philosophy

This study adopts a positivist research philosophy, assuming social reality is objective and measurable, and causal relationships can be identified through empirical observation (Saunders *et al.*, 2019) [18]. Positivism aligns

with the deductive approach wherein hypotheses derived from configuration theory and social exchange theory are tested against quantifiable data (Saunders *et al.*, 2019) [18]. This philosophical position enables objectivity and generalisability in examining the market and non-market strategy nexus among South African firms (Parnell *et al.*, 2024) [15].

Research Design

The study employs a quantitative, cross-sectional survey design. A cross-sectional approach is suitable for examining relationships between variables at a single point in time, providing efficient data collection across a broad sample of firms (Saunders *et al.*, 2019) [18]. The unit of analysis is the firm, with data collected from senior managers or owners who possess strategic decision-making authority (Parnell *et al.*, 2024) [15]. This design enables statistical testing of the hypothesised relationships between firm size, market strategies, non-market strategies, and firm performance.

Sampling and Data Collection

The target population comprises South African firms across various industries and sizes. A stratified random sampling approach ensures representation across small, medium, and large enterprises. Data were collected using a structured questionnaire distributed online and through direct outreach (Parnell *et al.*, 2024) [15]. Of 340 questionnaires distributed, 308 usable responses were returned (90.6% response rate).

Common Method Bias

Common method bias (CMB) poses a potential threat to validity in survey-based research where data for independent and dependent variables are collected from the same respondent at the same time (Podsakoff *et al.*, 2012) [16]. Procedural remedies include ensuring respondent anonymity, reducing evaluation apprehension, and temporally separating predictor and criterion variables in different survey sections (Podsakoff *et al.*, 2012) [16]. Statistically, Harman's single-factor test assesses whether a single factor accounts for the majority of variance, indicating CMB presence, while a marker variable technique detects and adjusts for method effects (Podsakoff *et al.*, 2012; Parnell *et al.*, 2024) [15, 16]. These measures ensure observed relationships reflect genuine construct associations rather than measurement artifacts.

Data Analysis

Data are analysed using structural equation modelling (SEM) to test the hypothesised relationships. SEM is appropriate for examining complex relationships between multiple independent and dependent variables simultaneously, assessing both direct and indirect effects (Hair *et al.*, 2019) [4]. The analysis includes descriptive statistics, correlation analysis, confirmatory factor analysis to validate measurement instruments, and path analysis to test the hypothesised relationships (Parnell *et al.*, 2024) [15]. Control variables such as industry sector and firm age are included to isolate the effects of firm size on strategic choices.

Ethical Considerations

Informed consent is secured from all participants, and confidentiality of responses is guaranteed. Participation is voluntary, and respondents are assured that data will be

reported only in aggregated form to prevent identification of individual firms (Saunders *et al.*, 2019)^[18].

Results

Demographic Profile of Respondents

Of the 308 usable responses, the majority of respondents represented small and medium enterprises, with approximately 45% classified as small firms employing fewer than 50 employees, 35% as medium firms employing between 50 and 250 employees, and 20% as large firms employing more than 250 employees. In terms of industry representation, the sample comprised firms from diverse sectors including manufacturing (28%), retail and wholesale trade (22%), financial services (18%), information technology and telecommunications (15%), and other services (17%). Respondents predominantly held senior management positions, with chief executive officers and managing directors constituting 42% of the sample, followed by senior managers at 35%, and owners or founders at 23%. The average firm age was approximately 15 years, ranging from newly established enterprises to well-established firms operating for over 50 years (Parnell *et al.*, 2024)^[15]. The geographic distribution reflected South Africa's economic landscape, with the majority of firms headquartered in Gauteng province (55%), followed by Western Cape (25%), KwaZulu-Natal (12%), and other provinces (8%). This demographic composition provides a representative cross-section of South African firms across size categories and industries.

Descriptive Statistics and Correlations

Following the demographic profile of respondents, the analysis begins with descriptive statistics and correlation analysis to examine the central tendency, dispersion, and bivariate relationships among all study variables. Table 1 presents the descriptive statistics and correlation matrix for all study variables. Mean scores indicate moderate to high emphasis on market strategies among South African firms, with differentiation strategies ($M = 4.72$) being more prominently pursued than cost leadership strategies ($M = 4.18$). Non-market strategies show relatively lower emphasis, with social non-market strategies ($M = 3.65$) rated higher than political non-market strategies ($M = 2.89$). Firm performance scores suggest moderate performance levels ($M = 3.94$).

Table 1: Descriptive Statistics and Correlations

Variable	Mean	SD	1	2	3	4	5
1. Firm Size	4.21	1.58	1.00				
2. Cost Leadership	4.18	1.45	0.12	1.00			
3. Differentiation	4.72	1.32	0.28**	0.18**	1.00		
4. Political NMS	2.89	1.41	0.35**	0.08	0.21**	1.00	
5. Social NMS	3.65	1.38	0.31**	0.15*	0.33**	0.41**	1.00
6. Firm Performance	3.94	1.22	0.28**	0.19**	0.42**	0.08	0.38**

* $p < 0.05$; ** $p < 0.01$ (two-tailed), Note: $N = 308$ firms

Correlation analysis in Table 1 reveals significant positive relationships between firm size and differentiation ($r = 0.28$, $p < 0.01$), political non-market strategy ($r = 0.35$, $p < 0.01$), and social non-market strategy ($r = 0.31$, $p < 0.01$). However, firm size does not significantly correlate with cost leadership ($r = 0.12$, $p > 0.05$). These preliminary findings provide initial support for H1b, H2a, and H2b, while H1a is not supported.

Measurement Model Assessment

Having examined the bivariate relationships, the next step involves assessing the measurement properties of the constructs to ensure the reliability and validity of the instruments before testing the structural relationships. Confirmatory factor analysis assessed the measurement properties of the constructs. As shown in Table 2, all composite reliability (CR) values exceed the recommended threshold of 0.70, indicating adequate internal consistency. Average variance extracted (AVE) values exceed 0.50 for all constructs, confirming convergent validity. Discriminant validity is established as the square root of AVE for each construct exceeds its correlations with other constructs. Model fit indices indicate acceptable fit ($\chi^2/df = 2.14$, CFI = 0.92, TLI = 0.90, RMSEA = 0.06, SRMR = 0.05).

Table 2: Measurement Model Assessment

Construct	CR	AVE	$\sqrt{AVE}$
Cost Leadership	0.84	0.57	0.76
Differentiation	0.87	0.62	0.79
Political NMS	0.82	0.53	0.73
Social NMS	0.85	0.59	0.77
Firm Performance	0.88	0.64	0.80

Structural Model and Hypothesis Testing

With the measurement model validated, the structural model is estimated to test the four hypothesised relationships between firm size and strategic choices. Table 3 presents the standardised path coefficients, significance levels, and hypothesis testing outcomes.

Table 3: Hypothesis Testing Results

Hypothesis	Relationship	β	t-value	p-value	Support
H1a	Firm Size $\rightarrow$ Cost Leadership	0.09	1.42	0.58	Not supported
H1b	Firm Size $\rightarrow$ Differentiation	0.25	4.38	<0.001	supported
H2a	Firm Size $\rightarrow$ Political NMS	0.38	6.72	<0.001	supported
H2b	Firm Size $\rightarrow$ Social NMS	0.29	5.15	<0.001	supported

The results in Table 3 provide support for three of the four hypotheses. H1b is supported, indicating that relative firm size is positively associated with differentiation strategy ($\beta = 0.25$, $p < 0.001$). H2a is supported, confirming that relative firm size is positively associated with political non-market strategy ($\beta = 0.38$, $p < 0.001$). H2b is supported, confirming that relative firm size is positively associated with social non-market strategy ($\beta = 0.29$, $p < 0.001$). However, H1a is not supported, as the relationship between firm size and cost leadership strategy was not statistically significant ($\beta = 0.09$, $p > 0.05$). The model explains approximately 15% of the variance in differentiation strategies ($R^2 = 0.15$), 18% in political non-market strategies ($R^2 = 0.18$), and 12% in social non-market strategies ($R^2 = 0.12$). These modest effect sizes are consistent with strategic management research, suggesting that firm size is a meaningful but not sole determinant of strategic choices.

Discussion

Building upon the empirical findings, the results are interpreted in light of the theoretical framework and existing literature, explaining the theoretical and practical implications of the supported and unsupported hypotheses.

Market Strategy Hypotheses

The finding that H1a was not supported, revealing no significant relationship between firm size and cost leadership strategy ($\beta = 0.09$, $p > 0.05$), challenges conventional assumptions that larger firms inherently pursue cost leadership through economies of scale. From a configuration theory perspective, this suggests that cost leadership configurations in South Africa may be driven by factors other than firm size, such as operational efficiency, supply chain optimization, or technological innovation (Parnell *et al.*, 2024) ^[15]. This finding aligns with prior empirical evidence indicating that cost leadership may be less dependent on firm size in developing economy contexts where smaller firms can achieve cost advantages through flexibility, lower labour costs, or niche market focus (Parnell *et al.*, 2024) ^[15]. The result underscores the importance of considering contextual factors, including industry dynamics and competitive intensity, when examining strategic configurations.

The support for H1b confirms that relative firm size is positively associated with differentiation strategy ($\beta = 0.25$, $p < 0.001$). From a configuration theory lens, this indicates that larger firms are better positioned to adopt differentiation configurations, leveraging resource endowments to invest in innovation, branding, quality, and customer service (Parnell *et al.*, 2024) ^[15]. This finding is consistent with the theoretical expectation that differentiation requires significant resource commitment, which larger firms with greater financial and human capital can more readily provide. In the South African context, larger firms may pursue differentiation through local authenticity, perceived quality, or 'buy local' themes, while also benefiting from global visibility and reputation (Parnell *et al.*, 2024) ^[15]. This result reinforces the configurational logic that structural characteristics shape strategic patterns, with firm size serving as a key determinant of differentiation capability.

Non-Market Strategy Hypotheses

The support for H2a confirms that relative firm size is positively associated with political non-market strategy ($\beta = 0.38$, $p < 0.001$), providing strong empirical backing for social exchange theory's premises. From a SET perspective, this finding demonstrates that larger firms possess greater resource endowments enabling participation in political exchange relationships with government officials, including lobbying, political contributions, and consulting with former government officials (Liedong, 2022; Parnell *et al.*, 2024) ^[9, 10, 15]. The robust effect size ($\beta = 0.38$) suggests that firm size is a particularly strong predictor of political non-market strategy adoption, reflecting the resource-dependent nature of political engagement. This result is consistent with prior research indicating that small and medium enterprises lack the economies of scale and financial resources necessary to benefit fully from political non-market intervention (Parnell *et al.*, 2024) ^[15]. The finding also highlights the asymmetrical nature of political exchange relationships, where larger firms are better positioned to navigate the institutional environment.

The support for H2b confirms that relative firm size is positively associated with social non-market strategy ($\beta = 0.29$, $p < 0.001$), providing empirical validation for social exchange theory's extension to social engagement. Within the SET framework, larger firms have greater capacity to engage in reciprocal exchanges with communities and stakeholders through philanthropy, community engagement, and social initiatives (Cropanzano & Mitchell, 2005; Parnell *et al.*, 2024) ^[2, 15]. The significant positive relationship reflects that South African consumers and communities hold strong social norms favouring corporate social responsibility, and larger firms are better equipped to invest in such initiatives to generate social legitimacy and positive stakeholder perceptions (Parnell *et al.*, 2024) ^[15]. The moderate effect size ($\beta = 0.29$) suggests that while firm size is an important determinant, other factors such as industry, corporate culture, and stakeholder pressures also shape social non-market strategy adoption.

Theoretical Implications

These findings contribute to strategic management scholarship in three important ways. First, the results advance configuration theory by demonstrating that firm size is a meaningful structural determinant shaping strategic configurations, particularly differentiation and non-market strategies, while revealing that cost leadership configurations may be less dependent on firm size in the South African context (Parnell *et al.*, 2024) ^[15]. Second, the findings enrich social exchange theory by providing empirical evidence from an emerging economy context, showing that resource asymmetry between large and small firms shapes capacity for political and social exchange relationships (Cropanzano & Mitchell, 2005; Liedong, 2022) ^[2, 9, 10]. Third, the study addresses the call for more research on market and non-market strategy dynamics in sub-Saharan Africa, contributing to the growing body of literature on management and strategy in African contexts (Parnell *et al.*, 2024) ^[15].

Practical Implications

For managers, the findings offer several actionable insights. The non-significant relationship between firm size and cost leadership suggests that small and medium enterprises can compete effectively on cost without requiring large-scale operations, potentially through niche focus, operational agility, or technology adoption (Parnell *et al.*, 2024) ^[15]. However, the significant relationship between firm size and differentiation implies that larger firms should leverage their resource advantages to invest in innovation, branding, and quality enhancement. Regarding non-market strategies, managers of larger firms should recognise the value of both political and social engagement, with social non-market strategies appearing particularly relevant given South Africa's strong social norms (Parnell *et al.*, 2024) ^[15]. For smaller firms, the findings suggest that resource constraints may limit political engagement, but social initiatives scaled appropriately to firm capacity can still generate positive stakeholder perceptions (Parnell *et al.*, 2024) ^[15]. For policymakers, the results highlight the need to consider firm size when designing regulatory frameworks and business support programmes. The finding that larger firms predominantly engage in political non-market strategies raises governance concerns, suggesting that policy interventions promoting transparency and equitable political

access may be warranted (Parnell *et al.*, 2024) ^[15]. Additionally, given the positive relationship between firm size and social non-market strategies, policymakers may consider incentives encouraging social responsibility among small and medium enterprises.

Conclusion

This study examined the market and non-market strategy nexus in South African firms, specifically investigating how firm size shapes strategic choices and subsequently influences firm performance. Drawing upon configuration theory and social exchange theory, four hypotheses were developed and tested using survey data from 308 South African firms across various industries and sizes.

The findings reveal that firm size is significantly and positively associated with differentiation strategy, political non-market strategy, and social non-market strategy, providing support for H1b, H2a, and H2b respectively. However, the hypothesised positive relationship between firm size and cost leadership strategy was not supported, as H1a was rejected. These results demonstrate that larger South African firms tend to emphasise differentiation and non-market engagement, while cost leadership appears to be pursued irrespective of firm size.

Contributions to Knowledge

This study makes several theoretical contributions. First, it advances configuration theory by demonstrating that firm size serves as a meaningful structural determinant shaping strategic configurations, while revealing that cost leadership configurations are less dependent on firm size in the South African context. Second, the findings enrich social exchange theory by providing empirical evidence from an emerging economy context, confirming that resource asymmetry between large and small firms shapes capacity for political and social exchange relationships. Third, the study addresses the call for more research on market and non-market strategy dynamics in sub-Saharan Africa, contributing to the growing body of literature on management and strategy in African contexts (Parnell *et al.*, 2024) ^[15].

Limitations

Several limitations should be acknowledged. First, the cross-sectional design prevents causal inferences regarding the direction of relationships between firm size and strategic choices. Second, the reliance on self-reported perceptual measures may introduce common method bias, although procedural and statistical remedies were employed to mitigate this threat (Podsakoff *et al.*, 2012) ^[16]. Third, the study focused on South Africa, limiting generalisability to other emerging economy contexts with different institutional characteristics. Fourth, firm performance was measured subjectively, and future research may benefit from incorporating objective performance indicators.

Future Research Directions

Building on these findings, several avenues for future research emerge. First, longitudinal studies would enable examination of how strategic configurations evolve as firms grow, providing stronger evidence for causal relationships. Second, comparative studies across multiple African countries would enhance understanding of how institutional contexts moderate the firm size-strategy-performance relationship. Third, future research could investigate the

mediating role of market and non-market strategies in the firm size-performance relationship, examining whether strategic choices explain how firm size influences performance outcomes. Fourth, qualitative research could provide deeper insights into managerial decision-making processes regarding strategic configuration choices. Fifth, industry-level analysis could reveal how sector-specific dynamics influence the relationships examined in this study.

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